



MEMORANDUM
OFFICE OF THE
COUNTY EXECUTIVE
COUNTY OF PLACER

TO: Honorable Board of Supervisors

FROM: Thomas M. Miller, County Executive Officer
By Graham Knaus, Finance and Budget Operations Manager

DATE: June 7, 2011

SUBJECT: Adoption of the FY 2011-12 Proposed Budget

Action Requested

It is requested that the Board of Supervisors:

1. Adopt the FY 2011-12 Proposed Budget.
2. Adopt the FY 2011-12 Proposed Budgets for Lighting Districts, County Service Area Zones (CSA), and Sewer Maintenance Districts governed by your Board.
3. Adopt attached resolution approving revisions to the Placer County Budget and Financial Policy.

Background

What is the County Budget?

The County Budget is the annual blueprint of the Board's priorities to balance available resources with the service needs of county residents. The County Budget is adopted in two phases: the Proposed Budget is the interim spending plan and is typically approved each June to go into effect upon the start of the fiscal year July 1; the Final Budget is approved each September once final estimates of available resources, including funds dependent upon the State, have been determined. Upon adoption by the Board of Supervisors the Proposed Budget will become the County's interim spending plan effective July 1, 2011. During this interim period, the state budget actions are being evaluated to determine the impacts they will have on Placer County. The FY 2011-12 Final Budget must be adopted by October 2, 2011 under County Budget Act requirements.

Placer County has 13 operating and two capital and infrastructure funds that make up the Proposed Budget.¹ These funds support a broad spectrum of services provided across 18 County Departments.

County Budget Context

Placer County has been the fastest growing County in the State over the last decade in large part driven by the comparatively strong economy, spectacular and diverse landscape, and population exodus from more urban centers such as Sacramento, Southern California, and the Bay Area. Since 2000, the County population has grown 28 percent from 248,399 to 347,102 residents. Of the total 98,703 new residents over the past decade, 88 percent of the growth has

¹ Proprietary funds, county service areas, and Board governed special districts are not included in the County Operating Budget, and are addressed separately.

occurred within existing city boundaries. The population growth has slowed; however, the increased service demands in county responsibility areas continue to pose challenges in light of decreased revenues and increased uncertainty.

During periods of strong economic growth, accompanying revenue growth provides annual and multi-year flexibility to the Board to meet its priorities for the County. Unfortunately, revenue growth stagnated in FY 2007-08 as the economic downturn went into effect, followed by the most rapid decline in revenues since 1978. Per capita revenues have declined nine percent in the last three years and are now 10 percent below the per capita amount in 1978, as adjusted by inflation.

Due to the Board's proactive approach to the recession, per capita expenditures have decreased in an effort to transition to sustainable costs and service levels. However, property tax, the county's largest revenue source, is expected to decline further for another year or two creating continued budget and operations challenges. At the same time, the County faces ongoing cost drivers related to normal cost-of-doing-business increases (transportation, utilities, etc.) as well as health benefit premiums and salary increases due to merit as well as Measure F for Public Safety.

Prior Board Actions

Beginning in 2003, the Board began taking actions to ensure a sustainable approach to costs and service levels beginning in 2003. Those early actions created a foundation to better enable the County to adapt to the recession that began in the Fall of 2007. Among the early Board actions was the adoption of the County Financial Policies including the Budget and Financial Policy, Other Post Employment Benefit Policy, and Debt Management Policy which have promoted financial stability and long-term planning since 2003.

Labor Adjustments

In December 2007, in response to the initial economic downturn, the Board implemented a hiring freeze. The hiring freeze has led to 343 fewer filled positions than in 2007 due to attrition, decreasing from 2,542 to 2,199 as of April 2011. This has assisted in transitioning the county budget to a more sustainable level; however, it has not been sufficient to fully address the decline in revenues, particularly those unlikely to return for a number of years. As such, there have been other labor related adjustments to align ongoing service demands with available and sustainable revenues including the following:

- Minimal targeted layoffs in areas of reduced workload, primarily related to land development activities where permit activity has decreased 46 percent in the last few years.
- Mandatory Time Off (i.e. unpaid furlough days) for all management, confidential, and general unit employees totaling 21 unpaid days since FY 2008-09 except for limited 24-hour positions, primarily in public safety.
- Increased pension and health employee cost sharing implemented January 2011 results in significant labor related savings.

Service Innovation and Efficiencies

In response to the recession, the County has explored and implemented a number of approaches to create efficiencies or service innovations. These efforts were intended to assist in continuing to meet service demands within available resources to the greatest extent possible. Such efforts have included establishing a Cost Savings Task Force in FY 2008-09 to develop recommended changes to business practices that lead to ongoing savings. More than 100 savings proposals were developed and adopted measures have resulted in \$1.1 million in

ongoing savings. Savings include restrictions on cell phone usage, purchasing of generic products when available, and restricting travel.

In addition, in February 2010, the Board directed the County Executive Officer to develop options for long term structural changes to county service delivery. The focus was to identify alternative service delivery models that may reduce long term costs, ensure cost effective and high quality services, value existing staff expertise, maintain flexibility, and recognize the benefits of competition. Since that time, several alternative service delivery models have been approved by the Board including implementing a parks and custodial contracting approach to address staff attrition within the Facilities Department, continuing to leverage internal expertise of engineering and surveying staff through inter-departmental contracts, transitioning the Auburn Dental Clinic to a more sustainable business model through the Chapa De Indian Health Center, implementing a new approach for Placer Commuter Express bus drivers, and transitioning to a vendor approach to two-way radio installation to address staff attrition.

FY 2011-12 Budget Development

The Board has held a series of FY 2011-12 budget workshops since December 2010. The workshops have highlighted the local budget and operational challenges as a result of the prolonged recession. The challenges include sharply decreasing local revenues straining service levels and requiring reprioritization of limited resources as some county service needs have diminished while others have increased.

As reported at the February 22, 2011 Board meeting, the combined initial deficit was \$7.5 million (\$4.7 million General Fund and \$2.8 million Public Safety Fund) and was then reduced based on continuing existing labor adjustments, and departments absorbing a number of cost increases and losses of one-time revenues.

Since February 2011, a series of budget workshops has focused on the local and state driven challenge areas faced by the County including areas with declining revenues, those with reduced workload, and those with substantial risks posed by State Budget proposals. More than \$30-60 million in direct county funding and/or increased responsibilities could be impacted by pending State actions based on the Governor's May Revision to the State Budget. As such, there remains continued uncertainty regarding the State Budget and its potentially substantial impacts on the County's immediate and longer term budget and service levels. Due to the uncertainty, the Board has also discussed a number of contingency options intended to ensure sufficient flexibility to maintain critical county services even under the most devastating impacts from the State. These options could include significant reprioritization of resources or services and may be discussed during future Board meetings or as part of the Final Budget development dependent upon the actions of the State.

Additional details regarding the budget workshops are available at:
<http://www.placer.ca.gov/departments/ceo/outreach/latestbudgetinformation.aspx>

Budget and Financial Policy Change: Governmental Accounting Standards Board (GASB)

To address new Federal accounting regulations, staff recommends revisions to the Budget and Financial Policy to be consistent with Governmental Accounting Standards Board (GASB) Statement No. 54. Revisions address new accounting and financial reporting standards dealing with how fund balances are classified across county operating funds. This results in changing the terminology from what had been referred to as reserves and contingencies to instead be referred to as Nonspendable, Restricted, Committed, Assigned, or Unassigned. The revised policy also clarifies that the General Fund reserve is not limited to 5% but rather allows for greater levels of reserves to mitigate future local economic or state impacts. Further, the revised policy clarifies that the Accrued Loss Contingency for self-insurance funds such as

Workers Compensation and General Liability would be at a confidence level of at least 80%.

FY 2011-12 PROPOSED BUDGET

Placer County's FY 2011-12 Proposed Budget is recommended at \$720,376,967, representing a decrease of \$37.3 million or 4.9% when compared to the adopted FY 2010-11 Final Budget. Since FY 2008-09, the County Budget has declined by \$144.9 million (16.8%) due to the prolonged recession much of that in Capital Projects and Road Infrastructure.

- The 2011-12 Operating Budget includes;
 - \$342.4 million in General Fund revenues.
 - \$342.0 million in other revenues;
 - \$35.5 million in fund balance carryover;
 - \$619,033 in reserves. There is no assumed use of General Fund reserves.

The Proposed Budget contains \$187.3 million in Capital and Road Infrastructure Funds, which is a decrease of 17.3% when compared to the current year. Capital and Road Infrastructure Funds are supported by \$186.0 million in revenues, \$919,482 in fund balance, and \$320,900 in cancellation of reserves/designations.

General Fund allocated positions in the Proposed Budget have declined slightly when compared to FY 2010-11 Final Budget, dropping from 1,628, to 1,625. However, since FY 2007-08, as a result of county hiring restrictions designed to reduce staffing costs, there are 343 fewer *filled* positions (all funds) in the county, resulting in a 13.5% smaller workforce.

As indicated in Table One below, the Proposed Budget is \$37.3 million lower than in FY 2010-11, a decrease of 4.9%. This decrease is comprised of several components, including a \$3.7 million increase (0.7%) to the Proposed Operating Budget. The Proposed Budget also includes a reduction of \$36.0 million (-16.1%) 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 does not assume use of reserves compared to the \$4.8 million use of reserves used in the current year, of which \$4.0 million is in the General Fund.

Table 1. Operating & Capital Budgets, Financing Requirements Comparison

Financing Uses & Provision for Reserves	Final Budget FY 2010-11	Proposed Budget FY 2011-12	\$ Change	% Change
Operating Budget				
General Fund (100)	\$ 368,433,997	\$ 369,895,386	\$ 1,461,389	0.4%
Housing Authority Fund (103)	2,176,434	2,602,521	426,087	19.6%
Community Revitalization Fund (104)	4,821,339	3,868,236	(953,103)	-19.8%
Special Aviation Fund (107)	172,500	32,500	(140,000)	-81.2%
Public Safety Fund (110)	125,649,046	129,171,360	3,522,314	2.8%
DMV Special Collections Fund (111)	1,395,784	1,598,153	202,369	12.7%
Gold County Tourism & Promotion (115)	182,458	181,250	(1,208)	-0.7%
Fish & Game Fund (130)	11,862	11,862	-	0.0%
Tahoe Tourism & Promotion (145)	6,457,900	5,626,362	(831,538)	-12.9%
Open Space Fund (150)	580,000	595,000	15,000	2.6%
County Library Fund (160)	5,643,204	5,960,468	317,264	5.6%
Fire Control Fund (170)	9,401,779	9,202,419	(199,360)	-2.1%
Debt Service Fund (190)	4,517,812	4,358,569	(159,243)	-3.5%
Subtotal Operating Funds	\$ 529,444,115	\$ 533,104,086	\$ 3,659,971	0.7%
Infrastructure Budget				
Capital Projects Fund (140)	\$ 122,203,396	\$ 81,306,881	\$ (40,896,515)	-33.5%
Public Ways & Facilities Fund (120)	101,088,853	105,966,000	4,877,147	4.8%
Subtotal Infrastructure Funds	\$ 223,292,249	\$ 187,272,881	\$ (36,019,368)	-16.1%
Total Financing Uses:	\$ 752,736,364	\$ 720,376,967	\$ (32,359,397)	-4.3%
Provision to reserves	\$ 4,917,880	\$ -	\$ (4,917,880)	-100.0%
Total Financing Requirements:	\$ 757,654,244	\$ 720,376,967	\$ (37,277,277)	-4.9%

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 2011-12 General Fund budget is recommended at \$369.9 million, an increase of \$1.5 million or 0.4% from the FY 2010-11 Final Budget. The increase is a function of a technical accounting change to Realignment revenues for Health and Human Services. Realignment revenues fund mandated Health and Human Services programs and have historically been

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.

budgeted and recorded as a contribution to the Health and Human Services Department to simplify monitoring of the revenue.

Beginning in FY 2011-12, the revenues will now also be transferred to the relevant Health and Human Services appropriations. Doing so will enhance the tracking of Realignment revenues and expenditures by program and improve staff presentations to program auditors. It will also result in a dual display of Realignment revenues and expenditures in the amount of \$16.6 million in the General Fund due to being recorded as a contribution to Health and Human Services and as a transfer into the specific Health and Human Services appropriations. The change will not result in any operational impact to programs, changes to expected revenues in the General Fund, or funding provided to the Health and Human Services Department.

Absent the technical accounting change to Realignment, the General Fund is \$353.3 million, a \$15.1 million or 4.1% decrease from the current year. The decrease from FY 2010-11 is a reflection of lower services and supplies (\$8 million), lower salaries and benefits (\$2.3 million), a decrease in the Capital Projects contribution (\$1 million), and other adjustments.

General Fund Contingency Funding

The recommended General Fund contingency funding set-aside for unanticipated expenditures or revenue shortfalls is 1.4% of General Fund operating costs, or \$4.6 million for FY 2011-12. These funds may be used for operating costs and / or unanticipated revenue decreases, and for items that need to be carried forward and re-budgeted from the prior fiscal year.

Use of General Fund Reserves

Maintenance of prudent reserves has been part of the County's fiscal planning process for many years. This policy has allowed Placer County to set aside resources for difficult budget years, and has provided a solid foundation for county revenues. These reserves have been used to mitigate impacts of the recession in each of the last three years. The FY 2011-12 Proposed Budget does not rely on the use of General Fund reserves. Use of reserves in prior fiscal years leaves the General Reserve and Designation for Economic Uncertainties at \$8.2 million.

Revenue Estimates

Budgeted General Fund revenues have increased when compared to last year's Final Budget, up \$9.5 million from \$332.9 million to \$342.4 million. However, absent the technical accounting change to Realignment revenues (\$16.6 million), General Fund revenues are projected to decrease by \$7.1 million from the current year. Much of the decrease is a reflection of the continued decline in Property Tax revenue which is projected to drop by \$4.8 million or 5% in FY 2011-12. This amounts to a cumulative decrease of \$14.4 million (14.9%) in Property Tax revenue since FY 2007-08.

Fund balance from FY 2010-11 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 2010-11 is anticipated at \$27.5 million or 7.4% of total financing sources, which is consistent with the level used in previous budgets.

Other Operating Funds

In addition to the General Fund, the County manages 12 other governmental operating funds and two capital road/infrastructure funds as described below.

The **Public Safety Fund** is made up of four departments: Sheriff, District Attorney, Probation and the County Executive Office. The FY 2011-12 Public Safety Fund budget is recommended at \$129.2 million, an increase of \$3.5 million or 2.8% over the prior year final budget. This increase is due primarily to required Measure F salary adjustments and associated increases in other benefit

costs. The recommended budget is \$5.2 million less than departmental budget requests, but this level of funding maintains critical services and is in balance with revenue estimates.

Revenue estimates for public safety are \$123.7 million, which is \$1.7 million or 1.4% higher than the FY 2010-11 Final Budget. Included in this amount is an estimated \$29.8 million in public safety sales tax (Proposition 172 funding). This increase of \$4.04 million or 15.7% above FY 2010-11 reflects a higher trend in receipts, and will be reevaluated in the FY 2011-12 Final Budget. The General Fund contribution to the Public Safety Fund decreases from \$77.2 million to \$75.9 million. Included within this contribution is \$7.8 million to offset State Controller's Cost Allocation Plan costs. The Public Safety Fund is balanced with \$5.5 million in estimated public safety fund balance carryover.

Capital and Road Infrastructure Budgets

The **Public Ways and Facilities Fund**, 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 \$105.9 million represents an increase of \$4.9 million (4.8%) as compared to the current year. This difference is due in large part to the Foresthill Bridge painting and seismic retrofit project. The Public Ways and Facilities Fund is balanced with \$320,900 in reserves.

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. To bridge the gap between funding needs and funds on hand, the County's long range financing plan assumes a combination of accumulated reserves, current funding from within county budget resources, 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 2011-12 **Capital Projects Fund** budget is recommended at \$81.3 million, a decrease of \$40.9 million from the current year budget. Recommended project costs are \$80.4 million, compared to the \$121.3 million in FY 2010-11. The decrease in project construction costs reflects the final year of funding for the South Placer Adult Detention Facility, as well as the completion of other large projects such as the Rocklin Library.

Among the projects included in the recommended budget are the South Placer Adult Detention Facility (\$14.4 million), Applegate Sewer Improvements (\$6.3 million) and Dry Creek Park (\$2.1 million). The General Fund contribution to capital projects is \$3.5 million, or \$1.0 million lower than FY 2010-11. The Capital Projects Fund is balanced with \$80.4 million in revenue and project reimbursements and \$919,482 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 Housing Authority Fund; the Community Revitalization Fund; the Special Aviation Fund; the DMV Special Collections Fund; the Gold Country Tourism and Promotion Fund; the Fish and Game

Fund; the Lake Tahoe Tourism and Promotion Fund; the Open Space Fund; the Library Fund; the Fire Protection Fund; 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 **Housing Authority 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 \$2.6 million, including \$1,495 from fund balance.

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 includes only those projects with approved grant revenue or other in-hand sources. Federal aid is projected to decrease by \$804,198, and State by \$324,891.

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 \$32,500, funded by a State grant (\$30,000) and fund balance (\$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 \$1,598,153 are supported by revenue (\$712,849) and by carryover fund balance (\$885,304).

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 \$181,250. The budget is balanced with \$175,650 in estimated revenue, and \$5,600 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 from 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 \$5.6 million is supported by estimated revenue (\$5.5 million) and carryover fund balance (\$91,362).

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 \$595,000 are supported by developer fees, a United Auburn Indian Community contribution, and other revenue. The fund is balanced using \$140,000 from open space reserves.

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 \$6.0 million have been offset by \$5.5 million of revenue and \$497,014 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 (\$191,531) and for County A-87 administrative charges (\$1,105,283).

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 \$9.2 million are supported by \$9.1 million in estimated revenue, \$47,471 from reserves, and \$49,019 in carryover fund balance. In FY 2011-12 the fund will continue to 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 \$6.2 million for those services. Other financing sources include property tax, public safety sales tax and other miscellaneous revenue.

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 \$4.4 million in recommended financing requirements, \$4.3 million are funded by revenues, and \$100,000 is funded by cancellation of reserves.

INTERNAL SERVICE FUNDS

Placer County operates 12 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 \$10.6 million to \$300,000. Total cancellation of reserves for internal services funds in the Proposed Budget is \$5.9 million consistent with the four-year plan to utilize reserves to smooth charges. Recommended additions to internal service fund reserves in the Proposed Budget total \$452,436. Placer County internal services funds are:

Telecommunication Services, Countywide Systems, Countywide Radio Project, Fleet, Correctional Food Services, Central Services, Special District Services, State Unemployment, General Liability Insurance, Workers Compensation Insurance, Dental and Vision Insurance and Retiree Sick Leave Benefit. Since internal service funds charge fees to County departments for services received, including these budgets with the County Proposed Budget for operating funds would result in duplication of budgetary figures. As a result, these funds are considered separately from the operating budget, and are not included in the State Controller's Schedules.

ENTERPRISE FUNDS

Placer County will operate and manage six enterprise funds in FY 2011-12: Transit, TART, Eastern Regional Landfill, Solid Waste Management, Property Management, and the 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 \$7.0 million to \$600,000. The total amount of recommended financing uses and reserve additions for the enterprise funds for FY 2011-12 is \$16.9 million.

FY 2011-12 PROPOSED BUDGET FOR SPECIAL DISTRICTS

The proposed Budget for Special Districts consists of a summary schedule, detail of provisions for reserves and designations, and revenue and expenditure line-item detail schedules for approximately 191 Districts and CSA zones. The Proposed Budgets for Special Districts governed by your Board are in a separate volume from the Placer County Proposed Budget due to the size of the book. The Special District's proposed expenditure budgets and additions to reserves have been balanced through a combination of estimated revenues, fund balance carryover, and cancellation of reserves for each fund. In most cases, final budget adjustments will be required to reflect year-end fund balance carryover, revenue estimate adjustments, and occasionally for re-budgeted costs or changes in expenditure categories.

FISCAL IMPACT

The total recommended Proposed Budget for County expenditures is in balance, based on FY 2011-12 revenue projections as well as estimated fund balance. The County Charter and the County Budget Act (Government Code Sec. 29000) directs the County Executive Officer to prepare and submit an annual Proposed Budget to your Board for approval. The Proposed Budget becomes Placer County's interim spending plan until your Board conducts public hearings and adopts the Final Budget by October 2, 2011.

Attachments: Revised Budget and Financial Policy

To be Distributed to Board Members: Placer County FY 2011-12 Proposed Budget
Placer County FY 2011-12 Proposed Budget for Special Districts

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

In the matter of:

Resol. No: _____

A resolution adopting amended Placer County
Budget and Financial Policy.

The following Resolution was duly passed by the Board of Supervisors of the County of Placer
at a regular meeting held on June 7, 2011 by the following vote on roll call:

Ayes:

Noes:

Absent:

Signed and approved by me after its passage.

Chairman, Board of Supervisors

Attest:
Clerk of said Board

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

WHEREAS, the Government Accounting Standards Board (GASB) has issued new standards for reporting fund balance in Statement No. 54, which requires amendment of the Budget and Financial Policy to conform to these new reporting standards;

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



PLACER COUNTY BUDGET & FINANCIAL POLICY

1.0 PURPOSE:

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

2.0 POLICIES:

2.1 General

2.1.1 The County Executive Office shall prepare and submit no later than June 30 of each year a Proposed Budget for consideration and adoption by the Placer County Board of Supervisors. A Final Budget will be submitted for consideration and adoption by September 30th of each year.

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

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

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

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

2.1.2 The County Executive Office shall provide periodic reviews of revenue and expenditures, identify significant variances from budget, and recommend actions

BUDGET AND FINANCIAL POLICY

to address shortfalls or unanticipated increases.

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

2.2 Revenues

- 2.2.1 Ongoing costs will be funded with ongoing revenues to promote fiscal stability, predictability, sustainability, and long-range planning.
- 2.2.1.1 New or increased, ongoing revenues will meet current obligations and reduce reliance on one-time funding and fund balance carryover.
- 2.2.1.2 New programs will identify an ongoing funding source(s) not already obligated for current County operations or for the future costs of current operations.
- 2.2.2 Budget realistic and probable revenue estimates.
- 2.2.2.1 Budgeted revenue will not be based on high levels of anticipated growth or be contingent upon the passage of legislation or future actions by the Board of Supervisors.
- 2.2.2.2 Revenues that are volatile and/or sensitive to changes in the economy should be conservatively estimated.
- 2.2.2.3 State revenues in the Proposed Budget will be budgeted ~~considering in~~ accordance with the Governor's January Proposed Budget for the upcoming fiscal year.
- 2.2.3 Imposing or adjusting fees or other charges will be periodically evaluated for any service provided by the County where full cost recovery—including department and County administration—is not currently achieved. Budget estimates will not include fee increases unless the Board of Supervisors has approved the increase.
- 2.2.4 County administrative (A-87) costs will be charged to non-General Fund and subvented General Fund appropriations in accordance with the annual Countywide Cost Allocation Plan.
- 2.2.4.1 Funds or budgets that lack sufficient appropriations or reserves to pay A-87 charges, as identified by the Cost Allocation Plan, will prepare and

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

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submit to the County Executive Office a written plan to ensure future payment.

2.2.4.2 Departments will include estimated A-87 costs in their requested expenditure budgets.

2.2.4.3 A-87 reimbursements may be credited as general purpose General Fund revenues or applied to offset program costs as determined by the County Executive Office.

2.2.4.4 Some funds may be specifically excluded from paying part or all of the A-87 as determined by the County Executive Office.

2.2.5 The County Executive Office shall solicit and consider revenue estimates from the Auditor-Controller, and other County departments as appropriate, for major tax and general-purpose revenues and for estimated carryover fund balance in preparation of the Proposed Budget.

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

2.3 Expenditures

2.3.1 Annual priority for General Fund funding will be given to capital improvements consistent with the County's Capital Facilities Financing Plan and Road Maintenance Master Plan.

2.3.2 Carryover fund balance will be used to fund one-time expenditures, reserves and contingencies and should not be used to finance ongoing operational costs.

2.3.3 New position requests will be considered through the budget process and not otherwise during the fiscal year unless urgent circumstances exist.

2.3.4 Partial or fully funded State and/or Federal programs, administered by the County will be implemented at the level of funding provided by the State or Federal government. County overmatches for departments with maintenance-

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of-effort requirements will not increase, and funding levels may be reduced or eliminated.

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

2.4 Capital Budgets

- 2.4.1 Capital Budgets will expand to include a list of capital construction and road projects with brief descriptions; estimated to-date and total project costs; planned project costs for at least three future fiscal years for extended projects; length of time to project completion; and proposed funding sources including current funding available.
- 2.4.2 Capital projects which are not encumbered or completed during the fiscal year, or multi-year projects, will be re-budgeted or carried over to the next fiscal year. Increased project costs for rebudgeted projects must be clearly identified with Final Budget adoption.
- 2.4.3 Capital projects will not be budgeted unless there are reasonable expectations that resources will be available to pay for them and a financing plan has been developed.
 - 2.4.3.1 Where applicable, assessments, impact fees, user-based fees, and/or contributions should be used to fund capital projects. Projects benefiting other operating, internal services and enterprise funds shall be funded from those funds on a pro-rata basis.
 - 2.4.3.2 Where alternative sources of financing are not available or sufficient for full funding, and the project is deemed critical for the provision of services or to meet mandated services levels, debt financing may be used in accordance with the County Debt Policy². Debt will not be used to finance on-going operational costs, including those incurred due to new facilities.
- 2.4.4 Project reimbursements to the County Capital Projects Fund shall not exceed actual expenditures, plus 25% of any encumbered contract balances.
 - 2.4.4.1 Facility Services may request advance funding for any project costing less than \$100,000 when the project has begun.
 - 2.4.4.2 An accounting of all costs shall be made by Facility Services to the requesting department following project completion.
- 2.4.5 Departments will prepare replacement schedules and develop and implement financing plans for major capital equipment.

² ~~The Placer County Debt Policy is with the Finance Committee for review and will be submitted to the Board of Supervisors for consideration in 2003.~~

2.5 Reserves & Appropriation for Contingencies Fund Balance Classification and Other Financial Policies

- 2.5.1 The General Fund's total **Committed Fund Balance for** General Reserve and **Committed Fund Balance for** ~~Designation for~~ Economic Uncertainties should be accumulated over time until a **minimum of 5%** of the annual operating budget reserve level is achieved (calculation ~~is~~ **appropriations less capital outlay, contributions to -reserves and operating & contingencies times 5% equals combined Committed Fund Balance for General Reserve and Committed Fund Balance for Economic Uncertainties**).
- 2.5.2 The General Fund's ~~Reserve~~ **Committed Fund Balance** for Future Occurrences (**previously Designation for Future Occurrences**) should be accumulated to a level that would provide for anticipated increases in medically indigent and public assistance caseloads during economic downturns (~~estimated increased General Fund costs of \$2+ million annually for three or four consecutive years~~). Reserve amounts may be adjusted periodically due to population, caseload, or funding changes.
- 2.5.3 The General Fund allocation to the ~~Designation~~ **Committed Fund Balance** for ~~Fixed~~ **Capital Asset Replacement Depreciation** (**previously Designation for Fixed Asset Depreciation**) will be equivalent to the County's **annual equipment** facility depreciation expense (estimated at \$1.1 million annually). Accumulated funds may be used in accordance with the long-term County Capital Financing Plan for facility replacement and construction.
- 2.5.4 Moderate increases to Non-General Fund ~~Designations~~ **Committed Fund Balance** for Contingencies (**previously Designation for Contingencies**) should be accumulated over time until a **minimum 5%** reserve level is achieved. Additional reserves should be ~~accumulated~~ **assigned** for equipment replacement and other identified needs. Smaller funds, or funds with uncertain or expected delays in reimbursement, may need to accumulate a larger reserve percentage for cash flow reasons.
- 2.5.5 ~~Reserves~~ **The Accrued Loss Contingency** for self-insurance funds shall be actuarially determined at least every other year. Reserves should be maintained at ~~the 80% a~~ confidence level for net estimated losses **of at least 80%**.
- 2.5.6** Loans or transfers to or from internal services and enterprise funds shall be limited to meeting one-time funding requirements in County operating funds, and shall require repayment with interest.

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2.5.7 Fund balances should be expended in the following order:

1. Restricted Fund Balance (when applicable)

2. Assigned Fund Balance

3. Committed Fund Balance

a. Refers to amounts that can only be used for specific purposes as imposed by formal action of the Board.

b. Formal action is defined by a majority vote of the Board or an affirmative vote of four members when required by the County Budget Act.

2.5.64. Unassigned Fund Balance (applies to the General Fund only)