

County Executive
Ann Edwards



County of Sacramento

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August 26, 2022

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

RE: Fiscal Year 2022-23 Revised Recommended Budget

Honorable Members of the Board:

I am pleased to submit the Revised Recommended Budget for Fiscal Year (FY) 2022-23 for your consideration and approval.

On June 9, 2022, the Board of Supervisors approved the Recommended Budget ("Approved Budget"), which provides appropriation authority until the budget is adopted. This Revised Recommended Budget reflects adjustments to the Approved Budget resulting from additional State and Federal funding, re-budgeting of capital projects and other expenditures not completed in FY 2021-22, updated estimates of discretionary and Semi-discretionary (Realignment and Proposition 172) resources, and actual unaudited FY 2021-22 ending fund balances.

With approval of the Recommended Budget, the Board agreed that the Revised Recommended Budget 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 also helps address the balance between meeting service delivery needs today and ensuring sustainability into the future.

Based on the actual unaudited General Fund Available Fund Balance and updated revenue estimates, the Revised Recommended Budget reflects substantial additional discretionary and Semi-discretionary resources compared to the Approved Budget, and as a result maintains and enhances

the new investments identified in the Approved Budget, and continues to achieve the following important objectives:

- Alignment with community needs as identified in the Community Engagement Plan approved by the Board of Supervisors in June 2021.
- Maintaining important County programs despite the loss of dedicated funding in key areas.
- Providing substantial funding for new or enhanced programs (Growth) consistent with the Board's priorities for the FY 2022-23 budget, which were approved in December 2021.
- Balancing the new program investment with meaningful contributions to General Fund reserves to help ensure the County's ability to maintain service levels in the future.

The Revised Recommended Budget also reflects additional State and Federal funding and associated expenditures for various programs, including FY 2022-23 appropriations for American Rescue Plan Act State and Local Fiscal Recovery Fund (ARPA) projects previously approved by the Board.

The Revised Recommended General Fund budget is balanced as required by State law, and ongoing expenditures are more closely aligned with ongoing resources as compared to the Approved Budget. The availability of additional resources, including one-time resources, also results in the Revised Recommended Budget providing for significant enhancements to General Fund reserves, supporting the County's ability to provide FY 2022-23 service levels into the future.

ALL FUNDS BUDGET

The Approved Budget for all funds totaled \$7.3 billion in appropriations. With the completion of the County's FY 2021-22 year-end financial closing activities and the availability of updated information, an increase of \$540 million is proposed, bringing the Revised Recommended Budget to \$7.9 billion in total appropriations for all funds.

The \$540 million increase in total appropriations includes:

- A \$228 million increase in General Fund appropriations, as described more fully in the following section.
- A \$313 million increase in appropriations in other funds, including:

- \$88 million in Semi-discretionary restricted funds for reimbursements to the General Fund, including \$5 million to fund additional General Fund Growth;
- \$222 million of Base Budget changes in other funds resulting from re-budgeting of capital projects and other contractual expenditures, appropriations for recently approved ARPA projects, and additional personnel costs resulting from negotiated labor agreements; and
- \$3 million in non-General Fund Growth in addition to the \$5 million of Semi-Discretionary Growth, for total non-General Fund Growth of \$8 million, as detailed in Attachment 2.

ARPA project appropriations account for an increase of \$95 million for all funds compared to the Approved Budget, for total ARPA appropriations included in the Revised Recommended Budget of \$138 million.

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

GENERAL FUND BUDGET

General Fund Overview

The table below provides a summary of changes in the General Fund budget, with total appropriations of \$3.7 billion, an increase of \$228 million compared to the Approved Budget.

**FY 2022-23 Revised Recommended Budget
GENERAL FUND**

	FY 2022-23 Approved Recommended Budget	FY 2022-23 Revised Recommended Budget	Difference
Resources			
Beginning Available Balance	\$ 209,000,000	\$ 244,537,543	\$ 35,537,543
Reserve Cancellation	600,000	871,260	271,260
Discretionary Revenue & Reimbursements	815,636,490	825,734,013	10,097,523
Semi-discretionary Reimbursements	929,160,672	1,017,131,620	87,970,948
Other Reimbursements	357,528,027	392,236,590	34,708,563
Departmental Revenue	1,228,403,353	1,369,793,308	141,389,955
Total Revenue & Reimbursements	\$3,330,728,542	\$3,604,895,531	\$274,166,989
Total Resources	\$3,540,328,542	\$3,850,304,334	\$309,975,792
Requirements			
Contingency	\$ 22,000,000	\$ 27,000,000	\$ 5,000,000
Other Net County Cost	911,097,803	869,538,785	(41,559,018)
Total Net County Cost	\$ 933,097,803	\$ 896,538,785	\$ (36,559,018)
Other Appropriations	2,515,092,052	2,779,161,518	264,069,466
Total Appropriations	\$3,448,189,855	\$3,675,700,303	\$227,510,448
Provision for Reserves	92,138,687	174,604,031	82,465,344
Total Requirements	\$3,540,328,542	\$3,850,304,334	\$309,975,792

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

- A \$46 million increase in General Fund discretionary resources, including a \$36 million increase in the available fund balance, which is a one-time resource;
- A \$37 million decrease in Net County Cost, or appropriations funded with discretionary resources, as a result of additional Semi-discretionary reimbursements exceeding additional expenditures not otherwise funded with departmental revenues; and
- An \$82 million increase in the provision for reserves, resulting in \$175 million of the \$245 million in one-time available fund

balance being set aside to fund future year expenditures, with the remaining \$70 million of fund balance used to fund FY 2022-23 budgeted expenditures.

General Fund Resource Adjustments

The Revised Recommended Budget reflects an overall increase of \$310 million in estimated General Fund Resources compared to the Approved Budget, resulting from the following:

- The unaudited FY 2021-22 year-end fund balance carry-forward of \$245 million, which represents a \$36 million increase compared to the estimated \$209 million included in the Approved Budget;
- A \$10 million increase in discretionary revenue estimates;
- An \$88 million increase in Semi-Discretionary reimbursements; and
- An increase of \$176 million in estimated Federal, State and other departmental revenue and reimbursements.

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

Discretionary Revenue and Reimbursements

General Fund discretionary revenue includes property tax, sales and use tax, other taxes and discretionary revenue from other sources. As shown in the table below, discretionary revenue and reimbursements in the General Fund are now expected to be \$10 million higher than was expected for the Approved Budget, largely resulting from:

- A \$5 million (0.9%) increase in property tax revenues due to actual assessed property values higher than anticipated for the Approved Budget; and
- A \$4 million (7.5%) increase in other revenue, including property tax-based redevelopment residual and pass through revenue, interest income, and unclaimed funds.

**FY 2022-23 Revised Recommended Budget
DISCRETIONARY REVENUE AND REIMBURSEMENTS**

	FY 2022-23 Approved Recommended Budget	FY 2022-23 Revised Recommended Budget	Difference
Property Tax - Secured/VLF in Lieu	\$ 535,033,788	\$ 535,784,643	\$ 750,855
Property Tax - Supplemental	6,361,113	8,779,094	2,417,981
Other Property Tax	18,685,905	20,305,034	1,619,129
Total Property Tax	\$ 560,080,806	\$ 564,868,771	\$ 4,787,965
Sales and Use Tax	\$ 142,624,575	\$ 142,624,575	\$ -
Utility User Tax	20,610,000	20,975,000	365,000
Transient Occupancy Tax	5,976,435	6,496,000	519,565
Property Transfer Tax	14,000,000	14,000,000	-
Other Revenue	58,965,957	63,390,950	4,424,993
Total Revenue	\$ 802,257,773	\$ 812,355,296	\$10,097,523
Teeter	13,378,717	13,378,717	-
Total Reimbursements	\$ 13,378,717	\$ 13,378,717	\$ -
Total	\$ 815,636,490	\$ 825,734,013	\$10,097,523

Semi-Discretionary Revenue and Reimbursements

The County receives “Semi-discretionary” revenue (1991 and 2011 Realignment and Proposition 172 Public Safety Sales Tax) that the Board generally has the ability to allocate within certain broad parameters. Semi-Discretionary revenue is received in restricted funds and then either transferred to the appropriate operating budget as a reimbursement in the General Fund or held in reserve in the restricted funds.

As shown in the table below, Semi-Discretionary revenues are now estimated to be \$50 million (5.4%) higher than estimated for the Approved Budget, based on additional actual revenue data available as well as updated forecasts from both the State budget and the County’s sales tax consultant. Higher than expected Statewide sales tax revenues continue to be influenced by several factors related to the COVID-19 pandemic, including Federal and State stimulus measures, shifts in spending patterns, and inflation in the cost of taxable goods resulting from demand and supply imbalances. The impact of this unusual set of factors increases the risk that revenues at this level may not be sustained in the future, should economic conditions change.

**FY 2022-23 Revised Recommended Budget
SEMI-DISCRETIONARY REVENUE RESTRICTED FUNDS - REVENUE**

Fund	FY 2022-23 Approved Recommended Budget	FY 2022-23 Revised Recommended Budget	Difference
Public Safety Sales Tax	\$ 171,500,597	\$ 174,266,899	\$ 2,766,302
1991 Realignment	353,366,250	351,378,862	(1,987,388)
2011 Realignment	394,523,557	443,599,725	49,076,168
Total	\$919,390,404	\$969,245,486	\$ 49,855,082

The Semi-Discretionary revenue funds had a combined beginning fund balance of \$120 million, including reserves of \$59 million. This combined beginning fund balance is an increase of \$39 million compared to the Approved Budget estimated balance, resulting from a combination of lower than anticipated expenditures and higher than anticipated revenues in FY 2021-22. Due to both the one-time nature of the \$120 million beginning fund balance and the likely contributions of one-time factors to expected revenue growth for FY 2022-23, the Revised Recommended Budget maintains the existing reserves in the Semi-Discretionary revenue funds.

Additionally, because available resources exceed estimated FY 2022-23 eligible expenditures for certain Realignment funding categories, the Approved Budget included additional reserves of \$12 million and the Revised Recommended Budget includes an additional \$1 million, for total Semi-Discretionary reserves of \$72 million, as shown in the table below. These reserves would be available to maintain program funding in the event of future year revenue declines.

**FY 2022-23 Revised Recommended Budget
SEMI-DISCRETIONARY REVENUE RESTRICTED FUNDS - RESERVES**

Fund	FY 2022-23 Approved Recommended Budget	FY 2022-23 Revised Recommended Budget	Difference
Public Safety Sales Tax	\$ 7,280,498	\$ 7,280,498	\$ -
1991 Realignment	33,953,096	35,411,937	1,458,841
2011 Realignment	29,559,880	29,051,245	(508,635)
Total	\$ 70,793,474	\$ 71,743,680	\$ 950,206

As shown in the table below, the Revised Recommended Budget reflects additional Semi-Discretionary reimbursements in the General Fund of \$88 million. The additional non-CalWORKs, Semi-Discretionary reimbursement of \$79 million is used to fund \$74 million of eligible base budget

appropriations in the General Fund that otherwise would be funded with discretionary resources, as well as \$5 million of new recommended Growth described in the New or Enhanced Programs (Growth) section of this letter.

**FY 2022-23 Revised Recommended Budget
SEMI-DISCRETIONARY APPROPRIATIONS/REIMBURSEMENTS**

	FY 2022-23 Approved Recommended Budget	FY 2022-23 Revised Recommended Budget	Difference
Enhancing Law Enforcement Activities	\$ 23,450,288	\$ 22,188,559	\$ (1,261,729)
Law Enforcement Services	118,188,157	143,275,258	25,087,101
Behavioral Health Services	96,436,313	109,969,700	13,533,387
Protective Services	155,628,785	172,280,420	16,651,635
Total 2011 Realignment	\$393,703,543	\$ 447,713,937	\$ 54,010,394
Mental Health	\$ 59,010,605	\$ 69,752,529	\$ 10,741,924
Public Health	17,826,968	17,899,603	72,635
Social Services	144,509,846	146,017,390	1,507,544
Total 1991 Realignment - Non-CalWORKs	\$221,347,419	\$ 233,669,522	\$ 12,322,103
CalWORKs	142,609,113	151,261,207	8,652,094
Total 1991 Realignment	\$363,956,532	\$ 384,930,729	\$ 20,974,197
Proposition 172	171,500,597	184,486,953	12,986,356
Total	\$929,160,672	\$ 1,017,131,619	\$ 87,970,947
Total Semi-discretionary Reimbursement - Non-CalWORKs	\$786,551,559	\$ 865,870,412	\$ 79,318,853

Departmental Revenue and Reimbursements

The Revised Recommended Budget reflects a net increase of \$176 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:

- **Human Assistance – Administration**, with a \$67 million increase resulting from re-budgeted and additional revenue for the Emergency Rental Assistance Program (ERAP), various State allocation increases, and ARPA revenue for projects recently approved by the Board;
- **Financing-Transfers/Reimbursements**, with a \$35 million increase resulting from ARPA revenue to be claimed as Revenue

Replacement for the provision of government services and to offset transfers to other funds for Board-approved projects utilizing the Revenue Replacement allocation; and

- **Child, Family and Adult Services**, with a \$30 million increase resulting from a program shift for wraparound services from Human Assistance to Child, Family and Adult Services and ARPA revenue for Board-approved projects.

ARPA revenue associated with recently approved projects, including the Phase Two essential worker premium pay, accounts for \$75 million of the increase in departmental revenue across all General Fund departments, including those listed above.

General Fund Appropriations

The Revised Recommended General Fund budget includes appropriation adjustments totaling \$228 million for the following purposes:

- \$209 million to cover Base budget adjustments, resulting largely from appropriations associated with additional and re-budgeted State and Federal departmental revenue described above, including ARPA revenue, but also including:
 - \$26 million to cover the difference in certain salary and benefit accounts between the 3% Cost of Living Adjustment (COLA) for County employees assumed in the Approved Budget and the 4% COLA and 2.5% Longevity Pay negotiated with most unions;
 - \$5 million to increase the General Fund Appropriation for Contingency to ensure adequate funding for potential unbudgeted costs, including those associated with addressing homelessness and other unanticipated needs. With this increase, the Appropriation for Contingency will be \$27 million.
- \$19 million (\$6 million Net County Cost) to fund Growth priorities identified in the Approved Budget, fully funded Growth resulting from new State and Federal funding, and additional critical needs funded with discretionary resources as described more fully in the New or Enhanced Programs (Growth) section of this letter.

In the Department of Child Support Services, a \$570,000 program reduction, including the deletion of five vacant positions, is recommended due to larger

than anticipated personnel cost increases resulting from COLA, longevity, and equity pay increases for department staff. This reduction, along with cancellation of \$780,000 of Growth included in the Approved Budget, is required for the department to stay within State and Federal funding allocations. Duties that otherwise would be performed by the vacant positions will be reassigned among existing staff members to continue performing the critical functions of the department.

General Fund Reserves

The Revised Recommended General Fund Budget includes \$82 million in net reserve increases compared to the Approved Budget resulting from the following recommended changes:

- \$3.6 million to General Reserves, consistent with the Board's General Reserves Policy, which calls for placing 10% of the General Fund's Available Fund Balance carry-forward in General Reserves. With this contribution, the General Reserves balance will stand at \$69 million, which represents 8% of budgeted discretionary revenues and reimbursements.
- \$15 million to the Property Tax System reserve as a result of increased estimated costs and to ensure future year funding for completion of the new property tax system.
- \$4.2 million to the Reserve for Audit Report Payback/Future Litigation Settlement Costs, bringing this reserve to \$50 million, which would be available for potential costs the County is facing in a number of cases, including the Hardesty lawsuit.
- \$59.7 million to the Service Stability Reserve established in the Approved Budget, which would be available to mitigate revenue losses during future economic downturns in order to help maintain County services at a time when they are most needed by the community.
- \$0.2 million to the Black Child Legacy reserve to set aside unspent FY 2021-22 funding to be available for FY 2023-24 expenditures.
- \$0.5 million net cancellation of Teeter Reserves based on the most recent calculation of required reserve balances by the Department of Finance.

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

**FY 2022-23 Revised Recommended Budget
GENERAL FUND RESERVE STATUS**

	FY 2022-23 Approved Recommended Budget	FY 2022-23 Revised Recommended Budget	Change
Reserved for:			
Tax Loss Teeter	\$ 3,332,738	\$ 3,025,221	\$ (307,517)
Teeter Delinquencies	627,971	596,140	(31,831)
Loan Buyout (Teeter Plan)	6,267,846	6,135,934	(131,912)
Health for All Loan	104,730	104,730	-
Sub-total: Restricted Reserves	\$ 10,333,285	\$ 9,862,025	\$ (471,260)
General Reserves	\$ 65,910,679	\$ 69,464,433	\$ 3,553,754
Cash Flow	32,421,527	32,421,527	-
Imprest Cash	290,955	290,955	-
Audit Report Payback/Litigation	45,796,018	50,000,000	4,203,982
Special Deposits Travel	100,000	100,000	-
Black Child Legacy	575,000	775,000	200,000
Property Tax System	19,000,000	34,000,000	15,000,000
Service Stability	38,786,330	98,493,938	59,707,608
American River Parkway Homeless	5,000,000	5,000,000	-
Sub-total: Discretionary	\$ 207,880,509	\$ 290,545,853	\$ 82,665,344
Total Reserves	\$ 218,213,794	\$ 300,407,878	\$ 82,194,084

NEW OR ENHANCED PROGRAMS (GROWTH)

County departments submitted over \$225 million in requests for new or enhanced programs (Growth requests) for the FY 2022-23 budget, including almost \$90 million to be funded with General Fund discretionary resources (Net County Cost or "NCC").

The Approved Budget funded \$205 million in All Funds for new or enhanced programs, including \$127 million in the General Fund, with \$77 million of that amount funded with Net County Cost. The Approved Budget also identified \$3.8 million in requested General Fund Growth prioritized for inclusion in the Revised Recommended Budget, resources permitting.

The Revised Recommended Budget includes funding for the \$3.8 million prioritized in June, as well as additional General Fund Growth of \$15.1 million, for total additional General Fund Growth of \$18.9 million, \$6.4 million of which is funded with Net County Cost.

Growth Fully Funded in Approved Budget

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

- **Mays Consent Decree** – \$15 million in Net County Cost in the Sheriff and Correctional Health budget units to fund continued efforts to meet the County’s obligations under the Mays Consent Decree regarding conditions of confinement in the County’s jails.
- **Addressing Homelessness** - \$6.5 million (\$6.0 million Net County Cost) to fund new programs and services addressing homelessness in the County, including expanded shelter staffing, additional scattered site shelters, weather respite services, additional behavioral health staffing for encampment teams, funding to the Department of Transportation for encampment mitigation, funding for sustainable preventative maintenance services at Mather Community Campus, and additional staffing to support homelessness initiatives.
- **Road Pavement Rehabilitation Projects** – \$20 million in one-time Net County Cost transferred from the General Fund to the Roads Fund to fund pavement maintenance and rehabilitation on roads throughout the unincorporated County.
- **Substance Use Disorder Residential Treatment** - \$10 million (\$5 million Net County Cost) for the Department of Health Services to procure an additional 156 beds annually for substance use disorder residential treatment.
- **Crisis Stabilization Units** - \$5 million (\$2.5 million Net County Cost) for the Department of Health Services to establish a pool for behavioral health crisis stabilization units, which is a service the County is required to provide to Medi-Cal beneficiaries.
- **Mental Health Services Act (MHSA) Full Service Partnership** - \$7.5 million in MHSA and Federal match for the Department of Health Services to procure Full Service Partnership programming as a requirement in fulfilling permanent supportive housing commitments.
- **School-Based Mental Health Program** - \$4.3 million of Medi-Cal funding for the Department of Health Services to provide increased support to the school-based mental health program, with a planned site expansion to 40 sites.
- **Public Defender** - \$5.0 million (\$4.2 million Net County Cost) to support programs in the Public Defender’s office, including

funding for additional staff and services to meet the office's existing caseload requirements, expanding the pre-trial support program and felony mental health diversion program, adding staff positions to support increased workload in the collaborative courts program, and implementing an electronic case management system.

- **Child, Family and Adult Services** - \$19.1 million (\$6.0 million Net County Cost) to support Child, Family and Adult Services' programs, including \$5.4 million (\$3.8 million NCC) to provide enhanced security services at the Centralized Placement Support Unit. The Revised Recommended Budget includes \$4.8 million in appropriations for 18 positions in the Sheriff's Office to provide these services, funded with a reimbursement from Child, Family and Adult Services.
- **Afghan Refugee Assistance** - \$3 million in Net County Cost for the Department of Human Assistance to provide services to support new Afghan arrivals in adjusting to their new environment.

Growth Prioritized for Revised Recommended Budget

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

Although identified in the Approved Budget as a Net County Cost requirement, due to the availability of additional State funding, the Probation Valley Oak Youth Academy Expansion Phase 2 is fully funded with State resources in the Revised Recommended Budget and no longer requires the Net County Cost contribution of \$1.2 million identified in the Approved Budget.

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

FY 2022-23 Revised Recommended Budget

PRIORITIZED GROWTH INCLUDED IN REVISED RECOMMENDED BUDGET

Department/Budget Unit	Description	Cost	Net County Cost	FTE
Financing-Transfers/Reimbursement	Transfer to DOT for Walerga Sound Wall	\$ 730,745	\$ 730,745	0.0
Animal Care And Regulation	Add 4.0 FTE Registered Veterinary Technician	371,565	371,565	4.0
Animal Care And Regulation	Add 1.0 FTE Veterinarian	171,245	171,245	1.0
Community Development	Add 1.0 FTE Senior Planner	171,403	171,403	1.0
Community Development	General Plan Update Preliminary Scoping	250,000	250,000	0.0
Coroner	Add 1.0 FTE Pathology Assistant (New Class)	116,337	116,337	0.0
Probation	Valley Oak Youth Academy Expansion Phase 2	1,226,686	-	1.0
Public Defender	Add 1.0 FTE Attorney - Valley Oak Youth Academy	229,006	-	1.0
Correctional Health Services	DHS Admin ASO2 - Correctional Health Portion	18,154	18,154	0.0
Health Services	Add 1.0 FTE EMS Specialist Data Analysis	126,620	126,620	1.0
Health Services	Add 1.0 FTE EMS Specialist Critical Care	126,620	126,620	1.0
Health Services	Add 1.0 FTE ASO2 for Administration	234,662	107,027	1.0
Juvenile Medical Services	DHS Admin ASO2 - Juvenile Medical Portion	2,454	2,454	0.0
Total General Fund - Net County Cost		\$ 3,775,497	\$ 2,192,170	11.0
Landscape Maintenance District	Walerga Sound Wall Funded with General Fund	730,745	-	0.0
Total Non-General Fund - Net County Cost		\$ 730,745	\$ -	0.0
TOTAL ALL FUNDS		\$ 4,506,242	\$ 2,192,170	11.0

Additional Recommended Growth

In addition to the Growth funded and prioritized in the Approved Budget, the Revised Recommended Budget also includes additional recommended General Fund Growth of \$15.1 million (\$4.2 million Net County Cost) in the General Fund and \$8.2 million in non-General Fund departments.

The additional recommended General Fund Growth addresses critical needs and requirements in the following areas:

- **Increased Sub-Acute Psychiatric Bed Capacity** - \$3.7 million funded with 1991 Mental Health Realignment for the Department of Health Services to increase sub-acute bed capacity for individuals on Murphy Conservatorship. This funding will prevent

loss of capacity and create new capacity within the sub-acute continuum of care.

- **Addressing Homelessness** – \$3.4 million, in addition to the \$6.5 million of Growth included in the Approved Budget, to provide additional funding for initiatives addressing homelessness in the County. This funding includes:
 - \$2.5 million (\$1.4 million Net County Cost) for the Department of Human Assistance to extend Project Roomkey through December 31, 2022, bringing total FY 2022-23 budgeted expenditures for Project Roomkey to \$6.1 million;
 - \$0.5 million Net County Cost to fund additional expenditures in the Department of General Services associated with the development of Safe Stay Communities;
 - \$0.2 million Net County Cost for the Department of Human Assistance to increase the operational budget for an emergency family shelter; and
 - \$0.2 million in MHSA funding for the Department of Health Services to develop a behavioral health Homeless Initiative Coordinator to support behavioral health homeless programs.
- **Group Gun Violence Reduction and Prevention** - \$1.5 million in the Department of Probation funded with 2011 Realignment Local Innovation Funds for a pilot program to identify and address increases in gun violence. Due to the limited nature of Local Innovation Funds, permanent funding would be identified for future years if the program is successful.
- **Land Development Process Improvement** - \$600,000 Net County Cost to fund three new Community Development staff positions to support a comprehensive land development process improvement effort, including providing enhanced project management, coordination, and facilitation for key development projects.
- **Mays Consent Decree** – \$600,000 Net County Cost to add four Deputy Sheriff positions, which are required to provide expanded mental health services to the County’s jail inmate population as required by the Mays Consent Decree. This funding is in addition

to the \$15 million of Mays Consent Decree Growth included in the Approved Budget.

- **Transient Occupancy Tax (TOT) Contribution for Museum of Science and Curiosity** - \$251,000 Net County Cost to increase the County's contribution of TOT revenue to the SMUD Museum of Science and Curiosity (formerly Powerhouse Science Center) for a total annual contribution of \$344,000 to fund a portion of the annual debt service for the recently-constructed facility, consistent with the funding agreement approved by the Board in 2014.

AMERICAN RESCUE PLAN ACT FUNDING

The County was allocated approximately \$301 million under the American Rescue Plan Act State and Local Fiscal Recovery Fund (ARPA), with \$150 million received in May 2021, as Phase One, and \$150 million received in June 2022, as Phase Two. The funding must be committed by December 31, 2024, and fully expended by December 31, 2026.

On November 2, 2021, the Board approved Strategic Investments for the Phase One Funding Allocation across top priority issue areas, as follows:

- **Housing and Homelessness:** housing and support for people experiencing homelessness, affordable housing.
- **Health:** COVID-19 response, public health, mental health and substance abuse treatment.
- **Economic Response:** addressing negative economic impacts to residents, communities, and businesses.

Additionally, the Board approved funding allocations of \$5 million for each Board District, premium pay for essential workers who are employed by the County, and for administrative costs related to ARPA.

On July 13, 2022, the Board approved Phase Two funding allocations aligned with the Strategic Investments identified in Phase One, and also approved projects for the use of the County's Revenue Replacement allocation under ARPA. Because the Revenue Replacement expenditure category allows recipients to spend funds toward the provision of government services generally, the Revised Recommended Budget reflects recognizing this ARPA revenue for eligible expenditures already incurred in the General Fund and transferring General Fund revenue to the Departments of Transportation, Regional Parks, and General Services to provide funding that is not subject

to ARPA requirements for the approved Revenue Replacement projects in those departments.

As shown in the table below, the Approved Budget included \$43 million of ARPA funding, and the Revised Recommended Budget includes an additional \$95 million, for total budgeted FY 2022-23 expenditures and revenues of \$138 million for Board-approved ARPA projects. Future project approvals will be reflected through subsequent amendments to the budget.

**FY 2022-23 Revised Recommended Budget
AMERICAN RESCUE PLAN ACT PROJECTS**

	Approved Recommended Budget	Revised Recommended Budget	Increase
Housing and Homelessness	\$ 17,893,738	\$ 33,230,226	\$ 15,336,488
Health	7,288,207	18,900,840	11,612,633
Economic Response	14,025,819	19,660,117	5,634,298
Subtotal ARPA Strategic Investments	\$ 39,207,764	\$ 71,791,183	\$ 32,583,419
Essential Workers	\$ -	\$ 8,103,710	\$ 8,103,710
Revenue Replacement	-	38,199,633	38,199,633
District-Directed Allocation	-	15,510,000	15,510,000
Administration	3,749,291	4,102,156	352,865
Total ARPA Appropriations/Revenue	\$ 42,957,055	\$ 137,706,682	\$ 94,749,627

COMMUNITY ENGAGEMENT AND BOARD BUDGET PRIORITIES

FY 2022-23 Budget Community Engagement and Board Priorities

Consistent with the Community Engagement Plan approved by the Board in June 2021, the public outreach and engagement process that supported the development of Board priorities for the FY 2022-23 budget included the following elements:

- A “Budget in Brief” budget summary and a “Budget Explorer Tool” that allows users to drill down into the County’s budget, both available on the County’s website.
- Two virtual public budget workshops were held on October 27, 2021, to provide information about the County’s budget and budget process, as well as an opportunity for the public to ask questions and provide input.
- In the summer of 2021, County departments conducted outreach with the County’s advisory boards and commissions, upon which

almost 600 people serve, to understand their priorities for the County's budget. Altogether, 59 boards and commissions provided responses, with key themes including affordable housing, homelessness, health and human services, safety, and parks and road infrastructure.

- In October 2021, the Board approved a contract award to FM3 Research (FM3) to conduct a public opinion survey of County residents' budget priorities. The Board received a presentation from FM3 regarding the proposed survey methodology and topics and issues to be included in the survey questions, reflecting key themes that emerged through the advisory board and commission outreach.
- FM3 conducted the budget priority survey of adult residents of the County from October 27, through November 8, 2021, via telephone and online interviews. The number of respondents totaled 1,153 compared to the target of 800, with a margin of sampling error of $\pm 3.5\%$ at the 95% confidence level. The survey was available in 10 languages, including English.

Based on the survey results and other input gathered and presented, on December 8, 2021, the Board adopted the following priorities for the use of General Fund discretionary resources in the FY 2022-23 Budget:

1. Complying with the County's legal, financial, regulatory and policy obligations, including providing mandated services, ensuring collection of revenues, and complying with the General Reserves policy.
2. Maintaining existing service levels budgeted for County programs, improving effectiveness and efficiency where possible, and limiting the extent to which reductions in categorical revenue are backfilled with discretionary resources.
3. Funding new or enhanced programs that focus on the most critical and urgent needs, with the following priority focus areas identified in a survey of County residents:
 - a. A Countywide focus area of addressing homelessness and its impacts, including housing, mental health and substance use.
 - b. An unincorporated focus area of improving the condition of streets and roads.

These priorities were then included in the budget instructions provided to departments to ensure alignment between departmental Growth requests and Board priorities; and requests were evaluated and recommended for approval based on alignment with those same priorities. The additional Growth identified and recommended for approval with this Revised Recommended Budget also reflects the Board's adopted budget priorities.

Recommended FY 2023-24 Budget Community Engagement Plan

For the FY 2023-24 budget, we recommend a community engagement and outreach plan that builds on the elements implemented for development of the FY 2022-23 budget and supports further refinement and enhancement in future years. Specifically, the following community engagement and outreach elements are recommended to support development of the FY 2023-24 budget:

- **Easy-to-understand information about the County's budget**, including a "Budget in Brief" budget summary to be published for the FY 2022-23 Adopted Budget and updates to the "Budget Explorer Tool" that allows users to drill down into the County's budget, will continue to be provided on the County's website.
- Building on the results of the budget priority survey conducted in the fall of 2021, **focus groups of County residents** conducted by the same firm that conducted the survey (FM3) will provide additional qualitative data to support or refine the budget priorities developed based on the survey results. Information gleaned from these focus groups will also support development of an updated budget priorities survey to be conducted in 2023, in support of the FY 2024-25 budget process.
- County departments will continue to **engage with the County's advisory boards and commissions** to both share information about the County's budget and also seek input from board and commission members about their priorities for departmental budget requests.
- One or more **budget workshops open to the public** and with participation from department representatives will be conducted to provide an opportunity for the public to ask questions and provide input on budget priorities.

Based on information gathered as a result of these efforts, staff will recommend to the Board any updates or refinements to the budget priorities in advance of the development of the FY 2023-24 budget.

ATTACHMENTS TO THE BUDGET TRANSMITTAL LETTER

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

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

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

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

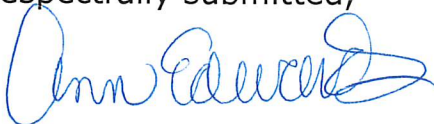
CONCLUSION/ACKNOWLEDGEMENT

I would like to acknowledge the hard work and dedication of the County's department heads and fiscal staff in preparing this year's budget. That work began last summer when departments conducted outreach with advisory boards and commissions to understand their priorities for the County's budget, continued through the fall and winter with the preparation of budget requests aligned with the Board's priorities, and culminated this 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 Deputy County Executives and the staff in the Office of Budget and Debt Management, whose insights and contributions to preparation of this year's budget have been invaluable.

The FY 2022-23 Revised Recommended Budget will be presented to the Board on September 7, 2022, starting at 9:30 a.m., with deliberations on that date and the following two days, as needed.

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

Respectfully submitted,



Ann Edwards
County Executive