

# Summary of the Recommended Budget

The 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.

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.

The totals presented here reflect all Governmental Funds, including Special Revenue funds. The reduction in the total Recommended Budget can be attributed to the completion of major projects in FY 2020-21 by the Department of Transportation and the \$17.6 million of Coronavirus Aid, Relief and Economic Security (CARES) Act funding and expenditures in FY 2020-21. The Recommended Budget represents an effort to align the budget with the less than anticipated impacts of the coronavirus pandemic on general revenues while responsibly funding Board policies and priorities.

## TOTAL APPROPRIATIONS BY EXPENDITURE CLASS

Expenditure Class	FY 2020-21 Adopted Budget	FY 2021-22 CAO Recm'd Budget	\$ Increase / (Decrease)	Percent Change
Salaries and Benefits	\$232.7 M	\$240.8 M	\$8.0 M	3%
Services, Supplies, & Other Charges	\$219.7 M	\$193.5 M	(\$26.2 M)	-12%
Fixed Assets	\$46.3 M	\$43.1 M	(\$3.2 M)	-7%
Transfers	\$128.5 M	\$123.3 M	(\$5.2 M)	-4%
Contingencies	\$76.1 M	\$74.7 M	(\$1.4 M)	-2%
Reserves / Designations	\$15.1 M	\$5.9 M	(\$9.2 M)	-61%
<b>Total Appropriations</b>	<b>\$718.4 M</b>	<b>\$681.3 M</b>	<b>(\$37.1 M)</b>	<b>-5%</b>

\* All Governmental Funds including Special Revenue Funds; Excluding Special Districts & Proprietary Funds



## TOTAL APPROPRIATIONS BY FUNCTIONAL GROUP

Functional Group	FY 2020-21 Adopted Budget	FY 2021-22 CAO Recm'd Budget	\$ Increase / (Decrease)	Percent Change
General Gov't	\$53.0 M	\$54.8 M	\$1.8 M	3%
Law & Justice	\$134.6 M	\$139.9 M	\$5.2 M	4%
Land Use / Dev Svc	\$134.1 M	\$109.6 M	(\$24.4 M)	-18%
Health & Human Svc	\$176.9 M	\$177.8 M	\$0.8 M	0%
<b>Appropriations</b>	<b>\$498.6 M</b>	<b>\$482.1 M</b>	<b>(\$16.6 M)</b>	<b>-3%</b>

\* Departmental operating appropriations, excluding Non-Departmental/ACO Fund/CW Special Revenue Funds/Special Districts/Proprietary Funds



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## GENERAL FUND SUMMARY

### General Fund Revenues

The Recommended Budget reflects an increase of \$10.7 million (9.7%) in General Fund major revenue sources. Revenue from Property Tax (including Current Secured and Property Tax In-Lieu of VLF) is projected to increase by 3.8% in FY 2021-22 (\$3.7 million), based on the projected increase in assessed value in the County. Transient Occupancy Tax is projected at \$5 million, a \$1.64 million increase from the FY 2020-21 Adopted Budget. Sales and Use Tax is projected at \$15.7 million, a \$5.4 million increase from the FY 2020-21 Adopted Budget. The FY 2020-21 Adopted Budget had reduced these revenues in anticipation of fiscal impacts related to the coronavirus pandemic.

### Carryover Fund Balance

The Recommended Budget anticipates \$27,074,809 in Fund Balance carryover, which is \$6.4 million (19.1%) less than what was included in the FY 2020-21 Adopted Budget. These are funds that are anticipated to be available at the end of FY 2020-21 as a result of operational savings, unanticipated revenues, and unspent appropriations designated for capital project work and Contingency. It is important to note that, although these funds are considered to be one-time in nature, the County still relies on a portion of these carryover funds to help balance its operating budget.

The carryover Fund Balance committed for capital projects is estimated at \$3,739,004 for FY 2020-21. The estimated unspent contingency is \$5,866,200. This leaves \$17,469,605 available to meet operational funding requirements. Of this \$5,648,820 is from unanticipated general revenue increases, which represents 4% of total general revenues in the FY 2020-21 Adopted Budget. The remaining \$11,820,785 of carryover fund balance is from departmental savings, representing 2.4% of total General Fund appropriations in the FY 2020-21 Adopted Budget. This carryover fund balance projection does not include excess Transient Occupancy Tax revenue from FY 2020-21, as this revenue is designated by Board Budget Policy B-16. Actual excess Transient Occupancy Tax revenue will be incorporated in the Adopted Budget in the Fall. It should be noted that these budgeted amounts are estimates and are subject to change with the close of the FY 2020-21 financial records in the fall.

### General Fund Cost & General Fund Contributions

The General Fund Cost (also referred to as Net County Cost) represents the part of a budget unit's expenses that is financed by local general purpose revenues, which are predominantly made up of property taxes, Sales and Use Tax, general purpose fees, and interest earnings. Many departments that are budgeted in funds other than the General Fund also receive General Fund Contributions. Funding for the General Fund Contributions to other funds is also financed by general purpose revenues.

The overall cost to the General Fund, made up of General Fund/Net County Cost and General Fund Contributions to other funds, is increasing 9%. The chart below reflects the distribution of increases and decreases in General Fund Cost/General Fund Contribution by functional group.

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## NET COUNTY COST BY FUNCTIONAL GROUP

Functional Group	FY 2020-21 Adopted Budget	FY 2021-22 CAO Recm'd Budget	\$ Increase / (Decrease)	Percent Change
General Gov't	\$38.0 M	\$42.0 M	\$4.0 M	11%
Law & Justice	\$84.6 M	\$89.1 M	\$4.5 M	5%
Land Use / Dev Svc	\$9.8 M	\$12.8 M	\$3.0 M	31%
Health & Human Svc	\$17.3 M	\$18.9 M	\$1.5 M	9%
<b>Net County Cost</b>	<b>\$149.7 M</b>	<b>\$162.7 M</b>	<b>\$13.0 M</b>	<b>9%</b>

\* Departmental operating appropriations, excluding Non-Departmental/ACO Fund/CW Special Revenue Funds/ Special Districts/Proprietary Funds



## BOARD POLICIES & FUNDED PRIORITIES

The Board of Supervisors adopted ten budget policies in 2015. Those policies were updated and expanded over the years, with the last update approved by the Board on February 23, 2021. As with prior years, the Chief Administrative Office approached the development of the FY 2021-22 Recommended Budget with the direction and intent to recommend funding in line with these policies.

Of particular note are Budget Policies 8, 10, 11, and 15, which establish targets for funding the General Fund Appropriation for Contingency and General Fund reserves and designations funds. It is with these policies in mind that the following Board priorities are recommended for funding in the FY 2021-22 Recommended Budget.

**General Fund Contingency funded at \$6 million:** Board Budget Policy #8 directs that the Contingency be set at a minimum of 3% of the adjusted General Fund appropriations. This funding is a set-aside to provide resources in the event of unforeseen fiscal issues throughout the year.

**General Reserve funded at \$10 million:** Board Budget Policy #10 directs that the General Reserve be set at an amount equivalent to approximately 5% of the adjust General Fund appropriations. The General Reserve is established to provide for additional resources in the event of significant emergency situations where additional funds are required, and functions as a cash flow reserve during the year.

**Contribution to Capital Reserves funded at \$5 million:** The Recommended Budget includes an increase to the General Fund Designation for Capital Projects in the amount of \$5 million. Board Budget Policy #11 directs that, once General Reserves and General Fund Contingency equal 8% of adjusted General Fund appreciations, the Board may transfer remaining discretionary resources to the Designation for Capital Projects.

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***Contribution to Road Maintenance funded at \$3 million:*** The Recommended Budget includes an increase of discretionary resources for Road Maintenance in the amount of \$3 million. Board Budget Policy #15 directs that, once General Reserves and General Fund Contingency equal 8% of adjusted General Fund appreciations, the Board has a goal of setting aside \$3 million in discretionary resources annually for road maintenance.

Policy 13 outlines the use of Transient Occupancy Tax revenue. The Recommended Budget has been prepared in alignment with this policy and the Board direction provided on March 30, 2021.

The following priorities are currently recommended for funding in the FY 2021-22 Recommended Budget, based on prior Board direction or to continue implementation of ongoing projects:

## ***Continued Implementation of FENIX Enterprise Resource Program***

The Recommended Budget includes \$400,000 in Salaries and Benefits costs for the three Enterprise Resource Program allocations that the Board approved on December 2, 2020.

## ***Community Planning***

The Recommended Budget includes \$350,000 for staffing for Community Planning efforts, including Rural Centers, as directed by the Board on March 30, 2021. The budget makes use of this \$350,000 for two new Senior Planner positions as well as a new Professional Services contract to aid in this effort.

## ***El Dorado County Homelessness***

The Health and Human Services Agency Community Services Department continues to be the Administrative Entity for the El Dorado Opportunity Knocks Continuum of Care (CoC) in support of El Dorado County Homeless programs. The expected outcomes include, but are not limited to, capital improvements for temporary and permanent housing, rental subsidies, landlord incentives, a youth homeless prevention set-aside, and other public services including coordinated entry for the homeless and those at risk of becoming homeless. The County has received a number of grants to support the homeless population. The FY 2021-22 Recommended Budget includes \$14.3 million in state and federal revenue to be used to prevent and address homelessness in El Dorado County.

## ***Body Worn Cameras***

As presented to the Board on May 11, 2021, the Sheriff's Office has requested \$1.3 million in General Fund support for a body worn camera program for the Sheriff's Office. The Recommended Budget includes \$1.3 million in the Sheriff's Office for a body worn camera program. It may be necessary in the future to provide funding to the District Attorney and Public Defender, as this initiative may impact their workloads.

## ***Public Safety Facility***

The Recommended Budget includes the first annual \$2.3 million payment for the Public Safety Facility loan while keeping \$2.3 million in a designation for future loan payments. These amounts are in addition to the \$2.3 million reserve required by the terms of the loan.

## ***IT Deferred Infrastructure & Maintenance***

In support of the Good Governance Strategic Plan Infrastructure Objectives 3.4.2 and 3.4.3, the Recommended Budget includes \$1.2 million in Information Technologies supplemental requests for critical maintenance, software, and licenses in FY 2021-22, to bring the County in line with industry standards and to reduce risk to County data. This includes the Microsoft Office 365 migration.

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## ***Public Safety Charter Section 504 Salary Increases***

Charter Section 504 requires annual review of salary levels for public safety classifications. The 2020 review resulted in an increase to salaries for the affected classifications of 2.2% effective January 2021, with an estimated budget impact of \$754,400. The Recommended Budget reflects this cost increase.

## BUDGET PRESSURES & POLICY CONSIDERATIONS

This section includes a discussion of ongoing of issues that have had an impact on the Recommended Budget in prior years and/or continue to evolve and impact the County's annual budget and priorities. Additionally, several departments have identified pending issues and policy considerations unique to their operations. These policy matters are outlined in the respective department budget summaries.

### CalPERS Retirement Plan Changes and Cost Increases

El Dorado County is under contract with the California Public Employees' Retirement System (CalPERS) for employee retirement benefits. Like most public agencies, El Dorado County has experienced continued increases in its employer costs for its two retirement plans (Safety and Miscellaneous). In March 2012, the pension fund lowered its discount rate from 7.75 percent to 7.5 percent, citing economic conditions. In December 2016, the CalPERS Board further reduced the rate, to 7 percent. Because the resultant cost increases to its member public agencies would be so great and so sudden, the CalPERS Board approved phasing in this change over a three year period, beginning with FY 2018-19. As presented to the Board on March 23, 2021, CalPERS may further lower the discount rate in November 2021. If the discount rate is lowered, the County can expect an increase to the County's unfunded accrued liability, which will increase the annual required payments. It is important to note that these are costs that the County cannot avoid or elect to not pay. Similar to long-term debt, providing for the payment of these costs will take precedence in future years' budgets.

### General Liability

The County faces a complex array of risks that can result in severe or catastrophic loss. To mitigate this risk the County operates a Liability Program out of the Human Resources Risk Management Division. The funding level for the Liability Program is based on actuarial analysis and recommendations of Bickmore Risk Services and Consulting. The required program funding is determined and applied to an allocation schedule for charges to department. General Liability charges are based on each department's program claims losses (experience) relative to the County as a whole and the budgeted payroll for each department relative to total budgeted payroll (exposure). Charges to departments are weighted 80% on the department's experience over the most recent 7 years and 20% on the department's exposure.

In Fiscal Year 2020-21, due to an excess of program reserves, it was determined that a General Liability rate holiday would be enacted to bring the program funding to an acceptable confidence level. The FY 2021-22 Recommended Budget resumes the department charges and includes \$2,827,537 in General Liability Insurance Premium expenses that are allocated across County departments using the allocation method described above.

### Federal Coronavirus Pandemic Aid

On March 11, 2021, the American Rescue Plan Act (ARPA) was signed into law. This Act established the Coronavirus Local Fiscal Recovery Fund which will provide \$37.5 million to El Dorado County for responding to the impact of the coronavirus pandemic and in efforts to contain the coronavirus pandemic.

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The U.S. Department of the Treasury released guidance on the use of funds and final allocations amounts on May 10, 2021. The County anticipates receiving half of the funds soon and the second half of the funds in about a year, according to the U.S. Treasury guidance. The ARPA funding has not been included in the FY 2021-22 Recommended Budget, and the Chief Administrative Office will bring an item to the Board in the summer with a recommended spending plan that takes into account not only County needs to mitigate the effects of the pandemic, but also includes other local government partners, schools, non-profit agencies, local businesses, and the community as a whole.

## ALLOCATED POSITIONS & STAFFING CHANGES

The FY 2021-22 Recommended Budget includes 1,919.03 Full Time Equivalent allocations (FTEs). This represents an 8.3 FTE net decrease from the current FY 2020-21 Position Allocation (as of May 18, 2021). It should be noted that, in most areas of the budget, where it appears that new positions are recommended, the increases are offset by eliminations of vacant positions, moving positions from another department, or associated with new funding sources and approved programs.

The chart below summarizes the recommended staffing changes. Detail of all allocated positions and recommended position changes is included in a later section of the Recommended Budget, and are discussed in Departmental budget narratives.

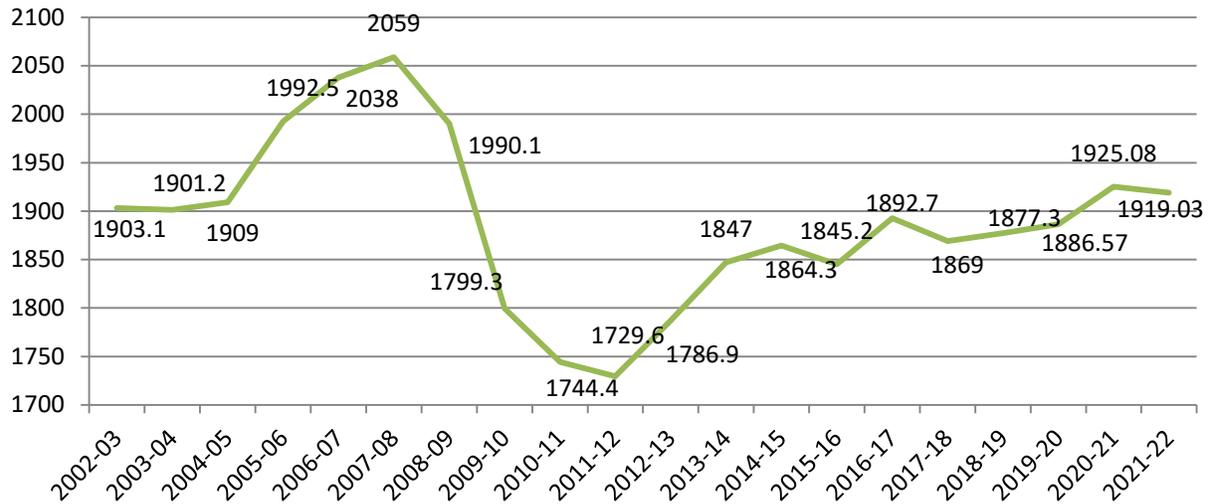
Summary of Recommended Position Changes

Department	Addition	Deletion	Total
Assessor		(3.00)	(3.00)
Auditor-Controller	1.00		1.00
CAO - Administration & Budget	1.00	(1.00)	0.00
CAO - Central Services	1.00	(1.00)	0.00
CAO - EMS & Emergency Preparedness and Response	1.00		1.00
CAO - Parks	1.00		1.00
Child Support Services	1.00	(7.00)	(6.00)
District Attorney		(1.00)	(1.00)
Environmental Management		(1.00)	(1.00)
Health and Human Services Agency	6.00	(10.30)	(4.30)
Human Resources / Risk Management	2.00	(2.50)	(0.50)
Information Technologies	5.00	(3.50)	1.50
Library	3.00		3.00
Planning & Building	5.00	(1.00)	4.00
Probation	4.00	(11.00)	(7.00)
Sheriff	6.00	(2.00)	4.00
Transportation	1.00	(2.00)	(1.00)
Treasurer-Tax Collector	1.00	(1.00)	0.00
<b>Total</b>	<b>39.00</b>	<b>(47.30)</b>	<b>(8.30)</b>

The chart below presents the total authorized positions, countywide, by fiscal year, since 2002-03. Total authorized positions decreased significantly during the recession, beginning in FY 2008-09, and gradually increased during the recovery.

# Summary of the Recommended Budget

## Total County Allocations by Fiscal Year



### NEXT STEPS FOR BUDGET ADOPTION

The Chief Administrative Office anticipates submitting a modified budget for consideration by the Board of Supervisors in September, incorporating those changes that are necessary based on state and federal action, and to record actual fund balances after the close of the FY 2020-21 financial records.