



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

**TO:** Honorable Board of Supervisors

**FROM:** David Boesch, County Executive Officer  
By Andy Heath, Deputy CEO of Finance, Administration and Budget

**DATE:** May 19, 2015

**SUBJECT:** FY 2015-16 Proposed Budget Development – Challenges and Choices

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**Action Requested**

Receive an update on the FY 2015-16 Proposed Budget development process as it relates to priority initiatives and funding requirements; and provide any necessary staff direction.

**Background**

Over the course of the last several months, staff has been engaged in developing the FY 2015-16 Proposed Budget to be considered by your Board on June 16, 2015. Reviews of budget requests submitted by departments have revealed several key areas requiring ongoing and/or one-time funding. These budget requests span an array of County priorities and initiatives for limited discretionary funding available in the General Fund.

This update is provided as a means to inform your Board of the policy and fiscal issues associated with each noted area, including funding recommendations to be presented with the Proposed Budget. In certain cases, alternative funding scenarios will be noted to obtain feedback for the FY 2015-16 Final Budget.

Budget requests included in the proposed base budget include costs associated with mandated or required services, have dedicated funding streams, or require modest increased funding. The supplemental requests selected for discussion with your Board span an array of county priorities and initiatives for limited discretionary funding and were selected for further consideration due to their scope and financial significance. Items were selected in many instances because they have high public value, but require further consideration as to their alignment with the County's core responsibilities or to the county's long-term fiscal sustainability. Other items are not direct service-related or new initiatives, but rather a cost of doing business such as succession planning, talent management, employee engagement and capital and deferred maintenance obligations, but remain important to overall county operations.

The following areas have been identified where Board discussion and direction would be advantageous:

- Capital and Deferred Maintenance Funding Sustainability
- Environmental Sustainability
- Placer County Library System Planning

- Criminal Justice Master Plan Implementation
- Placer County Fire Funding Sustainability
- Succession Planning, Talent Management and Employee Engagement

**Analysis**

The ability to fund priorities and initiatives is contingent on estimated amounts of ongoing and one-time funding available for the coming fiscal year. Funding allocated to any of these priorities and initiatives would typically be provided by reserves and/or General Fund discretionary sources. The table below identifies the supplemental requests (amounts above the base budget) being recommended to your Board with the FY 2015-16 Proposed Budget:

<b>Priority / Initiative Area</b>	<b>Amount in FY 2015-16 Proposed Budget (Balanced Budget)</b>	<b>Amount not yet built into FY 2015-16 Proposed Budget (1)</b>	<b>Total Amount Considered / Requested</b>
<i>Capital / Deferred Maintenance Funding Sustainability</i>	\$ 3,750,000	\$ -	\$ 3,750,000
<i>Environmental Sustainability</i>	\$ 871,000	\$ 1,000,000 (2)	\$ 1,871,000
<i>Placer County Library System Planning</i>	\$ 400,000	\$ -	\$ 400,000
<i>Criminal Justice Master Plan Implementation</i>	\$ 3,200,000	\$ -	\$ 3,200,000
<i>Placer County Fire Funding Sustainability</i>	\$ 100,000	\$ 1,700,000 (3)	\$ 1,700,000
<i>Succession / Talent Management and Employee Engagement</i>	\$ 1,000,000	\$ -	\$ 1,000,000
<b>Total – Priority / Initiative Areas:</b>	<b>\$ 9,071,000</b>	<b>\$ 2,700,000</b>	<b>\$ 11,771,000</b>

(1) Amounts not yet built into FY 2015-16 Proposed Budget require further analysis / discussion and will be considered with submission of the recommended FY 2015-16 Final Budget in September 2015.

(2) A \$1 million supplemental budget request was submitted for funding allocation towards purchase of open space.

(3) Upon County request Cal-Fire identified service reductions necessary to close the gap as delineated below:

- Closing the North Auburn Ophir Fire Station (Station 182) - \$846,000
- Elimination of the Seasonal brush truck (Brush 77) - \$250,000
- Eliminating 4 Fire Fighter positions at the Sunset Station (Station 77) - \$252,000
- Eliminating 3 additional personnel - \$350,000

Approximately \$11.3 million of one-time funding will be recommended to your Board in the FY 2015-16 Proposed Budget - \$9.1 million of which is requested for priorities and initiatives noted above. Recommended supplemental proposals will be funded with carryover fund balance. Additionally, up to \$2.7 million in supplemental requests not included in the Proposed Budget will be considered in the development of the FY 2015-16 Final Budget, contingent upon available funding which may include a second-year State distribution of approximately \$7 million related to prior year unpaid SB90 mandates.

Staff will present an overview of each noted priority and initiative area in a presentation to your Board on May 19, 2015. A synopsis for each noted area is included with this memorandum. Each synopsis includes the following elements:

- Policy issue(s) driving the need to highlight the priority / initiative;
- Background identifying key attributes of priority / initiative;
- Current and future fiscal issues related to the priority / initiative;
- Potential risks / consequences of funding instability to priority / initiative; and
- FY 2015-16 Proposed Budget recommendation and alternatives for consideration

#### **Fiscal Impact**

Fiscal impacts related to funding noted priorities and initiatives and any further direction received will be addressed in the recommended FY 2015-16 Proposed and Final Budgets.

Attachments: Synopsis (6) for each noted priority / initiative area

**FY 2015-16 Proposed Budget Development – Challenges and Choices**

**May 19, 2015**

**Capital and Deferred Maintenance Funding Sustainability**

**Policy Issues**

- Annual discretionary funding sources for capital, roads and recurring maintenance currently guided by Budget and Financial Policy.
  - o Recent funding levels at \$4.5 million for capital and \$3.8 million for roads.
  - o Property tax in-lieu funds at \$4.1 million typically provided for capital-related purposes.
  - o Amounts provided for recurring maintenance generally limited to project needs.
- Dedicated funding from Capital Facilities Impact Fees per the Public Facilities Fee Ordinance.

**Background**

Budget and Financial Policy includes a provision whereby annual priority for General Fund funding will be given to capital improvements consistent with the County's Capital Facilities Financing Plan (CFFP) and Road Maintenance Master Plan (Section 2.3.1). General Fund funding towards capital projects and roads is provided in addition to amounts collected via the Capital Facilities Impact Fee and other project-specific dedicated funding sources (i.e. grants / fees). The CFFP, adopted by the Board of Supervisors in 2006, identified anticipated capital needs through FY 2020-21. Annual contributions to the CFFP from the General Fund have varied over time depending on economic conditions. During the economic recession, capital funding was pared back and only as-needed funding was provided for maintenance of buildings and trails. Over time, these deferrals have resulted in much needed repairs and investments to facilities, roads and trails.

**Fiscal Issues**

- One-time funding currently available for capital projects
  - o Capital Facilities Impact Fees - \$20 million (amounts of annual funding dependent on development activity); Capital reserves (Capital Project Trust and General Fund) - \$47 million
- Annual funding for deferred maintenance is limited
  - o Board-approved funding for FY 2014-15 was \$1.25 million for roads and trails
  - o Funding recommended in FY 2015-16 Proposed Budget is \$3.75 million (facilities, roads and trails)

**Risks / Consequences**

- Failure to set aside adequate funding for capital, maintenance and replacement could lead to diminished ability to afford key capital projects and increased liability.
- Maintaining an accurate and flexible capital and related funding plan is crucial in delivering of needed projects and a cost-effective approach to deferred maintenance.

**FY 2015-16 Proposed Budget Recommendation / Alternatives**

- Proposed Budget recommends continuation of existing General Fund funding in the amount of \$8.3 million (\$4.5 million capital, \$3.8 million roads) and an additional \$3.75 million in General Fund funding for deferred facilities (\$2.5 million), roads (\$1.0 million) and trail (\$250,000) maintenance.
- Capital Facilities Financing Plan may require updating consistent with Multi-Year Capital Plan.
- Confirm priority projects with the flexibility to fold in new priority projects identified through facility master planning efforts, economic development opportunities, maintenance of existing service levels, and ongoing maintenance to preserve investments.

**FY 2015-16 Proposed Budget Development – Challenges and Choices**

**May 19, 2015**

**Environmental Sustainability**

**Policy Issues**

- The Placer County Conservation Plan (PCCP) is expected to transition to an implementation phase.
- Placer Legacy, a program that implements the open space and conservation element goals of the County General Plan, is a non-regulatory program that emphasizes conservation for the enhancement of the agricultural economy, biological resources, scenic / historic resources, urban separators, public safety, and outdoor recreation.

**Background**

The PCCP and Placer Legacy help to assure immediate and long-term open space and conservation goals are achieved while integrating an efficient conservation strategy into the rapidly expanding development arena.

**Fiscal Issues**

- The FY 2015-16 Proposed Budget includes funding towards finalization of the PCCP planning document and ongoing costs related to creating and filling a new PCCP Program Administrator position.
- Once the PCCP planning document is finalized, a Joint Powers Authority will be created to manage all aspects of program administration – annual operating expenses are anticipated to be \$4.3 million during plan implementation and \$3 million for in-perpetuity stewardship costs. In-lieu fees, dedications of land, and state / federal revenue sources will offset ongoing costs.
- Since inception in 2000, Placer Legacy has been funded by a combination of periodic General Fund contributions, grants and gifts.

**Risks / Consequences**

- Lack of a progress whereby General Plan conservation goals and anticipated development are efficiently and collectively achieved may pose significant delays to development in general, leading to lost economic opportunity for the County.
- Securing open space in perpetuity helps to solidify conservation elements of the County General Plan.

**FY 2015-16 Proposed Budget Recommendation / Alternatives**

- FY 2015-16 Proposed Budget recommends \$871,000 for PCCP-related elements; including, a PCCP Program Administrator, completion of the Final EIR/EIS, and finalization of the PCCP document.
- Although discretionary funding towards Placer Legacy has not been included with the FY 2015-16 Proposed Budget, it is anticipated that funding will be considered with the recommended Final Budget (note - \$1 million was submitted as a FY 2015-16 Proposed Budget supplemental request).

**FY 2015-16 Proposed Budget Development – Challenges and Choices**

**May 19, 2015**

**Placer County Library System Planning**

**Policy Issues**

- The Library Strategic Plan, approved by the Board of Supervisors on December 10, 2013 includes three initiatives: (1) Reverse erosion in services; (2) Modernize operations; and (3) Achieve fiscal sustainability.
- Ability to achieve Library Strategic Plan stated objectives is impacted by a structural budget deficit which is not correctable within the current fiscal model – modest increases in a primary revenue source (property tax) is being outpaced by increasing cost drivers.
- Cost savings measures implemented over the last several years have restricted operations, hampered opportunities for program development, and resulted in a gradual erosion of library services.

**Background**

The Placer County Library system includes eleven library facilities spread throughout the County, each of which was originally put in place to serve single communities who have expressed a strong attachment to the facilities in their locale. Through technology, individual libraries are more interconnected in their service delivery. To address the expectations of today's library customers, more modernized and efficient services are necessary.

**Fiscal Issues**

- The Placer County Library system budget deficit ranges from \$200,000 to \$400,000 annually.
- The FY 2015-16 Proposed Budget for the County Library Fund is \$6.2 million. Total anticipated revenues are \$5.9 million, 73% of which come from dedicated Library property taxes.
- A General Fund contribution to the Library is budgeted annually and includes funding for all but \$100,000 of A-87 indirect costs (which fluctuate from year-to-year) and salary and benefit costs for the County Librarian (total of \$791,000 budgeted for FY 2015-16).
- County Library Fund reserves are currently at \$450,000 (not including any Carryover Fund Balance resulting from FY 2014-15).

**Risks / Consequences**

- Adherence to current operating model will lead to continued reductions in services as costs outpace revenues, increasingly outdated materials and more facilities in need of repair. As a result, the Library system may become less relevant to County residents.
- Modernizing and restructuring the Library system's service delivery model within existing funding sources may result in increased focus on fewer facilities and priority programs within the Library System. As a result, accessibility to library services would be maintained or improved for portions of the Library system.
- Restructuring the Library system may lead to expanded programs, improved services accessibility, and updated materials, technology and resources.

**FY 2015-16 Proposed Budget Recommendation / Alternatives**

- FY 2015-16 Proposed Budget recommends \$400,000 in additional General Fund discretionary revenue support - \$190,000 to replenish library materials and E-resources; \$10,000 to study automated materials handling; and \$200,000 to partially bridge the anticipated FY 2015-16 annual budget shortfall.
- Loomis to remain open through December in anticipation of Town proposal; Meadow Vista to remain open into November before winter weather.
- Staff will continue to explore restructuring and modernization opportunities as a means to bring forward recommendations for implementation of Strategic Plan initiatives in January 2016.

**FY 2015-16 Proposed Budget Development – Challenges and Choices**

**May 19, 2015**

**Criminal Justice Master Plan Implementation**

**Policy Issues**

- The majority of budget requests made within the Public Safety Fund implement the recommendations from the Criminal Justice Master Plan presented to the Board of Supervisors on February 24, 2015.
- The Criminal Justice Master Plan presented recommendations to be implemented across a multi-year framework beginning in FY 2015-16.
- Criminal Justice Master Plan key areas including enhancement of in-custody and out-of-custody treatment and programming, increased jail capacity, and enhanced community supervision.

**Background**

After the implementation of AB109 in 2011, counties experienced increased demand on their jail bed capacity – primarily due to housing individuals for longer periods of time. Following initial implementation of AB109, several other legislative measures significantly impacting State criminal justice systems have gone into effect. In November 2014, California voters approved Proposition 47, which reclassified many lower level drug and property crimes. Also, in January 2015, a presumption for split sentencing went into effect. These recent legislative measures have created a rapidly-changing environment for the criminal justice system in Placer County.

**Fiscal Issues**

- Public Safety departments submitted requests totaling approximately \$3.2 million:
  - o Probation: 5.0 FTE Deputy Probation Officers (\$480,000); Sacramento County Office of Education (SCOE) Offender Services contract (\$980,000)
  - o Sheriff: 25.0 FTE to expand South Placer Adult Correctional Facility (SPACF) jail capacity (\$1.7 million for FY 2015-16; \$3.0+ million ongoing beginning FY 2016-17), allowing for the integration of in-custody treatment and programming (Program Beds).

**Risks / Consequences**

- Investment in Criminal Justice Master Plan implementation efforts poses increased pressure on the General Fund in the short-run (more than 50% of Public Safety Fund support comes from the General Fund).
- Not properly implementing AB109 may result in lost grant funding and / or AB109 revenue.

**FY 2015-16 Proposed Budget Recommendation / Alternatives**

- Proposed Budget recommends implementation of \$3.2 million in Criminal Justice Master Plan recommendations as a “phase-in”.
- Using a phasing-in approach provides an opportunity to develop data collection efforts informing future decisions regarding implementation of other Criminal Justice Master Plan recommendations.

**FY 2015-16 Proposed Budget Development – Challenges and Choices**

**May 19, 2015**

**Placer County Fire Funding Sustainability**

**Policy Issues**

- Fire service is a non-mandated County service.
- County Fire Control Fund currently receives a \$1.098 million contribution from the General Fund used to fund a portion of the contract with CalFire and ongoing capital replacement needs.
- County Service Area Zones of Benefit are considered independent and do not currently receive funding support from the County's General Fund, Fire Control Fund, or other County operating funds.

**Background**

The Placer County Fire System is comprised of a Fire Control Fund and seven (7) independent Zones of Benefit. Zones of Benefit are intended to be self-funded through a combination of dedicated property taxes and direct charges. Structural funding deficits in certain zones of benefit coupled with significant increases in CalFire contract costs are creating an unsustainable funding model which many look to the County to remedy.

**Fiscal Issues**

- CalFire contract increases of \$1.7 million or 21% from FY 2014-15 to FY 2015-16.
- Annual cost increases are anticipated to be 3% - 7% over the next three years.
- Revenue increases are anticipated to be between 7% and 22%, depending on zone.
- Without additional resources and/or service level adjustments, reductions or use of reserves are needed to balance the FY 2015-16 Proposed Fire System budget.

**Risks / Consequences**

- Depletion of reserves could lead to inability to fund future operations and capital / equipment replacement.
- Potential health and safety impacts resulting from reduced service levels - heightened during existing drought conditions.
- Increased insurance rates for homeowners resulting from potential reduced service level.
- Increased reliance on mutual aid and impacts to surrounding jurisdictions.

**FY 2015-16 Proposed Budget Recommendation / Alternatives**

- Proposed Budget recommends reductions in service impacting Ophir Station, several positions system-wide, and seasonal Brush Truck operations. Reductions total \$1.7 million in annual ongoing costs.
- Proposed Budget recommends \$100,000 for development of a countywide fire services consolidation and alternative financing study.
- Alternative recommendation which may be considered with Final Budget includes continued operations at the Ophir Station and maintaining seasonal brush truck operations for six months as drought conditions persist and to allow time for development of long-term solutions (additional \$673,000).
- Alternative funding sources include Fire Control Fund reserves (currently \$3.1 million and typically used for capital replacement), Zones of Benefit fund reserves, and / or General Fund discretionary funding.

**Policy Issues**

- The County is committed to providing a continuous level of professional staffing to meet anticipated County service demands in the wake of an aging workforce and significant levels of retirements.
- The County is committed to promoting employee engagement leading to a highly motivated and productive workforce.

**Background**

At the present time, 41% of the County workforce is 50 years or older and 34% of the total workforce is eligible to retire (50 years old with 5 years of County service). Almost one-half of all County management / confidential employees are eligible to retire. To assure the County continues to provide a high level of service to the community, focus has been placed on Employee Engagement, Succession Planning and Talent Management efforts. These initiatives support a high-performing workforce with a customer focus and commitment to continuous improvement. With such a large upcoming shift in workforce composition, human resource management must continue to evolve to support the County's commitment and vision.

**Fiscal Issues**

- Continued funding support to employee and organizational development and training programs.
- Enhancements to current systems and training to promote goal setting and talent management through implementation of PeopleSoft e-Performance module.
- Creation of new funding source for succession management program.
- Continue funding towards integration of internal communications by developing the employee portal, social media and other opportunities to inform, interact and involve employees.

**Risks / Consequences**

Placer County strives to be the "Employer of Choice". Absent clear goals and directives promoting succession / talent management and employee engagement, County may experience:

- Loss of institutional knowledge due to mass retirements.
- Lack of County workforce embodiment of clear goals and objectives guiding their efforts.
- Diminished employee productivity and engagement due to lack of growth opportunities.

**FY 2015-16 Proposed Budget Recommendation / Alternatives**

- FY 2015-16 Proposed Budget recommends continued funding towards the Organizational Development Program, including employee training opportunities and consideration of a new "Leadership Academy".
- FY 2015-16 Proposed Budget recommends a new augmentation of \$1 million towards a "Succession Management" Program, allowing for the over-filling of key positions to provide critical organizational knowledge transfer while promoting smooth, efficient transitions as key employees retire.

