CAO Report: County Budget a Mixed Bag

Village Life
Chris Daley
March 22, 2017

Chief Administrative Officer Don Ashton recently gave a good news/bad news presentation to the El Dorado County Board of Supervisors.

During his mid-year budget report, Ashton noted that the county's General Fund revenues to fund the "net county costs" element are projected to be about $2.4 million more than budgeted. The other side of that coin, however, is that the overall General Fund is projected to fall short of budget by 1 percent or $4,044,415.

The General Fund projection for fiscal year 2017-18 is based on an increase of $900,000 in property taxes, $300,000 in Transient Occupancy Taxes and an increase of $130,000 in property transfer tax revenues, according to Ashton's budget letter. Property taxes are assumed to increase about 4 percent due in part to greater real estate sales.

"We believe that 4 percent is a conservative estimate, appropriate for use in this stage of the budget planning process," the letter advises.

Departmental revenues are projected to be approximately $6.5 million below budget. That decrease is "primarily attributed to decreased state and federal funding in Human Services," the letter states. Ashton's direction to department heads was to stick to a "status quo budget" — roughly the same as supervisors approved last year.

Ashton noted the "most significant issue for counties at this time" may be the state's and governor's decision to return the In-Home Supportive Services program to county responsibility and county funding. IHSS has been administered by the state since 1991. Chronically underfunded relative to costs and caseloads, the reversion will cost the county approximately $1.6 million more next year, he wrote.

A Rural County Representatives of California March 10 newsletter explained that the organization and a number of partners, including the California Association of Counties, County Welfare Directors Association and Behavioral Health Directors Association, have joined forces to oppose the governor's proposed action.

Ashton said county staff will work to incorporate this cost shift in 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." Difficult decisions refers to the fact that the county has a "closed budget system," meaning that money taken to fund one program has to come from reductions in some other program(s) if there are no new revenues.

The report further describes challenges — “pressures to be monitored in the coming year as well as into the future” over which the county has little or no control. They include significant increases in the California Public Employees Retirement System costs that attend to most of the county’s employees. If the Affordable Care Act is overturned with no comparable replacement, counties will be impacted by the loss of federal Medicaid expansion that funds the state’s Medi-Cal programs. State funding for road maintenance is also likely to decrease.

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

And while the county has made significant strides, Ashton notes, “Continued progress will require diligence in setting aside appropriate funding and developing strategies for facilities in need of replacement.”

County Auditor-Controller Joe Harn took issue with Ashton’s “status quo budget” perspective, describing the gist of his remarks in an e-mail.

“During the CAO’s mid year report I told the Board of Supervisors that no one is going to be happy with the results if the county adopts a ‘status quo budget’ this summer,” Harn wrote. “With the incredible increases in the cost of the CalPERS retirement plan that we know are coming, the cost of construction of the public safety building and the need for dramatically increased spending on road maintenance we can’t continue to spend money in a status quo fashion for the next two years. The CAO and your board need to look to make cuts in General Fund spending. I am happy to work with the CAO and your board to identify and achieve these necessary cuts.”

Supervisors plan to hold a budget workshop on April 19 and, if needed, another on April 21 in preparation for the 2017-18 recommended budget due by June 30.

http://www.villagelife.com/news/cao-report-county-budget-a-mixed-bag/