



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 10, 2008
SUBJECT: Adopt Placer County's FY 2008-09 Proposed Budget

REQUEST

It is requested that the Board of Supervisors:

1. Adopt the FY 2008-09 Proposed Budget.
2. Adopt the FY 2008-09 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 2008-09 represents the culmination of an extensive effort by staff from all departments, resulting in a budget that recognizes future personnel obligations and provides critical services that benefit our citizens, all the while reducing the Operating Budget by -0.4% (\$2 million). Beginning in early fall of 2007, declining revenue projections and economic indicators for the coming fiscal year made it apparent that a somewhat more aggressive planning timeline for the coming fiscal year would be necessary. This accelerated planning effort was intended to ensure a less dramatic course change would be necessary in FY 2008-09, and to allow more time for departments to react in the current year to anticipated resource reductions in the coming fiscal year. As part of this effort, in early winter my staff and I met with department representatives to discuss proposed efficiencies in service delivery, reduction in costs where possible, and staffing options for the upcoming fiscal year. These discussions led to refinement of the budget proposals contained in this document.

In late 2007, a number of measures were put in place to slow and even reduce expenditures in the current fiscal year. Specifically, a more rigorous hiring review policy was implemented

countywide to reduce staffing expenses where possible. Departments were directed to defer or delay big ticket or deferrable purchases, and they were directed to ensure their year-end fund balance contained the same (or nearly the same) amount of carryover funding as was available at the end of the previous fiscal year. These steps, combined with other cost saving measures, were designed to provide more fund balance and reduce future costs in light of the anticipated funding constraints Placer County will face in FY 2008-09.

The Board also held a Strategic Planning Session on March 18. During this session, staff presented trend data and preliminary analysis of major portions of the County budget. Staff received the Board's priorities and funding direction, and ensured this budget was subsequently crafted in accordance with the resultant guidance. Specifically, pursuant to Board direction, the Proposed Budget has been designed to provide a reasonably balanced level of funding for all Board priority programs despite the limited level of resources available. Recognizing that the County is in the business of efficiently providing services to the public, and pursuant to Board direction, the Proposed Budget intends to minimize service delivery impacts despite the reductions in staffing that have been necessary for the County to live within its means.

Indeed the Proposed Budget provides a plan to achieve service delivery goals 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 services and one-time expenditures for capital construction, road maintenance, equipment replacement and the Open Space Program.

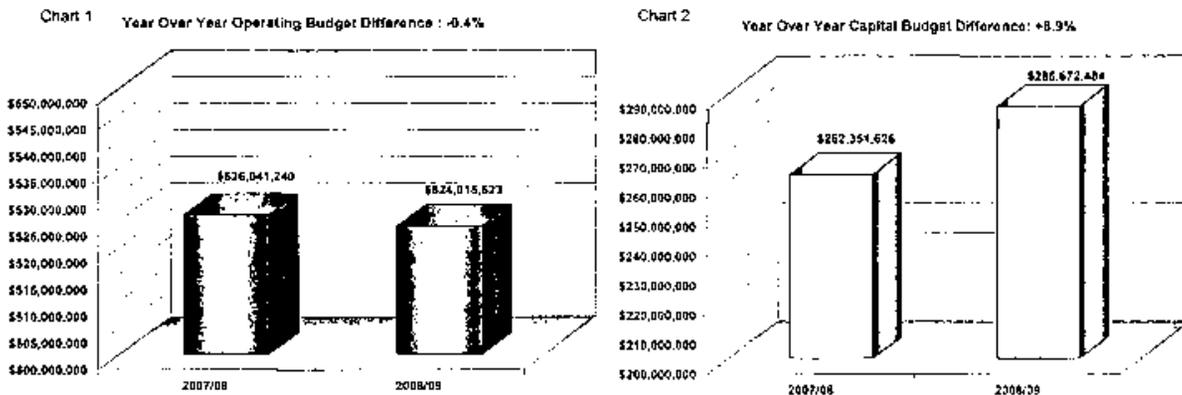
As the Proposed Budget went to print, the Board held a Health and Human Services (HHS) budget workshop to further explore HHS budget options for the coming fiscal year. Any adjustments to the HHS proposed budget resulting from that workshop will be accommodated in future budget documents. Additionally, the Proposed Budget was printed prior to the Governor's May Revision, and as such any adjustments necessary as a result of proposals contained therein will occur in future budget documents.

Upon adoption by the Board of Supervisors the Proposed Budget will become the County's interim spending plan effective July 1st. 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 2nd under County Budget Act requirements.

FY 2008-09 PROPOSED BUDGET

Placer County's Proposed Budget is recommended at \$812,623,151, representing an increase of \$20.4 million or 2.6% over the adopted FY 2007-08 Final Budget. As is evident in Chart 1 below, the Operating Budget is proposed to decrease by 0.4% (\$2 million), which represents the first year-over-year decrease in this category since 1997. Capital and Road Infrastructure funding is proposed to increase \$23.3 million, with a number of projects moving closer to

completion (Chart 2). The Proposed Budget is supported by \$347.9 million in General Fund revenues, \$420.6 million other operating fund revenue, and \$44.1 million in one-time funding from carryover fund balance. Included within the Proposed Budget are recommended Capital and Road Infrastructure Funds totaling \$285.7 million, which is an increase of 8.9% over the 2007-08 Final Budget. Capital and Road Infrastructure Funds are supported by \$269.5 million in revenues and \$16.2 million in fund balances.



Personnel costs represent 34% of total funding uses in the Proposed Budget, and they are projected to increase by \$10.6 million when compared to the prior year. About 64% of this increase can be attributed to retiree health benefits and implementation of the County OPEB policy, with the remaining 36% going toward active employee salary and benefit increases. Unlike in recent years, in FY 2008-09 county departments were asked to absorb the salary and wage increases required pursuant to current labor agreements. As such, the Operating Budget in the Proposed Budget is relatively flat overall when compared to the current year. However, the Proposed Budget contains more precipitous reductions for departments such as Health and Human Services Department, that are more heavily dependent upon state funds, and for which reductions have been proposed in the Governor's Budget.

The Proposed Budget includes 2,844 recommended employee position allocations, which is the same number of allocated positions as were approved in the FY 2007-08 Final Budget. (Includes both Operating and Capital Projects Budgets.) However, as part of our continuing effort to reign in expenditures, there are at this time 198 funded positions being held open countywide.

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 \$371.1 million, reflecting a decrease of \$2 million or 0.5% over the prior year's Final Budget. Despite this overall decrease in General Fund, over \$8 million in additional General Fund is provided for public safety.

Contributions to other funds include \$5.2 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 (\$72.9 million), the Fire Protection Fund (\$1.1 million), the Open Space Fund (\$717,716), the County Library Fund (\$1 million) and the Debt Service Fund (\$4 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 1.9%, or \$7.4 million for FY 2008-09. 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. *The Proposed Budget neither adds to, nor draws from these reserves.*

The General Fund's revenue budget is recommended at \$369.4 million, a decrease of \$3.7 million or 1.0% from the adopted Final Budget. The economy has provided additional General Fund revenues, budgeted at \$347.9 million, up \$4.6 million or 1.3% from the prior year Proposed Budget. This is a considerably lower level of growth when compared to last year's Proposed Budget (3.8%), and is dramatically lower than the double-digit percentage increases in General Fund growth seen in years past. The virtual collapse of the real estate market has markedly contributed to a decline in the growth rate of secured property tax revenues. Property Tax in lieu of motor vehicle license fee (VLF) budgeted revenues, which are up \$1.2 million over the prior year (1.3%), are not increasing at the rates seen in previous years. These revenues are tied to the level of growth associated jurisdictions assessed valuation's growth, and given the reduction in growth in Placer County over the past year, this allocation is down when compared to the \$2.4 million increase anticipated in the current year. Overall, property and other tax categories are budgeted \$7.8 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 (\$10.9 million, relatively flat), transient occupancy taxes (\$3.8 million, flat), and interest earnings (\$5 million, flat).

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 \$23.2 million or 6.2% of the total resources in this balanced budget.

General Fund allocated positions in the Proposed Budget have remained steady at 1,711. However, at least 132 of those positions are being held vacant (198 positions held vacant when including all funding sources) in an effort to reduce county staffing costs.

Other Operating Funds

In addition to the General Fund, the County manages twelve other governmental operating funds and three capital road/infrastructure funds. Most operating funds have seen minor dollar

increases or decreases from the prior year with the exception of the Public Safety Fund (\$5.4 million increase).

The *Public Safety Fund* is made up of four departments: Sheriff, District Attorney, Probation and the County Executive Office. The FY 2008-09 Public Safety Fund budget is recommended at \$128.6 million, representing an increase of \$5.4 million or 4.4% increase from the prior year Final Budget. Public safety services have experienced the same impacts of rising personnel costs and flattening or declining state revenues and grant funding. Employee positions funded by the Public Safety Fund have remained steady at 744. Revenue estimates for public safety are \$124.4 million, \$5.1 million or 4.2% higher than the prior year. Included in public safety revenues is an estimated \$34.9 million public safety sales tax (Proposition 172 funding), **which is \$2.5 million less** than prior year, and which depends upon both statewide and local sales tax generation for receipt. The General Fund contribution has increased from \$64.4 million to \$72.9 million. Included within the contribution is \$6.5 million to offset State Controller's Cost Allocation Plan costs. The Public Safety Fund is balanced with \$4.2 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 \$135.7 million represents an increase of \$1.8 million or 1.3%, 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.

Two separate funds make up the Capital Project Budget: the *Capital Project Fund* and the *Capital Project Securitization Fund*. In many years both of these funds are used for the construction and remodeling of county buildings; however in FY 2008-09 only the Capital Project Fund is proposed, as no projects are intended for the Capital Project Securitization Fund. 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 2008-09 *Capital Projects Fund* budget is recommended at \$149.9 million, an increase of \$35.1 million from the prior year budget. Recommended project costs for FY 2008-09 are \$149.4 million, compared to the \$114.2 million 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, 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 \$137.3 million

in revenue and project reimbursement, and is balanced with \$12.6 million in estimated fund balance carryover.

FY 2008-09 PROPOSED BUDGET FOR SPECIAL DISTRICT

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, a long-range needs assessment is being conducted by Facility Services Department at the direction of your Board, and a portion of the results of that assessment are to be presented to your board at the coming June 24, 2008 BOS meeting. The Proposed Budget does not contain any adjustments associated with that 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 2008-09 revenue projections 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 2nd under County Budget Act requirements.

Attachments: Placer County FY 2008-09 Proposed Budget
Placer County FY 2008-09 Proposed Budget for Special Districts
ON FILE WITH CLERK OF THE BOARD