County of El Dorado

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February 17, 2017

Memo To: The Honorable Board of Supervisors

Subject: FY 2016-17 Mid-year Budget Report and FY 2017-18 Outlook

The Chief Administrative Office has regularly provided the Board of Supervisors with a mid-year budget report in an effort to keep the Board and the public apprised of budget issues and to prepare for the following fiscal year.

For the report, County departments were asked to review their budgets and to identify any known or anticipated significant changes to expenditures and/or revenues through the end of the fiscal year. Departments also provided the Chief Administrative Office with detail line item projections, which assisted the CAO in estimating overall General Fund savings through the end of the year. The following report summarizes departmental year-end financial forecasts and related issues. Discussion of anticipated year-end variances from the Board approved budgets have been provided by every County department and are summarized in Attachment B to this report.

The Chief Administrative Office has also provided an outlook for the coming year, with brief discussion of the Governor's Proposed Budget and anticipated budget pressures.

FY 2016-17 General Fund Projection

For the General Fund budget as amended through December 31, 2016, Non-departmental revenues (Department 15), or the discretionary General Fund revenues received to fund Net County Cost, are projected to be $2.4 million above budget and departmental revenues are projected to be $6.5 million below budget. The projected changes in non-departmental revenues are primarily attributed to the following:

- $900,000 increase in property taxes
- $300,000 increase in Transient Occupancy Tax funds
- $130,000 increase in Property Transfer Tax revenue

The year-end General Fund revenue projection is estimated to fall short of budget by $4,044,415 or just over 1%. The decreases in departmental revenues are primarily attributed to decreased State and Federal funding in Human Services and offset with reduced costs. Attachment A is a summary worksheet showing projected General Fund revenues and expenditures by department.

The net result of decreased revenues and lower appropriations is a year-end fund balance projection of $13,121,389, which is $1 million less than was projected at this time last year.

This fund balance is comprised of unspent General Fund Contingency and unspent appropriations in other departments. It is important to note that in some larger departments, an appropriation savings does not always equate to a reduction in Net County Cost, as revenues may be tied to appropriations (i.e., reimbursements).

Not included in this fund balance estimate are any unspent Capital Project funds that may also roll forward from year to year. Any fund balance related to Capital Projects will have a corresponding Capital Project appropriation, therefore would not be available for discretionary General Fund operations.

FY 2017-18 General Fund Outlook & County Priorities

Revenues and Funding Sources

As discussed above, we are currently projecting a conservative fund balance carryover estimate of $13 million. The carryover fund balance represents unused funds from the current budget year, which are available for use in the following fiscal year. It is necessary to use a portion of these carryover funds to maintain the appropriation for the General Fund Contingency at the 3% of General Fund expenses level, as directed by Board policy.

The following are current estimates for the major revenue assumptions that will be used in developing the FY 2017-18 Recommended Budget. These assumptions are subject to change as we move through the budget development process and gain additional information as we approach the end of the fiscal year.

Property Tax Revenue: We are currently assuming a 4% growth in property taxes for FY 2017-18. The State Board of Equalization is advising county Assessors to use 2 percent as Proposition 13's inflation factor for 2017-18. In addition, local real estate sales have seen an increase over the past year. We believe that 4% is a conservative estimate, appropriate for use in this stage of the budget planning process. This estimate will be monitored as we approach the end of the fiscal year.

Sales Tax Revenue: We are currently assuming a 2% growth in sales tax for FY 2017-18, based on recent trend. This estimate may change with further analysis as we approach the end of the fiscal year.

Expenditures and Priorities

Departments have been provided with general direction to submit FY 2017-18 budget requests within a "status quo" budget, focusing on what is necessary to maintain existing programs and services.

That said, it can be generally assumed that the County will experience a natural growth in salary and benefit costs of 4%, absent any recommended actions to reduce salary and benefit costs (i.e., elimination of vacant positions). As we have shared previously, much of the growth in salary and benefit costs will be due to factors outside of the County's direct control - - such as, increases in CalPERS costs, and increases in health and related benefit costs. Budget projections do not include any negotiated adjustments or any potential impacts from the class and compensation study.

We anticipate providing your Board with a Recommended Budget for FY 2017-18 that maintains the General Fund Contingency at 3% of General Fund expenditures, and maintains the General Reserve at 5%.

Infrastructure, including county owned buildings, roads and infrastructure technology and public safety remain as the County's top funding priorities, and FY 2017-18 budget recommendations will likely reflect these priorities.

The County continues to move forward with planning for a new Public Safety Facility. In December of 2016, the Board approved a "letter of intent" to accept the conditions of the $57 million USDA loan to fund the construction of the $68 million project. Staff made building the long-term loan obligation for that facility, estimated to be $2.2 million a year, into the County's on-going operating budget. For the next nine years, the County will need to also include a $220,000 reserve set-aside in its annual budget in order to fund a required $2.2 million reserve obligation.

In FY 2016-17, the Board approved moving forward with the acquisition of a new property tax system, and directed staff to identify funding for the $1.2 million project in the FY 2017-18 Recommended Budget. This approval contributes to meeting the County's goal of transitioning its information technology infrastructure from the aged mainframe.

A solution to marijuana enforcement will be considered during the next year as well, anticipated to include staffing increases for code enforcement and public safety efforts. It is likely that fees will be developed to partially cover costs; however, recent research shows that most jurisdictions are experiencing cost increases related to regulation and enforcement activities in excess of revenue from well-planned and supported fee structures.

As previously mentioned, 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.

In the coming year, every effort will be made to incorporate these priorities into the County budget with little or no impact to existing programs and services. Departments have been provided with general direction to submit FY 2017-18 budget requests within a "status quo" budget, focusing on what is necessary to maintain existing programs and services. A number of opportunities for creating operational efficiencies have been identified to date, and County Departments have been asked to look closely at their own operations to identify possible additional areas to create efficiencies. Opportunities will be evaluated closely during the FY 2017-18 budget development process, and viable options may be presented within the Recommended Budget or, due to complexity, may be brought to the Board for consideration as separate proposals.

Governor's Proposed Budget

The Governor's Proposed Budget for 2017-18 assumes that the state economy and revenues will continue to grow, yet at a slower pace than what was anticipated in the 2016-17 state budget. The Governor's budget therefore proposes $2.6 billion in budgetary cuts and does not include the use of any reserves to offset the anticipated deficit. The state budget affects funding for many county programs. Staff has identified a number of issues that will be important to El Dorado County, and which we will be watching closely for relevant developments. As you are aware, the Governor will release a revision to his proposed budget in May of this year, with the State legislature acting to approve a budget likely sometime prior to June 15, 2017. New or significant developments will be communicated to your Board, and incorporated into the County's FY 2017-18 Recommended Budget as needed.

Transportation Funding

As part of the special session on transportation funding last fall, the Governor proposed to increase funding for transportation programs. These proposals are in the Governor's proposed budget for 2017-18. Specifically, the Governor's transportation funding package proposes to provide an estimated $4.2 billion annual increase. As your Board has heard in prior discussions, the Governor's proposal would provide an estimated one-half to two-thirds of the funding that two legislative bills (AB1 and SB1) would provide at approximately $6 billion annually, excluding onetime loan repayments. It is important to note that under both proposals, the allocation is made by the same formula that current gas tax revenues are allocated by, which takes into account resident population and lane miles. The Governor's proposal would allocate funding through the current formula distribution methodologies, with 44% going to local streets and roads, 44% going to the State Transportation Improvement Program, and 12% going to the State Highway and Operations and Protection Program.

As proposed by the Governor, the funding would be phased in during 2017–18 and 2018–19 and provide a permanent ongoing increase in subsequent years. The source of funding in the Governor's proposal is primarily new fuel tax revenues; however, the proposal also identifies Caltrans efficiencies and redirects some existing revenues.

In Home Supportive Services

Perhaps the most significant issue for counties at this time is the proposed elimination of the Coordinated Care Initiative and the resulting reversal of the Administration's plan for managing In Home Supportive Services costs. The transfer of IHSS responsibilities back to counties also transfers the cost of the program back to counties. For El Dorado County, it is estimated that this shift would increase costs by approximately $1.6 million in the first year (FY 2017-18). This is on top of program growth related cost increases. Since its realignment to counties in 1991, the IHSS program has been generally underfunded relative to caseload and cost increases. The anticipated $1.6 million increase includes costs related caseload increases that have occurred over the past several years (during the time that the state had been covering these program costs), as well as costs anticipated due to the minimum wage increase recently enacted by the state, the state's extension of three paid sick leave days to IHSS workers, and required implementation of new federal overtime regulations.

It is important to note that, due to the way the initiative was structured, this decision does not require approval through the state budget process. County staff will be working to incorporate this cost shift into the County's funding framework, and it is likely that difficult decisions will need to be made - - locally and statewide - - to absorb the increased cost.

Future Budget Pressures

There are several budget pressures to monitor in the coming year as well as into the future. Pressures that counties will have little control over include: CalPERS cost increases driven by plan fundamentals and plan administrative changes approved by the CalPERS Board of Directors; the possibility of no or a limited state solution to transportation/road maintenance funding, with road maintenance issues made worse recently by storm events; and impacts to the County due to the possible repeal of the Affordable Care Act (ACA), should a suitable framework not be available to replace it. Much of the anticipated impact is due to the repeal of the Medicaid (Medi-Cal in California) Expansion, a component of the ACA which was implemented in California. Impacts could come in many forms, including increased pressure on emergency systems, reduction in available services, and reductions in workforce.

El Dorado County will experience budget pressures in the coming years that may largely be due to the County deferring action in prior years. In particular, addressing long overdue facility and infrastructure needs may take precedence over other discretionary expenses.

In 2013, Vanir Construction Management conducted a Conditions Assessment Report, identifying facilities in need of replacement and facilities with deferred maintenance needs. The report concluded that three County facilities were at "end of life" and should be considered for replacement: the Sheriff Administrative Center on Fair Lane, the District Attorney facility on Main Street, and the El Dorado Center in South Lake Tahoe. The Placerville Juvenile Hall and the Spring Street Complex were identified as "near end of life" facilities. In total, the assessment identified approximately $55 million in current and future maintenance needs at the time the report was issued in 2013. The County has made progress toward reducing the backlog of maintenance needs; however, continued progress will require diligence in setting aside appropriate funding and developing strategies for facilities in need of replacement.

The Board has identified addressing the County's infrastructure deficiencies as a Strategic Plan goal. In furtherance of these priorities, in May of 2016 the Board adopted a budget policy 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. In FY 2016-17, the Board set aside funding in the Capital Reserve, while also providing funding for the initial stages of the Public Safety Facility and setting aside grant matching funds for the West Slope Juvenile Hall. Staff are now working to identify solutions and necessary funding for the remaining facility priorities, including the El Dorado Center and the District Attorney offices. Providing for these facility priorities will place further pressure on other programs and services.

Solutions to these significant funding challenges will undoubtedly impact the County as a whole, as our resources become more constrained and are spread over larger program demands. Planning ahead for known or likely cost increases will assist the County in meeting the fiscal challenges that significant funding changes will bring in coming years.

Recommendation: Approval of Amendments to FY 2016-17 Adopted Budget

Due to developments that have occurred since budget adoption, the Chief Administrative Office is recommending that your Board consider and approve two amendments to the FY 2016-17 Adopted Budget. These amendments require a 4/5 vote to approve.

(1) The first is to reflect prior Board action related to the funding of the Public Safety Facility, specifically the increase in the County's share of funding for that project, a portion of which is being provided through the Appropriation for Contingency. With the acceptance of the USDA loan conditions, the County is required to contribute $11,000,712 to the total project cost. This $11 million is comprised of $3,654,212 in costs already incurred, $875,000 currently budgeted for financing costs (which will be redirected to project costs), $635,000 currently budgeted in the Facility ACO fund for project costs in FY 2016-17, with the balance of $5,836,500 to be set aside and dedicated for the proposed project. In order to meet this requirement, it is recommended the Board approve the attached budget transfer placing $5,836,500 in a new "Public Safety Facility Match" reserve. The transfer moves $507,768 from the Appropriation for Contingency, $1.98 million from the Public Safety Facility payment reserve, and by $3,348,732 from the Capital Projects reserve.

(2) The second is to reverse budget entries that were included in the FY 2016-17 Addenda budget, reflecting a transfer of $2 million from the Missouri Flat Master Circulation & Funding Plan fund to the CDA – Transportation budget. Based on recent information from County Counsel and subsequent Board discussion, it is recognized that the ability of the County to transfer funding from the MC&FP is constrained (see Legistar #16-1146). Therefore, it is recommended at this time that the planned transfer be formally reversed in the Adopted Budget.

Recommendation: Selection of Ad Hoc Committee for Functional Group Budget Meetings

The Chief Administrative Office has included functional group budget meeting in the FY 2017-18 budget development process. These meetings are to be scheduled in the last week of March, and will include department representatives from each department in a "functional group" (i.e., Law and Justice), representatives from the Chief Administrative Office, and two Board members. At this time, and in anticipation of scheduling these meetings, we are recommending that your Board select two individual Supervisors to participate as an Ad Hoc Committee to attend each of the Functional Group meetings.

Respectfully Submitted,

DON ASHTON
CHIEF ADMINISTRATIVE OFFICER

Shawne M. Corley
Assistant Chief Administrative Officer

Attachments: A: General Fund Department Budget Status at December 31, 2016
B: FY 2016-17 Summary Discussion of Department Mid-Year Projections

Attachment A - General Fund Mid-Year Projection as of 12/31/16

	REVENUES				APPROPRIATIONS				NET		
Department	16-17 (FAMIS)	Projection	Proj Diff from Budgeted	Proj as % of Budget	16-17 (FAMIS)	Projection	Proj Diff from Budgeted	Proj as % of Budget	BUDGETED Net County Cost	Projected Net County Cost	Variance from Net County Cost
Board of Supervisors	2,335	5,685	3,350	243.5%	1,566,206	1,547,680	-18,526	98.8%	1,563,871	1,541,995	21,876
Chief Administrative Office	2,661,341	2,661,341	0	100.0%	12,775,302	12,678,404	-96,898	99.2%	10,113,961	10,017,063	96,898
Auditor-Controller	607,348	606,028	-1,320	99.8%	3,399,676	3,249,766	-149,910	95.6%	2,792,328	2,643,738	148,590
Treasurer-Tax Collector	2,129,884	2,129,884	0	100.0%	3,158,762	3,158,762	0	100.0%	1,028,878	1,028,878	0
Assessor	691,400	691,400	0	100.0%	4,047,191	4,047,191	0	100.0%	3,355,791	3,355,791	0
County Counsel	474,225	370,000	-104,225	78.0%	3,709,585	3,419,585	-290,000	92.2%	3,235,360	3,049,585	185,775
Human Resources	0	0	0	0.0%	2,138,585	1,976,801	-161,784	92.4%	2,138,585	1,976,801	161,784
Information Technologies	13,000	36,478	23,478	280.6%	8,655,396	8,428,170	-227,226	97.4%	8,642,396	8,391,692	250,704
Surveyor	89,513	89,513	0	100.0%	1,611,542	1,611,542	0	100.0%	1,522,029	1,522,029	0
Non-Departmental G.F. (incl conting)	122,151,623	124,604,665	2,453,042	102.0%	34,109,641	28,576,248	-5,533,393	83.8%	-88,041,982	-96,028,417	7,986,435
Designations, Reserve & FB	40,051,832	40,051,832	0	100.0%	5,788,732	5,788,732	0	100.0%	-34,263,100	-34,263,100	0
Grand Jury	0	0	0	0.0%	75,319	75,319	0	100.0%	75,319	75,319	0
Superior Court MOE	1,047,480	1,047,480	0	100.0%	2,581,877	2,948,877	367,000	114.2%	1,534,397	1,901,397	-367,000
District Attorney	2,768,126	2,534,897	-233,229	91.6%	9,158,991	9,066,318	-92,673	99.0%	6,390,865	6,531,421	-140,556
Public Defender	353,176	280,118	-73,058	79.3%	3,913,010	3,722,650	-190,360	95.1%	3,559,834	3,442,532	117,302
Sheriff	15,703,411	15,703,411	0	100.0%	65,349,261	64,645,261	-704,000	98.9%	49,645,850	48,941,850	704,000
Probation	6,163,084	5,995,128	-167,956	97.3%	18,354,255	17,594,428	-759,827	95.9%	12,191,171	11,599,300	591,871
Ag Commissioner	880,294	892,172	11,878	101.3%	1,386,026	1,397,904	11,878	100.9%	505,732	505,732	0
Recorder-Clerk/Registrar of Voters	2,167,972	2,387,547	219,575	110.1%	3,160,271	3,160,271	0	100.0%	992,299	772,724	219,575
Transportation	2,311,758	1,922,022	-389,736	83.1%	2,825,808	2,277,277	-548,531	80.6%	514,050	355,255	158,795
Development Services	10,474,801	9,772,855	-701,946	93.3%	13,775,539	11,884,704	-1,890,835	86.3%	3,300,738	2,111,849	1,188,889
CDA - Admin	4,280,929	3,402,743	-878,186	79.5%	4,280,929	3,190,224	-1,090,705	74.5%	0	-212,519	212,519
Public Health (Animal Services)	1,351,367	1,355,245	3,878	100.3%	3,503,658	3,416,623	-87,035	97.5%	2,152,291	2,061,378	90,913
Environmental Management	2,653,141	2,637,895	-15,246	99.4%	2,653,141	2,637,895	-15,246	99.4%	0	0	0
HHSA Agency Admin	4,255,220	3,955,742	-299,478	93.0%	5,306,507	4,439,571	-866,936	83.7%	1,051,287	483,829	567,458
Veterans Services	79,593	97,638	18,045	122.7%	549,858	449,034	-100,824	81.7%	470,265	351,396	118,869
Human Services	54,493,066	50,877,343	-3,615,723	93.4%	58,471,144	54,048,729	-4,422,415	92.4%	3,978,078	3,171,386	806,692
Library	2,441,992	2,144,434	-297,558	87.8%	3,986,699	3,689,141	-297,558	92.5%	1,544,707	1,544,707	0
Child Support Services	5,968,953	5,968,953	0	100.0%	5,973,953	5,973,953	0	100.0%	5,000	5,000	0
GENERAL FUND TOTAL	**286,266,864**	**282,222,449**	**-4,044,415**	**98.6%**	**286,266,864**	**269,101,060**	**-17,165,804**	**94.0%**	**0**	**-13,121,389**	**13,121,389**
Departmental	124,063,409	117,565,952	(6,497,457)	(0)	246,368,491	234,736,080	(11,632,411)	0	122,305,082	117,170,128	5,134,954
Non-Departmental	162,203,455	164,656,497	2,453,042	1	39,898,373	34,364,980	(5,533,393)	1	(122,305,082)	(130,291,517)	7,986,435

Attachment B

FY 2016-17 Summary Discussion of Department Mid-Year Projections

General Government

Board of Supervisors – Net County Cost savings of $21,000

The Board of Supervisors projects a Net County Cost savings of $21,000 which is primarily related to salary and benefit savings. This budget includes costs related to the Clerk of the Board function.

Chief Administrative Office – Net County Cost savings of $96,000

The Chief Administrative Office projects a Net County Cost savings of $96,000 primarily related to salary savings related to vacancies.

Auditor-Controller – Net County Cost savings of $149,000

The Auditor-Controller is projecting expenditure savings of $150,000 and a revenue shortfall of $1,000, resulting in a Net County Cost savings of $149,000. Savings are mainly in Salary and Benefits, and are related to turnover in three positions and an uncompensated absence.

Treasurer-Tax Collector – No Change to Net County Cost

Assessor – No Change to Net County Cost

The Assessor is projecting no change to Net County Cost at this time. However, the department may experience savings in Salary and Benefits at year end resulting from vacancies that are not expected to be filled until late in the fiscal year.

County Counsel – Net County Cost Savings of $186,000

The Department is projecting savings in Professional and Specialized Services expense related to use of outside attorney services being less than anticipated.

Information Technologies – Net County Cost savings of $250,700

Information Technologies is projecting a Net County Cost savings of $250,700. This is attributable to salary savings of $931,685 from several vacancies in the department, which is offset by $511,121 in expense being reallocated to pay for unanticipated department needs (NetBackup License), and to accelerate the purchase of hardware associated with the VDI program. These purchases will lower costs expended for VDI during FY 2018-19. Additionally, the department is projecting lower than expected Programmer billings of $169,860.

Recorder Clerk/Elections – Net County Cost savings of $219,000

Elections services revenue from billings to other districts is projected to be $219,000 higher than anticipated due to more districts participating in the November presidential election than estimated. The Elections department bills out actual costs incurred for support during elections.

Human Resources – Net County Cost savings of $162,000

The Human Resources department is projecting Net County Cost savings of $162,000, which is the result of salary savings from vacant positions.

Risk Management – No Change

Risk Management is projecting no material changes from budget.

Law & Justice

Grand Jury – No change to Net County Cost

Superior Court MOE – Net County Cost increase of $367,000

Superior Court MOE is projected to exceed the budgeted Net County Cost by approximately $367,000. This is due to FY 2015-16 expenses payable to the State of California for MOE obligations that were paid in FY 2016-17. In addition, revenue is trending lower than anticipated. Staff will monitor this closely and return with a budget transfer in the 3rd quarter, if necessary.

District Attorney – Net County Cost increase of $140,000

The District Attorney is projecting a revenue shortfall of $233,000, due to grant awards and public safety sales tax coming in lower than anticipated. This is partially offset with projected expenditure savings of $93,000, mainly in Salary and Benefits due to vacancies. The department will monitor the budget closely, reevaluating in the 3rd quarter, and will return to the Board for a budget transfer if necessary.

Public Defender – Net County Cost savings of $117,000

Revenues are projected to fall short of budget by $73,000. The Adopted Budget included funding approved by the Community Corrections Partnership for a pilot program to hire or contract with an individual to provide case management services for clients of the department to assist in reducing recidivism. This position has not been filled, which result in reduced revenues of $56,000. Public Safety Sales Tax is projected to come in slightly lower than budgeted, for an additional reduction of $17,000.

Expenditure savings are estimated at $190,000. Salary and Benefits savings of approximately $141,000 is the result of vacancies and turnover during the year. The department projects savings in Services and Supplies of approximately $50,000. Savings of $56,000 related to not hiring the case manager referenced above are partially offset by an increase in rent. This is due to the fact that the department's move from Placerville to Shingle Springs occurred slightly ahead of schedule.

Sheriff – Net County Cost savings of $704,000

The Sheriff's Office is projecting expenditure savings of $704,000. No change to revenue is projected.

Savings in Salary and Benefits are estimated at $555,000. Though the salary increases mandated by Charter Section 504 are expected to cost approximately $400,000 for the period of July 1st through June 30th, several vacancies will yield an overall savings. The FY 2016-17 Adopted Budget included a "built-in" savings of $1.1 million in salaries and benefits, based on estimated vacancies.

An additional expenditure savings of approximately $150,000 is expected in Services and Supplies. In some cases, actual costs have been lower than budgeted, and some purchases have been canceled or delayed.

Probation – Net County Cost savings of $592,000

The Probation department is projecting expenditure savings of $760,000 and a revenue shortfall of $168,000, resulting in a Net County Cost savings of $592,000.

The shortfall in revenue is primarily the result of not realizing revenue from various state and federal grants, and reductions in transfers in from special revenue funds. Most reductions are offset by corresponding reductions in expenditures. These reductions will be partially offset by increases in Title II grant funding and revenue from contracting out space in the County's juvenile detention facilities to other Counties.

The Department anticipates savings in Salary and Benefits of $512,000. This number is based on the assumption that the Department will fill all but two of the 17.5 positions that were vacant at mid-year. Additional savings may be realized if these positions are not filled as anticipated.

The Department is also projecting expenditure savings in Services and Supplies of approximately $194,000, primarily comprised of grant program expenditures that won't be realized before the end of the fiscal year.

Savings of approximately $54,000 is anticipated in Support & Care due to the fact that there are no minors currently committed to any outside ranches or camps.

Land Use and Development Services

Surveyor – No Change to Net County Cost

Agriculture – No Change to Net County Cost

The department is estimated to realize additional revenue of $11,878 from the State. The department is estimating that it will have to use a majority of the revenue for health care changes of employees. In addition, a smaller amount of the revenue will be used for mobile technology in the field.

Air Quality Management District – No Change to Net County Cost

There is no change to Net County Cost; however, the program decreased its revenues and expenditures by $1,678,727 for a variety of programs. The following are examples of Air Quality Management District programs that lowered its expenditures and revenues due to different needs and available funding: Drive Clean program ($328K), Residential EVSE program ($322K), Chimney Smoke RIP incentives ($125K) and other programs related to contracts ($192K). The program did increase its operating transfers ($200K) to fund Facilities staff and contractors for the design of a new office location. The remaining amount was due to a decrease in the need for fund balance.

Community Development Agency

Transportation – Net County Operating (Non Capital) Cost savings of approximately 4.3M, Capital Cost savings of approximately $10.6M, General Fund Contribution savings of $158,795.

Fund Type 10 – (General Fund) - County Engineer and Cemeteries – Decrease in Net County Cost of $158,795

It is projected that revenues will decrease $389,736 and expenditures will decrease $548,531 for a projected overall decrease to net County cost of $158,795.

Development activity is projected to be consistent with prior year activity with only a slight increase over actual amounts. To date activity has not increased as rapidly as assumed with the budget. A savings in professional services is projected as inspection and plan check consultant services have not been required to the extent originally assumed. Inter/Intra fund transfers are projected to decrease due to a decrease in charges for Transportation and Long Range Planning staff working on development projects.

The County Engineering budget unit is funded primarily by time and material revenue and draw down on developer deposits. Overall change in the County Engineer budget is a reduction of $90K in net County cost.

Cemetery Operations budget included appropriations for ground penetrating radar and mapping services at the Placerville Union Cemetery in the amount of $56K. This work will not be conducted in FY 16/17 but will be re-budgeted in FY 17/18. There are minor adjustments in other accounts which net an overall reduction of $69K in net County cost for Cemetery Operations.

Fund Type 11 (Special Revenue Fund) – Decrease in the Net County Cost of the Road Fund ($4.1), Capital Improvement Program (10.6M), Erosion Control ($105K)

It is projected that revenues and expenditures will decrease $14,711,750, with the use of fund balance decreasing $2,454,558. Approximately $10.6M of the decrease is related to the Capital Program due to a West Slope CIP expenditure decrease. The decrease is primarily due to professional services and contracts, staff costs, right-of-way costs and infrastructure acquisition. There was also a decrease in the South Lake Tahoe environmental capital program (erosion control).

Road Fund Operations is projected to decrease its expenditures by approximately $4.1M.
It is anticipated that ($1.3M) in salary savings will be realized in the Road Fund due to vacancies throughout the year. Road Fund Services and Supplies are anticipated to decrease ($2.9M). Major reductions are projected in professional services Road Construction and Maintenance contracts as the Tahoma chip seal failure fix was budgeted as contracted work but was accomplished primarily with County staff ($0.5M) and contract work funded with MC&FP monies ($1.6M) is on hold until funding issues are resolved. Plant Mix and road chip materials are anticipated to decrease ($0.67M) as only a portion of the Tribe funded work is anticipated to be completed this fiscal year. Minor adjustments are projected in other accounts approximately ($0.1M)

Fund Type 12 – (Special Revenue Fund – Special District) Zones of Benefit – No Changes to Net County Cost

Revenues and expenditures are projected to decrease $2,073,925. Each Zone of Benefit operates within its available funding and there is no General Fund impact.

Road Maintenance Contracts is projected to decrease ($490K), Special Projects is projected to decrease ($1.1M) and Appropriation for Contingencies is projected to decrease ($403K). There is no zone work planned in FY 16/17 that will require the utilization of these appropriations.

Fund Type 31 (Enterprise Fund) – Airports – Decrease of County Contribution of $17,365
The General Fund Contribution to the Georgetown Airport is anticipated to decrease ($17K). This is due to a slight increase in anticipated revenue, minor decreases in direct services and supplies for the Georgetown Airport and a decrease in the Georgetown Airport's share of the Airport Administration costs (ie. a share of the salary savings).

Fund Type 32 (Internal Service Fund) - Fleet Operations
Revenues and expenditures for the Fleet program are projected to decrease by $407,455.

<u>Development Services - Net County Cost savings of $1,188,889</u>

Development Services – Fund Type 10 (General Fund) – Decrease in Net County Cost of $1,188,889

It is anticipated that expenditures will decrease by $1,890,835 and revenues will decrease by $701,946 from budgeted amounts, for an overall decrease in net County cost of $1,188,889.

Revenues from the permit fees and other charges for services are anticipated to have a slight increase. Development permit activity increased $417K offset by a decrease of ($390K) from MC&FP revenue to Long Range Planning for work to be performed on the MC&FP Phase II project that is on hold until all issues with Measure E are resolved.

Public Utility Franchise Fees are projected to be reduced by ($60K), due to lower anticipated NPDES cost in Long Range Planning for this fiscal year.

Reimbursement revenues for consultant services related to developer EIR projects are expected to decrease by ($623K), as revenue is received on a reimbursement basis.

Operating Transfers In is anticipated to decrease ($93K) this is primarily related to a transfer from CSA #10 Solid Waste fund for work on the trash amendment study and a transfer from Building Services to Code Enforcement to fund an a new Code Enforcement Officer. The Code Enforcement Officer position is anticipated to be filled for only six months.

Salary savings are projected with Development Services ($375K), Long Range Planning ($233K), and Code Enforcement ($35K) due to various vacancies throughout the year.

Services and Supplies are anticipated to be less than budget. The majority of these savings is in Special Department Expense, with a projected savings of ($0.52M). The Building Services' budget included this line item in order to set aside funds for the initial "seed" money to establish a Special Revenue Fund, if approved, the division is not projecting that this will occur in the current fiscal year. Professional services & contract savings ($0.57M) is due primarily to the amount of effort needed from consultants in the current fiscal year for the various contracts based on actual costs billed to date and anticipated need to year end, this is primarily for EIR contracts related to large development projects.

Fund Type 11 (Special Revenue Fund) - Housing, Community Economic Development – No Changes to Net County Cost

It is projected that revenues and expenditures will decrease by $243,743 with no change to the General Fund contribution. All adjustments are related to anticipated loan repayments, payoffs, and loan initiation.

CDA Administration – Net County Cost savings of $212,519

Fund Type 10 (General Fund) – CDA Administration – Decrease in Net County Cost of $212,519

It is projected that revenues will decrease $878,186 and expenditures will decrease $1,090,705 for a projected overall decrease to net County cost of $212,519.

Revenue to recover the CDA Administration costs is derived from a calculated rate applied to the salary dollars of all divisions and units under the CDA. The rate for FY 16/17 included a carry-over component from FY 14/15 which reduced generated revenue and Intra-Fund Abatements by approximately $110k. Revenue generation in this budget unit is in direct correlation to the salary dollars in the divisions. This year it is projected that overall salary dollars in the CDA will be lower than budget therefore it is projected that revenue in the CDA budget unit will also be lower.

Environmental Management – No change to Net County Cost

Fund Type 10 (General Fund) – No change to Net County Cost

Fund Type 12 – (Special Revenue Fund – Special District) – No change to Net County Cost
Revenues and expenditures are projected to decrease by $1,620,029. The department anticipates use of fund balance to be reduced by $1,608,992.

It is anticipated that ($273K) in salary savings will be realized due to the vacancies of several positions throughout the year.

Services and supplies are projected to decrease by ($578K), which is primarily due to:

- A decrease in professional services contracts of ($388K). This is based on actual costs billed to date and anticipated need to year end.
- A decrease of ($76K) in maintenance of equipment. A budget transfer was approved by the Board moving appropriations to Fixed Assets-Building and Improvements.
- Minor changes in various accounts attribute to the remaining ($114K).
- A decrease of ($29K) in Appropriations for Contingency as it is not anticipated to be needed.

Operating Transfers Out will be reduced by ($801K), due to timing of the new permitting software system implementation ($560K), a reduced need for franchise fee revenue in Environmental Management administration ($157K) and due to the timing of the storm water trash amendment to LRP ($84K).

Intrafund expenditures are projected to decrease by ($194K). This is mostly due to the reduction of CDA administrative costs allocated to CSA#3 and CSA#10.

Finally, intrafund abatements will decrease by $239K to adjust Solid Waste support of various CSA#10 programs.

Health and Human Services

Health and Human Services Agency (HHSA)

HHSA is projected to have approximately $1.6M in General Fund and Net County Costs (NCC) Savings. The divisional and programmatic savings are detailed below.

HHSA Division:		General Fund/ NCC Savings:
• HHSA Administration (Dept. 45)		$567,000
• Public Health Division (Dept. 40)		$145,000
• Behavioral Health Division (Dept. 41)		0
• Social Services Division (Dept. 53)		$604,000
• Community Services Division (Dept. 53)		$274,000
	Total	$1,590,000

HHSA Administration (Dept. 45) - Fund Type 10 – General Fund savings of $567,000

The HHSA Administrative Division is projected to have total expenditures of $8.7M and revenues of $8.3M with a projected use of prior fiscal years over collections of $484K, which currently reside in the County General Fund. This represents savings of $567K when compared to the $1.0M budgeted General Fund use.

HHSA Administration Division provides efficiencies in administrative and fiscal support to all the programs in the agency. The Agency's administrative and fiscal expenditures are allocated equitably to all HHSA programs through an approved Indirect Cost Rate Plan (ICR) based on actual program salaries. The functional design of the ICRP is to correct for over and under collections in future years. The FY 2016-17 County General Fund budget is actually prior fiscal years over collections that are being redistributed to programs via the annual calculation process.

Public Health Division (Dept. 40) – Fund Type 10, 11, and 12 – General Fund/Net County Cost Savings of $145,000

The Public Health Division (PHD) consists of three fund types: Fund 10 – Animal Services, Fund 11 – Public Health Programs, and Fund 12 – County Service Areas (CSA3 and CSA7). Total revenues for the Division are projected at $30M and total expenditures are projected at $40.9M, with projected fund balance use of $8.5, less than budgeted. Public Health's projected use of General Fund and Net County Cost is $5.98M which is a savings of $145K as compared to the budget.

Animal Services (Fund 10): Animal Services have total projected revenues of $1.4M and expenses of $3.4M, resulting in a projected $91K in Net County Cost (NCC) savings, due primarily to staff vacancies and underspending in services and supplies.

Public Health Programs (Fund 11): Public Health programs have total projected revenue of $14.6M and expenses of $21.7M resulting in fund balance use of $7M and a general fund savings of $54K.

Fund 11 includes a number of Public Health Division (PHD) service programs, as well as the Emergency Medical Services (EMS) program. PHD programs are funded primarily by grants, realignment revenues and other State and Federal revenues.

- Nursing programs are projected to have $52K in general fund savings, primarily due to salary savings as a result of the difficulty in recruiting nurses, and savings in client services.
- Jail and juvenile hall programs are projected to have $1K in general fund savings.
- Historically, the EMS program was supported by County General Fund. This is the second year the program is being supported by Ground Emergency Medical Transport (GEMT) funding. The EMS program is projected to use $987K in GEMT fund balance, leaving approximately $722K in GEMT fund balance at fiscal year-end. T he Board approved the use of the remaining funds that have been received to purchase an electronic Patient Care Record (ePCR) system and capital improvements requested by the JPAs.

County Service Areas - CSA 3 and CSA 7 (Fund 12):

PHD Fund 12 includes budgets for pre-hospital medical services provided within CSA 7 for the West Slope and CSA 3 for South Lake Tahoe. This fund also includes Ambulance Billing. Revenues in this fund consist primarily of taxes, state funding, and ambulance fees. This fund is projected to remain within budgeted appropriations.

- **CSA 7 and Ambulance Billing (Sub Fund 12-157-001):** This sub-fund is projected to have revenues of $11.4M and projected expenditures of $12.9M resulting in fund balance use of $1.5M. This is approximately $270K higher than the anticipated fund balance use included in the Addenda budget. Projected fund balance at fiscal year-end is $5M.
- **CSA 3 (Sub Fund 12-153-100):** This sub-fund is projected to have revenues of $3M and expenditures of $2.9M. The projected fund balance in CSA 3 at fiscal year-end is $2.7M.

Behavioral Health Division (Dept.41) - Fund Type 11 – No General Fund or Net County Cost savings

The Behavioral Health Division (BHD) consists of three primary sub-funds within Fund 11 consisting of Traditional, Mental Health Services Act (MHSA), and Alcohol and Drug (ADP) programs. Total projected revenues for the BHD are $24.1M and expenses are projected at $27.6M, resulting in a net fund balance use of $3.4M, primarily from the MHSA fund.

Traditional Programs - Sub-Fund 11-110-001:

Mental Health Traditional Programs have projected revenues of $10.5M and projected expenditures of $9.7M, with a projected increase to fund balance of $800K.

- **State Hospital Bed:** BHD is currently receiving a reduced 1991 Realignment allocation monthly, due to the usage of two State hospital beds, averaging approximately $40K a month. A transfer of Public Health 1991 realignment of approximately $410K was budgeted in FY 2016-17 in the event of a state hospital bed placement to assist BHD with funding the expense.
- **Contract Expenditures:** BHD has experienced a decrease in bed days for adult residential client placements to contracted facilities as a result of efforts to open an adult residential facility and expanding our Intensive Case Management/Transitional House program, however, the cost per bed day for out of county placements has seen a slight increase. Despite the cost increase, BHD is still projected to remain under budgeted contract appropriations. This could change if long-term placements increase.
- **AB403, the Continuum of Care Reform Act (CCR),** requires a partnership between Child Welfare Services and Mental Health to ensure children find permancey and remain in the least restrictive level of care. The state is providing partial funding through Medi-Cal for BHD staff participating in Child Family Teams. The remaining funding will be realignment. There may be an impact to the Medi-Cal billing unit when Therapeutic Foster Care delivered by Resource Families comes into effect. The actual expense and revenue expected for FY 2016-17 are difficult to project because counties are still awaiting clear direction from the State.

Mental Health Services Act (MHSA) - Sub-Fund 11-110-003:
MHSA programs have projected revenues of $10.4M and projected expenditures of $14.3M, resulting in an estimated use of $3.9M in fund balance. BHD is working to complete our FY 2017-18 MHSA annual plan update which is targeted to be finalized prior to the start of the fiscal year.

Alcohol & Drug Program (ADP) – Sub-Fund 11-110-004, 005, 006, and 007:
ADP has revenues projected at $3.2M and expenses projected at $3.5M, with projected fund balance use of $351K.

Human Services – Savings as described below

Social Services Division (Dept. 53) – Fund Type 10 – General Fund/Net County Cost Savings of $604,000.

Social Services Division (SSD) projects revenues of $50.3M and expenditures of $51.9M, projecting a County General Fund usage of $1.6M. This is a projected savings of $604K from the budgeted County General Fund usage of $2.2M. This can be attributed to salary savings as well as savings in assistance payments.

Social Services - Fund Type 11:

Social Services projects $136K in expenditures and $136K in revenues. Social Services accepted a grant from the Office of Emergency Services (OES) for County Victim Services Program (VOCA), to be passed through to Court Appointed Special Advocates (CASA), a community based organization.

Community Services Division (Dept. 53) - Fund Type 10, 11, and 12 – General Fund/Net County Cost savings of $274,000

Community Services Division (CSD) consists of three fund types: Fund 10 – Public Guardian, Fund 11 – Community Service programs, and Fund – 12 Public Housing Authority (PHA) and In-Home Supportive Services Public Authority (IHSS PA). Total revenues for CSD are projected at $11.5M and expenditures are projected at $13.2M, with $137K fund balance use and a NCC and GF contribution of $3.9M, primarily to support Area Agency on Aging programs and Public Guardian. This represents a projected General Fund and Net County Cost savings of $274K when compared to budgeted use of general fund.

Public Guardian (Fund 10):

Public Guardian is projected to realize $200K in NCC savings, largely due to savings in staff vacancies. The Public Guardian Targeted Case Management (TCM) program is currently going through an audit for the period of FY 11/12. In 2013, the Department of Health Care Services (DHCS) changed the TCM time study methodology and applied it retroactively to FY 10/11. Due to the change in DHCS policy, HHSA anticipates a state recouping an estimated $250K over a four year period. In collaboration with the CAO's office, HHSA established a reserve to mitigate future audit settlements and mitigate impact to the general fund. Due to the nature of the TCM program, which distributes interim payments that are settled after the end of the fiscal year through an annual cost report, HHSA recommends maintaining an ongoing audit reserve in FY 17/18 to cover any unanticipated fiscal exceptions. This is especially crucial due to the possible plans of expanding the MAA/TCM programs at the County level; as the County recently awarded a contract to the Ramsell Corporation to act as the countywide MAA/TCM LGA Consultant.

Community Services Division (CSD) Programs (Fund 11):

CSD Fund 11 programs are projected to have a general fund savings of $75K. The programs include Low Income Heating and Energy Programs (LIHEAP) and the Area Agency on Aging programs, such as the Senior Center, Senior Nutrition, Senior Legal, and Senior Day Care (SDC).

- The Area on Aging program is projecting General Fund savings of $80K primarily due to staff vacancies.
- Senior Day Care is projected to need additional County General Fund support of $45K due to a decline in client participation. HHSA will use savings in other senior programs to cover the additional cost for SDC. Senior Day Care program staff are brainstorming solutions and actively trying to bring in new clients.
- The Workforce Innovation and Opportunity Act (WIOA) program is projected to have $35K in General Fund savings.

Public Housing Authority / In Home Supportive Services-Public Authority (Fund 12):

CSD Fund 12 programs consist of Public Housing Authority (PHA) and In-Home Supportive Services Public Authority (IHSS PA). Both programs are operating within budgeted appropriations.

PHA is a Special Revenue Fund which has historically maintained fund balance as allowed by the U.S. Department of Housing and Urban Development (HUD). Historically, this fund balance was providing additional support to the administration of the program. However, the program has used fund balance to cover some of its expenses the past few years.

Veteran Affairs – Net County Cost savings of $118,000

The Veteran Affairs department projects an increase in subvention revenue from the state of $18,000 as well as salary savings from vacancies of approximately $100,000.

Library – No change to Net County Cost

Child Support Services – No change to Net County Cost