



County of El Dorado

Chief Administrative Office

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To: Board of Supervisors

From: Terri Daly, Chief Administrative Officer

RE: 2011-2012 Adopted Budget

In years past, the Board of Supervisors' adoption of the "final" budget in September each year marked the end of "budget season." Staff would work furiously for a few months out of each year to plan, adjust and adopt the budget. Then, budgeting was relegated to the financial folks who spent their time monitoring revenues and making sure that spending was within the budget allocation.

All that has changed, of course. With the severe economic downturn, we now spend all year budgeting and watching our projections to make sure that we are responding to the changing conditions. The budgeting process has become a year-round activity. We all have been completely focused on getting through the year with a balanced budget and a minimum of cuts.

We're not out of that mode yet. We bring today a balanced budget for your consideration to adopt for the 2011-2012 year. There are still too many uncertainties to return to "business as usual"— whatever that may be now.

While we are bringing you a balanced budget with no further major cuts after the approximately \$4.0 million that was cut last November, there are still some negatives and uncertainties. We expect revenues to continue with negative growth this year. We continue to constrain spending to stay balanced. There are still many question marks in the state budget, including the triggers that the state has set on its own revenue projections. Actions taken by the state to balance its budget if revenues are lower will undoubtedly have negative impacts on our local budget.

Given these continuing negative trends, our five-year projections, while improved, still show a budget deficit in years two through five.

We must continue to **SPEND CONSERVATIVELY**. We all know that our County budget is a closed system. Any increase in spending in one department must result in reduced spending in another. Our employees, Department Heads and Elected Officials have been instrumental in

reducing our overall costs over the past four years. The future of our County rests with all of us in continuing to control costs. The Chief Administrative Office will still encourage Department Heads to provide mandated services in new, more efficient ways. When a vacancy occurs in a department, we will continue to question whether the position is necessary and whether there is a better way to organize to get the job done.

While we continue to cut costs, we need to start looking at longer-term solutions that will reduce costs in future years. Are there areas that we can invest in that will reduce overall operating costs in future years? If we invest in up-to-date financial technology, will we need fewer resources to deliver better results in the future?

Your executive management team believes that the answer to those questions is a resounding YES! With good planning and execution, we believe that the County could invest in improved infrastructure that will result in cost-savings and returns on our investments in future years. Investment opportunities include full utilization of the technology we currently use and updating our antiquated technology to negate the need for dozens of shadow systems creating efficiencies and better service to the public.

Return on investment is clearly not risk-free. We need to **INVEST WISELY** in the infrastructure that will show results and we need to track those results. We need to review our progress on these projects and performance measurements.

If the economic conditions change or the projects are off-track, we need to **ACT QUICKLY**. To facilitate that, I propose that we report back early and often to the Board on the progress of the investment program and the budget overall.

With the conservative spending of the departments as reflected in this budget and the overwhelming support of the investment strategy, I believe we will erase the budget deficits for the next five years.

In summary, we are asking for two main decisions today:

- 1) Approve the 2011-2012 Adopted Budget. There will be changes and we need to be ready to act. There are policy decisions that will arise to complete the budget decision; and
- 2) Direct staff to proceed with the Investment Plan. The plan, at this point, is in the conceptual stage. With Board direction, your executive management team will continue to work on the plan to develop priorities and specific plans for each item.

Thank you for your thoughtful and thorough consideration.