

County Executive  
David Villanueva



## County of Sacramento

Board of Supervisors  
Phillip R. Serna, District 1  
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August 23, 2024

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

*RE: Fiscal Year 2024-25 Revised Recommended Budget*

Honorable Members of the Board:

I am pleased to submit the Revised Recommended Budget for Fiscal Year (FY) 2024-25 for your consideration and approval.

On June 5, 2024, the Board of Supervisors (Board) 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 2023-24, updated revenue estimates, and actual unaudited FY 2023-24 ending fund balances.

With approval of the Recommended Budget in June, the Board also approved 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 addresses the balance between meeting service delivery needs today and ensuring sustainability into the future.

**In developing the recommendations presented in this year's budget, we have remained focused on achieving the following important objectives:**

- Alignment with community needs as identified through the Community Engagement Plan approved by the Board.

- **Addressing the County's obligations and meeting the most critical needs** by balancing funding for new and enhanced programs with existing programs and services, consistent with **the Board's** budget priorities.
- Supporting sustainability of budgeted service levels by limiting the extent to which ongoing expenditures are funded with one-time resources **and complying with the Board's policy for General Fund** reserve contributions.

While the Revised Recommended General Fund Budget is balanced as required by State law, it remains out of structural balance, with approximately \$80 million of the available fund balance recommended to fund ongoing expenditures.

#### ALL FUNDS BUDGET

The Approved Budget for all funds totaled \$8.8 billion in appropriations. **With the completion of the County's FY 2023-24** year-end financial closing activities and the availability of updated information, an increase of \$340 million is proposed, bringing the Revised Recommended Budget to \$9.2 billion in total appropriations for all funds.

The \$340 million increase in total appropriations includes:

- A \$68 million increase in General Fund appropriations, as described more fully in the following section; and
- A \$272 million increase in appropriations in other funds, including \$249 million of base budget changes resulting primarily from re-budgeting of capital projects and other contractual expenditures
- and \$23 million in non-General Fund growth, as detailed in Exhibit B to Attachment 4.

Attachment 1 provides a summary of budget changes, and total appropriations by fund and budget unit can be found in Attachment 2.

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 \$3.9 billion, an increase of \$68 million compared to the Approved Budget.

FY 2024-25 Revised Recommended Budget

GENERAL FUND

	FY 2024-25 Approved Recommended Budget	FY 2024-25 Revised Recommended Budget	Difference
Resources			
Beginning Available Balance (non-ARPA)	\$ 76,000,000	\$ 112,416,392	\$ 36,416,392
Fund Balance due to ARPA	-	14,778,279	14,778,279
Reserve Release	9,768,489	5,245,906	(4,522,583)
Discretionary Revenue	904,113,918	907,391,467	3,277,549
Total Discretionary Resources	\$ 989,882,407	\$1,039,832,044	\$ 49,949,637
Semi-discretionary Reimbursements	1,022,816,671	1,026,238,809	3,422,138
Interfund Reimbursements	490,919,954	513,109,261	22,189,307
Departmental Revenue	1,280,242,903	1,295,074,690	14,831,787
Total Revenue	\$3,698,093,446	\$3,741,814,227	\$ 43,720,781
Total Resources	\$3,783,861,935	\$3,874,254,804	\$ 90,392,869
Requirements			
Contingency	\$ 14,554,795	\$ 14,554,795	\$ -
Other Net County Cost	975,327,612	1,002,853,460	27,525,848
Total Net County Cost	\$ 989,882,407	\$1,017,408,255	\$ 27,525,848
Other Appropriations	2,793,979,528	2,834,422,760	40,443,232
Total Appropriations	\$3,783,861,935	\$3,851,831,015	\$ 67,969,080
Reserve Contributions - non-ARPA	\$ -	\$ 7,645,510	\$ 7,645,510
ARPA-related Reserve Contributions	-	14,778,279	14,778,279
Total Reserve Contributions	\$ -	\$ 22,423,789	\$ 22,423,789
Total Requirements	\$3,783,861,935	\$3,874,254,804	\$ 90,392,869

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

- A \$50 million increase in General Fund discretionary resources, including discretionary revenue and fund balance and net of a \$5 million reduction in reserve release compared to the Approved Budget. Of this amount, \$15 million results from a reallocation of American Rescue Plan Act (ARPA) funding during FY 2023-24 and is set aside in reserves for future ARPA-related expenditures.
- A \$28 million increase in Net County Cost, or appropriations funded with discretionary resources, resulting primarily from recommended growth and a reduction in estimated semi-discretionary revenue.
- A \$22 million increase in reserve contributions, \$15 million of which is for the ARPA reserves described above, and \$7 million of which is for other discretionary reserves in compliance with **the Board's General Fund Reserve Policy**.

#### General Fund Resource Adjustments

The Revised Recommended Budget reflects an overall increase of \$90 million in estimated General Fund resources compared to the Approved Budget, resulting from the following:

- The available fund balance carry-forward of \$112 million represents a \$36 million increase compared to the estimated \$76 million included in the Approved Budget.
- An additional \$15 million of fund balance (for total unaudited FY 2023-24 ending fund balance of \$127 million) results from the reallocation of ARPA funding approved by the Board on April 9, 2024. This amount is set aside in separate reserves to preserve the use of this funding for ARPA-related expenditures in future years.
- A reduction in reserve release of \$5 million due to the timing of expenditures for the Property Tax System.
- A \$3 million increase in estimated discretionary revenue.
- A \$3 million increase in semi-discretionary reimbursements; and
- A \$37 million combined increase in estimated departmental revenue and interfund reimbursements.

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

Discretionary Revenue

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 in the General Fund is now expected to be \$3 million higher than was expected for the Approved Budget, with an \$8 million increase in other revenue resulting largely from a revised estimate of interest earnings due to higher interest rates, partially offset by a \$5 million reduction in estimated sales tax revenue due to lower projected taxable sales.

FY 2024-25 Revised Recommended Budget  
DISCRETIONARY REVENUE

	FY 2024-25 Approved Recommended Budget	FY 2024-25 Revised Recommended Budget	Difference
Property Tax - Secured/VLF in Lieu	\$ 600,201,125	\$ 598,470,579	\$ (1,730,546)
Property Tax - Supplemental	8,973,234	8,907,480	(65,754)
Other Property Tax	21,089,132	23,345,373	2,256,241
Total Property Tax	\$ 630,263,491	\$ 630,723,432	\$ 459,941
Sales and Use Tax	\$ 148,274,824	\$ 143,223,753	\$ (5,051,071)
Utility User Tax	19,970,000	20,130,000	160,000
Transient Occupancy Tax	6,180,000	5,641,000	(539,000)
Property Transfer Tax	13,000,000	13,000,000	-
Teeter Reimbursement	15,101,227	15,101,227	-
Other Revenue	71,324,376	79,572,055	8,247,679
Total Revenue	\$ 904,113,918	\$ 907,391,467	\$3,277,549

Semi-Discretionary Revenue and Reimbursements

**The County receives “semi-discretionary” revenue (1991 and 2011** Realignment and Proposition 172 Public Safety Sales Tax) that can be allocated within certain broad parameters, primarily to social services and public safety departments. Semi-discretionary revenue is received in restricted funds and then either transferred as a reimbursement to departments in the General Fund or held in reserves within the restricted funds.

The semi-discretionary revenue funds have a combined beginning fund balance of \$145 million, including reserves of \$79 million. This combined beginning fund balance is an increase of \$36 million compared to the Approved Budget estimated balance, primarily resulting from receipt of higher than anticipated CalWORKS-related realignment revenue in FY 2023-24, which is anticipated to be recouped by the State in FY 2024-25.

As shown in the table below, total semi-discretionary revenue is estimated to be \$40 million lower than was estimated for the Approved Budget, resulting from the anticipated recoupment of the CalWORKS-related revenue described above and a \$7 million reduction in estimated Proposition 172 Public Safety Sales Tax revenue due to lower projected statewide sales tax revenue **and a reduction in the County’s pro rata share.**

FY 2024-25 Revised Recommended Budget

SEMI-DISCRETIONARY REVENUE RESTRICTED FUNDS - REVENUE

Fund	FY 2024-25 Approved Recommended Budget	FY 2024-25 Revised Recommended Budget	Difference
Public Safety Sales Tax	\$ 180,300,430	\$ 173,027,944	\$ (7,272,486)
1991 Realignment	398,369,892	364,983,772	(33,386,120)
2011 Realignment	414,535,297	414,535,297	-
Total	\$ 993,205,619	\$ 952,547,013	\$ (40,658,606)

As shown below, an \$8 million net reduction to semi-discretionary reserves is recommended, bringing total reserves to \$71 million. The reduction in 1991 Realignment reserves results largely from the funding of behavioral health expenditures previously approved by the Board and inadvertently omitted from the Approved Budget. The reduction in 2011 Realignment reserves is the net result of increases in certain categories due to higher than anticipated fund balance and decreases in other categories as the result of additional allocations to fund General Fund expenditures, including recommended growth in the Probation department.

FY 2024-25 Revised Recommended Budget

SEMI-DISCRETIONARY REVENUE RESTRICTED FUNDS - RESERVES

Fund	FY 2024-25 Approved Recommended Budget	FY 2024-25 Revised Recommended Budget	Difference
Public Safety Sales Tax	\$ -	\$ -	\$ -
1991 Realignment	44,759,581	36,893,537	(7,866,044)
2011 Realignment	34,591,907	34,454,645	(137,262)
Total	\$ 79,351,488	\$ 71,348,182	\$ (8,003,306)

As shown in the table below, the Revised Recommended Budget reflects additional semi-discretionary reimbursements in the General Fund of \$3 million, which results from the changes in fund balance, revenue, and reserve releases described above.

FY 2024-25 Revised Recommended Budget

SEMI-DISCRETIONARY APPROPRIATIONS/REIMBURSEMENTS

	FY 2024-25 Approved Recommended Budget	FY 2024-25 Revised Recommended Budget	Difference
Enhancing Law Enforcement Activities	\$ 22,911,774	\$ 24,837,359	\$ 1,925,585
Law Enforcement Services	130,165,865	130,991,412	825,547
Behavioral Health Services	126,490,913	126,490,913	-
Protective Services	159,228,034	159,228,034	-
Total 2011 Realignment	\$ 438,796,586	\$ 441,547,718	\$ 2,751,132
Mental Health	\$ 50,465,345	\$ 58,293,345	\$ 7,828,000
Public Health	19,333,372	19,333,372	-
Social Services	157,580,731	157,680,731	100,000
Total 1991 Realignment - Non- CalWORKs	\$ 227,379,448	\$ 235,307,448	\$ 7,928,000
CalWORKs	176,321,313	176,321,313	-
Total 1991 Realignment	\$ 403,700,761	\$ 411,628,761	\$ 7,928,000
Proposition 172	180,319,324	173,062,330	(7,256,994)
Total	\$ 1,022,816,671	\$ 1,026,238,809	\$ 3,422,138
Total Non-CalWORKs Realignment	\$ 666,176,034	\$ 676,855,166	\$ 10,679,132
Total Semi- discretionary Reimbursement - Non- CalWORKs	\$ 846,495,358	\$ 849,917,496	\$ 3,422,138

### Departmental Revenue and Reimbursements

The Revised Recommended General Fund budget reflects a net increase of \$37 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:

- Health Services, with a \$21 million increase resulting from Board-approved increases funded with ARPA and Patient Care Revenue, as well as \$17 million of Behavioral Health Bridge Housing funding.
- Child, Family and Adult Services, with a \$7 million increase resulting from re-budgeted Federal and State revenue supporting the **Department's programs**.
- Sheriff, with a \$3 million increase due to additional grant revenue previously approved by the Board.
- Homeless Services and Housing, with a \$3 million increase due to additional and re-budgeted funding previously approved by the Board.

### Categorical Revenue Reductions

Two departments, Child Support Services and Probation, identified programmatic impacts as a result of anticipated reductions in revenue designated for a specific purpose (categorical revenue), as described below. More detail for each of the reductions is included in Attachment 3 and the budget unit sections for these departments.

In the Child Support Services budget, a \$1.1 million reduction in the State and Federal funding allocation results in the deletion of 11.0 vacant full-time equivalent (FTE) positions, necessitating the reorganization of certain teams and the streamlining of department processes.

In the Probation budget, four separate categorical reductions result in a combined anticipated revenue loss of \$2.7 million, as follows:

- Treatment Courts: A \$0.2 million loss of federal reimbursement passed through the Department of Health Services would have resulted in the deletion of 1.0 vacant FTE with impacts to the Driving Under the Influence and Mental Health Treatment Courts. Because of **the importance of the Mental Health Treatment Court to the County's** ability to meet its obligations under the Mays consent decree, an



associated growth request to continue this funding with discretionary resources is recommended for approval.

- Juvenile Justice Realignment (Senate Bill 823): A reduction in available Senate Bill (SB) 823 funding due to a lower than anticipated fund balance would result in the deletion of 3.0 vacant FTE in the **Probation department and 1.0 filled FTE in the Public Defender's Office**, and would limit youth access to legal counseling, transitional housing, therapeutic treatment services, and other evidence-based practices. To continue to **meet the County's obligations under juvenile justice** realignment, an associated growth request to continue this funding with a combination of discretionary and semi-discretionary resources is recommended for approval.
- Post Release Community Supervision (PRCS): A reduction in the State budget results in the loss of \$0.5 million in anticipated PRCS revenue, resulting in the elimination of 2.0 vacant FTE with impacts to the ability to supervise this population and operate various community outreach programs. An associated growth request to continue this funding with discretionary resources is not recommended for approval, **consistent with the Board's budget priorities**, which prioritize the most critical needs and seek to limit the extent to which reductions in State and Federal funding are backfilled with discretionary resources.
- Community Corrections Performance Incentives Act (Senate Bill 678): A reduction in the State budget results in the loss of \$0.7 million in anticipated SB 678 funding, which requires the elimination of 3.0 vacant FTE and impacts Adult Day Reporting Center Programs. Similar to the PRCS funding above, an associated growth request for discretionary funding is not recommended for approval, consistent with **the Board's budget priorities**.

#### General Fund Appropriations

The Revised Recommended General Fund budget includes appropriation adjustments totaling \$68 million for the following purposes:

- \$48 million to cover Base budget adjustments, resulting largely from appropriations associated with additional and re-budgeted State, Federal, and other departmental revenue.
- \$23 million (\$22 million Net County Cost) to fund growth priorities identified in the Approved Budget, fully funded growth resulting from State funding, and new County obligations funded with discretionary resources as described more fully in the New or Enhanced Programs (growth) section of this letter.
- \$4 million of program reductions resulting from the loss of dedicated funding, some of which is backfilled with discretionary

and semi-discretionary resources in the recommended growth, as described in the Categorical Revenue Reductions section above.

General Fund Reserves

As shown below, the Revised Recommended General Fund Budget includes \$27 million in net reserve increases compared to the Approved Budget.

FY 2024-25 Revised Recommended Budget  
GENERAL FUND RESERVE STATUS

Reserved for:	FY 2024-25 Approved Recommended Budget	FY 2024-25 Revised Recommended Budget	Change
Tax Loss Teeter	\$ 2,831,227	\$ 2,685,709	\$ (145,518)
Teeter Delinquencies	661,944	737,604	75,660
Loan Buyout (Teeter Plan)	7,733,340	7,574,509	(158,831)
Sub-total: Restricted Reserves	\$ 11,226,511	\$ 10,997,822	\$ (228,689)
General Reserves	\$ 85,365,175	\$ 90,739,147	\$ 5,373,972
Cash Flow	32,421,527	32,421,527	-
Imprest Cash	525,895	513,650	(12,245)
Special Deposits Travel	100,000	100,000	-
Property Tax System	21,548,646	26,387,823	4,839,177
Service Stability	88,443,938	90,639,816	2,195,878
American River Parkway Homeless	5,000,000	5,000,000	-
Affordable Housing Incentive	5,000,000	5,000,000	-
ARPA Administration		7,829,128	7,829,128
ARPA CBO Capacity Building		6,949,151	6,949,151
Sub-total: Discretionary	\$ 238,405,181	\$ 265,580,242	\$ 27,175,061
Total Reserves	\$ 249,631,692	\$ 276,578,064	\$ 26,946,372

Recommended reserve changes are as follows:

- \$14.8 million total to create two new reserves resulting from the reallocation of ARPA funding during FY 2023-24. These ARPA-related reserves include \$7.8 million for ARPA administrative costs through December 31, 2026 and \$7 million for the ARPA Community Based Organization (CBO) Capacity Building project.
- \$5.4 million increase to General Reserves, consistent with the **Board's General** Fund Reserve Policy, which calls for maintaining a balance in the General Reserve of 10% of discretionary revenues.
- \$4.8 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 2023-24 that are expected to be spent in future years.

- \$2.2 million increase to the Service Stability Reserve, consistent **with the Board's General Fund Reserve Policy, which calls for** depositing remaining discretionary resources in this fund after funding base budget requirements and any new County obligations.
- \$0.2 million net decrease to Teeter reserves based on the most recent calculation of required reserve balances by the Department of Finance.
- A minor adjustment to the Imprest Cash Reserve based on FY 2023-24 balances.

#### NEW OR ENHANCED PROGRAMS (GROWTH)

County departments submitted over \$190 million in requests for new or enhanced programs (growth requests) for the FY 2024-25 budget, including over \$60 million to be funded with General Fund discretionary resources (**Net County Cost or "NCC"**).

The Approved Budget funded \$103 million in all funds for new or enhanced programs, including \$51 million in the General Fund, with \$9 million of that amount funded with Net County Cost. The Approved Budget also identified \$21 million of General Fund growth prioritized for inclusion in the Revised Recommended Budget, resources permitting.

The Revised Recommended Budget includes funding for the growth prioritized in June, as well as additional General Fund growth of \$3 million, for total additional General Fund growth of \$23 million, \$22 million of which is funded with Net County Cost.

Growth Prioritized for Revised Recommended Budget

The following table summarizes the growth that was prioritized for funding in the Revised Recommended Budget, all of which is now recommended for funding as the result of sufficient additional resources being available. The recommended growth for Emergency Services represents a reduction from the amount identified in the Approved Budget as the result of revised cost and funding estimates.

FY 2024-25 Recommended Budget

GROWTH PRIORITIZED FOR INCLUSION IN REVISED RECOMMENDED BUDGET

Department/Budget Unit	Description	Total Appropriation	Net County Cost	FTE
Animal Care Services	Reallocate 1.0 FTE Veterinarian to 1.0 FTE Chief of Shelter Medicine	\$ 16,709	\$ 16,709	0.0
Emergency Services	Emergency Operations Center one-time audio visual upgrades	330,220	330,220	0.0
Financing-Transfers/Reimbursement	One-time General Fund contribution to Roads Fund	20,000,000	20,000,000	0.0
<b>Total General Fund - Net County Cost</b>		<b>\$20,346,929</b>	<b>\$20,346,929</b>	<b>0.0</b>
Roads	Pavement maintenance and rehabilitation for County roads	20,000,000	-	0.0
<b>Total Non-General Fund - Net County Cost</b>		<b>\$20,000,000</b>	<b>\$ -</b>	<b>0.0</b>
<b>TOTAL ALL FUNDS</b>		<b>\$40,346,929</b>	<b>\$20,346,929</b>	<b>0.0</b>

More detailed information for each recommendation listed on the table is provided in Attachment 4.

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 \$3 million, of which approximately \$2 million in Net County Cost is recommended to address County obligations. The additional recommended growth in the General Fund is also detailed in Attachment 4 and includes:

- Sheriff - Jail Medical Escorts for Mays Consent Decree Compliance: \$0.9 million Net County Cost is recommended to fund 4.0 FTE Deputy Sheriff positions that will be responsible for escorting inmates and medical staff to facilitate medical and psychiatric appointments to comply with the Mays consent decree.
- Probation - Treatment Courts: As described in the Categorical Revenue Reductions section above, \$0.2 million Net County Cost

is recommended to provide discretionary funding to backfill the loss of dedicated revenue and restore 1.0 FTE in the Probation budget to maintain current service levels in the Driving Under the Influence and Mental Health Treatment Courts, supporting **the County's obligations under the Mays consent decree.**

- Probation - Juvenile Justice Realignment (SB 823): As described in the Categorical Revenue Reductions section, \$1.4 million of backfill funding is recommended to restore 3.0 FTE in **Probation and 1.0 FTE in the Public Defender's Office to maintain** current services levels associated with SB 823 Juvenile Justice Realignment. Of the \$1.4 million total, \$0.8 million is recommended to be funded with Juvenile Reentry Grant (a semi-discretionary resource), and \$0.5 million is Net County Cost.
- Human Assistance - CalWORKs Expanded Subsidized Employment: As a result of restored funding in the State budget, 16.0 FTE and contract expenditures are being restored for this program, funded with \$4.1 million in revenue from the State.
- Human Assistance - CalWORKs Family Stabilization: Funding for this program was also restored in the State budget, with \$0.6 million of State revenue funding 4.0 restored FTE and contract expenditures.
- Human Assistance - California Statewide Automated Welfare System (CalSAWS): \$0.4 million Net County Cost is **recommended to fund the County's required share of cost for the** CalSAWS project.

#### 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 total appropriations by fund and budget unit.

Attachment 3: Provides information on program reductions resulting from a loss of dedicated revenue, some of which are recommended to be backfilled with discretionary resources in the recommended growth.

Attachment 4: Provides information on new and enhanced programs (growth) recommended for funding in the Revised Recommended Budget.

**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 the preparation of this year's budget have been invaluable.

The FY 2024-25 Revised Recommended Budget will be presented to the Board on September 4, 2024 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,

A handwritten signature in blue ink, appearing to read 'D. Villanueva', with a long horizontal flourish extending to the right.

David Villanueva  
County Executive