



County of El Dorado

Chief Administrative Office

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The Honorable Board of Supervisors
330 Fair Lane
Placerville, CA 95667

Dear Supervisors:

With this letter, I submit for your consideration the Final Budget for Fiscal Year 2017-18. El Dorado County ended FY 2016-17 with approximately \$12.8 million dollars more than anticipated in General Fund operating fund balance. It should be noted the additional fund balance was not the result of unanticipated general revenues such as sales tax and property tax, but the result of Department Heads being very judicious in regards to spending and ending the year with higher fund balances than projected at mid-year. Therefore, it is essential that this fund balance be treated as one-time money.

Consistent with my recommendation in June, with some minor exceptions, the Chief Administrative Office continues to recommend that the majority of this funding be set aside in reserves to provide the Board with flexibility to address significant cost increases, including CalPERS and funding needed to repair roads that were damaged during the 2017 winter storms. The Final Budget recommendation maintains funding for general reserves and capital improvements pursuant to Board policy, as well as the \$3 million for road maintenance and approximately \$2 million for Information Technology infrastructure approved in the Recommended Budget in June. The Final Budget restores the General Fund Contingency to the full amount as required by Board policy, and includes setting aside approximately \$11 million in reserves for the following:

- Future year CalPERS Cost Increases: \$5.7 million
- Funding for Emergency Road Repairs: \$3.5 million
- Funding for OPEB/Pensionable Trusts: \$1.9 million

If the final budget is approved as recommended, the Board will have adopted a balanced budget that is fiscally conservative and sets aside additional funding for future year mandated cost increases. However, as we continue to reduce or slow the growth of department budgets, an effort that began in earnest in FY 2017-18, we anticipate less year end fund balance in future years. It is also important to keep in mind that in addition to increasing CalPERS costs and necessary funding for roads, the County has other future funding obligations that we must provide for, including

payment for the new Public Safety Facility, the In-Home Support Services Cost Shift from the State, as well as potential increases relative to labor negotiations.

Finally, California is now in the longest period of year over year growth, and while a recession is not anticipated, one will eventually come. This, combined with the future year cost increases we are currently aware of, should prevent the addition of any new programs or services without offsetting costs from other areas, while also continuing to search for operational efficiencies, revenue enhancements and other opportunities to reduce costs without impacting services.

Respectfully yours,



Don Ashton, MPA
Chief Administrative Officer