

County Funds and Budget Policies

Placer County's FY 2012-13 Proposed Budget was developed based upon the policy considerations outlined in this section and included in the County Executive Officer's Budget Message.

COUNTY OPERATING FUNDS

Government budgets, or appropriations, are legal limits on how much a department can spend and may not be exceeded unless additional funding is authorized through Board approved budget revisions. In practice, appropriations are the authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes, and are time limited to one year. Placer County's 89 appropriations are listed in the Index at the back of this publication.

Critical components of a government fund are financing requirements (financing uses and provision for reserves), which are offset by available financing (financing sources, cancelled reserves and fund balance carryover). When total financing requirements equal total available financing, the budget is balanced.

Placer County has fourteen operating and two capital and infrastructure funds (Table One) that make up the Proposed Budget.¹ As displayed in Table 1, the Proposed Budget is \$59.2 million lower than in FY 2011-12, a decrease of 7.9%. This decrease is driven largely by the reduction of \$53.9 million (24.6%) in the Infrastructure Budget, reflecting the timing of a number of infrastructure and road projects. Other significant year over year reductions include the General Fund (-\$4.5 million) and provisions to reserves (-\$7.1 million). Legislation dissolving California's Redevelopment agencies is reflected in the one-year establishment of the Redevelopment Obligation Retirement Fund (\$5.8 million). The most significant year over year increase is to the Public Safety Fund (\$4.9 million), primarily due to a \$4.0 million increase in Public Safety Sales Tax.

Table 1. Operating & Capital Budgets, Financing Requirements Comparison

Financing Uses & Provision for Reserves	Final Budget * FY 2011-12	Proposed Budget FY 2012-13	\$ Change	% Change
Operating Budget				
General Fund (100)	\$ 359,188,479	\$ 354,659,190	\$ (4,529,289)	-1.3%
Housing Authority Fund (103)	2,611,070	2,591,722	(19,348)	-0.7%
Community Revitalization Fund (104)	4,565,965	1,336,134	(3,229,831)	-70.7%
Redevelopment Obligation Retirement Fund (105)	-	5,849,222	5,849,222	N/A
Special Aviation Fund (107)	32,500	12,500	(20,000)	-61.5%
Public Safety Fund (110)	133,909,571	138,847,999	4,938,428	3.7%
DMV Special Collections Fund (111)	1,660,779	914,141	(746,638)	-45.0%
Gold County Tourism & Promotion (115)	205,523	186,450	(19,073)	-9.3%
Fish & Game Fund (130)	11,862	7,768	(4,094)	-34.5%
Tahoe Tourism & Promotion (145)	6,767,535	6,091,362	(676,173)	-10.0%
Open Space Fund (150)	605,000	420,000	(185,000)	-30.6%
County Library Fund (160)	5,886,283	6,097,074	210,791	3.6%
Fire Control Fund (170)	3,013,216	3,309,209	295,993	9.8%
Debt Service Fund (190)	4,358,569	4,356,603	(1,966)	0.0%
Subtotal Operating Funds	\$ 522,816,352	\$ 524,679,374	\$ 1,863,022	0.4%
Infrastructure Budget				
Capital Projects Fund (140)	\$ 74,648,702	\$ 66,193,060	\$ (8,455,642)	-11.3%
Public Ways & Facilities Fund (120)	144,093,972	98,635,562	(45,458,410)	-31.5%
Subtotal Infrastructure Funds	\$ 218,742,674	\$ 164,828,622	\$ (53,914,052)	-24.6%
Total Financing Uses:	\$ 741,559,026	\$ 689,507,996	\$ (52,051,030)	-7.0%
Provision to reserves	\$ 7,732,615	\$ 600,000	\$ (7,132,615)	-92.2%
Total Financing Requirements:	\$ 749,291,641	\$ 690,107,996	\$ (59,183,645)	-7.9%

¹ Proprietary funds, county service areas, and Board governed special districts are not included in the County Operating Budget, and are addressed separately. FY 2011-12 Final Budget as approved September 27, 2011 was \$765.8 million. Above amounts reflect final enactment of the Governor's 2011 Realignment resulting in a March 27, 2012 technical accounting change for an effective FY 2011-12 Budget of \$749.3 million.

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THE GENERAL FUND

The **General Fund** is the largest countywide fund. It underwrites most countywide operations either directly as the “net county cost”² of General Fund budgets, or indirectly through contributions to other funds. The General Fund supports the operations of most county funds through direct contributions, which may include required state “maintenance of effort” payments for certain programs. The General Fund includes appropriations for general government, finance, planning and building inspection, facility services and health and human services. The General Fund makes contributions to other funds for public safety services, fire protection services, capital construction, road maintenance and construction, open space acquisition and maintenance, library services, and debt service.

The FY 2012-13 General Fund is recommended at \$354.7 million, a \$4.5 million or 1.3% decrease from FY 2011-12. The reduction reflects relatively flat salaries and benefits (decrease in salaries and wages offset by increase in benefits costs), lower services and supplies (\$2.6 million), a reduction to the contribution to other funds (\$2.0 million), an increase to capital infrastructure of \$1.0 million consistent with the Capital Facilities Financing Plan (CFFP), and other adjustments. General Fund support for Health and Human Services decreases by \$1.2 million in recognition of increased Health and Human Services dedicated revenues including reprioritization of \$600,000 to the Committed Reserve for Future Occurrences (Client Aid reserve).

Financing Requirements

	Estimated Financing Uses	Increases to Committed Fund Balance	Total Financing Requirements
General Fund	354,659,190	600,000	355,259,190

General Fund financing requirements maintain essential services and programs where possible, however reductions in some areas have been necessary to balance the budget and county departments were directed to reduce expenditures wherever feasible, despite the fact that the cost of doing business has continued to rise.

The General Fund contribution to capital projects is proposed at \$4.5 million, or \$1.0 million higher than FY 2011-12 in order fund Board-prioritized capital projects as affirmed by the Board in the Capital Facilities Financing Plan July 25, 2011. Contributions also increase \$264,000 for the County Library Fund to offset increased costs of centralized county services not charged directly (A-87). Contributions to most other funds including the Road Fund are equal to the FY 2011-12 amount; however the General Fund contributions to Public Safety departments of Sheriff, Probation, District Attorney and Criminal Justice CEO decrease by just over \$2.0 million to \$73.8 million in recognition of increased Public Safety dedicated revenues including a \$4.0 million increase to Public Safety Sales Tax. With the change, the General Fund contribution to Public Safety will have increased by \$9.2 million (14.2%) since FY 2007-08 at the same time available discretionary Property Tax revenues have declined \$16.4 million.

Recommended General Fund contingencies set-aside for unanticipated expenditures or revenue shortfalls, are recommended to remain at the FY 2011-12 level of \$5.3 million, or 1.54% of the operating budget which slightly exceeds the 1.5% required in County financial policies. These funds may be used for operating costs and / or unanticipated revenue decreases, and for items that need to be carried forward and re-budgeted from the prior fiscal year.

The County attempts to reserve approximately 5% of its General Fund operating expenditures for possible emergencies or economic downturns. Indeed maintenance of prudent reserves has been part of the County’s fiscal planning process for many years. This policy has allowed Placer County to set aside resources for difficult budget years, and has provided a solid foundation to respond to sharp changes in county revenues as has occurred over the past several years. The long term approach is outlined in the County Budget and Financial Policy and has enabled the metered use of reserves in FY 2008-09, FY 2009-10 and FY 2010-11 followed by

² Net county cost is the portion of an appropriation that is funded from general-purpose revenue or available fund balance; total appropriation costs less direct fees, grants or reimbursements.

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the FY 2011-12 addition to reserves. The Proposed Budget includes a General Fund reserve at 3.8% of operating expenditures.

The Proposed Budget balances the General Fund without the use of reserves for the second time in five years; \$600,000 is added to the fund balance Assigned for Future Occurrences from the reduction in General Fund support among the Health and Human Services budgets.

General Fund allocated positions in the Proposed Budget have increased slightly when compared to FY 2011-12 Final Budget, from 1,625, to 1,627. However, since FY 2007-08, as a result of county hiring restrictions designed to reduce operational costs, there are 332 fewer funded positions in the General Fund, resulting in a 20.6% smaller workforce.

Available Financing

	Estimated Fund Balance June 30, 2012	Decreases to Obligated Fund Balance	Financing Sources	Total Available Financing
General Fund	27,000,000	-	328,259,190	355,259,190

General Fund revenues are projected to decrease by \$3.7 million (1.1%) from FY 2011-12. Property Tax revenue is projected to drop by \$1.3 million or 1.1% in FY 2012-13. This amounts to a cumulative decrease of \$16.4 million (12.4%) in Property Tax revenue since FY 2007-08.

Carryover fund balance is anticipated due to FY 2011-12 expenditure savings and revenue received in excess of the amount budgeted. In Placer County, fund balance is carefully estimated and is an important part of planned, budgeted resources. General Fund balance carryover from FY 2011-12 is anticipated at \$27.0 million or 7.6% of total financing sources, which is consistent with the level used in previous budgets.

THE PUBLIC SAFETY FUND

The **Public Safety Fund** is made up of four departments: Sheriff, District Attorney, Probation and the County Executive Office. The FY 2012-13 Public Safety Fund budget is recommended at \$138.8 million, an increase of \$4.9 million or 3.7% over the Final Budget. The recommended budget provides the departments with important resources and is in balance with the revenue estimates noted below.

Revenue estimates for public safety are \$132.7 million, which is \$4.4 million or 3.5% higher than the FY 2011-12 Final Budget and \$16.0 million or 13.7% higher than in FY 2007-08. Included in this amount is an estimated \$33.7 million in public safety sales tax (Proposition 172 funding). This increase of \$4.0 million or 13.3% above FY 2011-12 reflects a higher trend in receipts, and will be reevaluated in the FY 2012-13 Final Budget. In recognition of these increased revenues, the General Fund contribution to the Public Safety Fund decreases from \$75.8 million to \$73.8 million. The discretionary General Fund share supporting Public Safety has increased from 34.9% in FY 2007-08 to 48.2% in FY 2011-12 and down to 46.8% in FY 2012-13. The General Fund contribution of \$7.9 million to offset State Controller's Cost Allocation Plan costs is unchanged from FY 2011-12. The Public Safety Fund is balanced with \$6.1 million in estimated fund balance carryover.

PUBLIC WAYS AND FACILITIES FUND

The **Public Ways and Facilities Fund**, commonly referred to as the Road Fund, provides engineering services in the area of design, construction and contract administration for both the County and private land development projects. The fund also maintains, protects and improves approximately 1,057 miles of roads, and accounts for road and road-related storm maintenance, including snow removal and road engineering and construction. The net budget of \$98.6 million represents a decrease of \$45.5 million (-31.5%) as compared to FY 2011-12. This difference is due in large part to the timing of the Foresthill Bridge painting and seismic retrofit project. The Public Ways and Facilities Fund is balanced with \$190,960 in reserves.

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CAPITAL PROJECTS FUND

The **Capital Projects Fund** provides resources for the construction and remodeling of county buildings. Project priority is determined by whether a project is identified in the Capital Improvements Master Plan, mitigates health and safety needs, improves departmental operations, or preserves and extends the life of an existing county facility. A continuing issue that confronts the County has been the critical need to plan for and replace the County's aging facilities. To bridge the gap between funding needs and funds on hand, the County's long range financing plan assumes a combination of accumulated reserves, current funding from within county budget resources, prudent debt obligation, growth fees and other revenue. To assist this effort, in May 2002 the Board of Supervisors approved the securitization of tobacco settlement revenue through year 2036 to support funding for infrastructure. Pursuant to the bond issuance, 100% of the funding was dedicated to Placer County's capital projects. In May 2006 the Board of Supervisors approved a second action to restate the utilization of bond proceeds to support funding for additional infrastructure projects through year 2056.

The FY 2012-13 **Capital Projects Fund** budget is recommended at \$66.2 million, a decrease of \$8.5 million from the FY 2011-12 Final Budget. Recommended project costs are \$65.4 million, compared to the \$73.7 million in FY 2011-12. The decrease in project construction costs reflects a decrease in funding for the South Placer Adult Correctional Facility to reflect its final year of funding, as well as the completion of other projects.

Among the projects included in the recommended budget are the Auburn Animal Shelter (\$8.8 million), South Placer Adult Correctional Facility (\$5.0 million), Applegate Sewer Improvements (\$2.3 million) and Dry Creek Park (\$1.2 million). The General Fund contribution to capital projects is \$4.5 million, or \$1.0 million higher than FY 2011-12 consistent with the Capital Facilities Financing Plan (CFFP). The Capital Projects Fund is balanced with \$57.4 million in revenue and project reimbursements and \$8.8 million in estimated fund balance carryover.

OTHER COUNTY OPERATING FUNDS

The Placer County Proposed Budget includes 14 operating and 2 capital and infrastructure funds, the largest of which have been summarized above. Other County operating funds include the Housing Authority Fund; the Community Revitalization Fund; the Special Aviation Fund; the DMV Special Collections Fund; the Gold Country Tourism and Promotion Fund; the Fish and Game Fund; the Lake Tahoe Tourism and Promotion Fund; the Open Space Fund; the Library Fund; the Fire Protection Fund; the Debt Service Fund; and the Redevelopment Obligation Retirement Fund. While none of these funds is as large as those previously discussed, each fund was established to keep its assets, liabilities, and revenue and expenditures separate, usually for legal or programmatic reasons.

Managed by the Health and Human Services Department, the **Housing Authority Fund** is used to account for the Section 8 housing program. Funding provides direct and contracted social services to low income and high-risk target populations (including program effectiveness evaluation), and to provide technical assistance to subcontractors. The recommended financing requirements are \$2.6 million, including \$113,390 from fund balance.

The **Community Revitalization Fund** consists of expenditures made on behalf of several federal and local programs. These programs were previously managed by the Redevelopment Agency but have been shifted in FY 2012-13 to CDRA due to the dissolution of Redevelopment Agencies under AB1X 26. These programs include the Community Development Block Grant (CDBG) General Allocation, the Economic Development Block Grant (EDBG), the HOME Investment Partnership Program, the CalHome Program, and the Neighborhood Stabilization Program (NSP). These programs primarily benefit low-income persons through housing and public improvements, housing rehabilitation, and reduction of blighted conditions. The Proposed Budget includes only those projects with approved grant revenue or other in-hand sources. Federal aid is projected to decrease by \$2.0 million.

The **Special Aviation Fund** supports the Blue Canyon Airport via federal funding by providing for capital improvements, equipment maintenance and administrative support. The Public Works Department manages this

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fund and the recommended financing requirements are \$914,141, funded by a state grant (\$716,000) and fund balance (\$198,141).

The **Redevelopment Obligation Retirement Fund** is used to effectively and efficiently wind down activities of the former Placer County Redevelopment Agency consistent with the provisions of AB1X 26, the Dissolution Act. On January 24, 2012, the Board of Supervisors took action to create the limited term Redevelopment Department to serve as staff of the Successor Agency of the former Placer County Redevelopment Agency to wind down activities. Department duties include administration of programs that implement AB1X 26, including but not limited to; making required payments and disposing of assets and properties. The recommended budget is \$5.8 million, funded by dedicated Redevelopment property taxes and bond proceeds.

The **DMV Special Collections Fund** supports the Fingerprint Identification and Auto Theft Task Force activities within the Sheriff's Department. Revenues are generated through the collection of Department Of Motor Vehicles (DMV) Licensing Fees assessed for vehicles registered in Placer County. Recommended financing requirements of \$12,500 are supported by revenue (\$10,000) and by carryover fund balance (\$2,500).

The **Gold Country Tourism and Promotion Fund** receives hotel-motel or transient occupancy taxes (TOT) in the unincorporated areas of the County that are west of the summit. Western slope promotional activities that encourage tourism are funded from TOT taxes. Recommended financing requirements are \$186,450. The budget is balanced with \$185,650 in estimated revenue, and \$800 in carryover fund balance.

The **Fish and Game Fund** is used to support wildlife and fish propagation and conservation efforts. Revenues from fish and game violations have declined compared to prior years. Due to reduced fund reserves, a General Fund contribution of \$5,370 is recommended FY 2012-13, to balance the \$7,768 in financing requirements with \$1,200 revenues and \$1,198 in Fish and Game projected fund balance carryover.

The **Lake Tahoe Tourism and Promotion Fund**, receives 60% of the hotel-motel or transient occupancy taxes (TOT) in the unincorporated areas of the County that are east of the summit. Tahoe area promotional activities that encourage tourism are funded from the TOT taxes under a contract with the North Lake Tahoe Resort Association. In 1995 the Board of Supervisors approved the formation of the North Lake Tahoe Resort Association and appointed a Board of Directors, comprised of representatives from various North Lake Tahoe tourism related industries to recommend and oversee funding for the Tahoe community. Resort Association activities include marketing and promotions, visitor services, public improvements and infrastructure projects. Recommended required financing of \$6.1 million is supported by estimated revenue (\$6.0 million) and carryover fund balance (\$91,362).

The **Open Space Fund** is used to account for contributions and the acquisition of open space in the County under the Placer Legacy program. The Placer Legacy program conserves the County's diversity of landscapes and natural resources. It supports the County's economic viability, provides enhancement of property values and furthers the natural resource goals of the Placer County General Plan. Recommended funding requirements of \$420,000 are supported by developer fees, a United Auburn Indian Community contribution, and other revenue.

The **Library Fund** provides public library services that support the educational, recreational and cultural endeavors of citizens within the community. The County Library System serves all of Placer County except for the cities of Roseville and Lincoln, which have their own library systems. The most significant, immediate challenge facing the Library is continuing to provide quality services to a growing population with limited revenues. Over the last few years, Library property tax revenues have declined \$421,000 (10.5%) and State funding (\$100,000 in FY 2007-08) was eliminated. The Library has taken actions to reduce operating costs and the County will continue to study the appropriate level of sustainable services. Recommended financing requirements of \$6.1 million have been offset by \$5.7 million of revenue, \$314,637 in carryover fund balance, and \$55,000 in reserves. The Library receives an indirect General Fund contribution through the provision of grounds maintenance services. The General Fund also provides direct contributions for salary and benefit support of the Director of Library Services (\$206,907) and \$1.3 million for costs of centralized county services that are not charged directly (A-87).

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The **Fire Protection Fund** provides fire protection services through a contract with the California Department of Forestry and Fire Protection (CalFIRE) and provides hazardous material response (HAZMAT) capability. Recommended financing requirements of \$3.3 million are supported by \$3.2 million in estimated revenue, and \$135,618 in carryover fund balance. In FY 2012-13 the fund will continue to receive a contribution for fire services from the General Fund of just over \$1.0 million. Other financing sources include dedicated property tax, public safety sales tax and other miscellaneous revenue.

The **Debt Service Fund** accounts for principal, interest and fees on county debt service issued for certificates of participation (COP). The County's current COP's finance the juvenile hall, the Finance and Administration Center at the Placer County Government Center and the Bill Santucci Justice Center. The General Fund contributes the net cost of the County's annual debt service to this fund, less reimbursements paid by other funds and revenue received. All of the \$4.4 million in recommended financing requirements is funded by revenues.

INTERNAL SERVICE FUNDS

Placer County operates 12 internal service funds that are used to provide services primarily to other county departments. County departments are charged for services they receive. Internal service funds adjust rates as necessary to recover their costs. These funds are not intended to make a cumulative profit, nor should they indefinitely sustain operating losses. The internal service funds range in size of financing requirements from \$513,380 to \$10.8 million. Total cancellation of reserves for internal services funds in the Proposed Budget is \$945,237. Recommended additions to internal service fund reserves in the Proposed Budget total \$181,370. Placer County internal services funds are: Telecommunication Services, Countywide Systems, Countywide Radio Project, Fleet, Correctional Food Services, Central Services, Special District Services, State Unemployment, General Liability Insurance, Workers Compensation Insurance, Dental and Vision Insurance and Retiree Sick Leave Benefit. Since internal service funds charge fees to county departments for services received, including these budgets with the County Proposed Budget for operating funds would result in duplication of budgetary figures. As a result, these funds are considered separately from the operating budget, and are not included in the State Controller's Schedules.

ENTERPRISE FUNDS

Placer County will operate and manage six enterprise funds in FY 2012-13: Transit, TART, Eastern Regional Landfill, Solid Waste Management, Property Management, and the Placer mPower Fund. Enterprise funds typically provide utility, property management, and health services to the public and charge for the services provided. Enterprise funds are not required to recover full costs, but should remain solvent. Placer County enterprise funds range in size of financing requirements from \$554,007 to \$9.3 million. The total amount of recommended financing uses and reserve additions for the enterprise funds for FY 2012-13 is \$22.0 million.

BUDGET, FINANCE, DEBT MANAGEMENT, & OPEB POLICIES

Placer County's basic principles, goals and objectives that form the underlying foundation for the budget include³:

BUDGET AND FINANCE POLICY

Revenue

- Ongoing costs will be funded with ongoing revenues to promote fiscal stability, predictability, sustainability, and long-range planning.

³ On January 7, 2003 the Board of Supervisors adopted the Budget and Financial Policies for Placer County. Information listed includes most of the policies adopted by the Board. Revised on June 6, 2011.

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- The budget will include only realistic and probable revenue estimates, and will not be based upon high levels of anticipated growth or contingent upon the passage of legislation or future Board actions.
- Imposing or adjusting fees or other charges will be periodically evaluated for any service provided by the County where full cost recovery is not currently achieved.
- County administrative (A-87) costs will be charges to non-General Fund and subvented General Fund appropriations in accordance with the annual Countywide Cost Allocation Plan.
- The County Executive Office shall solicit and consider revenue estimates from the Auditor-Controller, and other County departments as appropriate, for major tax and general-purpose revenues and for estimated carryover fund balance in preparation of the Proposed Budget.
- Prior to applying for and accepting federal or state grants, departments must identify current and future fiscal implications of either accepting or rejecting the grant and identify if the program is consistent with the County's long-term goals and objectives.
- State revenues in the Proposed Budget will be budgeted considering the Governor's January Proposed Budget for the upcoming fiscal year.

Expenditures

- Annual priority for General Fund funding will be given to capital improvements consistent with the County's Capital Facilities Financing Plan and the Road Maintenance Master Plan.
- Carryover fund balance will be used to fund one-time expenditures, reserves and contingencies and should not be used to finance ongoing operational costs.
- New position requests will be considered through the budget process and not otherwise during the fiscal year unless urgent circumstances exist.
- Partial or fully funded federal and / or state programs, administered by the County, will be implemented at the level of funding provided by the Federal or State government. County overmatches for departments with maintenance-of-effort requirements will not increase, and funding levels may be reduced or eliminated.
- All requests for new program funding should be accompanied with clear and concise statements of the program's mission, performance objectives and intended measurable outcomes.
- Efficiency and economy in the delivery of county services are top priorities; departments are expected to make productivity improvements within their service delivery areas and reduce expenditures for discretionary programs and services.
- Automation and technology proposals must measurably demonstrate how cost savings will be achieved and/or how services will be improved, along with identifying potential sources of funding.
- The County Executive Office will annually review rate changes for county internal service funds. Internal service funds are expected to make productivity improvements within their service delivery areas, reduce expenditures for discretionary programs and services, make administrative and non-service area reductions to the extent feasible, consolidate programs and organizations, and consider alternatives for service delivery before cutting direct services or proposing increased rates.
- The General Fund's Appropriation for Contingencies should be budgeted at not less than 1.5% of the operating budget, other funds, at not less than ½ of 1% of operating expenditures.

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Capital Budgets

- Capital budgets will expand to include a list of capital construction and road projects with brief descriptions; estimated to-date and total project costs; planned project costs for three future fiscal years; length of time to project completion; and proposed funding sources including current funding available.
- Capital projects, which are not encumbered or completed during the fiscal year, or multi-year projects, will be re-budgeted or carried over to the next fiscal year. Increased project costs for re-budgeted projects must be clearly identified with Final Budget adoption.
- Capital projects will not be budgeted unless there are reasonable expectations that resources will be available to pay for them and a financing plan has been developed.
- Where alternative sources of financing are not available or sufficient for full funding, and the project is deemed critical for the provision of services or to meet mandated services levels, debt financing may be used in accordance with the County Debt Policy⁴. Debt will not be used to finance on-going operational costs, including those incurred due to new facilities.
- Project reimbursements to the County Capital Projects Fund shall not exceed actual expenditures, plus 25% of any encumbered contract balances.

Reserves & Appropriation for Contingencies

- The General Fund's total General Reserve and Committed Fund Balance for Economic Uncertainties should be accumulated over time until 5% of the annual operating budget reserve level is achieved.
- The General Fund's Committed Fund Balance Reserve for Future Occurrences should be accumulated to a level that would provide for increases in medically indigent / public assistance caseloads during economic downturns.
- The General Fund allocation to the Capital Asset Replacement will be equivalent to the County's annual depreciation expense. Accumulated funds may be used in accordance with the long-term County Capital Financing Plan for facility replacement and construction.
- Smaller funds or funds with uncertain or expected delays in reimbursement may need to accumulate a contingency reserve larger than 5% for cash flow reasons.
- Reserves for self-insurance funds shall be actuarially determined at least every other year. Reserves should be maintained at a confidence level of at least 80%.
- Fund balances should be expended in the following order: restricted fund balance, assigned fund balance, committed fund balance, unassigned fund balance.

DEBT MANAGEMENT POLICY

- The County has made an ongoing commitment to maintain the facilities and infrastructure necessary to provide public services, but does not intend to rely upon long-term debt to defer its current obligations.
- The County will attempt to fund capital projects with grants, land use fees including impact fees, or other non-recurring resources. If these funding sources are insufficient the County will look at special or enterprise revenues, develop new funding sources, use general revenues, operating surplus, and / or unrestricted fund

⁴ Placer County's Debt Management Policy was adopted by the Board of Supervisors on April 8, 2003. Bulleted information includes some, but not all, of the policies adopted by the Board.

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balance or capital reserves to fund capital projects. The County may consider leveraging these resources with bonds or certificates of participation.

- The County will minimize debt by deferring capital projects and by dedicating a portion of its resources towards pay-as-you-go capital investment. The County will continue to balance debt and equity by investing a portion of annual revenue in the capital program, providing for reserves and for depreciation.
- The County will maintain a prudent balance of debt and equity in meeting long-term capital needs in the form of pay-as-you-go financing. Debt and equity balance will be considered when planning the use of debt financing to address facility needs and other public infrastructure, and will ensure against incurring a level of fixed debt obligation that denies an appropriate level of future operating flexibility.

OTHER POST EMPLOYMENT BENEFIT (OPEB) POLICY

PURPOSE: To promote fiscal responsibility and long-term planning efforts by adhering to an Other Post Employment Benefit (OPEB)⁵ Policy that will assist the County in addressing, as well as providing for, post employment benefits.

POLICY:

- IRREVOCABLE TRUST FUND: Transfer all OPEB plan assets to Placer County's California Employers Retiree Benefits Trust (CERBT), an irrevocable trust, in order to maximize the investment's long-term rate of return.
- COUNTY BUDGET:
 - PAYROLL: With each budget cycle, at a minimum, fully fund the net actuarially determined, annual required contribution (ARC) for that year (formula = ARC less retiree health and dental payments).
 - OPEB funding in excess of the net ARC will be collected through payroll.
 - Using this figure, calculate the average cost per filled allocation that must be collected that fiscal year through payroll. Collect these funds every payroll cycle and transfer them to the CERBT at least monthly.
 - In keeping with GASB 45 requirements, prepare the County's OPEB Actuarial Report in order to update the ARC and unfunded liability amounts.
 - Reconcile the payroll amount collected at mid-year with the minimum ARC amount required, and, if necessary, adjust the amount being collected through payroll.
 - NEW POSITIONS: With every new employee hired from "outside" of current Placer County service, advance fund at least 50% of the current estimated liability amount. The balance needed to fully fund the obligation will be funded through payroll contributions collected over that employee's employment.
 - This action will advance fund a portion of the "new" employee's OPEB liability.
 - This advanced funding shall be transferred to the CERBT in the year the employee is hired.
 - Funds collected in excess of the "new" employee's OPEB liability over the course of employment will be applied toward the County's unfunded liability.
 - Allocation of "advance funding" will be considered with the annual budget.
- ADVANCE FUND OPEB LIABILITY: Direct additional funding to the CERBT through official Board actions during the year-end close process, the budget process, or when additional, unexpected or one-time funding materializes during the fiscal year.
- LEGISLATION: Continue to monitor and / or introduce legislation that would maximize the County's flexibility to manage / administer benefits and minimize the growth of future liabilities.

⁵ Placer County's OPEB was adopted on November 7, 2006, and revised on September 7, 2010.