



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

**TO:** Honorable Board of Supervisors  
**FROM:** Thomas M. Miller, County Executive Officer  
Submitted by: Jeff Bell, County Budget Administrator  
**DATE:** June 12, 2007  
**SUBJECT:** Adopt Placer County's FY 2007-08 Proposed Budget

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**REQUEST**

It is requested that the Board of Supervisors:

1. Adopt the FY 2007-08 Proposed Budget.
2. Adopt the FY 2007-08 Proposed Budgets for Lighting Districts, County Service Area Zones (CSA), and Sewer Maintenance Districts governed by your Board.
3. Authorize the Auditor-Controller to make technical, non-substantive budget adjustments to the Final Budget, including adjustments to subdivide the Sheriff's single appropriation into 6 separate appropriations.
4. Approve early purchase of equipment on the Master Fixed Asset Lists.

**BACKGROUND**

Placer County's Proposed Budget for FY 2007-08 represents the culmination of an extensive effort by staff from all departments, resulting in a budget that recognizes future personnel obligations and maintains critical services that benefit our citizens, all the while limiting the Operating Budget to a 3.9% (\$18.2 million) increase. Prior to budget development, County Executive Office staff and I met with departments to discuss their current programs and review proposed service initiatives for the upcoming fiscal year.

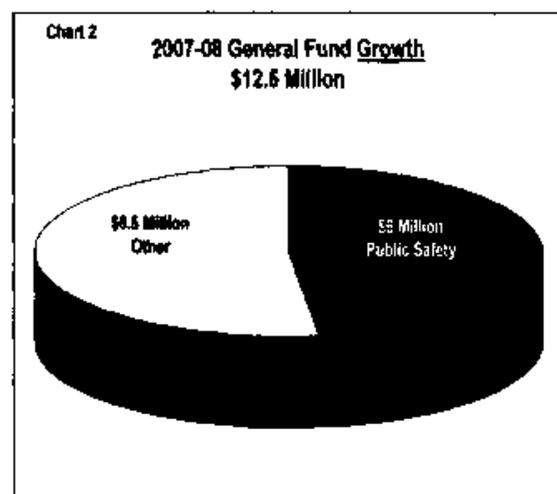
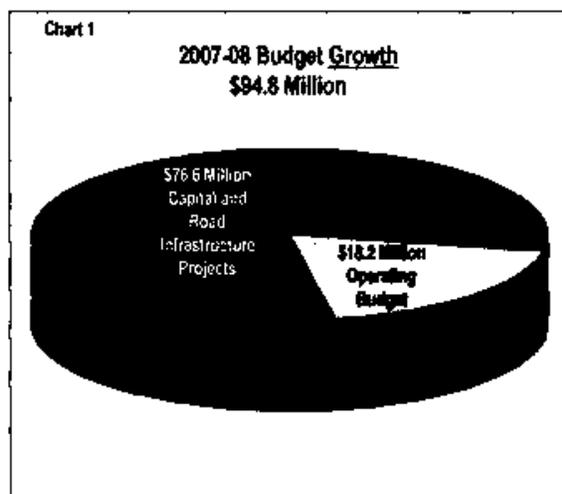
The Board also held a Strategic Planning Session on March 27, where we received the Board's priorities and direction, and this budget was subsequently crafted in accordance with the resultant guidance. Specifically, and pursuant to Board direction, the Proposed Budget is designed to provide approximately the same staffing and service levels for county departments as provided in 2006-07, the exception being the Health and Human Services Department. The Health and Human Services proposed budget reflects \$4.1 million in service reductions to achieve targeted base funding availability. Should additional funding become available, an augmentation to restore the department's base service levels will be recommended for your Board's consideration at Final Budget.

The County's Budget and Finance Policy and Other Post Employment Benefits (OPEB) Policy provided the framework for development of this recommended budget. The Proposed Budget provides a plan to achieve county goals for service delivery while maintaining our financial integrity, and is based upon sound financial assumptions regarding the allocation of financial resources given the revenues the County can expect to receive over the next fiscal year. The Proposed Budget supports the continued operations of Placer County's departments, and will provide funding for essential cost increases and one-time expenditures for capital construction, road maintenance, equipment replacement and the Open Space Program.

Upon adoption by the Board of Supervisors the Proposed Budget will become the County's interim spending plan effective July 1<sup>st</sup>. In August, the Board of Supervisors will hold Budget Workshops during which time departments will present their current plan for utilization of the funding provided to them. The workshops also provide a forum for thorough discussion of issues and concerns of the Board. During these workshops and at the public hearing that will be conducted in late August, the Board of Supervisors have an opportunity to redirect dollars to specific program needs or services. The Final Budget must be adopted by October 2<sup>nd</sup> under County Budget Act requirements.

### FY 2007-08 PROPOSED BUDGET

Placer County's Proposed Budget is recommended at \$783,453,866, representing an increase of \$94.8 million or 13.8% over the adopted FY 2006-07 Final Budget. As is evident in Chart 1 below, the Operating Budget is proposed to increase by 3.9% (\$18.2 million), which is less than has been proposed in recent years. Of this amount, only \$12.5 million is the result of new revenue (Chart 2), of which over \$6 million is dedicated to public safety. Capital and Road Infrastructure funding is proposed to increase \$76.6 million, with a number of projects moving closer to completion. The Proposed Budget is supported by \$338.5 million in General Fund revenues, \$384.1 million other operating fund revenue, and \$60.8 million in one-time funding from carryover fund balance. Included within the Proposed Budget are recommended Capital and Road Infrastructure Funds totaling \$268 million, which is an increase of 41% over the 2006-07 Final Budget. Capital and Road Infrastructure Funds are supported by \$253.3 million in revenues and \$14.7 million in fund balances.



Personnel costs represent 34% of total funding uses in the Proposed Budget, and they are projected to increase by \$18.8 million when compared to the prior year. About 51% of this increase can be attributed to retiree health benefits, pension increases, and implementation of the County OPEB policy, with the remaining 49% going toward salary increases. With the exception of management and confidential employees, Placer County's workforce is primarily represented by two labor organizations: Placer Public Employees Organization (PPEO) and Placer County Deputy Sheriff's Association (PCDSA). In November of 2006 the County and PPEO agreed to a 4-year contract that extends through June 30, 2010. This contract included general wage increases through FY 2007-08, with adjustments authorized in the final two years of the contract based upon changes in the California Consumer Price Index. Additionally, employees covered under this agreement will pay 10% of the cost for health insurance premiums beginning in January of 2008. The contract with DSA expired on December 31, 2006. At this time, negotiations are in progress between DSA and the County regarding a new contract.

As part of its employee benefits package, Placer County provides health insurance services for retirees. These services, which are commonly referred to as OPEB, have a long term cost. On November 7, 2006, the Board approved an OPEB policy that recognizes the County's obligation under Government Accounting Standard Board (GASB) Statement 45 and addresses how the County intends to fund the related liability, which is projected at over \$328 million. Through foresight and keen strategic planning, the Board has for the past several years set aside one-time funding to address county OPEB costs. Additionally, in 2006, the Board authorized a payroll charge to be assessed on appropriations to help offset the unfunded OPEB liability. The Proposed Budget continues to charge departments for these costs, and anticipates collecting at least \$10 million from the operating budget to offset the unfunded OPEB liability, building upon the \$25 million in OPEB funding the Board has provided to date. These efforts will bring the county ever closer to fully funding this long-term liability.

Recommended County *employee position allocations* have decreased with the Proposed Budget. Position allocations are recommended at 2,841 representing a net decrease of 2 positions from the final approved position allocation ordinance for FY 2006-07<sup>1</sup>. (Specific adjustments to Proposed Budget position recommendations are discussed further below.) Any Board action taken subsequent to adoption of the Proposed Budget will be incorporated by reference into the Final Budget.

### **The General Fund**

The *General Fund* is the largest county fund, and it underwrites most countywide operations either directly as the "net county cost" of General Fund budgets, or indirectly through contributions to other funds. General Fund financing requirements have been developed to maintain essential programs and services however funding restrictions are necessary to balance the budget. The General Fund is recommended at \$366.5 million, reflecting an increase of \$12.9 million or 3.6% over the prior year's Final Budget. Over \$6 million of this General Fund increase is provided for public safety.

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<sup>1</sup> Includes positions for Operating, Capital and Proprietary Funds.

Contributions to other funds include \$6.3 million for the Road Fund for supplemental road maintenance and overlay projects, and direct contributions to other funds to help support activities including the Public Safety Fund (\$60.7 million), the Fire Protection Fund (\$1.1 million), the Open Space Fund (\$1.4 million), the County Library Fund (\$844,344) and the Debt Service Fund (\$2.5 million). There are a number of large infrastructure projects that will continue into next year. The Proposed Budget includes the funding necessary to continue construction plans pursuant to the Capital Facilities Financing Plan, such as the Burton Creek Justice Center, the South Placer Jail, and several other county projects.

Recommended General Fund contingencies set-aside for unanticipated expenditures or revenue shortfalls, are 1.8%, or \$6.4 million for FY 2007-08. 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.

Maintenance of prudent reserves has been part of the County's fiscal planning process for many years. In addition to capital reserves, the County attempts to reserve approximately 5% of its General Fund operating expenditures for possible emergencies or future economic downturns. *Additional provisions to reserves are not recommended with the Proposed Budget.* The County Executive Office requests that at least \$860,499 be considered for funding with the Final Budget to maintain the 5% General Reserve threshold noted previously, and an additional \$3.5 million for the designation for fixed asset depreciation. In keeping with the Board adopted OPEB policy, an additional \$5 million will be pulled from payroll to ensure the plan to fund the annual required contribution (ARC) remains on track. This plan calls for increased payroll OPEB costs over the next several years, until the ARC is fully funding OPEB payments.

The General Fund's revenue budget is recommended at \$338.5 million, up \$12.5 million or 3.8% from the adopted Final Budget. General Fund growth has markedly decreased when compared to last year, when it grew at a rate of 13.7%. A slowing real estate market has contributed to a decline in the growth rate of secured property tax revenues and declines in other housing market revenues, such as real property transfer tax and construction permit revenues. Motor vehicle license fee budgeted revenues, which are up \$1.7 million over the prior year (5.9%) are not increasing at the rates seen in previous years. Overall, property and other tax categories are budgeted \$11.3 million higher than last year's budget. Other general revenues are estimated based upon current year or prior year's receipts including sales tax revenue (\$11.2 million, moderate growth), transient occupancy taxes (\$3.8 million, moderate growth), and interest earnings (\$5 million, a \$206,000 increase).

Other significant revenue increases in the General Fund are from intergovernmental revenues primarily for the Health and Human Services Department (HHS) to provide program funding for State and Federal services.

Consistent with the Board adopted Budget and Finance Policy, one-time funding such as carryover fund balance has been used to support one-time expenditures such as capital construction, equipment replacement, and operating contingencies. The policy is clear that one time sources of funds are not to be used to support ongoing operating costs. While the General Fund's revenues have increased they continue to be less than the County's financing requirements, and carryover fund balance has been used to balance the budget and to fund the items previously stated. Carryover fund balance is anticipated due to current year expenditure savings and revenue received in excess of the amount budgeted, and is recommended at \$28 million or 7.6% of the total resources in this balanced budget.

General Fund employee positions have decreased by one position from 1,709 to 1,708. Position adjustments are included in the following General Fund departments: Board of Supervisors – 2 (through Board action, two unclassified administrative aide positions were removed from the position allocation and were changed to full time contract employees) and; Facility Services + 1 (one existing position transferred from the Solid Waste Management Fund to the General Fund).

### **Other Operating Funds**

In addition to the General Fund, the County manages eleven other governmental operating funds and three capital road/infrastructure funds. Operating funds have seen minor dollar increases or decreases from the prior year with the exception of the Public Safety Fund (\$6.1 million increase).

The *Public Safety Fund* is made up of four departments: Sheriff, District Attorney, Probation and the County Executive Office. The FY 2007-08 Public Safety Fund budget is recommended at \$120.4 million, representing an increase of \$6.1 million or 5.3% increase from the prior year Final Budget. While the budget has increased, it is important to note that the recommended budget is \$12.7 million less than the department's budget requests. Public safety services have experienced the same impacts of rising personnel costs and flattening state revenues and grant funding. Employee positions funded by the Public Safety Fund have remained steady at 744. Revenue estimates for public safety are \$116.6 million, \$8 million or 7.3% higher than the prior year. Included in this amount is an estimated \$38.4 million in public safety sales tax (Proposition 172 funding) which depends upon both statewide and local sales tax generation for receipt. The General Fund contribution has increased from \$53.3 million to at least \$60.7 million (\$3.3 million in new funding and \$4.1 million to offset State Controller's Cost Allocation Plan costs). The Public Safety Fund is balanced with \$3.8 million in public safety estimated fund balance carryover.

The third action item requested of the Board today will subdivide the Sheriff Department's single appropriation into 6 separate appropriations when transferred into the *Performance Accounting System*, and has been requested by the Sheriff to support department management of fiscal operations.

### **Capital and Road Infrastructure Budget**

The *Public Ways Fund* provides a budget for County and private land development project engineering services such as design, construction and contract administration. The fund also provides for the maintenance and improvement of approximately 1,000 miles of roads, including snow removal and road engineering and construction. The net budget of \$136.4 million represents an increase of \$46.7 million or 52%, which is primarily due to the receipt of outside revenues (federal funds and reimbursements) for projects underway in the county. The Public Ways and Facilities Fund balances with \$3.5 million in estimated fund balance carryover. Public Ways Fund recommended employee positions have decreased slightly from 129 to 128, as one position has been reallocated to the Placer County Transit Fund.

Two separate funds make up the Capital Project Budget: the *Capital Project Fund* and the *Capital Project Securitization Fund*. These funds account 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. The FY 2007-08 *Capital Projects Fund* budget is recommended at \$118 million, an increase of \$30.6 million from the prior year budget. Recommended project costs for FY 2007-08 are \$117.4 million, compared to the \$87million in the prior fiscal year. The primary reason for the increase in project construction costs is due to timing issues for larger projects, and to provide new funding for the South Placer Jail.

Specific projects that have been identified in the Proposed Budget for funding include, but are not limited to: the South Placer Courthouse, South Placer Justice Center, Auburn Justice Center, Colfax Library, Foresthill Library, Auburn Animal Shelter, West Placer Animal Shelter, South Placer Adult Detention Center, Rocklin Branch Library, Dry Creek Park, Roseville Court Renovation, Burton Creek Justice Center, and other projects. Capital Projects will receive \$106.7 million in revenue and project reimbursement, and is balanced with \$11.3 million in estimated fund balance carryover.

The FY 2007-08 *Capital Projects Securitization Fund* is budgeted at \$13.6 million. These funds will be dedicated to funding the South Placer Courthouse.

#### **2007-08 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 152 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.

Additionally, on May 22, 2007 your Board directed the Department of Facility Services to undertake a long-range needs assessment of the numerous sewer districts in Placer County. This proposed budget does not reference said direction. However, once the assessment is completed, and the true costs are identified, subsequent Board direction could result in future modification of this budget.

#### **FISCAL IMPACT**

The total recommended Proposed Budget for County expenditures is in balance, based on FY 2007-08 revenue projections, cancelled reserves or designations as well as estimated fund balance. The County Charter directs the County Executive Officer to prepare and submit an annual Proposed Budget to your Board for approval, and the County Budget Act (Government Code Sec. 29000) requires that the budget be submitted by June 30th. The Proposed Budget becomes Placer County's interim spending plan until your Board conducts public hearings and adopts the Final Budget. The latter must be adopted by October 2<sup>nd</sup> under County Budget Act requirements.

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Attachments: Placer County FY 2007-08 Proposed Budget  
Placer County FY 2007-08 Proposed Budget for Special Districts  
(Items are for review at the Clerk of the Board's Office)

