

# The County of Yuba

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June 13, 2023

Yuba County Board of Supervisors  
915 8<sup>th</sup> Street  
Marysville, CA 95901

## FISCAL YEAR 2023-2024 PROPOSED BUDGET

### INTRODUCTION

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In accordance with the Yuba County Ordinance Code and State law, presented to the Yuba County Board of Supervisors is the Fiscal Year 2023-2024 Proposed Budget as recommended by the County Administrator.

Through the collaboration and creativity of Yuba County's Management Team, Employees, and community partners, this Proposed Budget presented to the Board of Supervisors will continue to move the County forward in a fiscally responsible manner that best serves the community with the resources we have available.

This fiscal responsibility resulted in the Proposed Budget containing General Fund reserves and contingencies that meet or exceed adopted policies, while also providing the ability to continue investing in our workforce, continue to expand our technology to enhance our security and responsiveness to our customers, and continue planning for and implementing critical infrastructure projects. This feat was no easy task as mid-way through Fiscal Year 2022-2023, the County received notice from the US. Immigration and Customs Enforcement (ICE) that they were terminating an agreement with our Sheriff's Department that had been in place since the 1990s. The fiscal reality of reduced revenues caused by the terminated agreement necessitated a **"Reset"** of discretionary (General Fund) revenues and expenses in the Proposed Budget to meet the levels of County services our community expects from our organization. To put into perspective the significance of this Reset in terms of available General Fund revenue, the loss of revenue associated with the terminated ICE agreement is equivalent to roughly 20% of the County's General Fund in the 2022-2023 budget.

While the General Fund Reset is significant, the County's fiscal prudence over the years coupled with the ability to adapt and overcome, which has been and continues to be the Yuba County way, positioned the organization to handle the revenue loss issue in stride. With all departments participating through the budget process, we collectively worked to ensure that a reset in General Fund revenues and expenses were achieved while also meeting our

organization's commitment to responsive services to the community that we serve. Included in this budget message is a summary of the resetting of General Fund that shows the difference in appropriation in each budget between Fiscal Year 2022-2023 and 2023-2024 as well as proposed percent allocation of General Fund by budget.

Another significant dynamic of this year's budget process is the economy and the role it plays in the discretionary revenues available for the County to provide services. Unlike the State, which relies heavily on income taxes that can vary wildly, as seen playing out currently in the State budget process, the County relies on less volatile General Fund revenue sources such as property taxes, sales taxes, and transient occupancy taxes. While these revenue sources rely on the health of the economy, they have historically been less volatile than income tax.

Over the past several years, the County has seen a steady rise in property tax revenue due to new home construction at a pace of roughly 500 homes per year, as well as a steady rise in property prices that are realized on the property tax roll (with a few exceptions) when properties change ownership. In addition, consumption of taxable goods has continued to remain above pre-pandemic levels thereby generating sales tax revenues at a steadily increasing rate. Both of these revenue sources have been growing at a rate that has offset the rising costs to provide County services as well as help address the revenue loss associated with the Reset.

There are multiple economic indicators that the economy will not continue growing at the rates seen over the past few years and with that information the Proposed Budget embraces a conservative approach to projecting future discretionary revenue growth. In addition, we will be monitoring the economy both locally and broadly throughout the 2023-2024 fiscal year and analyzing longer-term trends to ensure the organization is fiscally positioned to weather a potential downturn in the economy in future fiscal years. The County made great progress to create a development-friendly environment that encourages private investment in our communities, which will better position the County for the future. However, disruptions to the economy statewide or nationally will create disruptions locally, but to a level to be determined.

The County organization has had a productive 2022-2023 fiscal year with many great accomplishments and this Proposed Budget identifies numerous services, projects and programs to be accomplished in the 2023-2024 fiscal year. Details on all of these accomplishments and goals for each specific budget can be found at:

[https://www.yuba.org/departments/county\\_administrator/county\\_budgets.php](https://www.yuba.org/departments/county_administrator/county_budgets.php)

Finally, the County organization adopted its first ever Strategic Plan in 2009 and it has been in place ever since. The 2009 Strategic Plan identified a vision, statement of commitment, strategic priorities, and guiding principles that have served the County well in providing focus for our organization. We are currently underway with a comprehensive update of the Strategic Plan, which will not only revisit the vision and mission for the organization but also establish pillars for long term goals as well as focused milestones and strategies for the coming few years. The updated Strategic Plan will be presented to the Board for consideration after the Proposed Budget, but before the Board's Budget Workshop in August. The Budget Workshop in August will provide an opportunity for the Board to evaluate the investments contained in the Proposed Budget relative to the focused strategies in the Strategic Plan prior to adoption of a final budget in September.

## BUDGET SUMMARY

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### TOTAL OPERATING BUDGET

Fiscal Year 2022-2023 (Final Budget)	\$310,617,710
Fiscal Year 2023-2024 (Proposed Budget)	\$301,840,354

The total FY 2023-2024 Proposed Budget is approximately \$8.8 million less than the FY 2022-23 Final Budget.

- Due to the \$8 million revenue loss of the ICE contract, the Sheriff's Department secured an agreement with the US Marshall's Service to provide jail services with the now available space due to not having to accommodate ICE detainees and the agreement is projected to generate at least \$2 million annually in revenue. The remaining differential in revenue is handled through a combination of shifting general fund from other budgets as well as reduction in expenses in the Sheriff's budget.
- In order to accommodate the resetting of the General Fund revenue distribution, there was significant focus on reducing General Fund obligations to ongoing salary and benefit expenses to come in line with the revenue available. The FY 2023-2024 General Fund salary and benefit costs are \$3.2 million less than FY 2022-2023. The summary of position allocation changes outlines the changes that achieved this reduction.
- The County successfully negotiated a change to the agreement with the Yuba Water Agency that provides increased funding of \$511,000 for drainage maintenance projects in addition to the \$1.15 million already invested in FY 2022-2023 and continuing into FY 2023-2024.
- Revenue from the Measure K one-cent sales tax that was approved by County voters in 2018 and sunsets in 2028 continues to provide an opportunity for the County to enhance services. The Proposed Budget contains over \$6 million in ongoing public safety and essential services funded by Measure K.
- The Proposed Budget contains approximately \$30 million in capital asset projects from various funding sources, including over \$7 million in ARPA funds. These capital projects represent not only preserving the County's facilities, but also to enhance facilities to better serve the community.
- The County will cautiously evaluate discretionary revenue sources over the next three years as significant changes in assessed value, sales tax, and other potential negative economic impacts could require budget reductions.

## CalPERS

The County's share of pension costs as a percentage of salary:

	<b>FY 2021/2022</b>	<b>FY 2022/2023</b>	<b>FY 2023/2024</b>
SAFETY	42.83%	43.64%	41.65%
MISCELLANEOUS	29.93%	30.93%	30.61%

While the County's share of pension costs will slightly decrease from FY 2022/2023 to FY 2023/2024, this is not indicative of the long-term trend, which will see rates continue to increase.

## Health Insurance

Health Insurance premiums continue to rise every year, with this year's estimate being approximately 6% higher than FY 2022-2023. Actual costs are yet to be determined, as they depend upon open enrollment changes and an analysis of rates received just prior to the submission of the recommended budget.

## Use of One-Time Revenues

Additional one-time funding expenditures are estimated at approximately \$922,486. The primary funding source is the County's capital project account. The one-time recommended expenditures are identified across numerous departments and public projects that are core to the County's strategic priorities of Public Safety and Health, Economic Development, Responsible Growth and Workforce Excellence.

General Fund Reserve and Contingency levels remain above budgeted policy levels and no use of reserves are proposed in this budget. A more detailed summary is provided later in this document.

The recommended budget assumes a carryover General Fund balance of approximately \$5.7 million. The estimate may increase or decrease, based on closing of the financials for the current fiscal year. Should there be an increase, it is recommended the funds be considered one-time, reserves and/or contingencies and budgeted in the Final Budget, according to policy.

There will be a strong recommendation at final budget to continue investing in the pension UAL fund to minimize the cost of borrowing each year from the Yuba Water Agency. The County will continue to realize savings by making the annual payment prior to the beginning of the fiscal year as opposed to paying over twelve months.

The proposed operating budget uses the 2022-2023 Cost Plan Allocation Rates and the rates for 2023-2024 will be included in the final budget.

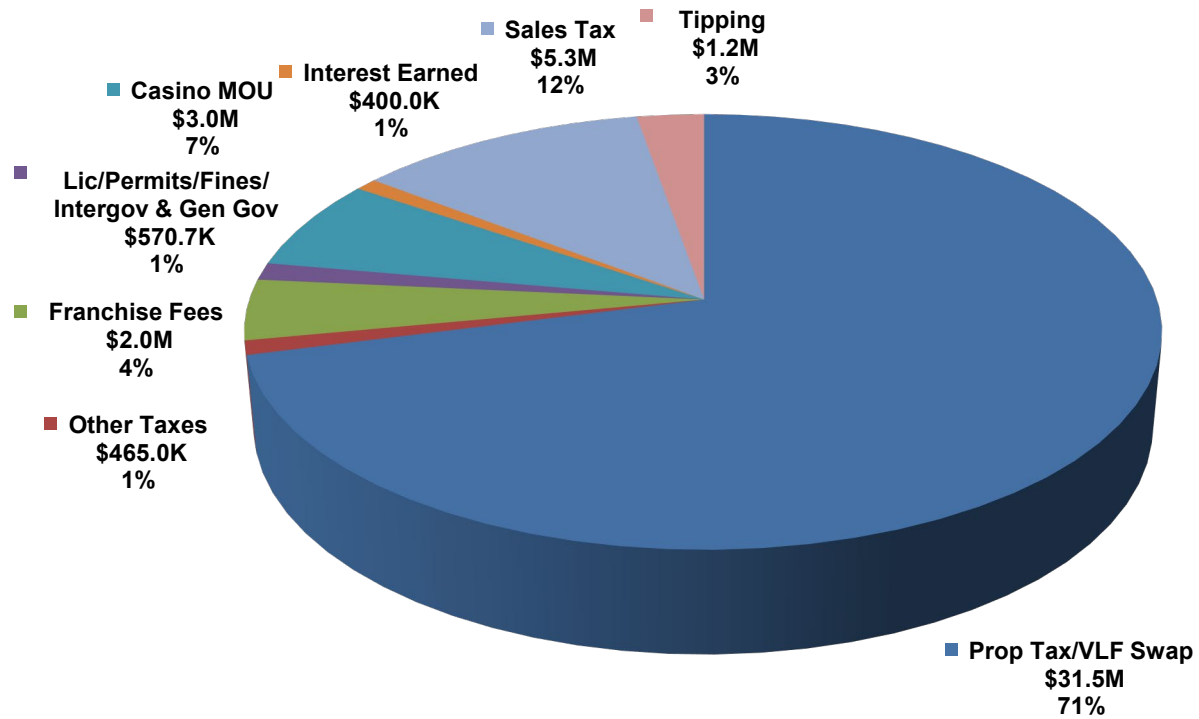
# REVENUES

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## General Fund Revenues

Secured Property Tax revenues are projected to increase by approximately 10% or \$1,520,000. Primary factors contributing to the increase are property transfers and new home construction. Along with the increase in property tax, the Motor Vehicle/VLF is projected to increase by 8% and Sales Tax is projected to increase 3% for the upcoming fiscal year.

**FIGURE 1: Total General Fund Revenue Sources \$44,420,925**



**General Fund Reset for Proposed Budget Fiscal Year 2023-24**

<b>Department</b>	<b>FY 22/23 Final Budget Gen Fund</b>	<b>FY 23/24 CAO Recomm Gen Fund</b>	<b>Final 22-23 v. CAO 23-24 Recomm + / - Gen Fund</b>	<b>% Change 22-23 to 23/24 CAO Recomm Gen Fund</b>
Probation	\$7,328,847	\$6,436,581	(\$892,266)	(12.17%)
Administrative Services	\$1,982,832	\$1,662,832	(\$320,000)	(16.14%)
County Administrator	\$2,155,138	\$1,836,432	(\$318,706)	(14.79%)
Public Guardian	\$346,326	\$170,414	(\$175,912)	(50.79%)
Community Development	\$948,824	\$796,434	(\$152,390)	(16.06%)
District Attorney	\$2,621,151	\$2,503,791	(\$117,360)	(4.48%)
Assessor	\$2,135,651	\$2,042,302	(\$93,349)	(4.37%)
Human Resources	\$715,038	\$629,392	(\$85,646)	(11.98%)
Treasurer	\$590,450	\$530,510	(\$59,940)	(10.15%)
County Counsel	\$491,714	\$461,830	(\$29,884)	(6.08%)
Ag Commissioner	\$836,962	\$808,901	(\$28,061)	(3.35%)
Clerk of the Board	\$515,208	\$504,017	(\$11,191)	(2.17%)
Health & Human Services	\$539,358	\$538,194	(\$1,164)	(0.22%)
Information Technology	\$251,599	\$251,599	\$0	0.00%
Library	\$807,605	\$807,605	\$0	0.00%
Board of Supervisors	\$567,425	\$578,813	\$11,388	2.01%
Bi-County Farm Advisory	\$135,923	\$151,963	\$16,040	11.80%
Public Defender	\$1,298,925	\$1,317,249	\$18,324	1.41%
Clerk-Recorder	\$1,631,405	\$1,739,145	\$107,740	6.60%
Auditor-Controller	\$753,443	\$976,749	\$223,306	29.64%
Sheriff	\$22,223,347	\$25,344,438	\$3,121,091	14.04%
<b>Grand Total</b>	<b>\$48,877,171</b>	<b>\$50,089,191</b>	<b>\$1,212,020</b>	

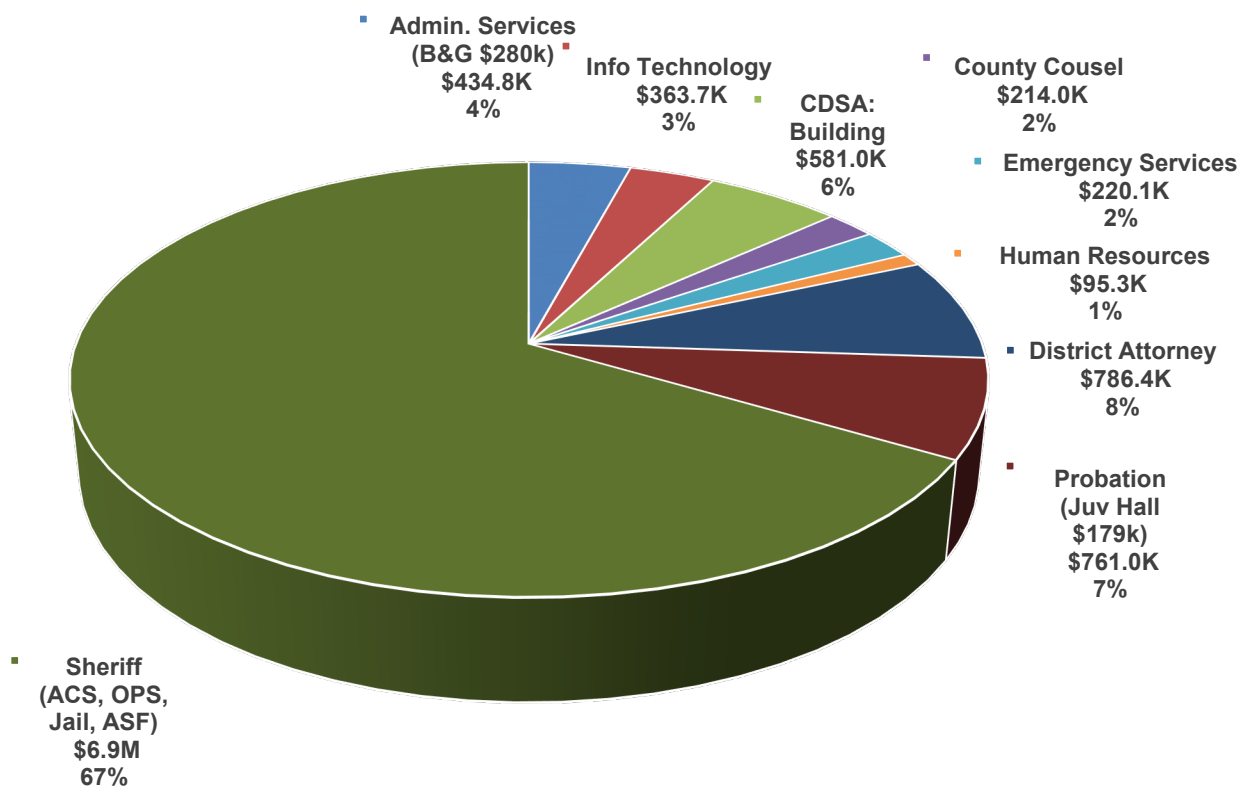
## Measure K Revenues

Approved by the voters in November 2018, with implementation delayed until December 2021 due to litigation, and sun-setting November 2028, Measure K is a 1 cent sales tax in the unincorporated area of the County that enables the County to increase public safety and essential service levels. In the first year of implementation, the Board approved \$13,659,492 in Measure K appropriation in FY 2021-2022. A portion of this allocation carried forward into the next fiscal year along with a Measure K fund balance. Total County Measure K allocation for FY 2022-2023 was \$12,679,432 with approximately 78% of budgeted Measure K revenue allocated directly to the Sheriff, District Attorney, and Probation Departments, with the remainder of the Measure K funds going to departments to either provide essential services or support departments providing public safety and essential services.

The total County Measure K allocation for FY 2023-2024 was \$10,342,045, with 81.54% allocated directly to the Sheriff, District Attorney and Probation Departments, with the remainder of the Measure K funds going to departments to either provide essential services or support departments providing public safety and essential services.

In addition, 20% of the total Measure K revenue generated is distributed to the nine independent fire districts providing fire protection for the unincorporated areas of the County.

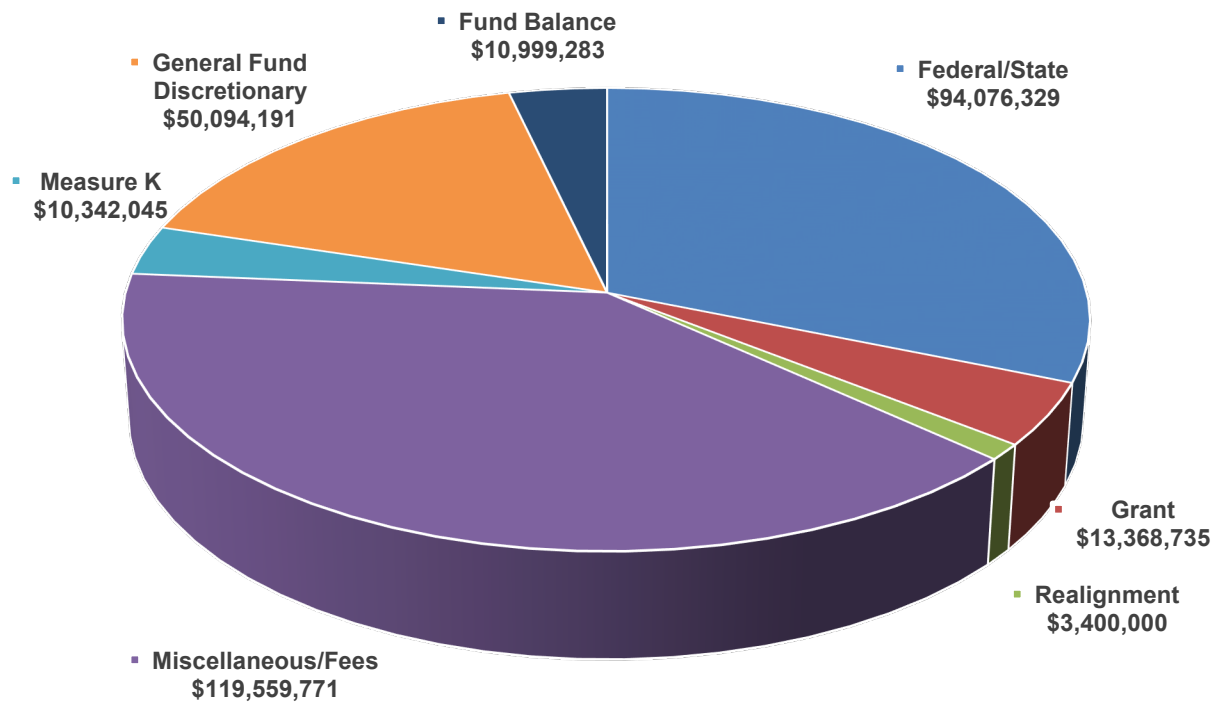
### Appropriation of Measure K Funds by Department for FY 2023-2024 \$10,342,045



Total Revenues

In addition to General Fund revenues, there are Non-General Fund revenues received from State and Federal sources, a portion of state sales tax (commonly referred to as Realignment Revenue), and fees for services. Non-General Fund revenues provide all or nearly all the revenue for the Health and Human Services Agency, Child Support Services, and the Community Development and Services Agency.

**FIGURE 2: Total of All Revenue Sources \$301,840,354 (General Fund and Non-General Fund)**





## EXPENDITURES

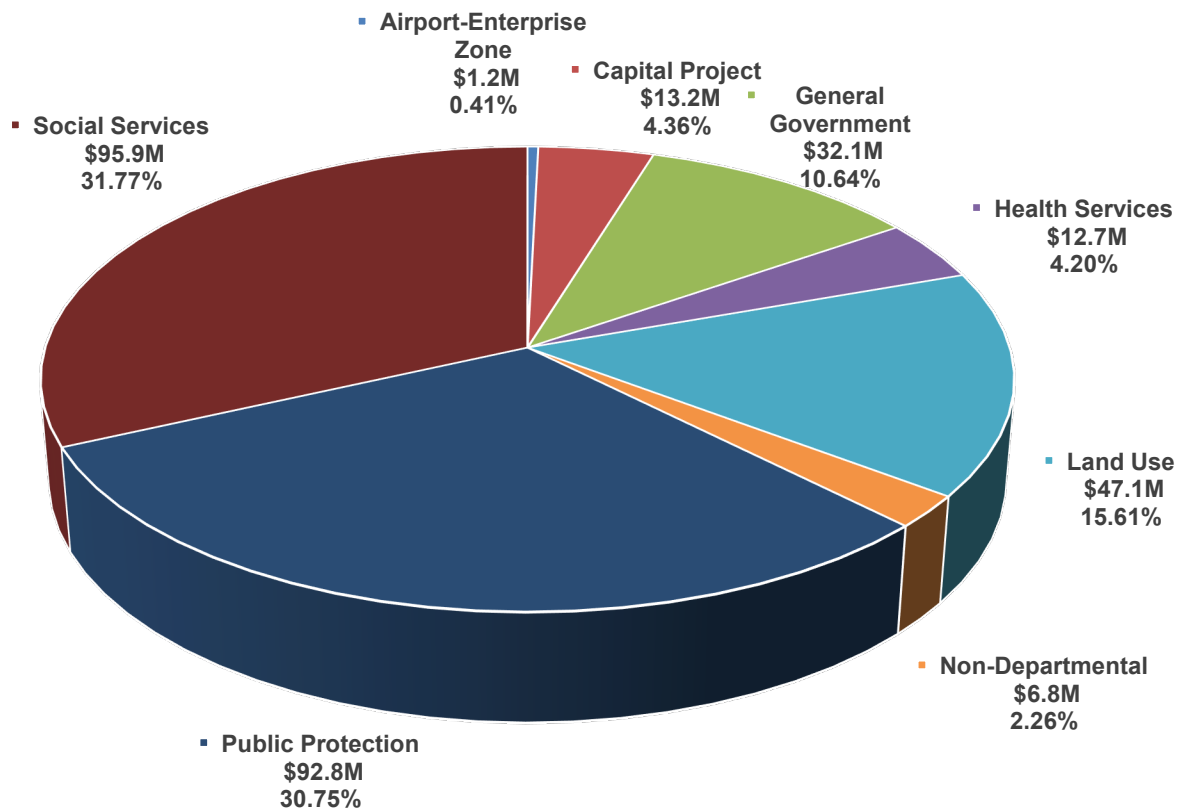
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Departmental expenditures are recommended to remain relatively static, with decreases in General Fund contributions occurring in some budgets to shift funds to cover revenue loss in the Sheriff's Department. While this information is summarized in a General Fund contribution worksheet, departmental level detail indicates whether the increases are primarily for ongoing costs or one-time purchases.

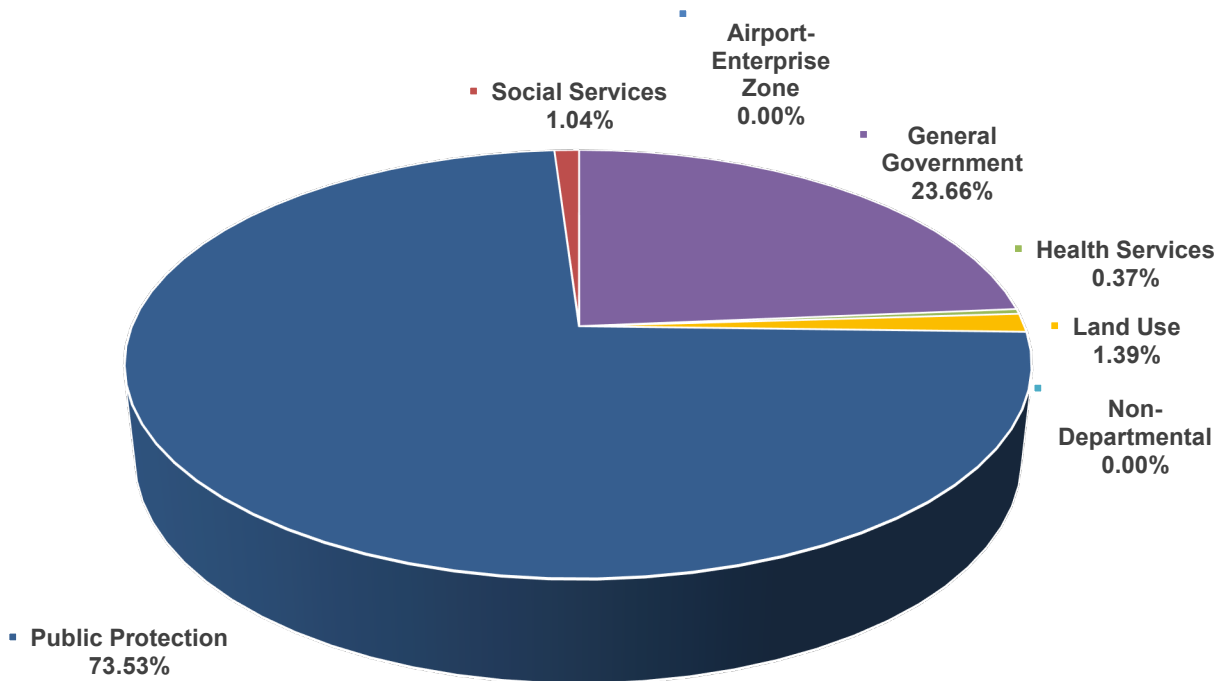
All Departments continue to budget conservatively and continue to work with each other to maximize all revenue sources and collaborative service opportunities.

The proposed budget includes the 2.5% Cost of Living Adjustment (COLA) for all employees as was negotiated with all bargaining units.

**FIGURE 3: Total Expenditures \$301,840,354  
(General Fund and Non-General Fund)**



**FIGURE 4: Total General Fund Expenditures by Function \$50,089,191**



Functional groups are identified based on type of County service provided and grouped according to the County Budget Act.

**Public Protection**

Sheriff  
 Jail  
 Juvenile Hall  
 Probation  
 District Attorney  
 Ag Commissioner  
 Code Enforcement  
 Public Defender  
 County Share Court  
 Child Support Services

**Land Use**

Planning  
 Public Works  
 Building Department  
 Roads  
 Surveyor

**General Government**

Board of Supervisors  
 County Administrator  
 County Counsel  
 Library  
 Treasurer-Tax Collector  
 Auditor-Controller  
 Human Resources  
 Clerk-Recorder  
 Clerk of the Board  
 Assessor  
 Administrative Services  
 Information Technology

**Non-Departmental**

Debt Service  
 Reserves

**Health Services**

Health Department  
 Environmental Health  
 CMSP

**Social Services**

Welfare Administration  
 Veterans Services  
 Housing Programs  
 Child Welfare Services  
 CalWORKS  
 Public Guardian

## **RESERVES & CONTINGENCIES**

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### **General Fund Reserves**

The Board's approved policy for General Fund Reserves states, in part: the General Fund's total General Reserve and Designation for Economic Uncertainties should be accumulated over time until 5% of the annual operating budget reserve level is achieved.

FY 2023-2024 General Reserve levels are recommended to be above the stated policy level of 5%. This recommendation is consistent with Board direction in 2014 to achieve a stated goal of a 10% reserve funding level within the next five years.

The proposed budget includes the current reserve amount of \$4,700,000, achieving a 10.58% reserve funding level exceeding the Board's prior goal. Staff will review actual end-of-year cash balance, as well as any one-time revenue sources that may materialize between now and Final Budget. Any additional one-time funding sources are recommended to increase this reserve funding.

FY 2022-2023           \$4,700,000

FY 2023-2024           \$4,700,000

In addition to General Fund Reserves, the current balance in the Reserves for Economic Uncertainty fund that will carry forward to FY 2023-2024 is \$2,554,099, achieving a 5.75% reserve funding level.

As stated previously to the Board, reducing reserve levels or not meeting stated goals may affect the County's credit rating resulting in having fewer reserves to address emergencies, and impact interest earnings.

### **General Fund Contingencies**

The Board-approved policy for General Fund Contingencies states in part: the General Fund's Appropriation for Contingencies should be budgeted at not less than 1.5% of the operating budget. Following the prior Board-approved budget, contingencies are held in a separate fund.

General Fund Contingencies are recommended at \$ 1,403,452 for FY 2023-2024, which is over the base policy level of 1.5% at 3.16%.

Similar to General Fund Reserves, staff will review actual end-of-year cash balance, as well as any one-time revenue sources that may materialize between now and Final Budget. Any additional one-time funding sources are recommended to increase this level.

## **WORKFORCE**

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For Fiscal Year 2023-2024, there is an overall decrease to our workforce in order to reset our ongoing General Fund salary and benefit obligations with the ongoing revenues available, resulting in a net allocated position total of 953, which is 23 fewer positions than the previous fiscal year.

Retention, training, and development of our workforce will remain a focus for our organization as we deal with a smaller workforce and a growing community that we serve. As an organization, we will continue our commitment to have a culture that values the talent we have in our workforce, focus on training and developing our workforce, and most importantly ensure we retain that talent to serve our community at the highest performing level possible.

## **RECOMMENDED ACTIONS**

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It is recommended the Board of Supervisors:

1. Accept and adopt the Proposed Budget for Fiscal Year 2023-2024 as the County's interim spending plan, including position allocation changes, and direct staff to make available copies for public review.
2. Set dates for the Fiscal Year 2023-2024 Budget Workshops for August 8<sup>th</sup> and August 9<sup>th</sup>.
3. Set public hearings to commence September 12<sup>th</sup> for consideration and adoption of the Fiscal Year 2023-2024 Final Budget.

Respectfully Submitted,



Kevin Mallen  
County Administrator