

A close-up photograph of almond blossoms on a branch. The flowers are a vibrant pinkish-purple color with long, thin stamens. The background is a soft-focus landscape of rolling hills under a blue sky. The text is overlaid on the lower half of the image.

Budget Message

Steven M. Smith
County Administrative Officer

The value of the Sutter County almond crop in 2019 was \$40 million.



County of Sutter

Office of the County Administrator

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Date: June 8, 2021

To: Honorable Chair & Members of the Board of Supervisors

From: Steven M. Smith, County Administrator

Subject: Recommended FY 2021-22 Budget

On behalf of the County management team, it is my pleasure to submit a balanced Countywide Recommended Budget for Fiscal Year (FY) 2021-22. This document includes estimated revenues/sources of funds and recommended appropriations for both the Operating Budget and Capital Improvement Program (CIP) Budget.

Incorporation of Board of Supervisors Top Six Priorities and Goals

Sutter County policy is guided by a set of six priorities and ten County-wide goals established by the Board of Supervisors. As a policy document, the budget aligns with these principles as the foundation of all the services that the County funds. On May 4, 2021, the Board of Supervisors met to review progress on FY 2020-21 Goals and Priorities and discuss its Top Priorities and Goals for the coming year. Subsequently, on June 7, the Department Heads and I will meet to discuss and make recommendations. The final Goals and Top Priorities for FY 2021-22 will come before the Board for discussion and adoption sometime in June or July 2021 and will be incorporated into County activities throughout the budget year. To date, the following Priorities remain:

- **Priority #1 - Leadership:**
Provide leadership development; improve employee engagement; and deliver meaningful employee performance appraisals.
- **Priority #2 – Economic Development:**
Evaluate the efficiency of existing economic development efforts; analyze development fees and their effect on regional development; and analyze current zoning code to explore opportunities to attract businesses specific to Agriculture.
- **Priority #3 – Homelessness:**
Eliminate camping in undesignated areas; engage non-profits/service organizations; identify and obtain financial resources to help pay for homeless programs; (implement) preventative measures.

- Priority #4 – Budget and Finance:
Adopt and implement a Financial Strategic Plan; engage the Board of Supervisors in the budget development process.
- Priority #5 - Facilities:
Establish and maintain a Capital Improvement Plan; adopt and implement a Facilities Master Plan; update development impact fees; consolidate county campuses.
- Priority #6 – Sutter Pointe (likely to change to Development overall):
Analyze the ability to develop infrastructure to ensure commercial/industrial viability within Sutter Point Specific Plan area; ensure land within the Natomas Basin is available for Sutter County development mitigation; work with developers to assist in development of residential properties within Sutter Pointe Specific Plan area.

County-wide goals were first established on September 11, 2018 and were last discussed by the Board on May 4, 2021. As with the Top Priorities, final Goals will come before the Board in June or July 2021 and will be incorporated into County activities for the budget year. The existing Goals to date are:

- A. Provide local government leadership which is open, responsive, ethical, inclusive, and transparent, while recognizing and respecting legitimate differences of opinion.
- B. Operate County government in a fiscally and managerially responsible manner to ensure Sutter County remains a viable and sustainable community to live, work, recreate, and raise a family.
- C. Maintain strong commitment to public safety (including Law Enforcement, District Attorney, Public Defender, Probation, Fire, Emergency Management, and related services).
- D. Provide responsive and cost-effective social services (with measurable results) to an increasingly diverse and complex society.
- E. Provide and enhance public infrastructure, including essential water, wastewater, other utilities, transportation systems (including “Farm to Market” roads), and achieve best possible flood protection for the entire County region, including upgrading necessary levees to obtain reasonable flood insurance coverage to all residents, businesses, and property owners.
- F. Remain committed to community and cultural programs and services, such as Library, Museum, and Veterans services.
- G. Reduce the number of County facilities and ensure that all buildings are maintained at high standards to “lead by example” for other governmental agencies and private sector companies to emulate.
- H. Protect, support, and enhance Sutter County’s rich agricultural base.

- I. Work in partnership with applicable property owners, developers, and service providers to ensure timely implementation of Sutter Pointe Specific Plan.
- J. Implement forward-thinking and “Best Management Practices” to ensure that the County’s workforce will deploy successful succession planning necessary to enable County’s employment base to become more reflective of community’s changing demographics.

Budget Principles

The following principles are used to guide budget development and presentation for the County.

1. Budget and financial information will be presented in a manner that is transparent and as easy to understand as possible.
2. Ongoing expenditures will be funded by ongoing revenues.
3. The County cannot and will not backfill losses in revenue for state mandated programs with discretionary General Fund dollars.
4. Residual General Fund revenues identified after the close of the fiscal year will be used to augment reserves, stabilize long term liabilities, and be accumulated to fund future capital improvements.
5. Funds outside of the General Fund, Health Fund, Trial Court Fund and Public Safety Fund are to accumulate reserves to stabilize services when revenues are lost due to economic or other conditions outside the control of the County.
6. Departments will set measurable performance goals consistent with the County’s Goals and Top Priorities and/or with the Department’s specific mission and will report on the progress each year.

Financial Policies – Reserves and Long-Term Liabilities

On December 8, 2020, the Board approved a Financial Strategic Plan that included establishment of certain policies to ensure the long-term financial stability of the County. On December 15, 2020, the Board adopted Administrative Policy #504 *Budget and Financial Management* and Administrative Policy #507 *Debt Management*. These policies lay out specific requirements for management of the County’s finances. Key among the policies are the requirements to fund reserves, including the General Reserve and a new Budget Stabilization reserve, as well as pay down long-term liabilities such as pension liability and other post-employment benefit (OPEB) liability and increase the Appropriation for Contingency. The FY 2021-22 Recommended Budget follows these adopted policies by increasing the General Reserve by \$500,000 (for a total of \$2.1 million) and the Budget Stabilization Reserve by \$500,000 (for a total of \$1 million). Combined, these two accounts have increased the County’s reserves by \$2 million (182%) since FY 2019-20, providing a hedge against unforeseen negative economic conditions and ensuring sufficient General Fund cash flow throughout the year. The FY 2021-22 Recommended Budget also includes payment of \$1 million into the County’s

Internal Revenue Code Section 115 Pension Prefunding Account with Public Agency Retirement Services (PARS) and \$100,000 into the OPEB Prefunding Account, also with PARS. Pension liability is discussed in more detail later in this report. Neither the increase in reserves nor the pension/OPEB liability payments were included in the FY 2020-21 Recommended Budget due to the economic ambiguity surrounding the COVID-19 pandemic. However, upon close of FY 2019-20, sufficient resources remained to allow these to be fully funded to the policy level. Finally, the Recommended Budget includes \$1 million in Appropriation for Contingency. This is an increase of \$200,000 (25%) from the FY 2020-21 Recommended Budget. The Appropriation for Contingency is used to minimize the General Fund impact of significant costs that were not anticipated when the Recommended Budget was developed or adopted by the Board of Supervisors.

Commitment to Transparency

The Recommended Budget is published in early June ahead of a June 8, 2021 presentation by the County Administrative Office staff to introduce the budget. Public Budget Hearings are scheduled for Tuesday, June 15, 2021, and Budget Adoption (including incorporation of any changes from the Budget Hearings) is scheduled for Tuesday, June 22, 2021, ahead of the July 1 start of FY 2021-22.

The FY 2021-22 Recommended Budget process includes two new key components. First, a scheduled, public Budget Study Session was conducted with the Board of Supervisors on April 26, 2021. This provided a preliminary look at projected revenues and requested appropriations and gave the Board of Supervisors the ability to provide policy-level input into the budget before it became the CAO's Recommended Budget. While the County Administrator and CAO staff are attuned throughout the year to the Board's policy direction and incorporate that into budget development, the Budget Study Session provides a more formal process to further include direct feedback from the Board of Supervisors. Second, as in previous years, each budget unit has a narrative including the mission and program discussion, significant changes from the prior year's budget, goals and accomplishments, and, where applicable, use of fund balance. The Recommended Budget is summarized in a table at the top of each narrative. This year, the page number in the Budget Book where the detailed budget can be found is referenced below this table to provide the reader with ease in comparing the narrative to the line-item detail.

“Status Quo” Budget

The Recommended FY 2021-22 Budget represents a spending plan that has been aligned with available resources. The County is an organization committed to living within its means. The Recommended Budget reflects stable ongoing revenues, augmented by significant revenues carried forward from FY 2020-21 made available through the Coronavirus Aid, Relief, and Economic Security (CARES) Act, as discussed later in this message. The County remains challenged with the inability of ongoing revenues to keep up with increasing costs and growing demand for quality, County-provided services. Additionally, many buildings and equipment items need repair or replacement. The CAO's Office issued budget instructions in December that requested departments turn in budgets with a net county cost (appropriations minus program specific revenues) that was equal to or below the FY 2020-21 Adopted Budget level.

CAO's office staff and County departments worked tirelessly and collaboratively to produce a spending plan that is both reasonable and avoids cuts to services while maintaining the core components of fiscal stability, such as funding reserves and paying down long-term liabilities. The result is a Recommended Budget that is balanced by reducing operating costs where possible and prudent use of one-time resources to augment reserves or to support limited term costs. Difficult decisions were made and commendable work was done by all departments to reduce their costs and identify additional revenue. Reductions included holding positions vacant, restricting travel and training, and limiting capital projects to those primarily supported by outside funding. The Recommended Budget also relies on the use of special revenue funds to continue necessary (and often mandated) service levels. To ensure long-term fiscal stability, County staff remain laser focused on revenue performance and ensuring that expenditures are adjusted if revenues do not perform as well as what is projected in the FY 2021-22 Recommended Budget to avoid reliance on reserves. Further, without significant revenue growth, County leaders may have to consider adjustment to service levels in the coming years. I remain confident that the County team has the skill to analyze all aspects of County operations and make sound recommendations to maintain quality services far into the future.

Budget Overview – All Funds Budget

Appropriations

The FY 2021-22 appropriations for all funds is recommended at \$402,659,849, which includes \$396,192,801 in appropriations and \$6,467,048 in increases in committed fund balance. Overall, the year over year change from the FY 2020-21 Adopted Budget is a decrease in appropriations of \$11,563,347 (2.8%). The following table illustrates the allocation among the funds, including the largest operating departments:

No.	Fund	Adopted FY 2020-21	Recommended FY 2021-22	Change	
				Dollars	Percent
1.	General	\$76,920,100	\$71,144,197	(5,775,903)	-7.51%
2.	Welfare/Social Services	60,935,413	63,380,068	2,444,655	4.01%
3.	Bi-County Behavioral Health	53,448,562	55,715,705	2,267,143	4.24%
4.	Public Safety	39,770,760	39,271,772	(498,988)	-1.25%
5.	Road	15,038,636	25,074,519	10,035,883	66.73%
6.	Health Services	16,705,025	18,800,107	2,095,082	12.54%
7.	Trial Courts	10,826,401	11,069,450	243,049	2.24%
8.	Capital Projects	3,757,273	4,439,564	682,291	18.16%
9.	Information Technology ISF	4,476,580	4,291,146	(185,434)	-4.14%
10.	Child Support Services	2,817,279	1,706,723	(1,110,556)	-39.42%
11.	Fleet Management ISF	1,115,434	1,033,453	(81,981)	-7.35%
	Other Funds	128,411,733	106,733,145	(21,678,588)	(16.88%)
	TOTAL	414,223,196	402,659,849	(\$11,563,347)	-2.79%

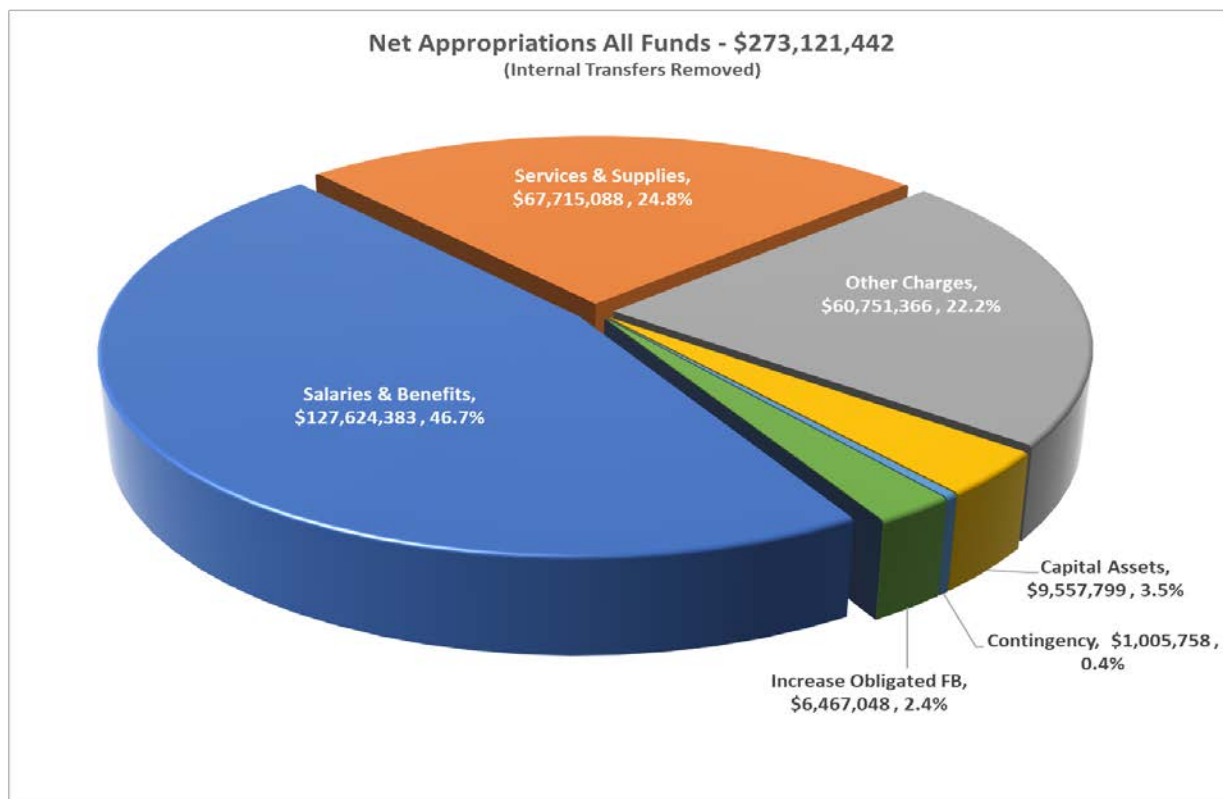
The largest single budget increase (\$10,035,883) (66.73%) exists within the Road Fund for various road and bridge repair projects, including the Riego Baseline improvement project and two Road Yard rehabilitation projects located on Acacia Avenue and Trowbridge Road. These projects are funded by federal and state funds and the General Fund is not impacted. Appropriations in the Capital Projects fund increased by \$682,291, reflecting \$1.5 million for parking redesign and construction at Behavioral Health, \$239,915 for the Jail Perimeter Fencing project, and \$267,824 in additional funds for the Tri-County Juvenile Hall project. Increased appropriations also include a Transfer of Jail Project retention funds back to the General Fund. Increases are offset by reductions in the Human Services Building project and Property Tax Software project.

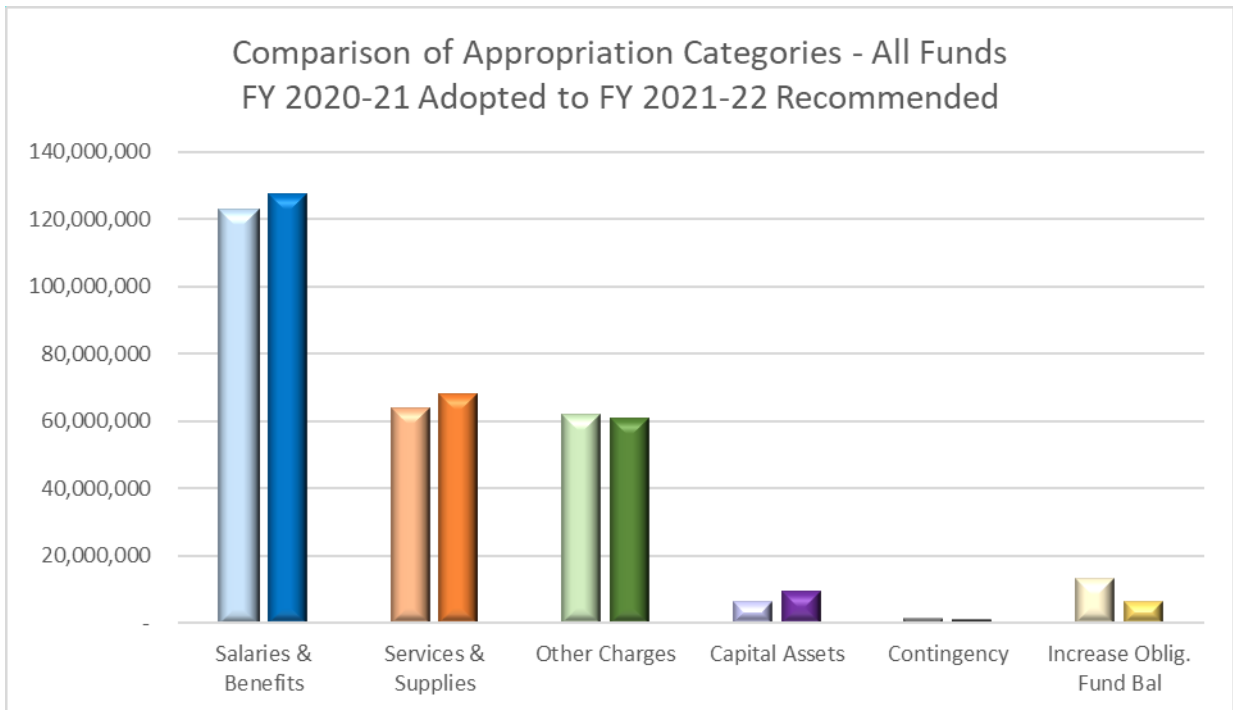
The \$2,444,655 in Welfare/Social Services and \$2,267,143 in Behavioral Health reflect salary and benefit and other operating cost increases in these two very large departments. Neither of these increases impacts the General Fund. An increase in appropriations in the Health Fund reflects cost increases in salaries and benefits for Public Health employees, increased Jail Medical costs, and an increase in appropriations in the Homeless budget to continue services that were initiated in FY 2020-21, but not until after the Budget was adopted, skewing the comparison between Recommended Budget for FY 2021-22 and the Adopted FY 2020-21 Budget.

The recommended appropriations for the Public Safety Fund include an overall decrease of \$498,988. This is due to the completion of grant projects in the Emergency Services budget, reducing Recommended appropriations by \$434,237, and a reduction in the County cost for the Tri-County Juvenile Hall operations of \$492,089. Decreases are offset by increased appropriations in Sheriff, District Attorney, and Fire Administration departments.

The \$5.7 million decrease in the General fund is discussed in the next section.

Recommended appropriations for all County funds (including increases in obligated fund balance/reserves) total \$402,659,849, a decrease of \$11.56 million over the FY 2020-21 Adopted Budget. However, this amount includes all revenue transfers between funds totaling \$129,538,407, which must be recognized as expenditures. When those are removed, the net appropriations are \$273,121,442. This number represents the value of programs and services that the County provides. The following charts show how the money is spent.





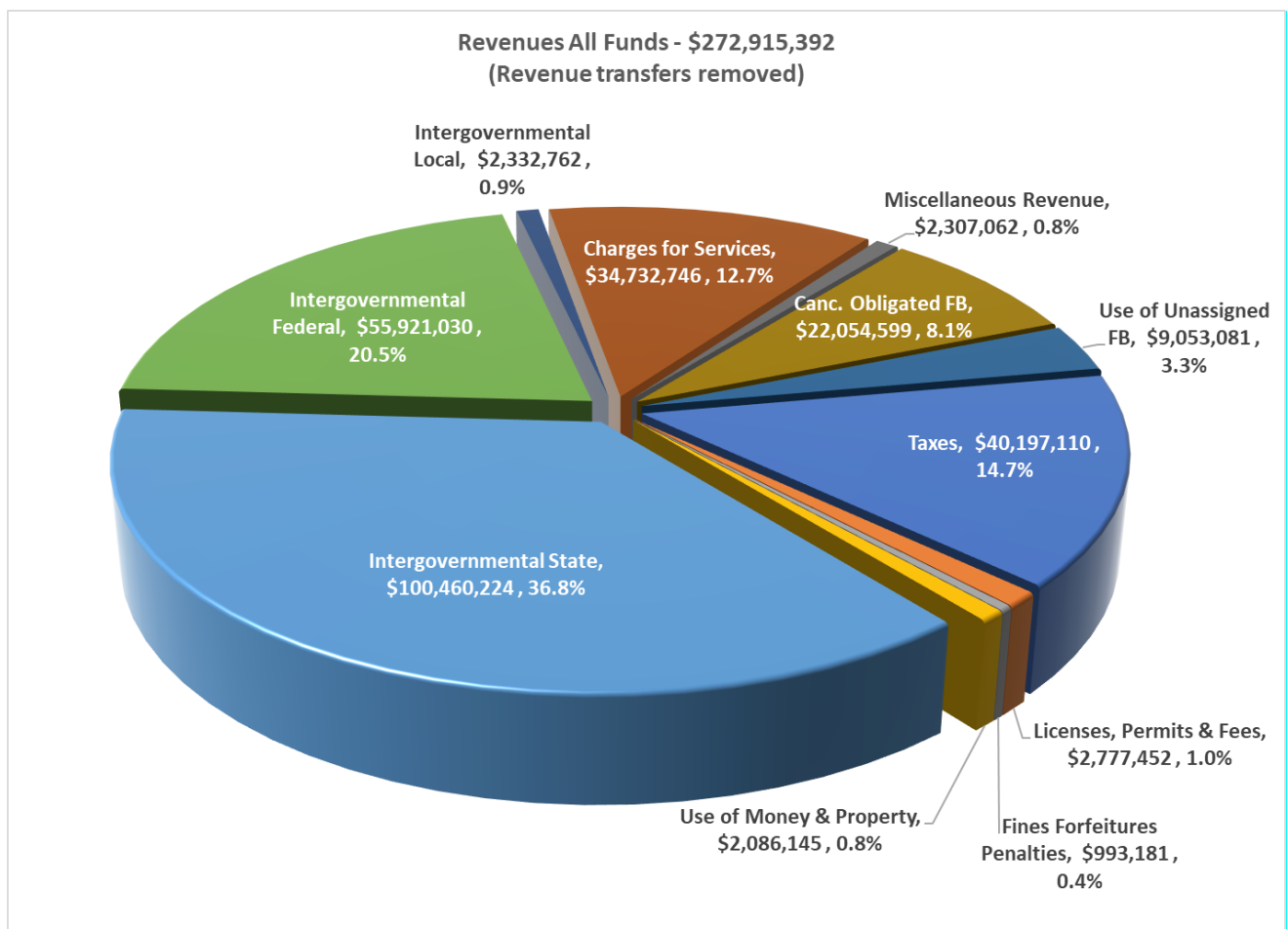
Salaries and Benefits appropriations include the cost of regular and extra help wages, overtime, and special pay, payroll taxes, health insurance and the County’s contribution to employee’s health savings accounts (for high deductible plan enrollees), pension cost, unemployment cost, and worker’s compensation. Services and Supplies appropriations include normal operating supplies, professional and specialized services and overhead charges allocated through the County’s annual cost plan. Other Charges covers costs for the support and care of persons for whom the County has responsibility, such as foster care payments, adoptions assistance, psychiatric hospitalizations, housing support, CalWORKs and In-Home Supportive Services payments, and jail medical cost. In addition, the Other Charges category includes the County’s contribution to other agencies, taxes and assessments the County pays for leased property, general insurance and bonds, debt service and interest and County Treasury fees. Capital Assets includes purchases of equipment and other assets costing more than \$5,000 and/or lasting more than one year as well as construction projects. Contingency is a special appropriation to provide funds for costs unforeseen when the budget was developed. Increase in Obligated Fund Balance represents funds that are held in special accounts and restricted in use by the Board or by legislation for a specific purpose. Contributions to increase reserves are included in this category. Operating Transfers, totaling over \$129.5 million, are not displayed on this chart as the appropriations represent the transfer of revenue between departments and programs without any exchange of service.

Revenues

Revenues supporting all funds total \$402,659,849, which is made up of \$371,552,169 in revenues and \$31,107,680 in cancellation of obligated fund balance in the General Fund

and Special Revenue Funds, as well as \$9,053,081 of assumed General Fund unassigned fund balance carried forward as savings from FY 2020-21. The amount of unassigned fund balance in the General Fund is higher than recent years due to CARES Act funding that offset costs that would have otherwise been a General Fund responsibility.

Revenues must be recognized in each budget unit or fund that receives them, even when they are already recognized in another fund within the County before transfer. This inflates the overall true revenue number. When interfund revenue transfers are removed, actual revenues, including use of fund balance, are estimated at \$272,915,392. The chart below shows the sources of revenue in proportion to the total. Federal and state revenues account for 57.3% of total revenues, while Taxes account for 14.7%, Charges for Services account for 12.7%. Miscellaneous Revenue, Intergovernmental Revenues generated locally, Fines, Forfeitures and Penalties, Licenses, Permits and Fees combined account for about 3.1% of revenues, and Interest revenue for 0.8%. Use of Unassigned and Obligated Fund Balance accounts for the remaining 11.4% of funding available to support recommended appropriations.



Budget Overview – General Fund Budget

Appropriations

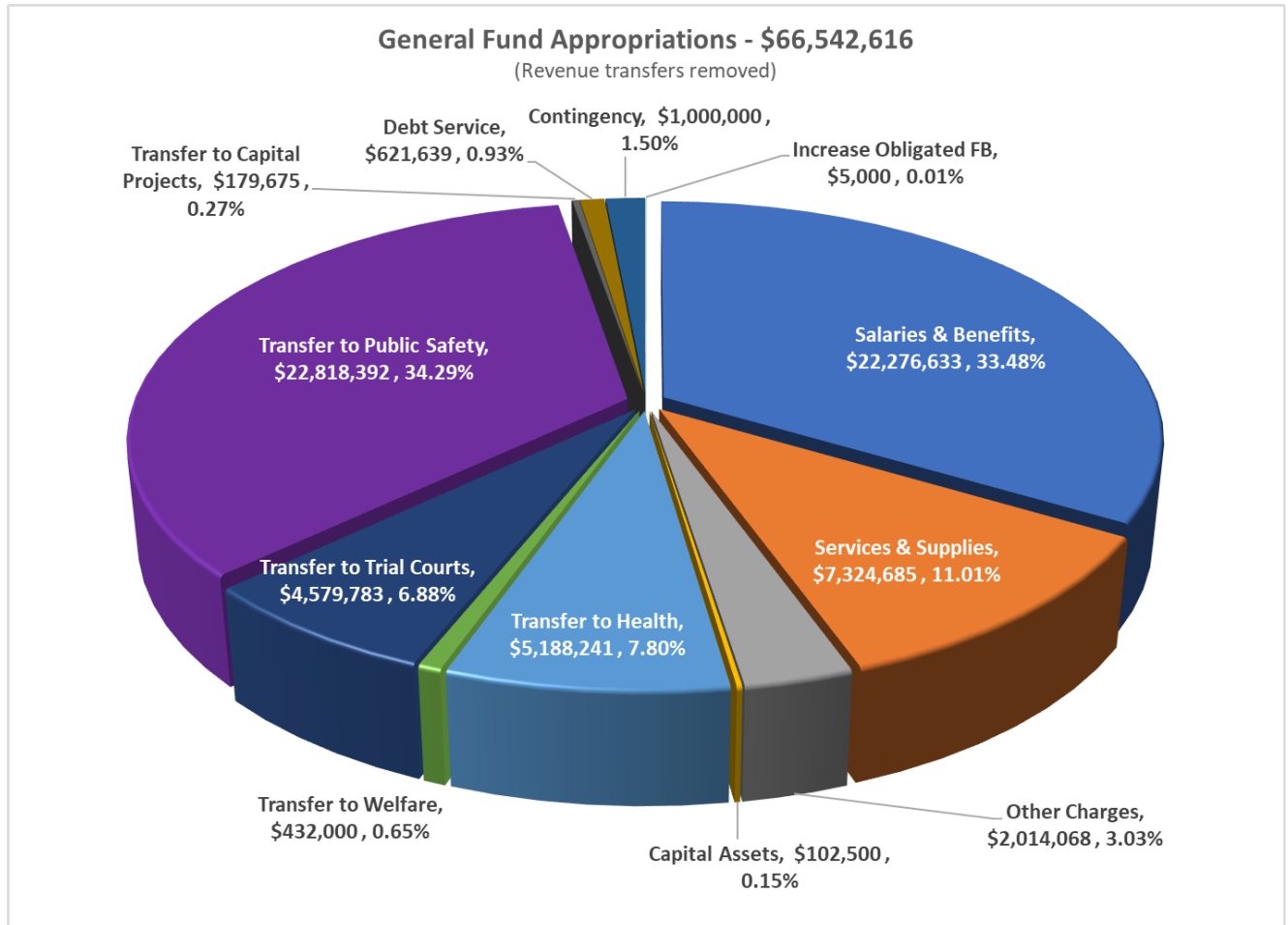
General Fund appropriations are recommended at \$71,144,197, a decrease of \$5,775,903 (-7.5%) from the FY 2020-21 Adopted Budget. Salaries and Benefits increased by \$1,761,141 (8.6%). This increase is related to negotiated increases in the General, Supervisory and Professional and Probation bargaining units as well as new positions added in the Development Services, and Museum/Library (shared) departments. Even with the increase, many budgets for larger departments include a salary savings factor that is based on holding positions vacant and normal attrition rates. Services and Supplies decreased by \$834,359 (-10.2%)

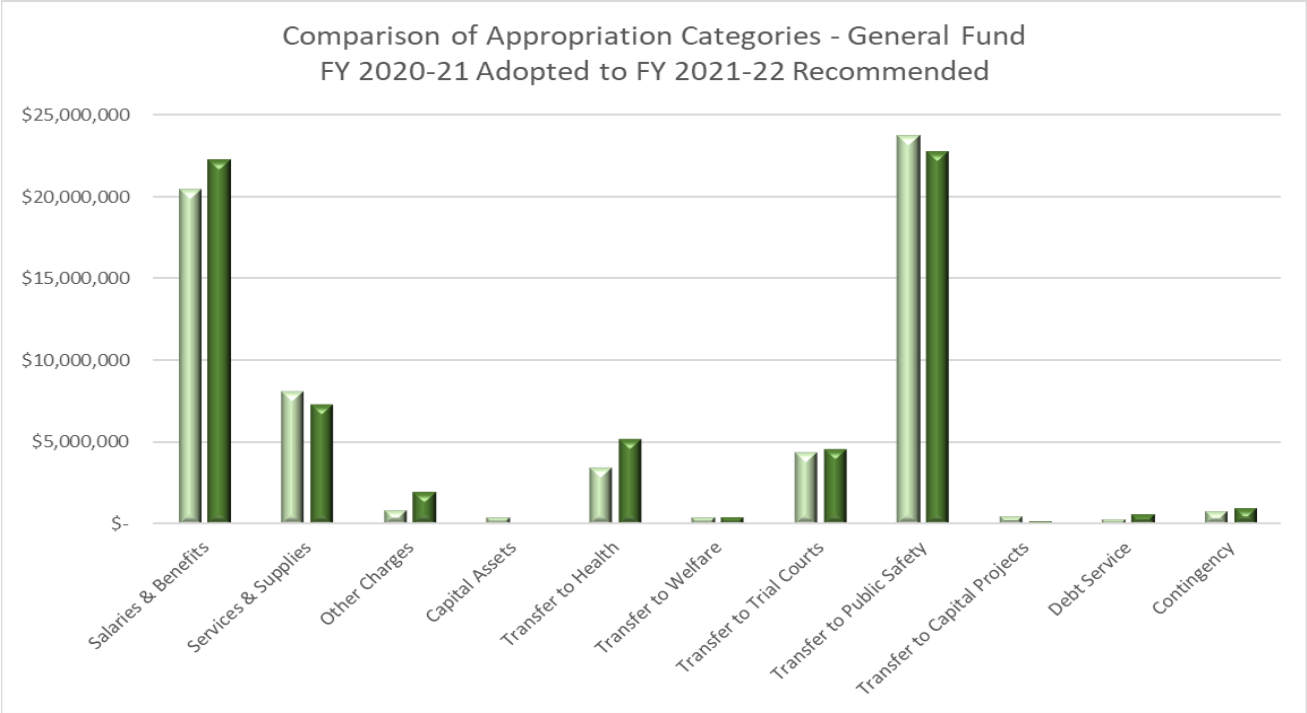
The Other Charges category includes transfers from the General Fund to other funds such as the Public Safety, Trial Courts, Welfare/Social Services and Health Funds. The transfer to the Health Fund increased by \$1,695,044 (48.5%) from the FY 2020-21 Adopted Budget. This is due to multiple factors including normal salary and benefit increases, and an increase in the cost of Jail Medical Services, Environmental Health, County Medical Service Program providers, and Emergency Medical Services. The increase also includes continuation of ongoing services provided to homeless individuals and families. These services have been supported, in large part, by outside funding in FY 2020-21. Additional funding is likely to be available for services, but that will not be known until later in the year. This funding would reduce the County's cost of Homeless services. The transfer to the Welfare/Social Services Fund decreased by \$17,000 (-3.8%) due entirely to the recalculation of the Maintenance of Effort level.

The transfer to the Trial Courts Fund increased by \$148,150 (3.3%). The transfer to the Public Safety Fund decreased by \$944,833 (-4.0%) due to a reduction in the cost of Juvenile Hall services and a significant increase in Proposition 172 sales tax revenue. During the pandemic, purchase of consumer goods shifted from brick-and-mortar stores in metropolitan areas to online sales. Since the proportionate share of Prop 172 sales tax is based on point of sale, this increased the County's factor, providing approximately \$1.46 million in additional revenue. This is expected to be a one-time shift and the factor should return to "normal" after FY 2021-22. The transfer to the Capital Projects fund decreased by \$299,711 (-62.5%) reflecting a reduction in General Fund-funded capital projects. General Fund projects planned in FY 2021-22 are completion of the remodel of the second floor at 1160 Civic Center, a study for relocation of the Clerk-Recorder's office and operating costs related to the Health and Human Services project. In addition to the above, Other Charges increased by \$1.1 million, reflecting the budgeted payments to the Internal Revenue Code Section 115 Pension Prefunding (\$1 million) and OPEB Prefunding (\$100,000) accounts. Other Charges is presented below with the major operating transfers displayed discretely.

Capital Assets decreased by \$313,500 (-75.4%) due to no major equipment being requested in the budget. The Debt Service category increased by \$327,289 (111.2%) to reflect the first payment on the financing of the purchase of a retail complex on Gray Avenue (formerly housing Kmart) that will be the future home of Health and Human Services. The cost of the principal and interest payment is offset by commercial lease

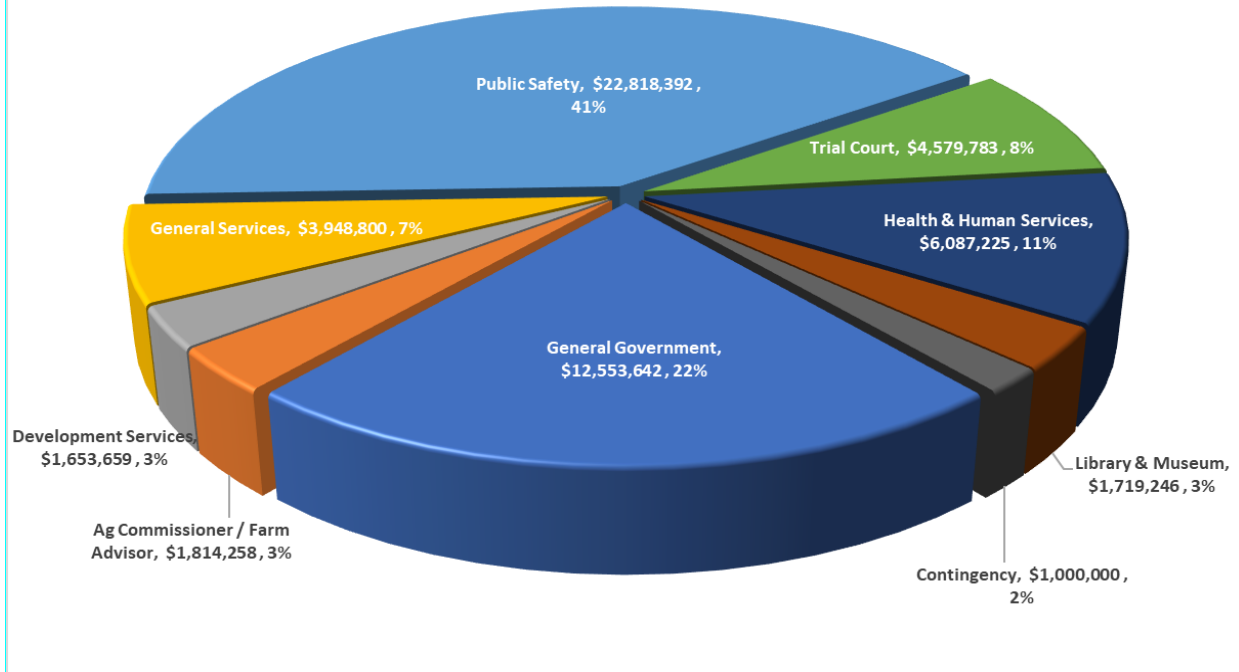
revenue from three tenants. This cost cannot be borne by Health and Human Services programs until those programs take occupancy. The Appropriation for Contingency is increased by \$200,000 (25%) to reflect progress toward a budgetary goal stated in the County’s Budget and Financial Management policy adopted by the Board in December 2020.





The General Fund supports the majority of County programs, mainly through use of Property Taxes, Sales Tax and other discretionary revenues, explained more thoroughly in the General Revenues budget (1-209) narrative. The cost of all programs funded by the General Fund is \$56,175,005. This represents the appropriations minus any department specific revenues for each area of government supported by General Fund dollars. The following chart shows the variety of programs directly supported by General Fund dollars.

FY 2021-22 Net County Cost Funded by General Fund - \$56,175,005



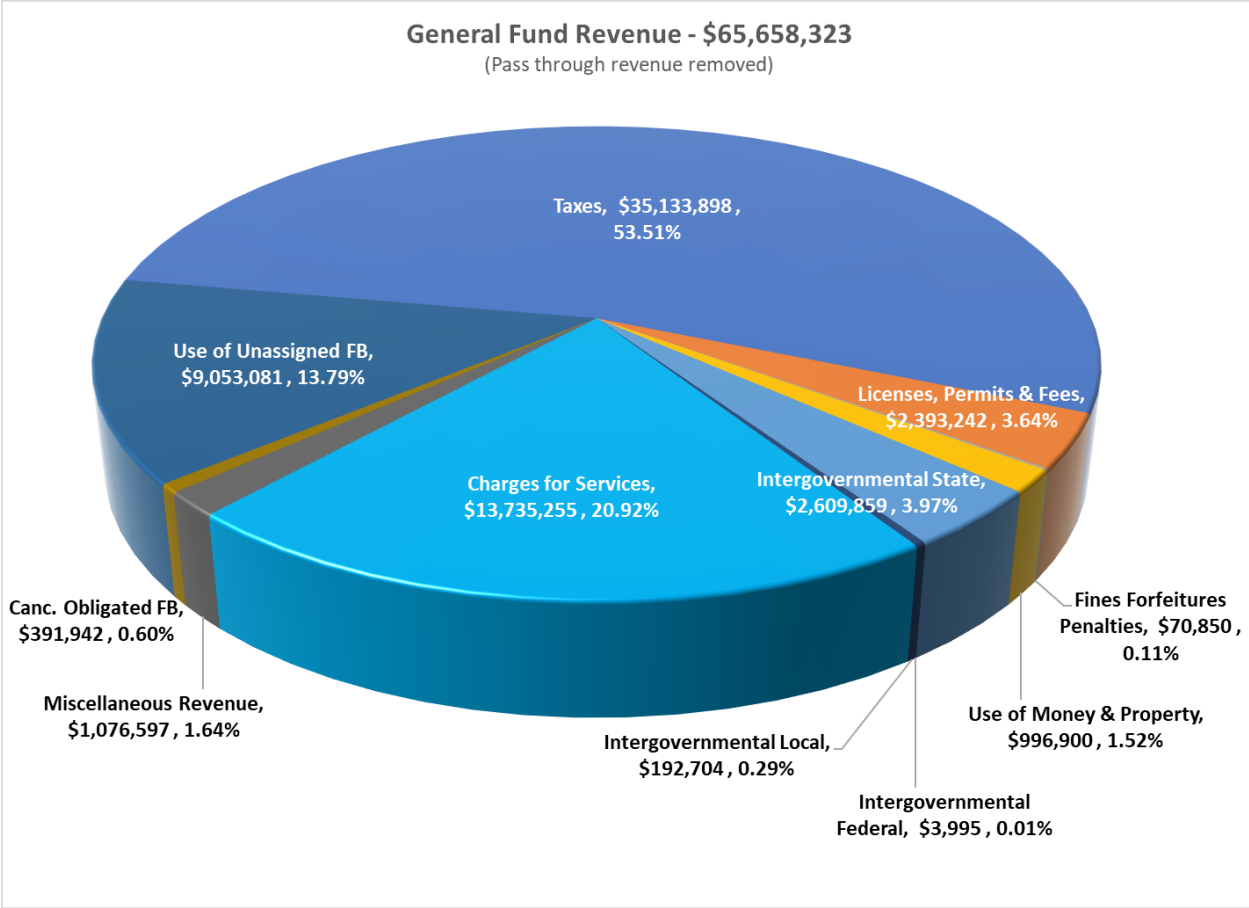
As a policy document, the General Fund budget shows areas where the County places emphasis. For example, the chart above shows the largest share of funding at \$22.8 million (41%) goes directly to Public Safety programs, including the Sheriff, the Jail, Juvenile Hall, and the District Attorney, as well as Emergency Management and Fire Administration, while another \$4.6 million (8%) goes to the Trial Courts, which includes the Probation Department, Court Bailiff services provided by the Sheriff, and the Maintenance of Effort payment that the County is required to pay to support court functions. General Government, at \$12.5 million (22%), represents the basic services provided to operate the County such as the Assessor, Auditor-Controller, Treasurer-Tax Collector, County Clerk/Elections, Human Resources, County Administrator, Board of Supervisors, and many other necessary functions. It also includes payment for non-department specific expenditures such as the County audit, specialized professional services, and contributions to the Yuba-Sutter Economic Development Corporation and Area 4 Agency on Aging. Much of this cost is recovered through the County's annual Cost Plan, which allocates overhead cost to all programs, including those funded by federal, state and outside sources. Finally, this cost includes contributions to prefunding pension and OPEB liability and increasing the County's financial reserves by \$1 million.

Development Services funding of \$1.65 million (3%) includes the County Planning, Building and Environmental Health services. This contribution has increased to reflect additional code compliance and administrative staff. General Services funding of \$3.9 million (7%) includes Building and Grounds maintenance for all County facilities, Parks and Recreation, maintenance of Ettl Hall and the Veterans Memorial Community Building,

as well as oversight of Fleet Management and Information Technology functions for the entire County. The Contribution for Health and Human Services of \$6.1 million (11%) funds the cost of Public Health communicable and chronic disease prevention and control and jail medical services, the Maintenance of Effort for Social Services (\$432,000), Homeless Services, Public Guardian, Veterans Services, and General Relief. Funding for the Sutter County Library and Sutter County Museum of \$1.7 million (3%) invests in services to promote education and enrich the community. This budget includes a new Development Coordinator position intended to raise funding for the Library and Museum, reducing reliance on the General Fund over time. Funds appropriated for the Agricultural Commissioner and the Farm Advisor of \$1.8 million (3%) ensure that services are available to support our local agriculture economy. Finally, an Appropriation for Contingency of \$1,000,000 (2%) ensures that funds are available for unforeseen events throughout the budget year. It is important to note that Behavioral Health Services provided for both Sutter and Yuba Counties is funded through a combination of federal, state, and local Realignment funds and Mental Health Services Act Funds from both Sutter and Yuba Counties and, therefore, does not require a General Fund contribution to deliver quality services.

Revenues

Revenues to support General Fund-funded programs total \$71,144,197, which includes pass through Realignment revenue for Health and Social Services and Operating Transfers. When that revenue is removed, the actual revenue in the General Fund is \$65,658,323. Revenue to support General Fund obligations comes from a mixture of Taxes (53.51%), Charges for Services and Operating Transfers, including internal cost plan (overhead) charges calculated in compliance with federal regulations (20.92%), Intergovernmental Revenue from state, federal and local sources (4.27%), Licenses, Permits and Fees (3.64%), and use of fund balance, both unassigned and committed (14.39%). Use of Money and Property, which includes interest revenue and rental income from use of County-owned space totals 1.52%, while Miscellaneous revenue and Fines, Forfeitures and Penalties make up the remaining approximately 1.75%. The following chart shows the revenue sources in proportion to the total revenues received.



It is important to note that much of the \$9.1 million in Unassigned Fund Balance is from cost savings generated largely through use of federal Coronavirus Aid, Response, and Economic Security (CARES) Act funding. This is one-time in nature.

Countywide Staffing

Recommended Countywide Full-Time Equivalent (FTE) positions for all 20 Departments is as follows:

No.	Department/Office	Revised FY 2020-21	Recommended FY 2021-22	Change
1.	Health and Human Services	546.13	553.13	7.00
2.	Sheriff	149.00	150.00	1.00
3.	Development Services	61.00	63.00	2.00
4.	General Services	57.00	57.00	0.00
5.	Probation	47.00	48.00	1.00
6.	District Attorney	31.00	31.00	0.00
7.	County Administrator's Office	31.00	31.00	0.00
8.	Agricultural Commissioner	19.00	19.00	0.00
9.	Assessor	17.00	17.00	0.00
10.	County Clerk-Recorder	16.00	16.00	0.00
11.	Child Support Services	28.00	13.00	(15.00)
12.	Library	12.15	12.95	0.80
13.	Auditor-Controller	12.45	12.45	0.00
14.	Treasurer-Tax Collector	9.00	9.00	0.00
15.	Human Resources	8.15	8.15	0.00
16.	County Counsel	7.80	7.80	0.00
17.	Board of Supervisors	6.00	6.00	0.00
18.	Sutter County Museum	2.05	2.55	0.50
19.	Bi-County Farm Advisor	2.00	2.00	0.00
20.	Public Defender	1.00	1.00	0.00
	TOTAL	1,062.73	1,060.03	(2.70)

The overall number of County Full Time Equivalent (FTE) positions is proposed to decrease by 2.70 FTE from 1,062.73 to 1,060.03.

All increases, decreases and transfers are as follows:

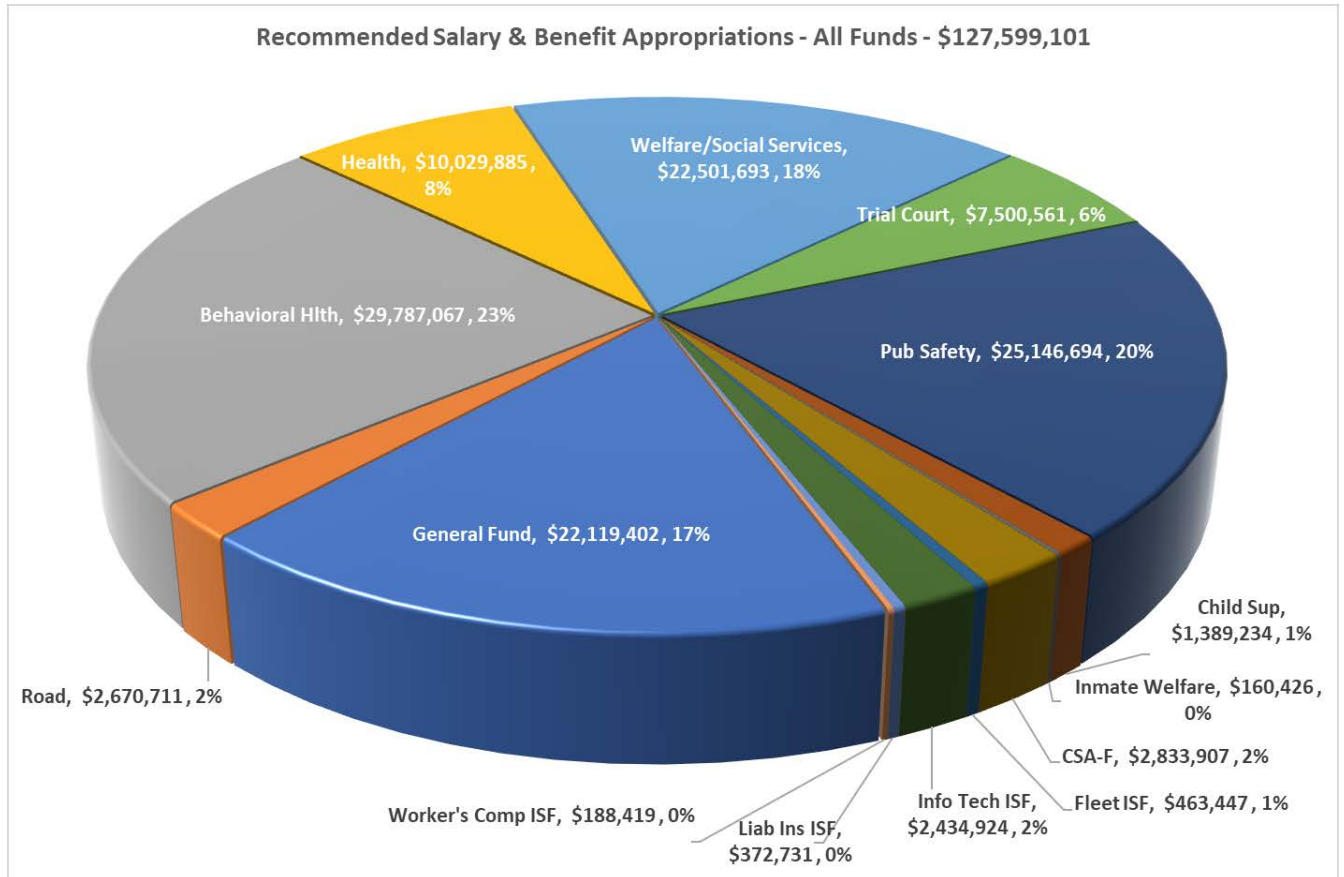
- Addition of 0.30 FTE Library Technician in County Library (6-201)
- Addition of 0.50 FTE Development Officer in County Library (6-201)
- Addition of 0.50 FTE Development Officer in Sutter County Museum (7-201)
- Addition of 1.0 FTE Office Assistant in Development Services Administration (2-721)
- Addition of 1.0 FTE Public Works Engineering Technician in Roads (3-100)
- Transfer of 0.10 FTE Assistant Clerk-Recorder, 0.25 FTE Deputy Clerk Recorder, and 0.05 FTE Supervising Deputy Clerk-Recorder from County Clerk (2-710) to Recorder (2-706)
- Transfer of 0.10 FTE Deputy County Counsel from County Counsel (1-301) to Liability Insurance ISF (4-590)
- Elimination of 1.0 FTE HR Assistant/Analyst and addition of 1.0 FTE HR Analyst in Human Resources (1-401)
- Transfer of 0.75 FTE Treasurer Collector Deputy from Office of Revenue Collection (1-204) to Treasurer-Tax Collector (1-202)
- Addition of 1.0 FTE Account Clerk in Health & Human Services Administration (4-120)
- Addition of 2.0 FTE Staff Analyst in Health & Human Services Administration (4-120)
- Elimination of 1.0 FTE Public Health Nurse and addition of 1.0 FTE Supervising Public Health Nurse in Public Health (4-103)
- Elimination of 0.50 FTE Account Clerk in Public Health (4-103)
- Addition of 0.50 FTE Account Clerk in Public Guardian & Conservator (2-709)
- Addition of 1.0 FTE Office Assistant and 1.75 FTE Health Program Specialist in Homeless Services (4-121)
- Elimination of 1.0 FTE Accounting Clerk and addition of 1.0 FTE Accounting Technician in Welfare Administration (5-101)
- Elimination of 2.0 FTE Employment & Training Worker and addition of 2.0 FTE Social Worker Employment Services in Welfare Administration (5-101)

- Addition of 0.25 FTE Health Program Specialist in Welfare Administration (5-101)
- Addition of 1.0 FTE System Support Analyst in Welfare Administration (5-101)
- Elimination of 1.0 FTE Senior Criminal Investigator and addition of 1.0 FTE Lieutenant Investigator in District Attorney (2-125)
- Addition of 1.0 FTE Supervising Probation Officer in Probation (2-304)
- Addition of 1.0 FTE Accounting Technician in Sheriff-Coroner (2-201)

As part of the reorganization of Sutter County Child Support Services to the Colusa-Sutter-Yolo Regional Child Support Agency, the following positions have been eliminated from Sutter County Child Support Services (0-112) and added to Yolo County (net decrease of 15.0 FTE):

- Elimination of 1.0 FTE Account Clerk
- Elimination of 1.0 FTE Child Support Attorney
- Elimination of 1.0 FTE Child Support Attorney LT
- Elimination of 1.0 FTE Child Support Supervisor
- Elimination of 1.0 FTE Director of Child Support Services
- Elimination of 1.0 FTE Staff Services Analyst
- Elimination of 1.0 FTE Staff Services Manager
- Elimination of 8.0 FTE Child Support Specialist

The cost of personnel is spread among numerous departments within many of the County's funds. Total personnel cost is recommended at \$127,599,101, an increase of \$5,121,278 (4.2%) over the FY 2020-21 Adopted Budget. While rising personnel costs are included, the recommended appropriations in many budgets are reduced by a vacancy factor totaling \$1.86 million to account for normal attrition in positions and vacancies held for cost savings.



Ongoing and Future Challenges and Opportunities

On the cusp of the County's emergence from the economic and operational conditions related to the COVID-19 pandemic, Sutter County is seeing some growth in the local economy. But, as is always the case, there are looming challenges to the continued provision of core County services. Juxtaposed to the threats, however, are opportunities, some short-term and some long lasting. Sutter County continues as a combined agricultural driver (with an incredible, diverse array of highly productive orchards, crops, and other agriculture-based products) and a desirable suburban residential community to Sacramento. The local Sutter County economy, to a large extent, functions as a secondary market within the broader metropolitan Sacramento region.

As the County seat, Yuba City remains the largest population base (with just over 70,000 residents) and serves as the economic engine for the northern region of Sutter County. When development commences in 2023 within the Sutter Pointe Specific Plan, located inside of the protected Natomas Basin Conservancy area, this strategic location will serve as an economic engine for the southern region of the County. This will further diversify and strengthen the broader Sutter County trade area and provide Yuba City, Live Oak, Sutter, and other northern County communities with a more direct connection to Sacramento. The Sacramento Metro Industrial Park is currently nearing full build-out, bringing additional opportunities to the Sutter Pointe area for businesses wishing to locate near major traffic arteries.

As a local government, Sutter County has limited ability to raise revenue to support the vast array of municipal services it is charged with providing to residents and businesses covering approximately 600 square miles. The few taxes and fees which the County relies on are among the lowest in California and are infrequently adjusted (most do not keep up with inflation). For example, assessed value of property is adjusted for an inflationary factor each year, but that factor is capped at 2%. Thus, although property values have grown significantly in the past decade, property tax receipts have not kept pace. Adjustments are made when properties are sold at a market rate, but this is dependent upon turnover in existing home sales and new development in the unincorporated areas of the County. Yuba City has become one of the hottest real estate markets in the nation, and Sutter County has seen some growth in the property tax roll over the past year. It is not, however, substantially higher than past years.

Sutter County is also highly dependent on Federal and State government funding to support a large portion of the regional and social services it is obligated under the law to provide. To complicate matters, the County's demands for public assistance remain above the Statewide average. For example, demands for many health and human services and public safety services continue to increase.

Consequently, Sutter County government has learned to live with limited financial resources during recurring years of rising service demands. The County continues to be financially austere, deferring maintenance on many buildings, using vehicles longer, and not replacing assets as quickly. The County has also reduced staffing, passed on benefit costs to employees, contracted out services, combined operations and services where

possible with other service providers, and cut back on employee training and development. After years of making “one-time” cuts and reductions, the County remains at a crossroads with respect to looking toward the future. There are still no easy solutions.

For FY 2021-22, the CAO’s office asked departments to turn in budgets with a Net County Cost that was equal to or below the FY 2020-21 Adopted Budget level. This was an incredibly difficult task, as most departments remain at low staffing levels and have little ability to manage increasing personnel and other operating costs without major service reductions. A few new positions are recommended, but only to increase revenue generation and enhance fiscal and programmatic compliance functions. Most are funded with revenues outside of the General Fund.

A sample of the immediate and near-term budget challenges confronting the County includes the following:

Property Tax and Sales Tax Revenues

Property tax revenue is expected to decline slightly from FY 2020-21 to FY 2021-22. The decline is related to discovery of a miscalculation of Educational Revenue Augmentation Fund (ERAF) revenue in FY 2015-16, resulting in a \$2,325,000 repayment to the state over a three-year period without interest or penalty. The first year’s repayment is estimated at \$775,000, which is deducted directly from Secured Property Tax revenue. The Estimated Actuals for FY 2020-21 include setting aside \$1,550,000 in General Fund Committed Fund Balance to offset this loss in FY 2022-23 and FY 2023-24. Over the six-year period from FY 2015-16 to FY 2020-21, Property Tax has increased by only \$5.1 million (20%) while the median home price in Sutter County rose by 19.1% in the last 12 months.

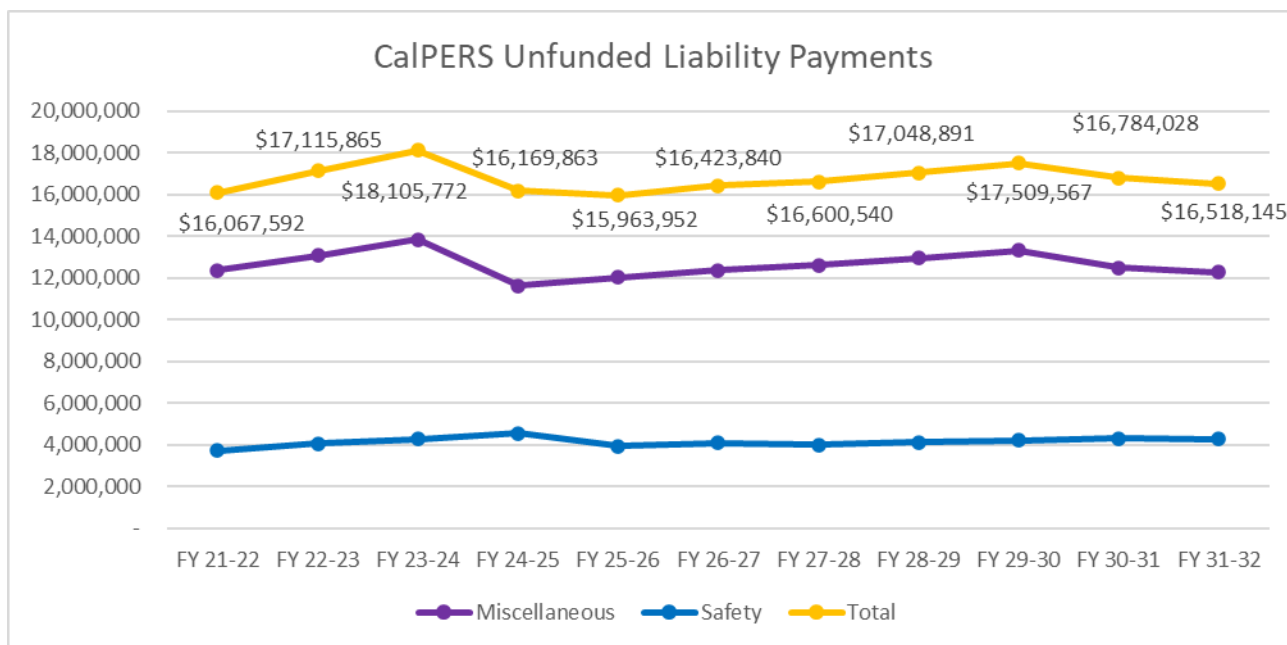
Sales Tax revenue is projected to increase only by about \$125,000 (2.8%) from FY 2020-21 to FY 2021-22 and is not expected to return to pre-pandemic levels until after next year. The County has been stabilized by sales tax from online retail sales. However, the allocation methodology into the pool is changing, which will result in decreases not only in the Bradley-Burns 1% sales tax for local governments, but also for Proposition 172 sales tax for public safety and sales tax collections for Roads. Sales Tax from online sales will now be largely allocated to the point of distribution rather than the point of delivery. This situation could be ameliorated in the future by construction of distribution centers as a part of Sutter Pointe.

Pension and Other Post-Employment Benefits (OPEB) Funding

Sutter County contracts with the California Public Employees’ Retirement System (CalPERS) for employee retirement benefits. The cost to fund both “Public Safety” and non-public safety (“Miscellaneous”) employee group pensions is expected to continue to rise at significant levels. Decisions by the CalPERS Board of Directors over the past decade to lower the amortization schedule from 30 to 20 years on new assumption changes and significant earnings gains and losses and to lower its anticipated annual investment earnings rate from 7.25% to 7.0% have escalated the County’s unfunded pension liability. The County continues to meet its annual contribution requirements to

CalPERS, but the ability to manage increased pension costs remains a major challenge. In short, pension costs are projected to rise faster than the revenues that support them.

To further complicate the pension challenges, the CalPERS Board of Directors will meet later this year to consider a new reduction to the assumed investment return rate (“discount rate”). In 2016, pension consultants advised the CalPERS Board that they should expect a 6.2% annual return. The Board took action to reduce its discount rate from 7.5% to 7.25% and then to 7.0% over a two-year period, escalating unfunded pension liability costs for all public agencies. Since that time, CalPERS has averaged annual returns of 6.3%, short of the 7.0% target. The Board also reduced the amortization period for investment gains and losses in excess of the discount rate from 30 years to 20 years. This, too, had an escalating impact on unfunded pension liability. A further reduction to a discount rate of 6.5% or even 6% will have a profound impact on the County’s pension liability and will increase the County’s CalPERS unfunded liability payment (\$16.1 million for FY 2021-22) substantially. Staff will continue to monitor this and work with our pension consultants to identify, in advance, the impact of such a change.



The annual CalPERS payment is made up of two components: normal cost (applied as a percentage of gross wages) and the unfunded accrued liability (UAL) (applied as a set dollar amount). The normal cost is affected as positions are filled or not filled. On the other hand, the UAL is a flat payment that must be made each year regardless of the number of positions filled. The chart above shows the growth in the UAL payment over the next 10 years. Recent gains in the market will have a positive effect, but when amortized over time, the gains will be tempered by past and future losses. The exact amount will not be known until the County receives its 2020-21 actuarial valuation late next year. Over the next two years, however, the County can expect annual year-over-year increases of approximately \$1 million per year. The County currently anticipates a \$1.9 million year-over-year decline in the unfunded liability payment in FY 2024-25. However, this was identified previously as approximately \$2.85 million and has eroded in

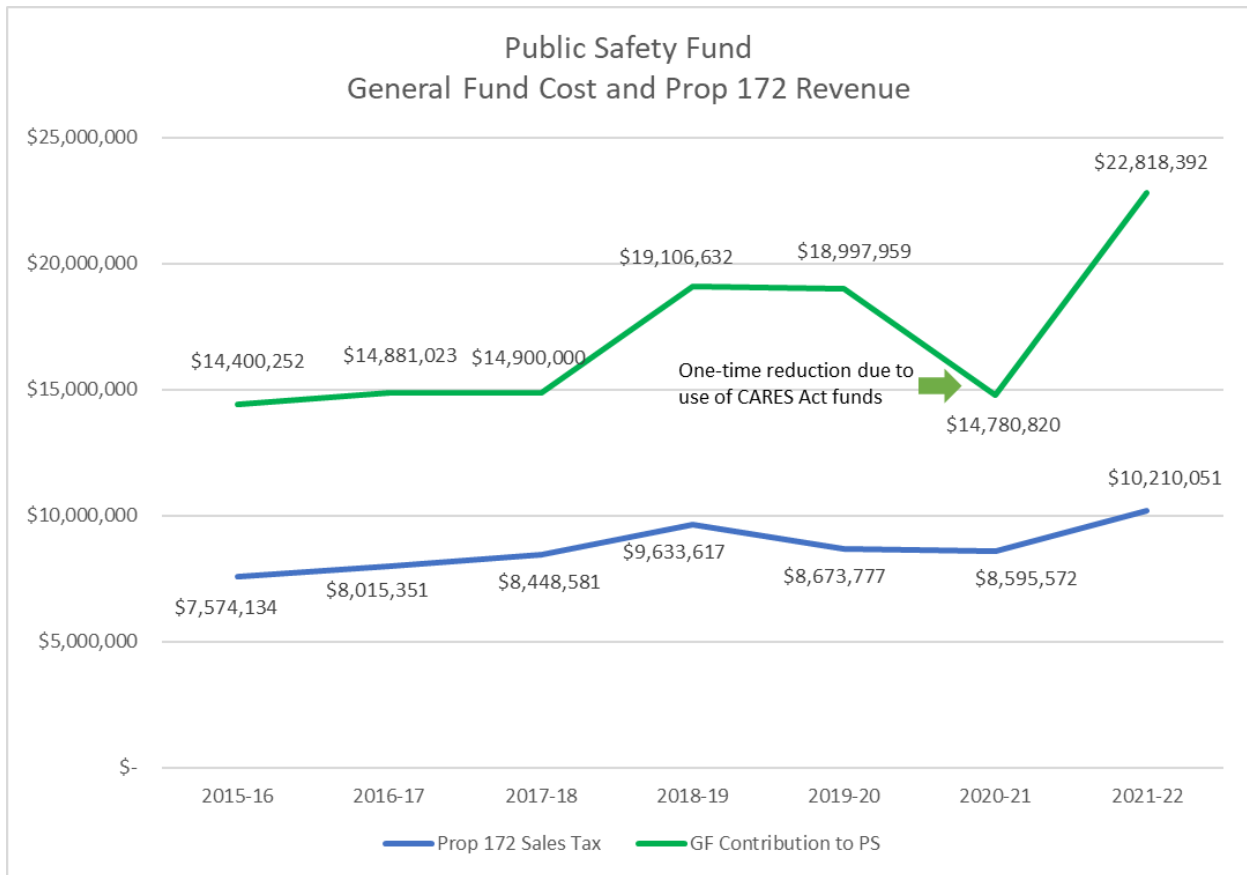
just the past year. There will be some decline as old cost bases are paid off, but that savings will likely be offset by the impact of a change to the discount rate, which seems inevitable.

As a hedge against growing pension liability, in 2017, the Board authorized establishment of a pension prefunding account allowed under Section 115 of the Internal Revenue Code. The County has made annual contributions to this fund every year since, and a \$1 million contribution for FY 2021-22 is included in the Recommended Budget. As of April 30, 2021, the pension prefunding account had a balance of \$5.5 million. Funds in this account can be used at any time to pay pension costs, and, if left intact, would allow the County to fully pay its unfunded liability approximately five years ahead of CalPERS' current amortization schedule, which reflects paying off the unfunded liability in 2044.

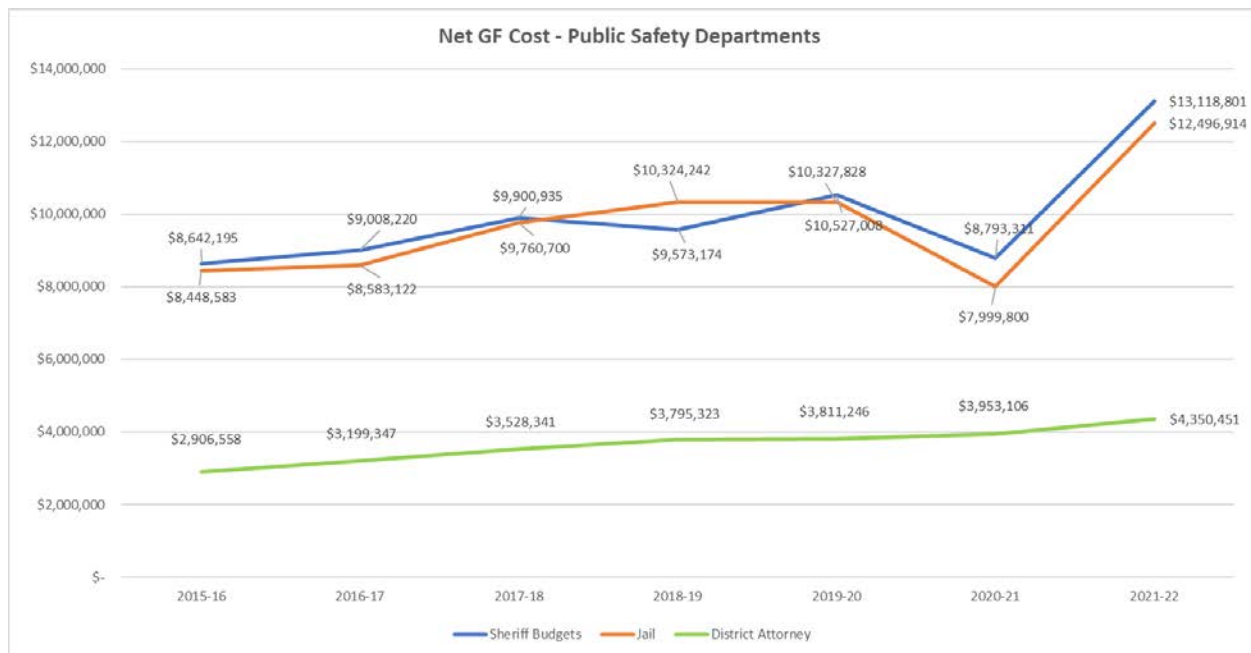
When the County set up its pension prefunding account with Public Agency Employer Services (PARS), the County also set up an account for Other Post-Employment Benefit (OPEB) prefunding. As of June 30, 2020, the County's unfunded OPEB liability was \$11.04 million. In 2021, the County made its first contribution (\$200,000) to the OPEB account. In line with current policy, the Recommended Budget includes an additional \$100,000 contribution for FY 2021-22.

Public Safety Fund – Increasing Costs and Future Revenue Concern

Funding public safety programs continues to be a challenge. The growth in the County's contribution to the Public Safety fund over the past several years, much of which is not within the County's immediate control, continues to limit resources available for other important areas of government. For FY 2020-21, the General Fund benefitted by an influx of CARES Act funds that offset Sheriff Patrol and Jail operational costs that would have otherwise been a General Fund obligation. For FY 2021-22, Prop 172 Revenue is expected to take a \$1.56 million leap from the FY 2020-21 Adopted Budget due to a one-time shift related to a shift to online retail sales during the COVID-19 pandemic that changed the percentage of the statewide Prop 172 collections allocated to Sutter County. Both of these are anomalies and are not expected beyond the budget year. Absent significant new revenue, the General Fund can expect ever-escalating costs to provide public safety functions at the current levels. The two major departments within the Public Safety fund are the Sheriff (including the Jail) and the District Attorney. Both of these departments have worked to submit reasonable budgets for FY 2021-22 to lessen the impact on other areas of government. However, funding Public Safety – a Board of Supervisors goal is to maintain its commitment to Public Safety – remains a challenge that will continue into the foreseeable future. The widening gap shown in the graph below reflects the additional discretionary funds that must be used to continue current service levels in Public Safety.



The chart below shows the growth in the three largest sectors of the Public Safety Fund: The Sheriff operations budgets, the Jail (shown separately from other Sheriff budgets), and the District Attorney. Combined, the annual Net Cost of these programs has risen by \$10.0 million (49.8%) since FY 2015-16. Individually, the Sheriff operations budgets have increased \$4.5 million (51.8%), the Jail budget has increased \$4.0 million (47.9%), and the District Attorney has increased \$1.4 million (49.7%). The CAO's office continues to work with the Sheriff and District Attorney to look for ways to reduce cost escalation without sacrificing the public's safety.



Fire Department Funding

Sutter County maintains a small, rural Fire Department, consisting of 22.0 FTE positions, which provides fire protection services to County Service Area F (CSA-F). This expansive area encompasses 254 square miles, including the City of Live Oak, Town of Sutter, and various unincorporated areas from the Butte County line north of the Sutter-Buttes south to Nicolaus Bridge. The Department is funded through a contract with the City of Live Oak and a small, dedicated portion of annual property taxes and a special dedicated fire tax, levied on property owners within the unincorporated portion of County Service Area F. Direct General Fund support of the Fire Department is not routinely provided.

Over time, the County Fire Department has evolved from a small, predominately volunteer department to a larger operation staffed by full-time Firefighters (with full salaries and public safety benefits). The Department has also taken on a greater array of fire-related and medical aid services. As a result, annual recurring expenditures have surpassed recurring revenues which has caused the Department to rely on its fund balance to meet annual expenditure obligations.

The County was successful in securing grant funds to add six full-time fire fighters, but the Board had to commit to provide approximately \$700,000 in matching funds over three years. This grant has 1-1/2 years remaining. However, this is only temporary relief for CSA-F and absent a renewal of the grant, the funding will end in FY 2022-23. The County also provided \$341,449 in CARES Act funding in FY 2020-21 to help sustain services.

To remain a viable rural fire suppression operation going forward, the Fire Department will have to obtain increased recurring revenues and/or look at further expenditure reductions. Without additional resources, the Fire Department will have to consider closing a fire station and incurring longer response times for those who reside and work within more remote locations. This would result in an increase in the Insurance Office

Services (ISO) rating for areas of the district, raising property insurance premiums for residents and businesses in CSA-F.

The Recommended Budget for FY 2021-22 includes use of \$380,084 in fund balance. Although the precise amount of available fund balance will not be known until after the FY 2020-21 books are closed, it is entirely possible that there will not be sufficient funding available. The result is an increased General Fund cost, a covenant required for securing SAFER grant funds. Given the General Fund's challenges in the future, an ongoing subsidy from the General Fund is not a viable option to continue providing the same level of fire services in this area.

Labor Contract Negotiations

In March 2019, the Law Enforcement Unit and the County agreed to a three-year contract set to expire in June 2021. Salary provisions included a 3.0% salary increase in April 2019, a 3.0% salary increase in July 2019, and a 3.0% salary increase in July 2020 for classifications of Deputy Sheriff, Sheriff's Sergeant Detective, and Senior Criminal Investigator. All other classifications received a non-pensionable lump sum payment equal to 3.0% of the employee's annual base salary in April 2019 and a 2.0% salary increase in July 2019 and a 1.0% salary increase in July 2020. Despite these increases, salaries in several classifications remain below the median for Sutter County's comparable agencies. The current agreement will expire on June 30, 2021, and contract negotiations have already commenced. Without sufficient ongoing revenues to support increases, the County will have to divert General Fund revenue from other County programs, make reductions to Sheriff operating cost, or a combination of both, to support ongoing wage increases.

On November 17, 2020, the Board approved an agreement between the County and the Probation Bargaining Unit that provided three successive 1% increases on December 5, 2020, July 1, 2021, and January 1, 2022. On March 23, 2021, the Board approved an agreement between the County and the General, Supervisory, and Professional employees (GSP) that provides 1% increases in March and July 2021 and the first full pay period of January 2022. Both agreements last through June 30, 2022. The County is continually faced with the dilemma of negotiating employee wage increases that exceed ongoing revenue growth or losing its place in the market and losing valuable employees to jobs in other counties and cities. The Recommended Budget includes some provision for those raises where contract negotiations are concluded. However, departments have, for the most part, been expected to absorb increases within their existing net county cost by holding vacancies longer, which leads to a reduction in staff available to perform needed services.

Rising Retirements & Need for Effective Succession Planning (“People Strategy”)

With increasing numbers of the County’s workforce, finding replacement positions will continue to be a challenge. The labor market throughout the region is highly competitive, especially for managerial, professional, medical, and healthcare positions. As a result, preparing the next generation of County employees is becoming increasingly difficult. This remains true even with advances in technology and the ability to use fewer employees to provide higher levels of service. The Board of Supervisors included developing internal leaders as one of its top six priorities for FY 2020-21, which will likely carry over to FY 2021-22. Staff will continue to devote significant time and energy developing and implementing a viable “People Strategy” to make sure the next generation is prepared to move the organization forward.

County Facilities Master Plan

The County owns and/or leases over 30 facilities in different locations throughout the county. Over many years, the County has become a major property owner yet does not have sufficient staff and financial resources to maintain the buildings. This has translated into many facilities suffering from years, and in some cases decades, of deferred maintenance. Several County facilities are severely run-down and the cost to restore and/or repair them is sometimes more than abandoning these buildings and purchasing existing buildings elsewhere.

County staff continues to work with consultants on a comprehensive Facilities Master Plan to identify current and future facility needs. Once completed, this plan can be used as the basis for an AB 1600 Study, so the County can update its Development Impact Fees. The fees allow the County to begin collecting revenue to meet necessary future service needs.

In concept, the County’s plan includes locating all the general administrative and support functions into a main “Government Campus” surrounding the main offices housed at 1130 and 1160 Civic Center Boulevard in Yuba City. In Spring 2019, the County purchased an office building at 1190 Civic Center Boulevard, furthering the Campus plan. The Assessor moved into this building in March 2020, freeing space for the Auditor-Controller and Treasurer-Tax Collector to move into 1160 Civic Center Boulevard by fall 2021.

A “Public Safety Campus” is recommended around the new State Courthouse located at 1175 Civic Center Boulevard and would include the Sheriff’s Office, expanded Jail, District Attorney’s Office, Probation, etc. A Health & Human Services Campus has been recommended for property the County purchased on Gray Avenue in May 2021. Other cluster campuses were recommended for other vital County uses.

Homelessness

The rise in the local homeless population (especially within the Feather River river-bottoms and throughout Downtown Yuba City) continues to present profound challenges for the broader community and local economy. As revealed in a recent Yuba City citywide survey, homelessness was, by far, ranked as the community’s most serious concern. In

response, Sutter County continues to work closely with other local governments and service providers, including the following two bi-county working groups: 1) Bi-County Homeless Consortium; and 2) Bi-County Homeless Services Program.

In November 2017, the Board of Supervisors adopted a formal Sutter County Long-Term Homeless Management Plan. As a part of implementing this plan, the County has moved forward with building a shelter complex at its Behavioral Health campus located at 1965 Live Oak Boulevard. Construction on this site was completed in September 2019. This plan was developed in partnership with other regional governments as well as community-based organizations to improve services and shelter operations. As always, the goal remains to address homeless individuals' barriers to stable living and get them into permanent housing. Over the past year, the County has used additional funding, including \$1 million in CARES Act funding, to provide additional housing and support to individuals and families experiencing homelessness.

The County has seen significant success in several areas as a result of the activities. Better Way temporary housing has been successful in placing individuals in permanent housing and providing supports to ensure that those individuals continue to a stable residence. Habitat for Humanity provides housing and supportive services to older adults and veterans at Harmony Village, a partnership between the County and Habitat using state and federal funding to purchase and operate the former Baymont Motel south of Yuba City. The Sutter County Sheriff and Development Services have been successful at eliminating homeless campsites and abandoned vehicles and RVs along Second Street in Yuba City and in the Second Beach area in Robbins. These departments continue to monitor the area, ensuring that homeless individuals do not move back in. Finally, the County has begun to work with the Resource Conservation District on plans to revitalize the river bottom area along the Feather River for public recreational use.

The cost to continue the services is substantial. While funding is very likely to be available from the state and perhaps even federal government, the County will need to seek a long-term funding source to address homelessness or consider rolling back services provided to this vulnerable population.

Flood Risk Reduction

The West Feather River Levee Improvement Project has provided 100-year and 200-year flood protection to most of the Yuba City flood basin, but more work remains. The Board of Supervisors recently approved a joint powers agreement (JPA) between Sutter County, Levee District 1 and Levee District 9. This JPA was established to ensure beneficiaries of flood protection provided by the levees are equally contributing to the cost of maintaining and improving the levees. The levees are not only vital to public safety and flood protection, but they enable lower insurance costs and the ability to procure federally backed loans for construction in FEMA flood mapped areas and flood insurance through the National Flood Insurance Program (NFIP). Staff will continue to work with the Sutter Butte Flood Control Agency (SBFCA), State Department of Water Resources, U.S. Army Corps of Engineers, local levee and reclamation districts, and other governmental agencies to help maintain and improve the more than 260 miles of levees along the Feather River, Bear River, Sacramento River, and Sutter Bypass. The County is currently

working with Congressman Garamendi's office to advocate legislative changes to the NFIP regulations.

Cannabis and Industrial Hemp Cultivation Ordinance

County staff will continue to monitor how other regions of the State respond to the ever-changing area of cannabis and industrial hemp cultivation and. Over the past three years, local farmers have started growing industrial hemp, which is used to produce cannabidiol (CBD) oil, and the County last updated its Hemp ordinance in April 2021 to balance the agricultural needs against those of homeowners and businesses located in proximity to growing and processing operations. While the State has provided some guidance on regulations governing the growing of this cannabis look-alike, the County was left with the majority of the burden to respond without a funding stream to sufficiently support the cost of Ag Commissioner staff and law enforcement response. The Ag Commissioner will continue to monitor production and State actions related to growth and cultivation and make future recommendations to the Board, if necessary.

In-Home Supportive Services, Public Health, & Mental Health Funding

Staff will continue to monitor changes in State law which seek to reduce State funding for In-Home Supportive Services, Public Health programs, and Mental Health services while increasing eligibility and requiring that the County bargain salary and benefit increases. The cost of increases is borne by the federal and state governments, with a share of cost paid from local Social Services 1991 Realignment funds. With the loss of sales tax revenue, which funds Social Services Realignment, the County could face further challenges with funding this growing program. Future updates will be provided to the Board as needed.

Sutter Pointe Specific Plan Implementation

In Spring 2019, developers submitted a proposed first project phase comprising 873± acres located in the eastern portion of the plan area north of Riego Road and south of Sankey Road. This first phase will be called Lakeside at Sutter Pointe and it proposes to establish a total of 3,388 single-family and 399 multi-family homes, along with 44.8 acres of employment centers, 25 acres of commercial centers, 59.1 acres of parkland, 54.8 acres of open space along with up to two K-8 schools. The County continues to work with developers to establish the necessary public infrastructure and services needed to serve this mixed-use community and to ensure compliance with developer agreements, Sutter County's Federal Incidental Take Permit, and other environmental requirements.

It is now likely that construction of new homes and businesses in this area could commence by the end of 2023. As directed by the Board of Supervisors, this development is designed to be self-sustaining and to not have any net new costs to taxpayers outside of the plan area. At build-out of the entire 7,500-acre specific plan, Sutter Pointe provides for a maximum of 17,500 housing units, thousands of new jobs, and approximately 50,000 residents. This will also bring the opportunity for construction of sales distribution centers that would increase sales tax revenues to the County.

American Rescue Plan Act (ARPA) Funding

In March 2021, Congress passed and the President signed the American Rescue Plan Act, which included substantial funding for local governments to address the human and economic impact from COVID-19. Sutter County was awarded \$18,835,480 in funding. The first payment of \$9,417,740 has already been received in the County Treasury, and a second payment in the same amount will arrive in May 2022. Funding can only be used for very specific purposes that include:

- Supporting public health expenditures
- Addressing negative economic impacts caused by the public health emergency
- Replacing lost public sector revenue
- Providing premium pay for essential workers
- Investing in water, sewer, and broadband infrastructure

The Cities of Live Oak and Yuba City also received ARPA allocations for the same purposes. These funds present a unique opportunity to accomplish the County's infrastructure, financial, and programmatic goals. Uncertainty remains about the specific uses that will be allowed, but staff consistently monitors federal, state, and regional sources of information. Once more is known, staff will come to the Board of Supervisors with a recommended process to determine the County's use of the funds, and the Board will subsequently approve a formal plan for ARPA use. The County will have until December 31, 2024 to encumber funds and until December 31, 2026 to fully expend the funds.

Bogue-Stewart Master Plan Area

On June 5, 2018, voters residing within the 625-acre "Keyhole Area" of south Yuba City voted not to annex into the City of Yuba City. Although the proposed annexation did not pass, the City continued to work on the Bogue-Stewart Master Plan, a 741.5-acre area within the City's Sphere of Influence and entered into negotiations with the County on a Master Tax Exchange Agreement (MTEA) for this area. On May 25, 2021, the Board approved the negotiated MTEA with the City that will allow annexation and residential and commercial development to proceed in this area. Through this agreement, the County will receive 68% of new property tax and 10% of new sales tax and transient occupancy tax, bringing an estimated \$907,000 in new revenue to the County at full buildout. While full buildout is not expected for several years, the additional revenue should provide ongoing stability to the County in managing growing service needs.

Summary

The Recommended FY 2021-22 Budget represents a spending plan that is fiscally responsible and continues to be responsive to the community's needs, despite significant financial challenges in both the current and future budget years. The County's dedicated employees continue to demonstrate their inter-departmental cooperation, commitment to the greater good, and ability to provide the best service levels possible within limited resources. Staff will continue to take proactive steps to ensure the County's long-term financial health.

As a result, it is imperative to convey personal thanks and appreciation to the managerial and financial leadership of the "budget team" including the overall budget preparation leadership of Assistant County Administrator Leanne Link, Deputy County Administrator Annie Liu and Deputy County Administrator Matt Michaelis. Auditor-Controller Nathan Black, Assessor Todd Retzloff and their staff have been tremendous partners with the CAO in preparing this budget. Special appreciation needs to be extended to each of the County's department heads and managers from all departments, Public Information Officer Chuck Smith, and Management Assistant to the CAO Lisa Bush for the key roles they played in preparing and balancing this year's Recommended Budget.

Preparing a complicated and complex local government budget involving 20 departments and over 1,000 employees is a time-consuming and trying process. It would not be possible without the leadership, vision, and support from the organization's governing body, the Sutter County Board of Supervisors. Your vote of confidence in staff to prepare for and then implement a wide array of services during a challenging period is greatly appreciated.

Respectfully Submitted,



Steven M. Smith
County Administrator

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