

**MEMORANDUM**

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

FROM: Carol J. Huchingson, County Administrative Officer

DATE: June 9, 2021

SUBJECT: 9:00 A.M. - PUBLIC HEARING - Consideration of the Recommended Budget for Fiscal Year 2020-21 for the County of Lake and Special Districts Governed by the Board of Supervisors

- a) Consideration of the FY 2021-22 Recommended Budget
- b) Consideration of the proposed Resolution Amending the Position Allocation Chart for FY 2021-22 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 2021-22 Final Recommended Budget

EXECUTIVE SUMMARY: Presented for the consideration of your Board is the proposed Recommended Budget for Fiscal Year (FY) 2021-22. By approving a Recommended Budget, you are authorizing the expenditure of funds for operational needs until your Final Recommended Budget is adopted in September ("Adopted Budget").

As we face this new Fiscal Year, our pandemic response has considerably evolved. Focus has shifted to addressing vaccine hesitancy in our communities. Over the past year, it has been my honor to work very closely with both the outstanding Public Health response team and with the remarkable Department Heads and staff who lead Emergency Operations functions. The COVID-19 pandemic was Lake County's 13th declared disaster since 2015. Our small, but insightful and highly experienced, team has stood up over and over again. Their professionalism, efficiency and dedication are truly extraordinary.

In mid-FY 2020-21, we were able to provide \$1,300,000 in grants to local small businesses. This helped them endure pandemic-imposed closures and service reductions. Members of your Board have regularly and accurately noted small businesses are the backbone of our communities. It was a privilege to partner with your Board's CARES Act Ad Hoc Committee, Lake County Economic Development Corporation (LCEDC) and Economic Development and Finance Corporation in this effort.

Fiscal Year 2021-22 is expected to bring unprecedented opportunities, and staff looks forward to continuing planning efforts already underway for Lake County's share of American Rescue Plan Act (ARPA) funding. Over the next two years, we will receive more than \$12 million. Intended uses of these funds include response to the public health emergency or its negative economic impacts,

investments in water, sewer or broadband infrastructure and more. We are excited to meet this historic opportunity to meaningfully move Lake County forward.

In the spring of 2021, your Board's annual Governance Workshop led to formation of the Road Map Task Force (RMTF). This group's responsibilities include creation of a Community Revitalization Pilot Project. Focusing on one local community, we will provide for:

- Enhanced code enforcement;
- Removal of dilapidated docks;
- Clean up of creek beds;
- Reduction of fire fuels;
- Targeted auction of tax-defaulted properties;
- Enhanced community safety, and more.

The RMTF will soon begin meeting, and will return to your Board for project approval and appropriations. Cannabis Tax is the intended funding source, as will be more fully discussed during review of BU 1072.

Your Governance Workshop also reaffirmed commitments to the work of your Economic Development Task Force (EDTF) and to investing in and developing your workforce, as the engine to achieve your vision. You likewise gave direction which resulted in an update to your strategic plan, Vision 2028, adding particular emphasis on developing and maintaining a high standard of Disaster Prevention, Preparedness and Recovery.

Late in FY 2021-22, Congressman Thompson made staff aware of the opportunity to submit our needs for Community Project Funding. Following discussion with Department Heads, we submitted funding requests for an update to the Full Circle Effluent Pipeline Preliminary Design Report, as well as for pedestrian and street improvement projects. These are consistent with the vision of the EDTF and of your Board. We expect to learn whether these projects will be funded around the start of the Federal Fiscal Year (October 1).

A second round of CSAC leadership training is also in the works, to be co-hosted by Lake and Mendocino counties during FY 2021-22. The pandemic required most sessions of the first year of this training to be conducted via Zoom. However, a number of key Lake County staff were able to benefit from the insight and experience of some of the CSAC Institute's finest trainers. That group will soon take part in a "graduation" ceremony before your Board. We look forward to more Lake County employees leveraging the lessons of this valuable one-year certificate program to better serve our constituents.

Further demonstrating your Board's commitment to strengthening your workforce, we are actively preparing estimates for the next round of Labor Agreements. These will continue your Board's bold work to provide more equitable wages for all County employees, which began with last year's implementation of your 2019 Classification and Total Compensation Study at 80/85% of the Market Median.

Two and a half years ago (December 4, 2018), your Board adopted the Fiscal Crisis Management Plan (FCMP), which had been collaboratively prepared with Department Heads, during a time when we were facing severe financial challenges resulting from compounding disaster events. The three year plan called for general belt-tightening, improved efficiencies and reduction of vacant General

Fund positions. We made great strides in years one and two, and as we approached the third year, the pandemic demanded immediate reinvention of many aspects of our operations.

The primary component remaining in the FCMP would be a final wave of position reductions this FY. However, as your Board is well aware, General Fund departments are struggling with high vacancy rates, leading to difficulties meeting basic mandates. We hope and believe the lifting of the pandemic, combined with implementation of the salary study, will soon improve recruitment outcomes.

Staff recommends we close out the FCMP, and not impose further reductions to General Fund departments. Many benefits have been realized, helping to restore structurally balanced budgets, but now is not the time for further cuts.

FISCAL IMPACT (Narrative):

COUNTY BUDGET - OVERVIEW

The FY 2021-22 Recommended Budget for all County funds totals \$306,971,923, including:

FY 2020-21	GOVERNMENTAL FUNDS	FY 2021-22
\$69,289,693	General Fund	\$69,133,669
\$159,166,120	Special Revenue Funds	\$158,315,793
\$14,179,554	Capital Project Funds	\$8,843,072
\$0	Debt Service Funds	\$0
\$242,635,367	Total Governmental Funds	\$236,292,534
	OTHER FUNDS	
\$10,742,410	Internal Service Funds	\$10,635,454
\$8,351,654	Enterprise Funds	\$5,107,864
\$60,632,979	Special Districts and Other Agencies	\$54,936,071
\$79,727,043	Total Other Funds	\$70,679,389

This Recommended Budget represents a decrease of \$15,390,487, when compared to the FY 2020-21 Adopted Budget amount of \$322,362,410. Much of our large year-over-year decrease can be attributed to appropriations reductions to Capital Project Funds like CDBG PI Capital Projects (\$4,957,901), Enterprise Fund Integrated Waste Management (\$3,243,790), and Special Districts and Other Agencies like Watershed Protection District (\$1,444,828), Water Resources Admin (\$1,230,193), Anderson Springs Sewer (\$1,205,430), and LACOSAN SE (\$1,198,278).

I. GENERAL FUND APPROPRIATIONS

Recommended FY 2021-22 Fund 001 General Fund appropriations total \$66,133,669 which represents an increase of \$2,555,040 (4.02%), compared to the prior year's adopted budget amount of \$63,578,629.

Adopted Budget Fund 001 General Fund Appropriations							
FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22
\$54,765,776	60,085,643	55,165,108	\$55,984,784	56,552,081	61,163,094	63,578,629	66,133,669

The \$2,555,040 increase in FY 21/22 over FY 20/21 can be attributed to standard Consumer Price Index (CPI) increases to all goods and services, as well as Board-approved Classification and Compensation Study implementation. CPI increased 14.61% over the 5-year period from February 2016 to February 2021, increasing the cost of providing public services.

II. GENERAL FUND DISCRETIONARY REVENUE

Property Tax. Although General Fund discretionary revenues are derived from a variety of sources, property taxes constitute by far the largest source of discretionary funding. General Fund appropriations ebb and flow, in direct relationship to General Fund discretionary revenues available. As reflected in the following table, property tax revenues are steadily increasing, and surpassed pre-recession levels for the first time in FY 2020-21:

PROPERTY TAX REVENUE (General Fund)							
FY 08/09	FY 15/16	FY 16/17 *	FY 17/18	FY 18/19	FY 19/20	FY 20/21 A	FY 21/22 B
\$25,092,780	24,361,322	25,698,053	24,151,826	23,867,784	24,880,731	25,268,180	25,416,331

A=Anticipated,
B=Budgeted
*Reflects one-time
property tax backfill
payment from State

Sales Tax. Bradley-Burns (1%) Sales tax revenues received through May 2021 have equaled \$3,990,299. Prop 172 sales tax revenues through April 2021 have equaled \$2,718,098. FY 2020-21 sales tax receipts from Prop 172 are on track to equal the amounts received prior to COVID-19, and Bradley Burns receipts are already 21.5% greater than pre-COVID-19 highs, with one month remaining to be received. Staff will continue to watch this funding source, as pandemic reverberations may still bring volatility.

Transient Occupancy Tax. Transient Occupancy Tax (TOT) revenues have totaled \$720,169.62 through May 2021 which is slightly higher than the total received in FY 2019-20 of \$716,770.84. Like sales tax, TOT is a revenue source that will require continuous monitoring for impacts to lodging operations resulting from the COVID-19 pandemic.

Recommendations for use of Transient Occupancy Tax, including your Board's contribution to the Lake County Tourism Improvement District (LCTID), are addressed in a separate Memo, and will be reviewed in depth with your Board when you take up Budget Unit 1892.

Cannabis Tax. Cannabis cultivation, and resulting tax revenues, picked up considerably during FY 2020-21, as the Planning Division approved an increased volume of early activation permits. Cannabis taxes received through May 2021 equaled \$8,519,966.

Recommendations for Cannabis Tax usage and expenditure policies and procedures are addressed in a separate memo, and will be reviewed in depth with your Board when you take up Budget Unit 1072. We are grateful to your Board's Cannabis Tax Ad Hoc committee for their guidance, and recommendations include a new set-aside for deferred maintenance of County facilities. Over the past FY, through collaborative efforts with Public Services, we are beginning to make progress on historically underfunded critical facilities needs.

III. CONTINGENCIES AND RESERVES:

Contingencies: Appropriations included in Contingencies remain stable 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 2019-20 to increase it from \$7 million to \$9 million the General Reserve remains stable at \$9 million. This balance is approximately 13.6% of total recommended General Fund appropriations. \$9 million may seem considerable, but it is a best practice for Counties to maintain three months of either revenue or appropriations in reserves. The present amount would sustain County General Fund operations for two, possibly three months.

IV. CAPITAL ASSETS

Capital Improvements: The Recommended Budget includes funding for a number of capital projects, many of which are funded by grants or other special funding, including:

Courthouse roof	\$1,450,000
Lakeport Courthouse Museum Roof	\$45,000
Buildings and Grounds Shop Roof	\$78,000
Victim Witness Roof	\$25,000
Sheriff Admin Roof	\$100,000
Lucerne Harbor dredging and docking	\$350,000
Jail Tower/Control Remodel	\$1,649,971
National Guard Armory retrofitting and remodeling for Sheriff operations	\$1,800,000
Socrates Mine Road Rehab (mitigation funds)	\$550,000
Cooper Creek @ Witter Springs	\$1,730,000
Clover Creek Bridge@ First St	\$2,090,000
M-town Multi-use path way (off of Central Park Rd)	\$1,317,427
Airport Layout Plan	\$150,000
Grant to purchase remaining property in the reclamation area (Upper Lake)	\$12,000,000
Middletown Sewer Treatment Plant Improvement Construction Project	\$5,000,000
LACOSAN SE Infiltration and Inflow Reduction	\$2,006,000
SWRCB Grant - Water Treatment Plan Improvement Project	\$5,000,000

Fixed Assets: We propose funding a modest list of fixed assets, such as vehicles and other equipment. These are delineated in the Capital Asset list attached hereto. The majority of these will be supported by non-General Fund allocations.

Early Authorization: County departments are not permitted to purchase new Capital Assets between July 1 and the time the budget is formally adopted (scheduled for September 14, 2021), unless specifically authorized by motion of the Board of Supervisors. The attached Capital Asset list reflects only those Capital Assets recommended for such authorization.

V. COUNTY WORKFORCE

All Funds: The Recommended Budget provides for a total workforce of 1,028.95 full-time equivalents (FTE's), a net increase of 8.7 FTE's compared to the FY 2020/21 Adopted Budget allocation. The following positions are unfunded:

- 1 Public Works Fiscal Coordinator I/II (BU 1903);
- 1 Engineer (BU 1908);
- .5 (i.e., one half-time) Victim Advocate I/II (BU 2113);
- 1 Deputy Sheriff I/II (BU 2205);
- 3 Planners (BU 2702);
- 1 Deputy Assessor-Recorder (BU 2707),
- 2 Library Assistant/Library Tech positions (BU 6022); and
- 1 Heavy Equipment & Fleet Maintenance Lead Worker (BU 9911)

General Fund: Positions funded with General Fund discretionary revenues total 410.5 FTE's, a net decrease of 3 FTE's compared to Adopted FY 2020-21 Position Allocations.

Summary of Position Additions and Deletions Since FY 2020-21 Adopted Budget		
Budget Unit	Position	FTE's
1903 – Public Works	Accountant I/II	(1) To BU 2602 CDD
1903 – Public Works	Accounting Technician	(1) To BU 2602 CDD
1903 – Public Works	Administrative Assistant	(1) To BU 2602 CDD
1903 – Public Works	Business Software Analyst	(1) To BU 2602 CDD
1904 – Information Technology	Office Assistant III	(1)
2110 – District Attorney	Office Manager	(1)
2110 – District Attorney	Legal Administrative Assistant, Senior	1
2201 – Sheriff Coroner	Deputy Sheriff Sergeant	1
2201 – Sheriff Coroner	Deputy Sheriff I/II (Prop 56)	3
2201 – Sheriff Coroner	Deputy Sheriff I/II (SRO)	(1)
2201 – Sheriff Coroner	Civil Unit Coordinator	(1)
2301 – Sheriff Jail Facilities	Accounting Technician	(1)
2301 – Sheriff Jail Facilities	Correctional Aide	(1)
2301 – Sheriff Jail Facilities	Accountant I/II	1
2301 – Sheriff Jail Facilities	Deputy Sheriff I/II – Corrections	1
2301 – Sheriff Jail Facilities	Law Enforcement Technician	(1)
2702 – Planning	Community Development Director	1
	TOTAL	3

In lieu of a formal hiring freeze, the County Administrative Officer (CAO) will continue to promptly review all requests to fill positions, to ensure they are offset by reliable (long-term) funding.

VII. PROSPECTIVE DEMANDS ON THE GENERAL FUND

Minimum Wage. Beginning January 1, 2019, and continuing annually through January 1, 2022, the County has been required to absorb a series of State-mandated Minimum Wage increases. Minimum Wage will increase from \$14/hr. to \$15/hr. January 1, 2022.

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	24.8%		44.9%	
23/24	25.1%		45.7%	
24/25	25.4%		46.4%	

The FY 2021-22 unfunded accrued liability for the County equals \$7,753,420 according to July 2020 CalPERS actuarial data. As illustrated in the above table, the percentage charged is higher than the actuarial percentage, because the unfunded accrued liability amount is a set dollar value which adjusts the actual percentage charged depending on actual payroll expense.

CLOSING REMARKS:

The extraordinary dedication of your Department Heads and their staff is reflected in every aspect of this budget, and all that will be accomplished through it during FY 2021-22. Despite the severe resource limitations and compounding disasters of recent years, your Department Heads have remained continuously positive, responsive, and cooperative.

Administrative Office staff could not accomplish this budgetary process without the exemplary dedication and support of all County departments. We are deeply grateful for all of their hard work to put this budget together. Their commitment to serving the public by supporting your Board's Vision 2028 priorities, whatever challenges may come, is worthy of great respect and admiration. It is an honor and a privilege to work with them, and to present the results of our collective efforts in this Recommended Budget.

RECOMMENDED ACTION:

Staff recommends your Board take the following actions:

- a) Approve, by motion, the FY 2021-22 Recommended Budget

Your approval of this Recommended Budget will enable the County to meet its statutory obligations and continue operations from July 1, 2021 until the Final Recommended Budget is presented to your Board for adoption on September 14, 2021.

- b) Adopt the Resolution Amending the Position Allocation Chart for FY 2021-22 to Conform to the Recommended Budget

Your approval of this Resolution Amending the Position Allocation Table for FY 2021-22 to Conform to the Recommended Budget will allow departments to hire employees on July 1, 2021.

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

Attachments:

- 1) TID/TOT Memo
- 2) Cannabis Policy Memo
- 3) Capital Asset List
- 4) Proposed Position Allocation Resolution Amending the Position Allocation Table for FY 2021-22 to Conform to the Recommended Budget
- 5) Position Allocation Table for FY 2021-22
- 6) Fund Summary for FY 2021-22
- 7) Budget Unit Detail for FY 2021-22