



County of El Dorado

Chief Administrative Office

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September 7, 2016

The Honorable Board of Supervisors
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RE: Looking ahead – Strategies, Approaches and Opportunities for FY 2017-18 and Beyond

During the FY 2016-17 Recommended Budget discussion, this office committed to working closely with departments to present options for Board consideration to begin implementation of the County's Strategic Plan and address system wide challenges. The Addenda discussions with Department Heads and Board Members have provided an excellent opportunity to begin this process.

El Dorado County ended FY 2015-16 with approximately \$4.1 million dollars more than anticipated in General Fund fund balance. The Chief Administrative Office has worked with departments to identify the most appropriate and strategic use of these resources. As a result, should the Board choose to accept the Addenda recommendations, the County's General Reserves and General Fund Contingency will be fully funded, and many of the priorities identified by the Board will also be funded without an impact on existing programs and service levels.

The Board has identified addressing the County's infrastructure deficiencies as a Strategic Plan goal. In recognition of this, the Board adopted a budget policy in May of 2016 providing for the allocation of un-appropriated discretionary resources, once the General Reserves and General Fund Contingency have been fully funded, to a Capital Reserve. The recommended Addenda Budget provides the Board with the opportunity to set aside approximately \$3.5 million in the Capital Reserve for long term facility needs. While the \$3.5 million available this year falls short of the recommended annual minimum of \$5 million, this is a strong effort toward addressing this critical need. It should also be recognized that we are able to recommend funding the Capital Reserve while also providing funding for known capital improvements including the initial stages of the Public Safety Facility and West Slope Juvenile Hall.

At the conclusion of the Addenda process, the Board will have adopted a balanced budget for FY 2016-17. As you have seen through the Recommended Budget process and with the Addenda recommendations, many of the Board's priorities for this fiscal year can be met within this year's budget as recommended, thanks in part to the commitment and collaboration from Departments. However, like many other counties, we continue to face several significant funding challenges,

including a long-term solution for meeting critical road, facility, technology and infrastructure needs and sustainable funding for our library system. Additionally, in the coming year counties throughout California will be addressing urgent public safety issues such as tree mortality; resolving impacts related to new challenges such as the medical marijuana regulation and safety act (MMRSA); and developing strategies and options for ensuring the stability of emergency medical and fire systems.

Therefore, it is essential that we continue to contain costs, seek and implement efficiencies, identify new revenue opportunities in accordance with the Board’s Budget Policies, and collaborate with other counties, cities and private/non-profit organizations in order to address these and other critical needs.

To begin this process, I am recommending the following strategies, approaches and opportunities be explored. As we move through these processes, our goal will be to appropriately align resources with the Board’s adopted Strategic Plan.

1) Efficiency in County Operations:

- Determine appropriate staffing levels in Departments and ‘right size’ Department budgets, a process that has already begun.

A review of the actual General Fund expenditures from FY 2014-15 to 2015-16, excluding capital expenditures and expenditures for Social Services, identified the following:

Expense Category	FY 2014-15	FY 2015-16	% Increase / (Decrease)
Salaries & benefits	\$126,639,244	\$131,837,333	4%
Services & supplies	\$27,187,354	\$26,832,465	(1%)
Other charges	\$7,193,292	\$7,257,157	1%
Fixed assets	\$1,120,418	\$1,731,574	55%
Total	\$162,140,308	\$167,658,529	3%

Going back five years, we have seen that some departments expend 98% - 99% of their annual budgets, yet other departments may only spend approximately 85% of their allocations - - one General Fund program has, on average, only spent about 55% of its budget over the last five years.

Beginning with the FY 2017-18 budget cycle, the Chief Administrative Office will work with departments that have historically underspent their budgets to reduce their annual allocations over the next 3 – 4 years in order to establish baseline budgets without negatively affecting service levels. It is essential that any budgetary savings realized as a result of these efforts be directed toward funding the Public Safety Facility. Examples of Board priorities include fully funding the Capital Reserve and Other Post-Employment Benefit (OPEB) costs.

Considering Salary and Benefit costs represent approximately 79% of total expenditures, it is essential the County identify ways to maintain or improve existing service levels, without significantly increasing positions. While much has been said regarding the increase in FTEs over the last five years (e.g., approximately 133 FTEs from FY 2011-12 through the FY 2016-17 Recommended Budget), it should be noted that 111 of these were in Health and Human Services primarily as a result of the Affordable Care Act and additional State funding. While system limitations prevent us from accurately identifying which of the remaining 22 positions result in a Net County Cost, we know for certain that at least 10 of the 22 positions are funded entirely by AB109/Prison Realignment funding. Therefore, it is important we conduct a very deliberate process in identifying efficiencies and reductions that have minimal service level impacts on both mandated and discretionary programs.

This process should also include an analysis of Administrative Indirect Cost Rates. Several of our larger departments have Indirect Cost Rates in excess of 40% which indicates a large administrative support staff.

- Pursue continued technology improvements, such as virtual desktop infrastructure, and migrate away from the mainframe computer environment.

Virtual Desktop Infrastructure, which will provide savings in computer hardware and maintenance costs, is already being implemented. In addition, funding is allocated in the FY 2016-17 budget to implement a new property tax system and FENIX, the County's new enterprise resource planning (ERP) system, is scheduled to be fully implemented in the next 12 – 18 months. At a minimum, implementation of these systems will result in savings as a result of eliminating the mainframe; however, the systems are also expected to increase efficiency, potentially resulting in additional savings.

- Minimize use of leased space for General Fund programs or functions

Upon completion of the new Public Safety Facility, there will be a reduction in lease costs for the Sheriff which will help in part to fund the new facility. The Sheriff's Office will also vacate County-owned space, providing an opportunity to relocate other General Fund programs out of leased space. Additional County-owned space will become available in Building C upon completion of the new courthouse¹.

2) Restructuring Opportunities

- Evaluate centralization of functions such as fiscal and information technology

The County began centralizing fiscal and administrative support functions as well as many IT functions approximately 3 years ago. However, there are several smaller departments that continue to fund their own fiscal and administrative positions as well as IT functions. The Chief Administrative Office will work with these departments to identify ways to consolidate services without negatively affecting service levels to those departments.

¹ The State Judicial Council has placed a hold on funding for construction of the new courthouse, but at this time the project is expected to continue at some time in the future.

- Evaluate consolidation of functions shared among departments

One example of this is the recent collaboration between the Sheriff's Office and Probation Department to consolidate food service functions in South Lake Tahoe, requiring fewer staff to provide the same level of service.

- Evaluate alternate service delivery methods for non-mandated services

Some of our discretionary programs could potentially be provided by private or non-profit organizations in a more cost effective manner.

- Evaluate policies and ordinances to ensure they promote efficient service delivery

Evaluation of policies and ordinances for this purpose is included in the Good Governance goal of the County's Strategic Plan.

3) Regionalization

- Pursue regional collaboration in areas such as economic development, Geographic Information Services (GIS), and housing and senior programs.
- Avoid duplication of services that could be provided at a regional vs. the local level, including potential opportunities with the cities of Placerville and South Lake Tahoe.
- Regionalization has become a topic of focus at state and county association meetings. While several of these opportunities relate to non-general fund programs (e.g, Mental Health, Public Health and Social Services), if successful, regionalization efforts can assist in meeting the County's mandates for these programs without impacting costs.

4) Revenue Enhancements

- Ensure full recovery of allowable indirect costs from state, federal and grant funding sources

Some existing programs don't recover all allowable indirect costs, for a variety of reasons. An analysis should be conducted to identify programs in which this occurs, and allow the Board to make an informed policy decision about whether to continue providing General Fund support to these programs.

- Ensure appropriate billable rates for services provided by County staff

When appropriate, the County should bill non-General Fund sources for all allowable services and ensure billable rates of staff are current.

- Identify opportunities for appropriate cost recovery through County fees for services

Over the last year, several departments have updated their fees in efforts to offset the actual cost of providing services. Service fees should be updated at least every two to three years. Departments who have not updated fees should be directed to do so.

- Consider options for new/increased tax revenues, such as for road maintenance
Many jurisdictions are increasing sales tax rates and Transient Occupancy Tax rates to provide additional funding for essential services without impacting service levels in other important programs. The Board should consider these alternatives moving forward.
- Maximize program reimbursements and cost-sharing through state and federal funding sources
On September 13, 2016, the Board will consider a recommendation to hire a consultant to assist the County in billing the federal government for Medi-Cal Administrative Activities and Targeted Case Management. Many counties have been successful in generating additional revenue for essential programs such as the Public Guardian, Mental Health, Public Health and Probation. The Chief Administrative Office will work with departments to ensure that opportunities to leverage state and federal funding are maximized.

5) Programmatic / Departmental Reductions

- Conduct a comprehensive program inventory to identify mandated versus discretionary programs and evaluate the levels of service among those programs.
- Ensure that programs provided and levels of service align with Strategic Plan Goals

Both of these processes began approximately a year and a half ago with many departments conducting a comprehensive inventory of mandated and discretionary programs. The Chief Administrative Office recently began reviewing these programs, as well as 'benchmarking' programs to other counties for the sole purpose of being able to provide the Board with sufficient data to make informed policy decisions. Programmatic or service level reductions should only be considered once other options have been explored and maximized.

Evaluating and ensuring efficiencies in County operations is our first step and is a collaborative process that will take place over the next several years. I look forward to many strategic discussions during this period as we move forward, working together to provide the "Gold Standard" of service.

Respectfully yours,



Don Ashton, MPA
Chief Administrative Officer

c. Jim Mitrisin, Clerk of the Board of Supervisors