



**MEMORANDUM
COUNTY EXECUTIVE OFFICE
ADMINISTRATION**
County of Placer

TO: Honorable Board of Supervisors
FROM: David Boesch, County Executive Officer
By: Andy Heath, Assistant County Executive Officer
DATE: May 3, 2016
SUBJECT: FY 2016-17 Proposed Budget Development – Challenges & Choices

ACTION REQUESTED

Receive an update on the FY 2016-17 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 2016-17 Proposed Budget to be considered by your Board on June 7, 2016. Reviews of budget requests submitted by departments have revealed several key areas requiring ongoing and/or one-time funding. This finding is consistent with the information presented by the departments at the Board Priorities Workshop held on January 26, 2016 and dates back to the FY 2015-16 Challenges and Choices board workshop with carryover themes. The 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, funding scenarios will be noted to obtain feedback for the FY 2016-17 Final Budget, including feedback to guide an update to the Capital Facilities Financing Plan as part of the Multi-Year Capital Plan. This update is not all-inclusive of department budget requests and reflects only the items selected for further Board discussion and consideration due to their scope and financial significance.

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. 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.

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

- Capital Facilities Financing Plan / Infrastructure Development
- Environmental Sustainability
- Medical Marijuana
- Library System Planning

- Criminal Justice Master Plan Implementation
- Public Safety Support
- Homelessness
- Fire Funding Sustainability
- Financial System Replacement
- Post-Employment Liabilities

ANALYSIS

Priority / Initiative Area	Amount in FY 2015-16 Final Budget (Balanced Budget)	Amount in FY 2016-17 Proposed Budget (Balanced Budget)	Amount not yet built into FY 2016-17 Proposed Budget (1)	Total Amount To Be Considered
<i>Capital Facilities Financing Plan - Infrastructure Development</i>	\$13,050,000	\$8,300,000	\$4,400,000	\$12,700,000 (2)
<i>Environmental Sustainability</i>	\$1,000,000	\$ -	\$1,925,000	\$1,925,000
<i>Medical Marijuana</i>	\$ -	\$ -	\$1,178,000	\$1,178,000
<i>Placer County Library System Planning</i>	\$400,000	\$275,000	\$413,000	\$688,000
<i>Criminal Justice Master Plan Implementation</i>	\$1,477,447	\$2,300,000	\$2,100,000	\$4,400,000
<i>Public Safety Support</i>	\$ -	\$4,200,000 (3)	\$ -	\$4,200,000
<i>Placer County Fire Funding Sustainability</i>	\$1,098,000	\$1,098,000	\$ -	\$ -
<i>Homelessness / Affordable Housing</i>	\$82,660	\$ -	\$1,200,000	\$1,200,000
<i>Financial System Replacement</i>	\$750,000	\$750,000 (4)	\$ -	\$750,000
<i>Post-Employment Liabilities</i>	\$5,800,000	\$ -	\$ -	\$ - (5)
Total – Priority / Initiative Areas:	\$23,658,107	\$16,923,000	\$11,216,000	\$27,041,000

(1) Amounts not yet built into the FY 2016-17 Proposed Budget require further analysis / discussion. In the event these amounts are not included with the FY 2016-17 Proposed Budget, they will be considered with submission of the FY 2016-17 Final Budget in September 2016.

(2) Does not include amounts for projects which may be prioritized and / or debt service requirements to the extent certain projects are financed.

(3) Approximately \$3.1 million for CMS/RMS/CAD replacement is funded from Public Safety Fund Reserves.

(4) Multiple funds contribute to the Financial System Replacement Project (not just General Fund).

(5) Unfunded portion of liabilities = \$116 million for OPEB / \$430 million for CalPERS Retirement.

Approximately \$17.3 million of funding towards one-time and other supplemental requests will be recommended to your Board with the FY 2016-17 Proposed Budget - \$15.8 million of which are requested for priorities and initiatives noted above. These recommended one-time allocations and supplemental proposals will be funded with budgetary resources available after considering carryover fund balances and changes in overall revenues and expenditures. At this time, a conservatively estimated \$1.6 million remains for currently unfunded supplemental requests. It should be mentioned that these recommendations also include the cancellation of \$3.1 million in Public Safety Fund Reserves.

Additionally, up to \$10.0 million in supplemental requests not included in the Proposed Budget will be considered in the development of the FY 2016-17 Final Budget, contingent upon available funding, further direction the Board on priorities, and final year-end carryover fund balance numbers.

As part of this board item, staff will present an overview of the noted priority and initiative areas in the presentation to your Board on May 3, 2016. A summary of each noted area is included with this memorandum. Each summary 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 2016-17 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 2016-17 Proposed and Final Budgets.

ATTACHMENTS

Summaries (10) for each noted priority / initiative area.

FY 2016-17 Proposed Budget Development – Challenges and Choices
May 3, 2016
LAND USE SUPPORT SYSTEM
Capital Facilities Financing Plan / Infrastructure Development

Policy Issues

- Annual discretionary funding sources for capital, roads and major maintenance are currently guided by Budget and Financial Policy.
 - o Funding levels are most recently held at \$4.5 million annually for capital facilities and \$3.8 million annually for road maintenance.
- Dedicated funding from Capital Facilities Impact Fees is per the Public Facilities Fee Ordinance and is tied to development and service demand growth.
- Update of the Capital Facilities Financing Plan (CFFP) is underway to provide funding and financing options for board priority projects.

Background

Budget and Financial Policy includes a provision whereby annual priority for General Fund funding will be given to capital improvements. General Fund funding towards capital projects and road maintenance is provided in addition to the 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 and was last updated in July 2011. The next update of the CFFP, anticipated with the FY 2016-17 budget cycle, will assist in guiding the timing of project execution and funding and financing options for an array of requested capital projects not previously known at the original adoption of the plan in 2006. These projects may include backbone infrastructure costs related to supporting development opportunities, which were previously not part of the CFFP. As the next CFFP update continues to take shape, preliminary cost estimates are available for some of the potential capital and infrastructure costs, listed below:

- Placer County Government Center Master Plan Update and Implementation - \$22.7 million
- Regional Crime Lab Construction \$37.8 million
- Sheriff Coroner Facility Construction - \$26.5 million
- Health and Human Services Office Building Planning and Construction - \$75.8 million
- Tahoe Justice Center Construction - \$52.3 million
- County Administrative Center Construction - \$50.0 million
- SPACF Acute Mental Health Housing Unit Construction - \$3.5 million
- Elections Warehouse & Training Facility Construction - \$6.2 million
- Sunset Area / Placer Ranch Entitlements - \$2.7 million
- Tahoe Area Tourist Accommodation Unit Purchases - \$2.5 million
- Ongoing Annual Capital Contribution for Misc. Projects - \$4.5 million

Total:

\$285 million

Fiscal Issues

- One-time funding currently available for capital projects
 - o Capital Facilities Impact Fees - \$21.4 million (amounts of annual funding dependent on development activity; Capital reserves (Capital Project Trust and General Fund) - \$55.5 million)

- Updating the CFFP includes recommending financing options to include debt issuance in order to invest in capital facility projects that are beyond the ability of existing funding mechanisms and to provide funding for backbone infrastructure that could be used as leverage.
- The potential construction of new capital projects will include an analysis of ongoing operational cost increases to provide a comprehensive financial recommendation before proceeding.

Risks / Consequences

- Failure to set aside adequate funding for capital and road maintenance could lead to diminished ability to afford key capital projects and increased liability related to erosion of existing facilities, ultimately increasing costs long-term.
- Maintaining an accurate and flexible capital funding plan is crucial in delivering needed projects and selecting wise investments where debt is concerned.

FY 2016-17 Proposed Budget Recommendation / Alternatives

- Proposed Budget recommends continuation of the existing General Fund funding in the amount of \$8.3 million (\$4.5 million capital, \$3.8 million roads). Last year, and again requested by the departments but not recommended to continue for FY 2016-17, included additional funding of \$3.6 million for catch-up on previously deferred building maintenance (\$2.5 million), road maintenance (\$1.0 million), and trail maintenance (\$250,000).
- The update of the Capital Facilities Financing Plan will further inform how capital funding sources can be leveraged against Board priorities for capital projects, which may include expenditures starting in FY 2016-17 and beyond.
- Potential direction on which projects are the priorities with the flexibility to fold in new priority projects identified through master planning efforts, economic development opportunities, regulation, maintenance of existing services levels and ongoing preservation of investment choices after they occur.
- Incorporation of the leveraging opportunities derived from the Infrastructure Financing District, and designating RPTTF (Redevelopment Property Tax Trust Fund – estimated to be \$1.5 million annually) specifically to fund backbone infrastructure, such as in the Sunset Area, would adjust the current FY 2016-17 Proposed Budget.

FY 2016-17 Proposed Budget Development – Challenges and Choices
May 3, 2016
LAND USE SUPPORT SYSTEM
Environmental Sustainability

Policy Issues

- The Placer County Conservation Plan (PCCP) development is in the final approval stages. There is an opportunity to acquire rare conservation credits today that will be required when the PCCP transitions to implementation.
- Several properties have been identified in recent months that could be preserved under the Placer Legacy program, furthering land conservation goals of the General Plan.

Background

- The PCCP is intended to streamline the environmental review and permitting process by integrating compliance with both federal and state law.
- Placer Legacy is a voluntary program that emphasizes conservation for the enhancement of the agricultural economy, biological resources, scenic and historic resources, urban-rural buffers, public safety, and outdoor recreation.
- While separate programs, properties acquired under Placer Legacy may also achieve PCCP objectives.

Fiscal Issues

- Discretionary funding is not included in the FY 2016-17 Proposed Budget for PCCP and Placer Legacy.
- The County has been awarded Section 6 grant funds towards the PCCP in prior years. Grant funding is not guaranteed and is not assumed in the Proposed Budget.
- Placer Legacy has been funded by a combination of periodic General Fund contributions, grants, and gifts. FY 2015-16 General Fund contribution was \$1 million.

Risks / Consequences

- Should the County purchase credits before approval of the PCCP, and the plan is not implemented, the County may be at risk of acquiring conservation credits. This risk is mitigated by the ability to resell or exchange credits.
- Lesser contributions to Placer Legacy limits the quantity and size of properties that can be acquired to meet the conservation objectives of the General Plan.

FY 2016-17 Proposed Budget Recommendation / Alternatives

- Approve one-time costs for consultant contracts in the amount of \$755,000 and conservation credits in the amount of \$170,000, for a total of \$925,000. No additional on-going costs are proposed.
- At Final Budget, consider a General Fund contribution in an additional amount as / if funding is available of the requested \$1 million towards the Open Space Fund for property acquisitions under the Placer Legacy program.

May 3, 2016

LAND USE SUPPORT SYSTEM

Agriculture – Medical Marijuana

Policy Issues

- Staff are developing options for a comprehensive regulatory framework regarding Medical Marijuana
- Public outreach and feedback are still being solicited on regulation approaches – two town hall meetings, MAC and Agricultural Commission presentations are complete. Continued outreach being conducted with City Chambers and Councils
- Regardless of whether commercial medical marijuana (indoor/outdoor cultivation above 100 square feet, distribution centers, dispensaries) are banned or allowed and regulated, county enforcement costs for countywide services (Public Health, Agricultural Commissioner, Environmental Health, and Public Safety) will likely require augmentation for effective implementation
- November 2016 Ballot – Current polling suggests 55% support for Adult Use of Marijuana Act (AUMA) which would legalize recreational use of marijuana, underscoring the importance of clarifying land use policies and enforcement capacity.

Background

- Following the 1996 passage of Proposition 215, local governments faced uncertainties with implementation and regulation related to the legal and illegal use of medical marijuana. Issues have arisen regarding land use, zoning, environmental impacts, and public safety. The 2015 passage of the Medical Marijuana Regulation and Safety Act (MMRSA) established a statewide regulatory framework regulating medical marijuana cultivation, manufacture, distribution and sales. Local governments retain explicit authority to enact zoning regulations, impose local taxes and apply other restrictions to the cultivation, transportation and distribution of medical marijuana.

Fiscal Issues

- Effective implementation of a local ordinance will require adequate resources regardless of whether commercial production is allowed. The costs are unknown at this time, but anticipated to range between \$1-2M.
- Revenue to offset costs could occur through the development of fees or local taxes if permissive regulation is established, otherwise, enforcement costs would come from discretionary General Fund revenue.

Risks / Consequences

- Revenue neutral / cost recovery.
- Impact on General Fund ongoing sources.

FY 2016-17 Proposed Budget Recommendation / Alternatives

- To be determined pursuant to Board direction.

May 3, 2016

COMMUNITY AND CULTURAL SYSTEM

Library System Planning

Policy Issues

- The Library Strategic Plan, approved by the Board on December 10, 2013, includes three initiatives: (1) Reverse erosion in services; (2) Modernize operations; and (3) Build capacity for the future.
- Ability to achieve Strategic Plan objectives and fiscal sustainability is impeded by a structural budget deficit which is not correctable within the current County Library fiscal model – for example in western County, modest increases in the primary revenue source (property tax) is outpaced by cost drivers.
- Necessary cost savings measures over the past several years have impeded progress on Strategic Plan initiatives.

Background

The Placer County Library system includes eleven library facilities distributed across the County, each of which was originally put in place to serve a single community. Technology now allows libraries to be more interconnected in their service delivery. Today's library customers expect more modernized and efficient services.

Fiscal Issues

- The FY 2016-17 Proposed Budget is \$6.8 million, supported by revenues of \$6.4 million and carryover fund balance of approximately \$400,000. The FY 2015-16 carryover results from one-time vacancy savings.
- Dedicated Library property taxes are 70% of total revenue; projected to increase 3% annually, but outpaced by operational costs.
- A General Fund contribution has historically funded all but \$100,000 of A-87 indirect costs (which fluctuate annually) and the County Librarian salary and benefit costs.
- County Library Fund reserves are currently \$450,122 for Contingencies and \$258,122 for Capital Assets which is dedicated to improve technology.

Risks / Consequences

- Current fiscal model results in continued status quo services within funding restrictions, as opposed to implementation of Library Strategic Plan.
- Modernizing Library services and restructuring the service delivery model above the status quo and within existing funding resources will result in a reduction of public service hours and programming County-wide; and may result in fewer library branch facilities and a prioritization of programs across the County Library system.

FY 2016-17 Proposed Budget Recommendation / Alternatives

- FY 2016-17 Proposed Budget recommends a permanent General Fund increase of \$275,000 in order to replace outdated materials (\$175,000) and to fully fund A-87 indirect service costs (\$100,000), which are not controllable by the County Library.
- Loomis and Meadow Vista branch library closures will be recommended with the Proposed Budget. The fiscal impact is negligible as existing system-wide resources will be reassigned within the County Library service delivery model.

May 3, 2016

PUBLIC PROTECTION SUPPORT SYSTEM

Criminal Justice Master Plan

Policy Issues

- Funding requests would continue to implement recommendations outlined in the Criminal Justice Master Plan -
 - o A forensic crime laboratory to improve the timely and effective prosecution of crimes; this is supported by the recent feasibility study concluding the need for construction of a Crime Lab and replacement Coroner's Facility in Placer County;
 - o Expanding the operational capacity of the South Placer Adult Correctional Facility to enable utilization of additional bed space and allow for bookings at that location;
 - o Timely access to mental health services in order for offenders to both meet the terms of their sentence and benefit from treatment.

Background

The District Attorney's Office prosecutes all serious and violent crimes that occur in Placer County. Successful prosecutions depend on timely receipt of drug analysis and DNA results. The District Attorney's Office contracts with the Department of Justice (DOJ) to process forensic evidence; however, DOJ processing times range from nine to twelve months. In FY 2015-16, one-third of approximately 70,000 court appearances by DA staff were due to continuances, impacting all components of the criminal justice system. The Coroner operates in a facility constructed in the 1940's that is inadequate for modern, medicolegal death investigations. Co-locating the facilities enables the sharing of common spaces and the opportunity for future modernizations to occur in parallel. Both facilities hold the potential for partnerships and opportunities for university research programs.

A booking station at the South Placer Adult Correctional Facility will coincide with the opening of a new arraignment court. This will increase system efficiencies, and coincides with opening the remaining 180 jail beds approved by the Board with the FY 2015-16 Budget. The transitional plan for the Auburn and South Placer jails calls for converting 138 traditional beds to program beds, while reducing traditional beds among the two facilities from 732 to 698.

The \$9.5 million conditional award from the California Board of State and Community Corrections will fund additional mental health treatment space at the South Placer Adult Correctional Facility. This facility will add 45 acute mental health beds and will be staffed with existing Sheriff's Office personnel who will transition from the Auburn Jail.

Fiscal Issues

- Crime Lab
 - o \$37.8M construction costs
 - o \$2M first year staffing costs; \$4.2M annually at full build-out in 2035.
- SPACF
 - o Phased opening of 180 beds, and 30 positions to complete second phase
 - o Booking Station - \$2.3M year one operating costs

- Coroner's Facility
 - o \$26.5M construction costs
 - o First year staffing to remain status quo; \$1.3M annually at full build out
- Mental Health Facility
 - o \$11.6M construction cost; \$2.1M required County match
 - o General Fund match approved by the Board in FY 2015-16, to add 45 acute mental health beds. No additional positions required with staff transition from the Auburn Jail.

Risks / Consequences

- Delays in forensic evidence processing result in significant delays to the criminal justice system, numerous continuances, and added system-wide expense.
- The current coroner's facility is antiquated and inadequate for modern practices.

FY 2016-17 Proposed Budget Recommendation / Alternatives

- The Proposed Budget recommends continued exploration of financing options for construction of a Crime Lab and Coroner's Facility as part of the Capital Facilities Financing Plan.
- The Proposed Budget includes \$2.3M for 30 additional positions with the opening of 180 beds and supporting the new booking station at the South Placer Adult Correctional Facility, as the second phase of a two-year plan.

May 3, 2016

PUBLIC PROTECTION SUPPORT SYSTEM

Public Safety Support

Policy Issues

- A Request for Proposal process is underway for the current Primary Indigent Defense contract set to expire June 30, 2016.
- The Criminal Justice Master Plan recommends improving public safety automation systems including inmate tracking and data collection.

Background

Placer County currently contracts with three firms to provide indigent defense services; changing caseloads of a Primary, 1st Level conflict and 2nd level conflict, has been in place for ten years. In partnership with the Courts, County staff are re-examining the current contract model to determine the most financially sustainable model moving forward. The process is estimated to conclude prior to the start of the new fiscal year.

The Sheriff's Office is in the process of replacing its existing Tiburon Corrections Management System (CMS), and its Records Management System (RMS) including computer aided dispatch (CAD). The CMS system will provide comprehensive tracking of inmates including demographics, bookings, charges and sentencing, and will integrate with other existing third party systems. Inmate movement and appointments will be scheduled, while disciplinary or educational components that affect sentencing will be tracked. The RMS and CAD systems will together enhance public safety by providing a single repository of warrants, sex offenders, and other special cautionary flags along with call histories and other safety information that will be instantly available to officers in the field.

Fiscal Issues

- \$1.1M increase placeholder for indigent defense services
- \$3.1M automated systems replacement (CMS and RMS)

Risks / Consequences

- The County is required to provide indigent defense services.
- CMS: Inefficiencies in tracking and scheduling of inmates absent a more integrated system.
- RMS and CAD: Officer and public safety will not have the benefit of a single repository of warrants and serious offenders. Inefficiencies in real-time information and reporting while in the field.

FY 2016-17 Proposed Budget Recommendation / Alternatives

- Proposed budget includes a \$1.1M increase placeholder for indigent defense services.
- Proposed budget includes \$3.147M total for Sheriff's Office automated systems replacement, to be funded with Public Safety Fund reserves.

May 3, 2016

PUBLIC PROTECTION SUPPORT SYSTEM / HEALTH AND HUMAN SUPPORT SYSTEM

Homelessness

Policy Issues

- Non-mandated County service
- Comprehensive regional and local solutions building from Marbut Study
- Service delivery utilization (Mental Health, Substance Abuse, Domestic Violence etc.)
- Inadequate intensive case management and housing search support services, along with limited affordable housing inventory

Background

There are approximately 600 Placer County individuals homeless on any given night, many of whom are chronic in nature. This has negative impacts on hospitals, criminal justice system, local business and neighborhoods. In September 2014, your Board approved a contract with Marbut Consulting for a comprehensive homeless needs assessment and action plan. The study, presented to your Board in April 2015, included key findings and potential solutions as follows:

- Three distinct population centers (South Placer, Auburn, and Tahoe) with unique challenges
- Lack of a connected system of care and holistic programming to address root cause
- Low participation rate in the Homeless Information Management System

In October 2015, your Board voted to upgrade the temporary homeless shelter located at the Placer County Government Center (DeWitt) from day use only to a 24 hours/day, 7 days/week service delivery model. In February 2016, your Board voted to release a request for proposals for operation of the temporary emergency homeless shelter through March 2017. Additionally, your Board directed staff to work on developing a regional housing solution. Sheriff's Office, Probation, and Health and Human Services Department (HHS) staff have developed a plan to address emerging issues in North Auburn and in other areas of the County.

Fiscal Issues

- Limited discretionary resources available for use.
- Federal and State grant money for services typically do not cover full costs and is both limited and highly competitive to get as homelessness is an issue across the country.
- One time versus ongoing costs.

Risks / Consequences

- Inefficiencies continue in regards to services for vulnerable populations currently managed through multiple County departments
- Limited law enforcement presence near homeless population centers
- Absence of a "one stop shop" housing service expertise; otherwise knowledge/relationships within Placer County is currently spread across multiple departments/divisions.

FY 2016-17 Proposed Budget Recommendation / Alternatives

- For consideration, approximately \$1.2M in total additional resources has been requested by the departments of Health and Human Services, Sheriff's Office and Probation. This includes

- 1 Senior Deputy Probation Officer for homeless probation caseload
- 2 Client Service Practitioners through HHS for Probation
- 4 Deputy Sheriffs for the North Auburn area
- 1 Bilingual Client Services Specialist in HHS to act as a Housing Coordinator
- \$33,000 for Homeless Resource Counsel Continuum of Care Initiatives
- \$20,650 to Homeless Management Information System Technology
- Additional \$150,000 for the Gathering Inn for operations and expansion/enhancement of services
- \$15,000 for Tahoe shelter and case management services

FY 2016-17 Proposed Budget Development – Challenges and Choices

May 3, 2016

PUBLIC PROTECTION SUPPORT SYSTEM

Fire Funding Sustainability

Policy Issues

- Fire Service is a non-mandated County service.
- County Fire Control Fund receives an annual \$1.1 million contribution from the General Fund, to fund a portion of the Cal FIRE contract and ongoing capital replacement needs.
- County Service Area Zones of Benefit are considered independent and do not currently receive funding from the County.

Background

The Placer County Fire System is comprised of a Fire Control Fund and seven (7) independent Zones of Benefit. The Zones of Benefit were established to be self-funded, through a combination of dedicated property taxes and direct charges. However, structural deficits in certain zones of benefit coupled with increases in Cal FIRE contract costs have created a challenging funding model.

Fiscal Issues

- The Cal FIRE contract increases in cost \$647,202 or 6.6% from FY 2015-16 to FY 2016-17. Future fiscal years anticipate 3% annual increases.
- Among Independent Zones, total operational expenditures are anticipated to increase above the level of revenues.
- Without additional resources and/or service level adjustments, continued use of reserves will be required to balance the FY 2016-17 and future budgets among the independent Zones of Benefit. Reserve levels range from \$1.4M (North Auburn/Ophir) to \$64K (Dry Creek).

Risks / Consequences

- Depletion of reserves could lead to an inability to fund future fire department operations and capital/equipment replacement - much of which had been deferred through the recession.
- Potential health and safety impacts resulting from personnel cuts - heightened during the current State and County declared tree mortality emergency from drought and bark beetle infestations.
- Increased insurance rates for homeowners resulting from potential reduced service and associated increases in ISO ratings.
- Further reduction in levels of service impacts Placer County Fire's ability to reciprocate mutual aid, which may result in adverse impact to the Western Placer Automatic Aid Agreement.

FY 2016-17 Proposed Budget Recommendations / Alternatives

- The Proposed Budget recommends restoring the 3rd Battalion Chief to support rapid response in the North Auburn Ophir Fire Zone of Benefit.
 - o Enhances system wide flexibility and depth to support large incidents such as the recent King and Lowell fires that impacted Placer County; and the Valley and Butte fires in northern California.

- Resolves current delay in time-critical Battalion Chief response to an incident in the North Auburn Ophir geographic area.
- Supports response growth in this Zone - increasing approximately 400 calls annually over 5 years.
- Approximately 7,400 calls for service system wide with 3,800 in this Zone of Benefit.
- Restores critical command and control and rapid marshaling of firefighting resources.
- The Proposed Budget considers the purchase of a Type I Fire Engine for the North Auburn Ophir Fire Zone of Benefit.
 - Replaces a beyond service life Type 1 Fire Engine; aligns with equipment replacement plan.
 - Placer County Fire equipment lease back to CAL FIRE grossed nearly \$400,000 in FY 2015-16.
- The Proposed Budget recommends funding for implementation support of the Countywide Fire Services Study, to secure expertise on next steps in the process of working with independent Fire Districts

FY 2016-17 Proposed Budget Development – Challenges and Choices

May 3, 2016

ADMINISTRATION AND FINANCIAL SUPPORT SYSTEM

Financial System Replacement

Policy Issues

- At the Board Priorities Workshop on January 4th, the County Executive Office identified replacement of the current Financial System as an emerging issue.
- Based on a review by Oracle and presentations from several vendors, the ACORN Executive Steering Committee decided to bring in an independent consultant to evaluate the County's financial and human resource/payroll enterprise systems.
- Lecky Consulting, Inc. found that the existing legacy financial system (PAS) is well beyond its useful life and in need of replacement and that the existing HR/Payroll system (ACORN) is also reaching the end of its useful life as ORACLE continues to focus on Cloud-Based solutions.
- Lecky Consulting, Inc. recommends that the County replace both the PAS financial system and the ACORN HR/Payroll system to create significant economies of scale and process efficiencies.

Background

PAS was put into use by the county in 1999. PAS has not been upgraded since it was originally implemented. While PAS still meets the core requirements of an accounting system and has been a stable platform for many years, its limitations are numerous. ACORN is built on Oracle's PeopleSoft platform and was implemented in 2004. Although it was recently upgraded and also provides a stable platform, it is a highly complex system that is extremely expensive to maintain and poorly received by department users.

Fiscal Issues

- The total implementation cost to replace both PAS and ACORN is estimated to be \$19.6 million, with a total 15-year cost of ownership for replacing both systems estimated to be \$38.8 million.
- The total 15-year cost of ownership if we do nothing is estimated to be \$39.6 million.
- \$750K was budgeted in FY 2015-16 and another \$750K will be recommended in the FY 2016-17 proposed budget as funding for the new financial system; however, this would leave a significant gap for the implementation costs should a project begin in FY 2017-18.

Risks / Consequences

- Cogsdale, the vendor for PAS, has only 14 existing customers that still use this software. As Cogsdale's current customers migrate to newer systems, the financial strain will likely cause them to no longer support the system at some point.
- PAS has many shortcomings and inefficiencies that could potentially put county priorities such as Priority-Based Budgeting at risk.
- As Oracle continues to focus more on its Cloud-Based solutions, the cost to maintain, upgrade, and improve legacy systems such as PeopleSoft (ACORN) will likely continue to increase substantially.

FY 2016-17 Proposed Budget Recommendation / Alternatives

- Fund the \$750K in FY 2016-17.
- Evaluate potential funding options/sources.

FY 2016-17 Proposed Budget Development – Challenges and Choices
May 3, 2016
COUNTY EXECUTIVE OFFICE
Post-Employment Liabilities

Policy Issues

- At a minimum, the County is committed to fully fund the annual required contribution (ARC) for both the Other Post Employment Benefit (OPEB) and Pension liabilities.
- Each fiscal year the Board of Supervisors has the option to appropriate additional contributions to accelerate amortization of the County's post-employment liabilities.
- In FY 2015-16, \$5.8 million in additional contributions were set aside to pay down OPEB (\$2.9m) and Pension liabilities (\$2.9m).

Background

- Based on the June 30, 2015 Actuarial Valuation, Placer County has \$372.7 million in actuarial accrued liabilities (AAL) for OPEB of which \$116 million is unfunded (UAAL) – Equivalent to 68.9% funded.
- In FY 2014-15 the Board of Supervisors approved a policy change adjusting the OPEB amortization period from thirty years to fifteen years.
- Based on the June 30, 2014 Actuarial Valuation of the Miscellaneous (Non-Safety) Pension Plan, Placer County has \$1.068 billion in AAL and \$314.3 million in UAAL – Equivalent to 70.6% funded.
- Based on the June 30, 2014 Actuarial Valuation of the Safety Pension Plan, Placer County has \$355.6 million in AAL and \$115.3 million in UAAL – Equivalent to 67.6% funded.
- Both the Miscellaneous and Safety Pension Plans are on 30 year amortization schedules.

Fiscal Issues

- Should the county continue to make additional contributions to post-employment liabilities in FY 2016-17; and if so, how much should be contributed?
- Should the County set up an Irrevocable Supplemental IRS (§115) Trust for both Pension Plans to begin making additional contributions mitigating CalPERS rate volatility?

Risks / Consequences

- Funding additional contributions to post-employment liabilities impacts funding for other supplemental requests and board priorities.
- Additional contributions to pay down the post-employment liabilities are fully committed. (i.e. The County could not borrow or retrieve those funds should there be an economic downturn).
- Paying our post-employment liabilities ultimately frees up operational fiscal capacity for ongoing programs/priorities.

FY 2016-17 Proposed Budget Recommendation / Alternatives

- Fund the OPEB and Retirement ARC for FY 2016-17.
- Review capacity for additional funding towards OPEB and retirement initiatives with FY 2016-17 Final Budget in September 2016.
- Evaluate the Pros and Cons of setting up an Irrevocable Supplemental IRS (§115) Trust for the Pension Fund

