

Nevada County 2022-23 Proposed Budget

Alison Lehman
County Executive Office



CEO Budget Message

Our Budget represents our mission in action - “to work with the community to develop sound and innovative public policy, provide strong leadership and deliver excellent services in a fiscally responsible manner”

Continued focus on Board Priorities



Fiscal Stability/
Core Services



Wildfire



Broadband



Economic
Development



Housing



Cannabis



Homelessness



Recreation

CEO Budget Message, cont'd

Other priorities for FY 2022-23:

- Investing in emergency preparedness
- Leveraging outside funding sources to increase our ability to invest in critical infrastructure projects
- Building economic resiliency as we continue to recover from the pandemic and prepare for future uncertainty
- Supporting core services and board priorities through alignment of department resources



Fiscal Report Agenda

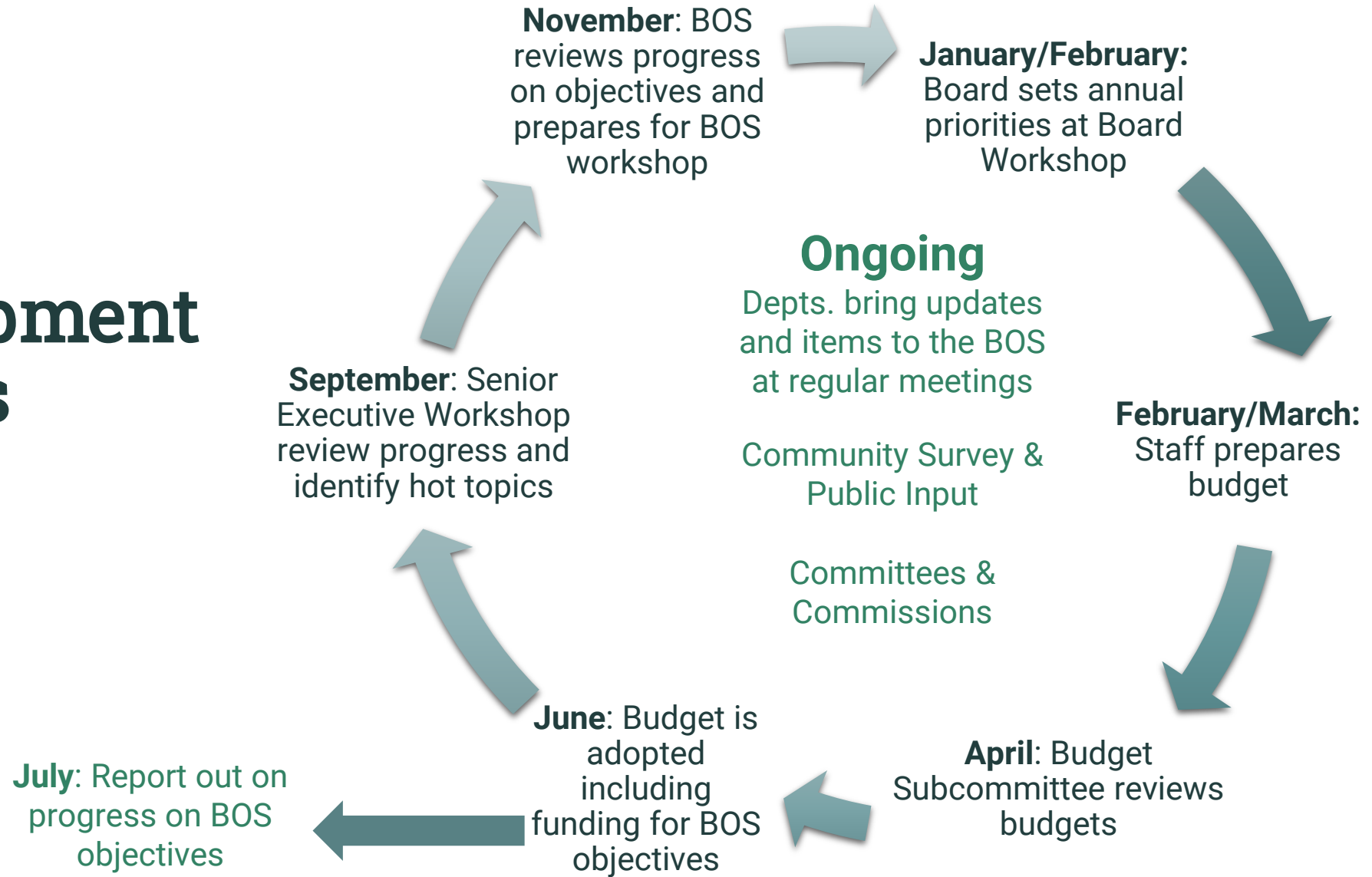
- **Budget Overview**
 - Budget Development Process & Policies
 - COVID-19 Response & Recovery
 - Budget Highlights
- **Fund Balances**
- **Revenues and Expenses**
- **Other Notable Topics**
 - Capital Facilities and Infrastructure
 - State and Federal Budgets



BUDGET OVERVIEW

Process, Policies & Highlights

Budget Development Process



Budget Format

- Consistent format with process efficiencies
 - Financial Summary and In-Depth drill downs
 - Provides departmental narratives with mission, accomplishments, objectives
- Best Practice Government Finance Officers Association
- GFOA Distinguished Budget Award past 7 years
- Improvements
 - Stronger connection of budgets to Board Priorities and Core Services of departments
 - Long-term and Capital Asset Planning



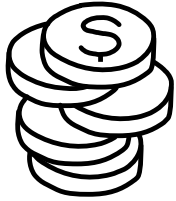
Financial Management Policies



Sound Fiscal Practices for a Healthy & Financially Responsible County

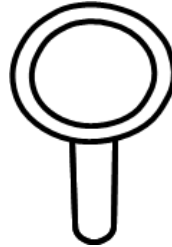
- ✓ Budget Policies
- ✓ Fund Balance Policy
- ✓ Debt Management Policy
- ✓ Pension Management Policy

2022-23 Budget Policies



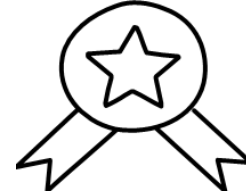
Fiscally Prudent

- Balanced budgets
- Fund balances: one time or planned use
- Vacancy review



Core Services

- Maintain service levels
- Reorganize & streamline
- Invest in technology



Transparency

- Standard budget format and public access

Covid-19 Response and Recovery

Nevada County received federal stimulus funding to assist with the Pandemic Recovery:

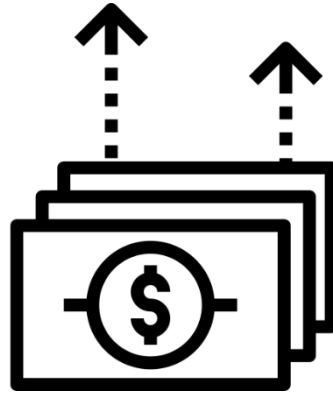
- **Coronavirus Relief Fund, ~\$10.2 million – March 2020**
 - 30% of dollars went directly to the community through Community & Economic Resilience projects
 - All dollars were fully expended at the end of FY 20/21
- **American Rescue Plan Act (ARPA), ~\$19.4 million – March 11, 2021**
 - Received \$9.7 million, remaining \$9.7 anticipated in July 2022; deposited into ARPA fund
 - 30% of dollars allocated to Community & Economic Resilience projects
 - All funding to be obligated by December 2024, and spent by December 2026
- Projects in expenditure plan move forward after review by the CEO, Auditor-Controller, and approval by the Board of Supervisors; budgets amended as projects are approved
- Information and Board actions are available on the county website

Budget Highlights - Revenue



\$322M

Total Revenue



+8.5%

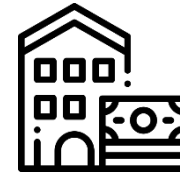
(+\$25M)

from 21/22 Budget



8.1% (+3.8M)

Property Taxes



42.0% (+694K)

Transfer Taxes



23.0% (1.1M)

Sales Tax & TOT



-20.0% (-125K)

Cannabis Tax

Budget Highlights – Federal & State Revenue **+8.6% (\$11.7M)**

+\$9.2M Behavioral Health

+\$3.3M Department of Social Services

+\$1.2M Proposition 172 Public Safety Revenue

-\$5.3M Roads – Maintenance & Capital Improvements

Budget Highlights – Other Revenue

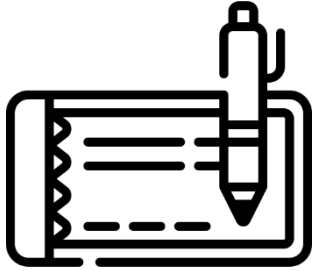
+\$1.6M Library & Transit Taxes

+\$5.3M Transfers in from Special Revenue Funds & Realignment

+\$5.6M Use of Fund Balances to meet Expenditures

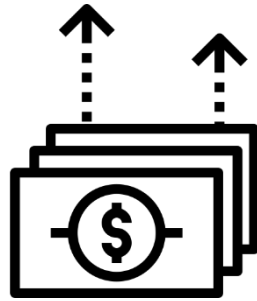
- One-time and planned expenditures
- Fund balances remain healthy

Budget Highlights - Expenses



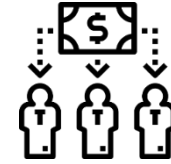
\$330M

Total Expenses



+10.3%
(\$30.9M)

from 21/22
Budget



+9.3% (\$11.0M)

Salaries & Benefits



+20.8% (\$17.4M)

Services & Supplies



+9.4% (\$6.6M)

Other Charges



-6.6% (-\$1.8M)

Capital Assets

Budget Highlights – Expenses

General Fund

- Recreation +\$1.8M
- Sheriff Operations +\$2.0M
- Information Systems +\$1.4M

Health & Human Services Agency

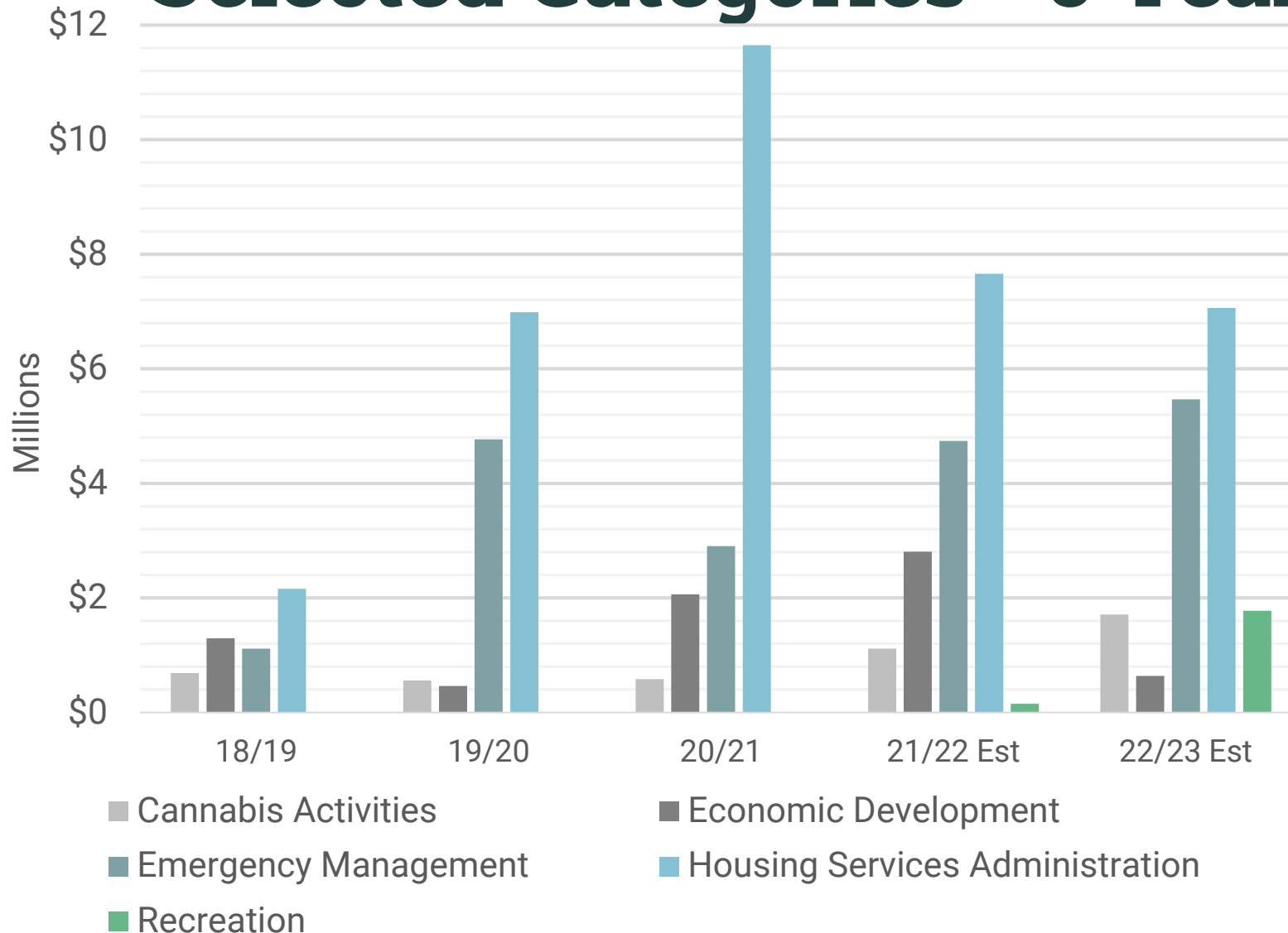
- Behavioral Health +\$8.4M
- Regional Housing Projects +\$1.4M
- HHSA Admin +\$1.2M

Other Highlights

- Roads Capital Improv. & Engineering -\$5.4M
- Solid Waste Transfer Station Improvements +\$2.4M
- Cannabis +\$1.1M

Board Objective Expenditures Selected Categories - 5 Years

Highlights 2022/23:



- Office of Emergency Services wildfire & emergency prep



- Cannabis Policy & Compliance



- Housing Programs



- Economic Dev./Tourism/Arts



- Recreation

Total County Budget 2022-23

\$330.7M

Total Budget

\$22.3M

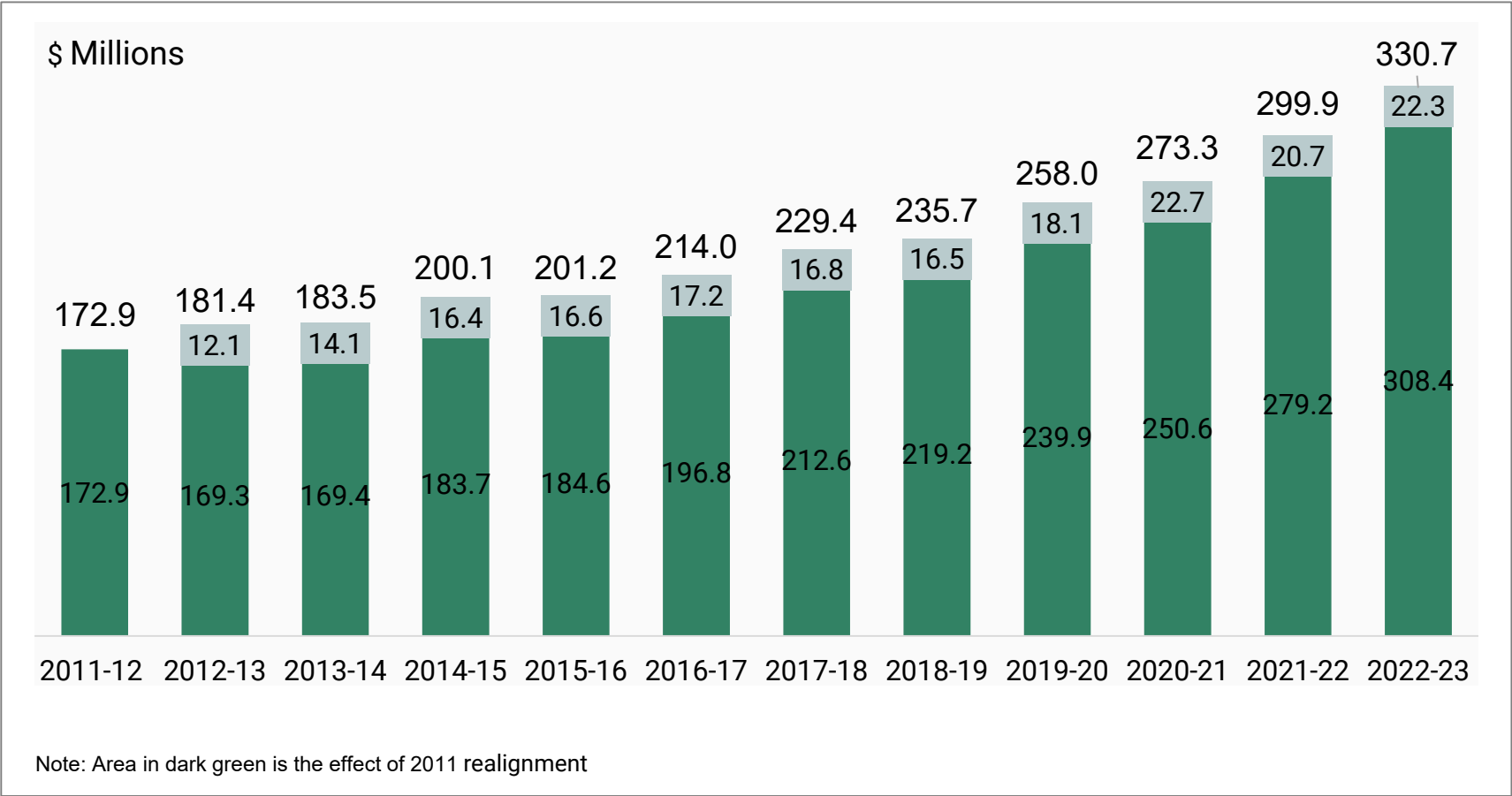
2011 Realignment Impact

10.5%

Increase Net of
Realignment

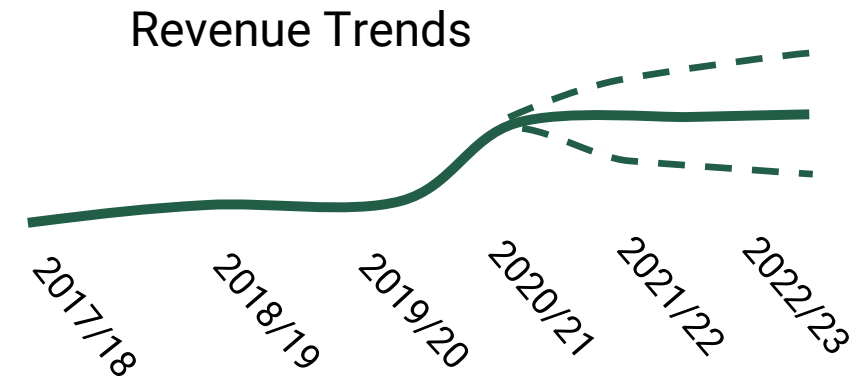
7.1%

Avg. Annual Increase Net of
Realign. past 11 years



Economically Sensitive Revenue Update

July-May 2022	Health Indicator
Revenue	
Sales Tax (General fund, Library, Prop172, Realignment)	↑
Business Activity (Recording Fees, Building related fees)	↓ ↑
Gas Tax (Roads & Transit)	↑
Property Taxes	↑
Transfer Taxes	↑
Cannabis Taxes	■
Federal Marshall Jail Bed \$	■



Overall Outlook Rest of Year – Mixed Results



FUND BALANCE

General Fund & Major Operating Funds

General Fund—Current Year 2021/22 Budget

As Discussed at Jan.
2022 Board Workshop

\$39.3M	20/21 Ending Fund Balance*
-\$1.86M	Planned Use of Fund Balance
+\$1.14K	Board of Supervisors GF Assignments
-\$5.0M	Justice Services Capital Fund
+\$1.88M	Net Increase Estimated 21/22
<hr/>	
-\$3.9M	Reduction in General Fund Balance
=\$35.4M	21/22 Ending Fund Balance

* 21/22 Year-End Results Will Determine 6/30/22 Fund Balance



Policies & Plans

General Fund Recommended Reassignments for 2021/22

-\$3.9M from Unassigned to Offset Other Reassignments

+\$2.4M General Purpose (for emergencies & economic uncertainties)

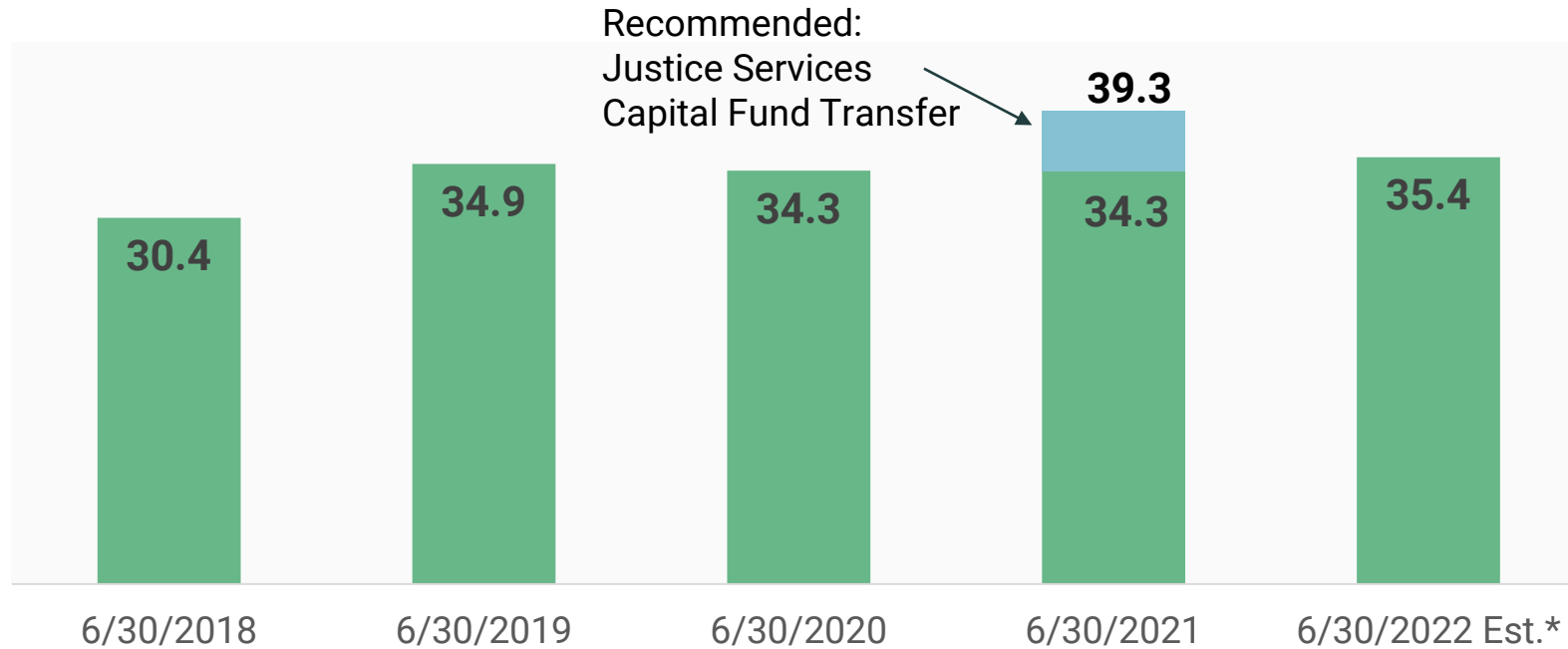
+\$880K Facilities Planning

+\$500K for Civil Litigation

+\$160K Economic Development Infrastructure True Up

= \$35.4M Net Zero Impact on General Fund Balance

General Fund Balance & Reserves 6/30/2022 Est.



*6/30/2021 balance excludes \$3.8M held in Pension Trust & \$3.1M San District Advances for Solar Panels & Other

General Fund Assignments – 6/30/2022

Total 6/30/2022 Est.	\$35.4M
General Purpose (emergencies and economic uncertainties)	\$9.9M
Economic Development Infrastructure	\$2.6M
Facilities Planning	\$5.7M
Information Systems Infrastructure	\$600K
Pension Contributions	\$4.6M
Other Restricted by Law & Assignments & Unassigned	\$12.0M

General Fund—New Year 2022/23

=\$35.4M 21/22 Ending Fund Balance

-\$1.54M Use of Fund Balance

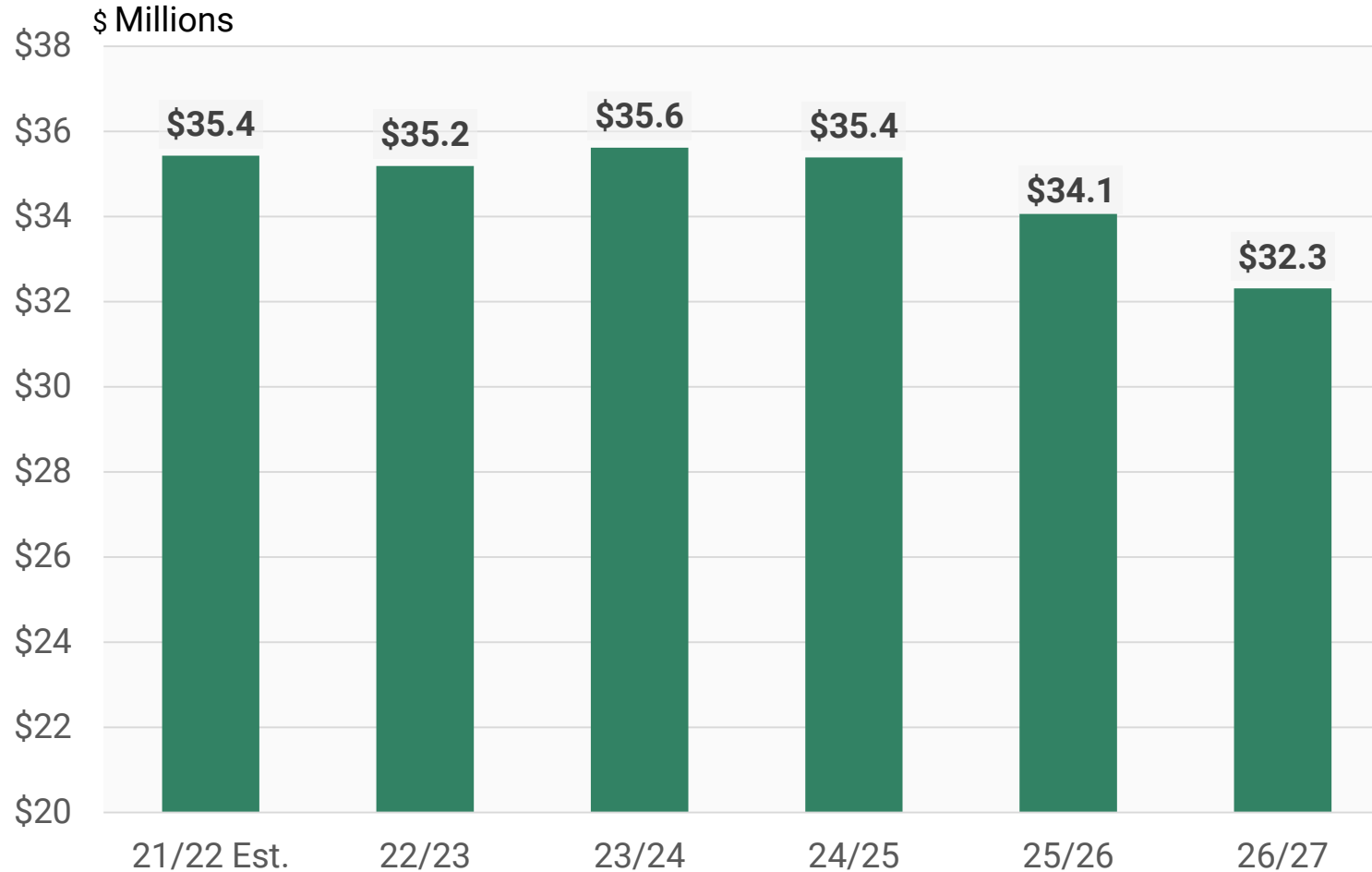
+\$300K Information Systems

+\$998K Economic Development Infrastructure

-\$237K Net Use of Fund Balance

=\$35.2M 22/23 Ending Fund Balance

5-Year General Fund Forecast - Baseline



Avg. Annual Assumptions:

- **Revenue Growth: 3.8%**
 - Property Tax 4.7%
 - Sales Tax 2.8%
- **Expense Growth: 5.0%**
 - Salaries/Benefits 6.6%
 - Retirement 4.6%
 - Services & Supplies 2.0%

Other Operating Funds 2022-23

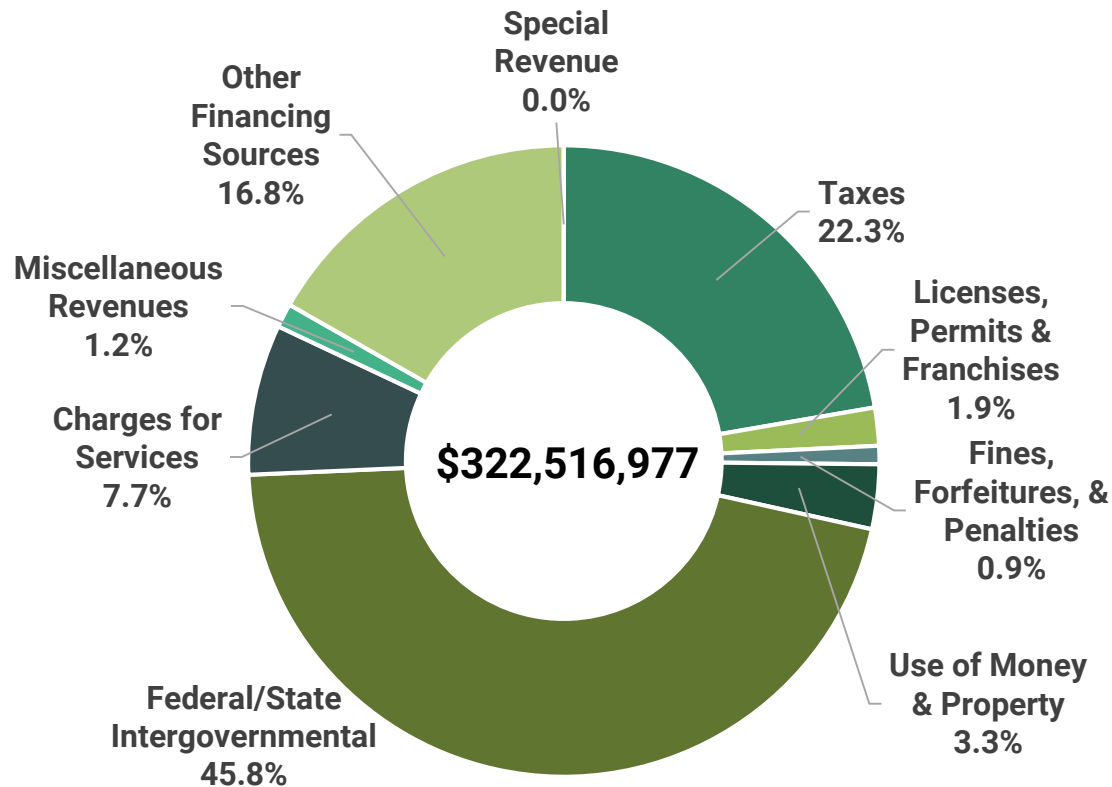
\$Millions

	Revenue	Expense	Variance*	Fund Balance June 30, 2023
Roads	30.6	31.0	(0.4)	5.4
CDA	11.7	12.3	(0.6)	3.7
Transit Services	9.0	9.0	-	0.6
Library	7.1	6.2	0.9	9.1
Airport	1.5	1.5	0.1	0.6
Health & Human Service Agency	97.3	101.3	(3.9)	27.8
Realignment Funds	31.3	30.8	0.4	20.7
Total Other Operating Funds	188.6	192.1	(3.5)	68.0



REVENUES 22/23 BUDGET

Revenues – Total County Budget

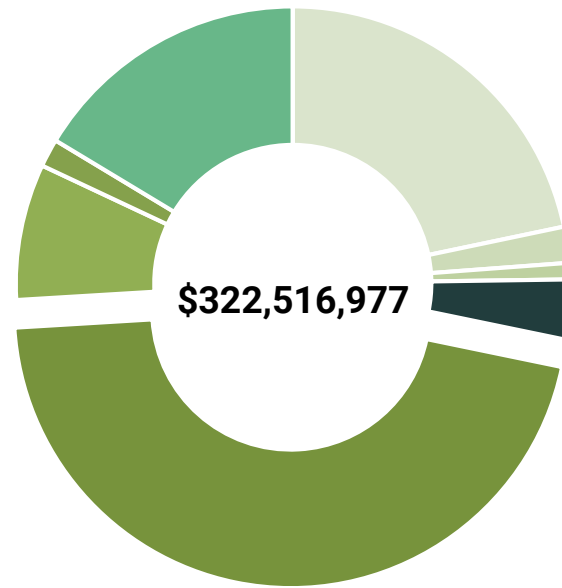


\$322M Revenue = +8.5% (\$25.3M) Higher than 2021/22 Budget

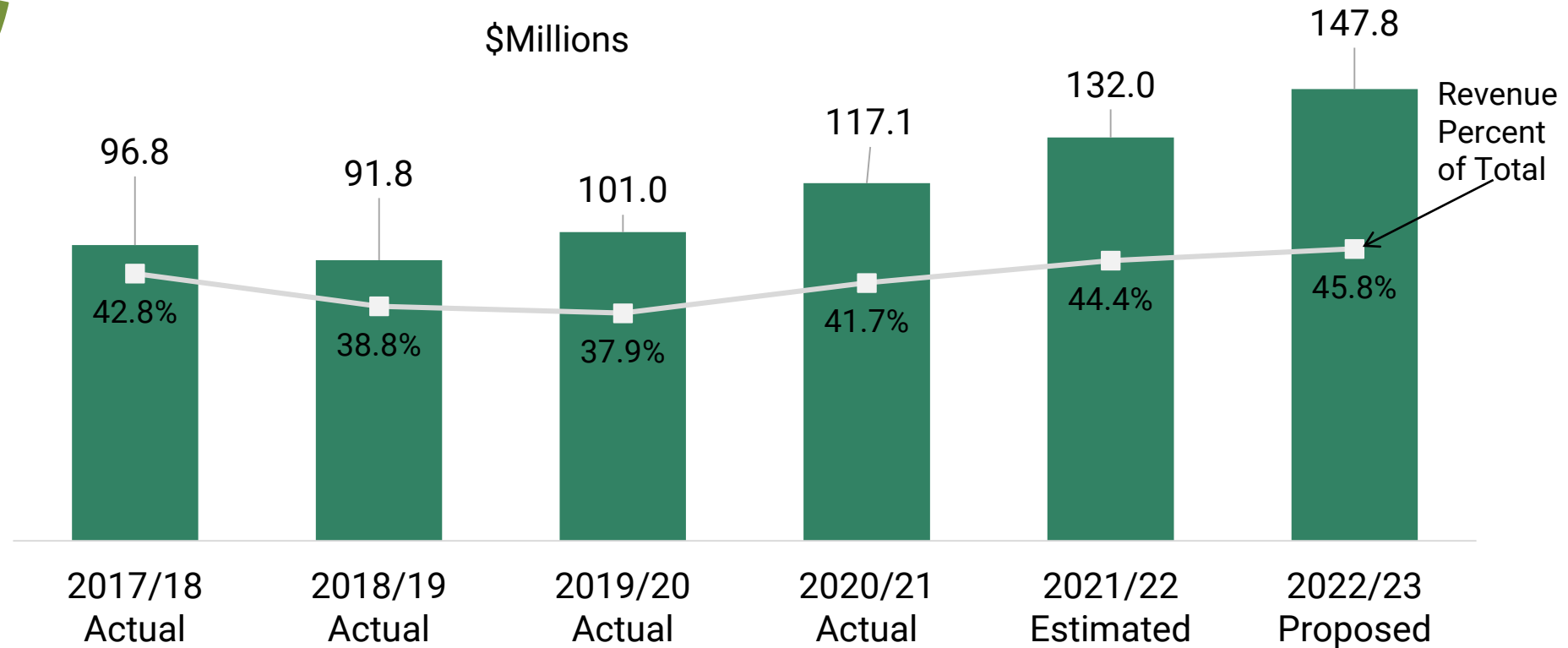
\$147M Federal & State = 46% of Budget (large shares to Health & Human Svc, Public Safety, & Roads); increase of 8.6% (\$11.7M)

\$71.9M Taxes = 22% of Budget; Local Sources of Property Tax, Sales and Other Taxes; increase of 11% (\$7.3M)

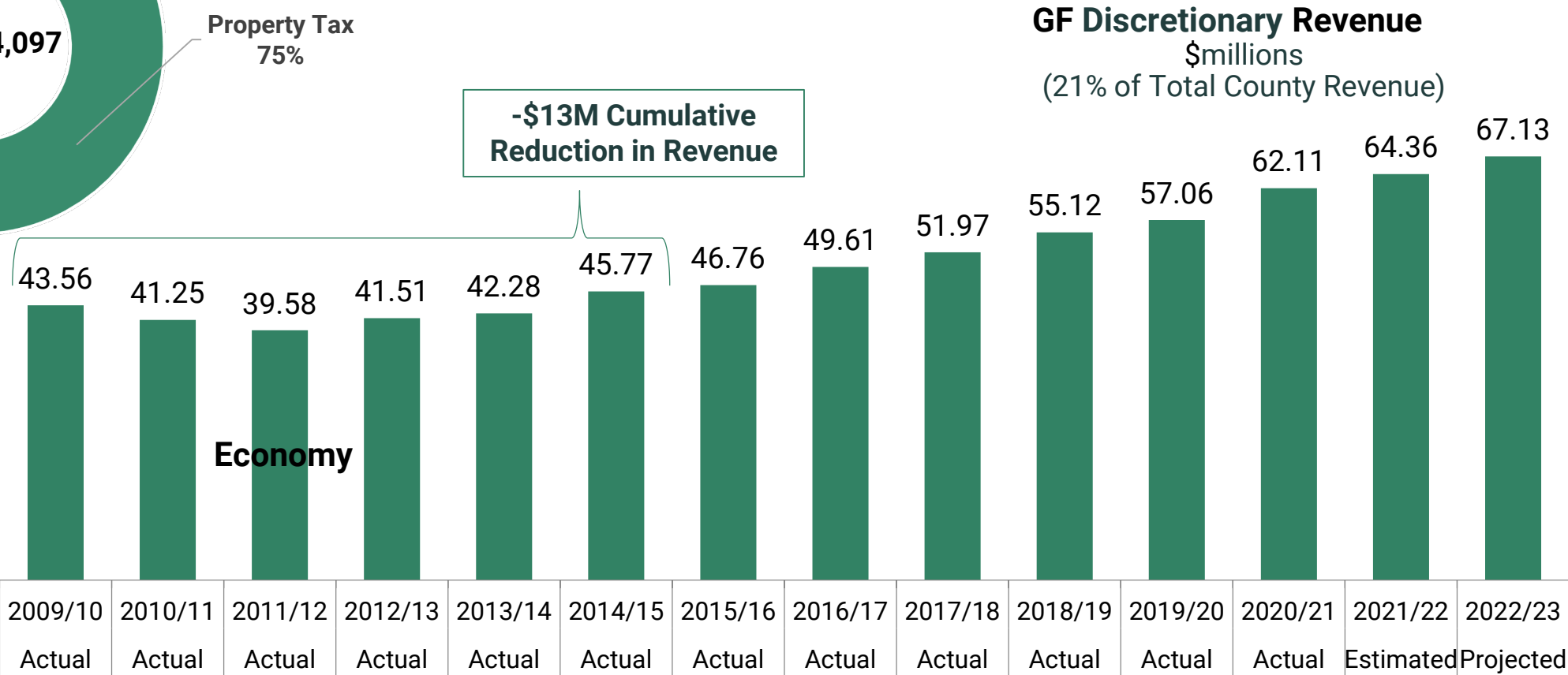
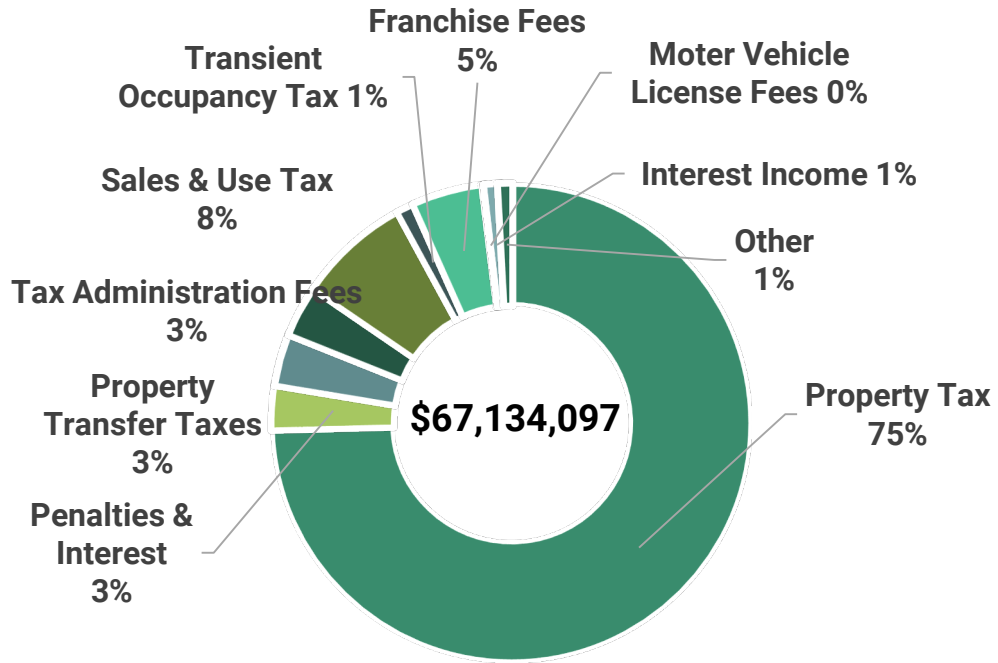
History of Revenues by Source Fed/State Intergovernmental Revenues



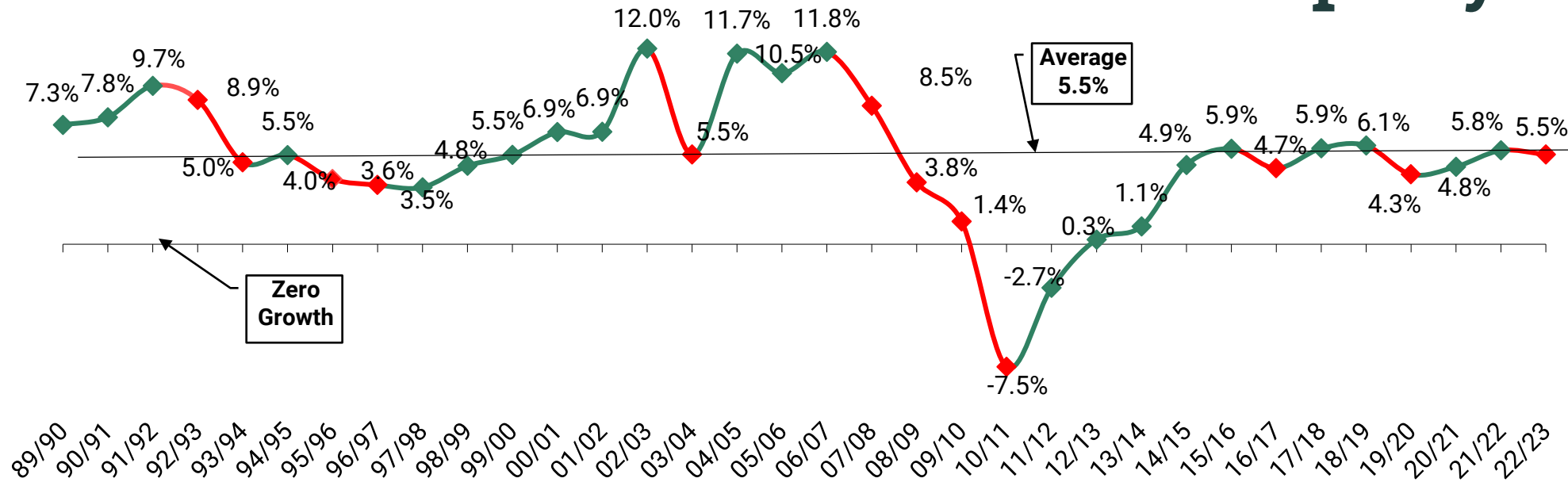
Federal/State
Inter-governmental, 45.8%



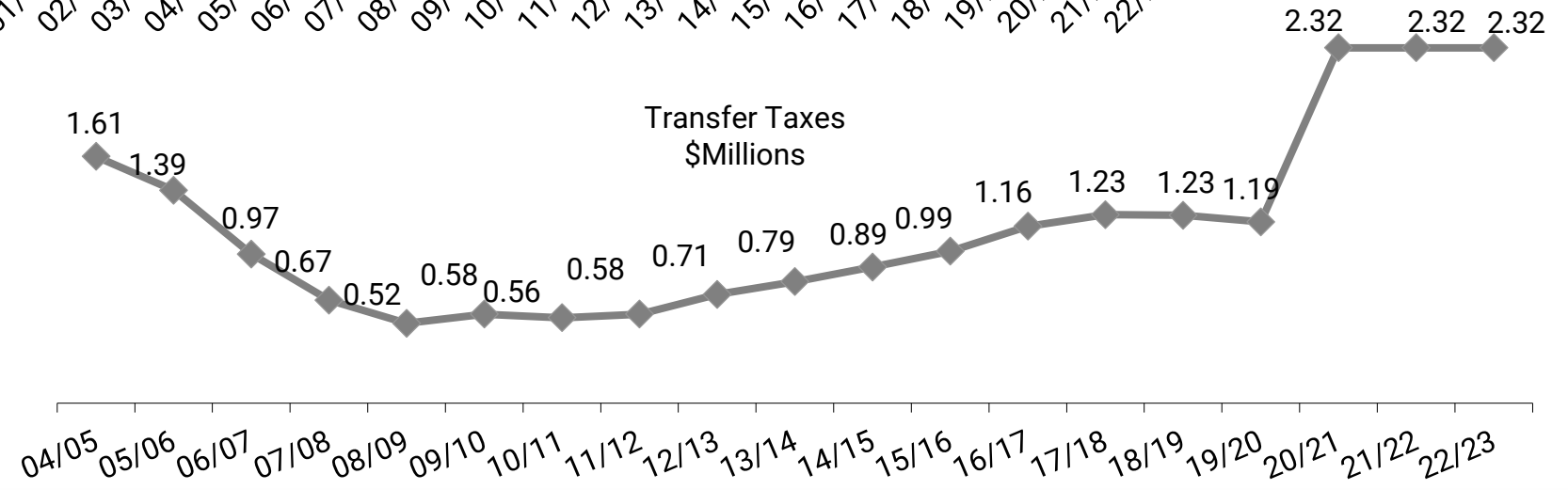
General Fund Discretionary Revenue



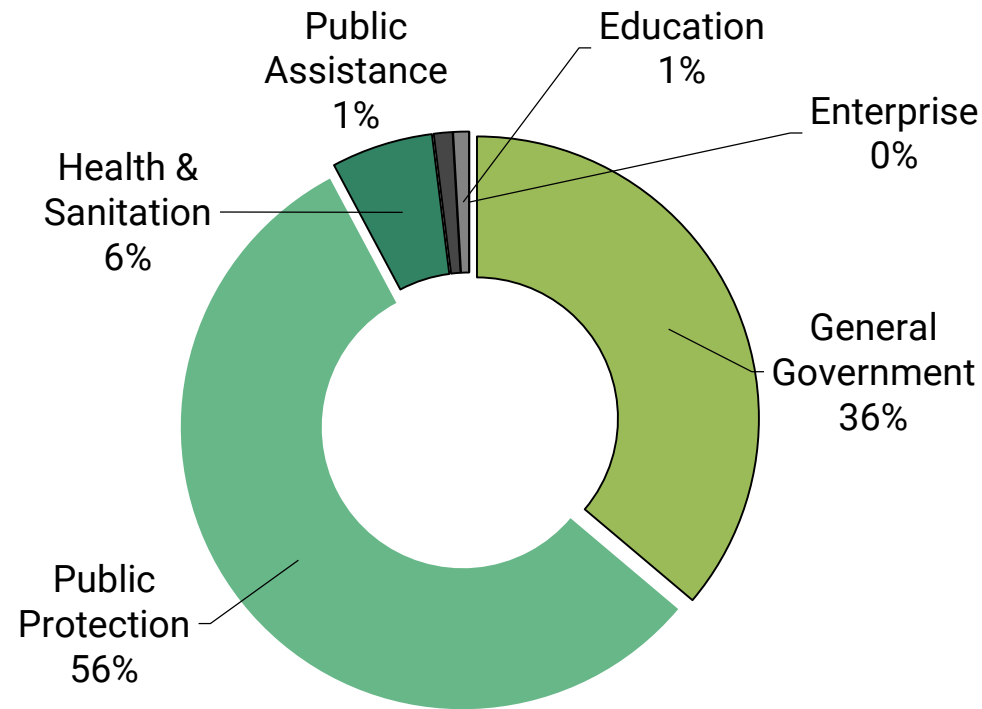
Property Tax Growth Rate



Property Tax Trend



Uses of Discretionary Revenue



Board Objectives:

Wildfire, Broadband, Economic Development, Housing, Cannabis, Homelessness, Recreation

Public Protection Includes:

Office of Emergency Services, Sheriff, District Attorney, Probation, Conflict Indigent Defense, Ag Services, Planning, Code Compliance, Cannabis Compliance, Grand Jury

General Government Includes

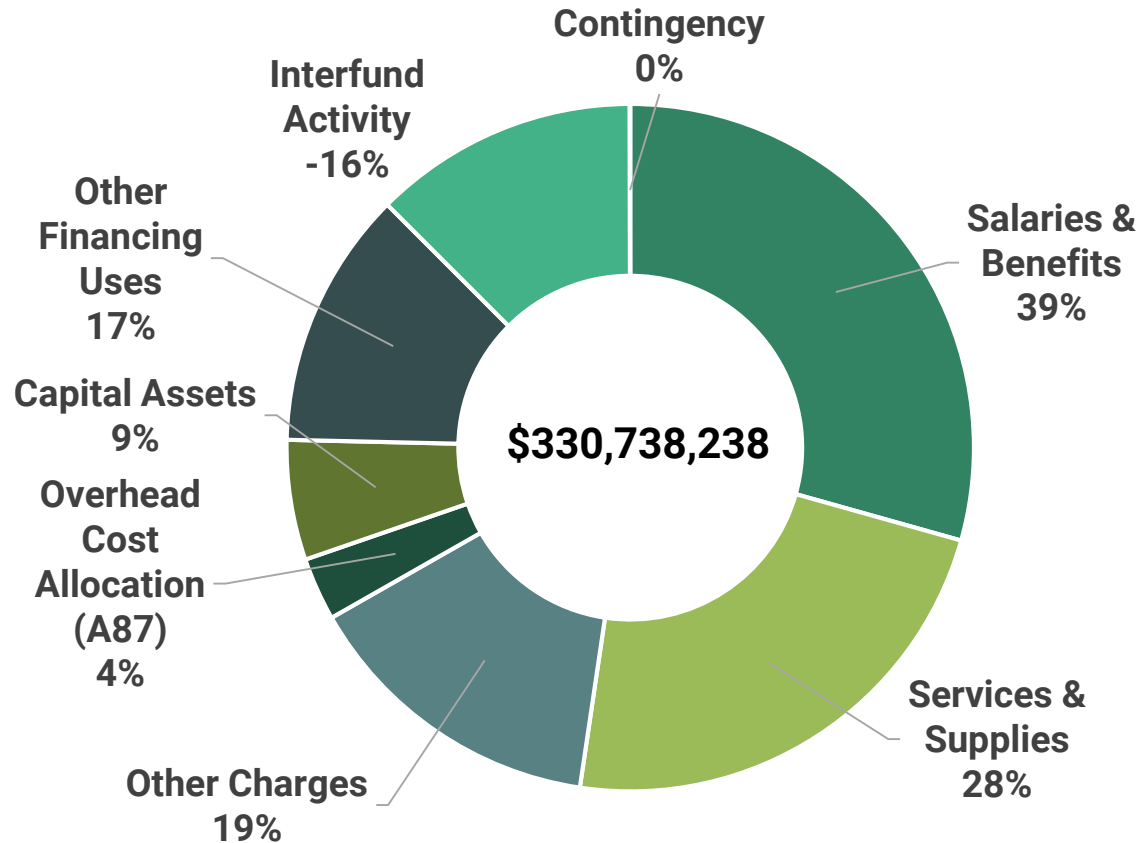
Clerk of the Board, CEOs Office, Assessor, Auditor-Controller, Treasurer Tax-Collector, Human Resources, County Counsel Purchasing, Building and Debt Financing, Elections, Facilities, Information Systems

An aerial photograph of a vast, dense forest of evergreen trees. The forest is illuminated by warm, golden light, likely from the low sun. In the lower-left quadrant, there is a small clearing with a building and several vehicles. The entire image is framed by a white dashed border.

22/23 EXPENDITURES

Staffing, Pensions & Infrastructure

Expenditures by Class



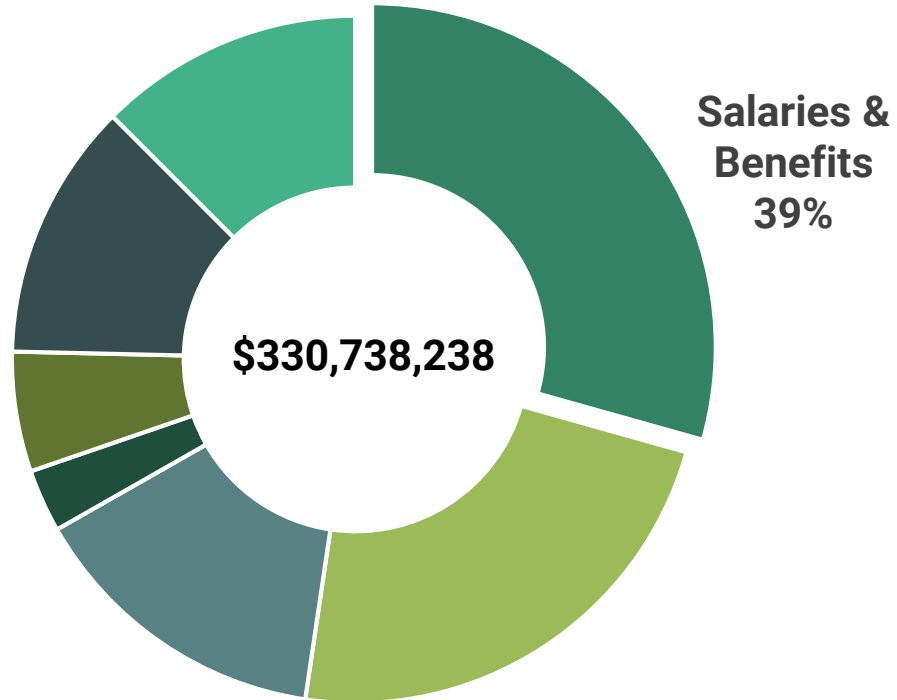
\$331M Expenses = +10.3% (\$30.9M) Higher than 2021/22 Budget

\$129M Salaries & Benefits = 39% of Budget, increase of 9.3% (\$11.0M)

\$101.3M Services & Supplies = 28% of Budget increase of 20.8% (\$17.4M)

\$24.9M Capital Assets = 9% of Budget decrease of \$1.8M

Salaries and Benefits

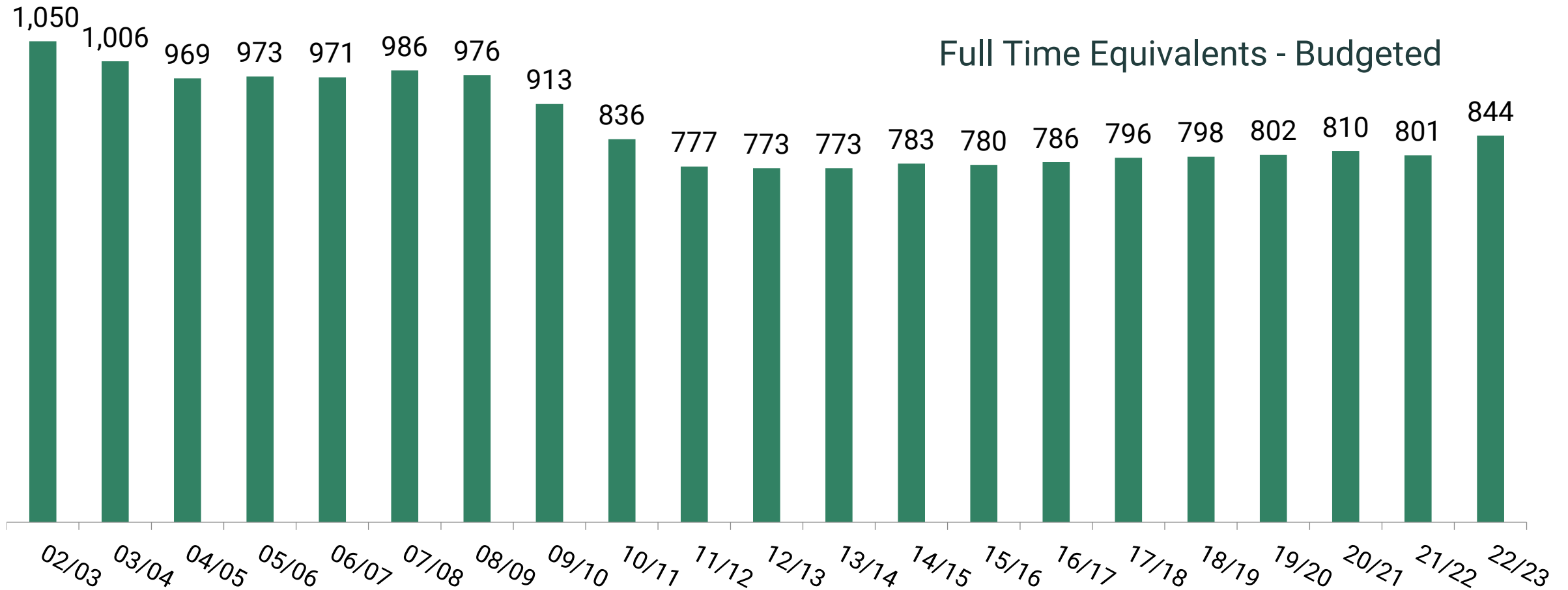


\$129.4M vs. \$118.4M

+ 9.3% (\$11.0M) increase from
2021/22 Budget

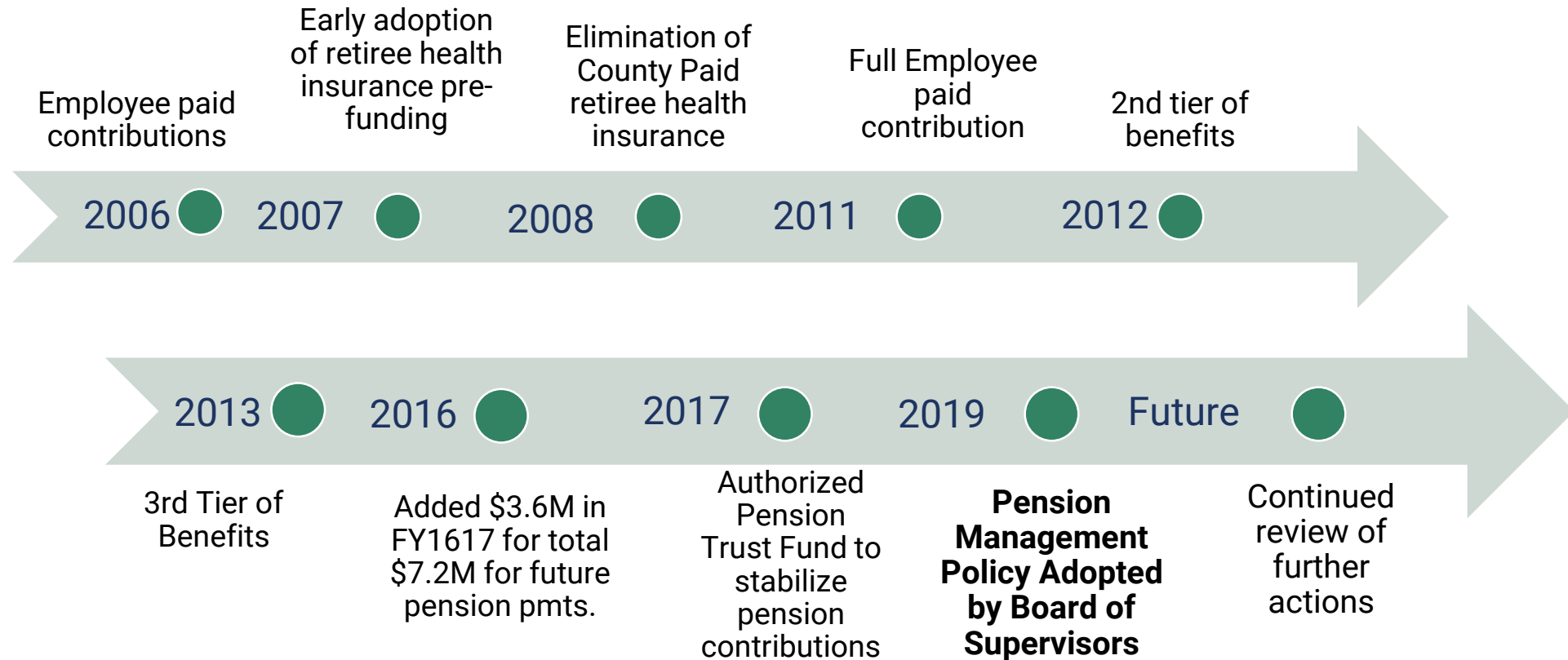
Average Annual Increase
= **6.0%** for Past 5 Years

Staffing



County Employees Per 1000 Population = 8.3; only Placer is Lower Among Comparison Counties

Public Pension Cost Control Policies:



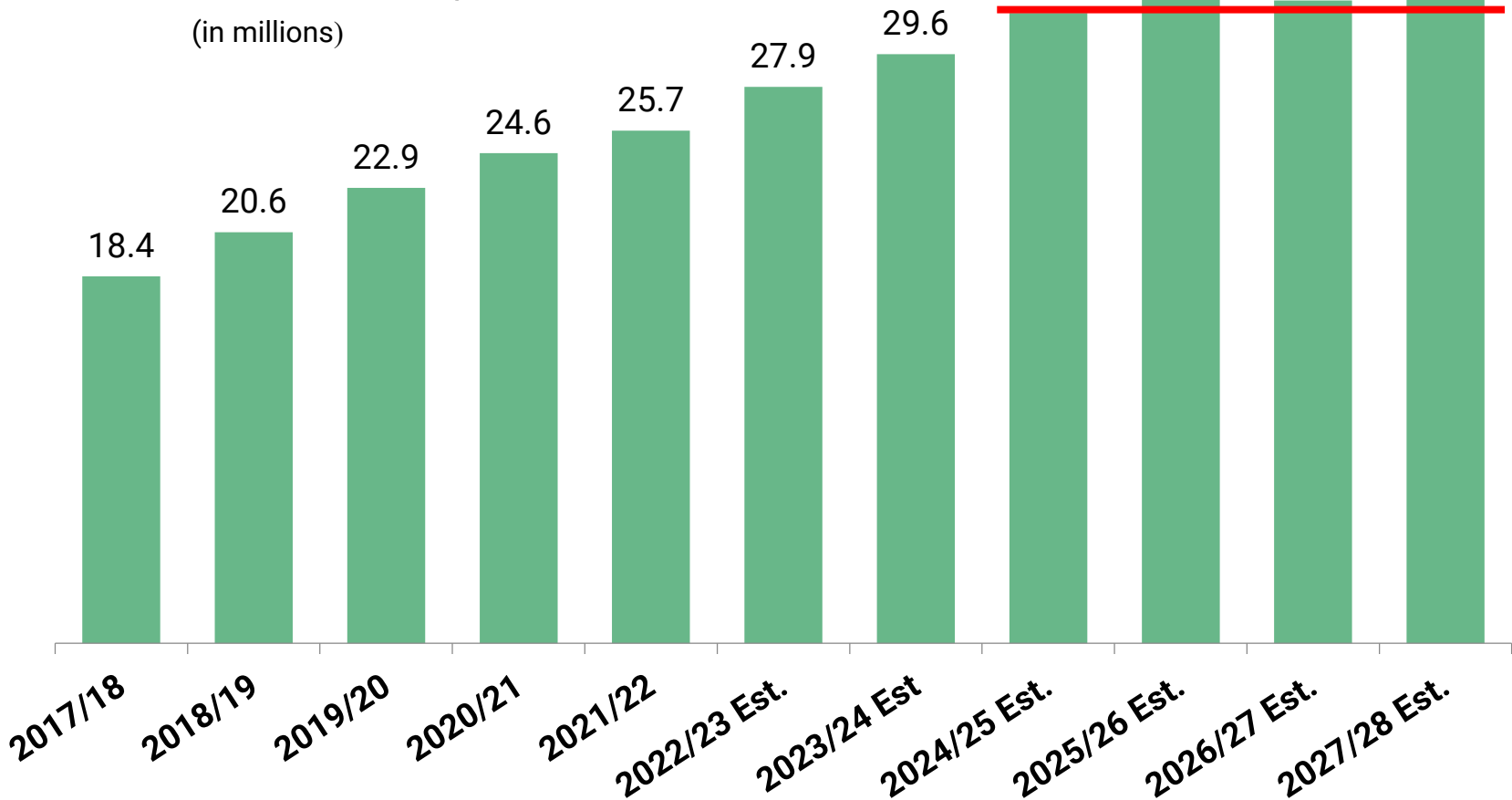
- Never authorized “spiking” of pensions
- Focused staff reductions and vacancy review
- Identified alternate service delivery methods such as contract for services
- Savings through prepayment of premiums when cash flow allows

Pension Costs

<u>Pension Stats</u>	21/22	22/23
Funded Ratio	65%	64%
Unfunded Liability	\$224M	\$239M
Total Assets	\$413M	\$424M

<u>Retiree Health (OPEB)</u>		
Funded Ratio	54%	64%
Unfunded Liability	\$24M	\$13M
Retiree Health (OPEB) Rate	5.3%	3.5%

Total Cost of County Pensions



Data through 2022/23 from CalPERS actuarial reports

Pension Management Strategies

- Prepay 22/23 Safety Unfunded Liability if cash flow allows
- Prepay 22/23 Miscellaneous Unfunded Liability if cash flow allows
- Review and consider use of and/or additional deposits to Pension Trust funds to mitigate future impacts
- Explore the feasibility of more aggressive strategies



Capital Facilities & Infrastructure

Current Projects

Animal Shelter
Improvements

McCourtney Road
Transfer Station

Public Safety Department
Facility Needs (Juvi Hall,
etc...)

Library Improvements
(Nevada City, Grass Valley,
Truckee, Penn Valley, Bear
River)

Joseph Center
Improvements

Storage/Other Space
Building Lease

Current Corp Yard (Lot 6)
Re-use Improvements

US Forest Svc
Bldg/Lease & Related
Space

Ongoing Projects

Roads

Wastewater

Deferred
Maintenance

PSPS
Resiliency
Projects

Potential Future Projects Being Considered

ADA

Capital
Facilities
Master
Plan

An aerial photograph of a town, likely in the Pacific Northwest, taken during the "blue hour" of sunset. The sky is filled with dramatic, dark clouds, with a bright glow of orange and yellow light from the setting sun breaking through on the left side. The town below is a mix of residential houses, commercial buildings, and parking lots, interspersed with evergreen trees. In the background, a dense forest of tall evergreens covers the hills. The entire image is framed by a white dotted border.

WHAT'S AHEAD

State and Federal Budgets

State Budget

- Governor's budget expands on the positive revenue assumptions in the January Proposal
- Anticipates 97.5B surplus (49B for discretionary spending)
- Governor's budget proposes to spend 94% of discretionary surplus on one-time" costs
- Key highlights of interest to County:
 - Continued growth in realignment revenues
 - \$1.1B additional investment in middle-mile broadband
 - \$83M to augment wildfire/emergency preparedness & response
 - \$20M Cannabis Retail Access Grant Program

Federal Budget

- President's FY 2023 budget proposal released 3/28/22
- Includes wide-ranging investments in a variety of programs
- Cuts to funding for services unlikely in near term
- American Rescue Plan Act 2nd installment
- Earmarks

Continued Challenges

Threats

- Inflation, War/Oil, Supply Chain, etc...
- Recession
- Wildfire/Emergencies
- Pensions
- Continued Realignment of Programs and Dependence on State/Federal budgets



THANK YOU!

From the CEOs Office

Budget Subcommittee

Auditor-Controller

Interim Budget Analysts

Department Heads, Managers and Staff



Nevada County 2022-23 Proposed Budget

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