



The County of El Dorado

Chief Administrative Office

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May 28, 2021

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

Honorable Members of the Board of Supervisors:

With this letter, I submit for your consideration the Fiscal Year (FY) 2021-22 Recommended Budget for El Dorado County. A public budget hearing is scheduled for June 7, 2021, to consider the recommended spending plan, at which time the Board may make any additions, deletions or modifications to the Recommended Budget.

The total Recommended Budget for all Governmental Funds for FY 2021-22 is \$681.29 million, which is \$37.13 million (5%) less than the FY 2020-21 Adopted Budget of \$718.42 million. It should be noted these totals reflect all Governmental Funds, including Special Revenue Funds.

Total General Fund appropriations are recommended at \$337.36 million, which is \$11.13 million (3.2%) less than the FY 2020-21 Adopted Budget of \$348.49 million approved by the Board in September 2020.

As a result of the efforts of your staff, the budget is balanced, meets State requirements and fully funds the General Fund Contingency (\$6M), General Reserves (\$10M) and the annual contribution to the Designation for Capital Projects (\$5M), and allocates \$3 million in discretionary revenues to road maintenance in accordance with the Board's most recently adopted budget policy. In addition, the recommended budget includes the following that address several Board priorities identified over the past six months:

- Allocates \$1.3 million for the implementation of a Body Worn Camera program for the Sheriff's Office.
- Allocates \$6.5 million for ongoing deferred maintenance of County owned buildings.
- Sets aside \$936,713 for future CalPERS cost increases.
- Sets aside \$2.3 million for the FY 2022-23 Public Safety Facility loan payment.
- Allocates \$500,000 to begin replacing the aging snow removal fleet.

- Allocates a combined \$645,800 to the Lake Valley, El Dorado County Fire and Georgetown Fire Districts to offset costs due to tourism impacts.
- Allocates \$578,000 to the Planning & Building Department to increase code enforcement services due to the growth in Vacation Home Rentals, as well as additional resources to address State Mandates and Tier 1 priorities identified by the Board.

Budget Approach

The budget before you has been developed using the following criteria, with the primary understanding there is insufficient revenue to meet all demands of the community:

- Compliance with State-mandated programs and services.
- Compliance with Board policies.
- Consistency with the Strategic Plan and Board priorities.
- Conservative but realistic revenue and expenditure projections.
- Preparing for the impacts of future-year commitments and requirements.
- Considering service level and systemwide impacts.
- Pursuing and maximizing efficiencies.

Budget Challenges

Due to the fiscal and budget policies developed over the past five years and the Board's commitment to adhere to them, the County's General Fund is stable. As a result, this recommended budget addresses several priority issues such as additional funding for road maintenance, snow removal, body worn cameras and additional resources in the Planning & Building Department. However, the County still faces challenges that will require continued discipline and adherence to the Board's budget policies. Meeting the County's facility needs, including replacement of aging buildings such as the Spring Street facility, El Dorado Center and South Lake Tahoe jail, will require far more funding than is currently available in the Capital Project Designation. Operational costs for the Placerville Jail will increase upon completion of the expansion project, and it is likely that the County's CalPERS Unfunded Accrued Liability (UAL) will increase if CalPERS reduces the discount rate, as is widely anticipated.

Other significant challenges include: the ongoing challenge of implementing the Board's compensation philosophy, shortfalls in the Road Fund and concerns raised by the Director of Health & Human Services relative to funding for Behavioral Health, Social Services and Public Health. Assuming future-year projections for the Road Fund, Behavioral Health, Social Services and Public Health are accurate, it is possible that over the next two to three years the Board will need to decide whether to increase General Fund support to these programs and/or reduce service levels within those programs.

Finally, outside economic challenges facing the nation, state, region and County cannot be discounted as we look toward the future. We have seen an extraordinary period of economic growth in California for more than a decade. However, as an indication of the gradual shift in the overall economy, this April's Consumer Price Index was the sharpest year-over-year

increase since 2008. The median home price in El Dorado County sits at \$652,500, a 31% year-over-year increase, according to the California Association of Realtors. And the overall job market hasn't recovered from March 2020, when there was 4.5% unemployment compared to the March 2021 rate of 8.3%, though it's down 0.2% from February 2021, according to the State Employment Development Department. Finally, the cost of goods such as lumber and electronic chips used many consumer products such as televisions and cars has skyrocketed in the past six to nine months, making certain goods unaffordable to many residents. We must bear these harbingers in mind as we continue to be disciplined in our budgeting.

Formal budget hearings are scheduled to take place on June 7, 2021. We will return to your Board in September for the formal adoption of the Budget, following the close of the FY 2020-21 financial records.

I would like to thank the Department Heads and their staff, as well as the Board's ad hoc budget committee, for their support and participation through this process, understanding the difficulty in determining how limited resources are distributed among mandated programs and essential discretionary programs.

Sincerely,

A handwritten signature in blue ink, appearing to read "D. Ashton", with a horizontal line extending to the right.

Don Ashton, MPA
Chief Administrative Officer