

Opinion: EDC budget requires tough decisions

By Don Ashton

Last Friday, I delivered to the Board of Supervisors and publicly released the county's recommended budget. The 422-page document deserves some context.

In theory, crafting a budget should be a relatively simple endeavor. You add up the money that comes in, subtract the cost of mandated programs that must be paid for, and if you're lucky enough to have anything left over, decide where it should be spent. If you're smart, you'll also sock away some of the surplus for a rainy day or an unforeseen emergency. In the case of El Dorado County, and many counties throughout the state, we're running up against some very difficult choices due largely to the uncertainty of our revenue streams and the increasing costs of continuing our current level of services.



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A lot of discussion over budget priorities ends up focusing on the General Fund part of the budget, since this is the part that the board has the most discretion over. The “what comes in” part of our General Fund budget is comprised primarily of property and sales taxes. Given the nature of these revenue sources, they're difficult to control. As for the “what goes out” portion, since counties are a subdivision of the state, many of our programs are mandated by the state but are

underfunded.

On the revenue side, the only way to substantially increase the amount we receive from property taxes is to increase the number of dwellings. Unfortunately, this also comes with increased costs in services and unless done correctly, does not break even. As a result, many counties and cities turn to our other primary funding source: sales tax.

Sales tax can be adjusted by either increasing the number of business within the county or by increasing the sales tax rate. The primary sales tax generator in El Dorado County is our gas stations. Our county sales tax rate is 7.25 percent. For comparison purposes, the sales tax rate in the two incorporated cities in the county, Placerville and South Lake Tahoe, is 8.25 percent and 7.75 percent, respectively. The sales tax rate in Folsom, where many of our residents shop is 7.75 percent; the rate for Placer and Amador counties is the same as ours, 7.25 percent.

A closer comparison between our neighboring counties (Amador, Placer and Sacramento) identifies that El Dorado County has the second highest unincorporated population after Sacramento (Placer is third, Amador is fourth). We have the fewest number of county employees-to-unincorporated residents (1 employee for every 81 residents compared to Sacramento (1:42), Placer (1:41) and Amador (1:58), and we collect \$640 in taxes per unincorporated resident; far less than Sacramento (\$933), Placer (\$1,523), and even Amador (which collects \$1,057/resident).

Take the property tax and sales tax revenue – which are both lower per resident than all three of our neighboring counties – combine that with the obligations the state continues to pass down to counties and increasing retirement costs (CalPERS increases are projected to be \$9 million over the next two years) and it's clear to see we can't do it all.

If the residents of El Dorado County want increased discretionary services, e.g., libraries, veterans, better roads than what the state is willing to provide, and the high quality of service to our seniors, while maintaining the high quality of public safety provided in El Dorado County, we need to offer additional shopping venues – which typically requires larger populations obtained through residential development – or increase the tax rates. If we aren't willing to do either, we must accept that the current level of services to our discretionary but essential services will be reduced.

Here's the bottom line: we have no control over state mandates that are underfunded; we have no control over CalPERS; we have some control over property and sales taxes, but will have to make adjustments in them to maintain service levels. Budgeting. Simple, but not easy.

Tell us what you think by taking a one-minute **survey here**. Or email us at budget.comms@edcgov.us.

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