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EL DORADO COUNTY CALIFORNIA

Chief Administrative Office

2006 SEP 15 PM 3:32

September 12, 2006

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BOARD OF SUPERVISORS
EL DORADO COUNTY

Memo To: Board of Supervisors

From: Laura S. Gill, Chief Administrative Officer *Laura S. Gill*

Subject: FY 2006-07 Budget Adjustment – Designation for Capital Projects

Recommendation: I recommend the Board of Supervisors:

1. Receive and file this report regarding the financial position of the General Fund at June 30, 2006;
2. Authorize the Auditor-Controller to increase designations for Capital Projects in the General Fund by \$4,723,336.35; and
3. Approve a budget transfer to effect the following changes:
 - increase revenues and appropriations in General Fund Department 15 – Special Projects by \$4,723,336.35; and
 - transfer \$1,303,504 from Department 15 – Special Projects to another account in Department 15 in order to reappropriate funds from fund balance for activities funded but not completed in FY 2005-06.

Background: On June 27, 2006 the Board of Supervisors adopted the El Dorado County FY 2006-07 Budget. The budget resolution states that “the Auditor-Controller is directed to establish a separate and distinct capital project appropriation in the General Fund of any unanticipated carry forward fund balance.” On September 7, the Auditor-Controller provided a synopsis of the County's financial position as of June 30, 2006 with an unreserved undesignated fund balance amount of \$26.7 million.

Issues/Analysis:

Financial Position of General Fund at June 30, 2006: Attached to this memo is the Auditor/Controller’s spreadsheet comparing budget and year end actual revenues, expenditures and net county cost, for each department, for the past fiscal year. The total year end fund balance as of June 30, 2006 was \$26,691,472. As a whole, departments remained within their net county costs as prescribed by the Board of Supervisors upon budget adoption. In addition, the FY 2006-07 Budget had anticipated most of this fund balance as available for appropriation.

The significant net County cost variances from the FY 2005-06 budget reflect a slowdown in residential development activity that began in the latter part of the fiscal year:

- *Development Services:* Actual revenues related to building permits fell short of budget by \$2.2 million. The Development Services department took action to reduce staffing costs to mitigate the anticipated revenue reduction. In addition, the CAO's third quarter projections anticipated that revenues would fall short by \$1.9 million.

For FY 2006-07, actual revenues for building permits are anticipated to fall below budget estimate. Staff recommends a reduction in the budget estimate for building permit revenue. The reduction would be offset with General Fund discretionary revenue available due to increases experienced in FY 2005-06. This action will be brought to the Board for consideration next week. In addition, the department will continue to accrue staffing savings. A staffing analysis comparing staffing to building inspection obligations is currently underway.

- *Recorder-Clerk:* The reduction in property transfer tax was anticipated as well. The budgeted amount for FY 2005-06 was \$3.9 million, and only \$3.0 million was received. The FY 2006-07 Budget dramatically reduces anticipated revenues to \$2.1 million.

The other negative performers were Superior Court MOE and Public Defender. Both received a year-end increase in appropriation from contingency to cover anticipated increased expenditures. However, revenue performance fell short, causing a negative net county cost variance.

Fund Balance Available for Capital Projects: The table below shows the adjustments to the Auditor-Controller's June 30 position for anticipated costs already included in the FY 2006-07 Budget and reappropriations for activities not completed at June 30, 2006.

<i>Summary of FY 2007 Adjustments to Fund Balance</i>	
Fund Balance at June 30, 2006	\$26,691,472.35
FY 2006-07 Budgeted Undesignated Carryover Fund Balance	\$(21,760,957.00)
Budgeted Increase to General Fund Reserves.	(207,179.00)
Total Appropriated in FY 2007 Budget Resolution	\$(21,968,136.00)
Fund Balance Available for Appropriation in FY 2007	\$4,723,336.35
Reappropriations for Activities Planned FY 2006:	
Transportation - Road Fund (Road Maintenance)	\$(939,557.00)
General Services – Accumulated Capital Outlay	(315,155.00)
Environmental Management – NOA Consulting Services	(48,792.00)
Total Reappropriations for Activities Planned FY 2006	\$(1,303,504.00)
Net Fund Balance Available for Capital Projects	\$3,419,832.35

The \$4.7 million in additional fund balance represents a 2.2% variance from the revised estimates for June 30, 2006 that was used in preparing the FY 2006-07 budget. The unbudgeted \$4.7 million is comprised of an additional \$2.3 million in departmental savings and/or increased revenues and \$2.4 million in additional General Fund/Department 15 revenues. However, approximately \$1.3 million of departmental savings much be reappropriated for committed

projects that were not completed at June 30, 2006, as shown in the chart above. After that adjustment is made, the net fund balance available for capital projects is \$3.4 million, which is a 1.54% variance from the June 30 revised estimates.

Reappropriations from FY 2005-06: Descriptions of the reappropriations are provided below:

- **Road Fund:** The FY 2005-06 budget included a contribution of \$3,016,574 from the General Fund to the Road Fund (\$1,755,000 for equivalent Measure H funding, \$1,000,000 additional funding approved in FY 2005-06 budget hearings, and \$261,574 for work associated with General Plan implementation costs). Of this total, \$939,557 was unspent in FY 2005-06 and will be re-appropriated in FY 2006-07 for:

Gold Hill Road overlay	\$373,367
Starbuck Road overlay	\$305,344
General Plan Implementation	\$260,846

- **Accumulated Capital Outlay Fund:** The FY 2006-07 adopted budget includes a contribution of \$9,077,536 from the General Fund to the ACO fund for various new and carry over capital projects. The carry over amount was based on *estimated* project expenditures at June 30, 2006. This adjustment is required to re-appropriate the General Fund contribution based on *actual* project expenditures at year end that were \$315,155 less than projected.
- **Transfer to Air Quality Management Fund:** In FY 2005-06 the Board approved a transfer from General Fund contingency for an amendment to a contract for consultant services related to the issue of Naturally Occurring Asbestos. The unspent balance of the contract at year end was \$48,792 and this contribution to the Air Quality Management District budget must be re-appropriated to fund the contract obligation.

Designation for Capital Projects: The proposed budget amendment will establish “a separate and distinct capital project appropriation in the General Fund” as called for in the FY 2006-07 budget resolution by effecting the following changes:

- Authorize the Auditor-Controller to increase designations for Capital Projects in the General Fund by \$4,723,336.35;
- Increase revenues and appropriations in General Fund Department 15 – Special Projects by \$4,723,336.35; and
- Transfer \$1,303,504 from Department 15 – Special Projects to other accounts in Department 15 in order to reappropriate funds for activities planned for FY 2005-06.

Capital Project Priorities: In January 2006, the Board of Supervisors identified a number of top priority capital projects, including the Placerville Jail upgrade and expansion, a new Sheriff's Administration Building, and a new Sheriff's substation to serve the western end of the County. The \$3.4 million available at June 30, 2006, coupled with the \$3.7 million reserved by the Board during the approval of the FY 2006-07 budget, provides the Board with the opportunity to accelerate the upgrade and expansion of the Placerville Jail, which is the Sheriff's highest

priority. The chart below shows how the \$7.1 million would be reallocated to accomplish the acceleration:

	Original Budget (millions)			Original Budget with New Designation (millions)			
	Total Cost	\$ allocated	Short	\$ from Designation	Reallocation	Total \$ Allocated	Short
Jail Expansion							
Phase I (Laundry, Kitchen, Rec Yard)	\$ 1.083	\$ 1.083	\$ -	\$ -	\$ -	\$ 1.083	\$ -
Phase II (New 40-bed dorm)	1.234	0.517	(0.717)	0.717	-	1.234	-
Phase III (New 120-bed unit)	3.399	-	(3.399)	2.702	0.697	3.399	-
Subtotal Jail Expansion	<u>\$ 5.716</u>	<u>\$ 1.600</u>	<u>\$ (4.116)</u>	<u>\$ 3.419</u>	<u>\$ 0.697</u>	<u>\$ 5.716</u>	<u>\$ -</u>
Sheriff Administration	14.500	0.500	(14.000)	-	-	0.500	(14.000)
West End Substation	<u>4.250</u>	<u>1.600</u>	<u>(2.650)</u>	<u>-</u>	<u>(0.697)</u>	<u>0.903</u>	<u>(3.347)</u>
TOTAL	\$ 24.466	\$ 3.700	\$(20.766)	\$ 3.419	\$ -	\$ 7.119	\$(17.347)

As shown in the chart above, there is a \$17.3 million shortfall remaining. This shortfall can be addressed by continuing this year's practice of designating unanticipated carry forward fund balance to capital projects, dedicating tobacco settlement funds, and allocating \$1 million annually from the General Fund. In addition, the Auditor-Controller and the Sheriff are pursuing the establishment of an impact fee for law enforcement facilities. Other options available include securitizing future tobacco settlement funds and pursuing long-term financing through the State Infrastructure Back. Staff will keep the Board informed of

	A	B	C	D	E	F	G	H	I	J	K	L	M	
1	Fiscal Year 2005/2006													
2	Non-General Fund Departmental Performance													
3					Revenue			Expenditure		Final	Beginning	Actual Increase/	Other	Ending
4	Fund	Department	Budgeted	Actual	Variance	Budget	Actual	Variance	Budgeted Increase	Fund Balance	(Decrease) to	Fund Balance	Adjustments	Fund Balance
5	Number	Name	Revenues	Revenues	Over/(Under)	Appropriations	Expenditures	Under/(Over)	(Decrease) to	July 1, 2005	(Decrease) to	Thru FY 05/06	FY 05/06	(Sum of Col.
6					Budget			Budget	Fund Balance					J+K+L)
7					(Col. D - Col. C)			(Col. F - Col. G)	(Col C - Col F)			(Col D - Col G)		
8	Special Revenue Funds													
9	101	Erosion Control	13,446,636	8,674,718	(4,771,918)	13,446,636	9,000,324	4,446,312	-	(215,392)	(325,605)	-	-	(540,997)
10	103	Road Fund	69,267,247	44,253,161	(25,014,086)	69,170,190	43,774,973	25,395,217	97,057	3,953,741	478,188	99,522	4,531,451	
11	104	Road District Tax	4,826,011	4,456,432	(369,579)	4,826,011	4,800,954	25,057	-	1,642,091	(344,522)	-	1,297,568	
12	105	Special Aviation	20,697	20,091	(606)	20,697	20,697	-	-	698	(606)	-	92	
13	106	Fish and Game	7,607	14,385	6,778	7,607	2,427	5,180	-	8,832	11,958	-	20,790	
14	107	Community Services	10,026,684	7,164,119	(2,862,565)	10,026,684	6,791,210	3,235,474	0	1,023,004	372,909	(13,906)	1,382,007	
15	109	Health Department	28,792,008	20,861,505	(7,930,503)	28,807,836	22,288,396	6,519,440	(15,828)	5,769,678	(1,426,891)	15,828	4,358,615	
16	110	Mental Health	13,083,931	11,188,734	(1,895,197)	13,094,269	11,328,736	1,765,533	(10,338)	3,160,544	(140,002)	647,215	3,667,757	
17	113	Welfare to Work	326,000	274,772	(51,228)	326,000	176,443	149,557	-	182,777	98,329	-	281,106	
18	114	Planning EIR Dev Fees	300,000	57,782	(242,218)	300,000	35,123	264,877	-	31	22,660	-	22,691	
19	115	Tobacco Settlement	-	469	469	-	-	-	-	11,946	469	-	12,415	
20	116	Federal Forest Reserve	655,294	639,709	(15,585)	559,023	532,071	26,952	96,271	42,294	107,638	(96,271)	53,661	
21	117	Community Enhancement	2,184,261	66,342	(2,117,919)	2,184,261	1,664,406	519,855	-	2,110,436	(1,598,064)	-	512,371	
22	118	Jail Commissary	579,491	438,861	(140,630)	580,527	438,951	141,575	(1,036)	(826)	(90)	916	0	
23	119	Placerville Union Cemetery	-	102,056	102,056	-	-	-	-	-	102,056	-	102,056	
24	200	ACO Fund	14,514,487	1,477,024	(13,037,463)	14,675,797	5,767,230	8,908,567	(161,310)	5,197,010	(4,290,206)	163,598	1,070,402	
25	210 & 250	Bond Authority	2,233,148	2,237,106	3,958	2,233,148	2,211,414	21,735	-	110,852	25,692	(23,979)	112,565	
26	502-579	Countywide Special Revenue	78,814,902	54,614,781	(24,200,121)	78,745,352	50,744,197	28,001,155	69,551	92,766,220	3,870,584	(927,334)	95,709,470	
27	Board Governed Special Districts													
29	152	County Service Area #2	118,970	88,630	(30,340)	118,970	38,158	80,812	-	37,242	50,472	-	87,715	
30	153	County Service Area #3	6,145,733	5,010,993	(1,134,740)	6,177,354	4,998,545	1,178,809	(31,620)	1,625,608	12,448	41,472	1,679,527	
31	155	County Service Area #5	323,121	44,412	(278,709)	323,121	20,745	302,376	-	298,371	23,667	-	322,038	
32	157	County Service Area #7	10,940,417	9,393,259	(1,547,158)	10,940,452	9,435,522	1,504,930	(35)	2,390,621	(42,264)	(56,256)	2,292,102	
33	159	County Service Area #9	3,525,515	1,054,713	(2,470,802)	3,574,349	675,644	2,898,705	(48,834)	2,633,257	379,089	(138,090)	2,874,235	
34	160	County Service Area #10	7,950,259	5,035,542	(2,914,717)	7,968,118	5,884,191	2,083,927	(17,859)	7,460,364	(848,649)	21,254	6,632,969	
35	161	Air Pollution Control	2,815,081	1,688,655	(1,126,427)	2,819,072	1,436,169	1,382,903	(3,990)	1,651,309	252,486	3,990	1,907,784	
36	172	Water Agency	3,641,524	2,058,799	(1,582,725)	3,975,026	2,060,811	1,914,215	(333,502)	1,711,846	(2,012)	326,626	2,036,460	
37	174	EDC Development Projects	100,000	41,246	(58,754)	100,000	-	100,000	-	49,213	41,246	-	90,460	
38	175	IHSS Public Authority	1,030,020	853,068	(176,952)	1,030,020	635,300	394,720	-	16,736	217,767	(16,651)	217,852	
39	176	EDC Housing Authority	3,407,147	2,734,310	(672,837)	3,407,147	2,736,222	670,925	-	253,192	(1,913)	-	251,279	
40	Internal Service/Enterprise Funds													
42	405	SLT Transit	377,157	325,058	(52,099)	377,157	371,856	5,301	-	867	(46,799)	38,234	(7,697)	
43	414	Airport	3,470,235	2,076,899	(1,393,336)	3,470,235	2,325,637	1,144,598	-	626,039	(248,738)	514,298	891,599	
44	450	Risk Management	31,479,089	31,987,329	508,240	31,403,594	26,361,860	5,041,734	75,495	9,493,526	5,625,469	(4,362,589)	10,756,406	
45	460	Fleet Management	3,305,917	2,449,161	(856,756)	3,354,038	2,497,518	856,520	(48,121)	(322,395)	(48,357)	294,653	(76,099)	
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