



The County of El Dorado

Chief Administrative Office

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Honorable Board Members:

I am pleased to submit the Fiscal Year 2008-09 Proposed Budget and Work Plan for your review and consideration. This budget is balanced through overall reductions in departmental budgets in order to meet reduced projections in revenue growth. This budget maintains prudent levels of general reserves and contingencies.

As is customary, I submit this budget during the negotiation of the State's FY 2008-09 budget process. At this time, it is not likely that the Governor will receive the budget from the Legislature by the June 15 deadline. Recent actions by budget subcommittees suggest that the County will have to actively monitor legislative activity over the next three to four months for possible reductions in either service or revenue reductions.

Budget workshops will be held in mid-June when staff will provide you with a briefing on proposed service plans prior to the beginning of the next fiscal year. Because of the uncertainty of possible State actions, I recommend that you approve the Proposed FY 2008-09 Budget at either your June 17 or July 1 meeting, and adopt your Final FY 2008-09 Budget in September.

BOARD ACTIONS INCLUDED IN PROPOSED FY 2008-09 BUDGET

The proposed budget reflects a number of decisions concerning funding and organizational structures that the Board of Supervisors has taken during the current fiscal year:

- The Board has taken a number of actions to increase the number of sheriff's deputies. This budget includes an additional three deputy sheriffs for the west end of the County and an additional two deputies and two sergeants to provide an appropriate relief factor. The Board approved the addition of six deputy sheriffs and one sergeant in April 2008 in order to begin recruitment and training for sheriffs needed for the new casino scheduled to open in November 2008.
- In January 2008, the Board approved a reorganization of the General Services Department, including a refocused mission. The new Facilities and Fleet Department will focus on maintaining County property and vehicles and

providing parks facilities. A number of functions, such as museum operations, airport operations, and trail construction, have been transferred to other departments.

- In March 2008, the Board approved a number of reductions to General Fund departments to achieve savings in the current fiscal year as well as in the upcoming fiscal year.
- In April 2008, the Board approved service changes and cost reductions in the Public Health Department's programs. Priority services for Communicable Disease Prevention and Treatment and Vital Statistics are retained with reductions occurring in personal healthcare services in the department's clinics.
- In April 2008, the Board approved the FY 2008-09 health insurance rates to be charged to departments, employees, and retirees. In recognition that the County is not in a position to provide compensation increases in the upcoming fiscal year, the Board approved a one-time absorption of a 7% increase through a combination of using reserves and increasing departmental appropriations.
- In May 2008, the Board received a report on Mental Health programs and funding, including the conversion of a portion of the Psychiatric Health Facility (PHF) into a Crisis Residential Facility (CRF). The Board subsequently determined that this approach was feasible based on a department analysis.
- In May 2008, the Board implemented reductions to the Development Services Department to balance operational costs against declining developer fee revenues.
- In May 2008, the Board reaffirmed its appropriation for supplemental payments to eight fire districts. At that time, the Board directed the Auditor-Controller to work with the fire chiefs to determine if changes to the method of distribution needed to be made. That report will be provided to the Board during the deliberations for the Final FY 2008-09 Budget.
- In May 2008, the Board received a recommendation to implement a 26-hour mandatory furlough that would decrease employee work and pay by an hour a pay period. The Board directed staff to hold discussions with the County's labor organizations but did not provide direction concerning implementation. The Proposed FY 2008-09 Budget does not include the proposed furlough; however, the discussions with the labor organizations will allow for later implementation during the deliberation of the Final FY 2008-09 Budget.

OVERALL BUDGET OUTLOOK

The total Proposed Budget for FY 2008-09 is \$556 million, which is \$61 million (9.9%) less than the Final FY 2007-08 Budget of \$617 million. The County's proposed General Fund budget, which includes discretionary funds for County services, is \$220 million, which is \$11 million (4.8%) less than the Final FY 2007-08 Budget of \$231 million. The chart below provides a five-year trend of County budget changes:

Five Year Budget Growth
(\$\$ In Millions)

	2004-05	2005-06	2006-07	2007-08	2008-09
General Fund	\$174	\$206	\$221	\$231	\$220
% Growth	6.3%	18.6%	7.3%	4.5%	(4.8%)
Non-General Fund	\$177	\$225	\$256	\$386	\$336
% Growth	46.4%	26.7%	13.8%	50.8%	(13%)
Total	\$351	\$431	\$477	\$617	\$556
% Growth	23.3%	22.7%	10.5%	29.4%	(9.9%)

It is important to break out the General Fund trend from the Non-General Fund trends, as General Fund growth consists of the discretionary revenues that the Board uses to fund service levels. The General Fund growth trend has historically ranged between 5% and 7%. For the first time in several years, the Proposed Budget includes a total decrease of \$11 million or 4.9% for the coming year. The spike in FY 2005-06 reflects the peak of property tax growth and is an anomaly, as it also included significant impacts of the State Budget actions that occurred with the Vehicle License Fee (VLF) loan gap repayment.

The Non-General Fund revenues have grown substantially faster than the General Fund. These revenues are restricted in their use for programs delivered by the Department of Transportation, Public Health, Mental Health, Community Services and Erosion Control. The spike in FY 2004-05 is the result of changes in accounting standards that require full disclosure of special revenue fund balances and their appropriations. Similar to the General Fund, Non-General Fund revenues also include a decrease of \$50 million or 13%. The majority of these decreases are in the Department of Transportation (\$17 million), Erosion Control (\$7 million), Public Health (\$3 million) and Countywide Special Revenue funds (\$21 million).

The Proposed FY 2008-09 Budget includes funding for 2,038.25 full-time equivalent positions (FTEs). This represents a net decrease of 2.15 FTE positions. The changes are detailed in the chart below.

Department	General Serv. Reorganization Changes	Position Additions	Vacant Position Reductions	Total
Agriculture			-1.00	-1.00
Assessor			-2.00	-2.00
Chief Admin. Office	5.00			5.00
Child Support			-1.00	-1.00
DOT	3.00			3.00
Facilities and Fleet	-12.00	0.50	-5.00	-16.50
Human Services		2.25		2.25
Information Tech.	3.00			3.00
Library	1.00		-1.50	-0.50
Probation			-3.00	-3.00
Public Health			-6.90	-6.90
Recorder Clerk		0.50		0.50
Sheriff		15.00		15.00
Totals	0.00	18.25	-20.40	-2.15

GENERAL FUND SUMMARY

The chart below reflects the increases and decreases in General Fund appropriations by expenditure class for the Proposed Budget. Salaries and benefits have grown slightly, while operating expenses, fixed assets and operating transfers have all decreased. In FY 2007-08 the reserve designated for capital projects was increased \$3,774,167 and the general reserve was increased \$411,958. The Proposed FY 2008-09 Budget does not include any additional reserve designations for capital projects and the general reserve actually decreased \$81,091 due to overall decreases in appropriations.

Appropriations by Expenditure Class

Expenditure Class	FY 2007-08 Budget	FY 2008-09 CAO Recm'd	\$ Increase/ (Decrease)	%Increase/ (Decrease)
Salaries	\$136,697,686	\$137,868,613	\$1,170,927	0.1%
Expenses	53,120,644	51,390,656	(1,729,988)	(3.3%)
Fixed Assets	1,995,383	1,262,191	(733,192)	(36.7%)
Other	107,900	148,927	41,027	38.0%
Transfers	29,153,497	23,414,207	(5,739,290)	(19.7%)
Contingency	5,810,000	5,767,000	(43,000)	0.1%
Reserves	4,186,125	(81,091)	(4,267,216)	(98.0%)
Appropriations	\$231,071,235	\$219,770,503	(\$11,300,732)	(4.9%)

The chart below reflects the distribution of increases and decreases in General Fund appropriation by functional group. The Law and Justice group grew \$2,676,291 or 10%.

Deep cuts were necessary in General Government, (\$2.4 million, or 6.6%) and in Land Use & Development Services (\$2.8 million, or 12.9%) when compared to the Final FY 2007-08 Budget. Health and Human Services remained relatively flat. Cuts were also made in the Non-Departmental budget (\$9.2 million, or 23.3%) to balance declining revenues and to account for fewer general fund transfers to designated reserves and the Accumulative Capital Outlay fund due to fewer capital projects taking place.

Appropriations by Functional Group

Functional Group	FY 2007-08 Budget	FY 2008-09 CAO Recm'd	\$ Increase/ (Decrease)	%Increase/ (Decrease)
General Gov't	\$36,607,143	\$34,206,142	\$(2,401,001)	(6.6%)
Law & Justice	84,924,041	87,600,332	2,676,291	10.3%
Land/Dev Svc	21,502,820	18,723,171	(2,779,649)	(12.9%)
Hlth/Human Svc	48,255,939	48,734,586	478,647	0.1%
Non Dept	39,781,292	30,506,272	(9,275,020)	(23.3%)
Appropriations	\$231,071,235	\$219,770,503	(\$11,300,732)	(4.9%)

The General Fund budget includes assumptions about the following discretionary revenue sources that are recorded in Department 15 (General Fund – Other Operations):

- **Property Tax Revenues:** The FY 2008-09 Proposed Budget estimate for Property Tax Revenue is \$57 million or 5% over FY 2007-08 year-end projections. This projection reflects the County's slowing housing market, as indicated by the flattening in assessed land values.
- **Sales Tax:** The FY 2008-09 Proposed Budget estimate for Sales Tax is \$10.7 million, which represents a 6.2% increase over FY 2007-08 year-end projections. This projection is based on sales tax revenues (\$8.1 million) and the in-lieu property tax associated with the triple-flip (\$2.6 million).
- **Vehicle License Fees (VLF):** The FY 2008-09 Proposed Budget for Vehicle License Fees is \$18.3 million, which represents an 7% increase over FY 2007-08 year-end projections. The VLF is also associated with the triple flip.

More information concerning these revenue sources can be found in the "General Fund – Other Operations" section of this document.

Appropriated fund balance: The amount of fund balance that is appropriated to balance the General Fund for FY 2008-09 is \$17.1 million, or 7.8% of the proposed General Fund budget. This amount represents a \$10 million dollar decrease from FY 2007-08. The primary contributors to the fund balance are savings associated with vacancies in the workforce, unused contingency appropriations, carryover contributions to capital projects, and departmental efforts to curtail expenditures.

As was evident last year, this estimate is subject to change with the close of the financial records for FY 2007-08 in August. Any increase to the fund balance is recommended to be set aside as a designated reserve for use in preparing the FY 2009-10 Budget.

Contingency / Reserves Budgeted at 8%: For the fifth consecutive year, the Proposed Budget contains the minimum standard of contingency and reserve balances. The combination of these balances sets aside 8%, or one month of operational costs, for “rainy-day” reserves. The contingency fund is proposed to be \$5,767,000 or 3% of adjusted General Fund appropriations. The reserve fund is proposed to be \$9,601,783 or 5% of adjusted General Fund appropriations.

LOOKING TO THE FUTURE

General Fund Five-Year Projection: Attached to this letter is the five-year projection for the General Fund. This projection indicates a potential deficit of \$14 million in FY 2009-10, followed by a \$11 million deficit in FY 2010-11. Caution must be taken in reviewing this projection, as it only calculates revenue and appropriation growth for the next five years assuming status quo conditions. If conditions change, such as State action that results in a reduction of revenue or an increase in service delivery cost, the projection will have to be modified accordingly.

OTHER SCHEDULES

For your convenience, we continue to provide a separate section of the budget document, “Other Schedules,” for the inclusion of supplemental information, such as the work program for the Department of Transportation, a list of proposed fixed assets included in the Proposed Budget, and a list of memberships included in departmental budgets.

CONCLUSION / ACKNOWLEDGEMENTS

This year’s budget document is the culmination of continuous budget review and dialogue with department heads and their staffs over the past six months. This year, departments were diligent in keeping with the Budget Instructions that essentially limited expenditures and developed a “hold-the-line” spending plan. This budget could not have been balanced without their assistance.

I wish to acknowledge my staff for their perseverance and dedication in preparing this document and the Auditor-Controller’s Office for providing the budget summary schedules. I also want to thank the Board of Supervisors for their support of this office.

The proposed budget is the last budget I will present to the Board of Supervisors. I thank the Board and the County organization for the privilege of serving you and County citizens over the past five years. I know that Gayle Erbe-Hamlin, the Interim Chief

Administrative Officer, along with CAO staff and the Auditor-Controller, will ably guide you through to the adoption of the Final FY 2008-09 Budget.

My staff and I look forward to working with you as you review the Proposed Budget. I invite you and the public to contact me with any questions that you or the public may have concerning the proposed FY 2008-09 budget.

Respectfully submitted,

Laura S. Gill
Chief Administrative Officer