

Summary of the Recommended Budget

The Recommended Budget for all Governmental Funds for FY 2023-24 is \$1.01 billion, which is \$25.7 million (3%) more than the FY 2022-23 Adopted Budget of \$986.8 million.

Total General Fund appropriations are recommended at \$420.2 million, which is \$14.9 million (3%) less than the FY 2022-23 Adopted Budget of \$435.2 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 Parks and Facilities Projects in the Chief Administrative Office and Capital Improvement Projects in Transportation such as the Mosquito Bridge, Diamond Springs Parkway, and Ice House Road Pavement Rehabilitation Project.

The Recommended Budget represents an effort to fund Board policies, priorities, and current service levels for the fiscal year with a projected slowing of discretionary revenue growth.

TOTAL APPROPRIATIONS

	FY 2022-23 CAO Recm'd Budget	FY 2023-24 Recm'd Budget	\$ Increase / (Decrease)	Percent Change
Total Appropriations	\$1,132.9 M	\$1,158.2 M	\$25.4 M	2%
Governmental Funds*	\$986.8 M	\$1,012.5 M	\$25.7 M	3%
General Fund	\$435.2 M	\$420.2 M	(\$14.9 M)	-3%
Net County Cost**	\$183.6 M	\$193.4 M	\$9.76 M	5%

* 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/Accumulative Capital Outlay (ACO) Fund/ Countywide Special Revenue Funds/ Special Districts/Proprietary Funds

TOTAL APPROPRIATIONS BY EXPENDITURE CLASS

Expenditure Class	FY 2022-23 Adopted Budget	FY 2023-24 Recm'd Budget	\$ Increase / (Decrease)	Percent Change
Salaries and Benefits	\$269.9 M	\$283.3 M	\$13.4 M	5%
Services, Supplies, & Other Charges	\$305.9 M	\$292.0 M	(\$14.0 M)	-5%
Fixed Assets	\$67.0 M	\$77.0 M	\$10.0 M	15%
Transfers	\$169.9 M	\$195.2 M	\$25.2 M	15%
Contingencies	\$156.0 M	\$161.2 M	\$5.2 M	3%
Reserves / Designations	\$18.0 M	\$3.8 M	(\$14.2 M)	-79%
Total Appropriations*	\$986.8 M	\$1,012.5 M	\$25.7 M	3%

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



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TOTAL APPROPRIATIONS BY FUNCTIONAL GROUP*

Functional Group	FY 2022-23 Adopted Budget	FY 2023-24 Recm'd Budget	\$ Increase / (Decrease)	Percent Change
General Gov't	\$63.2 M	\$69.2 M	\$6.1 M	10%
Law & Justice	\$157.4 M	\$174.9 M	\$17.5 M	11%
Land Use / Dev Svc	\$190.7 M	\$192.8 M	\$2.0 M	1%
Health & Human Svc	\$222.2 M	\$223.0 M	\$0.9 M	0%
Appropriations	\$633.5 M	\$660.0 M	\$26.5 M	4%

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



GENERAL FUND SUMMARY

General Fund Revenues

The Recommended Budget reflects an increase of \$5.2 million (3.7%) 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% in FY 2023-24 (\$4.4 million), based on the projected increase in assessed value in the County. Transient Occupancy Tax is projected to increase by 9% in FY 2023-24 (\$745,423) from the FY 2022-23 Adopted Budget. Sales and Use Tax is projected to increase by 0.5% in FY 2023-24 (\$96,000) from the FY 2022-23 Adopted Budget.

Carryover Fund Balance

The Recommended Budget anticipates \$45,515,597 in Fund Balance carryover in the General Fund, which is \$23.7 million (34%) less than what was included in the FY 2022-23 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. Further detail on the source of Fund Balance can be found in the General Fund – General Revenues and Other Operations section of the Recommended Budget documents.

It should be noted that across all County funds, budgeted Fund Balance amounts are estimates and are subject to change with the close of the FY 2022-23 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.

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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 6%. The chart below reflects the distribution of increases and decreases in General Fund Cost/General Fund Contribution by functional group.

The General Government Functional Group is increasing Net County Cost by \$9.8 million primarily due to the Diamond Springs Community Park and Chili Bar Park Projects, a change in budget methodology where Central Fiscal costs are recouped through the Countywide Cost Allocation Plan, causing an increased Net County Cost until the costs are recovered in two years through the Cost Plan, and Board-approved compensation increases across all departments.

The Law and Justice Functional Group is increasing Net County Cost by \$9.7 million primarily due to the Jail Expansion Project, the California Forensic Medical Group (CFMG) contract being moved to the Sheriff’s Office budget from the Health and Human Services Agency, increased General Liability costs in the Sheriff’s Office, and Board-approved compensation increases across all departments.

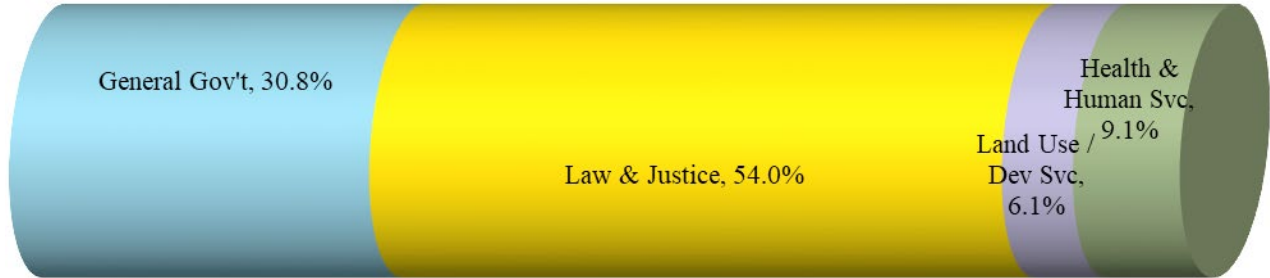
The Land Use and Development Functional Group is decreasing Net County Cost by \$7 million primarily due to fire recovery activities in the prior year and the use of the Ray Lawyer Drive General Fund Designation for road maintenance in the prior year.

The Health and Human Services Functional Group is decreasing Net County Cost by \$2.7 million primarily due to the California Forensic Medical Group (CFMG) contract being moved to the Sheriff’s Office budget from the Health and Human Services Agency which is partially offset by increases from Board-approved compensation increases.

NET COUNTY COST BY FUNCTIONAL GROUP*

Functional Group	FY 2022-23 Adopted Budget	FY 2023-24 Recm'd Budget	\$ Increase / (Decrease)	Percent Change
General Gov't	\$49.8 M	\$59.5 M	\$9.8 M	20%
Law & Justice	\$94.7 M	\$104.4 M	\$9.7 M	10%
Land Use / Dev Svc	\$18.7 M	\$11.8 M	(\$7.0 M)	-37%
Health & Human Svc	\$20.4 M	\$17.7 M	(\$2.7 M)	-13%
Net County Cost	\$183.6 M	\$193.4 M	\$9.8 M	5%

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



BOARD POLICIES & 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 18, 2023. As with prior years, the Chief

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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, 15, 16 and 17 which establish targets for funding the General Fund Appropriation for Contingency, General Fund reserves and designations, and other annual goals. It is with these policies in mind that the following Board priorities are recommended for funding in the FY 2023-24 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 2022-23, additional Contingency, in the amount of \$10 million, was budgeted to address possible economic impacts that could affect the County over the coming years. On December 6, 2022, the Board approved the use of \$5 million of this additional Contingency for Mosquito Fire debris removal.

The Recommended Budget sets General Fund Contingency at \$11,250,000. Of this amount, \$7 million is to meet the 3% of adjusted General Fund appropriations goal, leaving \$4.25 million in additional contingency. The additional Contingency amount is recommended in the event the economic growth slows during FY 2023-24, 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. Additional Contingency can also be used to fund disaster response and recovery efforts as has been needed in the past two years.

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 2023-24 Recommended Budget adds an additional \$500,000 to the General Reserve, bringing it to \$11.5 million, 5% of the adjusted General Fund appropriations.

Contribution to Capital Reserves funded at \$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. The Recommended Budget does not include an increase to the General Fund Designation for Capital Projects in the amount of \$6 million. There were not sufficient discretionary resources after funding departmental Net County Cost to meet this goal. It is recommended that meeting this goal be a top priority in the event additional fund balance becomes available with the Adopted Budget.

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 does not alter the funding in this designation as there are currently at least two years of projected General Fund CalPERS cost increases in the designation. The CalPERS actuarial that determines the rates for FY 2023-24 is based upon the 21.3% investment returns of FY 2020-21 and does not reflect the -6.1% investment returns of FY 2021-22 which will impact rates in FY 2024-25. The Adopted Budget will include an update of these projected CalPERS Cost Increases based on the CalPERS Actuarial Reports released in July 2023.

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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 with Board direction provided on April 18, 2023.

Contribution to Road Maintenance funded at \$9.4 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 \$9.4 million. This includes \$4.4 million of discretionary funding from the Shingle Springs Band of Miwok Indians as directed by the Board on April 11, 2023, and nearly \$5 million in Transit Occupancy Tax as directed by the Board on April 18, 2023.

Designation for Information Technologies (IT) Infrastructure and Designation for Disaster Expenses: Board Budget Policy #16 and #17 were approved by the Board on April 18, 2023, and direct that funding be held in Designations for IT Infrastructure and Disaster Expenses. The Recommended Budget does not include funding for these designations. There were not sufficient discretionary resources after funding departmental Net County Cost to meet this goal. It is recommended that meeting these goals be a top priority if additional fund balance becomes available with the Adopted Budget.

The following priorities are currently recommended for funding in the FY 2023-24 Recommended Budget, based on prior Board direction or to continue implementation of ongoing projects:

Community Planning

As in FY 2021-22 and FY 2022-23, the Recommended Budget includes \$350,000 for staffing Community Planning efforts, including Rural Centers, as directed by the Board on March 30, 2021. The budget makes use of this \$350,000 with two Senior Planner positions and 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 and FY 2022-23, the Board brought multiple bargaining unit classifications to the median and approved a 2% compensation increase countywide. Primarily due to these compensation increases, Salaries and Benefits in the budget are increasing by \$13.9 million (5%) when compared to the FY 2022-23 Adopted Budget.

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 2023-24 Recommended Budget includes \$20 million in state and federal revenue to be used to help address and prevent 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 FY 2022-23 Budget. The helicopter is anticipated to be delivered in early FY 2023-24, with a portion of the

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purchase cost having occurred during FY 2022-23. The Recommended Budget includes the purchase of a used helicopter and related equipment totaling \$2.4 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.

Facilities Investments

The Recommended Budget includes an Accumulative Capital Outlay (ACO) Workplan totaling \$55.5 million. This workplan includes \$25.3 million for the Placerville Jail Expansion Project, \$5.4 million for the renovation of space in Building C to accommodate the Superior Court relocation, \$2.6 million for the renovation of the newly purchased buildings in South Lake Tahoe, \$4 million for the construction of a permanent Navigation Center, and \$1.2 million in grant-funded library improvements. In addition, the Workplan includes \$8.3 million in maintenance for County-owned facilities.

In addition to the ACO Workplan, the Chief Administrative Office Parks Division has \$7 million in park investments and improvements in the Recommended Budget. These improvements include \$1 million for Chili Bar Park, \$1.2 million for the continued development of the Bike Park, \$4.2 million for Diamond Springs Community Park, and other investments including the Dog Park, Forebay Park, Parks Workshop, and Henningsen Lotus Park.

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.

Slowing Discretionary Revenue Growth and Inflation-Driven Cost Increases

El Dorado County has been preparing for the possibility of a recession or economic slowing since the onset of the coronavirus pandemic in FY 2019-20. It is projected that FY 2023-24 will see significant slowing of discretionary revenue growth with initial slowing reflected in the current fiscal year. This can be seen in the projected 0.5% growth of Sales and Use Tax in FY 2023-24. Property Tax is projected to grow 4% in FY 2023-24, where 7% growth was included in the FY 2022-23 Adopted Budget. Once the Assessor's local assessment roll is finalized in July, a more accurate growth amount can be determined. The slowing in discretionary revenue growth impacts the County's ability to fund ongoing services and costs that are growing due to inflation-driven cost increases.

Over the past year, inflation has continued to grow beyond the Federal Reserve's target rate of 2% growth. 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 4.2% from April 2022 to April 2023. Inflation has positively impacted tax and interest revenues, but it has also increased the costs for Services and Supplies. Pursuant to the Legislative Analyst's Office FY 2023-24 Budget Multiyear Assessment, "Although the state faces a budget problem this year, anticipated revenue shortfalls this year do not yet reflect a recession. Rather, revenues have declined relative to their recent peaks due to Federal Reserve actions taken to cool an overheated economy. We do, however, think there is a heightened risk of this cooldown progressing to a recession. As a result, planning for further revenue declines would be prudent."

The FY 2023-24 Recommended Budget includes slowing revenue growth and increased costs related to inflation while trying to retain the reserves, designations and Contingency needed to protect the County if

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further economic impacts occur. As a result, the Recommended Budget does not fund all of the Board Policies as outlined above. In addition, more than \$3 million in departments' supplemental requests have been deferred. The Recommended Budget includes a conservative estimate of Fund Balance in the General Fund. If additional Fund Balance is identified during the Adopted Budget revisions, it is anticipated that the Chief Administrative Office will first recommend fully funding Board Budget Policies before considering departments' supplemental requests.

Facilities Investments & Ongoing Needs

As stated above, the Recommended Budget invests \$55.5 million into County facilities through the ACO Workplan. In addition, the County has \$14.7 million in the General Fund Designation for Capital Projects. The Board has made significant progress in improving County facilities over the past five years with the build of the Public Safety Facility, purchase of the new facility in South Lake Tahoe, and purchase of the Shingle Springs facility on Ponderosa Road.

Despite these investments and savings, the County will need to make further facility investments in the coming years that exceed available funding. As presented to the Board on April 18, 2023, it is estimated that the replacement of County buildings with a low condition rating could cost \$247 million. The County still has one end-of-life building that needs to be replaced within the next five years. The Spring Street facility is estimated at a replacement cost of \$27 million. This project alone would fully deplete the existing General Fund Designation for Capital Projects and the County would still have a \$13 million dollar funding gap to be filled prior to beginning the project. To meet these upcoming facilities needs it is important that the Board continue to invest in County facilities and increase funding in the General Fund Designation for Capital Projects for future improvements. This should be a top priority for use of additional fund balance, if available, during the Adopted Budget process.

Disaster Response and Recovery

The County has needed to devote resources to natural disasters every year for the past three years and in the current year declared emergencies for the Caldor Fire, Mosquito Fire, December 2022 Storms, and March 2023 Storms. Disaster response and recovery have put a burden upon the General Fund and the Road Fund to fund disaster response and recovery activities. If eligible for reimbursement, disaster response can take years to receive reimbursement. On February 14, 2023, the Board directed the assessment and evaluation of the delivery of emergency preparedness, operations, and response given the increased workload that has developed as a result of the increasing number of disasters in the County. The result of this assessment could have impacts on the budget that are not included in the Recommended Budget. Lastly, if another disaster occurs during FY 2023-24, the Board may need to utilize General Fund Contingency, designations, or reserves for disaster response and recovery activities.

ALLOCATED POSITIONS & STAFFING CHANGES

The FY 2023-24 Recommended Budget includes 2,000.78 Full-Time Equivalent allocations (FTEs). This represents an 8.0 FTE net increase from the current FY 2022-23 Position Allocation (as of May 11, 2023). The chart below summarizes the recommended staffing changes. Detail of all allocated positions and recommended position changes are included in a later section of the Recommended Budget and is discussed in departmental budget narratives.

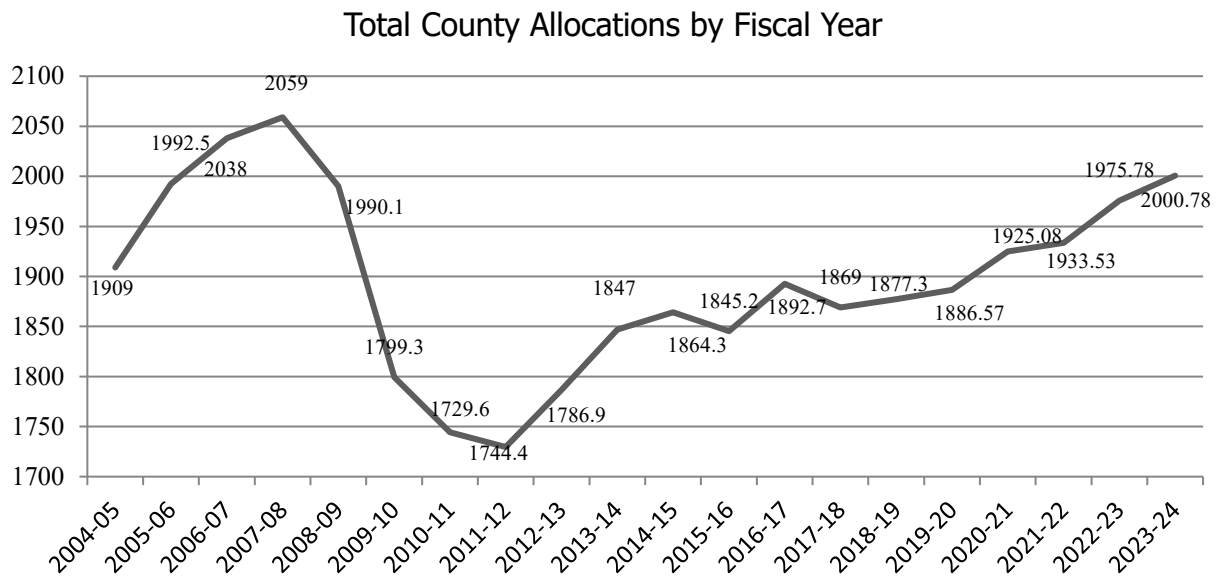
Summary of Recommended Position Changes

Department	Net Change
Auditor-Controller	(1.00)

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Board of Supervisors	0.50
CAO - Central Services	1.00
Child Support Services	(2.00)
Environmental Management	(2.00)
Health and Human Services Agency	11.00
Probation	(1.00)
Public Defender	1.00
Recorder-Clerk	(1.50)
Registrar of Voters	1.00
Sheriff	(1.00)
Transportation	1.00
Treasurer-Tax Collector	1.00
Total	8.00

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.



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NEXT STEPS FOR BUDGET ADOPTION

The Chief Administrative Office anticipates submitting a modified budget for consideration by the Board of Supervisors in September, incorporating changes based on state and federal action, and recording actual fund balances after the close of the FY 2022-23 financial records.

