

Board of Supervisors Special Meeting

FY 2019-20 Budget Development

April 22, 2019

Outline of Today's Meeting

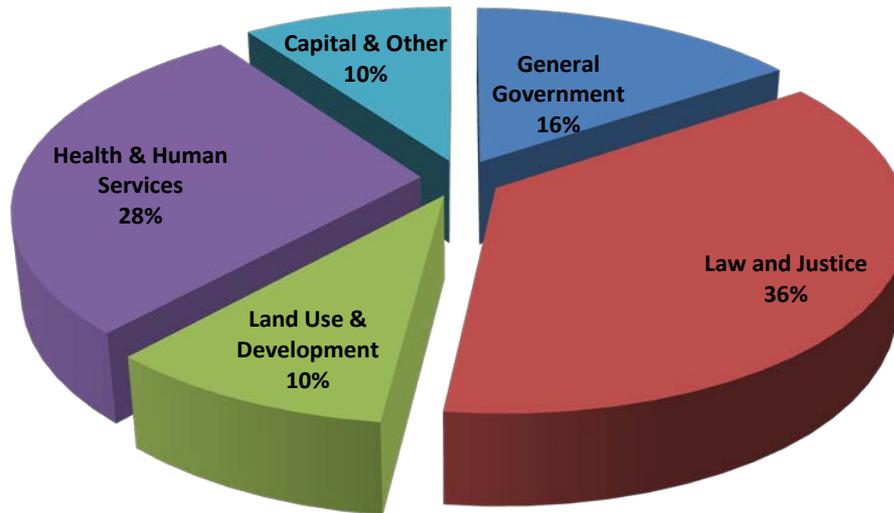
- ✓ Budget Process Overview
- ✓ BOS Adopted Budget Policies
- ✓ Status of FY 2019-20 Recommended Budget
- ✓ What is Included in the Budget
- ✓ Steps So Far to Balance the Budget
- ✓ What is Not Currently Included in the Budget
- ✓ Board Policy Direction – Items Impacting the Budget
- ✓ Overview of CalPERS Accelerated Funding Options

Budget Requirement

- County Budget Act – Gov’t Code §29000
- Applies to County, dependent special districts, other agencies “whose affairs and finances are under the supervision and control of the board”
- Requires Single Year Balanced Budget
- §29009: In the recommended, adopted, and final budgets the funding sources shall equal the financing uses.

County Budget Snapshot

Budget Distribution by Functional Group (approximate)



Revenues – Broad Categories

General Fund Revenues

- Property Tax, Sales Tax, Franchise Fees
- Discretionary funds

State/Federal Funding – Mandated Programs

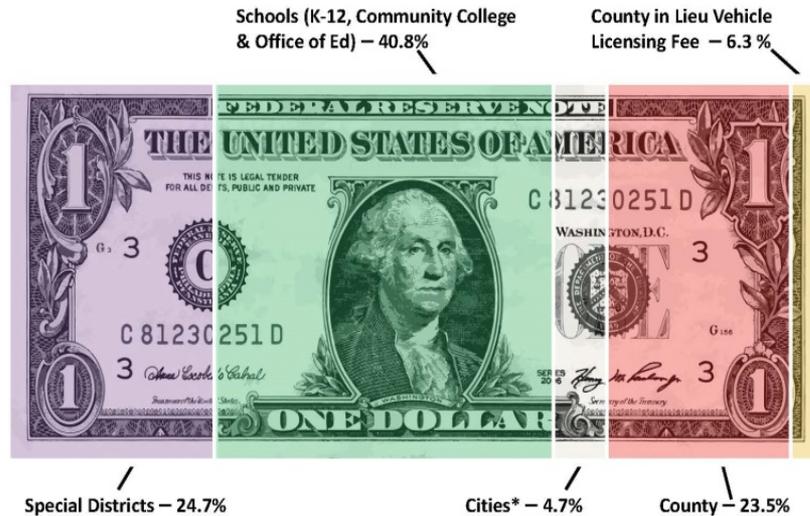
- Counties operate as arm of the State
- Level of Service considerations

Special Revenue Funds

- Funds restricted for specific purposes

Property Tax Distribution

Fiscal Year 2017/18 Proposition 13 1% Property Tax Distribution

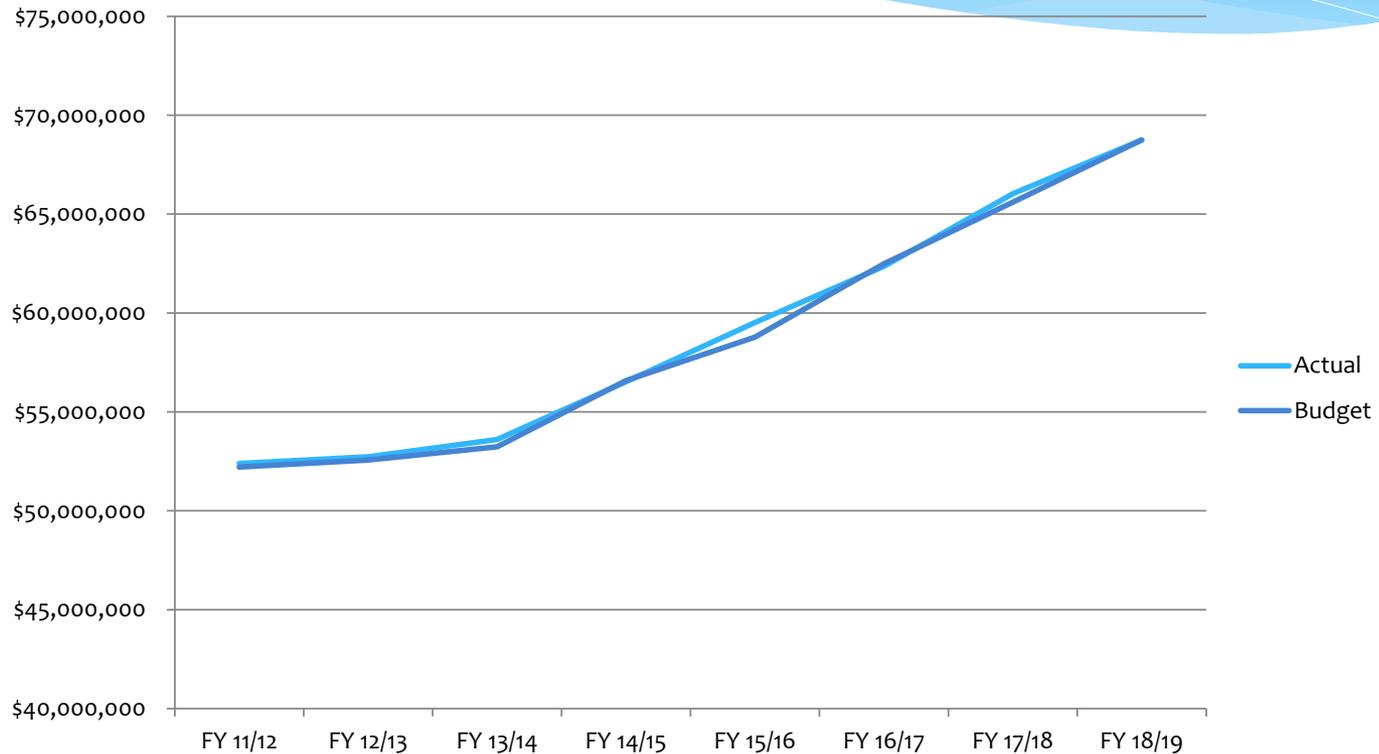


Graphic developed by the Treasurer-Tax Collector Department.
(Source El Dorado County Auditor-Controller's Office)

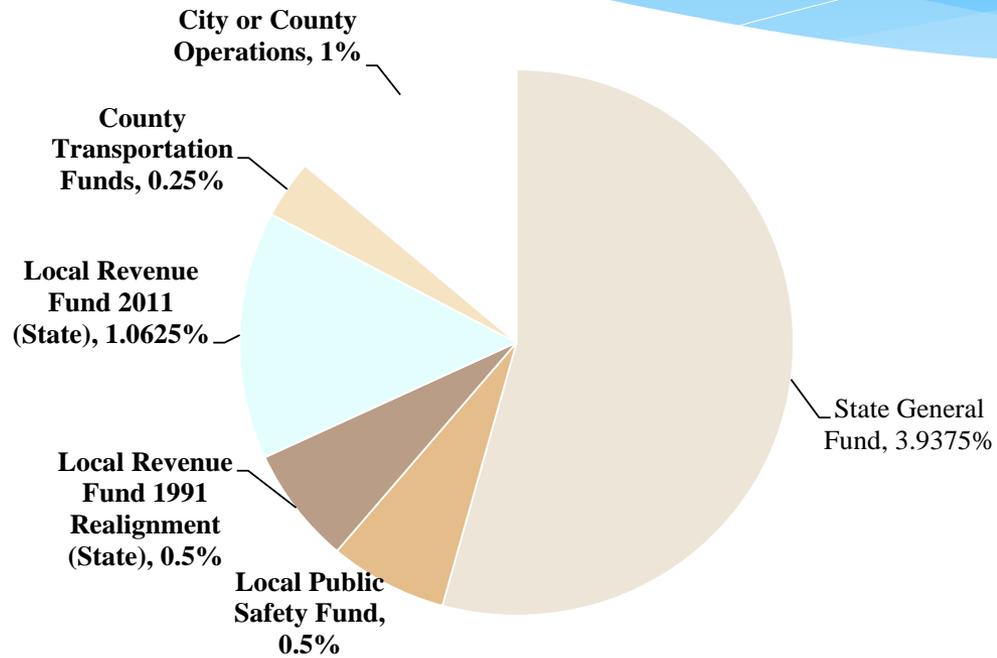
*includes the Cities of Placerville and South Lake Tahoe (2.5%), Cities in Lieu Vehicle Licensing fees (.9%) and City of So. Lake Tahoe Redevelopment Successor Agency (1.3%).

Property Tax Trend

Property taxes are a major source of unrestricted revenue for the County general fund, schools, cities, and special districts

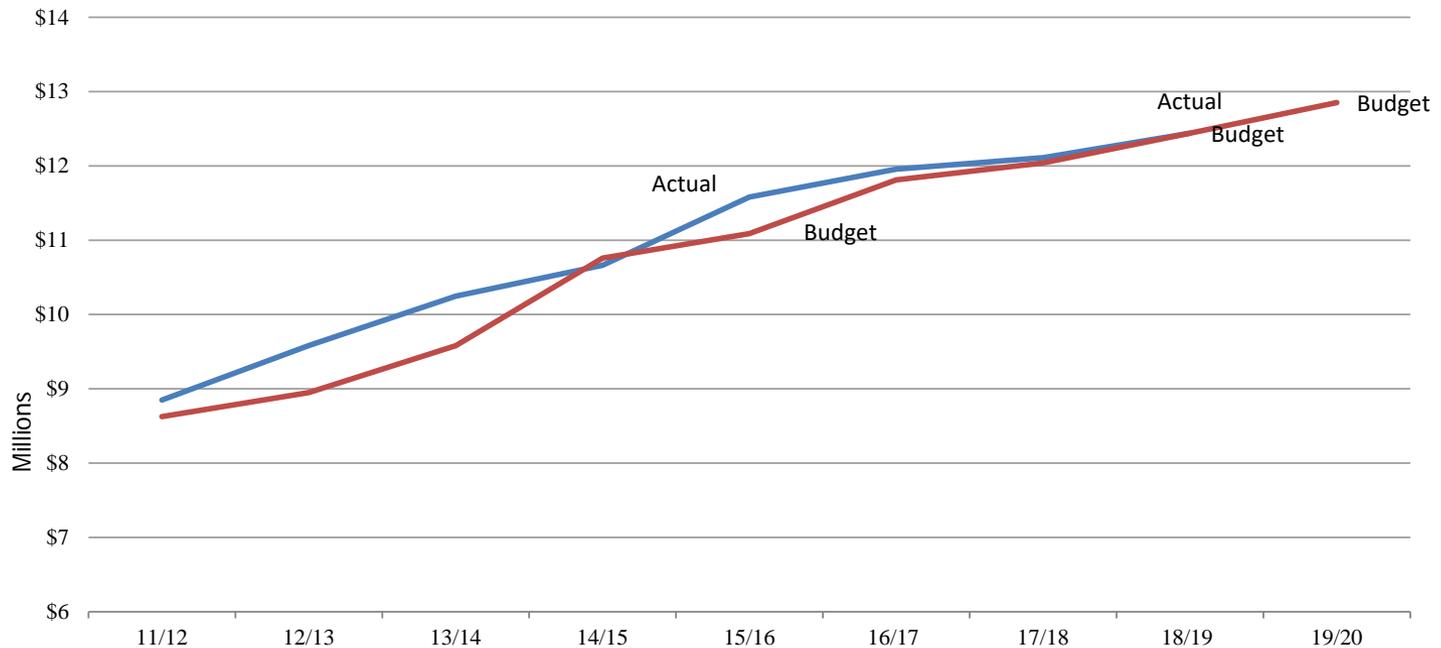


Sales Tax Allocation



Sales Tax Trend

The Bradley-Burns Uniform Sales and Use Tax Law provides for a city/county rate of 1.25%. One-quarter cent of the levy is sent to the county-wide regional transportation fund. The balance goes to support local government general funds.



Other County Financing Sources

□ General Fund Reserves

- Capital Projects & Accumulated Capital Outlay
- Designated Funds: CalPERS, Emergency Road Repairs

□ General Fund Carry-over Fund Balance

- Operational Fund Balance estimated at \$13.5 million
- Capital Fund Balance estimated at \$4.2 million

General Fund Reserve / Designation Balances

Description	Beginning Balance	Recommended Budget (June 2018)	Adopted & Amendments (Sept/Oct 2018)	FY 2018-19 Balance
General Reserve	\$ 8,469,708	\$ 162,700	\$ 220,000	\$ 8,852,408
Designation for Capital Projects	\$ 5,000,000	\$ 5,000,000		\$ 10,000,000
Public Safety Payment Reserve	\$ 440,000	\$ 230,000		\$ 670,000
Designation for Audit Reserve	\$ 181,430			\$ 181,430
Designation for TOT Special Projects	\$ 804,764		\$ 651,848	\$ 1,456,612
Designation for Future CalPERS Increases	\$ 5,735,601	\$ (2,745,883)	\$ 2,436,863	\$ 5,426,581
Designation for OPEP/CalPERS Prefunding Trust	\$ 1,368,765			\$ 1,368,765
Designation for Emergency Road Repairs	\$ 3,500,000		\$ 547,282	\$ 4,047,282
TOTALS	\$ 25,500,268	\$ 2,646,817	\$ 3,855,993	\$ 32,003,078

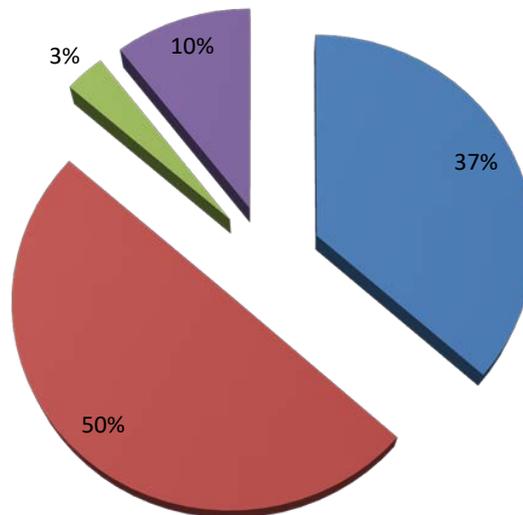
Carry-Over Fund Balance

- ❑ Used to support following year's budget
- ❑ Rely on savings from prior year operations
- ❑ Usually project & budget conservatively
- ❑ Shrinks as we budget more closely to actual needs
- ❑ Should be treated as one-time money
 - i.e., use to increase reserves or fund one-time expenses

County Budget Snapshot

Net County Cost by Functional Group

■ General Gov't ■ Law & Justice ■ Land/Dev Svc ■ Health/Human Svc



Board Adopted Budget Policies

1. Pursue Operational Efficiencies
 - “Eliminate, Combine, Reorganize, Justify, Cooperate”
2. Maximize the Board’s Discretion
 - Revenues are discretionary resources, not dedicated
3. Pursue New Revenues
 - Total cost identification for fee setting purposes
4. Present Full Analysis for Grant Funding
 - Full analysis & future implications when applying for or accepting grants
5. New or Enhanced Discretionary Programs
 - No new or enhanced programs unless new funding or reduce or eliminate lower priority programs
6. County Share
 - If funding is reduced, no increased County share unless mandated or approved Board high priority
7. Vacant and New Positions
 - New positions not considered unless funding identified or “significant” / “compelling”

Board Adopted Budget Policies

8. General Fund Contingency

- Minimum of 3% of adjusted General Fund Appropriations

9. Budget Controlled at Expenditure Level

- Object of Expenditure = “Services & Supplies”
- Focus on use of funds, not judged on Net County Cost

10. General Reserve

- Minimum of 5% of adjusted General Fund Appropriations

11. Capital Reserves

- To assist in addressing unmet capital needs & building replacement reserve
- Set aside 2%, or \$5 million annually

12. Other Post-Employment Benefits

- Continue pay as you go; Allocate costs to respective County departments

Status of FY 2019-20 Recommended Budget

- CAO must Recommend a Balanced Budget
- Plan to Fund to Board Policy Levels
 - General Reserve ~ \$8.85 million
 - Same as FY 2018-19 Balance
 - Contingency ~ \$5.45 million
 - Same as FY 2018-19
 - Designation for Capital Projects ~ \$5 million
 - Based on Board Policy

Steps to Balance the Budget

- ❑ Essentially the same processes as last year
- ❑ Direction to Departments for Preparing Budget Request
 - Status Quo Definition
 - Supplemental Requests Identified Separately, but included in Budget Request
- ❑ Still need to take a close look at Budget vs. Actual Expenses
- ❑ Evaluate Scenarios for constraining or reducing expense growth
 - Asked Depts. to absorb PERS expense increases where outside funding sources are involved and/or available
 - Asked Depts. to absorb negotiated increases in FY 2018-19, affects Fund Balance Carryover
- ❑ Eliminate Vacant Positions where we can, while maintaining flexibility
- ❑ Hold off on adding new expenses if see program changes coming

Funded or Re-Budgeted from FY 2018-19

- * Reimbursing Public Safety Facility Loan Reserve -- \$230,000
- * Community Planning - \$250,000 , over 4 years starting FY 2017-18 (approved Sept. 2017, half in Planning & half in Econ. Dev.)
- * Financing Plan Modeling -- \$100,000 (Econ. Dev.)
- * Re-budgeted Sheriff Fixed Assets from FY 2018-19 -- \$650,000

Funded Items, Prior Direction

- * Increase to Designation for Capital Projects - - \$5 million
- * \$2 million - - General Fund new contribution to ACO Fund
- * Sheriff & DA 504 salary increases - - \$491,000 & \$59,000
- * IT Infrastructure (Year 3 of 3-year plan) - - \$230,450
- * New Voting System – County Match Requirement - - \$757,000
maximum (From Capital Projects)
- * Additional Funding for FENIX Implementation/Modules - -
\$210,000 (From Capital Projects)

What is Not Currently Funded

- General Fund Contribution for Road Maintenance, Road Fund
- Vegetation Management Ordinance Implementation
- Full funding for El Dorado Center replacement facility / campus
- Use of Econ Dev Special Project Reserve for Broadband Grant Match
- Future Negotiated Labor Agreements – Compensation Philosophy
- Public Safety Facility loan payment: \$2.3 million per year (FY 2020-21)
- Add'l Staffing for Jail Expansion: \$1 million per year (FY 2021-22)
- No funding identified for HHS A HUBS in future years
- Additional Land Purchases, future County facility locations
- Partial funding ACO Fund request for new General Fund dollars

Areas for Further Discussion

- ✓ General Fund Contribution for Road Maintenance
- ✓ Vegetation Management Ordinance Implementation
- ✓ Full funding for El Dorado Center replacement facility
- ✓ Full overhead cost recovery from CCP funded departments
- ✓ Use of Econ Dev Special Project Reserve for Broadband Grant Match

Areas for Further Discussion

General Fund Contribution for Road Maintenance/Fund

- * Presentation from April 9, 2019
- * Estimated Road Fund shortfall in FY 2021-22
 - * Increasing in future years
- * Additional Funding to Road Maintenance – PCI 64
 - * Extra \$3.2 million needed & \$1 million in contingency
 - * Funding shortfall in FY 2020-21
- * Alternate Funding Options Presented
- * Consider Funding now, or Staff return with add'l info

Areas for Further Discussion

Vegetation Management Ordinance Implementation

- * Presentation from April 9, 2019
- * Three Options
- * Full Annual Cost between \$545,000 - \$624,000
- * First year cost likely to not exceed \$100,000
 - * Primarily for Outreach efforts
- * Could incur cost for staff efforts within the year

Areas for Further Discussion

Full funding for El Dorado Center / HHSA Campus project

- * Current Project Estimate = \$10.8 million
- * Includes Sandy Way purchase and improvements
- * Includes replacement of El Dorado Center
- * Current estimate relies on use of un-spent Realignment and funds targeted for Spring Street facility
- * Option to use Capital Projects Funds to cover a portion of the project cost
- * Save a portion of Realignment for future services
- * Save a portion of funds for Spring Street facility
- * General Direction today, Staff will return with project/funding recommendations

Areas for Further Discussion

Full overhead cost recovery from CCP funded departments

- * 5/2017 – FY 2017-18: reflected 13% cost recovery
 - * Discussed deficit spending and reduced fund balance
 - * General Fund subsidy & Full cost recovery introduced
- * 9/2018 – FY 2018-19: directed full recovery of overhead costs beginning with FY 2019-20 Budget
 - * Discussed deficit spending and reduced fund balance
 - * Discussed CCP work to incorporate full cost recovery rather than initiate through County Budget process
- * 13% cost recovery included in FY 2019-20 Budget Requests

Areas for Further Discussion

Use of Economic Development Designation for Special Projects for Broadband Grant Match

- * Likely that a grant could be applied for in FY 2019-20 to help design a project, pilot project
- * Most grants include a required County Match
- * Suggest including funding in the budget now, in the event Board direction is to pursue grant funding
- * Budget to use Designation, return if not used

Items to Fund in September

Pending Fund Balance Available

- 1) CalPERS Payment Reserve -- **\$2,271,367** for estimated payment increase in FY 2021-22. Increase Reserve with excess fund balance following close of books for FY 2018-19, based on two-year estimate of General Fund cost increase (see worksheet from 9/2018)
- 2) Increase Contribution to Capital Projects Reserve or FY 2019-20 Deferred Maintenance, Prepare for future facility improvements and replacements or add to work list for coming year (Net of \$5 million reserve + \$2.8 million ACO GF request)

Next Steps in Budget Process

Today:

- Direction on Any Additional Funding Areas
 - Possible Trade-Offs, Use of One-Time Money
- Board discussion and feedback

Next Two Months:

- Finish evaluating Department Requests
- Prepare the Budget Book (May 24th)
- Conduct the Budget Hearing (June 17th)

CalPERS Funding Options

Overview

- * CalPERS provides options to accelerate funding
- * A means to manage Unfunded Accrued Liability (UAL)
- * Essentially, paying off “debt” faster
- * Actuary assists with financial modeling, amortization
- * Not all options are permanent
- * Treasurer – County could cover any of the options
- * Complicated pre-funding and reimbursements, State and federally funded programs
- * Analysis to be conducted on best option(s) for EDC

Funding Options

FRESH START

- * New, shorter amortization schedule
- * More cost up-front, save money in long run

SOFT FRESH START

- * No new amortization schedule, pay as if you did
- * Same benefit as Fresh Start, not locked-in to payment

ADDITIONAL DISCRETIONARY PAYMENT

- * Make additional payments on Ad Hoc basis

SECTION 115 TRUST

- * Allows higher interest earning, still use funds to pay CalPERS