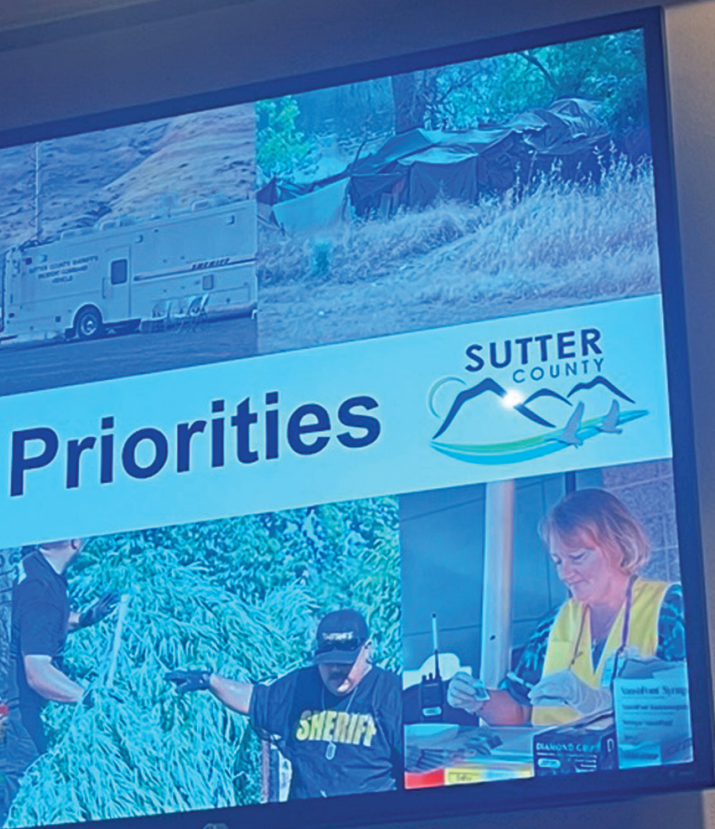


Budget Message



Steven M. Smith
County Administrative Officer



County of Sutter

Office of the County Administrator

1160 Civic Center Boulevard
Yuba City, California 95993
Phone: (530) 822-7100 Fax: (530) 822-7103

Date: June 13, 2023

To: Honorable Chair & Members of the Board of Supervisors

From: Steven M. Smith, County Administrator

Subject: Recommended FY 2023-24 Budget

On behalf of the County leadership team, it is my pleasure to submit a balanced Countywide Recommended Budget for Fiscal Year (FY) 2023-24. This document includes estimated revenues/sources of funds and recommended appropriations for both the Operating Budget and Capital Improvement Program (CIP) Budget.

The FY 2023-24 Sutter County Recommended Budget focuses on myriad services that Sutter County provides, most of which are provided across all areas of the County. 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. Sutter County serves everyone. The budget includes \$461.6 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 entire 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 and fire response for much of the County. In the unincorporated areas of the County, we provide municipal services such as 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 our residents remains our highest priority, and the FY 2023-24 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, which have been carried over to FY 2022-23 and FY 2023-24. The Board is expected to update its priorities and goals in the coming months. 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 dollars, including General Fund resources.
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 through FY 2023-24 that included establishment of certain policies to ensure the long-term financial stability of the County. Most of the goals in this three-year plan have been met or substantial progress has been made toward meeting them. In FY 2023-24, a new three-year plan will be developed to continue the County's prudent financial management.

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 2023-24 Recommended Budget follows these adopted policies by increasing the General Reserve by \$500,000 (for a total of \$3.1 million) and the Budget Stabilization Reserve by \$500,000 (for a total of \$2 million). Combined, these two accounts have increased the County's reserves by \$4 million (372%) since FY 2019-20, providing a hedge against unforeseen negative economic conditions and ensuring sufficient General Fund cash flow throughout the year. The FY 2023-24 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 \$1.4 million in Appropriation for Contingency. This is an increase of \$200,000 (20%) from the FY 2022-23 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 13, 2023 presentation by the County Administrative Office staff to introduce the budget. Public Budget Hearings are scheduled for Tuesday, June 20, 2023, and Budget Approval is scheduled for June 23, 2023. Budget Approval is a formal action taken by the Board to allow continuation of County services without interruption until the final budget is adopted by the Board. Budget Adoption, which includes incorporation of any changes from the Budget Hearings as well as any adjustments that are necessary following the close of FY 2022-23, will occur in September 2023, ahead of the October 2 statutory deadline to adopt the budget. All budget presentations, as well as the Budget Hearings, are held in public meetings, and comment from the public is welcomed.

The FY 2023-24 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 20, 2023. 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 in FY 2021-22, 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.

FY 2023-24 Recommended Budget

The Recommended FY 2023-24 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 2022-23 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 are in need of 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 2022-23 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 minimizes 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 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 remains 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 2023-24 Recommended Budget to avoid reliance on reserves. Further, without significant revenue growth, County leaders must 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 2023-24 appropriations for all funds are recommended at \$461,571,796, which includes \$458,071,714 in appropriations and \$3,500,082 in increases in committed fund balance. Overall, the year over year change from the FY 2022-23 Adopted Budget is an increase in appropriations of \$52,963,496 (+13.0%) mainly due to increases in federal and state funding and use of Realignment funds. The following table illustrates the allocation among the funds, including the largest operating departments:

No.	Fund	Adopted FY 2022-23	Recommended FY 2023-24	Change	
				Dollars	Percent
1.	General	\$77,938,010	\$84,967,061	\$7,029,051	9.0%
2.	Welfare/Social Services	\$66,674,074	\$75,108,575	\$8,434,501	12.6%
3.	Public Safety	\$41,212,956	\$46,029,096	\$4,816,140	11.7%
4.	Behavioral Health	\$39,050,488	\$40,823,761	\$1,773,273	4.5%
5.	Health Services	\$20,100,772	\$25,449,415	\$5,348,643	26.6%
6.	Road	\$13,768,330	\$22,110,432	\$8,342,102	60.6%
7.	Mental Health Services Act	\$19,117,835	\$21,169,605	\$2,051,770	10.7%
8.	Trial Court	\$12,136,241	\$12,846,517	\$710,276	5.8%
9.	Information Technology ISF	\$4,422,412	\$5,371,567	\$949,155	21.5%
10.	Capital Projects	\$4,195,455	\$5,237,977	\$1,042,522	24.8%
11.	Fleet Management ISF	\$1,152,921	\$1,187,588	\$34,667	3.0%
	Other Funds	\$108,838,806	\$121,270,202	\$12,431,396	11.4%
	TOTAL	\$408,608,300	\$461,571,796	\$52,963,496	13.0%

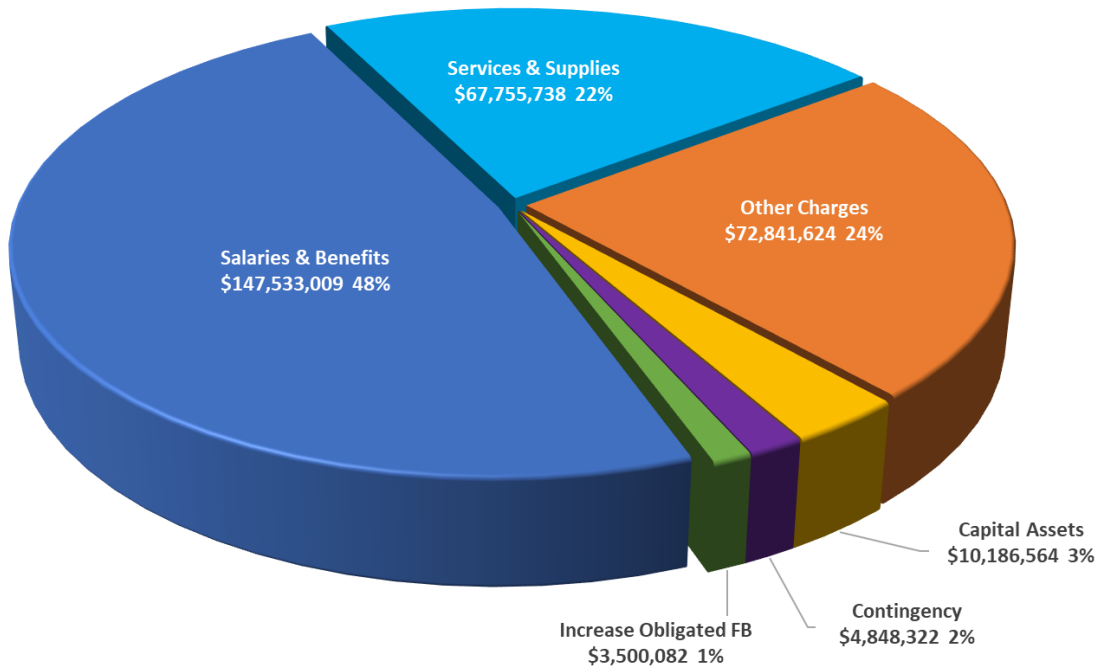
An increase in appropriations in the General Fund of \$7,029,051 (9.0%) is related to increased personnel costs and an increase of \$3.7 million in the operating transfer from the General Fund to the Public Safety fund. The increase of \$8,434,501 (12.6%) in the Welfare/Social Services fund is related primarily to use of fund balance for one-time projects and higher personnel costs due to negotiated raises. This fund is primarily financed with state and federal revenues, and the General Fund cost is limited to a maintenance-of-effort of \$432,000, which is unchanged from prior years. The Public Safety fund increase of \$4,816,140 (11.7%) is related to higher wages and benefits and fewer anticipated vacancies, as well as the addition of three new positions (2 Sheriff; 1 District Attorney). The Public Safety increase also reflects overall operating cost

increases, including a substantial increase in jail medical cost. The increase of \$5,348,643 (26.6%) in appropriations in the Health Services fund is related to additional programs funded by grants for Public Health and Homeless Services and a half million dollar increase in jail medical services, which is budgeted as an appropriation in both the Health Fund and the Public Safety fund. The \$8,342,102 (60.6%) increase in the Road fund is related to contracts for various bridge and road projects, including a planned overlay project, as well as various large equipment capital assets. The Behavioral Health and Mental Health Services Act (MHSA) appropriations have a combined increase of \$3,825,043 (6.6%) over the FY 2022-23 Adopted Budget mainly due to negotiated salary increases, and an increase in the anticipated cost for supportive services and housing for conserved clients. There is no cost to the General Fund for Behavioral Health/MHSA services.

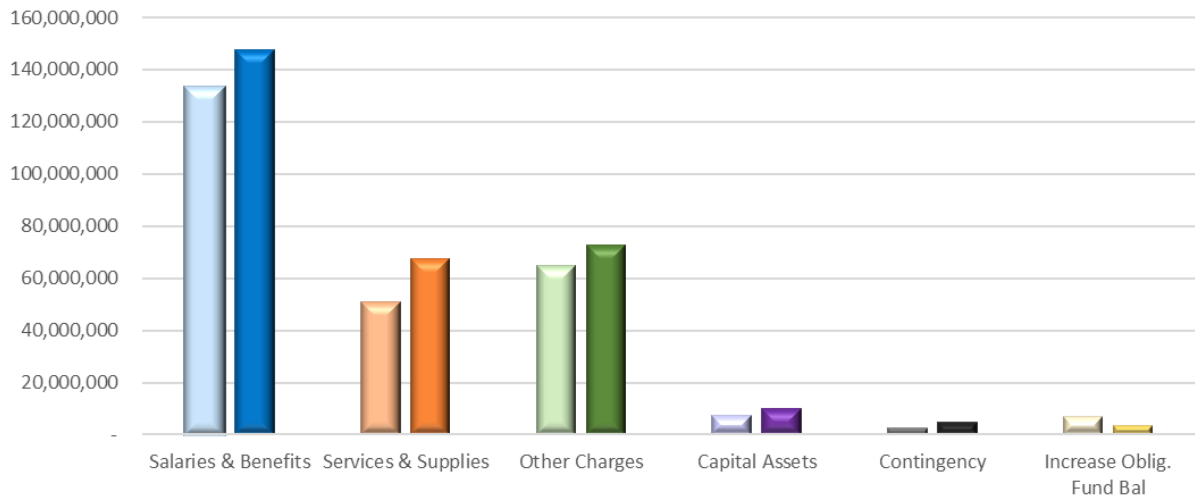
Appropriations in the Capital Projects fund increased by \$1,042,522, due primarily to the continuation of the Workday Enterprise Resource Planning (ERP) implementation project that started after FY 2022-23 Budget Adoption. A full list of Capital Projects is included in the narrative for the Capital Projects fund.

Recommended appropriations for all County funds (including increases in obligated fund balance/reserves) total \$461,571,796, an increase of \$52.9 million over the FY 2022-23 Adopted Budget. However, this amount includes all revenue transfers between funds totaling \$141,766,134 and Internal Service Fund charges of \$13,140,323, which must be recognized as expenditures but do not represent additional cost. When those are removed, the net appropriations are \$306,665,339, an increase of \$40,935,400 (15.4%) over the FY 2022-23 Adopted Budget. This number represents the value of programs and services that the County provides. The following charts show how the money is recommended to be spent.

FY 2023-24 Recommended Net Appropriations All Funds: \$306,665,339
(Inter/Intrafund transfers and ISF charges removed)



Comparison of Appropriation Categories - All Funds
FY 2022-23 Adopted to FY 2023-24 Recommended



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

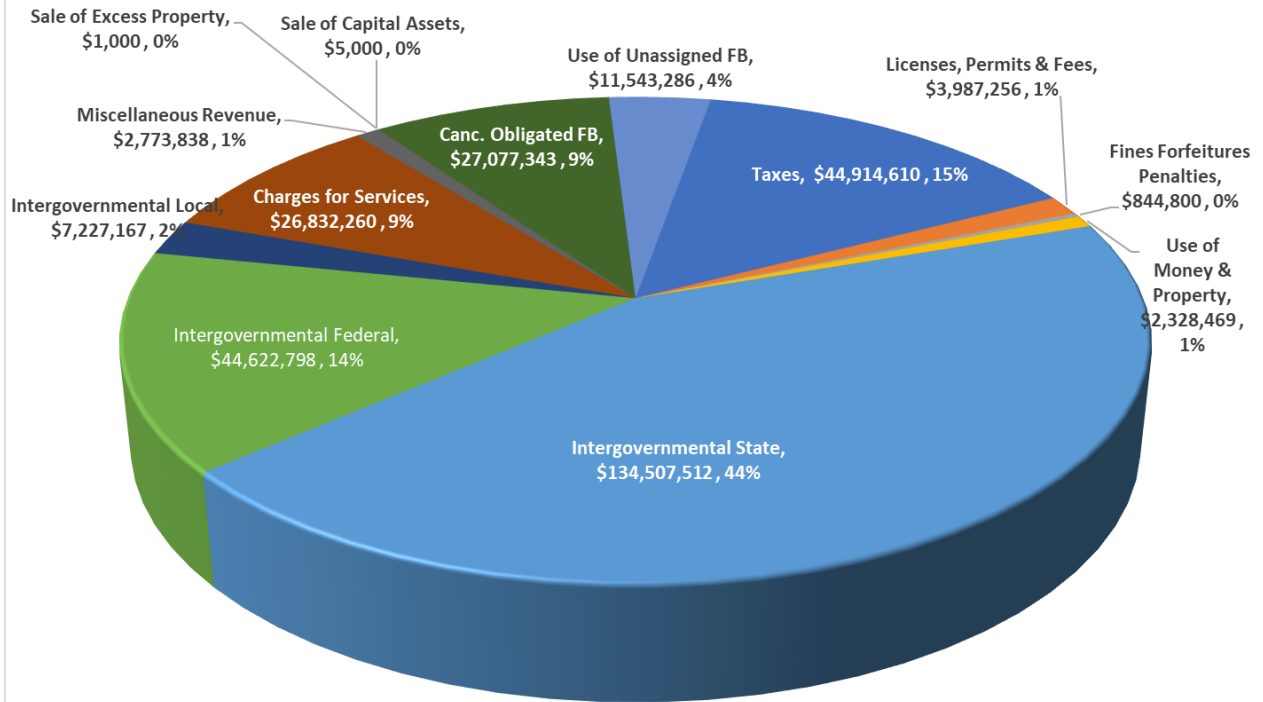
to employee's health savings accounts (for high deductible plan enrollees), pension cost, unemployment cost, and worker's compensation. Services and Supplies appropriations include normal operating supplies and professional and specialized services. Other Charges covers costs for the support and care 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 \$141.76 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 \$461,571,796, which is made up of \$422,951,167 in revenues and \$27,077,343 in cancellation of obligated fund balance in the General Fund and Special Revenue Funds, as well as \$11,543,286 of assumed General Fund unassigned fund balance carried forward as savings from FY 2022-23.

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 \$306,665,339. The chart below shows the sources of revenue in proportion to the total. Federal and state revenues account for 58.5% of total revenues, while Taxes account for 14.6%, Charges for Services account for 8.7%. Miscellaneous Revenue, Intergovernmental Revenues generated locally, Fines, Forfeitures and Penalties, and Licenses, Permits and Fees combined account for about 4.8% of revenues, and Interest revenue for 0.8%. Use of Unassigned and Obligated Fund Balance accounts for the remaining 12.6% of funding available to support recommended appropriations.

FY 2023-24 Revenues All Funds \$306,665,339
(Inter/Intrafund transfers & ISF Rev removed)



Budget Overview – General Fund Budget

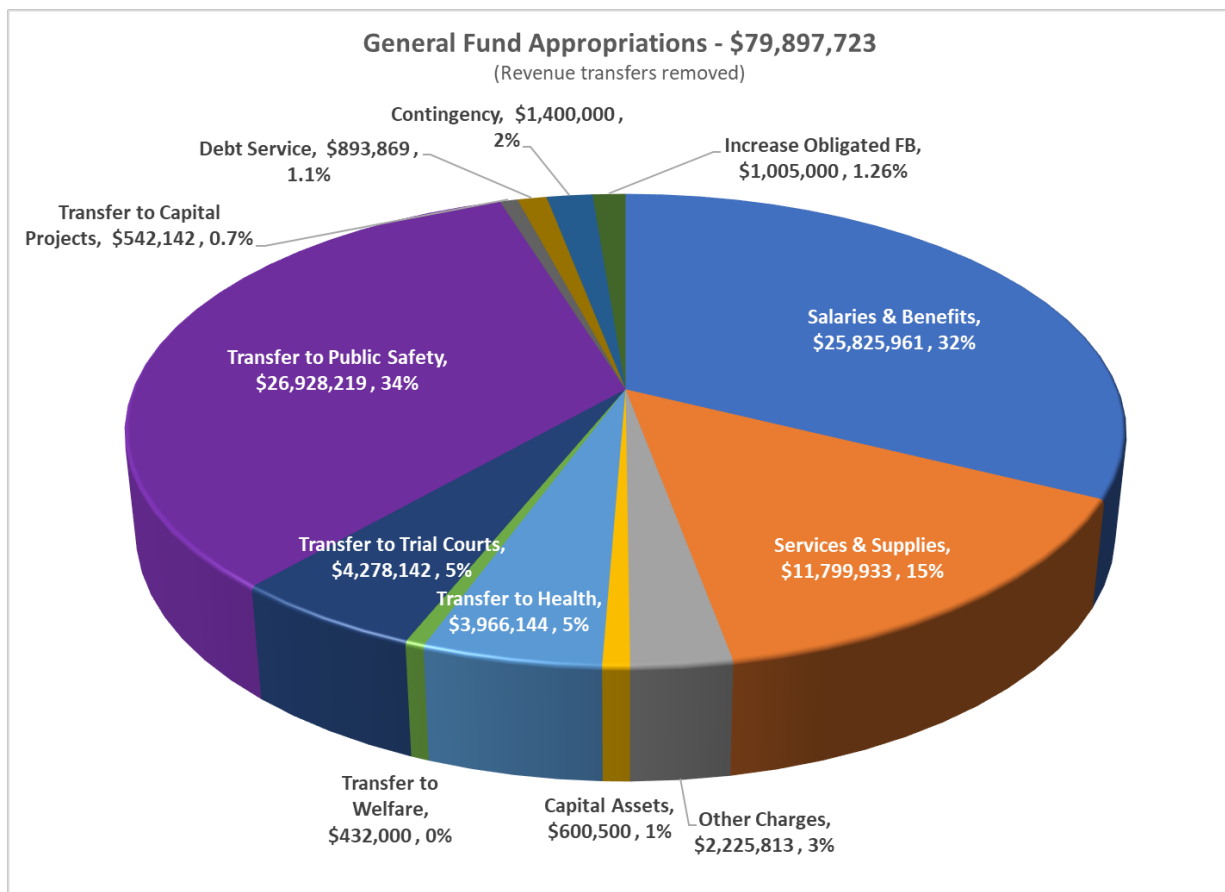
Appropriations

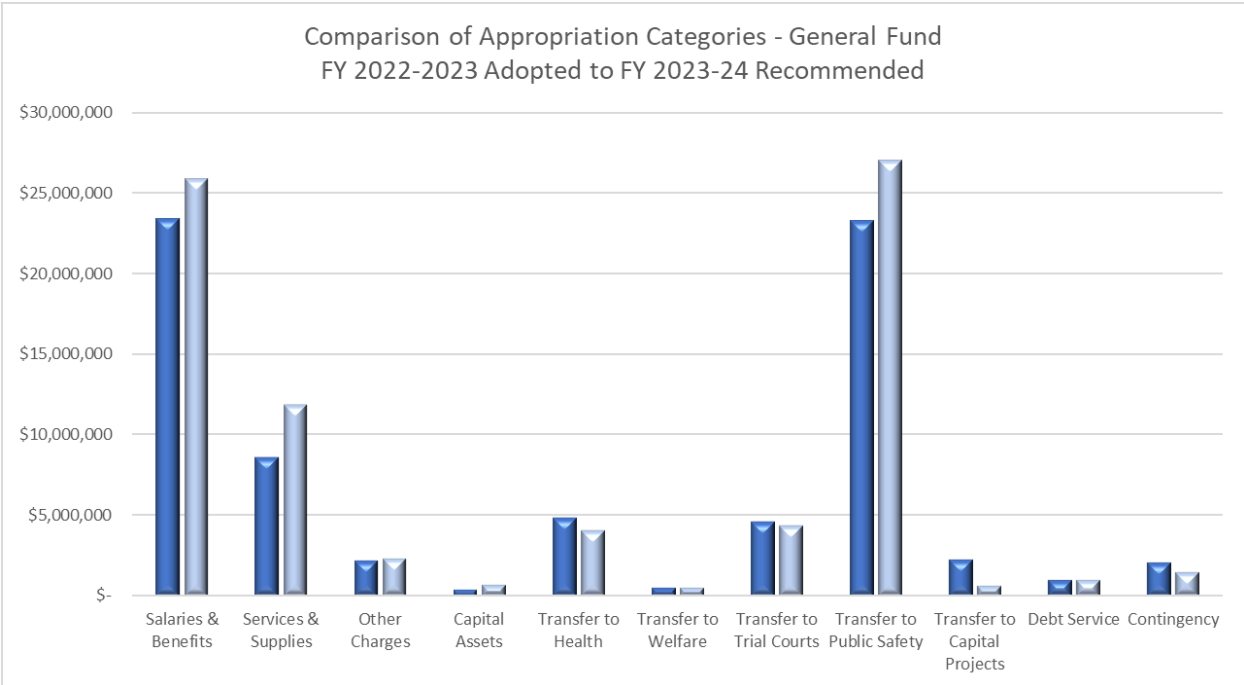
General Fund appropriations (net of revenue transfers) are recommended at \$79,897,723, an increase of \$6,723,358 (9.2%) from the FY 2022-23 Adopted Budget. Salaries and Benefits increased by \$2,524,911 (10.8%). This increase is related to negotiated increases in the General, Supervisory and Professional (GSP) and unrepresented bargaining units and new positions added in the Auditor-Controller, County Administration, and Human Resources budgets in FY 2022-23 for the implementation of Workday ERP. 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, which totals \$532,835 across all General Fund departments. Services and Supplies increased by \$3,289,314 (38.6%) largely due to a contract for approximately \$2 million in the Water Resources budget for a groundwater sustainability plan funded by a grant.

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 \$821,586 (-17.2%) from the FY 2022-23 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 decreased by \$272,809 (-18.5%) due to increased grant funding. 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 actual cost of Homeless services. The transfer to the Welfare/Social Services Fund remains the same as in FY 2022-23 at \$432,000, which is the County's minimum required Maintenance of Effort (MOE).

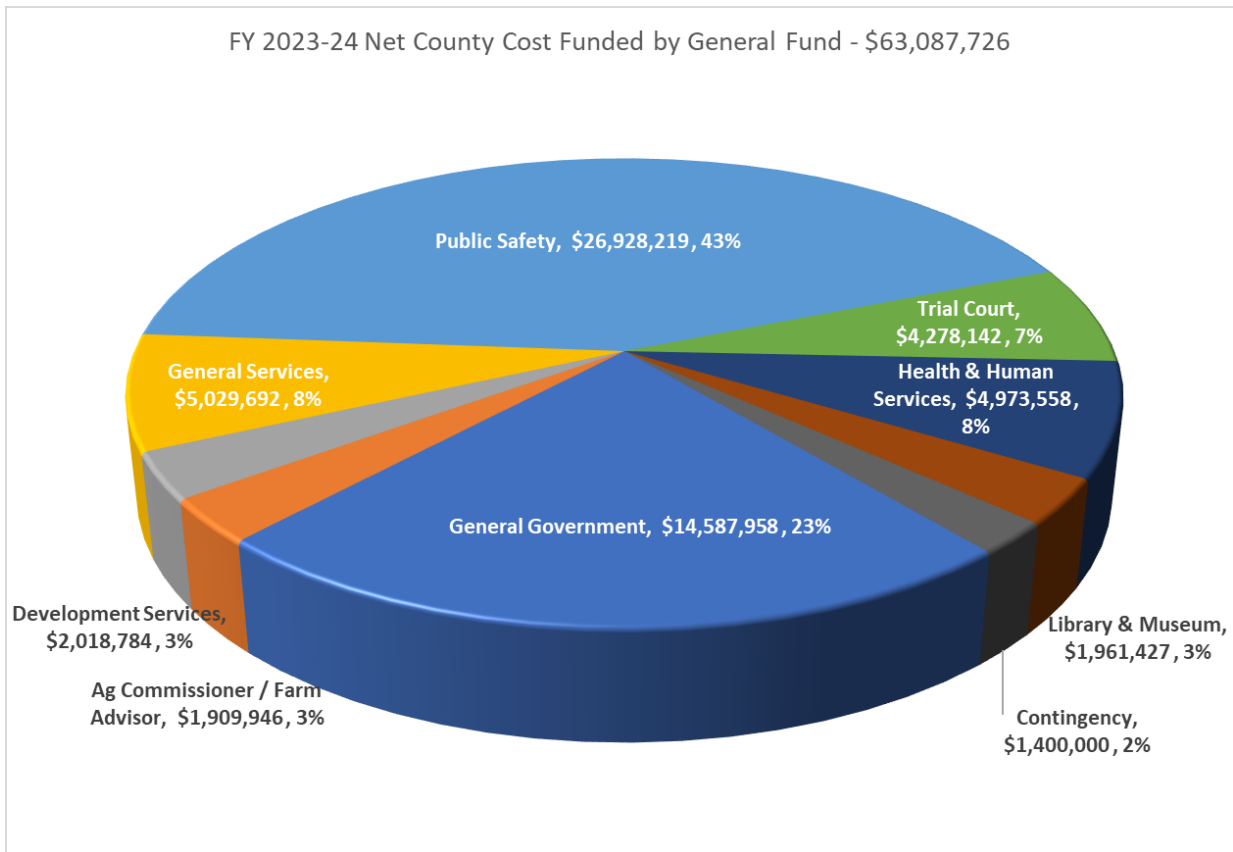
The transfer to the Trial Courts Fund decreased by \$247,813 (-5.5%). The decrease is due to the Community Corrections Partnership providing additional 2011 Realignment funding to offset costs in Probation and Court Security. The transfer to the Public Safety Fund increased by \$3,716,689 (16.0%) due mostly to increased salary and benefit costs for negotiated raises in law enforcement and corrections positions and a drop in Proposition 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 over a million dollars in additional revenue annually. This is expected to be a short-term shift and the factor should return to "normal" in FY 2023-24, resulting in an expected reduction in Prop 172 funds of approximately \$220,000 in FY 2023-24. The transfer to the Capital Projects fund decreased by \$1.6 million (-75.1%) as the only project to receive funding in the budget year is Workday ERP implementation. Projects funded in previous years will continue until completion. 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 is recommended at \$600,500, a decrease of \$322,005 (-115.6%) from the FY 2022-23 Adopted Budget for vehicles, equipment, and structural improvements. Capital Assets in the General Fund are recommended as follows: Structure Improvements - \$391,000 in Building Maintenance and Clerk-Recorder; Vehicles - \$203,000 in Building Maintenance, Planning, and Farm Advisor; and Equipment - \$6,500 in Treasurer-Tax Collector. The Debt Service category is recommended at \$863,869, a decrease of \$8,897 (-1.0%) from the FY 2022-23 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 \$1.4 million 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-20. The net General Fund cost of all programs funded by the General Fund is \$63,087,726. 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.



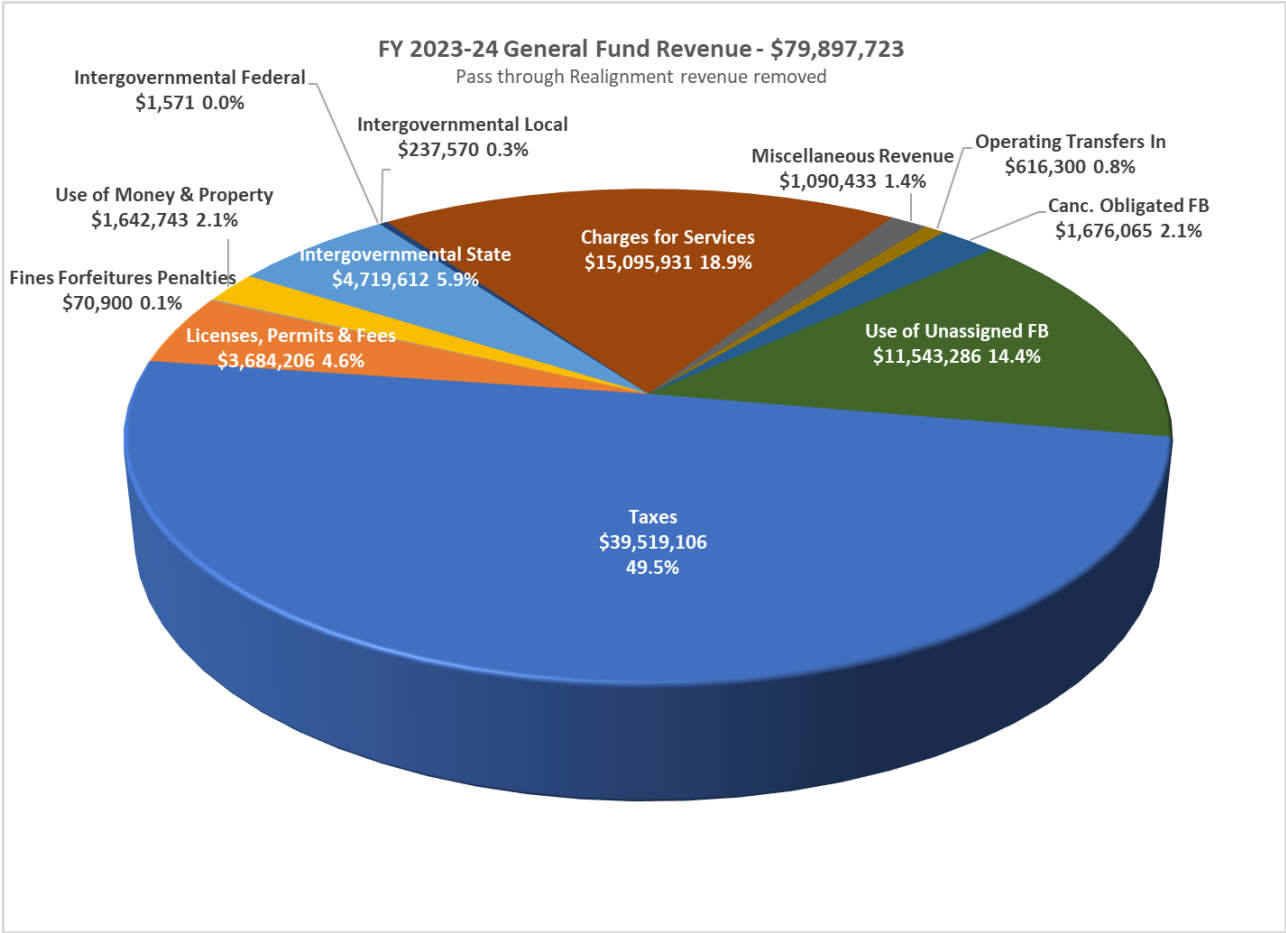
As a policy document, the General Fund budget shows areas where the County places emphasis. For example, the chart above shows the largest share of funding at \$26.9 million (43%) goes directly to Public Safety programs, including the Sheriff, the Jail, Juvenile Hall, and the District Attorney, as well as Emergency Management and Fire Administration, while another \$4.3 million (7%) goes to the Trial Courts, which includes the Probation Department, Court Bailiff services provided by the Sheriff, Public Defender, and the Maintenance of Effort payment that the County is required to pay to support court functions. General Government, at \$14.6 million (23%), represents the basic services provided to operate the County such as the Assessor, Auditor-Controller, Treasurer-Tax Collector, County Clerk-Recorder, 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 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 \$5 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 million (8%) 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 \$2 million (3%) invests in services to promote education and enrich the community. Funds appropriated for the Agricultural Commissioner and the Farm Advisor of \$1.9 million (3%) ensure that services are available to support our local agriculture economy. Finally, an Appropriation for Contingency of \$1,400,000 (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.

Revenues

Revenues to support General Fund-funded programs total \$84,965,561, 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 \$79,897,723. Revenue to support General Fund obligations comes from a mixture of Taxes (49.5%), Charges for Services and Operating Transfers, including internal cost plan (overhead) charges calculated in compliance with federal regulations (18.9%), Intergovernmental Revenue from state, federal and local sources (6.2%), Licenses, Permits and Fees (4.6%), and use of fund balance, both unassigned and committed (16.5%). Use of Money and Property, which includes interest revenue and rental income from use of County-owned space totals 2.1%, while Miscellaneous revenue and Fines, Forfeitures and Penalties and Operating Transfers make up the remaining approximately 2.2%. The following chart shows the revenue sources in proportion to the total revenues received.



Countywide Staffing

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

No.	Department/Office	Adjusted FY 2022-23	Recommended FY 2023-24	Change
1.	Health and Human Services	570.13	569.70	(0.43)
2.	Sheriff	151.00	153.00	2.00
3.	Development Services	66.00	66.00	0.00
4.	General Services	56.00	56.00	0.00
5.	Probation	52.00	52.00	0.00
6.	County Administrator's Office	32.90	33.90	1.00
7.	District Attorney	31.00	32.00	1.00
8.	Agricultural Commissioner	19.00	19.00	0.00
9.	Assessor	16.50	17.50	1.00
10.	County Clerk-Recorder	16.00	16.00	0.00
11.	Auditor-Controller	13.90	13.90	0.00
12.	Library	13.55	13.55	0.00
13.	Human Resources	11.20	11.20	0.00
14.	Treasurer-Tax Collector	9.00	9.00	0.00
15.	County Counsel	8.80	8.80	0.00
16.	Board of Supervisors	6.10	6.10	0.00
17.	Child Support	6.00	5.00	(1.00)
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	1,086.13	1,089.70	3.57

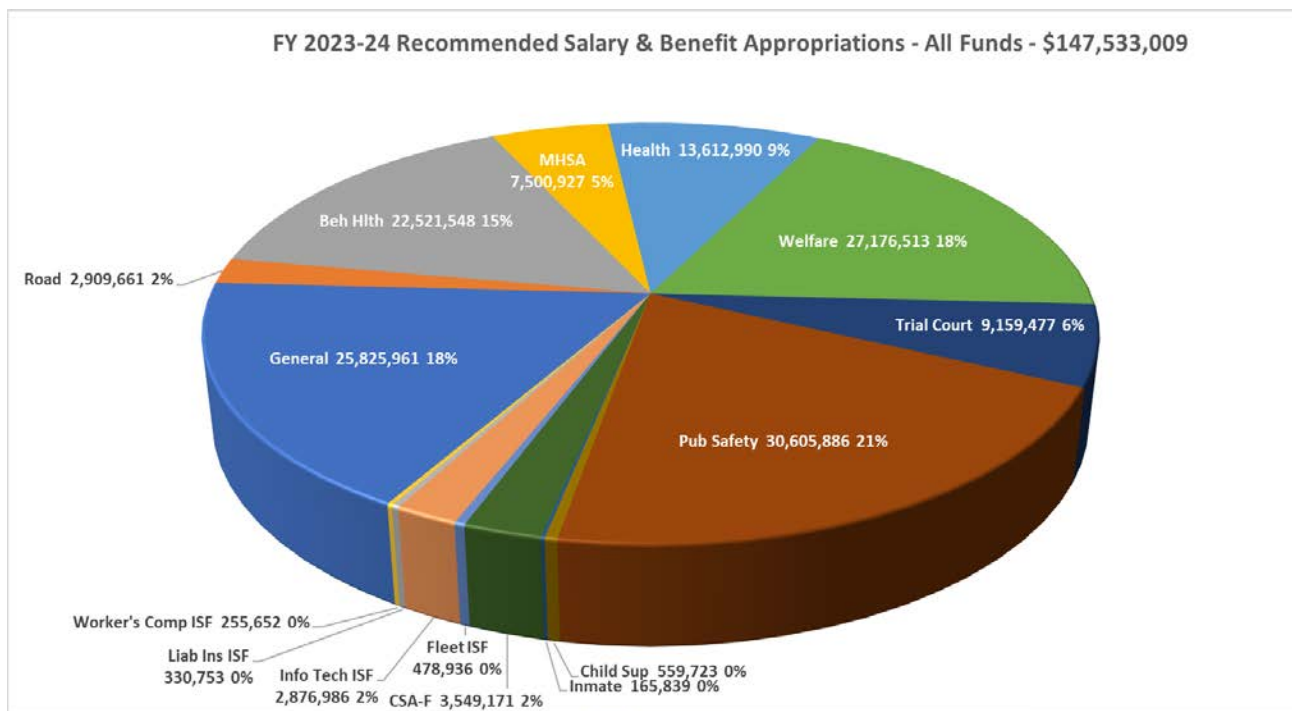
The overall number of County Full Time Equivalent (FTE) positions is proposed to increase by 3.57 FTE from 1,086.13 to 1,089.70. Most new positions are funded by special revenue funds, cost plan charges, and fees.

All increases, decreases and transfers are as follows:

- Addition of 1.00 FTE Assessment Technician III in Assessor (1-203)
- Addition of 1.00 FTE Staff Analyst LT in Emergency Services (2-401)
- Elimination of 1.00 FTE Forensic Mental Health Specialist I in Behavioral Health (4-102)
- Elimination of 3.00 FTE Mental Health Therapist I in Behavioral Health (4-102)
- Elimination of 3.63 FTE Psychiatrist in Behavioral Health (4-102)
- Elimination of 0.30 FTE Intervention Counselor I in Behavioral Health (4-102)
- Transfer of 0.25 FTE Mental Health Therapist III from Behavioral Health (4-102) to Mental Health Services Act (MHSA) (4-104)
- Transfer of 0.25 FTE HHS Deputy Branch Director from Behavioral Health (4-102) to MHSA (4-104)
- Transfer of 1.00 FTE Intervention Counselor II from MHSA (4-104) to Behavioral Health (4-102)
- Addition of 0.50 FTE Program Manager-Community Services in MHSA (4-104)
- Addition of 1.0 FTE Staff Services Manager in MHSA (4-104)
- Elimination of 1.0 FTE Psychiatric LVN in MHSA (4-104)
- Addition of 0.25 FTE Program Manager-Community Services in Public Health (4-103)
- Elimination of 2.50 Health Program Specialist I LT in Public Health (4-103)
- Transfer of 2.00 FTE Intervention Counselor I / Health Program Specialist I/II from Public Health (4-103) to Homeless Services (4-121)
- Transfer of 0.10 FTE Public Health Epidemiologist from Public Health (4-103) to Homeless Services (4-121)
- Addition of 1.0 FTE Intervention Counselor I / Health Program Specialist I/II in Homeless Services (4-121)
- Addition of .25 FTE Program Manager-Community Services in Homeless Services (4-121)
- Addition of 1.00 FTE Office Assistant III in Welfare Administration (5-101)
- Addition of 5.00 FTE Public Assistance Specialist I/II in Welfare Administration (5-101)
- Addition of 1.0 FTE Staff Analyst in Welfare Administration (5-101)

- Addition of 1.0 FTE Vocational Assistant in Welfare Administration (5-101)
- Elimination of 1.00 FTE Legal Secretary in Child Support Services (0-112)
- Addition of 1.0 FTE Investigative Aide in District Attorney (2-125)
- Addition of 0.70 FTE Sheriff Media/Community Relations Specialist in Sheriff-Coroner (2-201)
- Addition of 0.30 FTE Sheriff Media/Community Relations Specialist in County Jail (2-301)
- Addition of 1.00 FTE Correctional Officer in County Jail (2-301)

The cost of personnel is spread among numerous departments within many of the County's funds. Total personnel cost is recommended at \$147,533,009, an increase of \$14,448,032 (10.9%) over the FY 2022-23 Adopted Budget. In FY 2022-23, labor negotiations were settled with multiple bargaining units. To meet market demand and allow for successful recruitment, substantial wage adjustments were given, primarily in public safety, health care, engineering and other difficult to recruit classifications. While rising personnel costs are included, the recommended appropriations in many budgets are reduced by a vacancy factor that totals \$4.2 million county-wide to account for normal attrition in positions and vacancies held for cost savings.



Ongoing and Future Challenges and Opportunities

Sutter 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 3.7% per year over the past eight years, although growth of only 2.4% is expected for FY 2023-24. This is far below the necessary cost of living adjustments given to public safety positions over the past year. 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 eight years, sales tax has increased an average of 4.2% per year, but is expected to decline by 6.0% in FY 2023-24 due to a softening economy and a shift in how tax from online sales is distributed.

At the same time, the cost to remain competitive in the job market is growing and Sutter County is losing ground. For many positions, Sutter County ranks lowest or nearly lowest in comparisons with other local jurisdictions. Other counties and cities have awarded substantial increases to attract candidates, but Sutter County doesn't have the financial growth to keep pace with the market. This means that positions stay vacant longer or turnover at a higher rate, losing valuable skills and experience. Both of these impact the services provided to the community. Already, the County ranks second in fewest employees per capita among all counties in the state with populations below 200,000. The resulting low level of staffing affects quality of service, yet the public does not adjust its expectations. Most people do not understand the revenue limitations and the myriad services that the County must provide and simply expect great service.

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). The majority of land in the unincorporated areas of the County is considered "undevelopable" due to being in the flood plain. This dramatically limits economic development that could increase funding and, by extension, service levels. Measure A, which was on the November 2022 ballot, would have raised sales tax by 1 cent (1%) across the entire County, including the incorporated cities of Live Oak and Yuba City. This measure was defeated by only a slim margin. Had it been successful, it would have brought significant additional revenue to the County and cities and allowed more robust services that the community already demands.

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 continue to increase similar to demands for public safety services.

Without significant new resources, the County will have to narrow services even further. This may mean longer wait times for public safety responses, building permits, vital records issuance, election results, health inspections, and communicable disease response. 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. The Sutter County Museum could be forced to scale back visitor hours and programs. The Library could be forced to be opened limited hours and some branches may have to close. Development in 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 \$1.2 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, relies on. There are no easy solutions.

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. As of FY 2023-24, the County will have raised its reserves from \$1.1 million to \$5.1 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.

For FY 2023-24, the CAO's office asked departments to turn in budgets with a Net County Cost that was equal to or below the FY 2022-23 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 for community service and communication, investigation, and to enhance compliance.

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

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

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 1997, residents of CSA-F passed a special fire tax to replace an annual benefit assessment for professional firefighters in the CSA. 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 does not fully support operations.

Since May 2020, the Board has authorized over \$3.6 million in one-time discretionary funds to support CSA-F service levels. In FY 2022-23, the General Fund provided \$863,127 in federal American Rescue Plan Act (ARPA) funds for operating costs and essential worker pay. For FY 2023-24, the Board authorized use of \$1.325 million in ARPA funds to sustain services through June 30, 2024. Sutter County does not have a legal obligation to sustain services beyond what is funded by dedicated property tax, the special fire tax, and any grant funding that the CSA secures, so ongoing support for CSA-F comes at the cost of General Fund and other discretionary dollars that would otherwise support services provided across the entire County, such as operating the jail, prosecuting crimes, and conducting elections. It would be unfair to ask all residents to sacrifice to sustain service levels in this CSA.

Absent sufficient, dedicated funding, CSA-F will have to reduce costs as soon as July 1, 2024. The County Fire Chief (paid for by a combination of General Fund and Prop 172 Public Safety revenue) has applied for four-year Staffing for Adequate Fire and Emergency Response (SAFER) grant funding on behalf of CSA-F, but the result of the application will not be known until later this fall. A citizen initiative to provide additional funding to CSA-F has been started, although this has not yet been qualified for the ballot. If no new funding source materializes, then the Board will have to consider options such as staffing stations with a combination of professional and volunteer firefighters, reducing hours that the stations are open, or closing a station entirely.

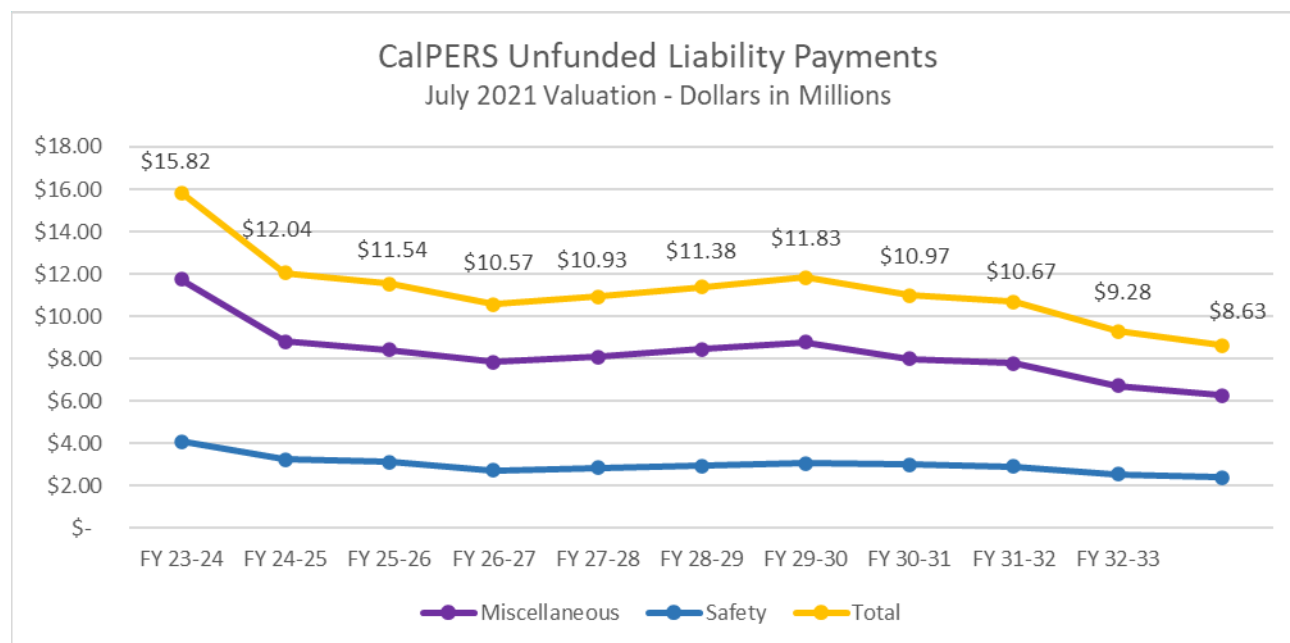
Pension and Other Post-Employment Benefits (OPEB) Funding

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 10.92%. For Safety members, the employer's normal cost rate is 19.42%. 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 \$11,754,673. For Safety members, the County's cost is \$4,046,868, for a total of \$15,801,541 for FY 2023-24. 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 2022-23, the market has been quite volatile and investment performance year to date relatively flat. However, the final investment return for FY 2022-23 will not be known until after June 30, 2023, and the impact will not be known until the 2023 valuation is completed, sometime in late summer of 2024.

The chart below shows the anticipated CalPERS UAL payments over the budget year and the 10-year period following, based on the July 2021 valuation. However, in FY 2021-22, CalPERS experienced a substantial loss, which will have a significant, negative impact on future years' UAL. Thus, the chart below should not be relied upon as a predictor of future costs. Despite this, a reduction in cost is anticipated for FY 2024-25 as several bases that make up the total UAL will be paid off. 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.



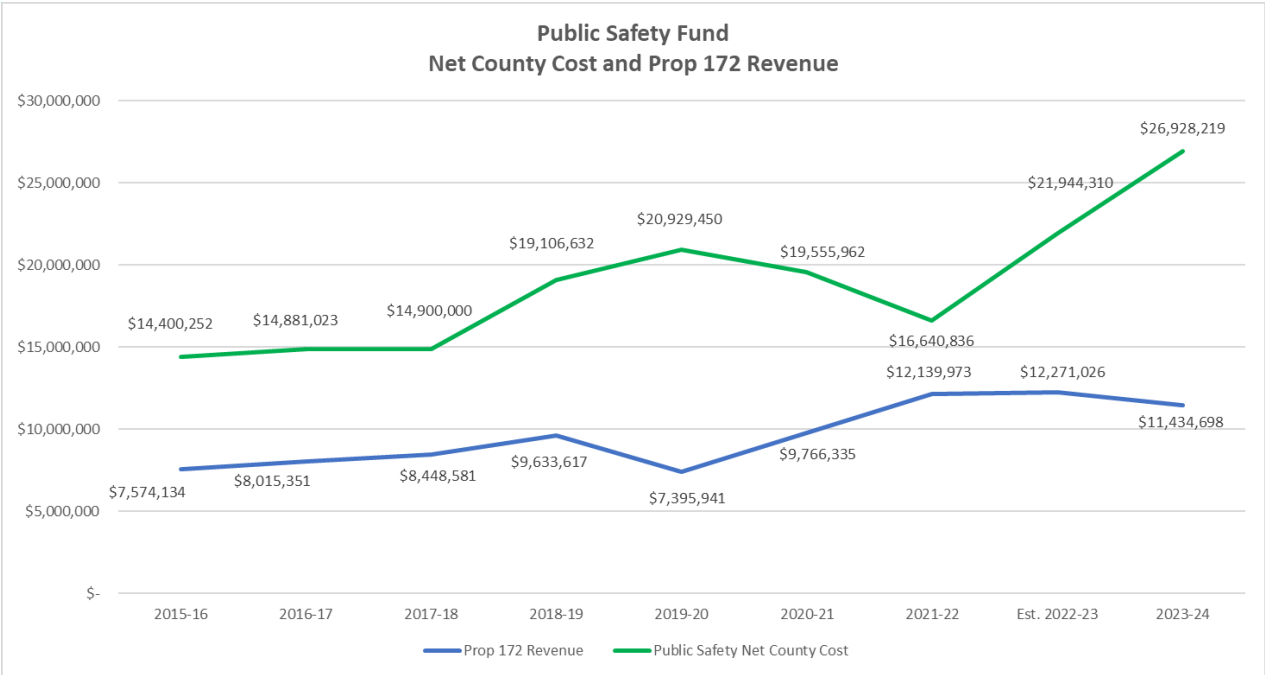
As a hedge against growing pension liability, in 2017, the Board authorized establishment of a pension prefunding account allowed under Section 115 of the Internal Revenue Code. The County has made annual contributions to this fund every year since, and a \$1 million contribution for FY 2023-24 is included in the Recommended Budget. As of April 30, 2023, the pension prefunding account had a balance of \$6.8 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. This is ahead of CalPERS' current amortization schedule, which reflects paying off the unfunded liability in 2042, although this is expected to change to 2044 when the new amortization schedule is released this summer due to the investment loss in FY 2021-22. In future years, as the UAL payment declines or if revenues improve significantly, the County should consider increasing the Section 115 contribution 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 2023-24. The balance in the OPEB account as of April 30, 2023 is \$384,487. As of June 30, 2022, the OPEB liability is \$11,474,878. When resources allow, the Board should consider increasing the OPEB contribution to PARS to accelerate paying off this liability.

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 statewide half-cent sales tax for public safety ("Prop 172") revenue 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 was not expected to last, and revenue is expected to decrease by several hundred thousand dollars in FY 2023-24. Absent significant new revenue, the County can expect ever-escalating costs to provide public safety functions at the current levels. That means increases in the General Fund cost of Public Safety programs and a reduction to other vital County functions.

The two largest 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 2023-24 to lessen the impact on other areas of government. Nevertheless, the increase in General Fund cost to the Public Safety fund (net of Prop 172 revenue) is \$3.7 million (16.0%) over the FY 2022-23 Adopted Budget. 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 General Fund dollars that must be used to continue current service levels in Public Safety.



One area of concern within public safety is the increasing cost to provide services in the “Beat 7” area, which has been annexed into the City of Yuba City. Law enforcement in this area of Yuba City is still provided by the Sheriff under an annexation and tax sharing agreement with the City from more than 20 years ago. Law enforcement by the Sheriff was never anticipated to continue for decades, and the revenues provided by the tax sharing agreement do not fully support the cost. For FY 2021-22, the City of Yuba City provided \$554,869 in sales tax revenue per the agreement. However, the cost of providing services is estimated at over \$1 million per year, not including vehicle and other equipment replacement. After the City of Live Oak, Beat 7 is the most active area for the Sheriff with over 5,000 calls for service annually. Continuing to provide a high level of service in this area effectively compromises services in other areas of the County.

Labor Market Concerns

In FY 2021-22 and 2022-23, 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, and the County has allocated \$1.325 million in one-time ARPA funds in FY 2023-24 to sustain services. While all of the County’s labor contracts are settled through June 2024, the inability to recruit and retain employees across all departments has become an acute problem. Notably, Sutter County’s eroding place in the labor market due to low wage levels makes providing all services difficult. 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, engineering, planning, and management positions. Department Head salaries are an average of 30% below Sutter's 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.

Impact of State Budget Challenges at the Local Level

For decades, it has been a common practice for the State of California to find ways to leverage local resources when it is in trouble financially. From 1991 "realignment" of certain health and human services programs to the Education Revenue Augment Fund (ERAF) shift in 1992 to the "triple flip" in 2004, to 2011 Criminal Justice Realignment that created "local prisons," the state has looked to local government, and especially to Counties, to solve many of its budget problems. Proposition 1A in 2004 established a constitutional protection of county funds from direct grabs, so the state has found other ways to improve its financial situation at local government expense. Recent decisions to impose fines to counties that place defendants who are incompetent to stand trial in state hospitals, to divert MHSA funds away from local governments to statewide housing initiatives, and to compel local government fleets to move quickly to electric vehicles are examples of state intervention in local government operation without local government consultation or consent. With a FY 2023-24 state budget deficit approaching \$40 billion, the County can expect more pressure on local resources and programs. The Board has adopted a budget policy of not backfilling cuts in state programs with local, discretionary funds, but that will become more and more difficult as the state takes away local autonomy and governments are left without resources to address local issues, including homelessness.

Aging County Facilities

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 at a high level. 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 the cost of abandoning these buildings and purchasing existing buildings elsewhere.

County staff continues to work 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 in FY 2023-24. 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, 1160, and 1190 Civic Center Boulevard in Yuba City.

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 the Gray Avenue property the County purchased in 2021, although due to cost escalation, this may not be feasible. In February 2023, the Board voted to move forward with the Surplus Land Act process for Gray Avenue and other county-owned properties. This will allow for more flexibility in development of the property or even outright sale if terms are favorable. HHS continues to seek ways to move out of leased space and consolidate services in fewer locations, with a number of county-owned properties under consideration.

One particular challenge is how to address the aging Clerk-Recorder building at 433 Second Street in Yuba City. This building is over a century old and is in need of upgrading, including leveling the floor. Funds to begin to repair the building or relocate the Clerk-Recorder to an alternate location are included in the FY 2023-24 Recommended Budget, although a specific project has not yet been identified.

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 survey conducted by the County in 2022 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 built the Better Way shelter at 1965 Live Oak Boulevard, which includes housing as well as supportive services to move people out of homelessness. As always, the goal remains to address homeless individuals’ barriers to stable living and get them into permanent housing. In FY 2021-22, Sutter County spent nearly \$1.8 million, including nearly \$1.2 million in a combination of General Fund and Health Realignment to address the needs of homeless individuals. With additional state and federal funding, the net county cost for FY 2022-23 is expected to fall to \$454,168. For FY 2023-24, the County contribution is recommended at \$1.2 million. That means that over the three-year period, the County will have invested nearly \$3 million to address homeless issues. 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. The County constructed an overnight camping area to provide a place of rest for individuals yet to be housed. Finally, the County has begun to work with the Resource Conservation District (RCD) on plans to revitalize the river bottom area along the Feather River for public recreational use and provided \$30,000 to the RCD for a consultant to seek out grants for this project.

Economic Development in South County

The Sutter Pointe Development comprises 7,500 acres located in the portion of land north of Riego Road and south of Sankey Road. The 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.

Originally, construction of new homes and businesses in this area was expected to commence by the end of 2023 but changing market conditions have slowed the project somewhat. 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, which is still the case. 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.

Beyond Sutter Pointe, there is limited opportunity for commercial development in the unincorporated areas of Sutter County due to 68% of the land being in a federal or state flood zone. With few exceptions, the majority of future development will have to be within the south area of the County, so investment in infrastructure is crucial to future revenue growth.

American Rescue Plan Act (ARPA) Funding

In March 2021, the American Rescue Plan Act (ARPA) 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 entire allocation has now been received in the County Treasury. 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 \$16,502,642 in ARPA funding as follows:

Economic Resilience Grants paid in March 2021	\$898,170
Cybersecurity upgrades for the County	1,255,931
Negotiated Essential Worker Pay – Deputy Sheriff’s Assn.	529,574
Negotiated Essential Worker Pay – Professional Firefighters	136,289
COVID-19 At-Home test kits	104,676
Utility Hookups for Temporary Housing for Homeless	26,164
One-time funding for the Sutter County Fire (CSA-F) budget	726,838
Offsetting Public Safety Costs	11,500,000
Stabilizing CSA-F operations through June 30, 2024	<u>1,325,000</u>
	\$16,502,642

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 \$2,332,838 in funding (plus accrued interest) during FY 2023-24.

Summary

The Recommended FY 2023-24 Budget represents a spending plan that is fiscally responsible and continues to be responsive to the community's needs, despite significant ongoing 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, Principal Administrative Analyst Laura Granados, and Principal Administrative Analyst Jamme Yang. Information Technology staff, and especially Deputy IT Director Dan March and Programming Analyst III Justin Bush, has been extremely helpful in providing technical support. 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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