

EL DORADO COUNTY CALIFORNIA
Chief Administrative Office

February 20, 2013

Memo To: Board of Supervisors
From: Laura Schwartz, Chief Budget Officer
Subject: FY 2012-13 Mid-year Budget Status Report

The Mid-year Budget Status Report provides the Board of Supervisors a picture of how well the County is managing its financial resources. The report summarizes departmental year-end financial forecasts and related issues. Anticipated year-end variances from the Board approved budgets have been provided by every County department and summaries of departmental budget projections are provided in Attachment C.

County Year-End General Fund Forecast

The following table recaps the status of the General Fund budget as amended through December 31, 2012:

	FY 2012-13 Amended Budget	Projected June 30, 2013	Projected as a % of Budget
Estimated Current Year Revenues	\$221,075,419	\$223,322,518	101%
Estimated Current Year Expenditures	\$221,075,419	\$212,526,135	96%

At mid-year, actual revenues of \$66,658,374 were recorded as received in the General Fund, or 30% of projected revenues (42% with fund balance included). The year-end General Fund revenue projection is estimated to exceed budget by \$2,247,099 or 1%.

Non-departmental revenues are projected to be \$1.4 million above budget and departmental revenues are projected to be \$847K above budget. The projected changes in non-departmental revenue are primarily attributed to the following:

- \$625K increase in property taxes
- \$450K increase in property transfer tax
- \$350K increase in sales taxes
- \$311K increase in hotel and motel taxes
- \$269K increase in misc. fees
- \$75K increase in recording fees
- \$200K decrease in penalty and delinquency fees
- \$198K decrease in assessment and tax collection fees
- \$150K decrease in SB 90 mandate reimbursements
- \$130K decrease in misc. fees

The increase in departmental revenues are primarily attributed to increased realignment funding in Human Services and increased revenues in the law and justice departments due to Prop 172 tax revenues. Attachment A provides a summary of projected General Fund revenues and expenditures by department.

Total General Fund appropriations budgeted as of December 31, 2012 were \$221,075,419. Total actual expenditures at mid-year were equal to \$81,388,003 or 38% of projected appropriations in the General Fund. The year-end expenditure projection is estimated to equal 96% of budget.

The net result of increased revenues and lower appropriations is a year-end fund balance projection of \$10,796,383. This fund balance is comprised of the following components:

- \$5.3 million in unspent contingency (this will be rolled forward to FY 2013-14)
- \$4.1 million in departmental savings
- \$1.4 million in additional non-department revenues

Economic Uncertainties

It should be noted that the mid-year projection maintains the reserve for economic uncertainties at 5%, or \$9 million. There are still many unknowns and a very high level of concern regarding State actions that can not be addressed at this time. The mid-year projection is based on the world as we know it today. We continue to monitor State actions very closely and as new information become available we will be notifying the Board during the budget update.

Five Year Forecast

Attachment B shows the revised 5 year forecast which currently shows a projected \$5.3M deficit in FY 2013-14. It is important to note that this is a projection based on the information provided at Mid-year. Historically the departmental savings projected at Mid-year tend to be very conservative. Last year, actual departmental savings exceeded the Mid-year projection by \$6.7M. Therefore, there is a very strong possibility that the actual fund balance determined in September could be much higher than the \$10.5M assumed in the Mid-year projection.

The major assumptions included in the 5 year forecast include:

- No growth in discretionary revenue
- 1% growth in departmental revenues
- 2% growth in operating costs (including salaries & benefits)
- \$1.8M annual contribution to Transportation for road maintenance
- 25% or approximately \$500K of Transit Occupancy Tax (TOT) remains in the General Fund

Investment Strategy

The 5 year forecast assumes some savings related to the Investment Strategy. The majority of these savings are related to implementation of the Enterprise Resource Planning (ERP) system

which includes replacement of the County financial system. Once fully implemented this system could save the County millions of dollars annually. The 5 year projection assumes approximately \$3M in ongoing savings beginning in FY 14-15, \$5M in FY 15-16, \$7M in FY 16-17 and \$10M in FY 17-18.

Current Year Road Fund Forecast

The following table recaps the status of the Roads- Transportation budget as amended through December 31, 2012:

	FY 2012-13 Amended Budget	Projected June 30, 2013	Projected as a % of Budget
Estimated Current Year Revenues	\$102,849,759	\$95,377,961	92%
Estimated Current Year Expenditures	\$102,849,759	\$95,377,961	92%

The major decreases in revenues and expenditures within the Road Fund is primarily on the capital side related to a shift in the timing on the start of construction and acquisition of right of way on several projects. The projections include a reduced use of fund balance of \$2.5M resulting in an approximate year end fund balance of \$12.3M.

Current Year Community Services Forecast

The following table recaps the status of the Human Services – Community Services budget as amended through December 31, 2012:

	FY 2012-13 Amended Budget	Projected June 30, 2013	Projected as a % of Budget
Estimated Current Year Revenues	\$ 14,865,824	\$ 14,865,824	100%
Estimated Current Year Expenditures	\$ 14,865,824	\$ 14,865,824	100%

The department does not anticipate any material changes from budget.

Current Year Public Health Forecast

The following table recaps the status of the Health Services – Public Health budget as amended through December 31, 2012:

	FY 2012-13 Amended Budget	Projected June 30, 2013	Projected as a % of Budget
Estimated Current Year Revenues	\$ 25,668,433	\$18,542,185	72%
Estimated Current Year Expenditures	\$ 25,668,433	\$18,643,877	72%

The major decline in revenues is related to less use of fund balance. The Department budgets 100% of their available fund balance which was \$6M in FY 2012-13. The Department is projecting a minor use of fund balance of \$101,692. The other major revenue decrease of approximately \$800K is primarily related to a decrease in contracted Drug Medi-Cal and AB109

– Prison Realignment services. The decrease in appropriations is primarily related to no planned use of contingency (\$4.3M) and savings in services and supplies (\$1.4M) related to reduced use of professional service contracts and special project expenses associated with Alcohol and Drug Services and salary savings from position vacancies.

Current Year Mental Health Forecast

The following table recaps the status of the Health Services – Mental Health budget as amended through December 31, 2012:

	FY 2012-13 Amended Budget	Projected June 30, 2013	Projected as a % of Budget
Estimated Current Year Revenues	\$ 24,253,849	\$14,635,140	60%
Estimated Current Year Expenditures	\$ 24,253,849	\$16,557,771	68%

The major decline in revenues is related to less use of fund balance and reserves. The Department budgets 100% of their available fund balance which was \$7M and \$1.8M in reserves in FY 2012-13. The Department is projecting a substantial use of fund balance of \$1.9M. This is approximately \$560K higher than anticipated due to late implementation of Mental Health Services Act programs. Expenditure savings are primarily due to no planned use of contingency (\$6.9M) and savings in professional services.

Additional detail is provided in Attachment C: Summaries of Department Mid-year Summaries. My staff and I remain available to answer any additional questions.

Attachment A: Summary of General Fund Department projections as of December 31, 2012

Attachment B: 5 year forecast

Attachment C: Department Mid-year Summaries

Attachment A - Summary of General Fund Department projections as of December 31, 2012

Department	REVENUES					APPROPRIATIONS							NET		
	12-13 Budget REVENUE (FAMIS)	31-Dec (FAMIS)	Projection	Proj Diff from Budgeted	Proj as % of Budget	12-13 Budget APPROP (FAMIS)	31-Dec (FAMIS)	Encumbrance Amount (FAMIS)	12/31 Actual + Encumb (FAMIS)	Projection	Proj Diff from Budgeted	Proj as % of Budget	BUDGETED Net County Cost	Projected Net County Cost	Variance from Net County Cost
Board of Supervisors	65,056	4,881	9,807	-55,249	15.1%	1,584,970	572,457	286	572,743	1,529,721	-55,249	96.5%	1,519,914	1,519,914	0
Chief Administrative Office	2,979,704	-361,925	2,979,704	0	100.0%	9,551,208	3,255,175	117,054	3,372,229	9,320,656	-230,552	97.6%	6,571,504	6,340,952	230,552
Auditor-Controller	446,287	347,963	467,560	21,273	104.8%	3,181,626	1,126,108	6,308	1,132,416	2,835,872	-345,754	89.1%	2,735,339	2,368,312	367,027
Treasurer-Tax Collector	1,586,397	845,973	1,586,397	0	100.0%	2,685,469	994,791	70,170	1,064,961	2,685,469	0	100.0%	1,099,072	1,099,072	0
Assessor	425,210	35,234	425,210	0	100.0%	3,365,136	1,332,307	2,315	1,334,622	3,365,136	0	100.0%	2,939,926	2,939,926	0
County Counsel	503,670	90,993	503,670	0	100.0%	2,649,906	1,200,657	4,973	1,205,630	2,649,906	0	100.0%	2,146,236	2,146,236	0
Human Resources	0	2,259	2,259	2,259	0.0%	1,036,105	451,884	9,585	461,469	1,038,364	2,259	100.2%	1,036,105	1,036,105	0
Information Technologies	1,447,111	18,132	1,393,930	-53,181	96.3%	4,054,873	2,858,907	104,562	2,963,469	3,858,208	-196,665	95.1%	2,607,762	2,464,278	143,484
County Promotions	0	2,500	2,500	2,500	0.0%	1,720,170	235,119	87,191	322,310	1,722,670	2,500	100.1%	1,720,170	1,720,170	0
Surveyor	128,500	31,247	66,000	-62,500	51.4%	1,656,348	633,190	27,096	660,286	1,518,848	-137,500	91.7%	1,527,848	1,452,848	75,000
Non-Departmental G.F. (incl conting)	101,354,572	52,938,992	102,753,935	1,399,363	101.4%	25,115,469	6,332,502	0	6,332,502	19,791,469	-5,324,000	78.8%	-76,239,103	-82,962,466	6,723,363
Designations, Reserve & FB	26,530,905	0	26,530,905	0	100.0%	10,734,876	0	0	0	10,734,876	0	100.0%	-15,796,029	-15,796,029	0
Grand Jury	0	0	0	0	0.0%	90,990	26,977	0	26,977	90,990	0	100.0%	90,990	90,990	0
Superior Court MOE	1,609,500	790,829	1,609,500	0	100.0%	2,467,000	1,268,823	0	1,268,823	2,467,000	0	100.0%	857,500	857,500	0
District Attorney	2,754,061	301,258	2,858,156	104,095	103.8%	8,042,355	3,489,757	106,470	3,596,227	7,991,812	-50,543	99.4%	5,288,294	5,133,656	154,638
Public Defender	358,228	132,670	317,767	-40,461	88.7%	2,923,225	1,277,217	2,122	1,279,339	2,875,397	-47,828	98.4%	2,564,997	2,557,630	7,367
Sheriff	15,584,842	5,123,915	15,799,842	215,000	101.4%	55,592,849	21,188,475	354,007	21,542,482	54,807,849	-785,000	98.6%	40,008,007	39,008,007	1,000,000
Probation	5,056,747	1,084,220	4,745,513	-311,234	93.8%	14,390,031	5,345,759	92,404	5,438,163	13,348,653	-1,041,378	92.8%	9,333,284	8,603,140	730,144
Ag Commissioner	852,162	14,388	852,162	0	100.0%	1,304,632	525,352	4,812	530,164	1,297,832	-6,800	99.5%	452,470	445,670	6,800
Recorder-Clerk/Registrar of Voters	3,104,331	679,479	3,161,605	57,274	101.8%	4,212,308	2,173,762	17,883	2,191,645	3,847,824	-364,484	91.3%	1,107,977	686,219	421,758
Transportation	900,472	40,517	734,478	-165,994	81.6%	1,562,488	444,277	0	444,277	1,313,241	-249,247	84.0%	662,016	578,763	83,253
Development Services	4,255,751	1,498,807	3,997,656	-258,095	93.9%	6,999,978	2,017,791	5,036	2,022,827	6,604,294	-395,684	94.3%	2,744,227	2,606,638	137,589
Public Health (Animal Services)	1,320,168	409,448	1,315,769	-4,399	99.7%	2,509,820	720,098	3,410	723,508	2,452,013	-57,807	97.7%	1,189,652	1,136,244	53,408
Environmental Management	2,575,049	566,512	2,575,049	0	100.0%	2,701,122	1,422,895	10,118	1,433,013	2,701,122	0	100.0%	126,073	126,073	0
Veterans Services	91,000	15,732	36,000	-55,000	39.6%	426,067	132,863	924	133,787	354,067	-72,000	83.1%	335,067	318,067	17,000
Human Services	39,890,270	477,189	41,446,270	1,556,000	103.9%	41,772,407	18,610,153	98,317	18,708,470	42,683,407	911,000	102.2%	1,882,137	1,237,137	645,000
Library	1,907,759	222,221	1,784,672	-123,087	93.5%	3,396,324	1,447,597	12,750	1,460,347	3,273,237	-123,087	96.4%	1,488,565	1,488,565	0
Child Support Services	5,347,667	1,344,940	5,366,202	18,535	100.3%	5,347,667	2,303,110	1,568	2,304,678	5,366,202	18,535	100.3%	0	0	0
GENERAL FUND TOTAL	221,075,419	66,658,374	223,322,518	2,247,099	101.0%	221,075,419	81,388,003	1,139,361	82,527,364	212,526,135	-8,549,284	96.1%	0	-10,796,383	10,796,383
Departmental	93,189,942	13,719,382	94,037,678	847,736	(0)	185,225,074	75,055,501	1,139,361	76,194,862	181,999,790	(3,225,284)	0	92,035,132	87,962,112	4,073,020
Non-Departmental	127,885,477	52,938,992	129,284,840	1,399,363	1	35,850,345	6,332,502	-	6,332,502	30,526,345	(5,324,000)	1	(92,035,132)	(98,758,495)	6,723,363

Attachment B
5 year forecast as of February 19, 2013

COUNTY OF EL DORADO
General Fund Revenue and Appropriation Projection

	FY 2013-14	FY 2014-15	Projected FY 2015-16	FY 2016-17	FY 2017-18
REVENUES					
Property Tax	\$ 53,349,672	\$ 53,350,969	\$ 53,352,278	\$ 53,353,601	\$ 53,354,937
Other Local Taxes	31,898,700	31,900,652	31,902,623	31,904,614	31,906,626
Licenses/Permits/Franchises	5,797,045	5,861,368	5,926,606	5,992,773	6,059,886
Fines/Forfeitures/Penalties	799,940	805,939	811,999	818,119	\$ 824,300
Use of Funds/Property	187,367	188,090	188,821	189,559	\$ 190,305
Intergovernmental Revenue	52,522,623	54,298,993	55,927,832	57,611,004	\$ 57,758,649
Charges for Service	12,354,918	12,463,612	12,573,549	12,684,742	\$ 12,797,207
Other Revenue	2,585,303	2,596,702	2,608,215	2,619,844	\$ 2,631,588
Transfers from Other Funds	30,385,196	29,799,701	29,382,951	28,933,484	\$ 30,041,561
Total Current Revenues	\$ 189,880,763	\$ 191,266,026	\$ 192,674,874	\$ 194,107,740	\$ 195,565,059
Appropriation from Fund Balance*	10,796,383	10,616,000	12,732,120	14,838,362	17,954,730
Total Revenues	\$ 200,677,146	\$ 201,882,026	\$ 205,406,994	\$ 208,946,102	\$ 213,519,789
Discretionary Revenues	\$ 110,815,373	\$ 110,634,990	\$ 112,751,110	\$ 114,857,352	\$ 117,973,720
Departmental Revenues	89,861,773	91,247,036	92,655,884	94,088,750	95,546,069
Total Revenues	\$ 200,677,146	\$ 201,882,026	\$ 205,406,994	\$ 208,946,102	\$ 213,519,789
APPROPRIATIONS (Category)					
General Government	\$ 32,053,186	\$ 32,663,500	\$ 33,286,020	\$ 33,920,990	\$ 34,568,660
Law and Justice	83,698,534	85,372,504	87,079,954	88,821,554	90,597,985
Land Use & Development	13,474,618	13,744,111	14,018,993	14,299,373	14,585,360
Health/Human Services	54,518,679	55,609,052	56,721,233	57,855,658	59,012,771
Nondepartmental	22,215,811	22,496,150	22,771,599	23,062,311	23,368,445
Total Appropriations	\$ 205,960,828	\$ 209,885,317	\$ 213,877,799	\$ 217,959,886	\$ 222,133,221
APPROPRIATIONS (Object)					
Salaries/Benefits	\$ 130,245,884	\$ 132,846,688	\$ 135,499,509	\$ 138,205,387	\$ 140,965,381
Operating Expenses	54,666,070	55,671,008	56,696,067	57,741,651	58,808,169
Fixed Assets	1,311,815	1,337,969	1,364,646	1,391,856	1,419,611
Other Financing Uses	76,500	78,030	79,591	81,182	82,806
Transfer to Other Funds	14,044,560	14,219,502	14,399,624	14,585,080	14,776,028
Appropriation for Contingency	5,616,000	5,732,120	5,838,362	5,954,730	6,081,224
Total Appropriations	\$ 205,960,828	\$ 209,885,317	\$ 213,877,799	\$ 217,959,886	\$ 222,133,221
Revenue Surplus/(Shortfall)	\$ (5,283,683)	\$ (8,003,291)	\$ (8,470,805)	\$ (9,013,783)	\$ (8,613,432)
Designated for Capital Projects	\$ 22,370,897	\$ 22,370,897	\$ 22,370,897	\$ 22,370,897	\$ 22,370,897
Designated for Contingencies	\$ -	\$ -	\$ -	\$ -	\$ -
General Reserve	\$ 9,381,221	\$ 9,366,547	\$ 9,551,204	\$ 9,739,641	\$ 9,931,933
\$ Needed for 5% General Reserve	\$ 9,366,547	\$ 9,551,204	\$ 9,739,641	\$ 9,931,933	\$ 10,128,162
Additional Funds to Reach 5%	\$ 14,675	\$ (184,658)	\$ (188,436)	\$ (192,293)	\$ (196,229)
Total Revenue Surplus/Shortfall	\$ (5,269,008)	\$ (8,187,949)	\$ (8,659,241)	\$ (9,206,076)	\$ (8,809,661)

FY 2013-14 Assumptions

Property Tax remains flat
All other Discretionary Rev remains flat
1% growth on departmental revenues
Funding of \$1.8M for roads
2% growth in operating costs
Assumes 25% (Approx \$500K) TOT for GF Operating Costs

FY 2014-15 through FY 2017-18

Fund balance = Contingency plus \$2M departmental savings / increased revenues
All other assumptions remain the same as FY 2013-14

*** Investment Strategy Savings**

Included in Fund Balance
Assumes \$3M in FY 14-15
Assumes \$5M in FY 15-16
Assumes \$7M in FY 16-17
Assumes \$10M in FY 17-18

Attachment C: Summaries of Department Mid-Year Projections

General Government

Board of Supervisors - No change to Net County Cost

The department does not anticipate any material changes from budget.

Chief Administrative Office – Net County Cost savings of \$230,552

The Chief Administrative Office is projecting savings of \$230,552 due to salary savings related to vacancies. The centralized fiscal/admin unit is still not fully staffed and the division is still working on estimating charges for service to other departments, primarily Risk Management. If additional time is required for Risk related activities, the Net County Cost savings may increase. A detailed analysis will be done at 3rd quarter.

In addition the department is implementing software to track labor and materials charges in the facilities division. Therefore billable costs are currently unknown which could also have an impact on Net County Cost.

Accumulative Capital Outlay Fund

At the end of FY 2011-12 there were several parks projects that were not completed. These projects are funded with Accumulative Capital Outlay funds and funds were included in Addenda. However the project list was not updated to reflect these carryover projects. The projects noted below reflect the parks carryover projects from FY 2011-12. Several of these have been completed or are in progress:

- HLP Slurry Seal & Striping \$50,000
- Chili Bar Masterplan \$60,000
- Bass Lake \$15,000
- SLT Playground Equipment \$3,729
- Pollock Pines Park \$5,000
- South Lake Tahoe Masterplan \$50,000

Additionally, the Parks division is requesting additional funding for the following projects:

- South Lake Tahoe Masterplan \$20,000 (For a total of \$70,000)
- Railroad crossings and cross bucks \$35,000

At this time it appears that there are savings in the FY 2012-13 budget to cover these additional projects. Savings are related to delayed starts of other capital projects and will be re-budgeted in FY 2013-14. The Chief Administrative Office will continue to closely monitor this budget and if savings are not realized it may be necessary to bring forth a budget transfer at year-end to appropriate additional fund balance. There is sufficient fund balance available to fund the \$55,000 requested above.

Auditor-Controller – Net County Cost savings of \$367,030

The Auditor-Controller projects increased revenue of \$21,273 and decreased appropriations of \$345,757 resulting in a decrease to Net County Cost of \$367,030. Increased revenues are one time in nature due to increased charges for service related to the dissolution of the South Lake Tahoe RDA and services related to refinancing of bonds for a Mello Roos district. Decreased appropriations are related to salary savings generated by four vacancies within the department.

Treasurer-Tax Collector – No change to County Cost

The department does not anticipate any material changes from budget.

Assessor – No change to Net County Cost

The Assessor projects a slight shortfall in revenues of approximately \$20,000 due to lower supplemental taxes. This shortfall will be offset by savings in salary and benefits.

County Counsel – No change to Net County Cost

County Counsel does have increased salary costs due to the retirement of the previous County Counsel. The Department currently anticipates salary savings due to vacancies that may be able to cover the one-time, significant pay out expense related to the retirement. The Chief Administrative Office will be working with the Department to monitor these savings and may return with a budget transfer towards the end of the year if necessary.

Human Resources - No change to Net County Cost

The department does not anticipate any material changes from budget.

Risk Management

The Chief Administrative Office is in the process of reviewing the Risk Management budget and issues related to implementation of the Affordable Care Act as well as impacts related to changes in the County's Health Insurance structure. If necessary, the department will return to the Board with any policy issues related to Risk funding.

Information Technologies – Net County Cost decrease of \$143,484

The Information Technologies department is projecting a decrease in net county cost of approximately \$143,484. Information Technologies is projecting a savings of \$175,000 in salaries and benefits due to position vacancies. This savings takes into account three payoffs that have occurred since July 2012. In addition, the Print Shop was closed in September 2012 resulting in appropriation savings of approximately \$98,000.

The mid-year projection includes adjustments in two revenue areas. The first is a projected shortfall in revenue between the Surveyor's office and Information Technologies. The budget included \$55,000 in revenue from the Surveyor's department for programming and web site services. As of mid-year the work has not developed that would generate this level of revenue. The new projection is \$5,000, a reduction of \$50,000. The second area is revenue associated with the Print Shop resulting in a revenue reduction of \$53,181 and a reduction to Inter-fund Abatements of \$28,000. The Print Shop revenue reduction is offset by appropriation reductions noted above.

Economic Development – No Change to Net County Cost

The FY 12/13 Adopted Budget for Economic Development is \$1.7M with allocations identified for the following:

Promotions Contracts	\$728,903
County Staff/Operations	\$508,867
Special Projects	<u>\$485,000</u>
Total	\$1,722,770

Funding for the Economic Development program is tied to the Transient Occupancy Tax (TOT). The FY 2012-13 budget includes current year TOT funding of \$1,304,555 as well as carry over funds in the amount of \$418,215 from the prior year. Staff has been working with the Economic Development Advisory Committee to develop specific recommendations for the Board on programming these funds for current and future years.

Projected expenditures for the current year are well below budget due to the time required to prepare and implement the comprehensive economic development program that was envisioned at the time the budget was adopted; however, any unspent funds will be carried forward to FY 2013-14 and reprogrammed for economic development activities.

Projected expenditures in the current year consist primarily of promotions contracts (chambers of commerce, arts council, etc.) and staff costs for overseeing economic development activities. Additionally, a professional services contract for \$50,000 is being developed with One Globe Corporation for a "SMART Hub Project Development and Implementation Plan" that will provide a scalable community and economic development model designed to revitalize the South Lake Tahoe area as well as a replicable model for other areas of the County.

Recorder Clerk / Elections – Net County Cost savings of \$421,758

The Recorder Clerk projects increased revenues of \$57,274 and decreased appropriations of approximately \$364,484 resulting in a reduction in Net County Cost of \$421,758.

The majority of savings in appropriations are in the Elections division. The department anticipates one-time salary savings related to a vacancy. In addition the 2012 election costs were much lower than the 2008 election cycle due to staff efficiencies. Bulk mailings were also utilized to reduce mail costs significantly. No additional polling place elections are scheduled for the rest of FY 2012-13 resulting in lower costs for Precinct Board compensation.

Law & Justice

The following is a summary of the Proposition 172 – Public Safety ½ Cent Sales Tax and AB109 – Prison Realignment, both of which have policy impacts to the Law & Justice departments. Following these summaries are the mid-year reports for each of the Law & Justice departments.

Proposition 172 – Public Safety ½ Cent Sales Tax

Proposition 172 – Public Safety ½ Cent Sales Tax is the primary source of general fund revenue that is distributed to the Sheriff, District Attorney, Probation and Public Defender to offset general fund operating expenses, including deputies, probation officers and district attorney investigators, with a small portion going to the incorporated cities to offset law enforcement costs. In accordance with the legislation, 6.49% of the total amount allocated to El Dorado County is provided to the incorporated cities. The remaining amount is provided to El Dorado County departments and distributed as follows:

- Sheriff: 74.5%
- Probation: 12.4%
- District Attorney: 9.7%
- Public Defender: 3.4%

Based on actual revenue allocated to El Dorado County through December 2012, including the revenue distributed to the incorporated cities, projections anticipate an increase of 3.2% over Fiscal Year 2011-12 actuals. If this trend continues through the remainder of the fiscal year total Proposition 172 revenue will be approximately \$9.16 million, which is comparable to pre-recession levels, which peaked at \$9.85 million in in FY 2006-07.

During the economic crisis, Prop 172 revenues declined to a low of \$7.9 million in FY 2009-10. As a result, the CAO's office regularly monitors this revenue stream as any reductions can significantly impact Net County Cost projections and the services provided by the County's criminal justice system.

AB109 – Prison Realignment

In July 2011 the State of California implemented comprehensive reform to address the overcrowding in the State prisons by changing sentencing practices, resulting in an increased number of felons being sentenced to local jails. As a result of these changes, during Fiscal Year 11/12 the County received approximately \$1.2 million and in Fiscal Year 2012-13 the County will be receiving approximately \$3.3 million in Community Corrections Partnership (CCP) Special Revenue Funds to address the increased workload to the criminal justice system.

As the Chair of the CCP, the Probation Department has been working with the Sheriff, District Attorney, Superior Court, Public Defender, Health and Human Services, the Placerville Police Department and all other CCP partners to address increases to the jail populations and identify alternative methods to prevent recidivism. Specifically, funding is allocated to the Sheriff's Office to fund the costs of housing additional inmates, to the Probation Department to offset their additional workload in monitoring former inmates on parole and probation, and funding to be spent on treatment programs and sentencing alternatives.

As part of prison realignment, the budgets for the District Attorney and the Public Defender's Office each include Special Revenue Fund revenues and appropriations in the amount of \$43,200 to offset the costs of planning and conducting parole revocation hearings which transition from the State to the County effective July 1, 2013. At this time, the District Attorney and Public Defender do not anticipate spending these funds during this fiscal year, all of which will carry over to future years.

Grand Jury – No change to Net County Cost

Superior Court MOE – No change to Net County Cost

District Attorney – Net County Cost savings of \$154,638

The District Attorney is projecting year end revenue to exceed budgeted by approximately \$104,100, primarily as a result of increases in Proposition 172 – Public Safety Sales Tax revenue. The revenue projections assume the District Attorney's Office will be able to draw down all budgeted revenues associated with various grants, special revenue funds and for services provided to other departments.

In addition, the District Attorney is projecting a small amount of savings in salary and employee benefit costs totaling approximately \$39,000 as a result of salary savings from vacant positions, and minimal savings in other expenditure categories totaling \$11,000.

Public Defender – Net County Cost savings of \$7,367

While increases in Proposition 172 – Public Safety Sales Tax revenue are anticipated, the Public Defender is anticipating a revenue shortfall of \$40,461 primarily as a result of not realizing approximately \$43,200 in special revenue funds related to prison realignment and the parole revocation hearing process which takes effect July 2013. While this revenue will not be realized, the Public Defender will not incur any costs associated with parole revocations hearings, resulting in no impact to Net County Cost.

In addition, the Public Defender's Office is projecting an increase in Salary & Employee Benefit costs in the amount of \$14,800, primarily as the result of the leave payoffs to the Public Defender and a Deputy Public Defender who retired from County service. These excess costs are being offset with savings in other expenditure categories totaling approximately \$62,600.

Sheriff – Net County Cost savings of \$1,000,000

The projection for the Sheriff's Office includes increased revenues totaling \$215,000 as a result of increases in Proposition 172 – Public Safety Sales Tax revenues, and decreased expenditures totaling \$485,000 as a result of salary savings relative to vacant positions and lower than anticipated costs for fuel and vehicle usage. In addition, during the budget addenda process \$300,000 of contingency funding was set aside for the Sheriff's use in the event of an unforeseen emergency. Based on their current year projections, it is likely the Sheriff's Office will be able to absorb the costs of any emergencies without the use of contingency funds.

Probation – Net County Cost savings of \$730,144.

The Probation Department is projecting an overall shortfall in revenue totaling approximately \$311,000. This shortfall is primarily the result of not realizing revenue from various special revenue funds totaling \$398,623, offset with a corresponding decrease in expenditures resulting in no impact to Net County Cost. The Department is also projecting a decrease in revenue totaling \$30,000 as a result of fewer than anticipated commitments to our juvenile detentions facilities from other jurisdictions. These losses of revenue are offset with projected increases in Proposition 172 – Public Safety Sales Tax totaling \$113,200, and an additional \$5,000 based on current collection trends relative to parental reimbursement for the care of juveniles.

At this time the Probation Department has 20 vacancies resulting in a projected Salary & Employee Benefit savings totaling approximately \$534,000. In addition, the Probation Department is anticipating savings in various services, supply, other charges and intrafund charges totaling \$507,400, resulting in an overall expenditure reduction of \$1,041,400. The Department is actively recruiting to fill the existing vacancies and the current projections include the assumption that all vacancies will be filled prior to the end of the fiscal year. In the event the Department is unable to fill all of the vacancies by the end of the fiscal year, additional savings will be realized.

Land Use and Development Services

Surveyor – Net County Cost savings of \$75,000

The Surveyor projects a shortfall in revenues of \$62,500, primarily in charges for services to other departments for GIS support to projects. This shortfall will be offset by savings in projected expenditures of \$137,500 from a position vacancy and a reduced amount for IT support charges due to less project support activity. A recruitment is in process to fill the current position vacancy.

Agriculture – Net County Cost savings of \$6,800

Revenues for Agriculture are projected to come in at the budgeted level of \$825,162; however, unclaimed gas tax revenues of \$311,764 are not received until late March and it is not yet known if the department's annual allocation will be reduced by the State. The department has been tightly controlling expenditures in the event that actual unclaimed gas tax revenues fall short of the amount budgeted in order to remain within their budgeted Net County Cost. The projected Net County Cost savings is related to a change in health insurance coverage elections for one employee in the department.

Transportation – Net County Cost savings of \$83,253

Fund Type 10 – County Engineer / Property Services (Cemetery Operations)

The County Engineer program is funded primarily through time and material billings to developers for discretionary reviews, plan checking and subdivision inspection, parcel maps and commercial grading projects. General Fund support is provided to the County Engineer for one half of the costs for the NPDES program (the other half is funded by Public Utility Franchise Fees), general information/complaints that are non-road related, and any shortfall on flat fee funded projects. Revenues in the County Engineer program are projected to be \$165,594 below budget and expenditures are projected at \$289,362 below budget resulting in a Net County Cost savings of \$123,768. This projection is based on the activities for the first six months and anticipated work in the second half of the fiscal year. Revenues for Cemetery Operations are projected to be just under budget by \$400 however expenditures are projected to be over budget by \$40,915 resulting in an increased Net County Cost of \$40,515 for this program. This is primarily due to a projected increase for work performed by Road Fund staff for Placerville Union Cemetery operations and general overall cemetery operations. Projections for both programs result in the Net County Cost savings identified above.

Fund Type 11 – Road Fund, Capital Improvement Program, Erosion Control

Total revenues and expenditures are projected to be \$7,471,798 less than budgeted. The total fund balance for the Road Fund is projected to be \$12,253,131 at fiscal year end.

Road Fund Program

The Road Fund projection includes reduced revenues of \$497,668 and reduced expenditures of \$3,042,894 resulting in an increase to available fund balance of \$2,545,226 at year end. The most significant revenue reduction is a decrease in Highway Users Tax (gas tax) of approximately \$620K based on actual receipts to date and anticipated payments through June 2013. This revenue reduction is offset by increases in a number of other revenue line items including state Regional Surface Transportation Program (RSTP) funds (\$150K) and County interfund transfers for work performed by DOT staff on the Rubicon Trail project, Facilities projects, Airport projects and Cemetery Operations (\$180K), and delays in the purchase of fixed assets such as the street sweeper for the Tahoe Basin and diesel retrofits for existing equipment (\$410K). The budget for this program includes approximately \$500K in General Fund support which the department projects expending by fiscal year end.

Reduced expenditures of \$3.04M include a decrease in the budgeted use of Road Fund Contingencies (\$890K), a decrease in the contribution to the City of Placerville for the Western Placerville Interchange (budgeted at \$2M but only \$1.2M was actually expended), and salary savings due to position vacancies and employees out on medical leave (\$640K). The Chief Administrative Office is reviewing position vacancies and evaluating future needs in the context of the recently approved Community Development Agency structure.

Capital Improvement Program (CIP)

The CIP projection includes reduced revenues and expenditures of \$4.37M. Changes in projected program revenues and costs are primarily due to delayed timing on start of construction and acquisition of right of way on several projects. Unspent funds will be carried forward and re-budgeted in FY 2013-14.

Erosion Control

The projections for Erosion Control include increased revenues of \$280 and decreased expenditures of \$92,235 resulting in an increase to fund balance at fiscal year end. Increased revenues are related to the sale of plans for the Christmas Valley bid package and decreases are related to Contingency that is not projected to be needed this year. Contingency funds will be carried forward and re-budgeted in FY 2013-14.

Maintaining a sustainable program may be a challenge for the Erosion Control Program in the future. Fluctuating revenues from year to year make it difficult to sustain a base line program. It is being proposed that California Transportation Commission (CTC) funding be granted on a competitive basis versus an allocation formula. The other major revenue source to the program is US Forest Services grant funding which requires a 50% match. If CTC funding becomes unstable, matching funds may not be available from this State agency thereby further reducing the Federal funds received. The Department does receive TRPA mitigation funds on an annual basis, which can be used for match is working with the

US Forest Service to also include operations and maintenance associated with the Total Maximum Daily Load (TMDL) efforts as a potential match source. The department continues to identify and apply for grants and take advantage of available funding opportunities when at all possible.

Special Districts

This program provides for the activities of County Service Areas 2, 3, 5, and 9, Zones of Benefit, and the Georgetown Cemetery Zone. Areas and zones are established to provide road and drainage maintenance, lighting, cemetery services and other localized services to a specific area. The Special Districts budget projection includes increased revenues of \$15,012 and reduced expenditures of \$679,479 resulting in an increase in available fund balance of \$690,500 at fiscal year end. The majority of the expenditure savings is related to budgeted contingencies that will not be spent (\$319K) and reductions in special projects, maintenance costs and fixed asset purchases ((\$356K) that will be carried forward and re-budgeted in FY 2013-14.

Airports

The projection for Airports shows that revenues will be \$403K less than budgeted and expenditures will be \$412K less than budgeted resulting in an increase to Airport fund balance of \$8,767. This budget includes a budgeted General Fund contribution which is projected to increase by \$2,183 for the Georgetown Airport operations.

Fleet Operations

Revenues and expenditures for the Fleet program are expected to be \$48K less than budgeted. Revenues are based on current vehicle usage to date. Expenditure decreases consist primarily of salary savings due to the transfer of on position to the Road Maintenance Division. The FY 2012-13 Fleet Operations budget includes an appropriation of \$1.2M for replacement vehicles. Fleet Operations has analyzed replacement vehicle needs and anticipates that the vehicles will be purchased prior to fiscal year end.

Development Services – Net County Cost savings of \$137,589

Development Services projects an overall shortfall in revenues of \$258,095 primarily in the area of building permits (based on year to date permit activity). Actual permit revenues are approximately \$100,000 higher than at this time last fiscal year, however the revenues are not coming in at the anticipated budget level.

The projected revenue shortfall is offset by savings in salaries and benefits due to position vacancies and recruitments that have been delayed pending analysis of current year revenues.

Code Enforcement – Seeking Policy Direction from the Board

Development Services is responsible for overseeing the County's code enforcement program. Currently, investigations are initiated by citizen inquiries or complaints, or at the request of other health and safety agencies. Code enforcement addresses safety-related or non-permitted items such as illegal businesses, fire-created hazards and substandard or dangerous housing. The current program budget is \$168,548 and is primarily funded by the General Fund with approximately \$60,000 in revenues from investigation fees for a Net

County Cost of \$108,548. Revenues from code violation fines (approximately \$50,000) are held in the Abatement of Dangerous Buildings fund and used to cover the costs of eliminating hazards in the event such costs are incurred.

Current staffing for the code enforcement program consists of 1.4 FTE's (1.0 Building Inspector III and 0.4 Development Technician). With this level of staffing, the code enforcement unit primarily responds to reports of threats to life and safety or potential threats to life and safety. The unit is currently carrying approximately 1100 inquiry and complaint based cases. Over the last 10 years, the staffing level for this program has ranged from 2.0 FTEs (FY 2003-04) to 5.0 FTEs (FY 2005-06 through FY 2007-08). Budget reductions in 2008 necessitated a reduction in staff for this program which has resulted in the current staffing and funding levels.

Staff is requesting policy direction from the Board regarding future enhancement of the code enforcement program to address the case backlog and provide better response times to complaints. Additional General Fund support would be required for any program enhancements.

Environmental Management – No change to Net County Cost

Environmental Management is projecting revenues and expenditures at the budgeted level for its General Fund Programs. CSA #3 and CSA #10 programs (vector control and waste management) will close at or under budgeted levels for FY 2012-13. Any unspent funds in these programs will be carried forward and re-budgeted in FY 2013-14. The River Management program is projected to exceed the current budget by approximately \$25,000; however this program is fully funded by river permit fees so this will not result in a change to Net County Cost. A budget adjustment will be prepared to incorporate additional revenues and appropriations for this program.

Air Quality Management District – No change to Net County Cost

Health and Human Services

Public Health – Net County Cost savings of \$53,406

General Fund – Fund Type 10 (Animal Services) – Net County Cost savings of \$53,406

The Department is projecting a savings of \$53,406 in Animal Services Net County Cost. Revenues are projected to be \$4,399 below budget based on actual revenue to date primarily as a result of lower than anticipated revenue from other government agencies. Total expenditures are projected to be \$57,806 less than budgeted as a result of salary savings from vacant positions.

Public Health Programs – Fund Type 11

Fund 11 includes a number of Public Health Service programs as well as the Emergency Medical Services (EMS) program. Public Health programs are funded primarily by grants, realignment revenues and other State and Federal revenues. EMS is funded by a contribution from the General Fund.

In summary, projected revenues for these programs are \$18.5 million and projected expenditures are \$18.6 million, resulting in a decrease of fund balance by approximately \$101,000 at year end. The projected use of fund balance is less than the original budget amount.

Total Fund 11 revenues are projected to be approximately \$1 million below budget (not including fund balance) primarily due to decrease of \$800,000 in the Alcohol and Drug programs due to a decrease in contracted Drug Medi-Cal and AB109 – Prison Realignment services. The additional \$200,000 decrease is a result of a decrease in State funding as well as a programmatic change in Public Health Nursing in collaboration with Human Services.

Overall expenditures are projected to be approximately \$2.7 million below budget (not including appropriation for contingencies) primarily due to savings in the Alcohol Drug programs for lower than anticipated Special Department Expense in various Alcohol Drug programs combined with savings in professional services related to Drug Medi-Cal and AB109 counseling professional services. Additional savings in FT 11 related to the deferral of a number of purchases and special project expenses and salary savings from position vacancies.

Special Districts – Fund Type 12 (CSA 3 and CSA 7)

Public Health Fund 12 includes budgets for pre-hospital medical services provided within County Service Area (CSA) 7 for the West Slope area, and CSA 3 for the South Lake Tahoe and Tahoe West Short areas. This fund also includes Ambulance Billing (i.e., patient billing and collection for ambulance services operating in the County). Revenues in these funds consist primarily of taxes, State funding, ambulance fees, and contract payments from the Miwok Tribe.

Projected revenues for these programs are \$13.5 million and projected expenditures are \$14.5 million, resulting in the use of fund balance of approximately \$1 million. This use of fund balance was included in the FY 2012-13 adopted budget and is being used to fund current year operations.

Total revenues are projected to be slightly higher than budget by approximately \$72,000 (not including Residual Equity Transfer). This is primarily related to ambulance billing revenue in CSA 3. Expenditures are projected to be approximately \$6.6 million below budget primarily as a result of not using contingency funds (\$6.1 million), a prior period adjustment (\$400,000), and savings in professional services (\$100,000).

Property tax and special assessment revenues that are flat or declining will require the CSAs reduce expenditures to remain within available revenues and avoid depletion of fund balance.

The Department has developed a multi-year forecasting tool to prepare and maintain annual balanced budgets that do not rely on CSA fund balance for ongoing operations.

Mental Health – No change to Net County Cost

Midyear projections for the Mental Health Division reflect the combined total of traditional programs in the division's sub fund 001, and Mental Health Services Act (MHSA) programs in sub fund 003. Total revenues for the division are projected at \$14.6 million and total expenditures are projected at \$16.5 million resulting in the use of approximately \$1.9 million in fund balance.

Mental Health Traditional Programs (Sub Fund 001)

Mental Health Traditional Programs include Psychiatric Emergency Services, the Psychiatric Health Facility (PHF), Utilization Review/Quality Improvement, Institutional and Resident Care, and Outpatient Services for Adults (primarily assessment of new clients and treatment for the severely mentally ill), and Outpatient Services for Children (primarily assessments, treatment of children at the juvenile detention facilities and services provided to schools for Individualized Education Plans). These programs are funded primarily from federal and state revenues such as Medi-Cal and Mental Health Realignment.

Projected revenues for the Mental Health Traditional Programs are \$9.2 million and projected expenditures are \$11.1 million, resulting in a decrease in fund balance of \$1.9 million, approximately \$506,000 more than anticipated in the adopted budget. The following are the two primary reasons for these additional expenses:

1) **Increased usage of State Hospital Beds**

Mental Health budgeted to fund one State hospital bed for patients with a severe mental illness who are unable to be treated in a County facility or with one of our contract providers. Currently, based on need, Mental Health has acquired a second bed resulting in higher than anticipated costs totaling approximately \$300,000. Mental Health is currently working with providers to establish additional bed usage within local facilities in order to transition clients to lower levels of care and decrease the reliance on State hospital beds whenever possible.

2) **Increased Staffing Costs**

In October 2012 the Board of Supervisors approved the closure of the Crisis Residential Treatment Center (CRT). During the budget process Mental Health determined the staff assigned to the CRT would transition to other MHSA programs such as Intensive Case Management and the expanded PHF. However, implementation of these new programs has taken longer than anticipated resulting in an increased use of fund balance since some of the staff previously assigned to the CRT haven been working in Psychiatric Emergency Services, which is not an allowable MHSA program service.

While Mental Health is projecting an increase to Net County Cost totaling approximately \$206,000 as a result of these issues, the Department is implementing procedures to ensure staff are assigned to work in MHSA programs as much as possible in order to reduce this amount as much as possible prior to the end of the fiscal year.

Mental Health anticipates full implementation of the Intensive Case Management Team as well as the expansion of the PHF in the near future which will result in ongoing savings. Until that time, Mental Health is working to ensure staff are assigned to MHSA allowable programs when appropriate based on the departments approved MHSA plan,

Mental Health Services Act (MHSA) Programs (Sub Fund 003)

MHSA programs are funded by Proposition 63 passed by California voters in 2004. MHSA is funded by imposing an additional one percent tax on individual taxable income in excess of one million dollars, and was designed to reduce disparity in service access and promote mental health wellness and recovery by providing effective mental health interventions and supportive services to seriously mentally ill individuals.

MHSA funds are advanced to the County and then spent in accordance with Board approved plans for each MHSA component which include Community Services and Supports, Workforce Education and Training, Prevention and Early Intervention, Innovation, Capital Facilities and Technological Needs.

Projected revenues and expenditures for MHSA programs are both projected to be approximately \$5.4 million, resulting in minimal use of Fund Balance.

Human Services – Net County Cost savings of \$645,000

Social Services Division (Fund Type 10)

The Social Services Division is projecting a Net County Cost savings of \$645,000 as a result of receiving additional ongoing revenue for caseload growth as well as additional one time revenue as reimbursement for growth in prior fiscal years. In December 2012, the Board of Supervisors approved an increase to the revenue projections in the amount of \$1.7 million in the Social Services Special Revenue fund. Of this amount, \$325,000 will be used this fiscal year to fund unfunded personnel allocations in the Social Services Division, and \$645,000 will be used to reduce Net County Cost. The remaining balance of \$730,000 is being set aside in contingency for use in the future.

Social Services is projecting an increase in Assistance expenditures totaling \$1,154,000 primarily as the result of legislated Cost of Living Adjustments to Foster Family Home placement costs and an increase in the number of Foster Care cases. Social Services anticipates receiving \$636,000 in Federal funding to offset these costs, and anticipates the remaining increases will be savings from vacant positions, resulting in no impact to Net County Cost.

Community Services Division (Fund Type 11)

The Community Services Division Multipurpose Senior Services Program has seen a decrease in the number of clients, resulting in a loss of revenue totaling approximately \$10,000. Community Services will continue to monitor this revenue stream to address any shortfalls, and any impacts to Net County Cost will be absorbed with savings in the Aging Program.

Veterans Affairs – Net County Cost savings of \$17,000.

Veterans Affairs is projecting a savings totaling approximately \$77,800 in salaries and benefit costs as a result of vacancies within the department. Based on information available at this time, it appears Veterans Affairs will be unable to draw down the entire amount of special revenue funds, resulting in a revenue shortfall of \$55,000. The Chief Administrative Office is seeking clarification from the California Department of Veterans Affairs to ensure these funds are used in a permissible manner.

Library – No change to Net County Cost

Child Support Services – No change to Net County Cost

It should be noted that after the FY 2012-13 recommended budget was approved by the Board, Child Support Services received notification from the State their funding was being reduced by \$120,000. Rather than reduce appropriations and services to address this shortfall during budget addenda, Child Support implemented a plan to address the shortfall by leaving positions vacant and increasing salary savings. Currently, the Department has 5 vacancies and is aware of three other staff who plan to terminate service with Child Support Services prior to the end of the year. As a result, the Director is confident that by the end of the fiscal year there will not be a material impact to Net County Cost.