

Good morning Honorable Board of Supervisor Chairman Hagwood and the citizens of Plumas County. I am addressing you today to discuss the revised letter for the recommended 2024-25 budget.

First off, I will start by saying that in the past 19 months I have respectfully and willingly worked with CAO Debra Lucero and throughout this time I have mentioned to her that it is ok for us to disagree, we will not always see things in the same light. I do not hold a grudge. I would like to see a revision of the County Administrative Officer letter prior to final adoption on or before October 2<sup>nd</sup>.

I would like to comment on her responses.

1. Regarding the 10-year table and comments if you look back at the past years budget books schedules 1,3 and 4 you see a positive trend in that total budgetary General Fund balance (with sub funds) from FY2015-2016 to FY2023-2024 increased from \$3,828,177 to \$21,831,032. Three of those nine fiscal years were decreases, all of them were under \$1,050,000. FY2024-2025 shows a decrease in total General Fund Balance to \$20,021,276, which is about \$1.8 million.

When looking at actual General fund balance (with all sub funds) in the General Ledger, it has increased from \$14,917,965 in FY2017-2018 to \$23,546,358 in FY2022-2023. As of June 24, 2024, the fund balance shows a decrease to \$21,897,374.

2. The CAO has consistently stated that late audits prevent good budgeting. However, that is simply not the case for the following reasons:
  - a. The audit of the fiscal year prior to the budget year cannot be completed until year end closing entries are made. The year ends on June 30<sup>th</sup> (we are currently passing the recommended budget before June 20<sup>th</sup> and closing entries will be completed over the next 4-6 months.) This year end converts the GL from budget tracking to Generally Accepted Accounting Principles compliance. The budget must be adopted on or before October 2. Thus, audited financial statements are never completed before budgeting.
  - b. The only audit that could have any type of impact on the budget would be the audit from two years before the budget year. The only impact it would have is that actual numbers in FY 2022-2023 are not audited numbers. Nevertheless, budget forecasting uses 3 to 5 year trend projections on revenues and expenditures in addition to looking at one time expenditures and capital outlay on a current budget year basis, The key point is that GL provides unaudited information on revenues and expenditures which departments can supplement with any increases or decreases due to billings or notifications from state and local entities in their budget meetings with the CAO to complete the budget. (c) fund balances have to be used based on a snapshot in time and then rechecked closer to the Board of Supervisors actual adoption of the budget. Fund balance is a constantly changing number until well after the October 2nd budget deadline.

C. A majority of County budgets start with a rollover of the prior year's budget, elimination of prior year capital outlay, elimination of prior year one-time revenues and expenditures, adding in current year one-time revenues or expenditures and adding capital outlay needed to guarantee capital outlay projects can continue until final adoption of the budget appropriates the remainder of the capital outlay. Moving the adoption of the budget doesn't make managing capital outlay more efficient, the budget is still based on an estimate. In fact, it is likely less efficient because final billings on ongoing projects in May and June won't be paid until July and August and then accrued back to June 30. This is why you project capital outlay costs for 4-6 months for ongoing projects and fine tune them in September with final budget adoption by October 2nd. You can't possibly have current and accurate capital outlay data in time for a recommended budget passed on or before June 30th, but you can authorize enough to keep projects going until the full capital outlay budget is adopted by October 2<sup>nd</sup>.

D. A long-term budget financial strategy should be based on the Board of Supervisors strategic plan for the County. There are core expenditures that the County must perform and there are revenues received to cover such expenses. Other revenues are discretionary and budgetary decisions should use the strategic plan guidance of the Board of Supervisors to prioritize such expenditures.

Professional services currently under the CAO, which are actually for other departments, such as Human Resources, should be budgeted and spent under Human Resources because of the cost plan. HR can recover such costs under their department in the cost plan. However, if these costs are under the CAO, then recovery isn't permitted under the cost plan as they are not CAO expenditures. Thus, the General Fund must pay for it all.

The CAO seeks the cooperation and participation of all appointed and elected department heads, yet the CAO would not or could not meet with the Treasurer/Tax-Collector or the District Attorney and requested that the Auditor (myself) meet with them.

We need to build a team and the current approach is not working. Demanding something to be done and if the CAO is not in agreement then it is a public display. I think the time has come that enough is enough, you can't build a team by intimidation, but you can destroy the possibility of ever having one.

In closing I would like to state that I am a lifetime Plumas County resident. I take pride in my County, and the service work I have given the County over the past 20 years, CAO Lucero is fast to point out that I was appointed in October of 2022. When the BOS appointed me, I took on the roll of the elective office and if I decide to run for office in 2026 the citizens of Plumas County

can decide if they want me to continue until then I will work on creating a positive environment for the better of Plumas citizens and Plumas County employees. Plumas County is always where I will call home.