

# Summary of the Recommended Budget

The Recommended Budget for all Governmental Funds for FY 2022-23 is \$864.9 million, which is \$93.1 million (12%) more than the FY 2021-22 Adopted Budget of \$771.8 million.

Total General Fund appropriations are recommended at \$397.6 million, which is \$27.1 million (7%) more than the FY 2021-22 Adopted Budget of \$370.5 million.

The totals presented here reflect all Governmental Funds, including Special Revenue funds. The increase in the total Recommended Budget can be attributed to the Mosquito Bridge replacement project, Caldor Fire Hazardous Tree Removal projects, and increased funding for road maintenance totaling \$48 million of increased appropriations in the Department of Transportation, the second \$18.7 million allocation of American Rescue Plan Act (ARPA) funding, and \$8 million in increased state and federal grants and allocations in the Health and Human Services Agency. The Recommended Budget represents an effort to leverage state and federal funding and growth in local revenue to fund Board policies and priorities.

## TOTAL APPROPRIATIONS

	FY 2021-22 Adopted Budget	FY 2022-23 CAO Recm'd Budget	\$ Increase / (Decrease)	Percent Change
Governmental Funds*	\$771.8 M	\$864.9 M	\$93.1 M	12%
General Fund	\$370.5 M	\$397.6 M	\$27.1 M	7%
Net County Cost**	\$158.7 M	\$175.7 M	\$17.1 M	11%

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

\*\* Departmental operating net cost, not adjusting for Transient Occupancy Tax Contributions, excluding Non-Departmental/ACO Fund/CW Special Revenue Funds/ Special Districts/Proprietary Funds

## TOTAL APPROPRIATIONS BY EXPENDITURE CLASS

Expenditure Class	FY 2021-22 Adopted Budget	FY 2022-23 CAO Recm'd Budget	\$ Increase / (Decrease)	Percent Change
Salaries & Benefits	\$242.6 M	\$266.6 M	\$24.0 M	10%
Services, Supplies, & Other Charges	\$229.5 M	\$275.2 M	\$45.7 M	20%
Fixed Assets	\$45.9 M	\$50.1 M	\$4.2 M	9%
Transfers	\$131.7 M	\$144.9 M	\$13.2 M	10%
Contingencies	\$107.2 M	\$121.4 M	\$14.2 M	13%
Additions to Reserves / Designations	\$14.8 M	\$6.7 M	(\$8.1 M)	-55%
<b>Total Appropriations*</b>	<b>\$771.8 M</b>	<b>\$864.9 M</b>	<b>\$93.1 M</b>	<b>11%</b>

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



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## TOTAL APPROPRIATIONS BY FUNCTIONAL GROUP

Functional Group	FY 2021-22 Adopted Budget	FY 2022-23 CAO Recm'd Budget	\$ Increase / (Decrease)	Percent Change
General Gov't	\$55.8 M	\$61.4 M	\$5.5 M	10%
Law & Justice	\$143.4 M	\$155.5 M	\$12.1 M	8%
Land Use / Dev Svc	\$118.0 M	\$170.0 M	\$52.0 M	44%
Health & Human Svc	\$189.7 M	\$203.3 M	\$13.6 M	7%
<b>Appropriations</b>	<b>\$506.9 M</b>	<b>\$590.1 M</b>	<b>\$83.2 M</b>	<b>16%</b>

\* 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 \$10.7 million (8.7%) in General Fund major revenue sources. Revenue from Property Tax (including Current Secured and Property Tax In-Lieu of VLF) is projected to increase by 4.75% in FY 2022-23 (\$4.9 million), based on the projected increase in assessed value in the County. Transient Occupancy Tax is projected to increase by 43% in FY 2022-23 (\$2.5 million) from the FY 2021-22 Adopted Budget, no increase from FY 2021-22 projected receipts. Sales and Use Tax is projected to increase by 22% in FY 2022-23 (\$3.3 million) from the FY 2021-22 Adopted Budget, a 2.4% increase from FY 2021-22 projected receipts.

### Carryover Fund Balance

The Recommended Budget anticipates \$47,077,391 in Fund Balance carryover in the General Fund, which is \$3 million (6%) less than what was included in the FY 2021-22 Adopted Budget. These are funds that are anticipated to be available at the end of FY 2022-23 as a result of operational savings, unanticipated revenues, unspent appropriations designated for capital project work, and unspent Contingency. 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.

The carryover Fund Balance committed for capital projects is estimated at \$4,256,826 for FY 2022-23. Capital Projects are fully budgeted in the year they are approved even if it is anticipated that some of the project may continue into the next year. This ensures there are a sufficient appropriations for the project even if it spans multiple years. Due to this practice, there are usually General Fund capital project contributions that carry over from one budget year to the next.

In FY 2021-22 carryover Fund Balance was used to increase Contingency by \$13.6 million above the Board Policy of 3% of adjusted General Fund appropriations, for a total Contingency of \$19.7 for FY 2021-22. This entire balance is carried forward into FY 2022-23. Additional detail on the recommended

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Contingency amount for FY 2022-23 can be found in the Board Policies & Funded Priorities section of the Summary of the Recommended Budget.

Transient Occupancy Tax Fund Balance is projected at \$5.7 million. This fund balance consists of \$2.5 million in projected excess revenues, \$1.1 million in additional fund balance from the prior year due to an audit adjustment of FY 2020-21 receipts, \$1.7 million in unspent Broadband Grant match, and \$0.4 million in projected unspent appropriations from the prior year.

In the FY 2021-22 Adopted Budget, the Board set aside \$5 million in a Caldor Fire Relief Designation. During FY 2021-22, the Board authorized the use of \$2,047,461 of the designation. Of this amount, it is projected that \$500,000 will be unspent at the end of FY 2021-22 and will be carried forward to fund Caldor Fire recovery activities in FY 2022-23.

After accounting for the above-described carryover items, \$16.9 million of projected fund balance is available to meet operational funding requirements in FY 2022-23. Of this, \$8.15 million is from unanticipated general revenue increases, which represents 5% of total general revenues in the FY 2021-22 Adopted Budget. The remaining \$8.75 million of carryover fund balance is from projected departmental savings, representing 2.4% of total General Fund appropriations in the FY 2021-22 Adopted Budget. It should be noted that these budgeted amounts are estimates and are subject to change with the close of the FY 2021-22 financial records in the fall.

## 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 local general purpose revenues, which are predominantly made up of property taxes, sales and use tax, general purpose fees, and interest earnings. Many departments that are budgeted in funds other than the General Fund also receive General Fund Contributions. 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 by 3%. The chart below reflects the distribution of increases and decreases in General Fund Cost/General Fund Contribution by functional group.

### NET COUNTY COST BY FUNCTIONAL GROUP

Functional Group	FY 2021-22 Adopted Budget	FY 2022-23 CAO Recm'd Budget	\$ Increase / (Decrease)	Percent Change
General Gov't	\$41.8 M	\$47.0 M	\$5.2 M	12%
Law & Justice	\$89.5 M	\$94.2 M	\$4.7 M	5%
Land Use / Dev Svc	\$8.9 M	\$14.2 M	\$5.3 M	60%
Health & Human Svc	\$18.5 M	\$20.3 M	\$1.8 M	10%
<b>Net County Cost*</b>	<b>\$158.7 M</b>	<b>\$175.7 M</b>	<b>\$17.1 M</b>	<b>11%</b>

*\*Departmental operating net cost, not adjusting for Transient Occupancy Tax Contributions, excluding Non-Departmental/ACO Fund/CW Special Revenue Funds/ Special Districts/Proprietary Funds*

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## BOARD POLICIES & FUNDED PRIORITIES

The Board of Supervisors adopted 10 budget policies in 2015. Those policies were updated and expanded over the years, with the last update approved by the Board on April 25, 2022. As with prior years, the Chief Administrative Office approached the development of the FY 2022-23 Recommended Budget with the direction and intent to recommend funding in line with these policies.

Of particular note are Budget Policies 8, 10, 11, 12, 13, and 15, which establish targets for funding the General Fund Appropriation for Contingency and General Fund reserves and designations. It is with these policies in mind that the following Board priorities are recommended for funding in the FY 2022-23 Recommended Budget.

***General Fund Contingency funded at 3% of the adjusted General Fund appropriations:*** 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 needs throughout the year. In FY 2021-22, additional Contingency, in the amount of \$13.6 million, was budgeted to address the unknown impacts of the Caldor Fire. On March 3, 2022, the Board approved the use of \$3.375 million of this additional Contingency be used as the County match for a federal Hazard Mitigation Grant to conduct defensible space, home hardening work, and hazardous fuels reduction in the County.

The Recommended Budget includes the carryover of the remaining Contingency; setting General Fund Contingency at \$16,293,995. Of this amount, \$6.5 million is to meet the 3% of adjusted General Fund appropriations goal, leaving \$9.8 million in additional contingency.

The Board has made significant investments in the County workforce by bringing the majority of County classifications to the median of the market. Some of the increases in compensation occurred after departments submitted their budget requests, and it was not feasible to attempt to incorporate all increases into the Recommended Budget. For at least the past year, the County has experienced increased difficulties recruiting employees resulting in higher salary savings. If recruitment challenges continue, these savings will be used to cover the increases that are not included in the Recommended Budget. The Chief Administrative Office is recommending that departments reassess Salary and Benefit appropriations with the Mid-Year Budget report. If departments are unable to absorb compensation increases with savings, the additional Contingency could be utilized for any appropriations issues.

Over the past year, inflation has accelerated faster than the consensus forecast anticipated. The Consumer Price Index (CPI) is a measure of the average change in prices over time in a fixed market basket of goods and services. For Northern California, the CPI has increased 5.4% from April 2021 to April 2022. Inflation has positively impacted tax revenues, but it has also increased the costs for Service and Supplies. Pursuant to the Legislative Analyst's Office, "it is plausible

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that the economy could continue to produce strong revenue collections in 2022-23, but then fall into a recession shortly thereafter.” The excess Contingency amount noted above is recommended in the event the economic growth slows during FY 2022-23, that general revenues do not meet projected levels, and/or if inflation results in Services and Supplies appropriations not being sufficient to cover program costs.

**General Reserve funded at 5% of adjusted General Fund appropriations:** Board Budget Policy #10 directs that the General Reserve be set at an amount equivalent to approximately 5% of the adjusted 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. The FY 2022-23 Recommended Budget adds an additional \$450,000 to the General Reserve, bringing it to \$10.75 million, 5% of the adjusted General Fund appropriations.

**Contribution to Capital Reserves funded at \$6 million:** The Recommended Budget includes an increase to the General Fund Designation for Capital Projects in the amount of \$6 million. Board Budget Policy #11 directs that, once General Reserves and General Fund Contingency equal 8% of adjusted General Fund appropriations, the Board may transfer remaining discretionary resources to the Designation for Capital Projects.

**Pension Funding:** Board Budget Policy #15 directs that, once General Reserves and General Fund Contingency equal 8% of adjusted General Fund appropriations, the Board may transfer remaining discretionary resources to the Designation for CalPERS Cost Increases. The goal is to maintain funding in this designation equal to at least two years of the projected General Fund increases in pension costs. The Recommended Budget includes the use of \$2,305,705 from the designation to cover the projected General Fund increases in CalPERS contributions and the addition of \$299,181 to the designation to bring it to \$2,925,065, the projected General Fund increases in CalPERS contributions for FY 2023-24 and FY 2024-25.

**Transient Occupancy Tax:** Policy #13 outlines the use of Transient Occupancy Tax revenue. The Recommended Budget has been prepared in alignment with this policy and the Board direction provided on April 25, 2022.

**Contribution to Road Maintenance funded at \$5 million:** Board Budget Policy #15 directs that, once General Reserves and General Fund Contingency equal 8% of adjusted General Fund appropriations, the Board has a goal of setting aside \$5 million in discretionary resources annually for road maintenance. The Recommended Budget includes a contribution of discretionary resources for Road Maintenance in the amount of \$7 million. This includes \$1.5 million of discretionary funding from the Shingle Springs Band of Miwok Indians, \$1.5 million of Transient Occupancy Tax funding, \$1 million of discretionary General Fund, and \$3 million from the Ray Lawyer Drive General Fund Designation. As part of the FY 2019-20 Recommended Budget, \$3 million was placed in a General Fund Designation for the purpose of roadway improvements for access to a potential new courthouse facility. There is currently no estimated date for approval or construction of the new courthouse facility, and it is recommended that this designation be transferred in its entirety to the Road Fund for Road Maintenance.

The following priorities are currently recommended for funding in the FY 2022-23 Recommended Budget, based on prior Board direction or to continue implementation of ongoing projects:

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## ***Community Planning***

As in FY 2021-22, the Recommended Budget includes \$350,000 for staffing for Community Planning efforts, including Rural Centers, as directed by the Board on March 30, 2021. The budget makes use of this \$350,000 for two Senior Planner positions as well as a Professional Services contract to aid in this effort.

## ***Compensation Philosophy***

The current compensation philosophy of the Board of Supervisors is to attempt to compensate all employees at the median of the total compensation paid to employees in Butte, Napa, Nevada, Placer, Sacramento, Solano, Sutter and Yolo counties and the State of California. During FY 2021-22, the Board brought multiple bargaining unit classifications to the median. As stated above in the General Fund Contingency section, the FY 2022-23 Recommended Budget includes compensation increases approved by the Board before January 2022. Increases approved after departments submitted their budget requests are not included in the budget. It is anticipated that Salaries and Benefits savings can cover some of the increases; if departments are unable to absorb compensation increases with savings, the additional Contingency could be utilized for any appropriations issues.

## ***El Dorado County Homelessness***

The Health and Human Services Agency Community Services Department continues to be the Administrative Entity for the El Dorado Opportunity Knocks Continuum of Care (CoC) in support of El Dorado County Homeless programs. The expected outcomes include, but are not limited to, capital improvements for 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. The County has received a number of grants to support the homeless population. The FY 2022-23 Recommended Budget includes \$18.4 million in state and federal revenue to be used to prevent and address homelessness in El Dorado County.

## ***Sheriff's Office Helicopter***

On April 25, 2022, the Board directed the CAO to include the helicopter program in the Recommended Budget. The budget includes a total of \$3.9 million for the implementation of the program. The purchase cost for a used helicopter and related equipment is estimated at \$3.1 million, which is being funded through the use of Special Revenue Funds, including Federal Asset Seizure, Rural Counties, and Citizens' Option for Public Safety (COPS). The ongoing annual operating costs of the program, including staffing, are estimated at \$800,000. Half of this will be funded through General Fund Transient Occupancy Tax, anticipating that this program will help mitigate the impacts of tourism. This is a one-time funding allocation that will be re-assessed after data regarding the program's work on mitigating impacts of tourism has been collected and analyzed. The remaining \$400,000 will be funded through the General Fund.

## ***Mosquito Bridge***

The Department of Transportation received federal funds from the Federal Highway Association Highway Bridge Program (HBP) to replace the existing Mosquito Road Bridge (Project) located in a steep canyon of the South Fork of the American River, six miles north of U.S. Highway 50, and 2.3 miles south of the communities of Mosquito and Swansboro. The purpose of the Project is to replace the existing bridge with a functional bridge that meets current design and safety standards. The FY 2022-23 Recommended Budget includes \$20 million in revenue and expenditures to begin construction of the Mosquito Road Bridge.

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## *IT Deferred Infrastructure & Maintenance*

In support of the Good Governance Strategic Plan Infrastructure Objectives 3.4.2 and 3.4.3, the Recommended Budget includes just under \$650,000 in Information Technologies supplemental requests for critical maintenance, software and licenses in FY 2022-23, to bring the County in line with industry standards and to reduce risk to County data. This includes \$265,000 for the Microsoft Office 365 migration.

## *American Rescue Plan Act*

On March 11, 2021, the American Rescue Plan Act (ARPA) was signed into law. This Act established the Coronavirus Local Fiscal Recovery Fund, which will provide \$37.5 million to El Dorado County for responding to the impact of the coronavirus pandemic and in efforts to contain the coronavirus pandemic. The U.S. Department of the Treasury released guidance on the use of funds and final allocation amounts on May 10, 2021. The County has received half of the funds, and the second half of the funds are anticipated at the beginning of FY 2022-23. The ARPA funding has been included in the FY 2022-23 Recommended Budget pursuant to Board direction provided during FY 2021-22.

## BUDGET PRESSURES & POLICY CONSIDERATIONS

This section includes a discussion of ongoing issues that have had an impact on the Recommended Budget in prior years and/or continue to evolve and impact the County's annual budget and priorities. 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 Increases

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). In March 2012, the pension fund reduced its discount rate from 7.75 percent to 7.5 percent, citing economic conditions. In December 2016, the CalPERS Board further reduced the rate, to 7 percent. Because the resultant cost increases to its member public agencies would be so great and so sudden, the CalPERS Board approved phasing in this change over a three year period, beginning with FY 2018-19; however, in July 2021, at the end of the phase-in period for the last round of reductions, the discount rate was reduced again, from 7% to 6.8%, due to the Funding Risk Mitigation Policy. In general, a lower discount rate results in higher required contributions from the County to CalPERS. The July 2022 CalPERS Actuarial Reports will incorporate the new discount rate and determine if high investment returns in 2021 will offset the impact of the lower discount rate. It is important to note that these are costs the County cannot avoid or elect to not pay. Similar to long-term debt, providing for the payment of these costs will continue to be a budget pressure in future years' budgets, particularly as economic slowing impacts investment returns.

### Workers' Compensation and General Liability Programs

El Dorado County self-insures its General Liability Program and was self-insured for all claims prior to September 2019 for its Workers' Compensation Programs. The programs are administered by Risk Management. The funding levels for the programs are based on actuarial analysis and recommendations of Bickmore Risk Services and Consulting. The required program funding is determined and applied to an allocation schedule for charges to departments. General Liability and Workers' Compensation charges are based on each department's program claims losses (experience) relative to the County as a whole and the budgeted payroll for each department relative to total budgeted payroll (exposure). Charges to departments

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are weighted 80% on the department's experience over the most recent seven years and 20% on the department's exposure.

In Fiscal Year 2020-21, due to an excess of program reserves, it was determined that a General Liability rate holiday would be enacted to bring the program funding to an acceptable confidence level. The FY 2021-22 Budget resumed department charges and included \$2.8 million in General Liability Insurance Premium expenses. The FY 2021-22 was a reduced amount from prior years, utilizing reserves for some of the program costs. As the program has been brought to an acceptable confidence level, the FY 2022-23 Recommended Budget includes \$4.6 million in General Liability Insurance Premium expenses, a \$1.8 million increase from the prior year.

In Fiscal Year 2021-22, due to an excess of program reserves, it was determined that a Workers' Compensation rate holiday would be enacted to bring the program funding to an acceptable confidence level. The FY 2022-23 Recommended Budget includes the resumption of these charges to departments, totaling \$7.4 million.

In FY 2020-21, during the General Liability rate holiday, the Board established a General Fund Designation of \$3 million to use in future budget years to mitigate the impact of the resumption of charges on the budget. With General Liability and Workers' Compensation charges increasing by \$9.2 million in the Recommended Budget, the budget includes the use of the \$3 million designation.

## Caldor Fire Recovery

The Caldor Fire, the 15th largest ever in California history, burned 221,835 acres, forced the evacuation of more than 50,000 Californians, and destroyed over 1,000 structures, most of which were homes. The Caldor Fire had a profound impact on the County's population, environment and resources. Multiple departments within El Dorado County government worked in tandem and with other governmental entities and nonprofit organizations to assist residents and animals with shelter, food and access to their properties, ranches and vital documents once the fire was contained. The County's Caldor Fire Recovery efforts continue with debris cleanup, rebuilding, and human services to those impacted by the fire.

During FY 2021-22, the Board established a \$5 million General Fund Designation for the purpose of funding Caldor Fire Recovery activities. To date, the Board has authorized the use of \$2.04 million of the Caldor Fire Relief Designation. The FY 2022-23 Recommended Budget pulls an additional \$1.7 million, leaving \$1.2 million in the designation.

Some Caldor Fire response activities are eligible for reimbursement with a (75%) FEMA funding, (18.75%) CalOES funding and (6.25%) local funding formula. Based upon prior emergency response claims, reimbursement funding can take an extended time to receive. Due to the expected delay in reimbursement, the FY 2022-23 Recommended Budget does not include reimbursement funding. If funding is received in FY 2022-23, it will result in additional savings.

## ALLOCATED POSITIONS & STAFFING CHANGES

The FY 2021-22 Recommended Budget includes 1,971.63 Full Time Equivalent allocations (FTEs). This represents a 17.3 FTE net increase from the current FY 2021-22 Position Allocation (as of May 5, 2022). 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 is discussed in departmental budget narratives.



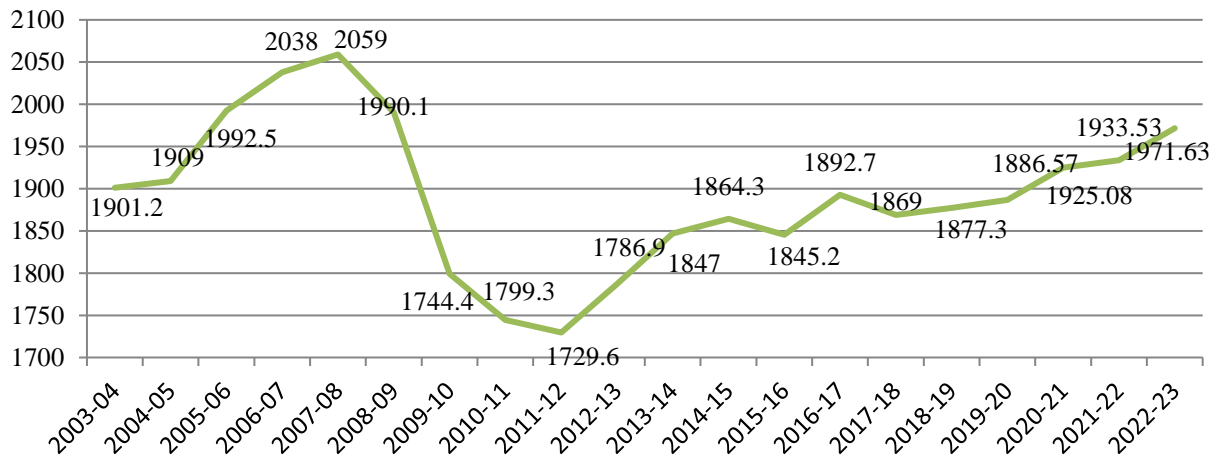
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## Summary of Recommended Position Changes

Department	Net Change
Agriculture	1.00
Auditor-Controller	2.00
Board of Supervisors	0.50
CAO - Administration & Budget	0.50
CAO - Central Services	2.50
CAO - EMS & Emergency Preparedness and Response	(3.00)
CAO - Parks	1.00
Child Support Services	(1.00)
District Attorney	(1.80)
Health and Human Services Agency	6.60
Human Resources / Risk Management	1.00
Information Technologies	2.50
Probation	4.50
Public Defender	1.50
Surveyor	1.00
Transportation	(2.00)
Treasurer-Tax Collector	0.50
<b>Total</b>	<b>17.30</b>

The chart below presents the total authorized positions, countywide, by fiscal year, since FY 2003-04. Total authorized positions decreased significantly during the recession, beginning in FY 2008-09, and gradually increased during the recovery.

**Total County Allocations by Fiscal Year**



## NEXT STEPS FOR BUDGET ADOPTION

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The Chief Administrative Office anticipates submitting a modified budget for consideration by the Board of Supervisors in September, incorporating those changes that are necessary based on state and federal action and to record actual fund balances after the close of the FY 2021-22 financial records.