

County Executive

Ann Edwards



County of Sacramento

Board of Supervisors

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August 25, 2023

Members, Board of Supervisors
County of Sacramento
700 H Street, Suite 2450
Sacramento, CA 95814

RE: Fiscal Year 2023-24 Revised Recommended Budget

Honorable Members of the Board:

I am pleased to submit the Revised Recommended Budget for Fiscal Year (FY) 2023-24 for your consideration and approval.

On June 7, 2023, the Board of Supervisors approved the Recommended Budget ("Approved Recommended Budget" or "Approved Budget"), which provides appropriation authority until the budget is adopted. This Revised Recommended Budget reflects adjustments to the Approved Budget resulting from changes in State and Federal funding, re-budgeting of capital projects and other expenditures not completed in FY 2022-23, updated estimates of discretionary revenues, and actual unaudited FY 2022-23 ending fund balances.

With approval of the Recommended Budget in June, the Board agreed that the Revised Recommended Budget should prioritize General Fund investment in certain programs and services identified in the Approved Budget and in increasing General Fund reserves. This holistic approach to addressing requests for new or enhanced services ("Growth") provides departments with some predictability about services they can expect to provide during the budget year, and helps address the balance between meeting service delivery needs today and ensuring sustainability into the future.

Based on the actual unaudited General Fund Available Fund Balance and updated revenue estimates, the Revised Recommended Budget reflects an increase in discretionary resources compared to the Approved Budget, and as a result maintains and enhances the new investments identified in the

Approved Budget, and continues to achieve the following important objectives:

- Alignment with community needs as identified in the Community Engagement Plan approved by the Board of Supervisors and implemented for the FY 2022-23 and FY 2023-24 budget processes.
- Addressing the County's obligations and meeting the most critical needs by funding new and enhanced programs (Growth) consistent with the Board's priorities for the FY 2023-24 budget.
- Balancing new program investments and supporting sustainability of budgeted service levels by also meeting the Board's policy for General Fund reserve contributions.

The Revised Recommended General Fund Budget is balanced as required by State law and continues to be balanced with a significant use of one-time resources, including use of fund balance, which is unspent funding carried over from the prior fiscal year. The available fund balance carryforward in the General Fund is \$159 million, with \$141 million of this amount recommended to fund General Fund expenditures in FY 2023-24 and the remaining \$18 million being set aside in reserves for future year needs. Of the \$141 million of fund balance supporting General Fund expenditures, roughly one-third represents one-time expenditures, with the remaining two-thirds supporting ongoing identified expenditures and the recommended General Fund contingency of \$14 million.

ALL FUNDS BUDGET

The Approved Budget for all funds totaled \$8.4 billion in appropriations. With the completion of the County's FY 2022-23 year-end financial closing activities and the availability of updated information, an increase of \$355 million is proposed, bringing the Revised Recommended Budget to \$8.8 billion in total appropriations for all funds.

The \$355 million increase in total appropriations includes:

- A \$65 million increase in General Fund appropriations, as described more fully in the following section; and
- A \$291 million increase in appropriations in other funds, including \$259 million of base budget changes resulting primarily from re-budgeting of capital projects and other contractual expenditures and \$32 million in non-General Fund Growth, as detailed in Attachment 2.

Attachment 1 provides a summary of budget changes, including appropriation changes, and total appropriations by fund and budget unit can be found in Attachment 3.

More detailed information for budget units with recommended changes can be found in the budget unit sections within the main budget document.

GENERAL FUND BUDGET

General Fund Overview

The table below provides a summary of changes in the General Fund budget, with total appropriations of nearly \$4 billion, an increase of \$65 million compared to the Approved Budget.

FY 2023-24 Revised Recommended Budget GENERAL FUND

	FY 2023-24 Approved Recommended Budget	FY 2023-24 Revised Recommended Budget	Difference
Resources			
Beginning Available Balance	\$ 110,000,000	\$ 159,007,415	\$ 49,007,415
Reserve Cancellation	16,146,011	4,256,589	(11,889,422)
Discretionary Revenue & Reimbursements	870,484,274	876,230,289	5,746,015
Semi-discretionary Reimbursements	1,035,439,904	1,037,630,192	2,190,288
Other Reimbursements	433,860,075	439,108,196	5,248,121
Departmental Revenue	1,447,360,553	1,468,363,281	21,002,728
Total Revenue & Reimbursements	\$3,787,144,806	\$3,821,331,958	\$ 34,187,152
Total Resources	\$3,913,290,817	\$3,984,595,962	\$ 71,305,145
Requirements			
Contingency	\$ 12,059,431	\$ 13,978,369	\$ 1,918,938
Other Net County Cost	973,570,854	1,007,717,032	34,146,178
Total Net County Cost	\$ 985,630,285	\$1,021,695,401	\$ 36,065,116
Other Appropriations	2,916,660,532	2,945,101,669	28,441,137
Total Appropriations	\$3,902,290,817	\$3,966,797,070	\$ 64,506,253
Provision for Reserves	11,000,000	17,798,892	6,798,892
Total Requirements	\$3,913,290,817	\$3,984,595,962	\$ 71,305,145

As described more fully in the following sections, recommended revisions to the General Fund budget result in:

- A \$43 million increase in General Fund discretionary resources, including revenues and fund balance and net of a \$12 million reduction in reserve release compared to the Approved Budget.
- A \$36 million increase in Net County Cost, or appropriations funded with discretionary resources, primarily as a result of recommended Growth.
- A \$7 million increase in the provision for reserves, resulting in \$18 million of the \$159 million in one-time available fund balance being set aside to fund future year expenditures.

General Fund Resource Adjustments

The Revised Recommended Budget reflects an overall increase of \$71 million in estimated General Fund Resources compared to the Approved Budget, resulting from the following:

- The unaudited FY 2022-23 year-end fund balance carry-forward of \$159 million, which represents a \$49 million increase compared to the estimated \$110 million included in the Approved Budget.
- A reduction in reserve release of \$12 million.
- A \$6 million increase in estimated discretionary revenue.
- A \$2 million increase in Semi-Discretionary reimbursements; and
- A \$26 million increase in estimated departmental revenue and reimbursements.

The following sections more fully describe the estimated increases in discretionary, semi-discretionary, and departmental revenue and reimbursements.

Discretionary Revenue and Reimbursements

General Fund discretionary revenue includes property tax, sales and use tax, other taxes, and discretionary revenue from other sources. As shown in the table below, discretionary revenue and reimbursements in the General Fund are now expected to be \$6 million higher than was expected for the Approved Budget, with a \$9 million increase in other revenue resulting largely from a revised estimate of interest earnings due to higher interest rates, partially offset by a \$3 million reduction in estimated sales tax revenue due to lower projected taxable sales.

**FY 2023-24 Revised Recommended Budget
DISCRETIONARY REVENUE AND REIMBURSEMENTS**

	FY 2023-24 Approved Recommended Budget	FY 2023-24 Revised Recommended Budget	Difference
Property Tax - Secured/VLF in Lieu	\$ 572,709,096	\$ 572,709,096	\$ -
Property Tax - Supplemental	10,556,746	10,556,746	-
Other Property Tax	20,388,042	20,388,042	-
Total Property Tax	\$ 603,653,884	\$ 603,653,884	\$ -
Sales and Use Tax	\$ 147,085,072	\$ 143,983,392	\$ (3,101,680)
Utility User Tax	21,395,000	22,055,000	660,000
Transient Occupancy Tax	6,431,000	6,133,000	(298,000)
Property Transfer Tax	14,000,000	13,000,000	(1,000,000)
Other Revenue	63,537,197	72,955,999	9,418,802
Total Revenue	\$ 856,102,153	\$ 861,781,275	\$ 5,679,122
Teeter	14,382,121	14,449,014	66,893
Total Reimbursements	\$ 14,382,121	\$ 14,449,014	\$ 66,893
Total	\$ 870,484,274	\$ 876,230,289	\$ 5,746,015

Semi-Discretionary Revenue and Reimbursements

The County receives “semi-discretionary” revenue (1991 and 2011 Realignment and Proposition 172 Public Safety Sales Tax) that the Board allocates within certain broad parameters, primarily for services provided by the County’s social services and public safety departments. Semi-discretionary revenue is received in restricted funds and then either transferred to the appropriate operating budget as a reimbursement in the General Fund or held in reserve in the restricted funds.

The semi-discretionary revenue funds have a combined beginning fund balance of \$166 million, including reserves of \$72 million. This combined beginning fund balance is an increase of \$50 million compared to the Approved Budget estimated balance, primarily resulting from receipt of higher than anticipated CalWORKS-related realignment revenue, which is anticipated to be recouped by the State in FY 2023-24. Non-CalWORKS related fund balance increases of approximately \$13 million are recommended to be added to reserves in the semi-discretionary funds, as shown in the table below, adding to a net reserve increase included in the Approved Budget of approximately \$2 million and bringing total semi-

discretionary reserves to \$87 million. These reserves would be available to maintain program funding in the event of future year revenue declines.

**FY 2023-24 Revised Recommended Budget
SEMI-DISCRETIONARY REVENUE RESTRICTED FUNDS - RESERVES**

Fund	FY 2023-24 Approved Recommended Budget	FY 2023-24 Revised Recommended Budget	Difference
Public Safety Sales Tax	\$ -	\$ 18,894	\$ 18,894
1991 Realignment	19,343,889	29,604,162	10,260,273
2011 Realignment	55,122,297	57,569,596	2,447,299
Total	\$ 74,466,186	\$ 87,192,652	\$ 12,726,466

As shown in the table below, the Revised Recommended Budget reflects additional semi-discretionary reimbursements in the General Fund of \$2 million. The additional non-CalWORKs, semi-discretionary reimbursement of approximately \$1 million funds recommended Growth as described in the New or Enhanced Programs (Growth) section of this letter.

**FY 2023-24 Revised Recommended Budget
SEMI-DISCRETIONARY APPROPRIATIONS/REIMBURSEMENTS**

	FY 2023-24 Approved Recommended Budget	FY 2023-24 Revised Recommended Budget	Difference
Enhancing Law Enforcement Activities	\$ 23,687,340	\$ 23,687,340	\$ -
Law Enforcement Services	127,392,060	128,481,864	1,089,804
Behavioral Health Services	119,144,511	119,054,522	(89,989)
Protective Services	162,664,397	162,664,397	-
Total 2011 Realignment	\$ 432,888,308	\$ 433,888,123	\$ 999,815
Mental Health	\$ 65,990,994	\$ 65,990,994	\$ -
Public Health	18,128,293	18,128,293	-
Social Services	160,570,493	160,570,493	-
Total 1991 Realignment - Non-CalWORKs	\$ 244,689,780	\$ 244,689,780	\$ -
CalWORKs	173,382,615	174,573,089	1,190,474
Total 1991 Realignment	\$ 418,072,395	\$ 419,262,869	\$ 1,190,474
Proposition 172	184,479,202	184,479,202	-
Total	\$ 1,035,439,905	\$ 1,037,630,194	\$ 2,190,289
Total Semi-discretionary Reimbursement - Non-CalWORKs	\$ 862,057,290	\$ 863,057,105	\$ 999,815

Departmental Revenue and Reimbursements

The Revised Recommended General Fund budget reflects a net increase of \$26 million in estimated Federal, State and other departmental revenue and reimbursements, which are dedicated to a specific purpose and largely offset by associated program expenditures.

Budget units with the largest increases in estimated departmental revenue and reimbursements include:

- **Homeless Services and Housing**, with a \$7 million increase resulting from re-budgeted and additional revenue for the Landlord Engagement and Assistance Program (LEAP).
- **Child, Family and Adult Services**, with a \$6 million increase resulting from additional and re-budgeted Federal and State revenue supporting the Department's programs.
- **Probation**, with a \$3 million increase due largely to recommended Growth for expansion of the Valley Oak Youth Academy program partially funded with reimbursements from

the Department's restricted revenue fund, as well as additional grant funding for programs already approved by the Board.

General Fund Appropriations

The Revised Recommended General Fund budget includes appropriation adjustments totaling \$65 million for the following purposes:

- \$23 million to cover Base budget adjustments, resulting largely from appropriations associated with additional and re-budgeted State, Federal, and other departmental revenue.
- \$41 million (\$31 million Net County Cost) to fund Growth priorities identified in the Approved Budget, fully funded Growth resulting from new State and Federal funding, and additional critical needs funded with discretionary resources as described more fully in the New or Enhanced Programs (Growth) section of this letter.

General Fund Reserves

The Revised Recommended General Fund Budget includes \$19 million in net reserve increases compared to the Approved Budget resulting from the following recommended changes:

- \$12.1 million reduction to the release from the Property Tax System reserve that was included in the Approved Budget. This reduction in the reserve release accounts for amounts not spent in FY 2022-23 that are expected to be spent in future years.
- \$4.9 million increase to General Reserves, consistent with the Board's General Reserves Policy, which calls for placing 10% of the General Fund's Available Fund Balance carry-forward in General Reserves. With this contribution, the General Reserves balance will stand at \$85 million, which represents 9.7% of budgeted discretionary revenues and reimbursements, compared to the policy goal of 10%.
- \$1.5 million net increase to Teeter reserves based on the most recent calculation of required reserve balances by the Department of Finance.
- Approximately \$200,000 increase to the Imprest Cash Reserve based on FY 2022-23 balances.

The status of General Fund Reserves with these recommended changes is shown in the table below.

**FY 2023-24 Revised Recommended Budget
GENERAL FUND RESERVE STATUS**

	FY 2023-24 Approved Recommended Budget	FY 2023-24 Revised Recommended Budget	Change
Reserved for:			
Tax Loss Teeter	\$ 3,025,221	\$ 2,831,227	\$ (193,994)
Teeter Delinquencies	596,140	661,944	65,804
Loan Buyout (Teeter Plan)	6,135,934	7,733,340	1,597,406
Health for All Loan	-	-	-
Sub-total: Restricted Reserves	\$ 9,757,295	\$ 11,226,511	\$ 1,469,216
General Reserves	\$ 80,464,433	\$ 85,365,175	\$ 4,900,742
Cash Flow	32,421,527	32,421,527	-
Imprest Cash	290,955	525,895	234,940
Audit Report Payback/Litigation	50,000,000	50,000,000	-
Special Deposits Travel	100,000	100,000	-
Black Child Legacy	-	-	-
Property Tax System	19,233,719	31,317,135	12,083,416
Service Stability	88,443,938	88,443,938	-
American River Parkway Homeless	5,000,000	5,000,000	-
Affordable Housing Incentive	5,000,000	5,000,000	-
Sub-total: Discretionary	\$280,954,572	\$298,173,670	\$17,219,098
Total Reserves	\$290,711,867	\$309,400,181	\$18,688,314

NEW OR ENHANCED PROGRAMS (GROWTH)

County departments submitted over \$285 million in requests for new or enhanced programs (Growth requests) for the FY 2023-24 budget, including over \$80 million to be funded with General Fund discretionary resources (Net County Cost or "NCC").

The Approved Budget funded \$206 million in all funds for new or enhanced programs, including \$146 million in the General Fund, with \$33 million of that amount funded with Net County Cost. The Approved Budget also identified \$34 million of General Fund Growth prioritized for inclusion in the Revised Recommended Budget, resources permitting.

The Revised Recommended Budget includes funding for the \$34 million prioritized in June, as well as additional General Fund Growth of \$7 million, for total additional General Fund Growth of \$41 million, \$31 million of which is funded with Net County Cost.

Growth Fully Funded in Approved Budget

While the Revised Recommended Budget generally focuses on changes from the Approved Budget, it is important to consider these recommended adjustments in conjunction with the Growth already included in the Approved Budget. The most significant new or enhanced programs already funded in the Approved Budget for the General Fund are described below:

- **Mays Consent Decree Jail Population Reduction** – The Mays Consent Decree requires the County to provide constitutionally adequate care and conditions of confinement to Sacramento County jail inmates, with compliance monitored by outside experts who have consistently recognized staffing challenges and physical facility limitations as major impediments to achieving full compliance. On December 8, 2022, the Board directed staff to move forward with two frameworks for improving compliance with the Mays Consent Decree, the first of which is implementation of Jail Population Reduction Plans.

The Approved Budget includes \$35 million in appropriations, with \$7 million in Net County Cost and \$1 million in AB 109 semi-discretionary revenue funding to fund new or enhanced programs aligned with the County's jail population reduction plans to comply with the Mays Consent Decree.

Funded Growth includes \$24 million in the Health Services budget, funded with a combination of State, Federal, and Mental Health Services Act (MHSA) funding, for behavioral health investments that support jail population reduction. Additionally, \$3 million of Growth for reentry services is funded with the Inmate Welfare Fund in the Sheriff budget unit; and \$1 million of AB 109 funded Growth in the Public Defender budget will provide for additional positions to support mental health diversion and collaborative court programs.

Net County Cost Growth includes \$7 million in the Public Defender, Conflict Criminal Defender, District Attorney, and Probation budgets to support expediting the court process as well as expand existing programs that support jail population reduction, including the pretrial, collaborative courts, mental health diversion, and expungement programs.

- **Mays Consent Decree Remedial Plan** – \$10 million in Net County Cost is included in the Approved Budget in the Sheriff and Correctional Health budget units to fund continued efforts to

meet the County's obligations under the Mays Consent Decree remedial plan, including additional staffing and services.

- **Addressing Homelessness** - \$12 million (\$4 million Net County Cost) is included in the Approved Budget to fund new programs and services addressing homelessness in the County, including establishing a new Community Outreach Recovery Empowerment (CORE) site in downtown Sacramento; adding outreach teams at existing CORE sites; adding behavioral health staff and vehicles for Homeless Engagement and Response Teams (HEART); adding outreach capacity for Encampment Services Teams (EST); and funding for equipment and office space for the new Homeless Services and Housing Department. Additionally, the Approved Budget includes Growth associated with mitigating the community impacts of homelessness, including additional staffing and equipment for Regional Parks encampment response, and enhanced funding for abandoned or inoperative vehicle towing and shopping cart enforcement.
- **Health Services** – Overall, the Health Services Approved Budget includes \$84 million of Growth funded almost entirely by State, Federal, and Mental Health Services Act (MHSA) revenue. In addition to the Growth identified in the Jail Population Reduction and Addressing Homelessness sections above, approved Growth includes \$14 million for CalAIM performance based incentive programs; \$14 million to construct a new Children's Mental Health Psychiatric Health Facility and Crisis Stabilization Unit; \$10 million to construct a new Mental Health Rehabilitation Center; \$5 million to increase the Children's Mental Health Flexible Integrated Treatment contract pool; and \$2 million to increase existing Full Service Partnership contracts.
- **Child, Family and Adult Services** - \$17 million (\$3 million Net County Cost) is included in the Approved Budget to support Child Family and Adult Services programs, including one-time State funding of \$7 million to implement the Families First Prevention Services block grant program and \$2 million in Net County Cost to provide additional funding for Child Protective Services welcome and assessment center contracted services.

Growth Prioritized for Revised Recommended Budget

The following table summarizes the Growth that was prioritized in the Approved Budget for funding in the Revised Recommended Budget, all of which is now recommended for funding in the Revised Recommended Budget as the result of sufficient additional resources being available.

Although identified in the Approved Budget as a Net County Cost requirement, the Probation Valley Oak Youth Academy Expansion is recommended to be fully funded in FY 2023-24 with a combination of: (1) Public Safety Sales Tax made available in Probation's budget through the use of Youthful Offender Block Grant reserves and; (2) Juvenile Justice Realignment Block Grant fund balance available in Probation's restricted revenue fund. While use of these funding sources eliminates the need for Net County Cost in FY 2023-24, without an increase in State funding, Net County Cost funding would be needed in future years.

Additionally, the Ancil Hoffman Park and Golf Course paving project was originally shown as fully funded with a Net County Cost transfer from the General Fund. In the Revised Recommended Budget, the portion of this project related to repaving the golf course parking lot is recommended to be funded by the Golf fund.

More detailed information for each recommendation listed on the table is provided in Attachment 2.

FY 2023-24 Revised Recommended Budget

GROWTH PRIORITIZED FOR INCLUSION IN REVISED RECOMMENDED BUDGET

Department/Budget Unit Description		Cost	Net County Cost	FTE
Community Development	Professional services for General Plan Update scoping	\$ 250,000	\$ 250,000	0.0
Emergency Services	Add 1.0 FTE Emergency Operations Coordinator	205,820	205,820	1.0
Emergency Services	Add 1.0 FTE Asst. Emergency Operations Coordinator	183,430	183,430	1.0
Emergency Services	Replace computers and monitors in Emergency Operations Center	284,000	284,000	0.0
Financing-Transfers/Reimbursement	Transfers to Roads and Parks Construction Fund for Non-General Fund Growth	28,253,375	28,253,375	0.0
Health Services	Add 2.0 FTE Sr. Mental Health Counselors for Valley Oak Youth Academy	431,846	-	2.0
Health Services	Add 1.0 FTE EMS Coordinator	160,633	160,633	1.0
Probation	Expand Valley Oak Youth Academy Program	2,750,453	-	12.0
Public Defender	Add 3 Class 110 vehicles for investigators	93,225	93,225	0.0
Sheriff	Octasic Nyxcell System and One Class 140 Vehicle	1,275,722	1,275,722	0.0
Total General Fund - Net County Cost		\$33,888,504	\$30,706,205	17.0
Park Construction	Match funding to complete Phase 2 of Dry Creek Parkway Trail	992,000	-	0.0
Park Construction	Repave roads at Ancil Hoffman Park	2,862,500	-	0.0
Golf	Repave Ancil Hoffman Golf Course parking lot	601,125	-	0.0
Roads	Pavement maintenance and rehabilitation for County roads	20,000,000	-	0.0
Roads	Road pavement associated with utility projects	5,000,000	-	0.0
Probation - Restricted Revenues	Partial funding for Probation Valley Oak Youth Academy Expansion	1,660,649	-	0.0
Public Safety Sales Tax	Remaining funding for Probation Valley Oak Youth Academy Expansion	1,089,804	-	0.0
Total Non-General Fund		\$32,206,078	\$ -	0.0
TOTAL ALL FUNDS		\$66,094,582	\$30,706,205	17.0

Additional Recommended Growth

In addition to the Growth funded and prioritized in the Approved Budget, the Revised Recommended Budget also includes additional recommended

General Fund Growth with total appropriations of approximately \$7 million, of which approximately \$700,000 in Net County Cost is recommended to address critical needs. The additional recommended Growth in the General Fund includes:

- **Landlord Engagement and Assistance Program (LEAP) Expansion** - \$5.5 million of one-time expenditures in the Department of Homeless Services and Housing funded with Housing and Homelessness Incentive Program Managed Care Plan revenue expanding the LEAP program to provide housing services to individuals transitioning from homelessness into stable, permanent, and affordable housing.
- **Toxicology Crime Laboratories Grant** - \$1.2 million of additional appropriations in the District Attorney budget, more than offset by \$1.4 million of additional revenue to purchase equipment and supplies and fund existing personnel costs under the Toxicology Crime Laboratories Grant from the California Highway Patrol.
- **Climate Action Plan Environmental Impact Report (EIR)** - \$500,000 of Net County Cost in the Community Development Department to fund an Environmental Impact Report for the Climate Action Plan.
- **Additional Moving Costs** - Approximately \$200,000 of Net County Cost to fund additional unanticipated moving costs associated with planned office moves for the Clerk of the Board and Department of Finance.

ATTACHMENTS TO THE BUDGET TRANSMITTAL LETTER

Attachments are included with this transmittal letter that provide more detailed budget information.

Attachment 1: Provides a summary of budget changes by budget unit.

Attachment 2: Provides information on new and enhanced programs (Growth) recommended for funding in the Revised Recommended Budget.

Attachment 3: Provides total appropriations by fund and budget unit.

CONCLUSION/ACKNOWLEDGEMENT

I would like to acknowledge the hard work and dedication of the County's department heads and fiscal staff in preparing this year's budget, which began last fall and winter with the preparation of departmental budget requests aligned with the Board's priorities and continued through the spring

and summer with approval of the Recommended Budget in June and development of this Revised Recommended Budget. I would also like to thank the executive leadership team and the staff in the Office of Budget and Debt Management, whose insights and contributions to preparation of this year's budget have been invaluable.

The FY 2023-24 Revised Recommended Budget will be presented to the Board on September 6, 2023, starting at 9:30 a.m., with deliberations on that date and the following two days, as needed.

We look forward to working with you as you review the Revised Recommended Budget. During your review, please contact me with any questions you may have.

Respectfully submitted,



Ann Edwards
County Executive