



DATE: June 26, 2018

TO: Honorable Board of Supervisors
County Departments and Employees
Members of the Public

FROM: Todd Leopold, County Executive Officer 

SUBJECT: **PLACER COUNTY FISCAL YEAR 2018-19 PROPOSED BUDGET**

Introduction

I am pleased to present Placer County’s Proposed Budget for Fiscal Year 2018-19 for the Board of Supervisors’ consideration. This document provides the County’s legal authority to spend beginning July 1, 2018, and is the culmination of a comprehensive countywide effort to develop a budget that maintains critical services for our communities, recognizes future obligations, and positions the County to adapt to foreseeable Federal and State impacts.

Executive Summary

The FY 2018-19 Proposed Budget is balanced at \$939,591,349 and continues to provide current core services to our constituents. In addition, the Proposed Budget uses realistic revenue estimates and maintains appropriate reserves and contingencies. The Proposed Budget is our spending plan for the fiscal year, subject to adjustment for receipt of unanticipated revenues and any changes to expenditure priorities driven by the Board in time for the Final Budget to be adopted in September. The following table summarizes net budget and staffing changes year-over-year for each fund.

Budgets by Fund

Fund	FY 2017-18 Final Adopted Budget	FY 2018-19 Recommended Proposed Budget	Percent Change	FY 2017-18 Funded Positions	FY 2018-19 Recommended Funded Positions	Percent Change
General Fund	\$ 493,562,371	\$ 501,398,644	1.6%	1,334	1,348	1.0%
Public Safety Fund	190,380,409	191,059,441	0.4%	824	827	0.4%
Public Ways and Facilities Fund	67,928,597	102,967,562	51.6%	109	109	0.0%
Capital Project Funds	66,725,643	98,990,010	48.4%	11	12	9.1%
Other Operating Funds	47,573,805	45,175,692	-5.0%	51	52	2.0%
Subtotal	\$ 866,170,825	\$ 939,591,349	8.5%	2,329	2,348	0.8%
Proprietary Funds				317	301	-5.0%
Total Operating, Capital and Proprietary	\$ 866,170,825	\$ 939,591,349	8.5%	2,646	2,649	0.1%

The year-over-year decreases and fluctuations are described in further detail within the County Funds Overview section.

The Proposed Budget is prepared using conservative estimates and assumptions, given an environment of modest revenue growth, accelerated growth on personnel related cost drivers and economic uncertainty. Property Tax, the County’s largest discretionary revenue source, continues to increase as property values and median prices trend upward. Sales taxes, transient occupancy “hotel” taxes, and other revenue sources tied to the economy are also increasing modestly. Given the foresight of the Board and the ongoing commitment of departments to deliver the most cost effective services,



Placer County is fiscally strong. Moving forward in FY 2018-19, the County is positioned to provide quality, sustainable and responsive services, while continuing to invest in economic development, infrastructure and paying down accrued retiree health care and pension liabilities.

Ongoing FY 2018-19 Priorities

The FY 2018-19 Proposed Budget is a reflection of the long-standing dedication to excellence that the Board and employees exemplify on a daily basis in fulfilling the needs of our community. The following highlights the ongoing priorities that will continue into FY 2018-19. Greater detail is provided within the Spotlight on Priority Issues section.

- *Focus on Development:* County efforts are well underway to capitalize on leveraging public with private investment. The Placer Ranch Specific Plan, Sunset Area Plan, Kings Beach Center and Placer County Government Center Plan achieved critical milestones, and the County is actively partnering on opportunities to accelerate job sector growth and ensure an educated workforce. These efforts will enable Placer County to achieve competitive advantages, marketability, fiscal growth, and ensure a prosperous region with a high quality of life for generations.
- *Support Economic Development:* Placer County continues to leverage and build upon its existing assets to further the Board's economic development goals. A new Small Business Development Center was opened in Rocklin, which will provide financial counseling, business planning and training to support small and moderate-sized business growth. The Board also acted to approve the first use of the Tahoe Basin Economic Incentives Program by allocating 60 Tourist Accommodation Units to facilitate development of the 118-room Tahoe City Lodge. A year-long effort to analyze the County's strategic partnership on tourism development resulted in a two-track approach, including appointment of the "CAP Committee" to make recommendations on allocating Transient Occupancy Tax grants to priority capital projects that attract tourism, and a fine-tuned tourism development contract with the North Lake Tahoe Resort Association that focuses on brand development, advertising, social media, visitor information, conference sales, and special event development to attract destination visitors during off-peak periods.
- *Continued Progress on the Criminal Justice Master Plan:* In coordination with the Community Corrections Partnership and the Criminal Justice Policy Committee, efforts continue to implement recommendations over the next several years as funding is available. Currently, the County is leveraging over \$39 million in grant funding to construct several correctional facility projects consistent with the Master Plan: 1) a 45-bed acute mental health treatment center at the South Placer Adult Correctional Facility, 2) a 120-bed medium security educational and vocational center at the South Placer Adult Correctional Facility, and 3) a \$3 million retro-fit to the Auburn jail to provide programming space for sentenced offenders. Further, the Board of Supervisors approved the initial Capital Facilities Financing plan in August of 2017, which included the replacement of the Coroner's facility.
- *Responding to Homelessness:* Placer County is actively pursuing bridging the service gap for the homeless including seeking long-term solutions with focused system of care resources



leveraging a Whole Person Care grant and Sutter Health funding to purchase housing in Rocklin, and has also contracted with a local social service organization to operate a temporary homeless shelter on the Placer County Government Center campus.

- *Actively Addressing Housing Shortfall:* Placer County approved its first-ever Housing Work Plan, which focuses on implementing the 2013 Housing Element in key areas of Research and Planning, Finance, Community and Stakeholder Outreach, and Incentives and Regulation to ensure a broad spectrum of housing opportunities that supports the County’s workforce and other populations. Much of the Work Plan’s tasks have been completed and development of a subsequent annual plan is underway.
- *Assurance of Environmental Sustainability:* Through the Placer County Conservation Program (PCCP), the County has taken a progressive and proactive role in identifying where development should preferably occur, while preserving important natural and agricultural resources. The PCCP is in the final preparation stage and will provide a comprehensive conservation strategy and streamlined regulatory process over the next 50 years.
- *Focus on Organizational Fiscal Sustainability:* Financial stability and organizational success require a focus on maintaining fiscal health with a long-term orientation supported by a multi-year budget model, alignment of all costs to services, performing regular budget-to-actual variance analysis, funding reserves and contingencies at policy levels, addressing accrued liabilities, and using one-time revenue sources for one-time expenditures. These established methods and adopted Board policies provide a solid foundation for maintaining service levels over time.
- *Approach to Funding Unfunded Actuarial Accrued Liabilities:* Recognizing the need for continued fiscal vigilance in addressing the long-term financial obligations of the County, the Budget and Financial Policies were updated last year to fully fund the Other Post Employee Benefits (OPEB) unfunded liability within a reduced 15-year time period. Efforts to address CalPERS retirement plan unfunded liabilities resulted in the establishment in FY 2016-17 of a separate trust fund to facilitate future rate stabilization in the face of significant increases over the next seven years. In FY 2017-18, the County made the initial contribution to the CalPERS rate stabilization trust fund in the amount of \$4,009,468. Future contributions are proposed to be derived from savings achieved in existing compensation budgets.
- *Investment in Innovation:* In FY 2017-18, the County worked to transition to our new Enterprise Resource Planning (ERP) system, Workday. The system will modernize many of the County’s business processes, which will reduce reliance on paper records, improve transaction tracking, and provide real-time reporting. Financial accounting in the new ERP system will “go-live” on July 1, 2018, with Human Resource and Payroll functions following on January 1, 2019.
- *Establish a Countywide Strategic Plan:* In April of 2018, the Board of Supervisors, elected officials, department heads, and County executives held a series of workshops to begin building the foundation for a comprehensive Strategic Plan for the County. The working group identified several critical success factors required to achieve the County’s overall goal of *delivering service*



excellence to support an exceptional quality of life to County constituents. Those success factors included:

- Outcome-focused development strategies
- Prudent, all-inclusive financial planning
- Diversity of achievable housing throughout the County
- Public serving infrastructure and amenities
- Innovative, implementation-focused, integrated County services
- Land use planning and environmental stewardship
- Strategic relationships and community engagement
- Collaborative health and human services
- Comprehensive public safety

Ultimately, as the critical success factors are refined, performance measures and benchmarks will be established by County officials to ensure that anticipated outcomes are achieved efficiently and effectively.

Building the FY 2018-19 Proposed Budget

The Proposed Budget is developed based on the policies, participation and leadership of the Board. The Proposed Budget delivers sound and responsive budgetary recommendations within available resources and continues to build upon each year's more targeted focus on defining and measuring outcomes that are important to county residents and businesses. The Spotlight on Priority Issues, the Budget Overview chapter, and the continuing countywide Priority Based Budgeting initiative are integral to the Proposed Budget.

Conclusion

The staff in the County Executive Office and I appreciate the steady leadership of the Board and the genuine cooperation received for all our departments and elected offices. I look forward to working further with the Board as we complete the FY 2018-19 Final Budget for consideration in September.