



# County of El Dorado

## Chief Administrative Office

330 Fair Lane  
Placerville, CA 95667-4197

Larry T. Combs  
Chief Administrative Officer

Phone (530) 621-5530  
Fax (530) 626-5730

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Honorable Board Members:

On September 14, 2015 the Board of Supervisors approved the FY 2015-16 Budget. At that time, the Board directed the CAO to come back after the first of the year with some high level financial projections as well as any policy items affecting future year financial performance. On February 23, 2016, the annual Mid-Year report is scheduled to be presented to the Board. In addition to this status check of the County's FY 2015-16 financial performance, the following are some high level financial projections and updates regarding state and federal policies and legislative issues that could affect the FY 2016-17 budget.

### Financial Projections

Budget projections for the next 2 to 3 years indicate that the County will maintain a balanced budget with the following assumptions:

- 4% growth in property taxes
- 2% growth in sales tax
- 4% growth in salaries and benefits
- No growth in operating expenses
- Maintain 3% Contingency level
- Maintain 5% General Reserve level
- Conservative fund balance estimate of \$16M annually (does not include any Capital Project funding)
- No new programs or staff without an identified outside funding source

The fund balance estimate of \$16M is primarily made up of unspent contingency that rolls forward from year to year (\$7M), the potential of unanticipated revenues (\$1M), and salary savings related to a 5% vacancy rate (\$8M). Not included in this fund balance estimate are any unspent Capital Project funds that may also roll forward from year to year. Any fund balance related to Capital Projects will have a corresponding Capital Project appropriation, therefore would not be available for discretionary General Fund operations.

Property tax growth estimates of 4% are conservative with the roll closing at over 5% this year. The Legislative Analyst Office is estimating growth rates of 6% Statewide in FY 2016-17. The County is seeing less growth in sales tax due the continuing drop in gas prices. If gas prices begin to rise again, the growth in sales tax may increase. Salary and benefit projections include a 4% growth factor to cover items such as Health Insurance and Cal PERS costs. This factor is based on the 10 year average growth in salaries and benefits in the General Fund. Salary projections do not include any cost of living adjustments or any potential impacts from the class and compensation study. The projection assumes

that operating expenses such as services and supplies and fixed assets remains constant from year to year. The projection also assumes that the General Fund Contingency and Reserve are maintained at 3% and 5% respectively per the Board adopted Budget Policy.

## Policy Updates

### **Health and Human Services**

#### *AB109 / Prop47*

Counties throughout the state are redesigning services so that the clientele who were previously in prison or jail have access to services in the community, resulting in impacts relative to substance abuse services, mental health services, homeless and employment services. While demands on community based programs provided by HHSA have increased, funding to address the increased demand has not been sufficient. In regards to Prop 47, 65% of the savings realized at the State level are supposed to be allocated to support mental health and drug abuse substance treatment services that are designed to help keep individuals out of prison and jail. At this time, HHSA is not aware of how much funding could be available or when it will be available.

#### *Medi-Cal Program*

Social Services continues to see increased Medi-Cal (M/C) caseloads and there is insufficient funding from the State to cover the M/C mandate. Additionally, there is pending legislation that would require undocumented individuals who are under 19 years of age to be transitioned from limited scope M/C to full-scope M/C once the California Department of Healthcare Services is ready to implement this expansion. The impact to HHSA is unknown at this time. This is a challenge Statewide and one of the 2016 budget priorities for the California Welfare Directors Association.

#### *AB403*

AB 403 is comprehensive legislation that will reform the way counties address the needs of foster youth. The legislation incorporates many years of policy changes in order to decrease out-of-home foster care placements and improve outcomes for foster youth. In the current year, the State allocated approximately \$17M to be distributed to all counties in order to increase foster parent recruitment and retention efforts. El Dorado County received approximately \$95,000 which is far less than requested. The majority of counties reported only receiving approximately 10% of what was requested. At this time the overall fiscal impact to the County is unknown.

#### *Prop 47 – Incompetent to Stand Trial*

Pursuant to Penal Code, Section 1367-1376, if a misdemeanor inmate is found incompetent to stand trial, it is the responsibility of the local mental health department to restore the client to competency. As a result of Proposition 47 reclassifying a variety of felony offenses to misdemeanors, counties throughout the State are seeing increased costs associated with restoration of competency services. Funding for these services has not been identified as counties have not yet been informed of any additional funding due to savings in the prison/jail system due to Prop 47.

### **Law and Justice**

#### *Asset Forfeiture*

On December 18, 2015, the Consolidated Appropriation Act of 2016 signed into law by the Federal Government included an additional \$458,000,000 rescission to the Asset Forfeiture Fund. All monies from the Asset Forfeiture Fund that were planned to be Equitably Shared among law enforcement partners have been placed in a “deferred payment” status. Therefore, the El Dorado County Sheriff's Office is at risk of not being paid its share of forty-four pending cases, valued at \$1.2M. In the past the Sheriff's department has utilized Asset Forfeiture Funding to purchase large fixed assets.

#### *County Jail Construction*

The Governor's FY 2016-17 budget sets aside \$250M for County jail construction. El Dorado County could be eligible for some of this funding. There is a 5% match requirement. The Prison Law Office



(PLO) has conducted many County Jail inspections throughout the State and has requested meeting with the California State Sheriff's Association about their concerns regarding California County Jails and the lack of emphasis on Mental Health Care, Medical care, ADA compliance and Inmate Classification Standards. The PLO is taking the position that these demands are constitutionally required reforms. If the PLO demands must be complied with sometime in the near future, there could be a significant financial impact on El Dorado County.

In addition to the pressures that PLO driven reforms may place on our Jail facilities for future design and expansion requirements, AB 109 Prison Realignment is accelerating the wear and tear on our Jail facilities. The Placerville Jail opened in 1988 and the South Lake Tahoe Jail opened in 1972 and was expanded in 1994. In order to be eligible for State funding, a needs assessment will have to be conducted to identify approximate cost and space considerations.

### **Land Use and Transportation**

#### *Secure Rural Schools and Community Self Determination Act (Federal Forest Reserve)*

With current legislation, the Transportation Division will see a reduction in future years revenue of approximately \$425,000 as reauthorizations have expired and the funding will revert to those amount authorized by the 1908 Act.

#### *California Highway Users Tax (Gas Tax)*

Gas tax is projected to decrease in FY 2016-17 between \$200,000 and \$825,000, depending on whether the state implements a five-year tax smoothing calculation.

Both the Federal Forest Reserve and Gas Tax revenues are primarily used for the operation of the Transportation Division and maintenance of existing infrastructure. The impact would mostly affect internal staffing and material purchases, possibly some fixed asset (maintenance equipment) purchases, and to a smaller extent could affect outside contracts for overlays and chip seal projects.

#### *Fixing America's Surface Transportation (FAST) Act*

The potential funding available to the Transportation Division will be used for non-TIM fee funded Capital Improvement Program (CIP) projects and will not be able to be used for routine maintenance or operations costs. The funding will be available through various grant programs and the amount will depend on the projects approved. This source of revenue could facilitate the Division's ability to fund contracted work for CIP projects as well as internal engineering and administrative staff to support the work of these project contracts.

In conclusion, the Chief Administrative Office will continue to monitor the Governor's Budget and pending legislation that could impact El Dorado County. Departments have begun the development of their FY 2016-17 budgets which are due to the Chief Administrative Office on April 4. The CAO's Recommended Budget is scheduled to be made available on May 25.

Respectfully submitted,



Larry T. Combs  
Chief Administrative Officer