

Interim County Executive
Ann Edwards



County of Sacramento

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May 28, 2021

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

RE: Fiscal Year 2021-22 Recommended Budget

Honorable Members of the Board:

I am pleased to submit the Recommended Budget for FY2021-22 for your consideration and approval. Based on guidance provided by your Board at various meetings over the last fiscal year, the General Fund Budget avoids significant reductions in programs and services and includes new investments in a number of areas, including:

- Dealing with the impact of homelessness on our community;
- Providing an alternative to police response to persons experiencing mental illness;
- Addressing critical needs for capital improvements in our Parks system and at the Mather Community Campus; and
- Improving the condition of County roads.

The General Fund Budget also includes additional funding to address critical technology needs, to meet legal mandates and compliance requirements and to deal with the most urgent health and safety issues.

The General Fund Budget is balanced as required by State law, but it is balanced with approximately \$120 million in one-time discretionary and Semi-discretionary (Realignment and Proposition 172) resources. This made it challenging to address the community's needs for services that you have identified, and what we need to do to meet our legal and compliance

obligations without over-committing one-time resources to ongoing expenses.

The approach we have taken is to generally fund department Base (current staffing and service level) budgets, but make select reductions that have only a limited impact on services. Once the Base was funded, we allocated any remaining discretionary resources essentially as follows:

- Approximately one third to fund ongoing “Growth” (new or enhanced programs);
- Approximately one third to fund one-time Growth; and
- Approximately one third to increase discretionary reserves.

Despite this, it should be kept in mind that funding at the ongoing levels included in the Recommended General Fund Budget is unlikely to be sustainable into future fiscal years.

The Recommended Budget does not include any funding from the American Rescue Plan Act (ARP) recently passed by Congress. Sacramento County will receive approximately \$300 million in State and Local Fiscal Recovery Fund revenue from ARP, and we are eligible for additional funding under other ARP programs. We have retained the services of a consultant to help us develop a comprehensive spending plan, which should be complete in about three months. The Recommended Budget also does not reflect the impact of the May Revision to the Governor’s January Proposed State Budget (the May Revise). The Legislature has not yet adopted the State Budget, but staff is reviewing the Governor’s May Revise and it is possible there will be State budget-related changes in the County’s Revised Recommended Budget.

As you know, when departments submit their budget requests in February, they include requests for Growth, reflecting what they believe will be needed in terms of new or enhanced programs in the up-coming fiscal year. Typically, some Growth requests are funded in June with the Recommended Budget, some Growth requests are funded in September with the Revised Recommended Budget and, given resource limitations, some Growth requests are not funded. One reason that it is often possible to fund additional Growth requests in September is because by then the County’s books have been closed and we have actual prior year-end fund balance information, as well as more complete information from the State’s final budget. We will also have updated discretionary and Semi-discretionary revenue estimates, based on four more months of actual data.

For FY2021-22, we are proposing a more holistic approach to addressing Growth requests. This Recommended Budget includes funding for Growth as

described above, but also includes recommendations for funding Growth in September, resources permitting. We are requesting that the Board direct staff to prioritize certain Growth requests for funding in September. We are also recommending that the Board direct staff to prioritize increasing General Fund reserves with any discretionary resources that are available in September after addressing prioritized Growth. This recommendation provides departments with some predictability in terms of what they can expect to be able to provide in services in the budget year and it helps address the balance between meeting service delivery needs and fiscal sustainability.

Based on Board direction, this year's budget process included a number of additional components designed to increase transparency and provide opportunity for public input, including:

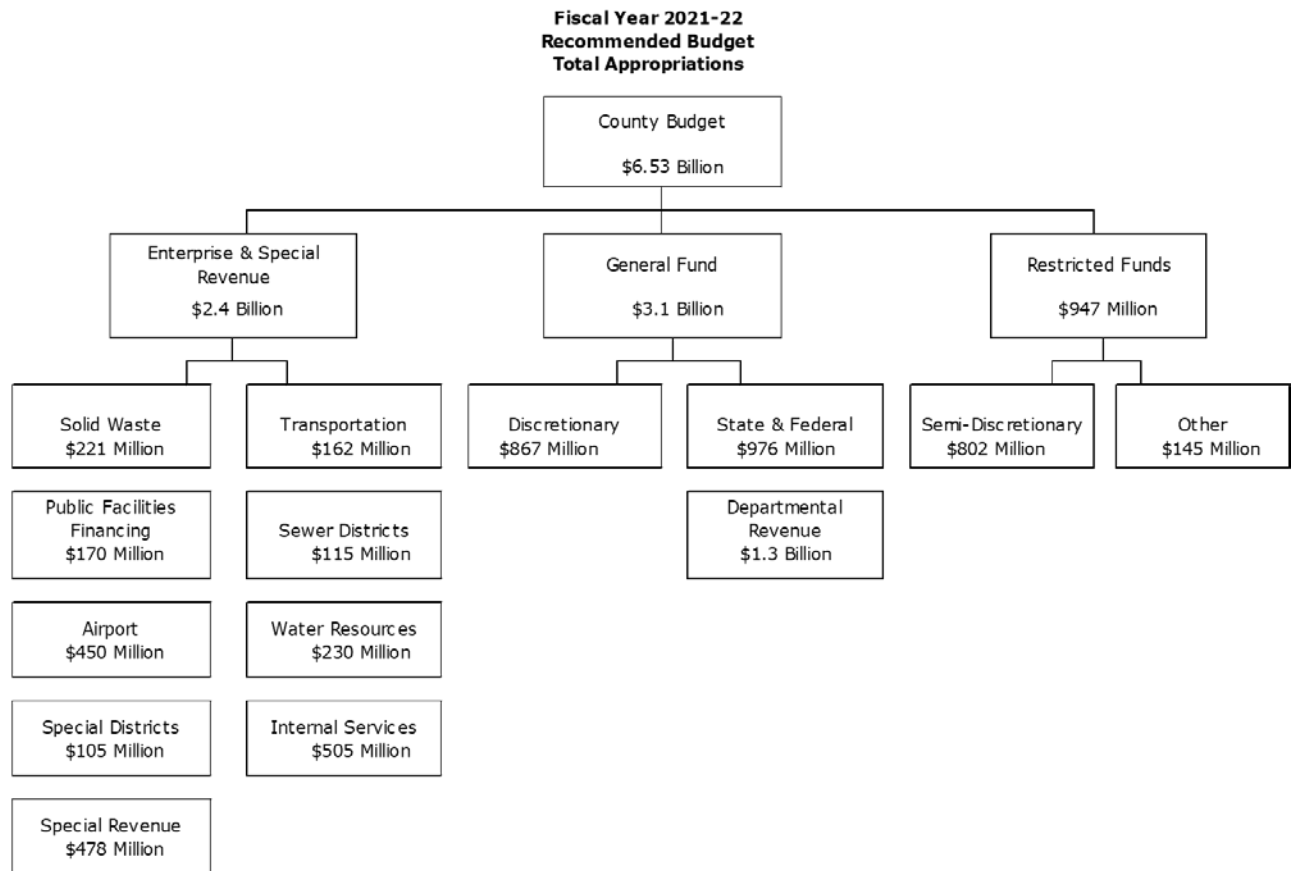
- A public budget workshop held on February 4, accompanied by an effort to solicit input on budget priorities. The County received 463 comments as a result of these efforts.
- A Second Quarter Fiscal Status Report, presented to the Board on March 10. This provided the Board and public with the most current information on projected year-end status for all County funds, but particularly the General Fund.
- A discussion of Proposed FY2021-22 Budget Policies held on March 10. The Board received additional public input at that meeting. The Board did not adopt any Budget Policies, but did provide staff with guidance on Board priorities.
- A Budget Study Session held on April 14, where staff provided the Board and public with preliminary information about the County's FY2021-22 budget and longer-term fiscal situation.

I recognize, though, that the Board would like to see a more robust public engagement process for the annual budget. Given time constraints, this was not possible for the FY2021-22 Budget, but as you will see later in this budget message, I am proposing a more comprehensive and systematic public engagement process for future budgets, starting with FY2022-23.

ALL FUNDS OVERVIEW

The Budget for All Funds totals \$6,530,111,730 in appropriations. This is a \$118,203,439 (1.8%) increase compared to the FY2020-21 Adopted Budget.

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



Of the total Budget of \$6.5 billion, approximately \$2.437 billion in Enterprise and Special Revenue Fund expenditures is funded through utility rates, fees and other dedicated revenue. Of the General Fund Budget of \$3.147 billion, approximately \$867 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.

GENERAL FUND OVERVIEW

The Recommended General Fund Budget totals \$3,146,541,870 in appropriations. This is an increase of \$57,980,527 (1.9%) compared to the FY2020-21 Adopted Budget. This increase is the net result of a \$27.1 million reduction in Base appropriations (the budget year cost of existing programs and services) and \$80.1 million in recommended funding for new or enhanced programs (Growth).

The Recommended General Fund Budget includes \$898.2 million in discretionary resources (Available fund balance and discretionary revenue and reimbursements), a \$39.7 million (4.5%) increase compared to the FY2020-21 Adopted Budget level. As described above, this \$898.2 million was used, first, to cover Base appropriations, with the remaining amount allocated roughly equally to fund ongoing Growth, one-time Growth and an increase in discretionary reserves, as shown in the following table.

FY2021-22 Recommended Budget - Use of Discretionary Resources	
Beginning Available Balance	\$ 172,000,000
Discretionary Revenue & Reimbursements	\$ 726,216,689
Total Discretionary Resources	\$ 898,216,689
Funded Base Net County Cost	\$ 820,995,105
Discretionary Resources Remaining	\$ 77,221,584
Discretionary Reserve Increase	\$ 20,224,694
Total Growth	\$ 56,996,890
On-going Growth	\$ 27,793,665
One-time Growth	\$ 29,203,225

Key Base Budget Drivers

- Use of Fund Balance Carry-forward:** The Recommended Budget assumes a General Fund Available fund balance carry-forward of \$172 million, an increase of \$10.5 million (6.4%) compared to the FY2020-21 Adopted Budget level. This is a very high Available fund balance compared to recent history and is due largely to three things: (1) the fact that the FY2019-20 fund balance carry-forward reflected the use of \$146 million in federal Coronavirus Relief Fund (CRF) revenue to offset eligible salary and benefit costs of existing public safety and health employees in FY2019-20, thus freeing up Net County Cost that could add to fund balance, based on the assumption that discretionary revenue and Semi-discretionary revenue would decline significantly in both FY2019-20 and FY2020-21 due to the COVID-19 pandemic; (2) the fact that actual FY2019-20 and FY2020-21 discretionary and Semi-discretionary revenue came in significantly higher than anticipated;

and (3) reduced contract and caseload costs in FY2020-21 likely due to the impact of the COVID-19 pandemic.

- **Discretionary Revenue Changes:** The Recommended Budget reflects the receipt of \$726.2 million in discretionary revenue and reimbursements, an increase of \$37.7 million (5.4%) from the FY2020-21 Adopted Budget level. This is due primarily to a \$21.7 million increase in property tax revenue and a \$12 million increase in sales and use tax revenue.
- **Semi-discretionary Reimbursement Changes:** The Recommended Budget assumes the receipt of \$801.8 million in Semi-discretionary reimbursements, an increase of \$80 million (11.1%) compared to the FY2020-21 Adopted Budget level. This increase is due partly to the expected impact of the ongoing economic recovery from the COVID-19 pandemic and partly to the fact that the sales tax revenue number in the FY2020-21 Adopted Budget reflected an over-estimation of the negative economic impact of the pandemic.
- **Loss of Realignment Backfill Revenue:** The FY2020-21 Adopted Budget included \$34.2 million in Realignment Backfill revenue from the State, designed to help offset what was anticipated to be a significant reduction in Realignment revenue in FY2020-21. This was one-time revenue and the Recommended Budget reflects the elimination of this funding.
- **Revenue Loss Due to AB 1869:** In 2020, the Legislature and Governor approved AB 1869. This bill repealed the authority of counties to charge defendants 23 different fees for things like administering probation and mandatory supervision, processing arrests and citations, and administering home detention programs, continuous electronic monitoring programs, work furlough programs, and work release programs. The bill also repealed the authority of courts to order defendants to pay the costs of the public defender. The provisions of the bill take effect beginning July 1, 2021, and included an appropriation of \$65,000,000 to counties to backfill revenues lost from the repeal of these fees. The State has not yet provided information on how much backfill revenue each County will receive, so the Recommended Budget currently reflects the full revenue loss of \$10.2 million.

- **Salary and Benefit Costs:** The Recommended Base Budget includes a \$34 million increase in salary and benefit costs for existing positions. This increase is due to an assumed 1% salary cost of living adjustment for all employees, a 4.1% increase in employee health insurance costs and a 7.4% increase in the employer's contribution to the employee retirement system. The latter is partially due to FY2021-22 being the first year of a two-year phase-in of the impact of a reduction in the Sacramento County Employee Retirement System (SCERS) assumed rate of return from 7% to 6.75%.
- **Assistance Caseload Decline:** A \$34.5 million (\$15.3 million Net County Cost) decrease in aid payment costs in a variety of programs, due to a projected caseload decline, likely due in part to the impact of the COVID-19 pandemic.
- **Reduction in Funding for Various Health Services Programs:** A reduction of approximately \$32 million in funding for various programs and services, including Coronavirus Relief Fund (CRF) and other COVID-19 pandemic-related revenue, Mental Health Services Act (MHSA) funding for the Building Hope and Community Driven and Early Intervention Grant Programs, and State funding for the Dental Transformation Initiative. The Health Services Department anticipates submitting a budget adjustment in FY2021-22 to augment funding for COVID-19 pandemic response efforts.
- **Increase in Contingency:** The Recommended Budget includes a \$5 million increase in the General Fund's Appropriation for Contingency, bringing the total operating contingency to \$6 million (0.2% of General Fund appropriations). Collective bargaining agreements with all 30 labor unions that represent County employees expire on June 30, 2021. The County is currently negotiating new agreements with those unions. As noted, the Recommended Budget includes funding for a 1% cost of living adjustment (COLA) for all employees, but it appears that many agreements will include COLAs in the 2% range. Every 1% increase in salaries increases Net County Cost by approximately \$6 million.
- **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. The FY2021-22 Recommended Base Budget includes approximately \$40 million in

expenditures in the Sheriff’s Office and Correctional Health Services, in addition to the Growth that is also included in this Recommended Budget. The issue of the County’s response to the Mays consent decree is discussed in more detail later in this budget message.

- **University of California – Davis Health System Lawsuit:** The County is obligated to make annual payments to UC Davis as part of a lawsuit settlement. For FY2021-22, the County will make a \$7.7 million payment, and this payment obligation will increase over time and continue until FY2033-34.
- **Interfund Transfers Repayment:** The Recommended Budget includes a repayment of \$6.7 million for the Interfund Transfer. The table below summarizes the status of the Interfund Transfers.

FY2021-22 Recommended Budget	
INTERFUND TRANSFER AND REPAYMENT	
Original Amount	\$77.65 million
Amount Paid	\$64.26 million
Outstanding Balance as of 6/30/21	\$13.39 million

- **Continued Funding for Board Priority Programs:** The Recommended Budget continues funding for the programs and services initiated over the last few years with Board approval, including the Black Child Legacy Campaign, the Healthy Partners Program that provides healthcare services to undocumented immigrants, various homelessness initiatives, the Parkways and Unincorporated Areas Clean-up and Safety Initiatives, enhanced behavioral health services and the Probation Adult Supervision Model.

Program Reductions to Base Budget

The Recommended Budget includes approximately \$5.3 million (\$3 million Net County Cost) in program expenditure reductions in several General Fund departments. These reductions are primarily “Categorical” reductions (meaning the expenditure reductions are due to a reduction in dedicated State or federal revenue). The County’s general practice is not to backfill reductions in Categorical revenue. In addition, there are some non-categorical reductions. In the latter case, departments have indicated that

the recommended reductions generally will improve efficiency or not have a negative impact on services provided by the department.

The following table summarizes the reductions by budget unit:

Department/Budget Unit	Total Recommended Reductions	Categorical	Non-Categorical	FTE Reductions
Agricultural Comm-Sealer Of Wts & Meas	47,811	0	47,811	
Child Support Services	209,005	209,005	0	3.0
Clerk of the Board	41,440	0	41,440	
Code Enforcement	66,128	0	66,128	1.0
County Executive Cabinet	0	0	0	1.0
Department Of Finance	90,827	0	90,827	3.0
Health Services	37,975	37,975	0	
Probation	4,376,550	4,376,550	0	22.0
Regional Parks	44,870	0	44,870	
Sheriff	428,002	428,002	0	2.0
Total General Fund	\$5,342,608	\$5,051,532	\$291,076	32.0

The Budget Units with the largest recommended reductions include:

- **Probation**, with a \$4.4 million reduction in expenditures due to the completion of the Monitored Pre-trial Release Pilot Program, that was funded for two years with State grant and Community Corrections Realignment Innovation revenue. Funding for this program – no longer as a pilot - is restored by a recommended Growth request that is funded by \$2 million in remaining State grant funds and \$3 million in Net County Cost.
- **The Sheriff**, with a \$428,000 reduction in expenditures due to the end of Department of Justice Tobacco Grant funding. This will eliminate the Tobacco Abatement Team, which works to mitigate juvenile tobacco use through education and proactive enforcement.
- **Child Support Services**, with a \$209,000 reduction in expenditures, which is the net result of replacing a Senior Account Clerk and two Office Assistant positions with two Child Support Officer positions on

the All Children Emancipated Team to more efficiently serve clients and increase collections.

- **Finance**, with a \$91,000 reduction in expenditures due to: (1) the net impact of eliminating two Collection Services Agent positions and paying the Department of Technology for the services of a Business Technology Systems Analyst to evaluate and enhance Revenue Recovery's debt management and collection system; and (2) the net impact of eliminating two Account Clerk positions and adding an Accountant position, reflecting a change in the need for clerical staff to process checks to the need for staff to analyze data and interact with third party vendors.

DEPARTMENTAL REQUESTS FOR NEW OR ENHANCED PROGRAMS (GROWTH)

For the preparation of the FY2021-22 Budget, County departments submitted over \$156 million in requests for new or enhanced programs (Growth requests), including almost \$90 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 and other factors described above in making budget recommendations.

The Recommended Budget includes \$118 million in All Funds for new or enhanced programs or services, and \$80.1 million in the General Fund. If certain double-counting of expenditures that occurs when resources are transferred between funds is factored out, the Recommended Budget includes approximately \$91 million in funding for new or enhanced programs or services. In addition, we have identified \$24.3 million in requested Growth that is not included in the Recommended Budget, but that I am recommending be prioritized for inclusion in the Revised Recommended Budget in September, if resources are available. The most significant Growth included in the Recommended Budget or prioritized for inclusion in the Revised Recommended Budget include:

Ongoing Growth

- \$12 million - \$9.9 million after adjusting for double-counting due to the internal transfers in the Health Services budget - (\$6.4 million Net County Cost) to fund a non-law enforcement **Alternative Emergency Response to Persons Experiencing Mental Health**

Issues in the unincorporated County and all cities except for the City of Sacramento.

- \$5.9 million (\$5.5 million Net County Cost) to fund a robust **Homeless Encampment Initiative**, designed to get people without housing in the unincorporated County off the streets and into temporary and eventually permanent housing. Resources permitting, the Revised Recommended Budget will include an additional \$1.5 million in Net County Cost for this initiative, bringing the total cost to \$7.4 million.
- \$5 million (\$3 million Net County Cost) to fund on an ongoing basis the **Probation Department's Monitored Pre-trial Release Program** that was originally funded for two years as a pilot project with Community Corrections Innovation Realignment and State grant funds.
- \$6.8 million in Net County Cost to fund continued efforts to meet the County's obligations under the **Mays Consent decree** regarding conditions of confinement in the County's jails.
- \$6.4 million in grant funding for the **Epidemiology and Laboratory Capacity (ELC) Enhancing Detection Expansion Program** in Public Health that supports epidemiology and laboratory services to both deal with the current threat of COVID-19 and to prepare and deal with other emerging infectious diseases.
- \$2.5 million (\$1.6 million Net County Cost) to fund an additional Foster Care Unit, two additional Emergency Response Units and two additional Public Health Nurses in **Child Protective Services**, which, among other things, will reduce caseloads per Social Worker.
- Resources permitting, \$15 million in Net County Cost will be included in the Revised Recommended Budget to cover the first two years cost of **replacing the County's Property Tax System**; the total cost will be approximately \$32 million over three years.
- \$2.2 million for **increased processing costs related to organic solid waste**.

One-Time Growth

- The transfer of \$20 million in Net County Cost from the General Fund to the Roads Fund to spend on **County road pavement rehabilitation projects** where the road is on the verge of needing much more costly full reconstruction. Because of the savings achieved by making these improvements now, the value of this \$20 million in expenditures in terms of road improvements would be \$35 million to \$45 million. As proposed, this one-time transfer would be repaid to the General Fund at \$2 million a year over 10 years.
- \$4.4 million in Net County Cost to cover the cost of the special **gubernatorial recall election** that it now appears likely will occur in FY2021-22.
- The transfer of \$2.4 million in Net County Cost from the General Fund to the Parks Construction Fund to start addressing the \$72 million **backlog in Regional Parks capital needs**. Resources permitting, the Revised Recommended Budget will include an additional \$1.6 million in Net County Cost for this purpose, bringing the total cost to \$4 million.
- The transfer of \$1 million in Net County Cost from the General Fund to the Capital Construction Fund to start addressing the \$11 million **backlog in Mather Community Campus capital needs**. Resources permitting, the Revised Recommended Budget will include an additional \$4 million in Net County Cost, bringing the total cost to \$5 million.

A summary of all recommended new or enhanced programs is provided below. More detailed information is provided in Attachment 3, and in the Program Budget Section for each Budget Unit.

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The following table shows the amount of funding in the Recommended Budget for new or enhanced programs for General Fund budget units.

Funded - General Fund - New or Enhanced Programs (Summary)

Department/Budget Unit	Total Appropriations	Net County Cost	Revenue/ Reimbursement	FTE
Assessor	\$280,903	\$280,903	\$0	0.0
Board of Supervisors	\$24,000	\$24,000	\$0	0.0
District Attorney	\$213,909	\$0	\$213,909	1.0
Sheriff	\$4,473,730	\$4,473,730	\$0	15.0
Clerk of the Board	\$546,988	\$546,988	\$0	4.0
County Executive Cabinet	\$91,500	\$91,500	\$0	0.0
Criminal Justice Cabinet	\$189,904	\$0	\$189,904	1.0
Fair Housing Services	\$10,000	\$10,000	\$0	0.0
Financing-Transfers/Reimbursement	\$23,532,091	\$23,532,091	\$0	0.0
Non-Departmental Costs/General Fund	\$990,000	\$990,000	\$0	0.0
Planning and Environmental Review	\$358,470	\$95,000	\$263,470	3.0
County Clerk/Recorder	\$938,000	\$0	\$938,000	0.0
Personnel Services	\$200,000	\$200,000	\$0	0.0
Voter Registration And Elections	\$4,417,231	\$4,417,231	\$0	1.0
Animal Care And Regulation	\$193,082	\$193,082	\$0	1.0
Regional Parks	\$268,301	\$241,500	\$26,801	0.0
Code Enforcement	\$97,745	(\$33,815)	\$131,560	1.0
Child, Family and Adult Services	\$3,560,028	\$2,161,407	\$1,398,621	30.0
Child Support Services	\$168,310	\$0	\$168,310	2.0
Correctional Health Services	\$2,903,482	\$2,903,482	\$0	23.0
Health Services	\$23,467,248	\$8,360,834	\$15,106,414	90.0
Human Assistance-Administration	\$6,254,660	\$5,469,960	\$784,700	8.0
Probation	\$6,915,166	\$3,038,997	\$3,876,169	37.0
Total General Fund	\$80,094,748	\$56,996,890	\$23,097,858	217.0

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The following table shows the amount of funding in the Recommended Budget for new or enhanced programs in non-General Fund budget units.

Department/Budget Unit	Total Appropriations	FTE
2011 Realignment	\$189,904	0.0
Airport System	\$411,044	0.0
Airport-Cap Outlay	\$1,300,000	0.0
Clerk/Recorder Fees	\$938,000	0.0
Capital Construction	\$1,000,000	0.0
Department of Technology	\$854,143	4.0
General Services	\$388,838	(1.0)
Parking Enterprise	\$98,560	0.0
Park Construction	\$2,423,091	0.0
Golf	\$42,381	0.0
Roads	\$20,000,000	0.0
Department of Transportation	\$49,600	0.0
Development and Code Services	\$126,672	0.0
Solid Waste Authority	\$114,335	0.0
Solid Waste Enterprise	\$6,069,563	29.0
Water Agency Enterprise	\$1,625,975	7.0
Sacramento Regional Sanitation District	\$0	0.0
Sacramento Area Sewer Operations	\$0	0.0
Mental Health Services Act	\$2,162,411	0.0
Environmental Management	\$112,910	0.0
Total Non-General Fund	\$37,907,427	39.0

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The following table shows the amount of funding that will be included in the Revised Recommended Budget for new or enhanced programs, if resources are available.

All Funds - Recommended Growth for September (Summary)

Department/Budget Unit	Cost	Net County Cost	Revenue/Reimbursement	FTE
Assessor	\$125,000	\$125,000	\$0	0.0
Sheriff	\$1,435,903	\$1,435,903	\$0	15.0
Financing-Transfers/Reimbursement	\$4,000,000	\$4,000,000	\$0	0.0
Financing-Transfers/Reimbursement	\$1,576,909	\$1,576,909	\$0	0.0
Data Processing-Shared Systems	\$14,926,094	\$14,926,094	\$0	0.0
Department Of Finance	\$492,692	\$73,906	\$418,786	4.0
Correctional Health Services	\$18,415	\$18,415	\$0	0.0
Health Services	\$231,078	\$104,905	\$126,173	1.0
Human Assistance-Administration	\$1,500,000	\$1,500,000	\$0	0.0
Juvenile Medical Services	\$2,853	\$2,853	\$0	0.0
Total General Fund - Net County Cost	\$24,308,944	\$23,763,985	\$544,959	20.0
Capital Construction	\$4,000,000	\$0	\$4,000,000	0.0
Department of Technology	\$125,996	\$0	\$125,996	1.0
Park Construction	\$1,576,909	\$0	\$1,576,909	0.0
Total Non-General Fund - Net County Cost	\$5,702,905	\$0	\$5,702,905	1.0

RESTRUCTURING AND PLANNING TO ADDRESS CRITICAL CORRECTIONAL NEEDS

In 2019, the County entered into a consent decree (the “Mays consent decree”) to settle a lawsuit in federal court regarding conditions of confinement in the County’s jails. Under the terms of that consent decree, the County is obligated to implement five remedial plans. In negotiating this settlement, the County committed to implementing the letter and spirit of the remedial plans as quickly and comprehensively as possible and shared with the plaintiffs a five-year Implementation Plan that demonstrated that commitment. Among other things, that Plan included completing physical improvements at the Rio Consumes Correctional Center (RCCC) that the County was planning to make using SB 1022 grant funds and building a Main Jail annex that would include a new booking and intake unit and new medical and mental health housing and treatment space that are appropriate for programming, treatment and confidentiality (the Correctional Health and Mental Health Services Facility).

To date, we have met our Implementation Plan commitment to the Mays plaintiffs, including adding 59 Mental Health Intensive Outpatient Pod (IOP) beds, 125 Mental Health Enhanced Outpatient beds, and adding 189 medical, mental health and custody positions. We have increased out of cell time to 17 hours a week for most inmates and to 7 hours a week for inmates in restricted housing. We have also implemented a number of programs designed to reduce the jails population, such as the Probation Department's Monitored Pre-trial Release program and the AB 1810 Mental Health Diversion Program. In addition, with the assistance of the Carey Group, we have also begun working on providing alternatives to incarceration for sentenced offenders.

The Board has now made the decision not to proceed with the SB 1022 project at the RCCC or build the proposed Correctional Health and Mental Health Services Facility adjacent to the Main Jail. To comply with the provisions of the Mays consent decree without these improvements will be a challenge and likely require a substantial reduction in the jails' inmate population. To accomplish this, we believe, will require a more aggressive, systematic and strategic approach to implementing alternatives to incarceration for sentenced and pre-sentenced inmates, including providing adequate resources to plan and facilitate the implementation of, and monitor and evaluate the effectiveness of, those alternatives.

To that end, I will be proposing an ordinance to create a new Public Safety & Justice Agency, headed by a Deputy County Executive. The Recommended Budget includes an existing, currently vacant, Deputy County Executive for Municipal Services position. Once the new Public Safety & Justice Agency is created, that position will be re-designated Deputy County Executive for Public Safety and Justice and will be given responsibility for leading that Agency and overseeing the County's efforts to comply with the Mays consent decree and significantly reduce the jails' population.

The new Public Safety & Justice Agency will include the Probation, Public Defender, Conflict Criminal Defender and Coroner departments that are currently part of the Social Services Agency, as well as the Management Analyst for Criminal Justice Planning that provides support to the Criminal Justice Cabinet that is currently part of the Office of Budget & Debt Management. The Deputy County Executive for Public Safety & Justice will also act as the County Executive's liaison to the Sheriff, District Attorney, Superior Court, Criminal Justice Cabinet and Community Corrections Partnership and Sheriff's Inspector General, a role now performed by the Chief Fiscal Officer. Departments that are currently in the Municipal Services Agency will be transferred to the Public Works & Infrastructure Agency. This Agency will be renamed as well.

In addition, the Recommended Budget includes a Growth request to add a second Management Analyst II for Criminal Justice planning in the Criminal Justice Cabinet budget unit as well as \$300,000 in the Non-departmental Costs budget unit to contract with consultants that may be needed to assist in planning and implementing alternatives to incarceration. Funding for the Management Analyst and \$300,000 for contracted services will be funded with Community Corrections Realignment Planning money.

Sacramento County criminal justice agencies have a track record of collaborating to address critical issues, as illustrated by the work on the Adult Correctional System Review. But the lack of high level County leadership and analytical resources dedicated to reducing the jails' population has hampered the ability to achieve agreement on a comprehensive plan that allows us to move forward in aggressively implementing the system changes that are needed.

In selecting the new Deputy County Executive for Public Safety and Justice, I will be looking not only for someone with strong leadership and communication skills who has extensive experience in the criminal justice field, but also someone who has in-depth knowledge about, and is committed to the use of evidence-based practices in corrections. Evidence-based practices focus on the use of validated screening and assessment tools to select the right people for diversion or release and providing levels of supervision and services that have been demonstrated to hold offenders accountable and reduce recidivism. With this dedicated leadership and with the added analytical capability to utilize data to help design and evaluate the effectiveness of our efforts, I believe we will be able to move forward quickly to achieve significant jail population reductions and to provide enhanced monitoring of the County's efforts to comply with the Mays consent decree.

In the meantime, the Recommended Budget includes approximately \$6.8 million for additional staffing and services in the jails in accordance with the Mays consent decree implementation plan. In addition, the Recommended Budget includes approximately \$3 million in additional Net County Cost to continue the Probation Department's Enhanced Supervised Pre-trial Release Pilot project on an ongoing basis, despite the loss of State and Community Corrections Realignment Innovation Revenue funding and continued funding for various other community corrections programs, including the Probation Department's Adult Day Reporting Centers for sentenced offenders, mental health diversion and re-entry programs and the programs operated by the Public Defender's Office. Once we reach agreement with our partners in the criminal justice system on a plan to substantially reduce the jails' population, I expect that we will be returning to the Board with a request for additional funding for staff and services.

FTE POSITIONS

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

FY2021-22 Recommended Budget	
FTE CHANGES	
Existing FTEs	12,593.5
Recommended Growth Net County Cost FTEs	217.0
Recommended Growth Non-Net County Cost FTEs	39.0
Base FTE Changes	(65.0)
FTE Reductions Due to Program Reductions	(34.0)
Total Recommended FTEs	12,750.5
Note: Base FTE changes reflect the deletion of vacant positions by departments in their base budgets.	

FY2021-22 RECOMMENDED ONE-TIME REVENUE

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

FY2021-22 Recommended Budget		
GENERAL FUND - ONE-TIME RESOURCES		
Description	FY2020-21 Adopted Budget	FY2021-22 Recommended Budget
One-time Discretionary	\$ 1,000,000	
Fund Balance Carry-over	\$ 161,609,233	\$ 172,000,000
Reserve Cancellations	\$ 8,384,625	
Semi-discretionary Carry-Over	\$ 5,311,839	\$ 5,206,731
Coronavirus Relief Fund Revenue	\$ 62,460,533	
Total	\$ 238,766,230	\$ 177,206,731

TRANSIENT OCCUPANCY TAX ALLOCATIONS

The Recommended Budget includes \$4,030,000 in Transient Occupancy Tax (TOT) revenue, an increase of \$1,481,000 compared to the FY2020-21 Adopted Budget level. The Recommended Budget allocated TOT revenue is as follows:

FY2021-22 Recommended Budget	
TOT ALLOCATION	
Total TOT Revenue	\$ 4,030,000
Transferred to Economic Development Fund	\$ 301,394
Transferred to TOT Fund	\$ 2,741,687
Finance Department for Audits	\$ 25,000
County Executive Cabinet for TOT Support	\$ 168,635
Total Allocated to Specific Programs	\$ 3,236,716
Available to Cover General Fund Net County Cost Needs	\$ 793,284

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.

For the Recommended Budget, the TOT Fund also has \$285,999 in available fund balance and \$10,000 in interest income that is used to fund the various organizations and programs described above. So, the total amount allocated to specific programs is \$3,532,715.

More detailed information concerning the allocation of TOT revenue can be found in Attachment 5.

SIERRA 99 GATEWAY DIGITAL BILLBOARD REVENUE

On August 13, 2014, the Board approved the Sierra 99 Gateway Digital Sign Rezoning and Use Permit to allow the installation of a 52 foot tall digital sign

at 8151 East Stockton Boulevard in South Sacramento. The project approval included a Development Agreement (DA) that, among other things, required that the developer, Sierra 99 Gateway, LLC, pay the County \$2.775 million over 30 years, as follows:

- A one-time payment of \$75,000 in FY2014-15;
- \$60,000 a year in each of the first five years;
- \$80,000 a year in years six through 10; and
- \$100,000 a year in years 11 through 30.

The agreement provides that the Board has “sole authority” regarding the use of these funds, but that the “intended use” is to “plan or implement improvements to corridors or neighborhoods to address blight or improve the health, safety and economic vitality of commercial corridors and neighborhoods within the unincorporated County.” In FY2018-19, the Board awarded \$100,000 from these funds to the ReIMAGINE Mack Road Foundation for its Community Advancing Change Together (ACT) project. The FY2021-22 Budget for the Neighborhood Revitalization Fund includes an appropriation of \$341,369 from this revenue source for unspecified needs.

After approving the DA for the Sierra 99 Gateway Digital Sign Rezoning and Use Permit, the Board directed that the availability of this money be identified at Budget Hearings for Board consideration. We are recommending that your Board provide general direction on how you would like to see these funds used and staff will return at a later date with a recommendation for how to implement that direction.

ENHANCED PUBLIC ENGAGEMENT PROCESS FOR THE FY2022-23 BUDGET

As noted above, based on Board direction, this year’s budget process included a number of additional components designed to increase transparency and provide opportunity for public input, but I recognize that the Board would like to see a more robust public engagement process for the annual budget. We are therefore proposing for the Board’s consideration the following process for the FY2022-23 budget:

- In late June, staff will put together a Summary of the FY2021-22 Approved Budget and fiscal issues, all requests for Growth, whether funded or not and information on other department-identified needs, needs identified by Board members and needs or priorities identified by the public at public meetings.

- This information will be shared with the County's 71 advisory boards and commissions and they will be asked to identify their priorities and needs. All told, almost 600 people serve on these advisory boards or commissions, which run the gamut from the Planning Commission to the Public Health Board to the Area Agency on Aging Advisory Board, the First Five Sacramento Commission, various Park and Recreation District Boards, 13 Community Planning Advisory Councils, the Sheriff's Outreach Community Advisory Board, the Human Services Coalition and the Agricultural Advisory Committee.
- The information will also be provided to Board members who can solicit input from community groups in their districts.
- Input will also be solicited from city councils, the County Office of Education, school districts and other local governments as well as chambers of commerce and any community groups or organizations that express an interest in participating in the process.
- The County will host on-line public workshops where Budget and department staff provide information about the County budget, including major program areas, historic funding trends and current issues, and solicit input from attendees on priorities and concerns.
- The County will hire a professional public opinion polling firm and, based in part on the information gathered from all of the above groups, staff will recommend to the Board a set of potential priorities or needs to be tested with the broader public in a scientific poll, and potentially in focus groups composed of randomly selected County residents.
- The polling results and the information gathered from the various advisory and other groups will be provided to the Board, along with staff's recommendations for FY2022-23 budget priorities. The Board will then hold a series of public hearings on those recommended priorities and eventually adopt a set of FY2022-23 Budget Priorities to the start of the County's internal budget process. Any priorities adopted by the Board will then be incorporated into that budget process and reflected in the FY2022-23 Recommended Budget presented to the Board for consideration in June of 2022.

The following table is the recommended schedule for this effort.

Due Date	Action
July 1, 2021	Prepare report on FY2021-22 Approved Budget, County fiscal situation, Board and community-identified needs/priorities
August 30, 2021	Solicit input on Priorities/Needs from Advisory/Community groups/local governments and others
September 30, 2021	Retain polling firm; Compile information provided by Advisory/Community groups/others and Provide Board with Potential Priorities to Poll against; Board holds hearing and approves Priorities to be tested
October 30, 2021	Polling firm conducts poll; results and all other information on public priorities provided to the Board, along with Staff recommended FY2022-23 Budget Priorities
November 30, 2021	Board holds hearings on proposed Budget Priorities
December 31, 2021	Board approves FY2022-23 Budget Priorities; County begins budget preparation process

In addition to the above, we will develop a website that provides monthly information on budget adjustments, revenues and expenditures during the fiscal year, and allows the public to monitor revenues and expenditures by budget unit and program.

ATTACHMENTS TO THE BUDGET TRANSMITTAL LETTER

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

Attachment 1: Presents the All Funds Budget.

Attachment 2: Provides more information on the General Fund budget.

Attachment 3: Provides information on new and enhanced programs (Growth) recommended for funding.

Attachment 4: Provides information on departmental requests for Growth that is not recommended for funding in this budget.

Attachment 5: Provides more information on the allocation of Transient Occupancy Tax (TOT) revenue.

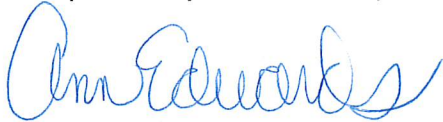
CONCLUSION/ACKNOWLEDGEMENT

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 budget that balances the need for new programs and services with longer-term fiscal sustainability. In particular, I would like to thank the Deputy County Executives – Bruce Wagstaff, David Villanueva and Steve Hartwig – Interim Chief Fiscal Officer Britt Ferguson and new Chief Fiscal Officer Amanda Thomas and the staff of the Office of Budget & Debt Management. Their insights and efforts helped make the preparation of my first budget as Interim County Executive a smooth and effective process.

The Budget will be presented to the Board on June 9, 2021, 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 Recommended Budget. During your review, please contact me with any questions you may have.

Respectfully submitted,



Ann Edwards
Interim County Executive