SUMMARY OF THE RECOMMENDED BUDGET

The total Recommended Budget for all Governmental Funds for FY 2020-21 is $647.7 million, which is $87.3 million (12%) less than the FY 2019-20 Adopted Budget of $735 million.

Total General Fund appropriations are recommended at $315.8 million, which is $8 million (2%) less than the FY 2019-20 Adopted Budget of $323.8 million approved by the Board in September of 2019.

The totals presented here reflect all Governmental Funds, including Special Revenue Funds. The relative reduction in the total Recommended Budget is influenced by the completion of major projects in FY 2019-20, including facility and transportation projects. In addition, General Liability charges being waived for this one fiscal year for a $2.6 million reduction and Workers Compensation charges have been reduced by $4.9 million, with both reductions recommended to bring program funding levels to an acceptable confidence level.

COVID-19 & RECOMMENDED BUDGET

It is worth noting early on in this summary, that as County Departments and the Chief Administrative Office began the work to finalize numbers for the FY 2020-21 Recommended Budget in Mid-March of this year, the nation began to see impacts related to the COVID-19 public health emergency. Due to timing and what will be somewhat delayed revenue impacts, making significant changes or reductions to the FY 2020-21 Recommended Budget in the months of March and April would have been premature. Therefore, the Recommended Budget presented here reflects on-going services and service levels, a largely "status quo" budget, with the understanding that additional work will need to take place over the summer in order to present a modified budget for final adoption; one which reflects the revenue and expenditure impacts associated with and as a result of COVID-19.

It should be noted that, following the presentation of the Mid-Year Report and FY 2020-21 Outlook in early March, some initial steps were taken in order to ensure the current Recommended Budget is largely status quo:

a. Reduced the Year End Fund Balance Assumption due to COVID-19 revenue impacts
b. Set Property Tax, Sales Tax, TOT, Interest revenue to equal the FY 2019-20 Adopted Budget
c. Deferred most new requests to a discussion later in the summer of 2020
d. Reduced most "travel and training" expenses by up to 25% in recognition of COVID-19 travel restrictions
e. Held most Services and Supplies budgets to prior year levels
f. Set approximately $1 million aside to help cover COVID-19 impacts in FY 2020-21

The Governor's Revised Budget was just released on Thursday, May 14; one week before this Budget Summary was finalized. The State budget, out of necessity, reflects significant divergence from the Governor's January budget proposal. While the ultimate impact to the County is still being analyzed, it is likely that all departments will experience some degree of impact related to State funding and service expectations.

The Chief Administrative Office anticipates submitting a modified budget for consideration by the Board of Supervisors in September, incorporating those changes that are passed to us by the State of California, and recognizing local revenue and related expense changes.

Because the County is required by law to have a budget in place by June 30, the majority of the revised revenue and expense information will be received and developed over the coming months, and in the interest of making responsible recommendations and revising any current recommendations based on the best available information, the Recommended Budget presented here does not attempt to predict what those changes will be. Rather, as mentioned above, what is before the Board for consideration prior to June 30 is a largely status quo budget. As such, revenue estimates within each Department will reflect information that was accurate as of February of 2020, yet will likely be revised as new information and estimates are received.

The charts below provide a summary of total appropriations by expenditure class and by functional group.

TOTAL APPROPRIATIONS BY EXPENDITURE CLASS

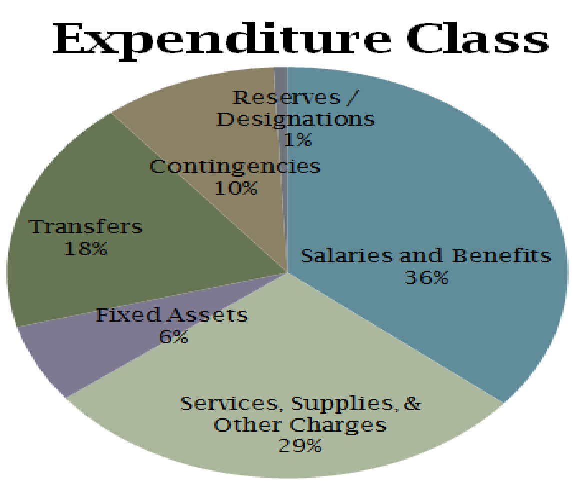
Expenditure Class	FY 2019-20 Adopted	FY 2020-21 CAO Recm'd	Increase / (Decrease)	Percent Change
Salaries and Benefits	$228.3 M	$233.0 M	$4.8 M	2%
Services, Supplies, & Other Charges	$186.0 M	$184.9 M	($1.1 M)	-1%
Fixed Assets	$77.3 M	$40.1 M	($37.2 M)	-48%
Transfers	$156.5 M	$119.4 M	($37.1 M)	-24%
Contingencies	$73.4 M	$65.0 M	($8.4 M)	-11%
Reserves / Designations	$13.5 M	$5.2 M	($8.4 M)	-62%
Total Appropriations	$735.0 M	$647.6 M	($87.4 M)	-12%

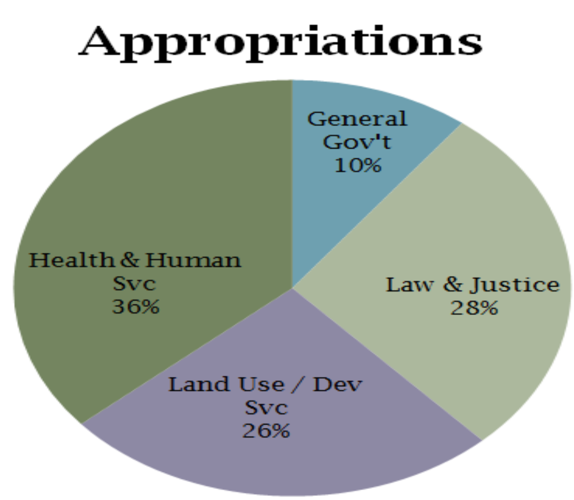
** All Governmental Funds including Special Revenue Funds; Excluding Special Districts & Proprietary Funds*

TOTAL APPROPRIATIONS BY FUNCTIONAL GROUP

Functional Group	FY 2019-20 Adopted	FY 2020-21 CAO Recm'd	Increase / (Decrease)	Percent Change
General Gov't	$48.6 M	$49.4 M	$0.8 M	2%
Law & Justice	$133.0 M	$131.0 M	($2.0 M)	-1%
Land Use / Dev Svc	$129.7 M	$121.3 M	($8.4 M)	-6%
Health & Human Svc	$168.1 M	$172.2 M	$4.0 M	2%
Total Appropriations	$479.4 M	$473.9 M	($5.5 M)	-1%

** Departmental operating appropriations, excluding Non-Departmental/ACO Fund/CW Special Revenue Funds/Special Districts/Proprietary Funds*





GENERAL FUND SUMMARY

General Fund Revenues

The Recommended Budget reflects an increase of $3.3 million (2.4%) in General Fund major revenue sources. Property Tax (Current Secured) is currently budgeted to increase by 4% in FY 2020-21, for an increase of $1.7 million, based on the projected increase in total property valuation from current year assessments. There is a $1.0 million increase in the Property Tax In-Lieu of VLF share that the County is allocated, which increases at the same rate as Secured Property Tax. Revenues from Sales and Use Tax, Transient Occupancy Tax, and Interest revenue are currently budgeted at the same amount as the FY 2019-20 Adopted Budget. All revenue estimates will be revisited in July and August of 2020 to account for the impacts of the COVID-19 public health emergency.

Carryover Fund Balance

The Recommended Budget includes $17,161,133 in Fund Balance carryover, which is $1,396,878 (7.5%) less than what was included in the FY 2019-20 Recommended Budget. These are funds that are anticipated to be available at the end of FY 2019-20 as a result of operations and unspent appropriations designated for capital project work, and are recommended to be available for use in the following budget year. It is important to note that, although these funds are considered to be one-time in nature, the County still relies on a portion of these carryover funds to help balance its operating budget, although the reliance on use of fund balance to fund on-going expenses is decreasing.

The Fund Balance available to meet operational funding requirements is estimated at $12,600,000 for FY 2020-21, a decrease of $1,377,727 from the FY 2019-20 Recommended Budget. This carryover estimate reflects $7.6 million in un-spent contingency. The balance of the estimated Fund Balance is due to combination of additional departmental revenues and anticipated departmental savings. In concept, $5 million of this carryover fund balance is used in the FY 2020-21 Recommended Budget to increase the Designation for Capital Projects, and $5.75 million is used to replenish the Appropriation for Contingency.

The carryover Fund Balance designated for capital projects is estimated at $4,561,133 for FY 2020-21, a decrease of $19,151 from the FY 2019-20 Recommended Budget.

It should be noted that the budgeted Fund Balance amounts are estimates and are subject to change with the close of the FY 2019-20 financial records in August.

General Fund Cost & General Fund Contributions

The General Fund Cost (also referred to as Net County Cost) represents the part of a budget unit's expenses that is financed by general purpose revenues, which are predominantly made up of property taxes, sales taxes, general purpose fees, and interest earnings. Many departments that are budgeted in funds other than the General Fund also receive a General Fund Contribution. Funding for the General Fund Contributions to other funds is also financed by general purpose revenues.

The overall cost to the General Fund, made up of General Fund/Net County Cost and General Fund Contributions to other funds, is increasing 5%. The chart below reflects the distribution of increases and decreases in General Fund Cost/General Fund Contribution by functional group.

The increase in the Health and Human Services functional group is primarily due to a shift in the Health and Human Services Agency's (HHSA) Indirect Cost Rate plan. In FY 2019-20, HHSA implemented a change in methodology to ensure more accurate accounting for and charging of administrative costs to HHSA Divisions.

GENERAL FUND COST BY FUNCTIONAL GROUP

Functional Group	FY 2019-20 Adopted	FY 2020-21 CAO Recm'd	$ Increase / (Decrease)	Percent Change
General Gov't	$36.9 M	$38.1 M	$1.2 M	3%
Law & Justice	$80.6 M	$79.9 M	($0.6 M)	-1%
Land Use / Dev Svc	$8.8 M	$11.2 M	$2.4 M	27%
Health & Human Svc	$13.0 M	$17.7 M	$4.6 M	36%
Net County Cost	**$139.3 M**	**$146.8 M**	**$7.6 M**	**5%**

** Departmental operating appropriations, excluding Non-Departmental/ACO Fund/CW Special Revenue Funds/ Special Districts/Proprietary Funds*

STRATEGIC PLAN & SERVICE INDICATORS

The County continues to prioritize services and resources based on the following five Strategic Plan Goals:

- Public Safety
- Good Governance
- Infrastructure
- Economic Development
- Healthy Communities

On June 11, 2019, the Board approved updates to the Countywide Strategic Plan which maintained the five goals identified above, but instead of identifying specific tasks associated with each goal, the plan identified themes and priorities within each goal, and directed all Department Heads to incorporate the goals and priorities into their short middle and long term goals. Since that time, the performance evaluations for all Department Heads appointed by the Board of Supervisors includes goals that are directly related to the Strategic Plan.

The Board of Supervisors was scheduled to receive an update on the accomplishments this Spring, but due to the COVID-19 pandemic it was postponed. Given the uncertainty the fiscal impact of the pandemic will ultimately have on the County's budget, it is possible the Strategic Plan may have to be revisited at the end of the calendar year to ensure the identified priorities are still appropriate and achievable.

BOARD POLICIES & FUNDED PRIORITIES

The Board of Supervisors adopted ten budget policies in 2015. Those policies were updated and expanded in 2017, and another update was approved on March 10, 2020. As with prior years, the Chief Administrative Office approached the development of the FY 2020-21 Recommended Budget with the direction and intent to recommend funding in line with these policies. The first two budget policies direct staff to "pursue operational efficiencies" and to "maximize the Board's discretion." In keeping with these policies, the Chief Administrative Office, in conjunction with departments, took a close look at actual needs and expenditure patterns across all County departments, and worked with departments to identify and implement efficiencies where possible.

Policies three, four and five direct that new revenues should be pursued where possible, proposals to accept new grant funding must identify any future County funding obligations, and that new or enhanced programs should not be considered unless dedicated revenue is identified. Therefore, readers of the budget will see an emphasis on not only adjusting department expenditure budgets to "actual expenditures," but also appropriately budgeting department revenues. Readers may see requests for additional staffing resources or new items that are not recommended for funding, primarily because sufficient dedicated revenue does not exist to support the new expenditures. Additionally, Policy six requires that if outside funding is reduced, there should be no increase in County cost unless the Board has determined the program to be a high priority for use of limited General Fund dollars. Readers will see instances where costs related to programs or services are reduced where funding has been reduced.

Budget Policies eight, ten and eleven establish targets for funding the General Fund Appropriation for Contingency and critical Reserve funds. It is with these policies in mind that the following Board priorities are recommended for funding in the FY 2020-21 Recommended Budget.

General Fund Contingency funded at $5.75 million: The General Fund Appropriation for Contingency is recommended at $5.75 million. Board Budget Policy #8 directs that the Contingency be set at a minimum of 3% of the adjusted General Fund appropriations. This funding is a set aside to provide resources in the event of unforeseen fiscal issues throughout the year.

General Reserve funded at $9.18 million: The General Fund General Reserve is recommended at $9,177,808. Board Budget Policy #10 directs that the General Reserve be set at an amount equivalent to approximately 5% of the adjust General Fund appropriations. The General Reserve is established to provide for additional resources in the event of significant emergency situations where additional funds are required, and functions as a cash flow reserve during the year.

Contribution to Capital Reserves funded at $5 million: The Recommended Budget includes an increase to the General Fund Designation for Capital Projects in the amount of $5 million. Board Budget Policy #11 directs that, once General Reserves and General Fund Contingency equal 8% of adjusted General Fund appreciations, the Board may transfer remaining discretionary resources to the Designation for Capital Projects. The $5 million that is reflected in Board policy and recommended to be set aside each year is approximately 2% of the estimated replacement value of the County's buildings as of 2013. As the value of County facilities increases, the target annual set-aside should be reconsidered and potentially increased.

The following priorities are currently recommended for funding in the FY 2020-21 Recommended Budget, based on prior Board direction or to continue implementation of on-going projects:

Continued Implementation of FENIX Enterprise Resource Program
The Recommended Budget includes $103,150 for the FENIX project related to continued implementation costs. Expenditures were previously budgeted in the Accumulative Capital Outlay (ACO) Fund and are now reflected in the Information Technologies (IT) budget.

Vegetation Management Ordinance Implementation
In response to increased wildfire risk and residents' concerns over the increasing cost of fire insurance, the Board adopted Ordinance 5101, enacting new regulations regarding Vegetation Management and Defensible Space, in 2019.

The ordinance established an annual program for the abatement of the growth and/or accumulation of weeds, grasses, shrubs, dormant brush, hardwood slash, tree limbs, hazardous vegetation and combustible materials on all improved parcels and designated unimproved parcels within the County, and for the maintenance of those parcels to prevent vegetation from growing back, which becomes fuel for destructive fires. The first year of implementation focused on hiring and training staff, coordinating with CAL FIRE and local fire agencies, and providing education and outreach to the public. Property inspections and enforcement of the ordinance will begin in June, 2020. The Recommended Budget includes $393,000 for this program.

El Dorado County Homelessness
HHSA and the El Dorado County Opportunity Knocks (CoC) have been awarded several multi-year state grants aimed at homeless prevention. The expected outcomes include, but are not limited to, capital improvements for both temporary and permanent housing, rental subsidies, landlord incentives, a youth homeless prevention set-aside and other public services including coordinated entry for the homeless and those at risk of becoming homeless. HHSA has been delegated by the Board of Supervisors as the Administrative Entity for the El Dorado County Continuum of Care (CoC), and therefore will administer State grant funding for allocations awarded to the CoC. The County is prioritizing the new 5-year strategic plan and the grant funds will be budgeted for use according to the final approved document. Currently, HHSA is evaluating the appropriate management and staffing needs for the administration of the grants to ensure the expected outcomes are realized, as the entire County benefits from the success of these programs.

IT Deferred Infrastructure & Maintenance
In support of the Good Governance Strategic Plan Infrastructure Objective 3.4.2 and 3.4.3, it is recommended that IT continue to purchase mission-critical maintenance, software and licenses in FY 2020-21, to bring the County in line with industry standards and to reduce risk to County data. Updating our network infrastructure is a continuous process, so it should be noted that further purchases will likely be recommended in future budgets, as IT continues to review, assess and prioritize the County's most critical needs.

Funds Public Safety Charter Section 504 Salary Increases
Charter Section 504 requires annual review of salary levels for public safety classifications. The 2019 review resulted in an increase to salaries for the affected classifications of 1.65% effective January, 2020, with an estimated budget impact of $213,000 (partial year impact). The Recommended Budget reflects this cost increase.

BUDGET PRESSURES & POLICY CONSIDERATIONS

This section includes discussion of on-going of issues which have had an impact on the Recommended Budget in prior years, and/or which continue to evolve and impact the County's annual budget and priorities. These pressures and considerations are in addition to the overarching concerns regarding the financial and operational impacts of the COVID-19 public health emergency and its related economic impact.

Additionally, several departments have identified pending issues and policy considerations unique to their operations. These policy matters are outlined in the respective department budget summaries.

CalPERS Retirement Plan Changes and Cost Increase

El Dorado County is under contract with the California Public Employees' Retirement System (CalPERS) for employee retirement benefits. Like most public agencies, El Dorado County has experienced continued increases in its employer costs for its two retirement plans (Safety and Miscellaneous). While significant cost increases resulted from marked losses during the Great Recession, the funded status of the County's plans had begun to improve. However, in recent years, the CalPERS Board of Administration has taken several actions that have effectively taken back any of the plan's funding improvements and have set public agencies, in general, on a course for continued significant cost increases for many years into the future.

In March 2012, the pension fund lowered its discount rate from 7.75 percent to 7.5 percent, citing economic conditions. A year later, CalPERS changed its policies to recognize gains and losses over a shorter period and to use a 30-year fixed amortization period instead of a rolling 30-year period. In February 2014, the CalPERS Board approved new demographic assumptions, assuming that pubic employees will be living longer. The Board also adopted an asset allocation mix that lowered the CalPERS investment risk but largely kept its investment strategy unchanged, holding the fund's long-term assumed rate of return at 7.5 percent.

In December of 2016, the CalPERS Board adopted a reduction in the plan's long-term assumed rate of return, lowering that rate from 7.5 percent to 7 percent. Because the resultant cost increases to its member public agencies would be so great and so sudden, the Board approved phasing in this change over a three year period, beginning with FY 2018-19, with the first year of implementation of the new assumption an estimated increase of $4.4 million to the employer cost. Similar increases follow in subsequent years. This cost increase is in addition to the natural increase in costs.

In December of 2017, the CalPERS Board adopted revised actuarial assumptions – including assumptions about mortality and retirement rates (service and disability) of member, and the assumed changes in salary scale and inflation rates. These changes will affect employer contributions requirements effective July 1, 2019, although it is not clear at this time whether the impacts will be entirely negative.

In February of 2018, the CalPERS Board adopted a further change to the plan with a new Amortization Policy. Most significantly, the new policy reduces the amortization period for losses from 30 years to 20 years. Spreading costs over a shorter period of time will have a negative impact on employer contribution rates; however, is anticipated to reduce annual costs in the long-term. The new Amortization Policy will first impact employer contribution rates with FY 2021-22.

CalPERS will likely distribute new valuation reports by mid-summer, which will set the contribution rates for FY 2020-21. Staff will update the future cost estimates once the new valuation reports are available, and any changes to the assumed costs will be reported with the consideration of the adopted Budget in September.

It is important to note that these are costs that the County cannot avoid or elect to not pay. Similar to long-term debt, providing for the payment of these costs will take precedence in future years' budgets.

With the adoption of the FY 2017-18 Budget, the Board approved a budgeting philosophy of establishing and funding a reserve equal to the General Fund's estimated additional contribution for the following two years. In concept, this reserve serves as a revolving fund, with funds being drawn down in the immediate budget year's Recommended Budget based on the budgeted General Fund cost increase, and subsequently replenished in the same year, once the carry-forward fund balance amount is known, and based on the updated 2-year estimated cost. Maintaining this reserve, and using funds to help cover the increase in CalPERS costs in each subsequent budget year, will help ensure the County is able to fund those required contributions in future years. Therefore, staff is again recommending that any available fund balance that may be available following the close of the County's accounting books in September, and which is in addition to that which is already counted on to balance the Recommended Budget, be placed in the designated reserve fund to be drawn down in future years to help offset the impact to County department budgets.

County Facilities

The Board has identified addressing the County's infrastructure deficiencies as a Strategic Plan goal. In FY 2016-17, the Board set aside funding in the Capital Reserve, and also provided funding for the initial stages of the Public Safety Facility and grant matching funds for the West Slope Juvenile Hall. In the coming years, staff hopes to continue working to finalize solutions and identify necessary funding for the remaining facility priorities, albeit within new funding constraints.

Deferred Facility Maintenance & County Facilities

The FY 2020-21 Recommended Budget includes approximately $5.9 million to fund what are identified as deferred maintenance projects, plus funds to keep pace with new repairs and maintenance needs. The Facilities Division continues to work each year to prioritize and complete projects identified in the plan with fire/life/safety projects taking precedence. The majority of this year's projects are related to roof replacements, heating/cooling replacements, jail lock repairs, and parking lot repairs.

Additionally, the FY 2020-21 Budget currently includes a recommended $5,000,000 increase to the General Fund's Designation for Capital Projects, to set funds aside to fund future capital projects and deferred maintenance.

The County has made progress toward reducing the backlog of maintenance needs, including necessary Americans with Disabilities Act improvements; however, continued progress will require diligence in setting aside funding and developing strategies for facilities in need of replacement.

STATE BUDGET PROPOSALS

The Governor released his May Revised Budget proposal for 2020-21 on May 14, 2020, roughly one week before this writing. As is well known, the 2020-21 May Revision is a significant divergence from the optimistic budget proposal that was released barely four months earlier in January. That January budget proposal projected on-going positive revenues and presented a number of new proposals which relied on those positive on-going revenues.

The May Revision updates State revenue projections, incorporating some known but mostly anticipated revenue reductions in most areas. The May Revision withdraws most of those earlier proposals, and includes deep spending reductions to other ongoing State expenses. Due to the dramatic difference in the proposal, County departments are continuing to analyze the Governor's revised budget proposal, its impact to El Dorado County, and the implications for future County budget changes.

For counties, four of the major proposals include:

- Realigning to counties responsibility for juvenile offenders from the Division of Juvenile Justice.
- Distribution of $1.3 billion to all counties from the Coronavirus Relief Fund, part of the CARES Act.
- Negotiating purchase of hotels being used for Project Roomkey using additional money from the Coronavirus Relief Fund.
- Eliminating most of the funding for CalWORKs Subsidized Employment, which helps small businesses hire recently unemployed individuals.

As mentioned at the beginning of this Summary, the Chief Administrative Office will be working with County Departments over the summer to develop a revised set of recommendations, incorporating State changes as well as those that may be required as a result of changing local revenue estimates.

Details of the Governor's budget proposals can be found at www.ebudget.ca.gov.

ALLOCATED POSITIONS & STAFFING CHANGES

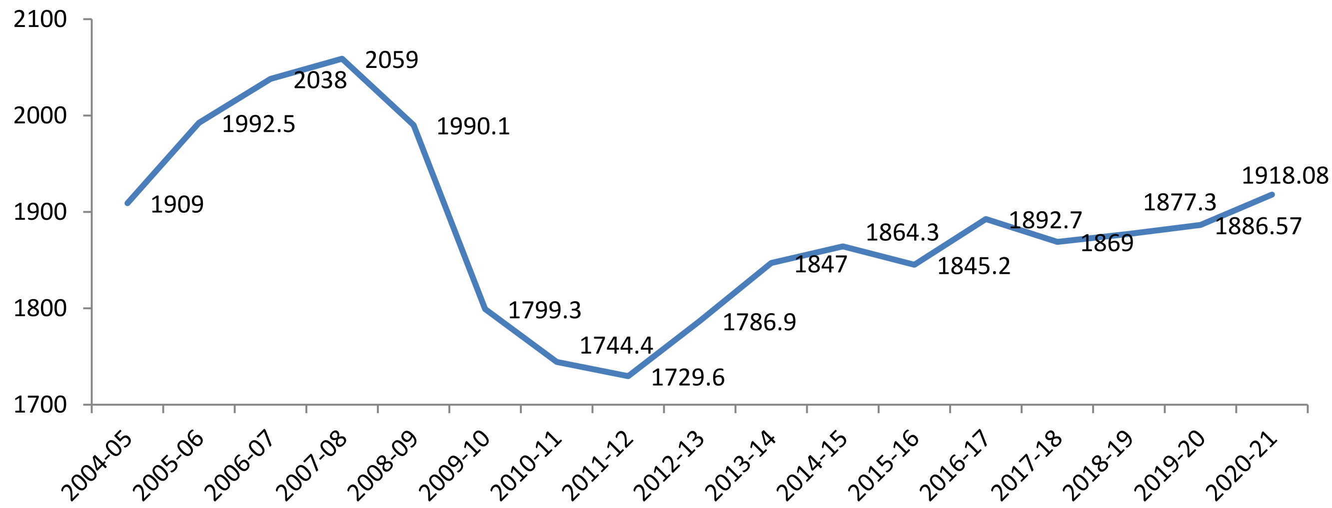
The FY 2020-21 Recommended Budget includes 1,918.08 full-time equivalent positions (FTEs). This represents a 18.01 FTE net increase from the current FY 2019-20 Position Allocation (as of May 5, 2020). It should be noted that, in most areas of the budget, where it appears that new positions are recommended, the increases are offset by eliminations of vacant positions, moving positions from another department, or associated with new funding sources and approved programs.

The chart below summarizes the recommended staffing changes. Detail of all allocated positions and recommended position changes is included in a later section of the Recommended Budget, and are discussed in Departmental budget narratives.

Summary of Recommended Position Changes

Department	Addition	Deletion	Total
CAO Central Services	5.00	(4.00)	1.00
CAO Parks (Formerly Airports, Cannabis, Cemeteries and Parks)		(7.00)	(7.00)
Child Support Services	1.00	(2.00)	(1.00)
Environmental Management	3.00	(1.00)	2.00
Health & Human Services Agency	10.31	(4.80)	5.51
Human Resources	2.00	(1.00)	1.00
Risk Management		(1.00)	(1.00)
Planning & Building	8.00	(2.00)	6.00
Probation	10.00		10.00
Registrar of Voters	0.50		0.50
Sheriff	3.00	(3.00)	0.00
Treasurer-Tax Collector	1.00		1.00
Totals	**43.81**	**(25.80)**	**18.01**

The chart below presents the total authorized positions, countywide, by fiscal year, since 2004-05. Total authorized positions decreased significantly during the recession, beginning in FY 2008-09, and gradually increased during the recovery.



NEXT STEPS FOR BUDGET ADOPTION

The Chief Administrative Office anticipates submitting a modified budget for consideration by the Board of Supervisors in September, incorporating those changes that are passed to us by the State of California, and recognizing the local revenue and related expense changes which may be necessary as a result of COVID-19.