

**MEMORANDUM**

TO: The Honorable Bruno Sabatier, Chair, Board of Supervisors

FROM: Susan Parker, County Administrative Officer
Stephen L. Carter, Jr., Assistant County Administrative Officer
Casey Moreno, Deputy County Administrative Officer

DATE: June 20-21, 2024

SUBJECT: 9:00 A.M. - PUBLIC HEARING - Consideration of Recommended Budget for Fiscal Year 2024-25 for the County of Lake and Special Districts Governed by the Board of Supervisors

- a) Consideration of FY 2024-25 Recommended Budget
- b) Consideration of proposed Resolution Amending the Position Allocation Chart for FY 2024-25 to Conform to the Recommended Budget
- c) Consideration of Authorization for affected Department Heads to proceed with purchasing selected Capital Assets prior to the adoption of the FY 2024-25 Final Recommended Budget

EXECUTIVE SUMMARY: We are pleased to present for your Board's consideration the Recommended Budget for Fiscal Year (FY) 2024-25. This Recommended Budget has been prepared in compliance with the County Budget Act. It must be Approved no later than June 30, 2024, and Adopted no later than October 2, 2024. Adoption of the budget is anticipated following Public Hearings presently scheduled for September 24, 2024.

Your Board may modify the Recommended Budget as you desire prior to Approval. By Approving the Recommended Budget, you authorize expenditure of funds for operational needs of County departments until your Final Recommended Budget is Adopted.

Recommended appropriations for all funds total \$396,621,387 (*an increase of \$13,505,756 from FY 2023-24 adopted budget*). General Fund (GF) appropriations are \$100,770,010 (*an increase of \$2,223,744 from FY 2023-24 adopted budget*).

The guiding principles in preparing the Recommended Budget continue to be as follows:

1. Develop a responsible, sustainable budget that will enable the County to maintain its fiscal solvency for the short- and long-term.
2. Minimize and/or completely avoid negative impacts on service levels provided to the public; improve services when possible.
3. Preserve the County's General Reserves; increase reserve designations, where possible, to prepare for future budgetary needs.
4. Avoid utilization of a large number of layoffs, work furloughs or other forms of compensation

reductions in order to balance the budget, as such measures negatively affect County employees and the local economy.

Balancing the budget and these competing principles is always a very difficult task and could not be accomplished without the extraordinary work and cooperation of County Department Heads, your Board and County Administrative Office staff. Your Board will agree, we are very fortunate to have a highly dedicated group of people committed to serving the public by preserving the fiscal health and strength of our County.

FISCAL IMPACT (Narrative):

COUNTY BUDGET - OVERVIEW

The FY 2024-25 Recommended Budget for all County funds total \$396,621,387 including:

FY 2023-24	GOVERNMENTAL FUNDS	FY 2024-25
\$98,546,266	General Fund	\$100,770,010
\$184,210,752	Special Revenue Funds	\$191,891,324
\$16,290,028	Capital Project Funds	\$18,359,665
\$0	Debt Service Funds	\$0
\$299,047,046	Total Governmental Funds	\$311,020,999
	OTHER FUNDS	
\$10,802,261	Internal Service Funds	\$13,215,662
\$11,944,308	Enterprise Funds	\$7,563,390
\$61,322,016	Special Districts and Other Agencies	\$64,821,336
\$84,068,585	Total Other Funds	\$85,600,388
\$383,115,631	Grand Totals	\$396,621,387

This Recommended Budget represents an increase of \$13,505,756, when compared to FY 2023-24 (\$383,115,631). Year-over-year increases are attributable to additional appropriations to: Special Revenue Funds, like Social Services (\$4,130,770), Behavioral Health/Mental Health (\$1,820,229), Behavioral Health/ Substance Use Disorder Services (\$1,049,261) and Roads (\$1,206,407); Special Districts and Other Agencies, such as Special Districts Administration (\$1,623,084); Capital Project Funds, like Public Safety Facilities (\$1,372,551).

I. GENERAL FUND APPROPRIATIONS

Recommended FY 2024-25 Fund 001 General Fund appropriations total \$100,770,010, an increase of \$2,223,744 (2.21%) from FY 2023-24 \$98,546,266 adopted budget.

Adopted Budget Fund 001 General Fund Appropriations							
FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25
\$55,984,784	\$56,552,081	\$61,163,094	\$63,578,629	\$80,232,344	\$86,001,848	\$98,546,266	\$100,770,010

The (\$2,223,744) increase is attributable to Budget Unit 2201 Sheriff-Coroner (\$2,011,884), Budget Unit 1012 Administration Office (\$1,080,176), Budget Unit 2110 District Attorney (\$609,778).

II. GENERAL FUND DISCRETIONARY REVENUE

Property Tax. General Fund discretionary revenues are derived from a variety of sources. However, Property Taxes, by a significant margin, constitute the largest discretionary funding source. General Fund appropriations ebb and flow, in direct relationship to available General Fund discretionary revenues. As reflected in the following table, Property Tax revenues have steadily increased, over time:

PROPERTY TAX REVENUE (General Fund)							
FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24 A	FY 24/25 B
\$24,151,826	\$23,867,784	\$24,880,731	\$26,061,168	\$30,053,844	\$31,140,772	\$30,979,661	\$31,251,442

A=Anticipated, B=Budgeted

Sales Tax. Bradley-Burns (1%) Sales Tax revenues received through May 2024 total \$3,553,196 (\$91,289 lower than FY 2022-23, with one month remaining to be received). Prop 172 Sales Tax revenues through May 2024 equal \$3,733,282 (\$430,525 lower than FY 2022-23). Staff continue to watch these funding sources; continuing geopolitical instability, reports interest rates will remain high for the balance of 2024, and other factors could potentially affect consumer spending in FY 2024-25.

Transient Occupancy Tax. Transient Occupancy Tax (TOT) revenues have totaled \$651,507 through May 2024, for an increase of (\$26,916) from FY 2022-23 (\$624,591) with one month remaining to be received. Like Sales Tax, TOT requires continual monitoring for impacts to lodging operations.

Cannabis Tax. Cannabis Cultivation and Business Tax revenues received through May 2023, total \$2,452,682 up \$1,004,858.13 through May 2022-23 and down \$4,273,472 through May 2021-22. Your Board elected to provide Cannabis Tax relief in an effort to stabilize our local industry, temporarily reducing the cultivation tax rate by 50%, and applying it to the canopy area only, as opposed to the total cultivation area. If your Board elects to continue these reductions, that will affect revenue; a multitude of factors make projection difficult.

III. CONTINGENCIES AND RESERVES:

Contingencies: Appropriations included in Contingencies remain consistent at \$4,548,360. These can be used for unanticipated needs, including but not limited to shortfalls in revenue.

General Reserve: Following your Board's action in FY 2023-24 to increase the General Reserve by \$500,000, it stands at \$16 million. This balance is approximately 15.9% of the total recommended General Fund appropriations which is down .6% from FY 23/24 because of the appropriation increase year-over-year. \$16 million may seem considerable, but it is a best practice for Counties to maintain three months' revenue or appropriations in Reserves. The present balance would sustain County General Fund operations for almost two months.

IV. CAPITAL ASSETS

Capital Improvements: The FY 2024-25 Recommended Budget includes funding for several capital projects, many of which are supported by grants or other special funding, including:

Various deferred maintenance and roof replacements (BU 1778)	\$9,047,648
Lucerne Harbor Dredging and Docking (BU 1781)	\$338,679
Armory Remodel (BU 1785)	\$5,789,192
Heavy Duty Weight Truck (BU2601)	\$146,874

Repeater and Radio Equipment replacements (BU 2704)	\$142,133
Various roads, bridges, and sidewalks/curbs (BU 3011)	\$23,995,106
Medical Vans (BU 4011)	\$495,877
Landfill Compact Loader (BU 4121)	\$120,000
Landfill expansion project (BU 4121)	\$1,500,000
Library Improvements (BU 6023)	\$1,566,801
Cobb Area Community Parks and Trails (BU 7011)	\$852,865
Clean CA Parks Beautification (BU 7011)	\$607,780
Hammond Park Improvement Project (BU 7011)	\$2,326,963
Grant to purchase remaining property in the reclamation area (Upper Lake) (BU 8109)	\$7,900,000
Middletown Sewer Treatment Plant Improvement Construction Project (BU 8353)	\$4,751,250
LACOSAN SE Infiltration & Inflow Reduction (BU 8354)	\$1,381,809
Septic Hauler Dump Station (BU 8355)	\$400,000
Bridge Construction Project- Upper Wolf Creek / North Fork (BU 8462)	\$146,378
Lakebed Recovery Project (BU 8462)	\$366,633
Construction of a New Well (BU 8462)	\$880,500
SWRCB Grant - Water Treatment Plan Improvement Project (BU 8480)	\$5,000,000
Lake Intake Modifications and Extension Pipeline (BU 8481)	\$1,029,444

Fixed Assets: Administration proposes funding most fixed assets for which funding has already been secured (*e.g. vehicles and other equipment*). These are delineated in the attached Capital Asset list. The majority of these are expected to be supported by non-General Fund allocations.

Early Authorization: County departments are not permitted to purchase new Capital Assets between July 1 and formal adoption of the budget (September 24, 2024) unless specifically authorized by motion of the Board of Supervisors. The attached Capital Asset list specifies whether the department is requesting authorization to purchase a specific Capital Asset prior to Adopted Budget.

V. COUNTY WORKFORCE

All Funds: This FY 2024-25 Recommended Budget provides for a total workforce of 1,106.40 Full-Time Equivalents (FTE's), a net increase of 13 FTE's compared to FY 2023-24's Adopted Budget allocation.

The following positions are unfunded:

- 1 Public Works Fiscal Coordinator I/II (BU 1903);
- 1 Administrative Assistant (BU 1903);
- 1 Administrative Assistant, Senior (BU 1903);
- 1 Deputy Information Technology Director (BU 1904);
- 1 Information Systems Analyst I/II/III/Senior (BU 1904);
- 1 Assistant Engineer Senior (BU 1908);
- 1 Special Projects Engineer I/II (BU 1908);
- 1 Survey Technician (BU 1908);
- 3 Deputy Sheriff I/II (Prop 56) (BU 2201);
- 1 Deputy Sheriff I/II (SRO) (BU 2201);
- 2 Code Enforcement Officer (BU 2603);
- 1 Assistant Planner I/II/Associate Planner (BU 2702);
- 1 Branch Library Coordinator (BU 6022);

- 1 Water Resources Engineer I/II/Senior (BU 8107); and
- 1 Heavy Equipment & Fleet Maintenance Lead Worker (BU 9911)

General Fund: Positions funded by General Fund discretionary revenues total 438 FTE's, a net decrease of 1 FTE's from Adopted FY 2023-24 Position Allocations.

Summary of Position Additions and Deletions Since FY 2024-25 Adopted Budget		
Budget Unit	Position	FTE's
1451-Registrar of Voters	Election Specialist, Senior	1
1451-Registrar of Voters	Election Specialist	(1)
1671-Buildings and Grounds	Lead Janitor	(1)
1671-Buildings and Grounds	Lead Janitor	.75
1908-Engineering & Inspection Division	Assistant Engineer I/II	1
1908-Engineering & Inspection Division	Assistant Engineer Senior	(1)
2201 Sheriff-Coroner	Deputy Sheriff I/II	(2)
2301-Sheriff-Jail Facilities	Deputy Sheriff I/II - Corrections	(2)
2603-Code Enforcement	Office Assistant	1
2603-Code Enforcement	Code Enforcement Officer	2
2702-Planning	Staff Services Analyst I	(1)
2702-Planning	Staff Services Analyst I/II	1
7011-Parks and Recreation	Parks Maintenance Worker I/II/Senior	1
7201-County Museums	Assistant Curator	(1)
7201-County Museums	Assistant Curator	.25
	TOTAL	(1)

VII. PROSPECTIVE DEMANDS ON THE GENERAL FUND

CalPERS.

Fiscal	Miscellaneous CalPERS		Safety CalPERS	
Year	Actuarial	Charged	Actuarial	Charged
17/18	15.567%	16.067%	26.292%	27.331%
18/19	17.261%	18.761%	30.985%	32.485%
19/20	20.208%	20.762%	35.594%	36.522%
20/21	22.272%	22.3%	40.555%	40.8%
21/22	23.62%	24.37%	42.89%	43.64%
22/23	25.26%	23.86%	43.91%	41.94%
23/24	24.82%	23.3%	41.30%	37.61%
24/25	27.14%	25.64%	44.00%	41.95%

The FY 2022-23 Unfunded Accrued Liability (UAL) contribution for the County equals \$11,013,302 (per July 2023 CalPERS actuarial data). As illustrated in the above table, the percentage charged is lower than the actuarial percentage. UAL is a set dollar value, which adjusts the actual percentage charged, depending on actual payroll expenses.

CLOSING REMARKS:

Lake County is rich in natural beauty, and outdoor recreation opportunities are plentiful and varied. Around the lake, communities, businesses and individuals are investing heavily in making their

corners of our County better, safer and more prosperous. Recent Federal and State investments in community-level resilience have been deeply encouraging.

We have one of the oldest lakes in North America, and a long and diverse history, informed at every step by Lake County's seven Tribal Nations and generations of individuals and groups dedicated to making this a great place to live, work and visit. People within and outside of our County organization are dedicated to sharing what under-celebrated gems Lake County's communities represent.

Lake County residents are strong. We have greeted with disaster with deep and insightful work to promote resiliency, challenged many norms during a global pandemic, and our communities and County workforce remain resilient, and the fiscal health of County government strong. This reflects the commitment your Board, County Department Heads and staff have shown to creative problem solving and community collaboration, and maintaining a strong focus on meeting the needs of the people we serve.

Through many of our challenges, the community's Vision 2028 priorities, adopted and amplified by your Board, continue to confront and look beyond the immediate challenges we face, and work to promote the well-being of everyone connected to Lake County.

Your Board and the broader community can have every confidence departmental leadership and fiscal staff have approached this year's budget process with focus on professionalism, integrity, and compassionate, community-focused, service.

Administrative Office Staff are very proud to present the Fiscal Year 2024-2025 Recommended Budget for your Board's review and consideration.

RECOMMENDED ACTION:

Staff recommends your Board take the following actions:

- a) Approve, by motion, the FY 2024-25 Recommended Budget

Your Approval of this Recommended Budget will enable the County to meet its statutory obligations, and continue operations from July 1, 2024, until the Final Recommended Budget is Adopted (September 24, 2024).

- b) Adopt the Resolution Amending the Position Allocation Chart for FY 2024-25 to Conform to the Recommended Budget

Your approval of this Resolution will allow departments to hire new staff as of July 1, 2024.

- c) Authorize, by motion, the Purchase of Certain Capital Assets Prior to Approval of the Adopted Budget

Attachments:

- 1) Capital Asset List
- 2) Proposed Position Allocation Resolution Amending the Position Allocation Table for FY 2024-25 to Conform to the Recommended Budget

- 3) Position Allocation Table for FY 2024-25
- 4) Fund Summary for FY 2024-25
- 5) Budget Unit Detail for FY 2024-25