



COUNTY OF HUMBOLDT

For the meeting of: 9/12/2022

File #: 22-1178

To: Board of Supervisors

From: County Administrative Office

Agenda Section: Public Hearing

SUBJECT:
Public Hearing on Proposed County Budget for Fiscal Year (FY) 2022-23

RECOMMENDATION(S):
That the Board of Supervisors:

1. Open the public hearing;
2. Receive staff report;
3. Receive testimony from the public;
4. Continue the hearing to 5:30 p.m.;
5. Receive updated reports from staff (if required);
6. Receive additional testimony from public;
7. Close public hearing;
8. Deliberate on the FY 2022-23 proposed spending plan;
9. Give direction to staff regarding any desired modifications to the Recommended Budget; and
10. Set Sept. 27, 2022, as the date to adopt the budget.

SOURCE OF FUNDING:
All county funds

DISCUSSION:
Annually, the County Administrative Office (CAO) presents a proposed budget to the Board of Supervisors. The adoption of an annual budget is one the most significant policy decisions of the Board. As such, it requires substantial preparation and derives substantial benefits from public input.

California Government Code Sections 29000 through 30200, known as the County Budget Act, as applied through rules issued by the Office of State Controller, provides the legal requirements pertaining to the content of the proposed budget, adoption procedures, and dates by which actions must be taken. The CAO, as designated by the Board, is responsible for completing the budget process within the confines of state code.

Locally, the budget process is lengthy and includes the steps set forth below:

- On Mar. 8, 2022, as part of the Mid-Year Budget Review, your Board set parameters for the development of the FY 2022-23 budget for General Fund allocations and the budget calendar. The parameters included direction to set departmental allocations from the General Fund to remain at the FY 2021-22 level with a department adjustment for projected salary & benefit increase with a 10% vacancy rate applied to reduce the department expenses and assist in balancing the FY 2022-23 budget. In addition, your Board directed the CAO to accept Additional Requests for General Fund Appropriation (additional funding requests) in the FY 2022-23 budget and give priority in its recommendations to one-time urgent requests, set the annual departmental contribution to Public Agency Retirement Services (PARS) to 2% of salaries and approved staff recommendations to close the FY 2022-23 projected General Fund deficit.
- Preparation of the proposed budget began on Mar. 11, 2022, when CAO staff presented to departments the parameters for development of the FY 2022-23 budget requests. Departments were asked to submit their requests to the CAO by April 11, 2022. The CAO reviewed the budget and additional funding requests from April through June 2022.
- On April 4 and 11, 2022, departments presented your Board with overviews of their departments, recent and current projects and initiatives, and budget challenges and opportunities for FY 2022-23.
- On May 24, 2022, as part of presenting the status of outstanding financial reports, your Board accepted staff recommendations to delay adoption of the final budget to Sept. 27, 2022, as allowed by California Government Code. The purpose of this delay was to allow additional time for the FY 2019-20 audit to be completed and for more transactions from FY 2020-21 to be posted to provide more reliable estimates of the county's fund balances.
- On June 28, 2022, your Board adopted the Recommended Budget, implemented a hiring freeze, implemented a freeze on supplemental budget adjustments and continued the voluntary furlough program.
- FY 2019-20 has been closed and the Financial Statements and Single Audit Report have been issued. Adjusting journals for FY 2019-20 and prior years have been posted along with some progress closing both FY 2020-21 and FY 2021-22.
- Public hearings on the Recommended Budget are before your Board today.
- The Final Budget is scheduled for possible adoption on Sept. 27, 2022.

At today's hearings, staff recommends the Board accept public comment and staff input and provide additional direction to staff to incorporate into the Final Budget.

Additional Funding Requests

Included in the FY 2022-23 Recommended Budget adopted by the Board were the following additional funding requests:

| Included in Adopted FY 22-23 Recommended Placeholder Budget | | | |
|--|--|---------------------|---------------------------|
| Budget Unit/Department | Request | Amount | Funding Source |
| Board of Supervisors (101) | Outreach & Advocacy | \$ 63,928 | General Fund Contribution |
| County Counsel (121) | Additional Overhead Costs | \$ 270,000 | General Fund Contribution |
| Public Works (162) | Brownfield Monitoring | \$ 115,000 | General Fund Contribution |
| Sheriff - Operations (221) | 28 Staff Positions | \$ 3,228,601 | ARPA |
| Sheriff - Corrections (243) | 14 Staff Positions | \$ 1,314,509 | ARPA |
| Code Enforcement (269) | Nuisance Abatement | \$ 500,000 | General Fund Contribution |
| Current Planning (277) | Clark Street Facility Upgrades | \$ 270,000 | Carry Forward Prior Year |
| UC Coop Extension (632) | Increased Dept. Expenditures | \$ 31,217 | General Fund Contribution |
| Economic Development (275) | Staffing Support to Avoid Layoffs | \$ 50,238 | ARPA |
| Behavioral Health (424) | "Laura's Law" | \$ 320,650 | General Fund Contribution |
| | Total General Fund Contribution | \$300,795 | |
| | Total ARPA | \$ 4,593,348 | |
| | Total Carry Forward | \$ 270,000 | |

Of the \$6.164 million in additional requests included in the June 28th Recommended Budget, nearly \$4.6 million was funded with American Rescue Plan Act (ARPA) proceeds to avoid layoffs and support funding positions in local government. It is important to note that while ARPA funds are explicitly allowed to be used for these purposes, it is applying one-time funding to an ongoing expenditure which is typically not good practice. The ramification of this choice is that to sustain this level of funding and service in future years, the county will need to identify another sustainable source of General Fund revenue.

In addition to those requests set forth above, the requests that were not included in the Recommended Budget as well as new requests that have been submitted by departments since the Recommended Budget was approved on June 28, 2022, are set forth in detail in Attachment A. The Additional Requests listed in Attachment A note those requests recommended for funding by the CAO and also provides a recommended funding source. Anything that is highlighted in grey is already included in the Recommended Budget approved by the Board in June.

Staff is asking for direction from your Board on the additional requests, set forth on the next page.

| Additional Requests for Board to Consider for Inclusion in Final Budget | | | |
|--|--|---------------------|---------------------------|
| Budget Unit/Department | Request | Amount | Funding Source |
| Board of Supervisors (101) | Travel & Mileage District 5 | \$ 15,000 | General Fund Contribution |
| Board of Supervisors (101) | Outreach & Advocacy New Supervisor | \$ 12,786 | General Fund Contribution |
| Board of Supervisors (101) | FY 19-20 (half) and FY 20-21 Financial Audit | \$ 65,000 | Carry Forward |
| CAO - Mgmt. & Budget (103) | Revenue by Location Analysis | \$ 30,000 | General Fund Contribution |
| CAO - Mgmt. & Budget (103) | Financial System Consulting | \$ 85,000 | General Fund Contribution |
| CAO - Mgmt. & Budget (103) | Wind Energy Legal Consulting | \$ 50,000 | General Fund Contribution |
| CAO - Mgmt. & Budget (103) | Implementation Class & Comp Study | \$ 150,000 | General Fund Contribution |
| Auditor-Controller (111) | Settlement & Consulting | \$ 131,819 | General Fund Contribution |
| Auditor-Controller (111) | Approved & Allocated Staffing | \$ 69,057 | ARPA |
| Auditor-Controller (111) | Office Renovation | \$ 735,874 | Contingency |
| Auditor-Controller (111) | Prior Auditor IRS Penalties & Interest | \$ 439,960 | Contingency |
| Information Technology (118) | Increased Cost of Server Chiller Project | \$ 225,000 | ARPA |
| Assessor (113) | Approved & Allocated Staffing | \$ 257,371 | ARPA |
| Public Works (162) | Safety Equipment | \$ 22,000 | General Fund Contribution |
| Public Works (162) | Janitorial Equipment | \$ 10,980 | General Fund Contribution |
| Public Works (162) | Court House Window Cleaning | \$ 15,000 | General Fund Contribution |
| Contributions Other (199) | Arcata Vets | \$ 3,447 | General Fund Contribution |
| Contributions Other (199) | Fortuna Vets | \$ 6,329 | General Fund Contribution |
| Contributions Other (199) | Orick Fire District | \$ 5,500 | General Fund Contribution |
| Contributions Other (199) | McKinleyville Municipal Advisory Committee | \$ 5,000 | General Fund Contribution |
| Contributions Other (199) | Camping Fees for Native Ceremonies | \$ 750 | General Fund Contribution |
| Conflict Counsel (246) | Approved & Allocated Staffing | \$ 71,839 | ARPA |
| Public Defender (219) | Increased Dept. Expenditures | \$ 98,852 | General Fund Contribution |
| Public Defender (219) | Approved & Allocated Staffing | \$ 165,950 | ARPA |
| Sheriff - Operations (221) | Animal Shelter Roof Replace | \$ 65,000 | General Fund Contribution |
| Sheriff - Corrections (243) | Correctional Facility Roof Replace | \$ 535,000 | General Fund Contribution |
| Sheriff - Corrections (243) | Correctional Facility Fire Suppression | \$ 250,000 | General Fund Contribution |
| Ag Commission (261) | Increased Dept. Staff Costs | \$ 51,598 | ARPA |
| Advance Planning (282) | Outsource Senior Planning Work | \$ 600,000 | General Fund Contribution |
| UC Coop Extension (632) | 4-H Program Alternative Funding Loss | \$ 15,000 | General Fund Contribution |
| Headwaters (1120-286) | Administration Cost of Program | \$ 171,029 | ARPA |
| Economic Development (1120) | Increased Staffing | \$ 312,552 | ARPA |
| Economic Development (1120) | Match (CEDS) | \$ 73,000 | General Fund Contribution |
| Scotia Comm. Services District | Premium pay for essential workers | \$ 113,422 | ARPA |
| Humboldt Bay Mun. Water District | Pandemic Expenditures | \$ 160,000 | ARPA |
| Roads (1200-888) | Reduce negative Fund Balance | \$ 3,500,000 | ARPA |
| Behavioral Health (424) | Additional Request "Laura's Law" | \$ 59,024 | General Fund Contribution |
| | Total General Fund Contribution | \$ 2,239,487 | |
| | Total ARPA | \$ 5,097,818 | |
| | Total Carry Forward | \$ 165,000 | |
| | Total Contingency | \$ 1,175,834 | |

American Rescue Plan Act (ARPA)

In March 2021, Congress passed the \$1.9 trillion American Rescue Plan Act (ARPA), which provided \$350 billion in federal fiscal relief to local governments, with \$65.1 billion set aside for counties and another \$65.1 billion designated for cities. The County of Humboldt and all the incorporated cities

within Humboldt County have received funding through this act in 2021 and the remaining funding in late Spring of 2022. All counties receive funding directly from the US Treasury, while cities under 50,000 total population receive funding through the state.

The US Treasury has released guidance on uses for the local fiscal relief funding. This funding can be used to:

- Respond to the public health emergency and address its negative economic effects;
- Replace lost public sector revenue, up to \$10 million;
- Avoid layoffs or to support hiring positions to pre-pandemic levels; and
- Invest in water, sewer, and broadband infrastructure.

The county received two tranches of \$13,156,276 each for a total of \$26,330,552. The first in June of 2021 and the second in June 2022. The chart below summarizes projects and expenditures that have already been committed by the Board and sets forth the funding that has not been committed.

| Committed ARPA Funds | | | |
|-------------------------------|---|-------------------|--------------------------|
| Budget Unit/Department | Program/Expenditure | Amount | Category |
| Sheriff - Operations (221) | 28 Staff Positions to Avoid Layoffs | 3,228,601 | Staff/Layoff |
| Sheriff - Corrections (243) | 14 Staff Positions to Avoid Layoffs | 1,314,509 | Staff/Layoff |
| Sheriff - Corrections (243) | Increase in Wellpath Jail Medical | 3,456,688 | COVID Response |
| Economic Development (275) | Staffing Support to Avoid Layoffs | 50,238 | Staff/Layoff |
| Information Technology (118) | Server/Equipment Chiller Project | 125,000 | COVID Response |
| Local Housing Funds | Funding Match for Local Projects | 1,500,000 | Housing |
| Childcare Grants & Funding | Childcare Grants & Funding | 4,856,500 | COVID Response |
| Roads (1200-162) | Deficit Fund Balance Assistance | 3,291,319 | Revenue Replacement |
| Multiple Departments | COVID Response Staff | 1,069,042 | COVID Response |
| Multiple Departments | COVID Testing Supplies & Equipment | 462,193 | COVID Response |
| CAO's Office (103) | Broadband Project | 1,500,000 | Broadband Infrastructure |
| CAO's Office (103) | HVAC Regional Facility | 91,000 | COVID Response |
| CAO's Office (103) | Workforce Coalition Assistance | 70,000 | COVID Response |
| | Committed ARPA Funds | 21,015,090 | |
| | Total ARPA Funding | 26,330,552 | |
| | Uncommitted ARPA Funding Available | 5,315,462 | |

Approximately \$5.3 million in ARPA funding remains uncommitted. The Additional Requests which staff recommend funding from ARPA - if approved by the Board are set forth below:

| Additional ARPA Funding Request | | | |
|--|---------------------------------------|------------------|---------------------|
| Budget Unit/Department | Program/Expenditure | Amount | Category |
| Information Technology (118) | Server/Equipment Chiller Project | 225,000 | COVID Response |
| Roads (1200-162) | Deficit Fund Balance Assistance | 3,500,000 | Revenue Replacement |
| Multiple Departments | Staffing Support to Avoid Layoffs | 928,367 | Staff/Layoff |
| Headwaters (1120-286) | Administrative Cost of Program | 171,029 | Revenue Replacement |
| Humboldt Bay Water District | Pandemic Expenditures | 160,000 | COVID Response |
| Scotia Comm. Services District | Premium pay for essential workers | \$ 113,422 | COVID Response |
| | Summary of Additional Requests | 5,097,818 | |

If the Board funds all the Additional Request from ARPA above, approximately \$218,000 would remain uncommitted, assuming that the Board does not chose option 2 (see next section) for funding the additional Measure Z requests from ARPA instead of remaining Measure Z revenues. Please note that the ARPA funding outlined above includes multiple budget years and is not solely FY 22-23 projects or funding.

Measure Z

Since the time your Board reviewed the Proposed Budget, staff have worked to determine actual expenditures in Measure Z for FY 2020-21 and 2021-22, in order to better determine the amount available in fund balance to finance FY 2022-23 activities. Attachment C provides a list of Measure Z projects funded in FY 2022-23.

Staff initially determined that \$3.7 million was available based on estimated actual expenses and increased revenues for the prior 2 years. Now that more transactions have posted, staff have identified an additional \$1.79 million in funding available for FY 2022-23. Of that amount, \$494,653 comes from additional revenue received, and more than \$1.2 million is a result of reduced spending.

In order to fund additional Measure Z projects in FY 2022-23, your Board in June directed staff to use \$1,675,063 in funding from the American Rescue Plan Act (ARPA) for the following applications:

| App # | Agency | Project | Amount |
|-------|---|------------------------|-----------|
| 13 | Sheriff / Information Technology / Public Works | Radio Repeater Upgrade | \$795,063 |
| 12 | Public Works | Road Repairs | \$880,000 |

Staff recommendations

Due to the increased revenue identified, staff are recommending that your Board again use Measure Z funding for these projects, rather than ARPA funding. Generally speaking, the ARPA funding is more flexible, and staff recommends retaining that flexibility for other projects and expenses. Should your Board choose staff recommendations, this would leave \$115,138 in Measure Z funding for the remainder of FY 2022-23.

Option 2

Alternatively, your Board could choose to continue to use ARPA for the above projects, and instead fund additional Measure Z projects as stated below. This would result in adding 5.0 FTE and leave \$594,577 in Measure Z's fund balance to use for FY 2023-24 activities. However, this option will impact the availability of ARPA funding for Additional Funding Requests and is not recommended.

Measure Z projects not unfunded in FY 2022-23

| App # | Agency | Project | Amount |
|--------------|--|--|--------------------|
| 24 | District Attorney | 3 Crime Analysts/IT Technician/WIFI/Access to RIMS | \$429,471 |
| 18 | Planning & Building – Code Enforcement | Abatements | \$435,000 |
| 12 | Sheriff’s Office – Major Crimes | DNA Processing / membership | \$10,000 |
| 11 | Sheriff’s Office – Major Crimes | 3D scanner | \$90,295 |
| 2 | City of Fortuna | K-9 officer | \$40,000 |
| 20 | People of New Directions | Safety protective gear | \$20,000 |
| 25 | Humboldt COAD | COAD training | \$16,600 |
| 1 | City of Fortuna | Unmarked police vehicle | \$60,000 |
| 16 | Sheriff’s Office | Compliance/Training Officer | \$94,257 |
| Total | | | \$1,195,623 |

Staffing Request

Human Resources/Risk Management has requested the allocation of an additional Human Resource Technician I/II. The estimated annual cost of this position with benefits is \$90,900. The Human Resources/Risk Management Department is not requesting FY 2022-23 additional funding for this position but instead proposes to fund the cost of the position from current department budget savings. As a central services department, these additional costs will be allocated to departments as part of the Cost Plan and Internal Service Fund Allocations.

Staff recommends allocating the Human Resource Technician I/II position and is asking for direction from the Board.

Board Approved Actions Impacting Budget

In order to track changes to the FY 2022-23 Recommended Budget as adopted by your Board on June 28, 2022, staff recommended and the Board incorporated a hold on supplemental requests from June 28, 2022, until the Final Budget is adopted on Sept. 27, 2022. During that period of time, the Board approved certain actions that had impacts on expenditure and revenue budgets. In all of the actions, except the \$25,000 expenditure for recruiting the position of Legal Counsel, there was no fiscal impact to the General Fund as the expenditure is funded by grants, use of Asset Forfeiture funds or private donations.

The budget impacts of those Board actions are included as Attachment B and will be incorporated into the Final FY 2022-23 Budget, unless the Board directs otherwise.

FINANCIAL IMPACT:

Total Funding is as shown in the Humboldt County FY 2022-23 Recommended Budget document (Attachment D). The total FY 2022-23 Recommended County Budget, as approved on June 28, 2022, is \$570,531,333, including General Fund expenditures of \$191,423,814, a Contingency Reserve of \$2.5 million and set aside funding for the county’s General Reserve or rainy-day fund of \$5 million.

Approval of any of the additional requests outlined in this staff report will increase the expenditures and source of funding in the FY 2022-23 Final Budget. Funding from General Fund Contributions and Carry Forwards will increase the use of General Fund fund balance, as opposed to ARPA or Contingency, which is already accounted for in separate funds.

A summary of the financial impact and proposed source of funding for all the additional budget requests are set forth below. Staff seeks your Board’s direction on which additional requests, as set forth on Attachment A, should be included in the Final Budget.

| Source of Funding | Requested | CAO Recommended |
|---------------------------------|----------------------|----------------------|
| General Fund Contribution | \$ 3,540,282 | \$ 2,296,398 |
| ARPA | \$ 9,691,166 | \$ 9,212,160 |
| Carry Forward | \$ 435,000 | \$ 435,000 |
| Contingency | \$ 1,175,834 | \$ 1,175,834 |
| Total Identified Funding | \$ 14,842,282 | \$ 13,119,392 |

In addition to the additional funding requests on Attachment A (where staff await your Board’s direction), the changes to the budget as set forth in Attachment B are based on already approved action by your Board and will be included in the Final FY 2022-23 Budget unless contrary direction is provided. These expenditures are offset by additional revenue sources, except the \$25,000 as discussed. A summary of the expenditures and offsetting revenue is provided below:

| Fund | Expenditure | |
|--------------|---------------------|---------------------|
| | Changes | Revenue Changes |
| 1100 | \$ 911,353 | \$ 911,353 |
| 1175 | \$ 147,130 | \$ 147,130 |
| 3530 | \$ 1,250,000 | \$ 1,250,000 |
| TOTAL | \$ 2,308,483 | \$ 2,308,483 |

STRATEGIC FRAMEWORK:

This action supports your Board’s Strategic Framework by managing our resources to ensure sustainability of services.

OTHER AGENCY INVOLVEMENT:

All county departments and agencies, as well as several community organizations that receive county funding, are affected.

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Board’s discretion.

ATTACHMENTS:

- A. Departmental Additional Requests for General Fund Appropriations for FY 2022-23
- B. FY 2022-23 Board Approved Actions Impacting Budgets
- C. Measure Z FY 2022-23 Allocation
- D. Link to FY 2022-23 Recommended Budget Adopted on 6-28-2022
- E. McKinleyville Municipal Advisory Committee (MMAC) Request
- F. Humboldt Bay Municipal Water District ARPA Request
- G. Letter from Arcata American Legion - Request
- H. Fortuna Veterans Stipend - Request
- I. Scotia ARPA Funding Request
- J. Public Hearing Notice Affidavit

PREVIOUS ACTION/REFERRAL:

Board Order No.: I-3, H-1, H-2, H-1, H-4

Meeting of: 08/10/2021, 03/08/2022, 04/26/2022, 05/24/2022, 06/28/2022

File No.: 21-1002, 22-163, 22-470, 22-666, 22-832