



Budget Message

Steven M. Smith
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County of Sutter

Office of the County Administrator

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Date: June 14, 2022

To: Honorable Chair & Members of the Board of Supervisors

From: Steven M. Smith, County Administrator

Subject: Recommended FY 2022-23 Budget

On behalf of the County leadership team, it is my pleasure to submit a balanced Countywide Recommended Budget for Fiscal Year (FY) 2022-23. This document includes estimated revenues/sources of funds and recommended appropriations for both the Operating Budget and Capital Improvement Program (CIP) Budget.

The FY 2022-23 Sutter County Recommended Budget revolves around a universal message: "Sutter County Works for You." No matter whether a person lives or operates a business in Sutter, Nicolaus, Robbins, Meridian, Live Oak or Yuba City, all residents of the County receive the benefit of County services. The budget includes \$403.6 million in appropriations that allow our departments to serve this community. County-wide, we conduct elections, issue marriage licenses, register births and deaths, provide technical support to our agriculture industry and ensure accuracy of gas pumps, scales for measuring weight, and electronic pricing. We provide the property tax assessments and distributions for our local governments and schools, record real estate transactions and other property documents, and assist families with collection of child support payments. All criminal prosecution is handled by our District Attorney, and incarcerated individuals are housed in the Sutter County jail. We provide educational and cultural services through our County Library system as well as the Sutter County Museum. Our Probation Department is responsible for adults and juveniles who have been through the criminal justice system and need supervision to avoid reoffending, keeping our community safer. Our Health and Human Services programs provide behavioral health, communicable and chronic disease prevention and education, and protective services for our most vulnerable populations. Health and Human Services also provides eligibility services for CalWORKs, Medi-Cal, Women Infants and Children Supplemental Nutrition Program (WIC), and Cal-Fresh benefits, increasing resources and directly benefitting our local economy. Outside the city limits of Yuba City, we are responsible for law enforcement, fire response, construction permitting, water systems, flood prevention and many other services that ensure safety and prosperity. Our Roads department maintains all County roads, many of which have become transportation arteries for commerce. We serve everyone, and we provide quality services despite significant financial constraints. The health, safety,

and economic security of all of our residents remains our highest priority, and the FY 2022-23 budget reflects that commitment.

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 August 24, 2021, the Board of Supervisors adopted its Goals and Priorities for FY 2021-22. The Board's adopted Priorities are:

1. Leadership

Sutter County is committed to the continued development of a strong leadership culture at all levels of the organization.

- A. Continue and expand leadership training opportunities for staff at all levels of the organization (e.g., NACo leadership program; CSAC Senior County Executive Credential Program).
- B. Pursue and develop cost-effective wellness opportunities for County employees.
- C. Develop a county-wide customer service philosophy and integrate it into department culture.
- D. Develop a governance manual to be adopted by the Board of Supervisors to define and sustain a culture of respect across all County functions.

2. Economic Development

Sutter County actively pursues economic development opportunities.

- A. Successfully recruit and hire an Economic Development Manager position after a job specification is created and adopted.
- B. Establish specific goals and measurable outcomes for County Economic Development efforts including business attraction and retention, business recognition program.
- C. Continue to advocate with state and federal agencies for reasonable development rules relating to flood plain management including building a coalition of jurisdictions to maximize effectiveness of advocacy efforts.

3. Homelessness

Sutter County efforts minimize the impact homelessness has on the quality of life in our communities.

- A. Conduct joint Board of Supervisors/City Council public meeting to discuss homelessness, progress, and goals.
- B. Partner with City of Yuba City and local organizations to ensure long-term viability of homelessness services.
- C. Determine need for additional homeless-related resources, such as housing and services.

4. Facilities

Sutter County facilities are safe, accessible, and efficient.

- A. Analyze remote work possibilities for each department, including financial, logistical and service issues.
- B. Analyze future space needs, including consideration of remote work options and present information to the Board of Supervisors as part of the Facilities Master Plan.
- C. Continue facility consolidation efforts including the Gray Avenue property.
- D. Present recommendations for major facility upgrades and repairs that are possible within available resources.

5. Development (formerly “Sutter Pointe”)

Sutter County development is planned and thoughtful to maintain and enhance attractive and viable residential, commercial, and industrial development.

- A. Prioritize General Plan amendments to align County policy with community needs.
- B. Continue working productively with Sutter Pointe residential developers to ensure timely, quality development.
- C. Pursue land entitlement options for additional commercial and industrial development, including within Sutter Pointe.

6. Public Safety

Sutter County continues its commitment to the safety of the public, including finding viable solutions for fire services in the unincorporated areas.

- A. Assist with and analyze fire services review from LAFCo consultant to better understand district consolidation opportunities and challenges.
- B. Conduct public meetings to discuss County fire services funding challenges and potential solutions.
- C. Develop a long-term plan for sustainable fire services.

County-wide goals were first established on September 11, 2018 and were last discussed by the Board on August 24, 2021. Adopted Goals are incorporated into County activities for the budget year. The existing Goals to date are:

- A. Provide local government leadership that 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 a 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); 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 the Sutter Pointe Specific Plan.

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 2022-23 Recommended Budget follows these adopted policies by increasing the General Reserve by \$500,000 (for a total of \$2.6 million) and the Budget Stabilization Reserve by \$500,000 (for a total of \$1.5 million). Combined, these two accounts have increased the County's reserves by \$3 million (272%) since FY 2019-20, providing a hedge against unforeseen negative economic conditions and ensuring sufficient General Fund cash flow throughout the year. The FY 2022-23 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. Finally, the Recommended Budget includes \$1.2 million in Appropriation for Contingency. This is an increase of \$200,000 (20%) from the FY 2021-22 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 14, 2022 presentation by the County Administrative Office staff to introduce the budget. Public Budget Hearings are scheduled for Monday, June 20, 2022, and Budget Adoption (including incorporation of any changes from the Budget Hearings) is scheduled for Tuesday, June 28, 2022, ahead of the July 1 start of FY 2022-23. All budget presentations, as well as the Budget Hearings, are held in public meetings, and comment from the public is encouraged.

The FY 2022-23 Recommended Budget process continues two key components established in 2021. First, a scheduled, public Budget Study Session was conducted with the Board of Supervisors on April 26, 2022. 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. As initiated last fiscal 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 2022-23 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 2021-22 due to savings, particularly in Salaries and Benefits, as well as additional state and federal funding that offsets General Fund costs. 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 2021-22 Adopted Budget level. While extraordinarily challenging to submit budgets without increases, all departments submitted budgets that were reasonable given their level of responsibility for providing services and inability to control certain costs.

As the Board has come to expect, the 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 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 2022-23 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

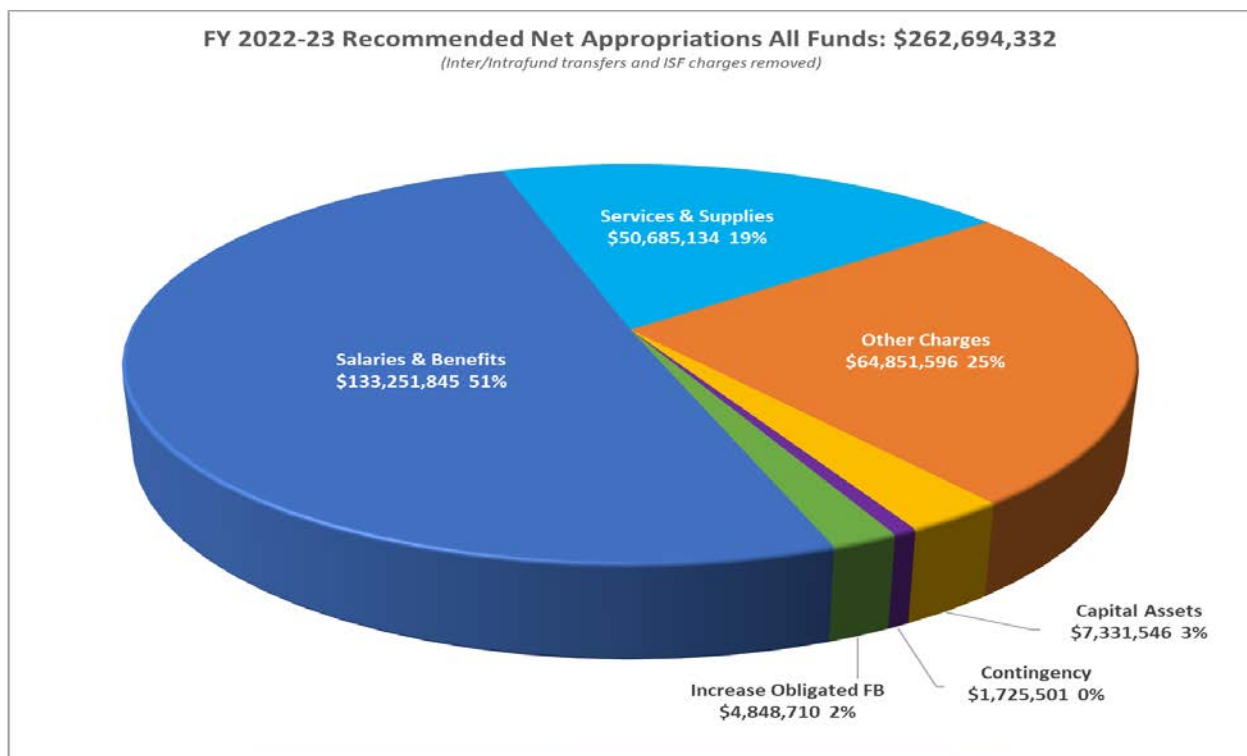
The FY 2022-23 appropriations for all funds are recommended at \$403,635,593, which includes \$398,786,883 in appropriations and \$4,848,710 in increases in committed fund balance. Overall, the year over year change from the FY 2021-22 Adopted Budget is a decrease in appropriations of \$6,485,151 (-1.58%). The following table illustrates the allocation among the funds, including the largest operating departments:

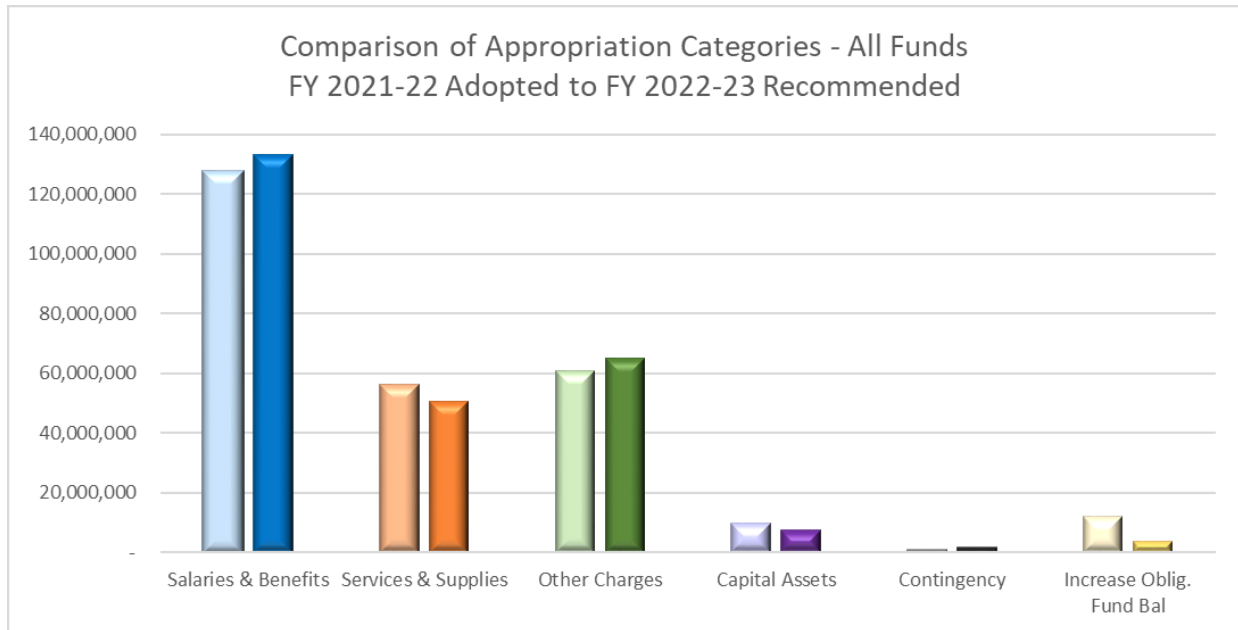
No.	Fund	Adopted FY 2021-22	Recommended FY 2022-23	Change	
				Dollars	Percent
1.	General	\$76,918,090	\$77,359,313	\$441,223	0.57%
2.	Welfare/Social Services	63,380,068	64,439,607	1,059,539	1.67%
3.	Behavioral Health / MHSA	67,719,470	58,087,123	<9,632,347>	-14.22%
4.	Public Safety	39,542,477	41,423,206	1,880,729	4.76%
5.	Health Services	18,800,107	20,100,772	1,300,665	6.92%
6.	Road	25,074,519	13,768,330	<11,306,189>	-45.09%
7.	Trial Courts	11,070,247	12,136,241	1,065,994	9.63%
8.	Information Technology ISF	4,291,146	4,422,412	131,266	3.06%
9.	Capital Projects	5,068,566	4,195,455	<873,111>	-17.23%
10.	Fleet Management ISF	1,033,453	1,152,921	119,468	11.56%
11.	Child Support Services	1,706,723	735,274	<971,449>	-56.92%
	Other Funds	95,515,878	105,814,939	10,299,061	10.78%
	TOTAL	\$410,120,744	\$403,635,593	<\$6,485,151>	-1.58%

Appropriation increases in individual funds are minimal in FY 2022-23. The increase of \$1,880,729 (4.76%) in the Public Safety fund is reflective of higher personnel costs, mainly due to negotiated salary increases. The increase of \$1,300,665 (6.92%) in the Health Services fund is due mainly to new positions related to available grant funding. The increase of \$1,065,994 (9.63%) in appropriations in the Trial Court Fund is due to increases in the Sheriff's Court Bailiff, Probation, and Public Defender departments, offset by a reduction in the Trial Court Funding budget unit due to a reduction in the County's Maintenance of Effort (MOE) payment resulting from lower court fines. The increase of \$1,059,539 (1.67%) in the Welfare Fund is primarily due to increases in personnel costs and operating expenses.

The FY 2022-23 Recommended Budget includes several notable decreases in appropriations. The largest single budget decrease (\$11,306,189) (-45.09%) exists within the Road Fund as various road and bridge projects are coming to conclusion, including Bogue drainage and 99/Oswald Road. For purposes of this table, the Bi-County Behavioral Health and Mental Health Services Act (MHSA) budgets are combined and show a reduction of \$9,632,347 in appropriations. In prior years, appropriations in MHSA facilitated transfer of funds to the Behavioral Health fund, where all operations were budgeted. To ensure sufficient separation of funded activities, staff allocations have been moved from the Behavioral Health fund to the MHSA budget, eliminating the need for transfers and the double counting of overall appropriations. Appropriations in the Capital Projects fund decreased by \$873,111, due primarily to the Mental Health parking project being placed on hold until sufficient funding is identified. Several other projects from FY 2021-22 were completed and did not require re-budgeting. A full list of Capital Projects is included in the narrative for the Capital Projects fund. The decrease in the Child Support Services fund reflects further efforts to consolidate services. Only 6.0 FTE positions remain in this fund, and all other personnel costs and most operating costs, along with supporting revenue, have been transitioned to Yolo County as the lead agency in the Colusa, Sutter, Yuba Child Support Agency. There is no cost to the County General Fund for Child Support Services.

Recommended appropriations for all County funds (including increases in obligated fund balance/reserves) total \$403,635,593, a decrease of \$6.49 million over the FY 2021-22 Adopted Budget. However, this amount includes all revenue transfers between funds totaling \$128,157,410 and Internal Service Fund charges of \$12,783,851, which must be recognized as expenditures but do not represent additional cost. When those are removed, the net appropriations are \$262,694,332. This number represents the value of programs and services that the County provides. The following charts show how the money is spent.



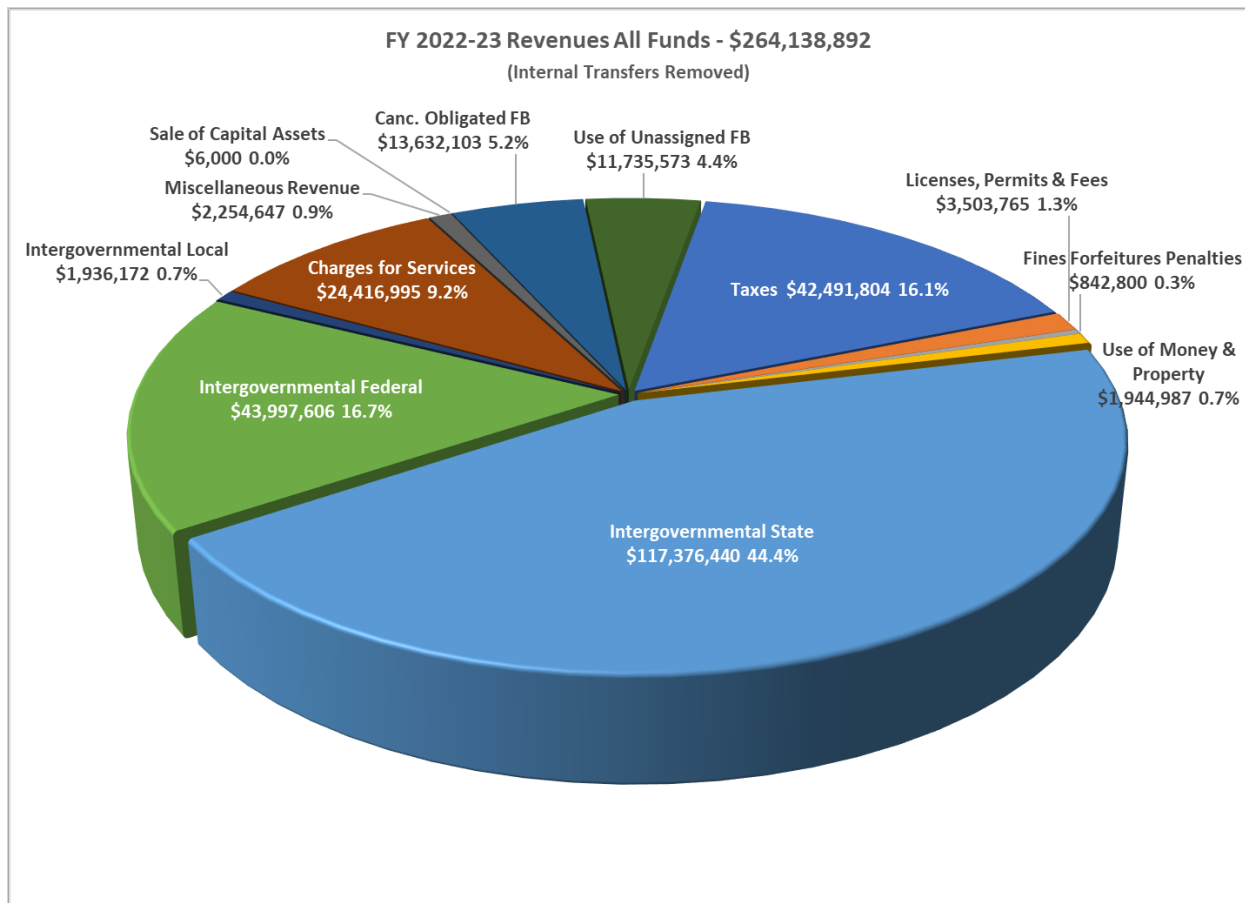


Salaries and Benefits appropriations include the cost of regular and extra help wages, overtime, and special pay, payroll taxes, health insurance and the County’s contribution to employee’s health savings accounts (for high deductible plan enrollees), pension cost, unemployment cost, and worker’s compensation. Services and Supplies appropriations include normal operating supplies and professional and specialized services. 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, as well as overhead charges allocated through the County’s annual cost plan. 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. The charts also exclude Internal Service Fund charges to operating departments. Costs are budgeted in the respective internal service funds and would be duplicated if presented as costs in the operating funds.

Revenues

Revenues supporting all funds total \$403,635,593, which is made up of \$378,269,917 in revenues and \$13,632,103 in cancellation of obligated fund balance in the General Fund and Special Revenue Funds, as well as \$11,735,573 of assumed General Fund unassigned fund balance carried forward as savings from FY 2021-22.

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 \$264,138,892. The chart below shows the sources of revenue in proportion to the total. Federal and state revenues account for 61.1% of total revenues, while Taxes account for 16.1%, Charges for Services account for 9.2%. Miscellaneous Revenue, Intergovernmental Revenues generated locally, Fines, Forfeitures and Penalties, Licenses, Permits and Fees combined account for about 3.2% of revenues, and Interest revenue for 0.7%. Use of Unassigned and Obligated Fund Balance accounts for the remaining 9.8% of funding available to support recommended appropriations.



Budget Overview – General Fund Budget

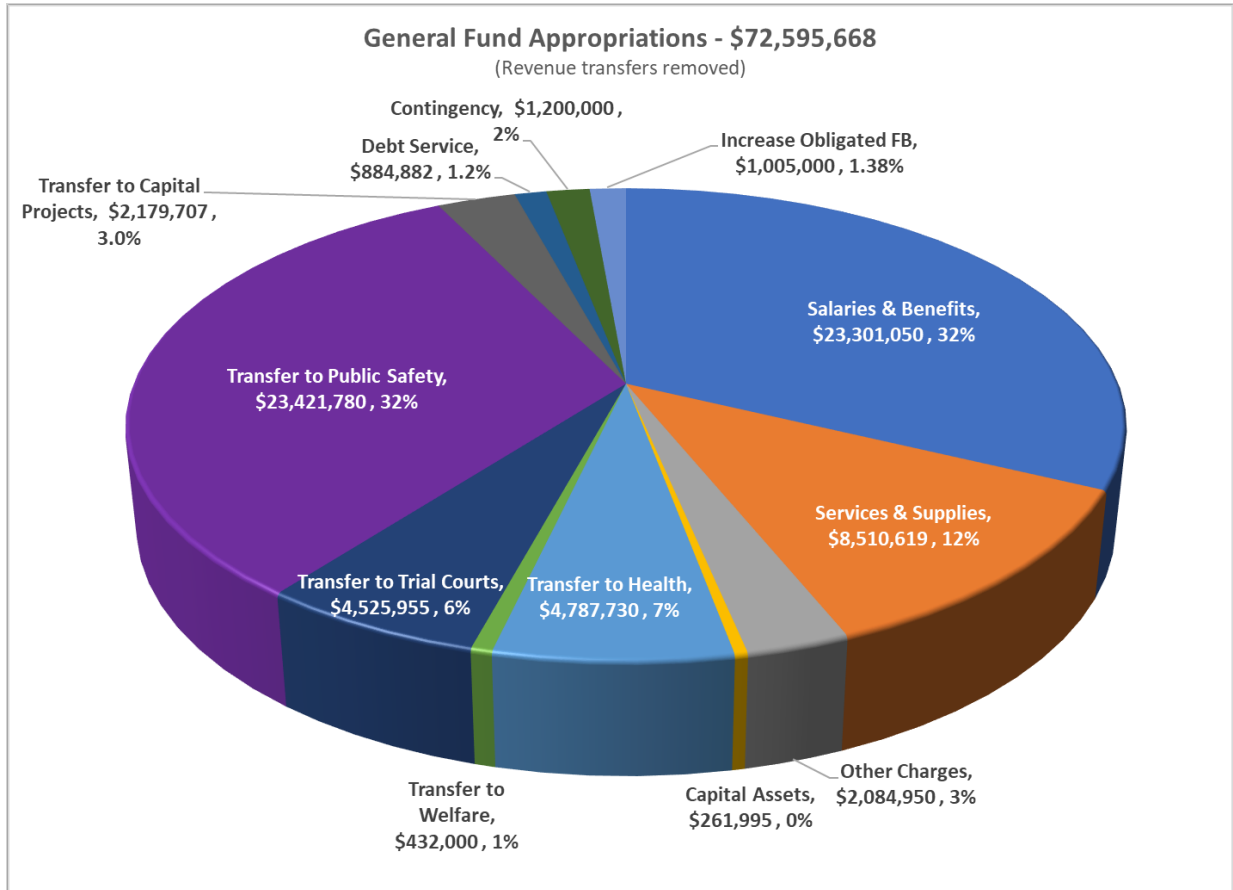
Appropriations

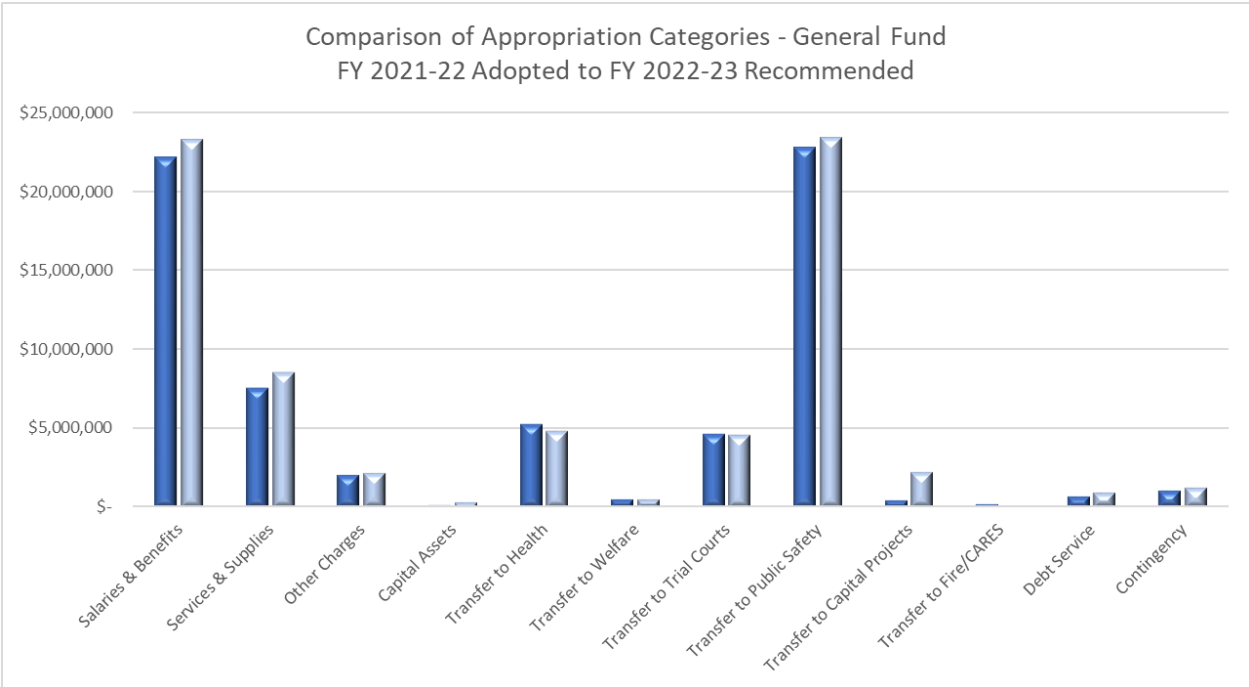
General Fund appropriations (net of revenue transfers) are recommended at \$72,595,668, an increase of \$279,159 (0.4%) from the FY 2021-22 Adopted Budget. Salaries and Benefits increased by \$1,151,648 (5.2%). This increase is related to negotiated increases in the General, Supervisory and Professional and Probation bargaining units as well as new positions added in the Development Services, Human Resources, and the Auditor-Controller 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 increased by \$1,008,703 (13.4%).

The Other Financing Uses 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 decreased by \$400,511 (-7.7%) from the FY 2021-22 Adopted Budget due to additional state and federal revenues that cover costs that would have otherwise fallen to the General Fund. The transfer includes continuation of ongoing services provided to homeless individuals and families. The General Fund cost for Homeless Services increased approximately \$500,000 due to reduced federal and state funding. These services were supported, in large part, by outside funding in FY 2020-21 and FY 2021-22. Additional funding may 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 remains the same as in FY 2021-22 at \$432,000, which is the County's minimum required Maintenance of Effort (MOE).

The transfer to the Trial Courts Fund decreased by \$54,625 (-1.2%). The decrease is due to the Community Corrections Partnership providing additional 2011 Realignment funding to offset the growing unfunded cost of Sheriff's Correctional Officers providing Court security. The transfer to the Public Safety Fund increased by \$603,388 (2.6%) due to recognizing salary savings in budgets to align more closely with historical trends as well as a significant increase in projected Prop 172 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 \$1.2 million in additional revenue. This is expected to be a short-term shift and the factor should return to "normal" after FY 2022-23, resulting in an expected reduction in Prop 172 funds of approximately \$200,000 in FY 2023-24. The transfer to the Capital Projects fund increased by \$1.8 million (374%) reflecting the General Fund cost of planned projects to catch up on deferred maintenance items such as roofs, parking, and tree maintenance. Other Charges includes contributions to the Internal Revenue Code Section 115 Pension Prefunding (\$1 million) and OPEB Prefunding (\$100,000) accounts. This category also includes contributions to other agencies for services such as the Veteran's Services Officer, Animal Control, and transportation development as well as Support and Care cost in the Public Guardian and General Relief budgets.

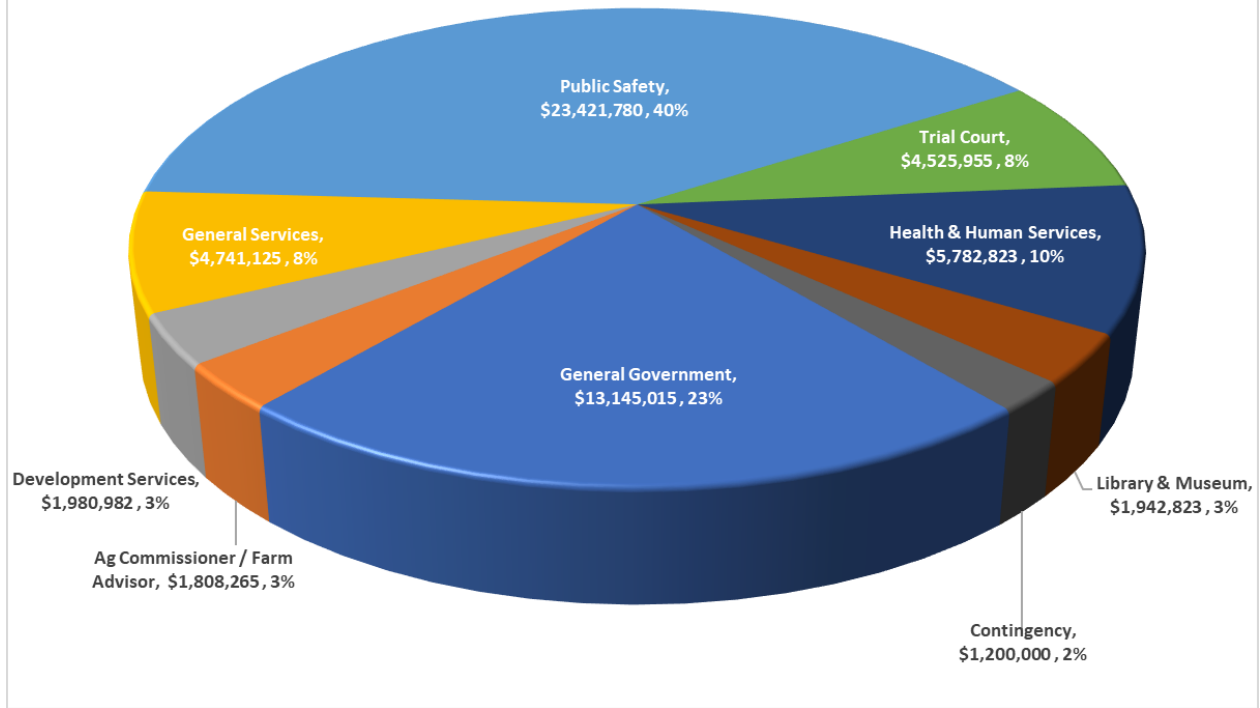
Capital Assets increased by \$193,995 (185%) for vehicles, equipment, and software. Capital Assets in the General Fund are recommended as follows: Vehicles - \$166,000 in Building Maintenance and Planning; Equipment - \$13,495 in Building Maintenance; and Software - \$82,500 in Public Guardian for a total of \$261,995 in this category. The Debt Service category is recommended at \$884,882, an increase of \$263,243 (42.3%) from the FY 2021-22 Adopted Budget. This includes allocation of the Chevron Solar project to operating departments as well as the principal and interest payment on the Gray Avenue property. The Appropriation for Contingency is increased by \$200,000 (20%) 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 starting on page C-21. The net General Fund cost of all programs funded by the General Fund is \$58,548,768. 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 2022-23 Net County Cost Funded by General Fund - \$58,548,768



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 \$23.4 million (40%) 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 \$4.5 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 \$13.1 million (23%), 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 Grand Jury 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 General Government 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 \$2.0 million (3%) includes the County Planning, Building and Environmental Health services. This contribution has increased to reflect additional building inspector and planning positions. General Services funding of \$4.7 million (8%)

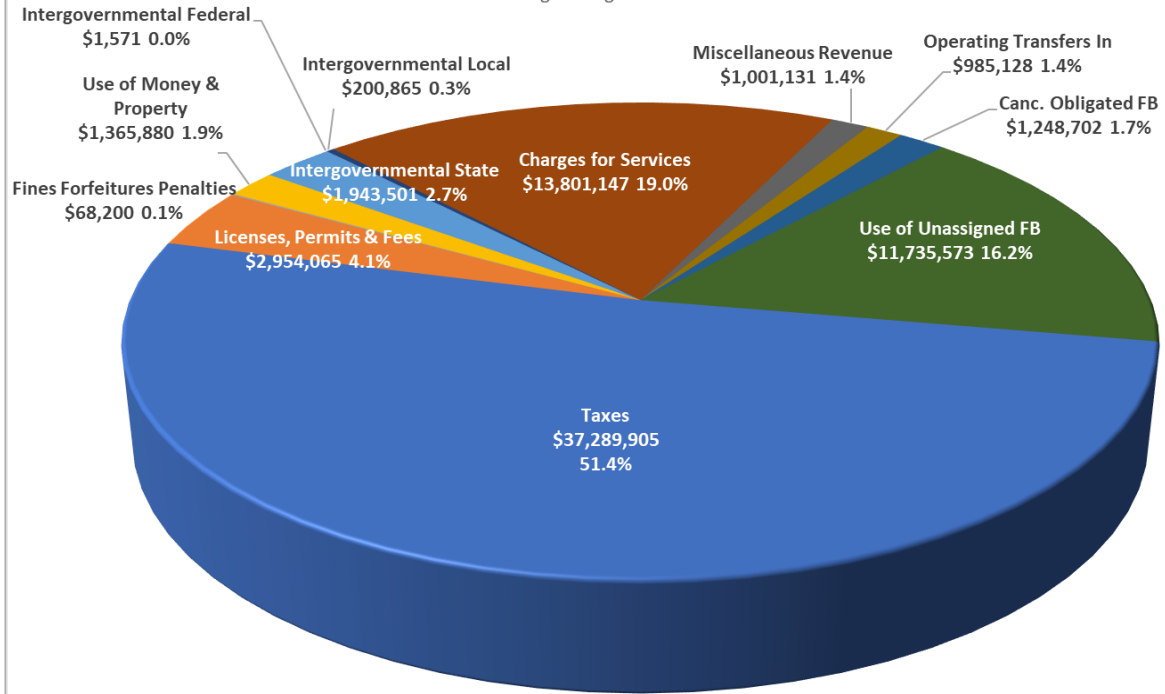
includes Building and Grounds maintenance for all County facilities, Parks and Recreation, maintenance of Ettl Hall and the Veterans Memorial Community Building, as well as oversight of Fleet Management and Information Technology functions for the entire County. The Contribution for Health and Human Services of \$5.8 million (10%) 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 \$1.9 million (3%) invests in services to promote education and enrich the community. 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 \$1,200,000 (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 \$77,359,313, 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 \$72,595,668. Revenue to support General Fund obligations comes from a mixture of Taxes (51.36%), Charges for Services and Operating Transfers, including internal cost plan (overhead) charges calculated in compliance with federal regulations (20.37%), Intergovernmental Revenue from state, federal and local sources (2.96%), Licenses, Permits and Fees (4.07%), and use of fund balance, both unassigned and committed (17.89%). Use of Money and Property, which includes interest revenue and rental income from use of County-owned space totals 1.88%, while Miscellaneous revenue and Fines, Forfeitures and Penalties make up the remaining approximately 1.47%. The following chart shows the revenue sources in proportion to the total revenues received.

FY 2022-23 General Fund Revenue - \$72,595,668

Pass through Realignment revenue removed



Countywide Staffing

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

No.	Department/Office	Adjusted FY 2021-22	Recommended FY 2022-23	Change
1.	Health and Human Services	550.13	559.13	9.00
2.	Sheriff	150.00	150.00	0.00
3.	Development Services	63.00	65.00	2.00
4.	General Services	56.00	56.00	0.00
5.	Probation	52.00	52.00	0.00
6.	County Administrator's Office	31.00	33.00	2.00
7.	District Attorney	31.00	31.00	0.00
8.	Agricultural Commissioner	19.00	19.00	0.00
9.	Assessor	17.00	16.50	(0.50)
10.	County Clerk-Recorder	16.00	16.00	0.00
11.	Library	13.55	13.55	0.00
12.	Auditor-Controller	12.45	12.90	0.45
13.	Human Resources	8.15	9.20	1.05
14.	Treasurer-Tax Collector	9.00	9.00	0.00
15.	County Counsel	7.80	7.80	0.00
16.	Board of Supervisors	6.00	6.00	0.00
17.	Child Support	14.00	6.00	(8.00)
18.	Sutter County Museum	2.55	2.55	0.00
19.	Public Defender	2.50	2.50	0.00
20.	Bi-County Farm Advisor	2.00	2.00	0.00
	TOTAL	1,063.13	1,069.13	6.00

The overall number of County Full Time Equivalent (FTE) positions is proposed to increase by 6.00 FTE from 1,063.13 to 1,069.13. Most new positions are funded by special revenue funds, cost plan charges, and fees.

All increases, decreases and transfers are as follows:

- Addition of 1.00 FTE Building Inspector in Planning & Building (2-724)
- Addition of 1.00 FTE Planner Assistant in Planning & Building (2-724)
- Elimination of 0.50 FTE Assessment Technician in Assessor (1-203)
- Elimination of 1.00 FTE Account Clerk in Auditor-Controller (1-201)
- Addition of 0.45 FTE Accountant in Auditor-Controller (1-201)
- Addition of 1.00 FTE Accounting Manager in Auditor-Controller (1-201)
- Transfer of 0.20 FTE Public Information Officer from Emergency Services (2-401) to County Administrative Office (1-102)
- Addition of 1.00 FTE Staff Analyst in Emergency Services (2-401)
- Addition of 1.00 FTE Fire Battalion Chief in Fire Services Administration (2-402)
- Transfer of 0.05 FTE Assistant Clerk-Recorder, 0.30 FTE Deputy Clerk Recorder, & 0.05 FTE Supervising Deputy Clerk-Recorder from Recorder (2-706) to County Clerk (2-710)
- Elimination of 0.40 FTE HR Analyst and addition of 0.40 FTE HR Analyst Senior in Workers' Compensation Insurance ISF (4-591)
- Elimination of 0.60 FTE HR Analyst and addition of 0.60 FTE HR Analyst Senior in Human Resources (1-401)
- Addition of 0.55 FTE Accountant in Human Resources (1-401)
- Elimination of 0.50 FTE Office Assistant-Con and addition of 1.00 FTE HR Assistant in Human Resources (1-401)
- Elimination of 1.00 FTE Deputy District Attorney and addition of 1.00 FTE Deputy District Attorney Flex I/II/III in District Attorney (2-125)
- Elimination of 1.00 FTE Correctional Officer/Correctional Technician and addition of 1.00 FTE Correctional Sergeant in County Jail (2-301)
- Transfer of 1.00 FTE Administrative Services Officer from HHS Admin (4-120) to Public Health (4-103)
- Transfer of 0.50 FTE Account Clerk from Public Health (4-103) to Public Guardian (2-709) and re-classify the position from Account Clerk to Account Technician I
- Transfer of 1.00 FTE Admin & Accounting Supervisor from Public Health (4-103) to Welfare Administration (5-101)
- Elimination of 1.00 FTE Medical Clerk and addition of 1.00 FTE Public Assistance Specialist in Public Health (4-103)

- Addition of 1.00 FTE Physical Therapist in Public Health (4-103)
- Transfer of 0.40 FTE Public Health Nurse from Public Health (4-103) to Jail Medical Services (4-134)
- Elimination of 1.00 FTE Office Assistant and addition of 1.00 FTE Social Services Aide in Homeless Services (4-121)
- Addition of 1.00 FTE Social Worker Supervisor-Child Welfare Services in Welfare Administration (5-101)
- Addition of 3.00 FTE Social Worker-Adult Services in Welfare Administration (5-101)
- Addition of 1.00 FTE Prevention Services Coordinator in Mental Health Services Act (4-104)
- Addition of 1.00 FTE Intervention Counselor in Mental Health Services Act (4-104)
- Addition of 1.00 FTE Staff Analyst in Mental Health Services Act (4-104)
- Elimination of 1.00 FTE Account Clerk in Behavioral Health (4-102)
- Addition of 2.00 FTE Billing Specialist in Behavioral Health (4-102)

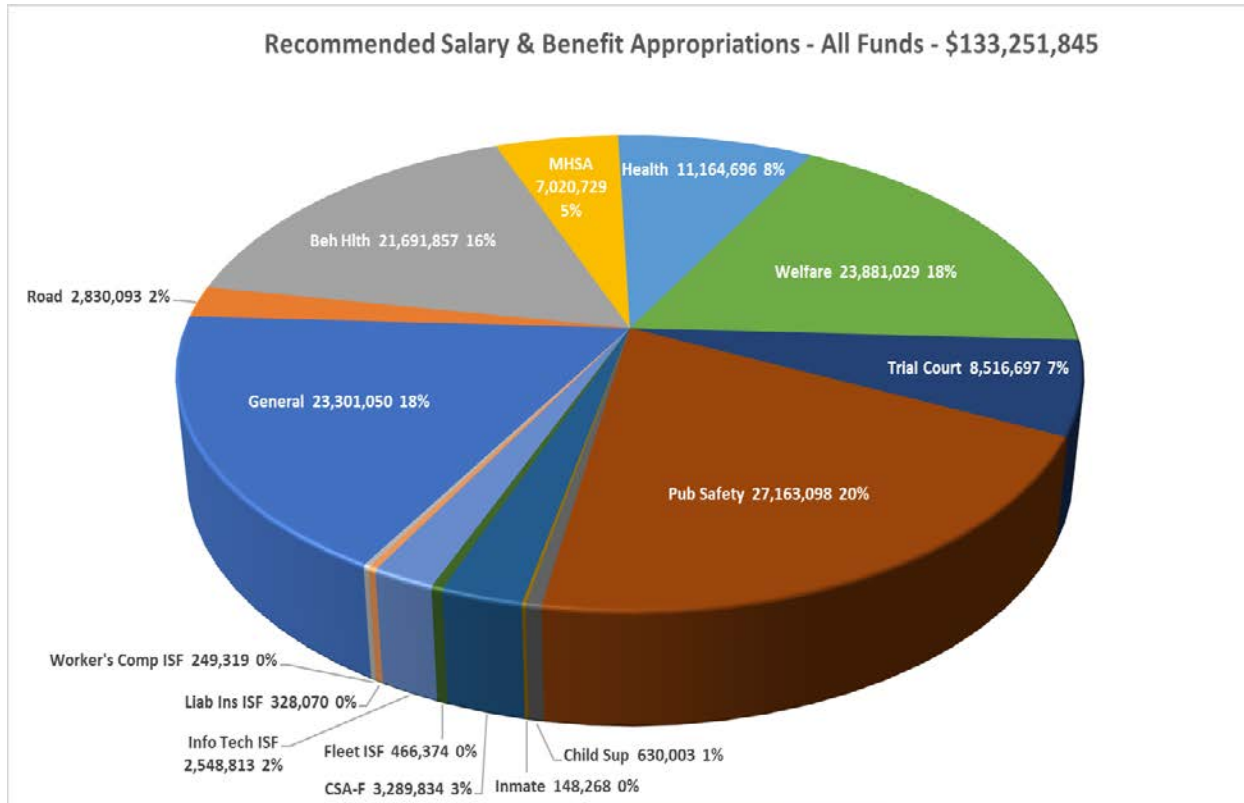
The following positions were transferred from Behavioral Health (4-102) to Mental Health Services Act (4-104):

- | | |
|--|---|
| • 18.50 FTE Intervention Counselor | • 1.88 FTE Program Manager - Community Services |
| • 15.65 FTE Mental Health Therapist | • 1.50 FTE Psychiatric LVN/ Technician |
| • 5.00 FTE Mental Health Worker | • 8.50 FTE Resource Specialist |
| • 2.75 FTE Prevention Services Coordinator | • 1.00 FTE Secretary |
| • 1.50 FTE Program Manager - Clinical Services | • 1.50 FTE Staff Analyst |
| | • 0.50 FTE Supervising Nurse |

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 8.0 FTE):

- | | |
|---------------------------------------|------------------------------------|
| • 1.0 FTE Ass. Director-Child Support | • 1.0 FTE Child Support Supervisor |
| • 5.0 FTE Child Support Specialist | • 1.0 FTE Staff Services Manager |

The cost of personnel is spread among numerous departments within many of the County's funds. Total personnel cost is recommended at \$133,251,845, an increase of \$5,597,462 (4.4%) over the FY 2021-22 Adopted Budget. While rising personnel costs are included, the recommended appropriations in many budgets are reduced by a vacancy factor totaling \$4.4 million to account for normal attrition in positions and vacancies held for cost savings.



Ongoing and Future Challenges and Opportunities

The County always has and will continue to meet its mandated and contractual financial obligations. What is uncertain is the level to which the County can continue to deliver quality services given significant financial constraints. Discretionary revenue simply will not keep pace with the level of services currently provided. This occurs for a number of reasons. First, Proposition 13 limited property tax annual growth to the lower of inflation as calculated by the consumer price index or 2 percent. Thus, homeowners and business property owners are guaranteed that their annual property tax will remain stable despite high inflation. However, this constrains the growth in the tax base. Properties are reappraised when they change ownership, but the number of properties that change hands in any given year, particularly business properties, is relatively low. Thus, property taxes have grown an average of 2.4% per year over the past six years. Sales tax remains stable but relatively low due to commerce occurring primarily in cities rather than the unincorporated areas of the County. Over the past six years, sales tax has only increased an average of 1.2% per year.

At the same time, the cost to remain competitive in the job market is growing and Sutter County is rapidly losing ground. In May, neighboring Yuba County was able to give employees an across-the-board 5% pay increase. Yuba County found this necessary to keep pace with high inflation, but also has the financial resources, largely thanks to residential and commercial growth in the unincorporated areas, support from the Yuba Water Agency, and the millions from the Measure K 1% general tax, which provides approximately \$7 million in new revenue annually to Yuba County. Sutter County simply cannot compete.

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.

Without significant new resources, the County will have to narrow services even further. Already, the County ranks second in fewest employees per capita among all counties in

the state with populations below 200,000. At the same time, employee costs for crucial public safety positions are rising rapidly. The cost of the imbalance will mean longer wait times for public safety responses, building permits, vital records issuance, election results, health inspections, and communicable disease response. The Sutter County museum could be forced to drastically scale back visitor hours and programs. The Library could be forced to be opened limited hours and some branches may have to close. The County will be forced to scale back its efforts to prevent homelessness, which may result in reemergence of homeless camps along county roads, outside businesses, and in wildland areas. Each of these valuable services has a cost, and County resources are a zero-sum game. Sutter Pointe may provide some revenue relief, but Sutter County only receives 16 cents for every new property tax dollar generated. In general terms, 1,000 homes valued at \$500,000 each would generate \$5 million in new property tax, but the County would only retain \$800,000 of the taxes. By comparison, salaries and benefits in the Sheriff's patrol unit are projected to increase by approximately \$1 million this year alone. The County cannot cut deeply enough to live within its means in the future without reductions to all services, including law enforcement response, jail staffing, prosecution, victim assistance, disaster response, fire suppression and emergency medical aid, building fire and safety inspections, and myriad other services that the public, regardless of whether they reside in the cities or the unincorporated areas, rely on.

The County has seen this coming and has prepared to the extent possible. Over the past three years, additional one-time federal dollars have helped the County to prepare. As of FY 2022-23, the County will have raised its reserves from \$1.1 million to \$4.1 million, still short of recommended levels, but a significant improvement. The County has invested one-time monies in building repair and maintenance, including repair of aging, leaking roofs, that had been deferred to sustain public safety and other service levels in prior years. The County will continue to invest one-time funds in one-time projects that will help the County to become even more efficient and avoid costly repairs. After years of making "one-time" cuts and reductions, the County remains at a crossroads with respect to looking toward the future. Without long-term additional funding, the County may be forced to make cuts to essential public services, including public safety. There are no easy solutions.

For FY 2022-23, the CAO's office asked departments to turn in budgets with a Net County Cost that was equal to or below the FY 2021-22 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 and opportunities includes the following:

Fire Services in County Service Area – F (CSA-F)

This budget unit is at a breaking point. Revenues generated by property taxes and a special fire tax no longer support the level of services that the residents in the district

receive. In the early 1990s, the district was formed, and residents passed a special fire tax to convert services from volunteer-staffed stations to professionally staffed ones. However, the fire tax did not include an inflationary escalator and was limited to non-agricultural structures. Since the vast majority of land in CSA-F is agricultural, the buying power of the special tax has eroded to the point that the tax revenue now cannot fully support operations. The County did not commit to an ongoing obligation when this tax measure was approved, and General Fund subsidy cannot continue without further and long-term damage to basic, essential services provided county-wide.

In FY 2021-22, the County General Fund has subsidized over a million dollars in equipment, salaries, and ongoing operations. In FY 2021-22, the General Fund provided \$140,568 in operating revenue as well as purchased safety equipment for fire fighters (\$93,630), wrote off the \$368,882 balance of a loan owed by CSA-F to the County General Fund, replaced a battalion chief vehicle that was no longer serviceable (\$77,793), and purchased a new Type 1 fire engine (\$630,000) that replaces an engine that is nearly 20 years old. For FY 2022-23, the General Fund has used one-time American Rescue Plan Act funds to provide lump sum essential worker pay of \$149,090 and an additional \$726,838 to provide funding for operations.

Without the General Fund support, CSA-F would have to reduce staffing as soon as the current Staffing for Adequate Fire and Emergency Response (SAFER) grant runs out in February 2023. CSA-F would then have to rely mostly on volunteer firefighters to staff stations. CSA-F has applied for a new round of SAFER grant three-year funding that does not require matching funds. However, future funding and match levels are unknown. SAFER grant funding is not guaranteed, and, even if awarded, does not represent a long-term solution for CSA-F.

A recent Grand Jury report found that CSA-F is facing serious problems with fire protection, outdated equipment, staffing shortages, and unbalanced, inadequate funding streams. Additional funding is needed to invest in necessary upgrades to equipment, fire stations, and retention and training for firefighters to ensure safety. The Grand Jury has recommended a tax measure to raise revenue to address shortfalls in CSA-F, and the County has recently completed a survey of county residents on the viability of various funding measures to address fire safety needs, among other items. The survey showed County residents greatly valued the basic services the County provides and is strongly interested in local control of funds with relatively strong support for measures that would be used for many County General Fund-supported functions, including fire protection and emergency medical response in CSA-F. Additionally, the County has been studying fiscal issues with the help of an ad hoc committee comprised of community volunteers with deep experience in all areas of the county, including business, local government, and safety. Unfortunately, the budget process must be completed before any long-term solutions can be implemented. Thus, the Board of Supervisors will have to make some difficult decisions regarding service levels within CSA-F, likely within the Budget year.

Property Tax and Sales Tax Revenues

Property tax revenue is expected to increase by \$973,298 (3.1%) from the FY 2021-22 Adopted Budget. Over the six-year period from FY 2015-16 to FY 2020-21, actual Property tax revenue rose an average of 4% per year. However, from FY 2019-20 to FY 2020-21 Property tax increased by only 2.76% and actual receipts are projected to rise by 1.5% in 2022. The FY 2022-23 budget projects an increase of 2.51% from the estimated FY 2021-22 revenue.

Sales tax is projected to decrease by 5.19% in the budget year, as sales slow due to economic pressures and the pandemic stimulus ceases. Continued revenue growth is vital to maintain quality services, and the current growth patterns in Property Taxes and Sales Tax, the County's two largest discretionary funding sources are concerning. Without an increase in new housing and commercial business, as well as increased sales tax producing businesses in the unincorporated areas, the Board will face difficult decisions on service levels in the near future. The Sutter Pointe development may provide some increased funding, but it is not anticipated to occur fast enough to offset the County's increased costs, particular in public safety areas.

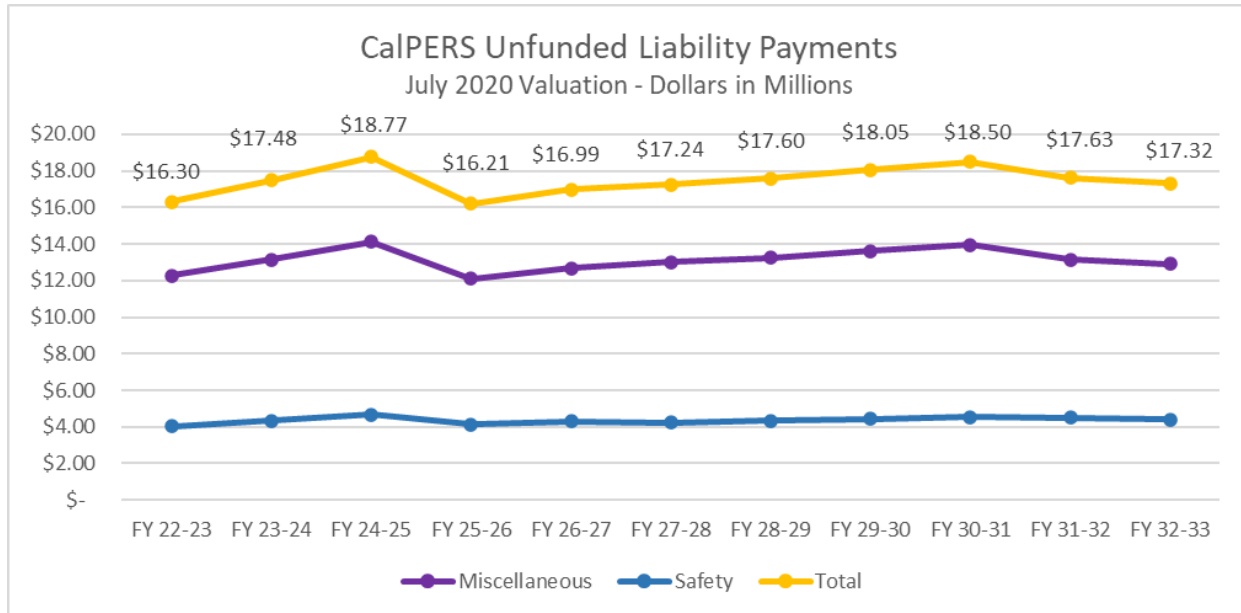
Pension and Other Post-Employment Benefits (OPEB) Funding

Sutter County contracts with the California Public Employees' Retirement System (CalPERS) for employee retirement benefits. Pension payments are divided into two separate calculations, the "normal cost" rate and a flat payment for the amortized unfunded accrued liability "UAL." The normal cost rate is simply the projected value of future pensions without benefit changes and market gains and losses. For employees in the Miscellaneous (non-public safety) group, the employer's normal cost is 9.95% for employees who joined CalPERS prior to January 1, 2013 and 6.75% for those who entered the system after January 1, 2013, reflective of lower benefit levels resulting from the Public Employees' Pension Reform Act or PEPRA. For Safety members, the normal cost rate is 18.53% for non-PEPRA members and 12.75% for PEPRA members. These amounts remain relatively stable from year to year. The second component of the pension cost is the amortized cost of the County's UAL. For Miscellaneous members, the County's cost is \$12,263,741. For Safety members, the County's cost is \$4,040,873, for a total of \$16,304,614 for FY 2022-23. This flat payment is apportioned monthly to all departments based on their percentage of employee wages, ensuring that state and federal programs bear their fair share of the pension cost.

In FY 2020-21, CalPERS experienced extraordinary investment gains of 21.3%, more than 14% above the discount rate (assumed rate of return). This has two significant impacts on the County's pensions. First, the investment return triggered an automatic reduction in the discount rate from 7.0% to 6.8%. Since this assumes a lower return on future investments (although more aligned with market analysis of future returns), this will increase the UAL as the investment earnings used to pay the County's pensions are now assumed to be less. Second, the extraordinary gain is amortized over a 20-year period, which will positively impact future UAL payments. For FY 2021-22, the market has been quite volatile and investment performance year to date is showing a loss. However, the final investment return for FY 2021-22 will not be known until after June 30, 2022, and the

impact will not be known until the 2022 valuation is completed, sometime in late summer of 2023.

The chart below shows the anticipated CalPERS UAL payments over the budget year and the 10-year period following.



The UAL is a flat payment that must be made each year regardless of the number of positions filled. Over the next two years, the County can expect annual year-over-year increases of \$1.1 million to \$1.4 million respectively. The County currently anticipates a \$2.55 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 the past as the amortization schedule is adjusted for gains and losses. After FY 2024-25, the UAL payment will rise somewhat and then remain stable until it begins to decline significantly in 2033 until it is fully paid in 2044.

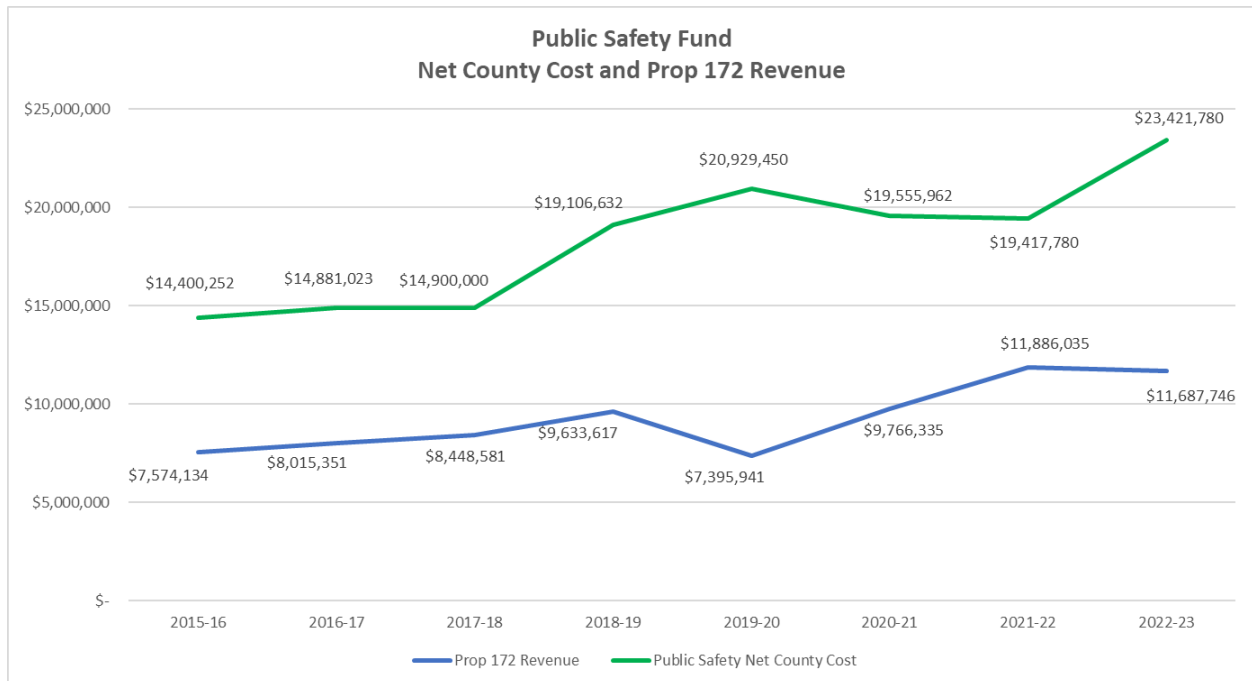
As a hedge against growing pension liability, in 2017, the Board authorized establishment of a pension prefunding account allowed under Section 115 of the Internal Revenue Code. The County has made annual contributions to this fund every year since, and a \$1 million contribution for FY 2022-23 is included in the Recommended Budget. As of April 30, 2022, the pension prefunding account had a balance of \$5.8 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 in 2039, approximately five years ahead of CalPERS' current amortization schedule, which reflects paying off the unfunded liability in 2044. In future years, as the UAL payment declines or if revenues improve significantly, the County may consider increasing the Section 115 payment to further accelerate the payoff of the UAL.

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, 2021, 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 2022-23. The balance in the OPEB account as of April 30, 2022 is \$283,897.

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. Over the past two years, the half-cent sales tax for public safety (“Prop 172”) revenue has increased significantly due 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. This anomaly is not expected beyond the budget year, and revenue is expected to decrease in FY 2023-24. 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 2022-23 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 largest sectors of the Public Safety Fund: The Sheriff operations budgets, the Jail (shown separately from other Sheriff budgets), the District Attorney, Office of Emergency Management, and Fire Services Administration. Combined, the annual net cost (expenditures minus dedicated revenues other than Prop

172) of these programs has risen by \$9 million (62.6%) since FY 2015-16. Individually, the Sheriff operations budgets have increased \$5.8 million (67.9%), the Jail budget has increased \$4.3 million (51.2%), and the District Attorney has increased \$1.4 million (46.8%). 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.

Labor Market Concerns

In FY 2021-22, the County reached agreements with the Deputy Sheriff's Association and the Sutter County Peace Officers' Association, providing significant equity increases, cost of living adjustments, and one-time lump sum payments for certain classifications. The cost of these increases, most of which will come from the General Fund, is in the millions of dollars annually. In January 2022, the County came to agreement with the Professional Firefighters Association, providing equity adjustments and one-time lump sum payments. While the employees covered under this agreement are within CSA-F, dedicated funding in this special district is insufficient to sustain positions without an infusion of funding from the County General Fund. Additionally, the County is currently in negotiations with the Probation Officers' Association and the General, Supervisory, and Professional bargaining group, and the County can expect growing personnel costs in the budget and subsequent years. Notably, Sutter County's eroding place in the labor market due to low wage levels has impacted the ability to recruit and retain qualified staff. Most County jobs require at least some college education, with many requiring bachelor's and even advanced degrees. Qualified, trained staff are increasingly difficult to place in County positions, particularly in the areas of medical, counseling, social work, accounting, law enforcement, firefighting, and management positions. Department Head salaries are an average of 30% below our comparable counties, and Department Heads often oversee staff that is less experienced and smaller than comparable counties, but with a similar workload. In order to stay reasonably close to the market and be able to recruit and retain quality staff, the County may have to raise wage levels while scaling back service levels to stay within its financial constraints.

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, and the final Space Assessment is expected to be presented to the Board of Supervisors in July 2022, which precedes the final Facilities Master Plan. Once completed, this plan can be used as the basis for an AB 1600 Study, so the County can update its Development Impact Fees in FY 2022-23. 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 2022. This project has been significantly delayed by a shortage of workers and supply chain issues.

A "Public Safety Campus" is recommended around the 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. A recent survey conducted by the County indicates that the impact of homeless is our citizens' highest concern. 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 available state and federal funding, along with \$750,000 in General Fund, to provide additional housing and support to individuals and families experiencing homelessness. For FY 2022-23, the General Fund contribution to the Homeless program is projected to increase to \$1.5 million, due to a reduction in state and federal funds. This doesn't include funding in other departments, such as the Sheriff, Development Services, and General Services for enforcement and cleanup activities related to 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 support 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.

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.

Groundbreaking on the property is expected by the end of June 2022, and 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. However, build-out is likely decades away as the “Sankey Gap” levee area currently does not provide flood protection for some areas of the specific plan.

American Rescue Plan Act (ARPA) Funding

In March 2021, the American Rescue Plan Act was passed, 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 spring 2022. Among the qualified uses is replacement of lost revenue to local governments. Using the US Treasury’s formula for calculating the revenue reduction, Sutter County has identified \$28,952,601 in lost revenue, exceeding the ARPA allocation by over \$10 million. Thus, the Board of Supervisors has the flexibility to allocate funding for “governmental expenditures” excluding lump sum pension payments, funding reserves, and offsetting a local tax decrease. To date, the Board of Supervisors has committed \$3,766,970 in ARPA funding as follows:

Economic Resilience Grants paid in March 2021	\$898,170
Cybersecurity upgrades for the County	1,284,476
Negotiated Essential Worker Pay – Deputy Sheriff’s Assn.	558,396
Negotiated Essential Worker Pay – Professional Firefighters	149,090
COVID-19 At-Home test kits	150,000

One-time funding for the Sutter County Fire (CSA-F) budget 726,838
\$3,766,970

The County has until December 31, 2024 to encumber funds and until December 31, 2026 to fully expend funds. The Board appointed an ARPA Ad Hoc committee to review requests for funding and make recommendations to the full Board. This one-time funding provides an ability for the County to address one-time needs, especially around the maintenance and improvement of County-owned space, much of which has been deferred over time to sustain service levels, particularly in public safety areas. The Board will consider use of the remaining \$15,068,510 in funding (plus accrued interest) during FY 2022-23.

Summary

The Recommended FY 2022-23 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 Principal Administrative Analyst Laura Granados. 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, Board Aide Tony Vang, 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