

County Funds, Budget Policies & Legal Requirements

Placer County's FY 2010-11 Proposed Budget (Proposed Budget) was developed based upon the policy considerations outlined in this section and included in the County Executive Officer's Budget Message.

COUNTY OPERATING FUNDS

Government budgets, or appropriations, are legal limits on how much a department can spend and may not be exceeded unless additional funding is authorized through Board approved budget revisions. In practice, appropriations are the authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes, and are time limited to one year. Placer County has approximately 84 appropriations, a listing of which can be found in the Index at the back of this publication.

Critical components of a government fund are financing requirements (financing uses and provision for reserves), which are offset by available financing (financing sources, cancelled reserves and fund balance carryover). When total financing requirements equal total available financing, the budget is balanced.

Placer County has 13 operating and two capital and infrastructure funds (Table One) that make up the Proposed Budget.¹ As indicated in Table One below, the Proposed Budget is \$44.5 million lower than in FY 2009-10, a decrease of 5.7%. This decrease is comprised of several components, including a \$2.1 million decrease (-0.3%) to the Proposed Operating Budget. The Proposed Budget also includes a reduction of \$41.8 million (-15.6%) in the Infrastructure Budget, much of which results from completion of a number of large infrastructure projects in the current year, and from the encumbrance of funds for a number of road projects in the current year, some of which are highlighted below. Finally, the Proposed Budget reduces provisions to reserves by \$1.2 million (-82.7%) when compared to the current year.

Table 1. Operating & Capital Budgets, Financing Requirements Comparison

| Financing Uses & Provision for Reserves | Final Budget FY 2009-10 | Proposed Budget FY 2010-11 | \$ Change | % Change |
|---|-------------------------|----------------------------|------------------------|---------------|
| Operating Budget | | | | |
| General Fund (100) | \$ 354,803,994 | \$ 359,081,119 | \$ 4,277,125 | 1.2% |
| Community Services Fund (103) | 1,970,177 | 2,171,278 | \$ 201,101 | 10.2% |
| Community Revitalization Fund (104) | 5,393,505 | 4,042,614 | \$ (1,350,891) | -25.0% |
| Special Aviation Fund (107) | 122,500 | 172,500 | \$ 50,000 | 40.8% |
| Public Safety Fund (110) | 123,565,270 | 122,517,947 | \$ (1,047,323) | -0.8% |
| DMV Special Collections Fund | 1,392,442 | 686,000 | \$ (706,442) | -103.0% |
| Gold County Tourism & Promotion (115) | 202,504 | 182,144 | \$ (20,360) | -10.1% |
| Fish & Game Fund (130) | 11,887 | 11,862 | \$ (25) | -0.2% |
| Tahoe Tourism & Promotion (145) | 6,226,863 | 5,035,000 | \$ (1,191,863) | -19.1% |
| Open Space Fund (150) | 909,327 | 545,000 | \$ (364,327) | -40.1% |
| County Library Fund (160) | 5,867,107 | 5,591,204 | \$ (275,903) | -4.7% |
| Fire Control Fund (170) | 10,272,095 | 9,239,471 | \$ (1,032,624) | -10.1% |
| Debt Service Fund (190) | 4,527,683 | 4,518,012 | \$ (9,671) | -0.2% |
| Subtotal Operating Funds | 515,265,354 | 513,794,151 | (1,471,203) | -0.3% |
| Infrastructure Budget | | | | |
| Capital Projects Fund (140) | 140,959,159 | 125,927,139 | \$ (15,032,020) | -10.7% |
| Public Ways & Facilities Fund (120) | 126,174,306 | 99,432,763 | \$ (26,741,543) | -21.2% |
| Subtotal Infrastructure Funds | 267,133,465 | 225,359,902 | (41,773,563) | -15.6% |
| Total Financing Uses: | 782,398,819 | 739,154,053 | \$ (43,244,766) | -5.5% |
| Provision to reserves | 1,459,695 | 252,261 | \$ (1,207,434) | -82.7% |
| Total Financing Requirements: | \$ 783,858,514 | \$ 739,406,314 | \$ (44,452,200) | -5.7% |

¹ Proprietary funds, county service areas, and Board governed special districts are not included in the County Operating Budget, and are addressed separately. **Note: Table One DOES NOT INCLUDE SECURITIZED PROPOSITION 1A FUNDS FOR 2009-10. When including Proposition 1A securitized revenue (\$11.1 million), the year over year General Fund difference changes from a 1.2% increase, as shown above, to a -1.9% decrease.**

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THE GENERAL FUND

The **General Fund** is the largest countywide fund. It underwrites most countywide operations either directly as the “net county cost”² 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. Included in the General Fund are 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, open space acquisition and maintenance, library services, and debt service.

The FY 2010-11 General Fund budget is recommended at \$359.1 million, an increase of \$4.3 million or 1.2% from the FY 2009-10 Final Budget. (Note: subsequent to the FY 2009-10 Final Budget, the county securitized \$11.1 million in “Proposition 1A Suspension” property tax restoration payments it would have otherwise received from the state in future years. When taking these funds into consideration, the FY 2010-11 General Fund budget is actually 1.9% lower when compared to FY 2009-10.)

Financing Requirements

| | Estimated Financing Uses | Provision for Reserves / Designation | Total Financing Requirements |
|--------------|--------------------------------|--|------------------------------------|
| General Fund | 359,081,119 | - | 359,081,119 |

General Fund financing requirements maintain essential services and programs where possible, however reductions in many areas have been necessary to balance the budget and county departments were directed to reduce expenditures wherever feasible, despite the fact that the cost of doing business has continued to rise.

Contributions to other funds include \$3.8 million for the Public Ways (Road) Fund for supplemental road maintenance and overlay projects. The General Fund also makes contributions to other funds to help support activities including the public safety departments of Sheriff, Probation, District Attorney and Criminal Justice CEO (\$77.2 million), Placer County Fire (\$1,098,000) and debt service (\$2,481,077).

Recommended General Fund contingencies set-aside for unanticipated expenditures or revenue shortfalls, are 1.3%, or \$4.6 million for FY 2010-11. These funds may be used for operating costs and / or unanticipated revenue decreases, and for items that need to be carried forward and re-budgeted from the prior fiscal year.

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 for county revenues. However, given the persistence of the current economic downturn and the significant impact it has had on our county revenues, the Proposed Budget recommends the use of \$4 million in General Fund reserves in 2010-11 to balance the budget. This proposed action will bring our General Fund General Reserve and Designation for Economic Uncertainties level to 2.4%.

General Fund allocated positions in the Proposed Budget have declined slightly when compared to FY 2009-10, dropping from 1,632, to 1,630. However, since fall 2007, as a result of county hiring restrictions designed to reduce staffing costs, there are 280 fewer funded filled positions (all funds) in the county, resulting in an over 10 percent smaller workforce.

² 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.

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Available Financing

| | Estimated Fund Balance June 30, 2009 | Cancelled Reserves | Financing Sources | Total Available Financing |
|--------------|--|-----------------------|----------------------|------------------------------|
| General Fund | 27,500,000 | 4,000,000 | 327,581,119 | 359,081,119 |

Budgeted General Fund revenues have increased when compared to last year's Final Budget, up \$11.5 million from \$316.1 million to \$327.9 million. However, when considering the inclusion of securitized Proposition 1A revenue discussed earlier, which restored \$11.1 million in state-borrowed one-time revenue to FY 2009-10, General Fund year over year is nearly flat. Other changes in General Fund revenue are rooted in a variety of revenue adjustments, the largest of which include a mid-year FY 2009-10 Health and Human Services (HHS) budget revision, as well as other anticipated increases in HHS intergovernmental revenues. These increases offset in large part projected decreases of 5% in revenue from secured roll property taxes. (Property Tax in lieu of motor vehicle license fee (VLF) budgeted revenues are estimated to decline a commensurate amount.) These revenues are tied to the decline in a jurisdiction's assessed valuation, and given the lack of growth in Placer County over the past year, and the number of assessment appeals currently before the Assessment Appeals Board, this allocation is projected to decline \$6.5 million compared to the current year. The continuing economic downturn has also considerably reduced county sales tax revenues, resulting in an estimated 18% (\$2 million) reduction in sales tax revenue in the Proposed Budget (\$8.9 million) when compared to the FY 2009-10 Final Budget. Other general revenues are estimated based upon current year or prior year's receipts including transient occupancy taxes (\$3.4 million), and interest earnings (\$2 million).

Fund balance is anticipated due to current year 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. General Fund balance carryover from FY 2009-10 is recommended at \$27.5 million or 3.7% of total resources, which is consistent with the level used in previous budgets.

THE PUBLIC SAFETY FUND

The **Public Safety Fund** is made up of four departments: Sheriff, District Attorney, Probation and the County Executive Office. The FY 2010-11 Public Safety Fund budget is recommended at \$122.5 million, a decrease of \$1.3 million or 1.0% from the prior year final budget. The recommended budget is \$5.0 million less than departmental budget requests, but this level of funding nonetheless provides the departments with important resources and helps to defray reductions in state and sales tax revenue noted below.

Revenue estimates for public safety are \$118.5 million, which is \$192,971 or 0.2% less than in the current year. Included in this amount is an estimated \$24.4 million in public safety sales tax (Proposition 172 funding), which is down from the \$27.1 million budgeted in the current year. Public safety sales tax revenue depends upon both statewide and local sales tax generation for receipt, and the reduction in this revenue source is yet another example of the impact the downturn in the economy is having on the county budget. The General Fund contribution to the Public Safety Fund has increased from \$76.7 million to \$77.2 million. Included within this contribution is \$8.2 million to offset State Controller's Cost Allocation Plan costs. The Public Safety Fund is balanced with \$4 million in estimated public safety fund balance carryover.

PUBLIC WAYS AND FACILITIES FUND

The **Public Ways and Facilities Fund**, also commonly referred to as the Road Fund, provides engineering services in the area of design, construction and contract administration for both the County and private land development projects. The fund also maintains, protects and improves approximately 1,000 miles of roads, and accounts for road and road-related storm maintenance, including snow removal and road engineering and construction. The net budget of \$99.4 million represents a decrease of \$27.3 million (-21.5%) as compared to the \$126.7 million budgeted in the current year. This difference is due in large part to the significant number of large road construction projects that had large amounts of funding encumbered in FY 2009-10, including the Sunset/HWY 65 Interchange, the Auburn-Folsom road widening, several bridge replacements, and various

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erosion control projects. The Public Ways and Facilities Fund balances with \$2.1 million in estimated fund balance carryover.

CAPITAL PROJECTS FUND

The Capital Project Fund 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 and replace the County's aging facilities. Facility replacement and rehabilitation needs identified for the next 10 years are projected to be approximately \$141.4 million dollars, which far exceeds the County's capital reserves, capital facility impact fee balances and accumulated project funding. To bridge the gap between funding needs and funds on hand, a long range plan for financing the County's facility needs was developed that utilized a combination of accumulated reserves, current funding from within county budget resources, prudent debt obligation, growth fees and other revenue. To assist this effort, in May 2002 the Board of Supervisors approved the securitization of tobacco settlement revenue to support funding for infrastructure. Pursuant to the bond issuance, 100% of the funding was dedicated to Placer County's capital projects.

The FY 2010-11 **Capital Projects Fund** budget is recommended at \$125.9 million, a decrease of \$15 million from the current year budget. Recommended project costs are \$125.0 million, compared to the \$140.3 million in FY 2009-10. The decrease in project construction costs is due to the completion of some large capital projects, including the Colfax Library and significant demolitions and renovations at the Placer County Government Center, as well as the interim phases of projects such as the South Placer Adult Detention Facility.

Specific projects that have been identified in the recommended budget for funding include, but are not limited to: the South Placer Adult Detention Facility, Burton Creek Justice Center, Rocklin Branch Library, and Auburn Animal Shelter. Capital Projects will receive \$114.4 million in revenue and project reimbursement, and is balanced with \$11.5 million in estimated fund balance carryover.

OTHER COUNTY OPERATING FUNDS

The Placer County Proposed Budget includes 13 operating and 2 capital and infrastructure funds, the largest of which have been summarized above. Other County operating funds include the Community Services 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; and the Debt Service 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 **Community Services Fund** is used to account for the Section 8 housing program. Funding provides direct and contracted social service to low income and high-risk target populations (including program effectiveness evaluation), and to provide technical assistance to subcontractors. The recommended financing requirements are \$2.2 million.

Managed by the Redevelopment Agency, the **Community Revitalization Fund** consists of expenditures made on behalf of several federal and local programs. 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 contains continued funding for infrastructure work at the Rock Creek Plaza shopping center, for Kings Beach affordable housing, as well as additional ongoing funding for first-time home buyer and rehabilitation loans, bringing the total proposed budget to \$4,042,614. This amount is lower than last year's total of \$5,393,505 due to an administrative change to budget multi-year grants per year versus a lump sum.

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The **Special Aviation Fund** 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 \$172,500, funded by a state grant (\$170,000) and fund reserves (\$2,500).

The **DMV Special Collections Fund** supports the Fingerprint Identification and Auto Theft Task Force activities within the Sheriff's Department. Revenues are generated through the collection of Department Of Motor Vehicles (DMV) Licensing Fees assessed for vehicles registered in Placer County. Recommended financing requirements of \$686,000 are supported by estimated revenue.

The **Gold Country Tourism and Promotion Fund** 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 are \$182,144. The budget is balanced with \$176,400 in estimated revenue, and \$5,744 in carryover fund balance.

The **Fish and Game Fund** is used to support wildlife and fish propagation and conservation efforts. The fund receives fine revenue from fish and game violations in the County. Although the contribution from the General Fund was suspended in FY 2009-10, the Proposed Budget once again maintains a constant expenditure level, balancing the \$11,862 in financing requirements with \$1,200 of revenue and \$10,662 in Fish and Game reserve funds.

The **Lake Tahoe Tourism and Promotion Fund**, previously referred to as the North Lake Tahoe – TOT Fund, receives 60% of the hotel-motel or transient occupancy taxes (TOT) in the unincorporated areas of the County that are east of the summit. 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 \$5.0 million is supported by estimated revenue.

The **Open Space Fund** 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 \$625,000 are supported by developer fees, a United Auburn Indian Community contribution, and other revenue. The fund is balanced with a provision to open space reserves (\$80,000).

The **Library Fund** 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 revenue growth. Several years ago the Library completed its Library Service Plan 2002-10 to assist in qualifying for state funding and to assist staff in determining future service and branch expansion needs. Recommended financing requirements of \$5.6 million have been offset by \$5.2 million of revenue and \$400,063 in carryover fund balance. The Library receives an indirect General Fund contribution through the provision of grounds maintenance services. The General Fund also provides direct contributions for salary and benefit support of the Director of Library Services (\$222,838) and for County A-87 administrative charges (\$648,717).

The **Fire Protection Fund** provides fire protection services through a contract with the California Department of Forestry and Fire Protection and provides a hazardous material response (HAZMAT) capability. Recommended financing requirements of \$9.4 million are offset by estimated revenue, with \$167,844 going into reserves. In FY 2010-11 the fund will receive a contribution for fire services from the General Fund of just over \$1 million. The fund provides the contract support for the Dry Creek Fire County Service Area (CSA), the Auburn / Ophir CSA, and the Sunset West CSA fire protection services, which will reimburse the fund \$6.3 million for those services. Other financing sources include property tax, public safety sales tax and other miscellaneous revenue.

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The **Debt Service Fund** accounts for principal, interest and fees on county debt service issued for certificates of participation (COP). The County's current COP's finance the new juvenile hall, the Finance and Administration Center at DeWitt, 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. Of the \$4.5 million in recommended financing requirements, \$4.0 million are funded by revenues, and \$499,587 is funded by cancellation of reserves.

INTERNAL SERVICE FUNDS

Placer County operates 10 internal service funds that are used to provide services primarily 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 \$10.8 million to \$1.3 million. Total cancellation of reserves for internal services funds in the Proposed Budget is \$7.1 million. Recommended additions to internal service fund reserves in the Proposed Budget total \$28,215. Placer County internal services funds are: Telecommunication Services, Countywide Systems, Fleet, Correctional Food Services, Central Services, Special District Services, State Unemployment, General Liability Insurance, Workers Compensation Insurance and Dental and Vision Insurance. 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.

ENTERPRISE FUNDS

Placer County will operate and manage six enterprise funds in FY 2010-11: Transit, TART, Eastern Regional Landfill, Solid Waste Management, Property Management, and the newly established 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. Placer County enterprise funds range in size of financing requirements from \$6.9 million to \$1.1 million. The total amount of recommended financing uses and reserve additions for the enterprise funds for FY 2010-11 is \$18.8 million.

BUDGET, FINANCE, DEBT MANAGEMENT, & OPEB POLICIES

Placer County's basic principles, goals and objectives that form the underlying foundation for the budget include³:

BUDGET AND FINANCE POLICY

Revenue

- Ongoing costs will be funded with ongoing revenues to promote fiscal stability, predictability, sustainability, and long-range planning.
- The budget will include only realistic and probable revenue estimates, and will not be based upon high levels of anticipated growth or contingent upon the passage of legislation or future Board actions.
- Imposing or adjusting fees or other charges will be periodically evaluated for any service provided by the County where full cost recovery is not currently achieved.

³ On January 7, 2003 the Board of Supervisors adopted the Budget and Financial Policies for Placer County. Information listed includes most of the policies adopted by the Board.

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- 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 and identify if the program is consistent with the County's long-term goals and objectives.
- State revenues in the Proposed Budget will be budgeted considering the Governor's January Proposed Budget for the upcoming fiscal year.

Expenditures

- The budget must be balanced so that estimated sources of funds equals the estimated uses of funds.
- Annual priority for General Fund funding will be given to capital improvements consistent with the County's Capital Facilities Financing Plan and the Road Maintenance Master Plan.
- Carryover fund balance will be used to fund one-time expenditures, reserves and contingencies and should not be used to finance ongoing operational costs.
- New position requests will be considered through the budget process and not otherwise during the fiscal year unless urgent circumstances exist.
- 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 departments with maintenance-of-effort requirements will not increase.
- 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.
- Efficiency and economy in the delivery of County services are top priorities; departments will make productivity improvements within their service delivery areas and reduce discretionary expenditures.
- Automation and technology proposals must measurably demonstrate how cost savings will be achieved or how services will be improved, along with identifying potential sources of funding.
- The General Fund's Appropriation for Contingencies should be budgeted at not less than 1.5% of the operating budget, other funds, at not less than ½ of 1% of operating expenditures.

Capital Budgets

- Capital budgets will expand to include a list of capital construction and road projects with brief descriptions; estimated to-date and total project costs; planned project costs for three future fiscal years; length of time to project completion; and proposed funding sources.
- 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.
- 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.
- 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 Policy⁴. Debt will not be used to finance on-going operational costs, including those incurred due to new facilities.

⁴ Placer County's Debt Management Policy was adopted by the Board of Supervisors on April 8, 2003. Bulleted information includes some, but not all, of the policies adopted by the Board.

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

Reserves & Appropriation for Contingencies

- The General Fund's total General Reserve and Designation for Economic Uncertainties should be accumulated over time until 5% of the annual operating budget reserve level is achieved.
- The General Fund's Reserve for Future Occurrences should be accumulated to a level that would provide for increases in medically indigent / public assistance caseloads during economic downturns.
- The General Fund allocation to the Designation for Fixed Asset Depreciation should be equivalent to the County's annual depreciation expense. Accumulated funds may be used in accordance with the long-term County Capital Financing Plan for facility replacement and construction.
- Smaller funds or funds with uncertain or expected delays in reimbursement may need to accumulate a contingency reserve larger than 5% for cash flow reasons.
- Reserves for self-insurance funds shall be actuarially determined at least every other year. Reserves should be maintained at the 80% confidence level for net estimated losses.

DEBT MANAGEMENT POLICY

- The County has made an ongoing commitment to maintain the facilities and infrastructure necessary to provide public services, but does not intend to rely upon long-term debt to defer its current obligations.
- The County will attempt to fund capital projects with grants, land use fees including impact fees, or other non-recurring resources. If these funding sources are insufficient the County will look at special or enterprise revenues, develop new funding sources, use general revenues, operating surplus, and / or unrestricted fund balance or capital reserves to fund capital projects. The County may consider leveraging these resources with bonds or certificates of participation.
- The County will minimize debt by deferring capital projects and by dedicating a portion of its resources towards pay-as-you-go capital investment. The County will continue to balance debt and equity by investing a portion of annual revenue in the capital program, providing for reserves and for depreciation.
- The County will maintain a prudent balance of debt and equity in meeting long-term capital needs in the form of pay-as-you-go financing. Debt and equity balance will be considered when planning the use of debt financing to address facility needs and other public infrastructure, and will ensure against incurring a level of fixed debt obligation that denies an appropriate level of future operating flexibility.

OTHER POST EMPLOYMENT BENEFIT (OPEB) POLICY

PURPOSE: To promote fiscal prudence and long-term planning by establishing an Other Post Employment Benefit (OPEB) Policy that will assist the County in addressing, as well as providing for, post employment benefits as part of the annual budget process.

- **IRREVOCABLE TRUST FUND:** When available, establish and transfer all OPEB plan assets to an irrevocable trust in order to maximize the investment's long-term rate of return.
 - **HEALTH INSURANCE COST SHARING:** Employer will transfer an amount equal to the employee health care contributions for health insurance premiums into the OPEB Irrevocable Trust Fund at no less than their annual basis.
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➤ COUNTY BUDGET:

- PAYROLL: Charge a percent of every dollar of salary paid each payroll cycle, and deposit these funds into the OPEB Irrevocable Trust Fund. Increase this percent every year until the actuarially determined, annual required contribution is fully funded.
- NEW POSITION ALLOCATIONS: Every new position allocation added to the Position Allocation Listing will require the department to advance fund the anticipated OPEB cost, less projected payroll contributions. The intent of this action is to fully fund the OPEB obligation for that position. Said advance funding shall be transferred to the OPEB Irrevocable Trust Fund in the year the position is added.
- BENEFIT SAVINGS: During each budget cycle, personnel benefit cost reductions will be redirected to the OPEB Irrevocable Trust Fund. Examples of personnel benefits include, but are not excluded to, workers compensation, health insurance, pension, dental and vision, and FICA.

- LEGISLATION: Monitor legislation for changes in investment options and other actions related to Government Accounting Standards Board Statement 45.

COUNTY STRUCTURE & LEGAL REQUIREMENTS

CALIFORNIA CONSTITUTION & GOVERNMENT CODE

Basic provisions for the government of counties are contained in the California Constitution and the California Government Code. A county is the largest political subdivision of the state and is vested by the Legislature with the powers necessary to provide for the health and welfare of the people within its borders. The distinction between a county and a city is that legislative control over counties is more complete than it is over cities. The Legislature may delegate to the counties any of the functions that belong to the state itself, unless specifically restricted by the State Constitution, and the State may take back and resume functions previously delegated to counties.

State laws and county ordinances prescribe the manner and form in which the budget is presented. The Office of the State Controller sets forth the Government Code that specifies the content of the budget, budget adoption procedures and dates by which actions must be taken. A county may add or show in more detail required information, providing the financial detail and the classification of items required to be included in the budget are set forth.

Fund and account titles to be used by counties in the preparation of the operating budget are set forth in the publication, *Accounting Standards and Procedures for Counties*. The general operating group of funds are budgeted and accounted for under the modified accrual basis of accounting, and are summarized on Schedule 1 of the budget document. Internal service and enterprise funds are budgeted and accounted for under the full accrual basis of accounting as required by the State Controller, Governmental Generally Accepted Accounting Principles and the Governmental Accounting Standards Board.

PLACER COUNTY CHARTER & BUDGET PROCESS

The California Constitution recognizes two types of counties: general law counties and charter counties. General law counties adhere to state law as to the number and duties of county elected officials. Placer County, as a charter county, has limited degree of "home rule" authority that may provide for the election, compensation, terms, removal, and salary of the governing board. Responsibilities and the delegation for preparation, review and approval of the budget are established by statute and ordinance and by policies coordinated through the Board of Supervisors, the County Executive Officer and the Auditor-Controller. Under the County Charter, the County Executive Office is responsible for providing systematic planning of the budget, recommending long-

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range capital planning, and must recommend an annual budget after reviewing requests of all departments and agencies for which the Board is responsible or which request County funds.

In accordance with provisions of Sections 29000 through 29144 of the California Government Code and other statutory provisions, known as the County Budget Act, the County prepares and legally adopts a balanced Final Budget each fiscal year. Until the adoption of this final balanced budget, the adopted Proposed Budget approved by the Board of Supervisor governs operations.

The Proposed Budget is prepared after receiving direction from the Board of Supervisors regarding County priorities and goals to address long-term concerns and issues. Following this direction, the County Executive Office prepares budget procedures and forms for use by departments and established target budgets for General Fund budgets. All departments then submit their requested budgets for the upcoming fiscal year. County Executive staff review budget requests, which are balanced against the County's overall priorities and fiscal resources. A Proposed Budget document with narratives and accompanying schedules is prepared and submitted to the Board of Supervisors by June 30 of each year.

The Board adopts the County's Proposed Budget, which consists of a balanced budget for operating, enterprise and internal service funds. Reserves and estimated carryover fund balance / retained earnings may be added to estimated revenues to fund the estimated budget expenditures and other uses in each fund. Budget workshops and public hearings are conducted on the Proposed Budget to review all appropriations, the sources of financing and to make any adjustments necessitated by county needs and expenditure and revenue changes for the Final Budget. Because the budget must be balanced, any shortfall in revenue requires an equal reduction in appropriations. Encumbrances outstanding at year-end are reported as reservations of fund balances for the subsequent year expenditures. The Board of Supervisors must adopt the Final Budget by October 2 of each year.

The Board may make supplemental appropriations through budget revisions during the year, upon a four-fifths vote. Management cannot amend the budget without the Board's approval, unless the adjustments are between accounts that do not change object or appropriation totals. Amendments and transfers of appropriations between budget units, that increase an appropriation, or that involve the addition of and augmentation to a capital / road project and / or fixed assets must have Board approval. In addition to budget revisions during the fiscal year, the Board of Supervisors also approves budget adjustments at fiscal year end. Budgetary control is exercised at the appropriation or budget unit level, except for fixed asset equipment and capital / road projects which are separately appropriated and for allocated positions, which must be approved by the Board.
