

County Executive
Navdeep S. Gill



**County of
Sacramento**

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August 28, 2020

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

Re: Fiscal Year 2020-21 Revised Recommended Budget

Honorable Members of the Board:

I am submitting for your consideration and approval the Revised Recommended Budget for FY2020-21.

Although many uncertainties remain regarding the impact of the COVID-19 pandemic on Sacramento County's revenues and expenditures, it is clear that the negative impact will be significant. Notwithstanding this, I am recommending a General Fund Budget that:

- Provides substantial additional funding to address the impact of COVID-19 on the community;
- Avoids significant reductions in critical County programs; and
- Makes new General Fund-supported investments in a very limited number of other programs, mostly to meet legal mandates or address the most critical needs.

The Revised Recommended General Fund Budget is precariously balanced, as it is balanced largely with one-time revenue of \$226.1 million. This budget approach provides time for the economy to improve and for further COVID-19 impacts to be known prior to making further budget reductions to County services and programs that will adversely affect County residents.

However, as the economic picture stands today, the FY2020-21 budgeted expenditure levels are likely unsustainable into future fiscal years barring dramatic economic improvement and/or a significant amount of additional federal or State relief. In addition, mid-year budget adjustments may be required, depending on actual revenue experience and COVID-19 expenditure needs this fiscal year.

On March 4, the Governor declared a State of Emergency to address the growing impact of the COVID-19 pandemic in California. Since then, many businesses have closed (some permanently), unemployment has risen to the highest level since the Great Depression and the country officially entered a recession.

On June 16, the Board approved the FY2020-21 Recommended Budget ("Approved Budget"), which provides appropriation authority until the budget is adopted at the end of September. Given the uncertainties around the impact of the COVID-19 pandemic on County revenues and expenditures, the Approved Budget was a placeholder budget that, with limited exceptions, rolled over FY2019-20 Adopted Budget appropriations, revenues and use of fund balance. This was done to provide additional time to:

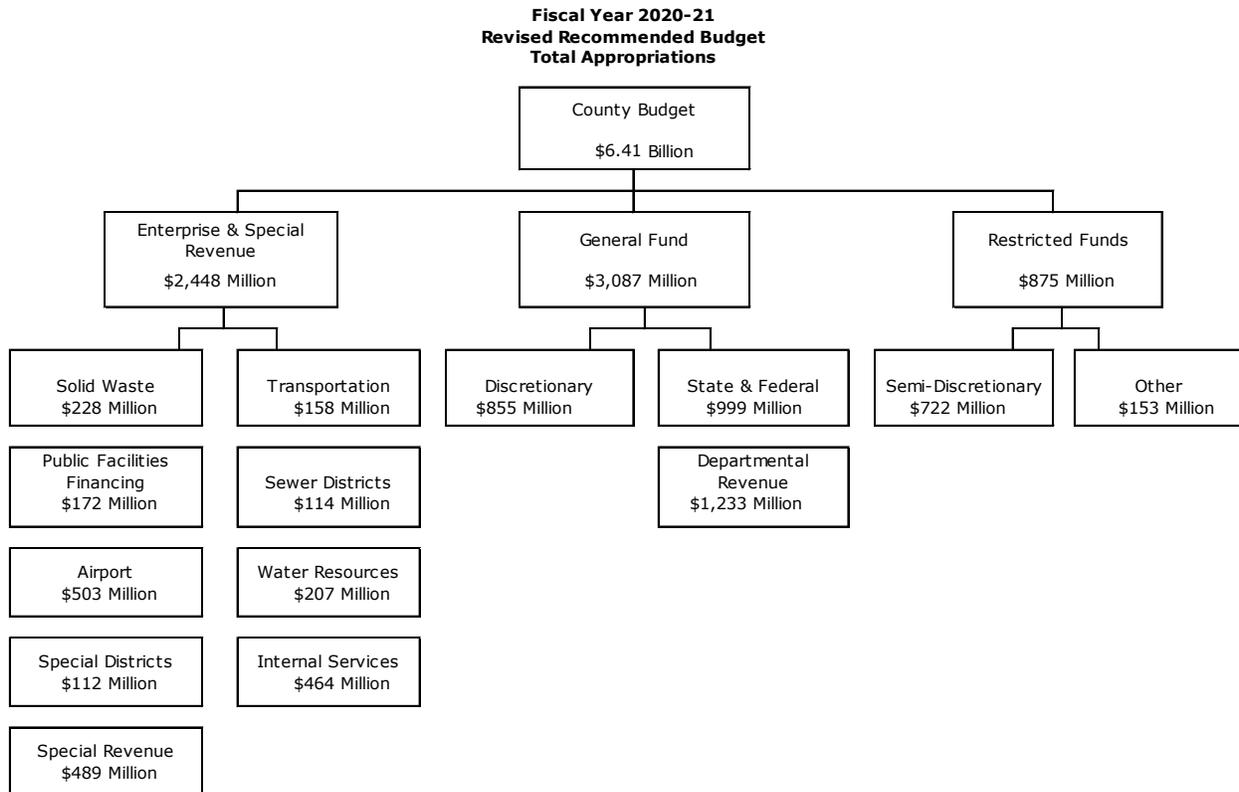
- Further refine our estimates of the impact of the COVID-19 pandemic, and resulting recession, on the County's discretionary, Semi-discretionary and other revenues, as well as expenditures;
- Learn whether, and to what extent, additional federal or State relief might be available to help offset revenue losses or costs; and
- Work with departments to develop carefully thought out plans to make whatever reductions in expenditures that might be needed as a result of anticipated revenue reductions.

Although many uncertainties remain regarding the impact of the COVID-19 pandemic on Sacramento County, the State and other local governments, this Revised Recommended Budget reflects the results of our efforts over the last three months to address the issues and questions identified in June.

All Funds Overview

The Budget for All Funds totals \$6,409,822,806 in appropriations. This is a \$157,009,101 (2.5%) increase compared to the FY2020-21 Approved Budget.¹

The following chart illustrates the distribution of the All Funds Budget.



Of the total Budget of \$6.41 billion, approximately \$2.4 billion in Enterprise and Special Revenue fund expenditures is funded through utility rates, fees and other dedicated revenue; of the General Fund Budget of \$3.087 billion, approximately \$855 million represents discretionary resources (Available fund balance carry-over and discretionary revenue and reimbursements) and the remainder is funded with federal, State and fee revenue that is dedicated to a particular purpose.

¹ The appropriation numbers are generally higher in the FY2020-21 Approved and Revised Recommended Budgets than in prior fiscal year budgets. Previously, appropriations were net of reimbursements from other funds or budget units (which were shown as negative appropriations). With the new budget system, appropriations for each budget and fund are before reimbursements and reimbursements are shown as a resource. The equivalent number for Total All Funds appropriations using the old budget system would be \$4.87 billion and the equivalent General Fund appropriation number would be \$2.053 billion.

General Fund Overview

The Revised Recommended General Fund Budget totals \$3,086,731,237 in appropriations. This is an increase of \$204,607,326 (7.1%) compared to the Approved Budget.

Key General Fund Budget Drivers

- **Use of Fund Balance Carry-Forward:** The revised budget assumes a General Fund available fund balance carry-forward of \$161.6 million, an increase of \$75.6 million (88%) from the Approved Budget level. Approximately \$146 million of that fund balance carry-forward is due to the use of federal Coronavirus Relief Fund (CRF) revenue to offset eligible salary and benefit costs of existing employees in FY2019-20. Without the use of CRF revenue for this purpose, the General Fund available fund balance carry-forward would have been only \$15 million or a \$71 million reduction from the Approved Budget. This higher fund balance is one of the main reasons we are able to avoid major reductions in programs and services.
- **Use of General Reserves:** The revised FY2020-21 budget assumes use of \$6.6 million in General Reserves to balance the budget. This will leave a General Reserve balance of \$12.7 million and will require a suspension of the Board policy that calls for increasing General Reserves each year by an amount equal to 10% of the the General Fund's available fund balance carry-forward (for this year, that would have been an increase of \$16 million rather than a decrease of \$6.6 million).
- **Discretionary Revenue Changes:** The revised budget recognizes receipt of \$688.5 million in discretionary revenue and reimbursements, an increase of \$23.7 million (3.6%) from the Approved Budget level. This is due primarily to a \$27 million increase in property tax revenue partly offset by a \$6.6 million reduction in Sales Tax and Transient Occupancy Tax (TOT) revenue due to the economic impact of the COVID-19 pandemic.
- **Semi-Discretionary Revenue Changes:** The revised budget assumes the receipt of \$721.5 million in Semi-discretionary reimbursements, a decrease of \$94.2 million (11.5%) compared to the Approved Budget level due primarily to the economic impact of the COVID-19 pandemic on both FY2019-20 and FY2020-21 Realignment and Proposition 172 revenue, which are derived primarily from statewide sales tax revenue.

- **Realignment Backfill:** The revised budget recognizes receipt of \$34.2 million in State General Fund money to partially backfill the loss of Realignment revenue.
- **Continued Response to COVID-19:** An additional \$89.1 million in expenditures is included in the revised budget to deal with the impact of COVID-19 in the County.
 - \$71.1 million for the **Health Services** Department - \$26.1 million for response initiatives (testing, contact tracing and business navigators), and in addition \$45 million in CRF revenue that the Board allocated on August 19 to the Health Services Department to address certain public health needs. That money is not included in the Revised Recommended Budget, but, a Supplemental Funding request is attached to reflect the receipt and use of that revenue (Attachment 5).
 - \$6.9 million for the **Child, Family and Adult Services** Department to continue the Dine at Home Sacramento Program that pays restaurants to provide meals to home-bound seniors.
 - \$11.1 million for the **Human Assistance** Department for the Homeless Response Plan and Project Roomkey.
- **Salary and Benefit Costs:** The FY2020-21 budget assumes increased salary and benefit costs of \$57.7 million as agreed to in various labor agreements.
- **New Program - Body Cameras:** The budget includes \$2.1 million for the first phase of a plan to provide body cameras for all Sheriff's Deputies. This phase provides cameras for all patrol deputies, certain special unit Deputies and Park Rangers. A second phase will be proposed in the FY2021-22 budget that will include other Deputies, including those providing court security and working in the jails.
- **Transient Occupancy Tax:** FY2020-21 budget for TOT is kept at the same level as last fiscal year, despite reductions in anticipated TOT receipts.
- **Legal Obligations:**
 - **Mays Jail Lawsuit Consent decree:** The County entered into an agreement to make significant investments in the jails to resolve a lawsuit concerning conditions of confinement. For

FY2020-21 over \$44 million in expenditures in the Sheriff’s Office and Correctional Health are budgeted to comply with the requirements of the Mays consent decree. This reflects the cumulative effect of prior year’s on-going Growth and the new Growth of \$9.4 million included in the Revised Recommended Budget.

- **University of California – Davis Health System Lawsuit:** The County is obligated to make annual payments to UC Davis as a part of a lawsuit settlement. For FY2020-21, the County will make a \$7.7 million payment, and this payment obligation will increase over time and continue until FY 2033-34.
- **Hardesty Schneider Lawsuit:** The FY2020-21 budget maintains a \$4.7 million litigation reserve to help cover potential damages as a result of this lawsuit.
- **Interfund Transfers Repayment:** The Budget includes a repayment of \$6.7 million for the Interfund Transfer. The table below summarizes the status of the Interfund Transfers.²

Original Amount	\$77.65 million
Amount Paid	\$57.56 million
Outstanding Balance as of 6/30/20	\$20.09 million

Program Reductions to Base Budget

To balance the Budget, we recommend approximately \$17.8 million in expenditure reductions in several General Fund departments and programs. We used the following considerations in making our recommended reductions:

- Limit the impact on Board priority programs or initiatives;
- Avoid eliminating whole programs or services instead, make targeted reductions in various programs;
- Avoid backfilling reductions in federal, State or other revenue, while recognizing there may be circumstances where backfilling or using Net County Cost to cover increases is warranted to avoid negative consequences; and
- Avoid employee layoffs to the extent possible.

² Amount due to Workers Compensation Fund is \$11.8 million and the Clerk-Recorder’s Fund is \$8.7 million.

The following table summarizes the reductions by budget unit. The table categorizes reductions as either “Categorical,” meaning the expenditure reductions are due to a reduction in categorical revenue (usually State or federal revenue that is provided for a particular purpose) and Non-Categorical. The County’s general practice is not to backfill reductions in Categorical revenue. More detailed information is provided in Attachment 1, and in the Program Budget section for each Budget Unit.

FY2020-21 Recommended Reductions Program Reductions to Base Budget				
Department/Budget Unit	Total Recommended Reductions	Categorical	Non-Categorical	FTE Reductions
District Attorney	\$3,196,447	\$435,822	\$2,760,625	
Sheriff	\$2,521,468	\$262,785	\$2,258,683	1.0
Clerk of the Board	\$11,144	\$0	\$11,144	
County Counsel	\$417,026	\$0	\$417,026	3.0
County Executive	\$336,711	\$0	\$336,711	1.0
Emergency Services	\$31,785	\$0	\$31,785	
Dispute Resolution Program	\$27,500	\$27,500	\$0	
Regional Parks	\$8,391	\$0	\$8,391	
Code Enforcement	\$25,000	\$0	\$25,000	
Child, Family and Adult Services	\$300,000	\$300,000	\$0	
Child Support Services	\$1,606,798	\$1,606,798	\$0	15.0
Health Services	\$6,039,293	\$2,279,831	\$3,759,462	5.0
Probation	\$1,576,348	\$1,160,180	\$416,168	1.0
Public Defender	\$1,662,326	\$0	\$1,662,326	
Total General Fund	\$17,760,237	\$6,072,916	\$11,687,321	26.0

The Budget Units with the largest recommended reductions are:

- **Health Services**, with a \$6 million reduction in expenditures. The Department revised its initial cost estimate by \$3.5 million due to reduced demand of the Psychiatric Health Facility (Beds) Program and the anticipated cost savings due to delays in implementing new Psychiatric Health Facilities. The Department indicates that this expenditure reduction will not result in any service level reductions. Additionally, the State reduced funding for the Dental Transformation Program and the Women, Infants and Children’s (WIC) Program by \$2.4 million due to State revenue reductions.
- **District Attorney**, with a \$3.2 million reduction in expenditures. This includes a \$435,000 reduction in Crime Laboratory due to a reduction in revenue from the Probation Department that will be contracting with

an outside vendor for these services at a significantly reduced cost and \$2.7 million in reductions that will be achieved through not filling positions as they become vacant.

- **Sheriff**, with a \$2.5 million reduction in expenditures. This includes increased salary savings and reduced services and supplies expenditures as well as the elimination of a vacant Deputy Sheriff position from the Sexual Assault Felony Enforcement team due to a reduction in categorical revenue.

Departmental Requests for New or Enhanced Programs (Growth)

For the preparation of the FY2020-21 Budget, County departments submitted over \$193 million in requests for new or enhanced programs, including over \$70 million in General Fund (Net County Cost) support. To assist in evaluating those requests, departments were asked to prioritize their needs. This prioritization was taken into account, along with Board priorities, legal obligations, the County's fiscal condition and certain other factors in making budget recommendations.

The Revised Recommended Budget includes \$124.9 million in funding for All Funds for new or enhanced programs or services. If certain double-counting of expenditures that occurs when resources are transferred between funds is factored out, the Budget includes \$120.1 million in funding for new or enhanced programs or services. These are funded with the following resources:

- Discretionary Revenue/General fund carry-over (Net County Cost) of \$21.9 million;
- Mental Health Services Act Fund reimbursements of \$4.7 million;
- Coronavirus Relief Fund revenue of \$17.4 million;
- Other federal, State, fee revenue/fund balance carry-over/allocated charge increase of \$76.1 million.

The Departments/Budget Units with the most significant funded requests for new or enhanced programs include:

- **Airports – Capital Outlay:** The Revised Recommended Budget includes \$33 million in funding for new or enhanced programs, mostly for various capital projects, including \$16 million for a new Aircraft Rescue Firefighting Facility, \$7.5 million for taxiway repair, and \$7.2

million for the purchase of 10 new electric shuttlebuses. Funding comes from the Airport Enterprise Fund's fund balance.

- **Health Services:** The Revised Recommended Budget includes \$28.2 million in funding for new or enhanced programs, including: \$23.4 million for various initiatives to address the impact of COVID-19 on the community (testing, contact tracing, business navigators, overtime, temporary staff, laboratory equipment and personal protective equipment), funded with \$17.4 million in CRF revenue and \$6 million in Net County Cost; \$4.7 million in Mental Health Services Act funding for various initiatives, including expansion of the Behavioral Health Crisis Services Collaborative Project with Dignity Health and program expansions at the Mental Health Urgent Care Clinic; and \$334,000 in grant funding to add or reallocate a number of positions in various Public Health programs.
- **Human Assistance – Administration:** The Revised Recommended Budget includes \$13.5 million in funding for new or enhanced programs, including \$11.4 million in new State and federal revenue to add 129 positions to address expected CalWORKS caseload increases as a result of COVID-19, and \$606,000 in Net County Cost funding to cover higher housing costs in the Flexible Supportive Housing Program for the homeless.
- **Sheriff:** The Revised Recommended Budget includes \$12.3 million in funding for new or enhanced programs, including \$7.6 million in Net County Cost for new positions to implement the requirements of the Mays Consent decree related to conditions of confinement in the County jails, \$675,000 in Net County Cost to cover staffing costs associated with the first phase of a plan to provide body cameras for Sheriff's Deputies and Regional Park Rangers, and \$4 million in grant and contract funding to add 11 positions and purchase additional vehicles and supplies to provide enhanced services in a number of areas, including contracted police services to Rancho Cordova and dedicated law enforcement services to Walmart.

A summary of all recommended new or enhanced programs is provided below. More detailed information is provided in Attachment 2, and in the Program Budget section for each Budget Unit.

Funded Net County Cost New or Enhanced Programs – The following table shows new or enhanced programs that are wholly or partially funded with Net County Cost.

Funded - Net County Cost New or Enhanced Programs

Department/Budget Unit	Cost	Net County Cost	Revenue/ Reimbursement	FTE
Assessor	\$100,000	\$100,000	\$0	0.0
Sheriff	\$8,291,117	\$8,291,117	\$0	42.0
Non-Departmental Costs/General Fund	\$1,415,892	\$1,415,892	\$0	0.0
Personnel Services	\$141,656	\$0	\$141,656	1.0
Animal Care And Regulation	\$143,000	\$143,000	\$0	0.0
Child, Family and Adult Services	\$3,465,000	\$3,465,000	\$0	0.0
Correctional Health Services	\$1,779,424	\$1,779,424	\$0	13.0
Health Services	\$9,795,822	\$5,935,625	\$3,860,197	0.0
Human Assistance-Administration	\$835,615	\$835,615	\$0	1.0
TOTAL	\$25,967,526	\$21,965,673	\$4,001,853	57.0

Funded Non-Net County Cost New or Enhanced Programs – The table on the following page shows the funded new or enhanced requests that do not require Net County Cost.

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Funded - Non-Net County Cost New or Enhanced Programs

Department/Budget Unit	Cost	FTE
District Attorney	\$436,118	1.0
Sheriff	\$4,000,322	11.0
Planning and Environmental Review	(\$22,425)	1.0
Regional Parks	\$75,000	0.0
Health Services	\$18,387,808	12.6
Human Assistance-Administration	\$12,621,080	129.0
General Fund	\$35,497,903	154.6
Non-General Fund		
Airport-Cap Outlay	\$32,950,000	0.0
Airport System	\$354,635	0.0
Board Of Retirement	\$26,762	0.0
Department of Technology*	\$273,000	1.0
General Services	\$2,957,293	2.0
Parking Enterprise	\$75,000	0.0
Golf	\$29,353	0.0
Department of Transportation	\$52,000	0.0
Development and Code Services	\$2,037,528	1.0
Solid Waste Enterprise	\$14,554,476	9.0
Water Agency Enterprise	\$1,084,311	5.0
Water Resources	\$75,113	0.0
Environmental Management	\$598,000	0.0
Mental Health Services Act	\$4,756,891	0.0
Sacramento Area Sewer Operations	\$25,627	0.0
Unemployment Insurance	\$2,600,000	0.0
Liability Insurance**	\$1,000,000	0.0
Non-General Fund	\$63,449,989	18.0
Total All Funds		
	\$98,947,892	172.6

* Partially funded with \$75,000 increase in allocated cost charged to departments.

** Fully funded with \$1,000,000 increase in allocated cost charged to departments.

Coronavirus Relief Fund Revenue

The County has received or will receive \$206,181,725 million in CRF revenue as a result of the Federal CARES Act. The U.S. Treasury Department provided \$181,198,725 directly to the County. In addition, the State of California included \$24,983,000 for Sacramento County in its Adopted Budget. The County has received part of this money and we expect to receive the remaining amount by the end of calendar year 2020. The County has used or plans to use that revenue as follows:

Use of Coronavirus Relief Fund Revenue	
Total Available	\$ 206,181,725
Used in FY2019-20 for Eligible Salary and Benefit Costs to Free Up General Fund Resources*	\$ 142,589,673
Used in FY2019-20 For New COVID-Related Costs	\$ 1,131,519
Total Available for Use in FY2020-21	\$ 62,460,533
Budgeted for Health Services Growth	\$ 17,460,533
Allocated for Health Services But Not Yet Budgeted	\$ 45,000,000
Remaining Available	\$ -

*\$4 million less then accrued into FY2019-20 due to over-accrual

The above table, however, does not tell the full story. The General Fund resources freed up as a result of using CRF revenue to cover eligible salary and benefit costs for existing staff resulted in a General Fund Available fund balance carry-forward that was \$145 million higher than it would otherwise have been. That higher fund balance was used for two purposes:

- To fund additional initiatives to address the impact of the COVID-19 pandemic on the community; and
- To help balance the General Fund budget and avoid significant reductions to many critical County services.

The following table summarizes the total amount of CRF money or freed-up General Fund money used in lieu of CRF money on COVID-19 related initiatives in the Revised Recommended Budget:

FY2020-21 Revised Recommended Budget - CRF Allocations/Use of Net County Cost in Lieu of CRF						
Department - Use	Approved Allocation	In Base Budget	Growth Request	Total in Budget	Funded By Net County Cost	Funded By CRF
DCFAS - Dine at Home Sacramento	\$ 6,930,000	\$ 3,465,000	\$ 3,465,000	\$ 6,930,000	\$ 6,930,000	
DCFAS Total	\$ 6,930,000	\$ 3,465,000	\$ 3,465,000	\$ 6,930,000	\$ 6,930,000	\$ -
Coroner - Indigent Cremation Contract	\$ 35,667	\$ 35,667		\$ 35,667	\$ 35,667	
Coroner Total	\$ 35,667	\$ 35,667	\$ -	\$ 35,667	\$ 35,667	\$ -
Health Services - COVID- 19 Contract with Stem Express for Testing	\$ 13,500,000		\$ 13,500,000	\$ 13,500,000		\$ 13,500,000
Health Services - Business Reopening Navigat.	\$ 778,813		\$ 778,813	\$ 778,813		\$ 778,813
Health Services - Contact Tracers	\$ 2,333,779		\$ 2,333,779	\$ 2,333,779	\$ 1,700,649	\$ 633,130
Health Services - Community-based Testing	\$ 2,622,705		\$ 2,622,705	\$ 2,622,705	\$ 1,500,000	\$ 1,122,705
Health Services - Primary Health - Homeless support, Mobile Medical Shelter, staff overtime, PPE and medical supplies	\$ 2,699,976		\$ 2,699,976	\$ 2,699,976	\$ 2,699,976	
Health Services - Public Health - on-call medical staff, laboratory and telecommunications equipment	\$ 1,425,885		\$ 1,425,885	\$ 1,425,885		\$ 1,425,885
Health Services Total	\$ 23,361,158	\$ -	\$ 23,361,158	\$ 23,361,158	\$ 5,900,625	\$ 17,460,533
Human Assistance - Project Roomkey Security	\$ 171,509	\$ 171,509		\$ 171,509	\$ 171,509	
Human Assistance - Homeless Response Plan	\$ 2,150,000	\$ 2,150,000		\$ 2,150,000	\$ 2,150,000	
Human Assistance Total	\$ 2,321,509	\$ 2,321,509	\$ -	\$ 2,321,509	\$ 2,321,509	\$ -
Planning - Temp. Outdoor Dining Permits	\$ 50,000	\$ 50,000		\$ 50,000	\$ 50,000	
Planning Total	\$ 50,000	\$ 50,000	\$ -	\$ 50,000	\$ 50,000	\$ -
To General Services - Counter Barriers for VRE	\$ 30,000	\$ 30,000		\$ 30,000	\$ 30,000	
To General Services - Ultraviolet Ltng for Coroner	\$ 180,000	\$ 180,000		\$ 180,000	\$ 180,000	
Total General Fund Transfers	\$ 210,000	\$ 210,000	\$ -	\$ 210,000	\$ 210,000	\$ -
TOTAL	\$ 32,908,334	\$ 6,082,176	\$ 26,826,158	\$ 32,908,334	\$ 15,447,801	\$ 17,460,533

In summary, as a result of the receipt of CRF revenue, there is a total of \$77.9 million available in FY2020-21 to address the impact of COVID-19 on the community: \$32.9 million in the Revised Recommended Budget and \$45 million allocated for additional public health needs and included in a proposed Supplemental Budget Adjustment (Attachment 5).

Recent Board Investment in New Programs and Services

The Revised Recommended Budget continues funding for the programs and services that were initiated over the last few years with Board approval, including:

- **The Black Child Legacy Campaign:** Continued implementation of a strategic plan to reduce disproportionate African-American child deaths through community-based contracts and targeted staffing in Child Protective Services, Public Health and Probation.
- **Healthy Partners:** This program provides health care services to undocumented immigrants.

- **Homelessness Initiatives:** Initiatives to address homelessness, such as the Flexible Housing Pool for rapid rehousing, the winter shelter program, improving family crisis response with emergency and single adult shelters, preserving the Mather Community Campus with a single adult shelter, establishing a full service rehousing shelter and implementing a flexible supportive rehousing program.
- **The Sacramento COVID-19 Homeless Response Plan:** A collaborative effort between the County, City of Sacramento, Sacramento Steps Forward and the Sacramento Housing & Redevelopment Agency (SHRA) that utilizes over \$12 million in local, State and federal funding to mitigate the spread of COVID-19 among the homeless by using motels to provide housing, along with meals and health services and assisting persons exiting motels to find more stable housing.
- **Clean-Up and Safety Initiatives:** The Parkways and Unincorporated Communities Clean-up and Safety Initiative to reduce the incidence and mitigate the impact of illegal camping in the American River and Dry Creek Parkways and in the County's unincorporated communities.
- **Policing Model:** Continues funding for the intelligence-led policing model being implemented by the Sheriff's Office.
- **Behavioral Health Services:** Enhancements to provide appropriate services to persons with substance abuse problems, reduce reliance on hospital emergency rooms and ensure that individuals experiencing substance abuse crisis receive the best treatment possible in the most appropriate setting for their needs.
- **Mental Health Services Act (MHSA):** Implementation of the three-year MHSA plan to expedite services for individuals with serious mental illness and/or co-occurring substance abuse disorders and are homeless or at risk of becoming homeless.
- **Probation Adult Supervision:** Implementation of a new Adult Supervision Model in Probation that prioritized supervision and services for all high risk probationers in the first six months to a year of probation, with a view to reducing offender recidivism.
- **Pre-trial Release Program:** Implementation of a Supervised Pre-trial Release program in Probation as an alternative to cash bail, that uses validated risk assessment tools to determine who should be released

from jail while awaiting trial and monitors those released to help ensure they appear for trial.

- **Community Livability Initiatives:** Community livability initiatives, such as increased code enforcement and graffiti abatement activities, an enhanced 311 Call Program and the establishment of a Community Prosecution Unit in the District Attorney’s Office.
- **Animal Care:** Initiatives that focus on improving animal care and maintaining the Animal Shelter’s 90% live release rate.
- **Increased American River Parkway/Regional Parks Maintenance:** Efforts to reduce fire danger and illegal camping, increase debris removal and generally enhance the visitor experience in the American River Parkway and the County’s Regional Parks.

FTE Positions

The table below provides information concerning the County’s Full Time Equivalent Positions (FTEs).

FY 2020-21 Budget - September	
FTE Changes	
Existing FTEs	12,368.6
Recommended Growth Net County Cost FTEs	57.0
Recommended Growth Non-Net County Cost FTEs	172.6
Base FTE Changes	(10.8)
FTE Reductions due to Program Reductions	(32.0)
Total Recommended FTE's	12,555.4
Note: (Base FTE Changes) Vacant position cuts were a result of Reductions departments made to their base budgets.	

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FY2020-21 Revised Recommended One-time Revenue

The Revised Recommended Budget is balanced using the following one-time sources:

Description	FY2020-21 Approved Budget	FY2020-21 Revised Recommended Budget
One-time Discretionary	\$ 3,150,000	\$ 1,000,000
Fund Balance Carry-over	\$ 86,022,506	\$ 161,609,233
Reserve Cancellation	\$ 2,800,397	\$ 6,588,871
Realignment Carry-over	\$ 33,908,631	\$ 5,311,839
Realignment Backfill		\$ 34,173,970
Coronavirus Relief Fund Revenue		\$ 17,460,533
Total	\$ 125,881,534	\$ 226,144,446

Transient Occupancy Tax Allocations

The Revised Recommended Budget includes \$2,549,000 in Transient Occupancy Tax (TOT) revenue, a reduction of \$4,279,000 from the Approved Budget level.

At \$2.5 million, the amount of TOT revenue in the Revised Recommended Budget is \$820,000 less than would be needed to cover the funding typically allocated to specific programs.

Rather than recommend a reduction in the transfer of General Fund resources to the TOT and Economic Development Funds, we are recommending that general Net County Cost be used to backfill the reduction in TOT revenue and that the General Fund resources allocated to specific programs be kept at the Approved Budget level.

The Approved Budget allocated TOT revenue as follows:

FY2020-21 Approved Budget - TOT Allocation	
Total TOT Revenue	\$ 6,628,000
Transferred to Economic Development Fund	\$ 269,900
Transferred to TOT Fund	\$ 3,074,956
Finance Dept. for Audits	\$ 25,000
Total Allocated to Specific Programs	\$ 3,369,856
Available to Cover General Net County Cost Needs	\$ 3,258,144

The revenue transferred to the Economic Development Fund provides funding for marketing activities and assistance to the Property Business Improvement Districts. The revenue transferred to the TOT fund provides funding for organizations like the Center for Sacramento History, Sacramento History Museum, Visit Sacramento, the Greater Sacramento Economic Council, the Sacramento Metropolitan Chamber of Commerce, as well as cultural arts awards, the Board’s Neighborhood and Community Service funds and the \$1 million TOT Grant program.

Budget Uncertainties

The Revised Recommended Budget is based on certain assumptions about future revenue and expenditure requirements and relies more heavily than usual on one-time resources. Though currently balanced, there are many factors that could negatively impact the County’s fiscal situation this year and/or in FY2021-22 and future years. Those include:

- **Discretionary and Semi-Discretionary Revenue:** These revenue sources could come in significantly lower than our projections. This is a real possibility given the uncertainties related to the economic impact of the COVID-19 pandemic, and could require budget reductions later in the fiscal year.
- **Use of One Time Funding:** The FY2020-21 Revised Recommended General Fund Budget is balanced largely with higher than usual available fund balance carry-forward, which was generated by using CRF revenue to offset eligible salary and benefit costs of existing staff in FY2019-20. Unless discretionary and Semi-discretionary revenue comes in at least \$180 million higher than current estimates in FY2020-21 or FY2021-22 or we

receive additional federal or State relief funding that can be used to offset revenue loss, it is unlikely the FY2021-22 General Fund budget can be balanced without substantial program and staffing reductions.

- **COVID-19 Emergency:** Expenditures to deal with the impact of the COVID-19 pandemic could exceed the \$80.4 million that is in the Revised Recommended Budget or otherwise allocated by the Board for this purpose. If the County does not receive additional revenue, budget reductions would likely be required to address these needs.
- **Salary and Benefit Costs:** Salary and benefit costs for County employees could increase substantially, depending on the outcome of negotiations with the County's employee bargaining units. All 30 of the County's collective bargaining agreements are set to expire at the end of the current fiscal year. In addition, in May the Sacramento County Employees Retirement System (SCERS) Board voted to lower the assumed investment rate of return from 7% to 6.75%, which will increase both employer and employee share of retirement costs.
- **Hardesty-Schneider Lawsuit:** The County could be required to pay a substantial amount of money as a result of the Hardesty-Schneider lawsuit. The County lost this land use case in federal District Court and was found liable for \$105 million in damages. The Ninth Circuit Court of Appeals recently affirmed the judgement against the County, but vacated the damages amount as excessive and remanded the case back to the District Court to reconsider the damages. At this point it is unknown the level of damages the County may face and we only have \$4.7 million in reserve to cover these costs.

Supplemental Adjustments to the Revised Recommended Budget Proposed by the County Executive

On August 19, after the Revised Recommended Budget was prepared, the Board approved an allocation of \$45 million in Coronavirus Relief Fund (CRF) revenue for the Health Services Department to address additional public health needs related to the impact of COVID-19 on the community. As a result, I am recommending a Supplemental Adjustment to the Revised Recommended Budget as described in Attachment 5.

Attachments to the Budget Transmittal Letter

There are several attachments included with this transmittal letter that provide detailed budget information.

Attachment 1: Provides information on proposed program reductions.

Attachment 2: Provides information on new and enhanced programs.

Attachment 3: Presents the All Funds Budget.

Attachment 4: Provides more information on the General Fund budget.

Attachment 5: Provides a Supplemental Adjustment to the Revised Recommended Budget proposed by the County Executive based on new information that became available after the budget document was prepared.

Attachment 6: Provides information on requests for new or enhanced programs that are not recommended for funding.

Conclusion/Acknowledgement

I would like to acknowledge the hard work and dedication of the County's department heads and fiscal staffs in preparing the budget you have before you today. Their input and judgement have been critical in crafting a balanced budget in light of the very difficult fiscal times in which we find ourselves.

The Budget will be presented to the Board on September 9, 2020, starting at 5:00p.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,

Navdeep S. Gill
County Executive