



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

TO: Honorable Board of Supervisors
FROM: David Boesch, County Executive Officer
By: Graham Knaus, Finance and Budget Operations Manager
DATE: June 4, 2013
SUBJECT: Adoption of the FY 2013-14 Proposed Budget

Action Requested

The Board is requested to take the following actions:

1. Adopt the FY 2013-14 Proposed Budget.
2. Adopt the FY 2013-14 Proposed Budgets for Lighting Districts, County Service Area Zones (CSAs), and Sewer Maintenance Districts governed by your Board.
3. Approve early purchase of equipment on the Master Fixed Asset List.
4. Adopt resolution approving revisions to the Budget and Financial Policy.
5. Designate unassigned carryover fund balance from FY 2012-13 to the following purposes:
 - a. General Fund reserves pursuant to Budget and Financial Policy;
 - b. Infrastructure priorities pursuant to Budget and Financial Policy;
 - c. Other one-time or Board identified priorities for FY 2013-14.

Background

Role and Purpose of the County Budget

The annual Proposed Budget represents the County's legal authority to spend, provides a guide to county programs and services for next year and sets the stage for long-term sustainability of County operations. The Budget is considered "balanced" when financing uses (expenditures) and provisions to reserves are equal to available financing (revenues, cancelled reserves, and fund balances). The Proposed Budget serves as the interim spending plan for the upcoming fiscal year until the Final Budget is adopted by the Board of Supervisors in September.

Executive Summary

The FY 2013-14 Proposed Budget is balanced and continues to provide core services to Placer County constituents and meet important obligations to the community. In addition, the Proposed Budget uses realistic and probable revenue estimates, and maintains appropriate reserves and contingencies. Unanticipated revenues received following adoption of the Proposed Budget will be brought to the Board for consideration. Known impacts from Federal and State changes are included, and will be revisited at Final Budget.

The economy continues to improve albeit at a modest pace. Property Tax, the County's largest discretionary revenue source, has begun to increase due to a welcome rise in property values. Targeted revenues in some departments are improving, primarily Public Safety and Health and Human Services. Due to the continued steady hand of the Board and the ongoing commitment of departments to deliver the most cost effective services, Placer County remains prepared and favorably positioned to respond to the slowly growing economy.

The Proposed Budget meets immediate locally-driven challenges in addition to preparing to the greatest degree possible for the years ahead. The Proposed Budget maintains operations and provides for the phased opening of the South Placer Adult Correctional Facility in 2014. Looking ahead, the County is well positioned to respond to ongoing challenges; success is tied to a continued resolve to balance long-term fiscal integrity with the strategic distribution of limited resources that address operational and service needs. This includes demands related to the South Placer Adult Correctional Facility, adapting to changing revenues and cost drivers, and leveraging resources to best meet priorities of Placer County's residents.

Accomplishments

The FY 2013-14 Proposed Budget reflects accomplishments from this past year including:

- ✓ *Focus on Priorities and Communication:* A key ingredient to establishing public and employee trust is clear communication of priorities and how the County intends to achieve them. Throughout this past year, the County has focused on the identification and communication of County priorities, fostering an open dialogue among Board members, Department Heads, county employees, and the residents and businesses the County serves. This model will continue to grow and shape our culture of engagement and innovation in the way the County does business. Paramount is the integration of accountability directly connected to priorities, transparency, and meaningful results for the community.
- ✓ *Phased Opening of South Placer Adult Correctional Facility:* Maintaining the safety of our residents is a core function of the County. With the completion of the South Placer Adult Correctional Facility, the County has a great opportunity to begin transitioning from our antiquated 1940s minimum security facility in Auburn to a more appropriate facility co-located with other criminal justice functions. The transition will also provide for an 80-bed increase in capacity to accommodate 2011 public safety realignment (known as AB 109) impacts on the inmate population.
- ✓ *Multi-year Budget Framework:* Long-term success for any public or private organization requires a keen sense of its strengths and awareness and mitigation of the risks and challenges it faces. To best identify and mitigate risks and challenges in the years ahead, the County has developed a multi-year budget framework based on County priorities that identifies policy choices for sustainability of operations. This is consistent with Board direction, aligned to County Financial Policies, and focused on delivering prioritized and stable services to the community.
- ✓ *Comprehensive Approach to Infrastructure:* Infrastructure is an integral component of maintaining sustainable service levels, supporting economic development, and meeting resident needs. It includes construction and maintenance of buildings, trails, bridges, roads, information technology, open space, sewer, water and other utilities and fire, each of which has its own considerations for planning and prioritizing projects. Over this past year, the County Executive Office has worked collaboratively with departments to develop a comprehensive approach to prioritizing infrastructure projects. This effort is nearing its final stages and will be followed by the development of a funding framework that fits

within long-term sustainability of operations. It is intended to adapt to best fit Board and community needs as new projects are identified.

County Executive Office Initiatives

- ✓ Economic Development: As the economy gradually emerges from the recession, the County is partnering with local and regional efforts to promote business investment and job growth.
- ✓ Priority Based Budgeting: A phased implementation approach focusing on increasing public communication and transparency, and prioritizing services and programs based on results and within the sustainable level of ongoing funding and resources.
- ✓ Employee Engagement: Excellent and innovative service delivery relies upon employees that are highly motivated and connected with the residents and communities we proudly serve.

Approach to the FY 2013-14 Proposed Budget

Essential to the planning and development process for the Proposed Budget has been the guidance, participation, and leadership of the Board. Staff worked within the Board-established County Financial Policies as well as guidance from the Board through February and March budget workshops. The Proposed Budget balances many competing priorities continuing to provide critical services to County residents within the available resources.

As in previous years, those charged with creating this document recognize that the County is in the business of efficiently providing high quality services to the public. Pursuant to Board direction and adherence to financially sound fiscal policies, the Proposed Budget implements effective service delivery given limited resources.

The Proposed Budget was developed within the multi-year budget framework directed by the Board at the March 12, 2013 meeting. The framework continues the path towards long term sustainability of operations, attempting to identify the most reasonable balance between County priorities and constrained available revenues.

The Proposed Budget also includes a more targeted focus on communication to County residents and businesses. There are many changes throughout the budget book to more directly communicate what the County does and the compelling public value to those served. This includes adding the Spotlight on Critical Issues that provides a brief summary of major policy and operational issues facing the County, along with other key changes that are highlighted in the Budget Overview chapter.

Attachments

Attachment 1 presents an overview of the Proposed Budget, including a description of each fund and significant changes from the prior fiscal year. **Attachment 2** includes revisions to the County Budget and Financial Policy. These revisions ensure alignment with changes in the County Budget Act, continue sound financial policies aligned to long-term sustainability of County operations, and provide clarity of the purpose and methodology of reserves.

In summary, the FY 2013-14 Proposed Budget:

- ✓ Protects core operations, services, and programs.
- ✓ Continues to fund capital infrastructure projects prioritized by the Board.
- ✓ Maintains appropriate fiscal contingency and reserve levels.

Fiscal Impact

The FY 2013-14 Proposed Budget is balanced using realistic and probable revenue and fund balance estimates while maintaining appropriate reserves and contingencies, and includes known impacts from Federal and State changes. The County Charter and the County Budget Act (Government Code Sec. 29000) directs the County Executive Officer to prepare and submit an annual Proposed Budget to your Board for approval. The Proposed Budget becomes Placer County's interim spending plan until your Board conducts public hearings and adopts the Final Budget by October 2, 2013.

Additional information about the county budget can be found at the following link:
<http://www.placer.ca.gov/Departments/CEO/LatestBudgetInformation.aspx>

Attachment 1: FY 2013-14 Proposed Budget Overview

Attachment 2: Resolution to amend Budget and Financial Policy

FY 2013-14 Proposed Budget: Overview

As displayed in Table 1, Placer County's FY 2013-14 Proposed Budget is recommended at \$690.5 million for its 14 operating and two capital and infrastructure funds. The Proposed Budget is \$39.7 million lower than FY 2012-13, a decrease of 5.4%. This decrease is largely driven by the reduction of \$45.0 million (-37.2%) in the Public Ways and Facilities Fund as a result of implementing a new budgeting approach that captures estimated budget year costs only for multi-year projects. The Operating Budget (excludes infrastructure and reserves) increases \$10.0 million (+1.9%) over FY 2012-13 primarily as a result of growth in the General Fund (+\$7.9 million or 2.2%) and the Public Safety Fund (+\$3.6 million or 2.6%). Provisions to reserves decrease by \$7.4 million as they are typically added at Final Budget after the current year is completed.

Table 1. Operating & Capital Budgets, Financing Requirements Comparison

Financing Uses & Provision for Reserves	Final Budget FY 2012-13	Proposed Budget FY 2013-14	\$ Change	% Change
Operating Budget				
General Fund (100)	\$ 364,295,280	\$ 372,232,605	\$ 7,937,325	2.2%
Housing Authority Fund (103)	2,591,722	2,348,930	(242,792)	-9.4%
Community Revitalization Fund (104)	1,336,134	477,300	(858,834)	-64.3%
Low & Moderate Income Housing Asset Fund (106)	1,715,049	2,271,605	556,556	N/A
Special Aviation Fund (107)	42,500	42,541	41	0.1%
Public Safety Fund (110)	140,881,437	144,511,158	3,629,721	2.6%
DMV Special Collections Fund (111)	1,691,763	933,399	(758,364)	-44.8%
Gold County Tourism & Promotion (115)	193,200	198,367	5,167	2.7%
Fish & Game Fund (130)	7,752	10,752	3,000	38.7%
Tahoe Tourism & Promotion (145)	6,413,069	6,091,362	(321,707)	-5.0%
Open Space Fund (150)	420,000	420,080	80	0.0%
County Library Fund (160)	6,134,274	6,083,625	(50,649)	-0.8%
Fire Control Fund (170)	3,377,464	3,455,761	78,297	2.3%
Debt Service Fund (190)	4,356,603	4,347,027	(9,576)	-0.2%
Subtotal Operating Funds	\$ 533,456,247	\$ 543,424,512	\$ 9,968,265	1.9%
Infrastructure Budget				
Capital Projects Fund (140)	\$ 66,735,979	\$ 69,427,664	\$ 2,691,685	4.0%
Public Ways & Facilities Fund (120)	120,720,650	75,785,128	(44,935,522)	-37.2%
Subtotal Infrastructure Funds	\$ 187,456,629	\$ 145,212,792	\$ (42,243,837)	-22.5%
Total Financing Uses:	\$ 720,912,876	\$ 688,637,304	\$ (32,275,572)	-4.5%
Provision to reserves	\$ 9,278,338	\$ 1,887,836	\$ (7,390,502)	-79.7%
Total Financing Requirements:	\$ 730,191,214	\$ 690,525,140	\$ (39,666,074)	-5.4%

Sources and Uses of Funds

The FY 2013-14 Proposed Budget includes the following:

- \$651.3 million in total revenues, representing a decrease of \$15.0 million (2.2%) as compared to the FY 2012-13 Final Budget. This includes \$346.2 million in *General Fund* revenues which are used to support the vast majority of county operations, \$138.0 million in *Public Safety Fund* revenues, \$75.9 million in *Road Fund* revenues, \$66.8 million in *Capital Project Fund* revenues, and \$24.4 million in other revenues. The reduction in revenues is largely a result of the change in budgeting for multi-year

infrastructure projects that are now budgeted based on estimated annual costs rather than the full project.

- \$37.3 million in fund balance carryover of which \$26.0 million is *General Fund*. Fund balance carryover is the result of current year expenditure savings, or deferral of costs or projects into the next year, as well as additional revenue received in FY 2012-13. As such, a portion of fund balance remains committed for specific purposes as costs transfer from FY 2012-13 to FY 2013-14 so is therefore not available for general purposes.
- Limited use of \$1.9 million in fund reserves, bringing the grand total for available financing sources to \$690.5 million.

Overall revenues anticipated in the Proposed Budget for FY 2013-14 highlight a gradually improving economy. They reflect a welcome change in revenue received by and available to the County when planning to provide important services to our residents.

Table 2. Year-To-Year Financing Source Comparison

Description	Final Budget FY 2012-13	Proposed Budget FY 2013-14	% Change
General Fund Revenue	\$ 339,045,353	\$ 346,232,605	2.1%
Public Safety Fund Revenue	132,331,827	138,049,959	4.3%
Road Fund Revenue	117,040,627	75,877,200	-35.2%
Other Operating Fund Revenue	26,123,852	24,361,868	-6.7%
Capital Project Fund Revenue	51,692,290	66,757,539	29.1%
Total Revenue:	666,233,949	651,279,171	-2.2%
Fund Balances & Cancelled Reserves	63,957,265	39,245,969	-38.6%
Total Financing Sources:	\$ 730,191,214	\$ 690,525,140	-5.4%

In FY 2013-14 departments submitted net budget requests totaling \$12.7 million above the recommended Proposed Budget. Department budget requests were evaluated consistent with the multi-year budget framework and drive towards long term sustainability of operations. Requests were prioritized based upon criteria including maintaining base service levels, mandated or high priority of the Board, one-time versus ongoing cost implications, and documented benefits to residents. Many requests had significant merit; however, were held for further consideration at the Final Budget to ensure FY 2013-14 and long-term alignment to a sustainable, flexible operation that can best deliver services to residents. Recommended financing uses are highlighted by fund in Table 3 on the following page.

Table 3. Year-To-Year Financing Uses Comparison

Description	Final Budget	Proposed Budget	%
	FY 2012-13	FY 2013-14	Change
General Fund Expenditures	\$ 364,295,280	\$ 372,232,605	2.2%
Public Safety Fund Expenditures	140,881,437	144,511,158	2.6%
Road Fund Expenditures	120,720,650	75,785,128	-37.2%
Other Operating Fund Expenditures	28,279,530	26,680,749	-5.7%
Capital Project Fund Expenditures	66,735,979	69,427,664	4.0%
Total Expenditures:	720,912,876	688,637,304	-4.5%
Provision to Reserves	9,278,338	1,887,836	-79.7%
Total Financing Uses:	\$ 730,191,214	\$ 690,525,140	-5.4%

County Workforce

As a service driven provider, salary and benefits costs remain the largest expenditure category in the county budget, representing \$295.8 million (42.8%) of the \$690.5 million budget. The Proposed Budget includes 2,451 funded positions, an increase of 47 over FY 2012-13. This increase is primarily due to the phased opening of the South Placer Adult Correctional Facility and State funded program changes in Health and Human Services to serve indigent and low-income residents.

The General Fund

The **General Fund** is the largest countywide fund and is a Major Governmental fund. It underwrites most countywide operations either directly as the "net county cost"¹ of **General Fund** budgets, or indirectly through contributions to other funds. The **General Fund** supports the operations of most county funds through direct contributions, which may include required state "maintenance of effort" payments for certain programs. The **General Fund** includes appropriations for general government, finance, planning and building inspection, facility services and health and human services. The **General Fund** makes contributions to other funds for public safety services, fire protection services, capital construction, road maintenance and construction, library services, and debt service.

The **General Fund** includes the following departments:

- Administrative Services
- Agricultural Commissioner
- Assessor
- Auditor Controller
- Child Support Services
- Community Development Resource Agency
- County Clerk Recorder
- County Counsel
- County Executive Office
- Facility Services
- Farm Advisor
- Health and Human Services
- Personnel
- Public Works
- Treasurer - Tax Collector

The FY 2013-14 **General Fund** is recommended at \$372.2 million, a \$7.9 million or 2.2% increase from FY 2012-13. The growth highlights the beginning of a gradual economic recovery and significant State policy changes that expand county responsibility and State funding for indigent and low income health programs. The **General Fund** also includes a higher level of discretionary revenues including Property Tax and Sales Tax to support Board prioritized services. **General Fund** financing requirements maintain essential services and programs and reflect prioritizing

¹ Net county cost is the portion of an appropriation that is funded from general-purpose revenue or available fund balance; total appropriation costs less direct fees, grants or reimbursements.

discretionary revenue to cover approximately 40% of cost increases, on average, for *General Fund* and *Public Safety Fund* departments. This approach provides limited discretionary revenue increases to departments for the first time in several years and is consistent with the multi-year budget framework.

General Fund support to public safety is maintained at approximately 47% of total discretionary revenues, resulting in a \$1.8 million increase compared to FY 2012-13. Health and Human Services caseload and program increases of \$2.1 million are funded by Federal and State revenues. Recommended one-time *General Fund* costs include funding to support the Placer County Conservation Plan (PCCP), a longstanding Board priority, State mandated costs for National-Pollution Discharge Elimination System (NPDES), replacement of the Auditor-Controller's outdated check printing system, and contract ranger support at Hidden Falls Regional Park.

Financing Requirements

	Estimated Financing Uses	Increases to Committed Fund Balance	Total Financing Requirements
General Fund	372,232,605	-	372,232,605

The *General Fund* contribution to capital projects is proposed at \$4.5 million to fund Board-prioritized capital projects as affirmed by the Board in the Capital Facilities Financing Plan. Contributions to most other funds including the *Public Ways and Facilities Fund* are nearly identical to the FY 2012-13 amounts; however the *General Fund* contribution to Public Safety departments of Sheriff, Probation, and District Attorney increases by \$1.8 million to \$74.8 million consistent with the multi-year budget framework.

General Fund contingencies² set-aside for unanticipated expenditures or revenue shortfalls are budgeted at \$5.4 million of the operating budget, which meets the County financial policy recommendation of 1.5%. 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 year³.

The County attempts to reserve approximately 5% of its *General Fund* operating expenditures for possible emergencies or economic downturns. Indeed 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 to respond to sharp changes in county revenues as has occurred over the past several years. The long term approach is outlined in the County Budget and Financial Policy enabled the metered use of reserves in FY 2008-09, FY 2009-10 and FY 2010-11 followed by additions to reserves in FY 2011-12 and FY 2012-13. The *General Fund* reserve balance is currently \$15.1 million or 4.2% of *General Fund* operating expenditures.

Moving forward, General Fund resources will require careful management to ensure alignment to county priorities, reduce reliance on carryover fund balance, and provide departments with critical support to meet county service obligations.

² Contingencies are a set-aside of funds to meet unforeseen expenditures.

³ Fiscal Year is a budgetary timeframe identifying the period for which the County's spending plan is applicable. In Placer County the fiscal year is July1 to June 30.

Available Financing

	Estimated Fund Balance June 30, 2013	Decreases to Obligated Fund Balance	Financing Sources	Total Available Financing
General Fund	26,000,000	-	346,232,605	372,232,605

General Fund revenues are projected to decrease by \$7.1 million (2.1%) from FY 2012-13. Property Tax revenue is projected to increase by \$860,872 or 1% in FY 2013-14, welcomed but modest growth as a result of increasing property values.

Carryover fund balance is anticipated due to FY 2012-13 expenditure savings and revenue received in excess of the amount budgeted. In Placer County, fund balance is carefully estimated and is an important part of planned, budgeted resources. Carryover fund balance from FY 2012-13 is anticipated at \$26.0 million or 7.0% of total financing sources, which is slightly lower than the level used in previous budgets.

The Public Safety Fund

The **Public Safety Fund** is a Major Governmental fund⁴ made up of four departments: Sheriff, District Attorney, Probation and the County Executive Office. The FY 2013-14 *Public Safety Fund* budget is recommended at \$144.5 million, an increase of \$3.6 million or 2.6% over FY 2012-13. The recommended budget provides the departments with important resources for the provision of public safety and is in balance with the revenue estimates noted below.

Revenue estimates for public safety are \$138.0 million, \$5.7 million or 4.3% higher than FY 2012-13. Included in these estimates are the following major revenues:

- \$74.8 million in *General Fund* contribution, an operational increase of \$2.9 million or 4.4% above FY 2012-13. The discretionary *General Fund* share supporting public safety has been maintained at approximately 47% of total county discretionary revenue to align to the multi-year budget framework. The *General Fund* contribution of \$6.0 million to offset State Controller’s Cost Allocation Plan (A-87) costs has decreased \$1.1 million or 14.9% from FY 2012-13 to align with the updated Cost Allocation Plan.
- \$35.9 million in public safety sales tax (Proposition 172 funding), an increase of \$2.2 million or 6.5% above FY 2012-13 reflecting a higher trend in receipts. This amount will be reevaluated in the FY 2013-14 Final Budget; and
- \$5.7 million in Public Safety Realignment (AB 109) funding, an increase of \$683,000 or 13.4%.

The *Public Safety Fund* is balanced with \$8.3 million in estimated fund balance carryover. The Proposed Budget includes the phased opening of the South Placer Adult Correctional Facility (SPACF).

The Public Ways and Facilities Fund

The **Public Ways and Facilities Fund**, commonly referred to as the Road Fund, is a Major Governmental fund maintained by the Department of Public Works, 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 1,044 miles of

⁴ These Major Governmental funds are combined with the General Fund for CAFR purposes.

roads, and accounts for road and road-related storm maintenance, including snow removal and road engineering and construction. The net budget of \$59.9 million represents a decrease of \$38.7 million (-39.2%) as compared to FY 2012-13. This difference is due in large part to the decision not to encumber costs for future projects. Doing so results in greater alignment between the budgeting approach and annual incremental costs and revenues of individual projects. The *Public Ways and Facilities Fund* is balanced with \$6,095,135 in reserves.

The Capital Projects Fund

The ***Capital Projects Fund*** is a Major Governmental fund maintained by the Facility Services Department and provides resources for the construction and remodeling of county buildings. 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. A continuing issue that confronts the County has been the critical need to plan for, replace, and maintain the County's aging facilities. To bridge the gap between funding needs and funds on hand, the County's long range financing plan assumes a combination of accumulated reserves, current funding from within county budget resources, cautious debt obligation, growth fees and other revenue. Utilization of Tobacco Securitization bond proceeds, approved by the Board of Supervisors through year 2056, will continue to support funding for infrastructure. Additionally, the Board of Supervisors authorized the formation of an infrastructure investment committee to align project priorities within available funding options from a countywide and growth perspective.

The FY 2013-14 ***Capital Projects Fund*** budget is recommended at \$69.4 million, an increase of \$2.7 million from the FY 2012-13 Final Budget. Recommended project costs are \$68.5 million, compared to the \$66.0 million in FY 2012-13. The increase in project construction costs reflects anticipated costs associated with the Auburn Animal Shelter, Tahoe justice center planning, various trail and park projects, and development of the Placer County Government Center. The *General Fund* contribution to capital projects is \$4.5 million consistent with the Capital Facilities Financing Plan (CFFP). The *Capital Projects Fund* is balanced with \$66.7 million in revenue and project reimbursements and \$2.7 million in estimated fund balance carryover.

Other County Operating Funds

The Proposed Budget includes 14 operating and two capital and infrastructure funds, the largest of which have been summarized above. Other County operating funds include the *Housing Authority Fund*; the *Community Revitalization Fund*; the *Special Aviation Fund*; the *DMV Special Collections Fund*; the *Gold Country Tourism and Promotion Fund*; the *Fish and Game Fund*; the *Lake Tahoe Tourism and Promotion Fund*; the *Open Space Fund*; the *Library Fund*; the *Fire Protection Fund*; the *Debt Service Fund*; and the *Low and Moderate Income Housing Asset Fund*. While none of these funds is as large as those previously discussed, each fund was established to keep its assets, liabilities, and revenue and expenditures separate, usually for legal or programmatic reasons.

Managed by the Health and Human Services Department, the ***Housing Authority Fund*** is a Non-Major Governmental – Special Revenue fund used to account for the Section 8 housing program. Funding provides direct and contracted social services to low income and high-risk target populations (including program effectiveness evaluation), and to provide technical assistance to subcontractors. The recommended financing requirements are \$2.3 million, including \$115,825 from fund balance. The recommended budget for this fund is \$242,792 less than FY 2012-13.

The **Community Revitalization Fund** is a Non-Major – Special Revenue fund managed by the Community Development and Resources Agency (CDRA), consists of expenditures made on behalf of several federal and local programs. These programs were previously managed by the Redevelopment Agency but were shifted to CDRA in FY 2012-13 due to the dissolution of Redevelopment Agencies under AB1X 26. These programs include the Community Development Block Grant (CDBG) General Allocation, the Economic Development Block Grant (EDBG), the HOME Investment Partnership Program, the CalHome Program, and the Neighborhood Stabilization Program (NSP). These programs primarily benefit low-income persons through housing and public improvements, housing rehabilitation, and reduction of blighted conditions. The Proposed Budget includes only those projects with approved grant revenue or other in-hand sources. Federal aid is projected to decrease by \$801,940; therefore, the recommended budget for this fund is \$858,834 less than FY 2012-13.

The **Low and Moderate Income Housing Asset Fund** is a Major Governmental fund managed by the Community Development and Resources Agency (CDRA), provides for management of loans made under the former Redevelopment Agency, prior to its dissolution under AB1X 26. Funding for loans and administration come from the Redevelopment Property Tax Trust Fund (RPTTF). The Proposed Budget includes expenditures of \$1.7 million in loans with projected receipts of \$417,032 in RPTTF funding. To balance, the Proposed Budget uses approximately \$1.4 million in fund reserves comprised of revenues received in prior years. The recommended budget for this fund is \$556,556 more than FY 2012-13, for costs related to RPTTF loans, bond principal, and interest payments.

The **Special Aviation Fund** is a Non-Major Governmental – Special Revenue fund and supports the Blue Canyon Airport via federal funding by providing for capital improvements, equipment maintenance and administrative support. The Public Works Department manages this fund and the recommended financing requirements are \$42,541, funded by a state grant (\$40,000) and fund balance (\$2,541). The recommended budget for this fund is nearly identical to FY 2012-13.

The **DMV Special Collections Fund** is a Non-Major Governmental – Special Revenue fund managed by the Sheriff's Department, supports the Fingerprint Identification and Auto Theft Task Force activities. Revenues are generated through the collection of Department Of Motor Vehicles (DMV) Licensing Fees assessed for vehicles registered in Placer County. Recommended FY 2013-14 financing requirements of \$933,399 are supported by revenue (\$762,600) and by carryover fund balance (\$170,799). The recommended budget for this fund is \$758,364 less than FY 2012-13, due to prior year use of one-time fund balance carryover to support special expenses of the Task Force.

The **Gold Country Tourism and Promotion Fund** is a Major Governmental fund⁵ managed by the County Executive Office, receives hotel-motel or transient occupancy taxes (TOT) in the unincorporated areas of the County that are west of the summit. Western slope promotional activities that encourage tourism are funded from TOT taxes. Recommended financing requirements for FY 2013-14 are \$198,367. The budget is balanced with \$185,850 in estimated revenue, and \$12,517 in carryover fund balance. The recommended budget for this fund is \$5,167 more than FY 2012-13.

The **Fish and Game Fund** is a Non-Major – Special Revenue fund managed by the Agricultural Commissioner, is used to support wildlife and fish propagation and conservation efforts. Revenues from fish and game violations have declined in prior years. Due to diminishing fund

⁵ These Major Governmental funds are combined with the General Fund for CAFR purposes.

reserves, a General Fund contribution of \$4,000 is recommended in FY 2013-14. The contribution will balance the \$10,752 in financing requirements with \$5,200 in revenues and \$1,152 in Fish and Game projected fund balance carryover. The recommended budget for this fund is \$3,000 more than FY 2012-13.

The **Lake Tahoe Tourism and Promotion Fund** is a Major Governmental fund⁵ managed by the County Executive Office, receives 60% of the hotel-motel or transient occupancy taxes (TOT) in the unincorporated areas of the County that are east of the summit. In June 2012, Measure F, the North Lake Tahoe Transient Occupancy Tax Area Initiative, was voter approved to extend the additional 2% TOT in the Lake Tahoe area until September 30, 2022. Tahoe area promotional activities that encourage tourism are funded from the TOT taxes under a contract with the North Lake Tahoe Resort Association. In 1995 the Board of Supervisors approved the formation of the North Lake Tahoe Resort Association and appointed a Board of Directors, comprised of representatives from various North Lake Tahoe tourism related industries to recommend and oversee funding for the Tahoe community. Resort Association activities include marketing and promotions, visitor services, public improvements and infrastructure projects. Recommended required financing of \$6.1 million is supported by estimated revenue (\$6.0 million) and carryover fund balance (\$91,362). The recommended budget for this fund is \$321,707 less than FY 2012-13 and will be adjusted at Final Budget based on an updated projection and final FY 2012-13 receipts.

The **Open Space Fund** is a Major Governmental fund⁵ managed by the County Executive Office, is used to account for contributions and the acquisition of open space in the County under the Placer Legacy program. The Placer Legacy program conserves the County's diversity of landscapes and natural resources. It supports the County's economic viability, provides enhancement of property values and furthers the natural resource goals of the Placer County General Plan. Recommended funding requirements of \$420,080 are supported by developer fees, a United Auburn Indian Community contribution, and other revenue. The recommended budget for this fund is nearly identical to FY 2012-13.

The **Library Fund** is Non-Major Governmental – Special Revenue fund managed by the Library Department, provides public library services that support the educational, recreational and cultural endeavors of citizens within the community. The County Library System serves all of Placer County except for the cities of Roseville and Lincoln, which have their own library systems. The most significant, immediate challenge facing the Library is continuing to provide quality services to a growing population with limited revenues and reserves. Library property tax revenue has recently begun to increase slightly since FY 2011-12, however is still estimated to be \$232,210 (6%) less than the peak of FY 2008-09. Additionally, State funding has also significantly declined since the peak period. The Library has taken actions to reduce operating costs and the County continues to study the appropriate balance of sustainable services to available revenues. Recommended financing requirements of \$6.1 million are supported by \$5.8 million of revenue and \$272,858 in reserves. The General Fund provides direct contributions for salary and benefit support of the Director of Library Services (\$198,644) and \$1.3 million for costs of centralized county services that are not charged directly (A-87). The recommended budget for this fund is \$50,649 less than FY 2012-13.

The **Fire Protection Fund** is a Non-Major Governmental – Special Revenue fund managed by the County Executive Office, provides fire protection services through a contract with the California Department of Forestry and Fire Protection (CalFIRE) and provides hazardous material response (HAZMAT) capability. Recommended financing requirements of \$3.4 million are supported by \$3.2 million in estimated revenue, and \$231,973 in carryover fund balance. In

FY 2013-14 the fund will continue to receive a contribution for fire services from the General Fund of just over \$1.0 million. Other financing sources include dedicated property tax, public safety sales tax and other miscellaneous revenue. The recommended budget for this fund is \$78,297 more than FY 2012-13.

The **Debt Service Fund** is a Non-Major Governmental – Debt Service fund and housed within the Auditor-Controller’s budget, accounts for principal, interest and fees on county debt service issued for certificates of participation (COP). The County’s current COP’s finance the juvenile hall, the Finance and Administration Center at the Placer County Government Center and the Bill Santucci Justice Center. The General Fund contributes the net cost of the County’s annual debt service to this fund, less reimbursements paid by other funds and revenue received. All of the \$4.3 million in recommended financing requirements is funded by revenues. The recommended budget for this fund is \$9,576 less than FY 2012-13.

Internal Service Funds

Placer County operates 12 internal service funds that are primarily used to provide services to other county departments. County departments are charged for services they receive. Internal service funds adjust rates as necessary to recover their costs. These funds are not intended to make a cumulative profit, nor should they indefinitely sustain operating losses. The internal service funds range in size of financing requirements from \$865,031 to \$11.3 million compared to \$1.0 million to \$12.0 million in the prior year. Internal Service Fund reserves of \$4.3 million are used to balance the Proposed Budget and recommended additions to reserves total \$550,416.

Placer County internal services funds are:

- Telecommunication Services
- Countywide Systems
- Countywide Radio Project
- Fleet
- Correctional Food Services
- Central Services
- Special District Services
- State Unemployment
- General Liability Insurance
- Workers Compensation Insurance
- Dental and Vision Insurance
- Retiree Sick Leave Benefit

Since internal service funds charge fees to county departments for services received, including these budgets with the County Proposed Budget for operating funds would result in duplication of budgetary figures. As a result, these funds are considered separately from the operating budget, and are not included in the State Controller’s Schedules. These funds are classified as Proprietary – Internal Service funds.

Enterprise Funds

Placer County will operate and manage six enterprise funds in FY 2013-14:

- Placer County Transit
- TART
- Eastern Regional Landfill
- Solid Waste Management
- Property Management (Dewitt Development)
- Placer mPower Fund

Enterprise funds typically provide utility, property management, and health services to the public and charge for the services provided. Enterprise funds are not required to recover full costs, but should remain solvent. These funds are classified as Proprietary – Enterprise funds. Placer

County enterprise funds range in size of financing requirements from \$418,261 to \$9.7 million. The total amount of recommended financing uses and reserve additions for the enterprise funds for FY 2013-14 is \$21.8 million, a decrease of \$899,768 from the prior year due to less additions to reserves and lower operational expenditures.

FY 2013-14 Proposed Budget for Special Districts

The FY 2013-14 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 192 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.

The total amount of \$33,186,557 reflects a net decrease of \$16,011,389 million from FY 2012-13. This includes various adjustments in the Lighting Districts, County Service Area Zones, and Sewer Maintenance Districts as well as \$1.9 million in provisions to reserves compared to \$3.6 million in the FY 2012-13 Final Budget. Typically there are significant adjustments between Proposed Budget and Final Budget to reflect the close of the prior fiscal year and adjustments to reserves.

Significant year over year adjustments are related to the annual budgeted activity of capital improvement projects including Sewer Maintenance District 1/ North Auburn (-\$6.4 million), and Dry Creek Park (+\$2.1 million). In addition, there is a \$5.9 million decrease due to the implementation of a revised payment approach for the treatment of facility costs of the South Placer Wastewater Authority, JPA (City of Roseville, South Placer Municipal Utility District, and Placer County).

Before the Board of Supervisors County of Placer, State of California

In the matter of:

Resol. No: _____

A resolution adopting amended Placer County
Budget and Financial Policy.

The following Resolution was duly passed by the Board of Supervisors of the County of Placer
at a regular meeting held on June 4, 2013 by the following vote on roll call:

Ayes:

Noes:

Absent:

Signed and approved by me after its passage.

Chairman, Board of Supervisors

Attest:
Clerk of said Board

WHEREAS, to promote financial stability and long-term planning, in 2003 the Board adopted the Placer County Budget and Finance Policy, Resolution No. 2003-12; and

WHEREAS, the Budget and Financial Policy was amended by Resolution No. 2011-157 to address Government Accounting Standards Board (GASB) Statement No. 54 related to new standards for reporting fund balance; and

WHEREAS, revisions to the Budget and Financial Policy are considered periodically to address changes in the County Budget Act, to ensure continued sound financial policies aligned to long-term sustainability of County operations, and to provide clarity of the purpose and methodology of reserves;

NOW, THEREFORE, BE IT RESOLVED, by the Placer County Board of Supervisors that the Placer County Budget and Financial Policy are adopted as shown in the exhibit attached hereto.



PLACER COUNTY BUDGET & FINANCIAL POLICY

1.0 PURPOSE:

To promote financial stability and long-term planning; to direct the County Executive Office in the development and management of the County Budget; and to provide a context to guide Board decisions during the budget process and throughout the fiscal year.

2.0 POLICIES:

2.1 General

2.1.1 **On or before June 30 of each year, the County Executive Office shall prepare and submit no later than June 30 of each year to the Board of Supervisors (Board) a Proposed Budget for consideration and formal adoption by the Placer County Board of Supervisors. On or before September 8 of each year, a notice shall be published in a newspaper of general circulation to announce the date on which the Board will conduct a public hearing on the recommended budget. At the conclusion of the hearing, and not later than October 2 of each year, the Board shall by resolution adopt the Final Budget. A Final Budget will be submitted for consideration and adoption by September 30th of each year.**

2.1.1.1 The Budget will incorporate direction and input from the Board of Supervisors and County departments as to County operating and capital needs and priorities.

2.1.1.2 The Budget will include **address** the financial status of the County and its key funds, including financial condition and trends, budgetary impacts, and liabilities and issues that may impact future County resources.

BUDGET AND FINANCIAL POLICY

2.1.1.3 The Budget will **be balanced and** identify expected sources of revenue and other resources, and recommended program and capital expenditure and reserve uses for the next fiscal year.

2.1.1.3.1 A balanced budget is defined as available fund balance, reductions to obligated fund balance plus financing sources (revenue) as equal to financing uses (expenditures) plus increases to obligated fund balance for the year.

2.1.1.4 The Budget will include performance information for County programs. Program performance measures will be developed and used for long term planning and decision-making, including future resource allocation and in consideration of new or increased funding requests.

2.1.2 The County Executive Office shall ~~provide periodic reviews of~~ **periodically monitor and evaluate** revenue and expenditures, identify significant variances from budget, and recommend actions to address shortfalls or unanticipated increases.

2.1.3 The County Executive Office shall prepare and/or supervise the preparation of fiscal projections, capital financing plans, costing methodologies,¹ and other studies as will provide for current and future County obligations.

2.2 Revenues

2.2.1 Ongoing costs will be funded with ongoing revenues to promote fiscal stability, predictability, **and** sustainability, and **to support** long-range planning.

2.2.1.1 New or increased, ongoing revenues will meet current obligations and reduce reliance on one-time funding and fund balance carryover.

2.2.1.2 New programs will identify an ongoing funding source(s) not already obligated for current County operations or for the future costs of current operations.

2.2.2 Budget realistic and probable revenue estimates.

¹ The Auditor-Controller prepares the annual countywide cost allocation (A-87) plan.

BUDGET AND FINANCIAL POLICY

- 2.2.2.1 Budgeted revenue will not be based on high levels of anticipated growth or be contingent upon the passage of legislation or future actions by the Board of Supervisors.
- 2.2.2.2 Revenues that are volatile and/or sensitive to changes in the economy should be conservatively estimated.
- 2.2.2.3 State revenues in the Proposed Budget will be budgeted in accordance with the Governor's January Proposed Budget for the upcoming fiscal year.
- 2.2.3 Imposing or adjusting fees or other charges will be periodically evaluated for any service provided by the County where full cost recovery—including department and County administration—is not currently achieved. Budget estimates will not include fee increases unless the Board of Supervisors has approved the increase.
- 2.2.4 County administrative (A-87) costs will be charged to non-General Fund and subvented General Fund appropriations in accordance with the annual Countywide Cost Allocation Plan.
 - ~~2.2.4.1 Funds or budgets that lack sufficient appropriations or reserves to pay A-87 charges, as identified by the Cost Allocation Plan, will prepare and submit to the County Executive Office a written plan to ensure future payment.~~
 - 2.2.4.1 Departments will include estimated A-87 costs in their requested expenditure budgets.
 - 2.2.4.2 A-87 reimbursements may be credited as general purpose General Fund revenues or applied to offset program costs as determined by the County Executive Office.
 - 2.2.4.3 Some funds may be specifically excluded from paying part or all of the A-87 as determined by the County Executive Office. **A-87 exclusions will be evaluated annually with the budget process to determine if some or all of those funds could be recouped by the General Fund.**
- 2.2.5 The County Executive Office shall solicit **input for** and consider revenue estimates from the Auditor-Controller, and other County departments as appropriate, for major tax and general-purpose revenues and for estimated carryover fund balance in preparation of the Proposed Budget.

BUDGET AND FINANCIAL POLICY

- 2.2.6 Prior to applying for and accepting Federal or State grants, departments must identify current and future fiscal implications of either accepting or rejecting the grant. Areas of note are matching fund obligations, non-supplanting requirements, required continuation of the program after grant funds are exhausted, and if the program is consistent with the County's long-term goals and objectives. Before discretionary program costs are increased, departments should include recovery of department and county administrative costs of at least ten percent of direct costs for state and federal grants.

2.3 Expenditures

- 2.3.1 Annual priority for General Fund funding will be given to capital improvements consistent with the County's Capital Facilities Financing Plan and Road Maintenance Master Plan.
- 2.3.2 Carryover fund balance will be used to fund one-time expenditures, reserves and contingencies and should not be used to finance ongoing operational costs.
- 2.3.3 New position requests will be considered through the budget process and not otherwise during the fiscal year unless urgent circumstances exist.
- 2.3.4 Partial or fully funded State and/or Federal programs, administered by the County will be implemented at the level of funding provided by the State or Federal government. County overmatches for above departments with maintenance-of-effort requirements ~~will not increase, and funding levels may be reduced or eliminated~~ will be evaluated as part of the annual budget process.
- 2.3.5 All requests for new program funding should be accompanied with clear and concise statements of the program's mission, performance objectives and intended measurable outcomes.
- 2.3.6 Efficiency and economy in the delivery of County services are top priorities; departments are expected to make productivity improvements within their service delivery areas and reduce expenditures for discretionary programs and services.
- 2.3.6.1 County departments are encouraged to consolidate programs and organizations and consider alternatives for service delivery to reduce costs and the need for increased staffing.

BUDGET AND FINANCIAL POLICY

- 2.3.6.2 In developing recommendations that may require operational reductions, departments should ensure that administrative and non-service areas have been reduced to the maximum extent possible before reducing direct services.
- 2.3.7 Automation and technology proposals must measurably demonstrate how cost savings will be achieved and/or how services will be improved, along with identifying potential sources of funding.
- 2.3.8 The County Executive Office will annually review rate changes for county internal service funds. Internal services funds are expected to make productivity improvements within their service delivery areas, reduce expenditures for discretionary programs and services, make administrative and non-service area reductions to the extent feasible, consolidate programs and organizations, and consider alternatives for service delivery before cutting direct services or proposing increased rates.
- 2.3.9 The General Fund's Appropriation for Contingencies should be budgeted at not less than 1.5% of the operating budget. Appropriations for Contingencies should be budgeted in all other funds, at not less than ½ of 1% of operating expenditures. In no event will Appropriation for Contingencies exceed the amount prescribed by law.

2.4 Capital Budgets

- 2.4.1 Capital Budgets will ~~expand to~~ include a list of capital construction and road projects with brief descriptions; estimated expenditures to-date and identify the total project costs to-date. ; ~~planned project costs for at least three future fiscal years for extended projects; length of time to project completion; and proposed funding sources including current funding available.~~
- 2.4.2 Capital projects which are not encumbered or completed during the fiscal year, or multi-year projects, will be re-budgeted or carried over to the next fiscal year. Increased project costs for rebudgeted projects must be clearly identified with Final Budget adoption.
- 2.4.3 Capital projects will not be budgeted unless there are reasonable expectations that resources will be available to pay for them and a financing plan has been developed.

BUDGET AND FINANCIAL POLICY

2.4.3.1 Where applicable, assessments, impact fees, user-based fees, and/or contributions should be used to fund capital projects. Projects benefiting other operating, internal services and enterprise funds shall be funded from those funds on a pro-rata basis.

2.4.3.2 Where alternative sources of financing are not available or sufficient for full funding, and the project is deemed critical for the provision of services or to meet mandated services levels, debt financing may be used in accordance with the County Debt Policy. Debt will not be used to finance on-going operational costs, including those incurred due to new facilities.

2.4.3.3 Planning and budgeting of projects shall include supporting documents that identify estimated ongoing savings or costs for the delivery of services, maintenance, and other operating costs.

2.4.4 Project reimbursements to the County Capital Projects Fund shall not exceed actual expenditures, plus 25% of any encumbered contract balances.

2.4.4.1 Facility Services may request advance funding for any project costing less than \$100,000 when the project has begun.

2.4.4.2 An accounting of all costs shall be made by Facility Services to the requesting department following project completion.

2.4.5 Departments will prepare replacement schedules and develop and implement financing plans for major capital equipment.

2.5 **Fund Balance Classification and Other Financial Policies**

2.5.1 The General Fund's total Committed Fund Balance for General Reserve and Committed Fund Balance for Economic Uncertainties should be accumulated over time until a minimum of 5% of the annual operating budget reserve level is achieved (calculation is appropriations less capital outlay, contributions to reserves and operating contingencies times 5% equals combined Committed Fund Balance for General Reserve and Committed Fund Balance for Economic Uncertainties).

BUDGET AND FINANCIAL POLICY

- 2.5.2 The Committed Fund Balance for **Mandated Costs** ~~Future Occurrences~~ (~~previously Designation for Future Occurrences~~) should be accumulated **over time** to a level that would provide for **anticipated increases in unfunded and mandated costs including those required for the** medically indigent and public assistance caseloads during economic downturns. ~~Reserve amounts may be adjusted periodically due to population, caseload, or funding changes~~ **A balance should be accumulated over time until 5% of mandated costs are achieved. Mandated costs are defined as medically indigent, public assistance, and other non-discretionary costs.**
- 2.5.3 The General Fund allocation to the Committed Fund Balance for Capital Asset Replacement (~~previously Designation for Fixed Asset Depreciation~~) will be equivalent to the ~~County's annual~~ equipment facility depreciation expense (~~estimated at \$1.1 million annually~~). Accumulated funds may be used in accordance with the ~~long-term County Capital~~ **Facilities** Financing Plan for facility replacement and construction **or other Board approved infrastructure plans.**
- 2.5.4 Moderate increases to Non-General Fund Committed Fund Balance for Contingencies (~~previously Designation for Contingencies~~) should be accumulated over time until a minimum 5% reserve level is achieved (**calculation is appropriations less capital outlay, contributions to reserves and operating contingencies times 5%**). Additional reserves should be assigned for equipment replacement and other identified needs. Smaller funds, or funds with uncertain or expected delays in reimbursement, may need to accumulate a larger reserve percentage for cash flow reasons.
- 2.5.5 The Accrued Loss Contingency for self-insurance funds shall be actuarially determined at least every other year. Reserves should be maintained at a confidence level of at least 80%.
- 2.5.6 Loans or transfers to or from internal services and enterprise funds shall be limited to meeting one-time funding requirements in County operating funds, and shall require repayment with interest.
- 2.5.7 Fund balances should be expended in the following order:
- 1- 2.5.7.1 Restricted Fund Balance (when applicable)
 - 2- 2.5.7.2 Assigned Fund Balance

BUDGET AND FINANCIAL POLICY

3. 2.5.7.3 Committed Fund Balance

- a. 2.5.7.3.1 Refers to amounts that can only be used for specific purposes as imposed by formal action of the Board.
- b. 2.5.7.3.2 Formal action is defined by a majority vote of the Board or an affirmative vote of four members when required by the County Budget Act.

4. 2.5.7.4 Unassigned Fund Balance (applies to the General Fund only)

