



COUNTY OF HUMBOLDT

For the meeting of: 12/5/2023

File #: 23-1456

To: Board of Supervisors
From: County Administrative Office
Agenda Section: Departmental

Vote Requirement: Majority

SUBJECT:
Measure Z Ad Hoc Recommendations

RECOMMENDATION(S):

That the Board of Supervisors:

1. Receive a report from the Board of Supervisors Measure Z Ad Hoc regarding percentage-based allocations; and
2. Decide on an approach to set Measure Z allocations for Fiscal Year (FY) 2024-25 through FY 2026-27.

SOURCE OF FUNDING:

Measure Z (1100-889)

DISCUSSION:

On June 12, 2023, your Board appointed Supervisors Wilson and Bushnell to serve as a Measure Z Ad Hoc tasked to return to your Board with a percentage-based methodology to allocate Measure Z funding with an ultimate goal of setting county allocations at no more than 80% of ongoing funding (70% of all available funding) and providing some guaranteed funding for outside agencies.

The Ad Hoc met several times since it's formation and struggled with the decision to cut county allocations, such as Department of Health and Human Services Mobile Intervention Services Team (DHHS MIST) or the Sheriff's Office, or to by default cut allocations to outside agencies. Ultimately, the Ad Hoc was not able to develop an option that meets the goal set forth by the Board to reduce county allocations down to no more than 80% of ongoing funding (70% of all available funding) by the target year of FY 2026-27. This item presents the Ad Hoc's recommendation and two other options for your Board to consider.

The end of this staff report includes background on this issue and an explanation on how the recommendations and benchmarks were developed. As your Board reviews the three options below,

staff believe the most impactful decision points for your Board include:

- Whether to continue funding the 4.0 Full-Time Equivalent (FTE) DHHS MIST positions allocated in fiscal year (FY) 2022-23. These four positions represent an estimated \$425,000 in expenses in FY 2024-25, and up to \$468,000 by FY 2026-27.
- Consider fully funding small county departments (those with 4.0 FTE or fewer).
- Consider increasing or reducing allocations to individual county departments.
- Consider increasing or reducing allocations to outside agencies, or to include other agencies in the allocation formula.

Option 1 (Retain all staff, cap funding for larger departments)

This is the Ad Hoc's recommendation. This option would retain all 83 county positions currently allocated to Measure Z, which includes 8 of the 16 new county positions allocated in FY 2022-23. Specifically, this retains 4.0 FTE positions for the Public Works brush cutting project, and 4.0 FTE for the DHHS MIST team, as well as all of the positions allocated through FY 2021-22. This option does not provide full funding for departments with more than 4.0 FTE, and fully funds departments with 4.0 FTE or fewer. While larger departments have more ability to make up funding shortages through vacancies, the reasoning for fully funding smaller departments is because small departments have less flexibility to utilize staffing vacancies.

Funding impact:

- Total allocation to county departments: \$11.26 million in FY 2024-25, growing to \$11.37 million by FY 2026-27.
- Revenue estimated at \$12.5 million: County allocations utilizing 90.15% of available funding in FY 2024-25, growing to 90.82% by FY 2026-27.
- Does it meet 80% of ongoing revenue: No. Sales tax revenue would need to increase by \$1.58 million, or \$14.1 million total next year.
- Does it meet 70% of all available: No. Sales tax revenue and fund balance would need to increase by \$3.6 million, or \$16.1 million total next year.

In this scenario, departments would experience a total estimated shortage of funding in the amount of \$198,236 in FY 2024-25, or between 1% and 4% for each department with more than 4.0 FTE. This shortage would need to be made up either through reduction of expenditures (likely through vacancies), transferring expenditures to other budget units, or by identifying funding from other sources. Left unchanged, departments would be short by a total of \$1.25 million, or 9.9% of expected need by the end of FY 2026-27.

Outside agencies: This scenario would provide a base allocation of \$1.23 million to outside agencies, reducing down each year to \$1.15 million by FY 2026-27, with a conservative assumption that revenues do not increase. The agencies that received funding in FY 2023-24 would continue to receive funding, with the allocation to fire reducing slightly each year to fund salary increases for small county departments. Any revenue above \$12.5 million would be available for outside agencies and projects not involving additional county staff, with recommendations to be provided by the Measure Z Committee.

Future potential: While this option would continue allocating staff at current levels, it would also provide extra time for the county to make adjustments to reduce the burden on Measure Z, without reducing services. For example, staff could continue to pursue state or federal funding for MIST services and/or the roads brush cutting project, and if successful, that funding could potentially replace Measure Z. Similarly, your Board is considering placing a revenue measure for roads and general services. If passed by voters, your Board could consider funding the brush cutting project with that new revenue source, again reducing the burden on Measure Z.

Option 2 (Deallocate MIST Staff)

This option would deallocate the remaining 4.0 FTE DHHS MIST positions that were allocated in FY 2022-23, retain 4.0 FTE positions for the Public Works brush cutting project, as well as all of the positions originally allocated through FY 2021-22. It would reduce the total county Measure Z FTE from 83 to 79. As with Option 1, this scenario would fully fund departments with 4.0 FTE or fewer and caps funding for larger departments leaving an anticipated shortage in funding.

Funding impact:

- Total allocation to county departments: \$10.83 million in FY 2024-25, growing to \$10.91 million by FY 2026-27.
- Revenue estimated at \$12.5 million: County allocations utilizing 86.65% of available funding in FY 2024-25, growing to 87.30% by FY 2026-27.
- Does it meet 80% of ongoing revenue: No. Sales tax revenue would need to increase by \$1.03 million, or \$13.5 million total.
- Does it meet 70% of all available funding: No. Sales tax revenue and fund balance would need to increase by \$2.9 million, or \$15.4 million total.

In this scenario, departments would experience a total shortage of funding in the amount of \$170,000 in FY 2024-25, or between 1% and 4% for departments with more than 4.0 FTE. This shortage would need to be made up either through reduction of expenditures (likely through staffing vacancies), transferring expenditures to other budget units, or by identifying funding from other sources. Left unchanged, departments would be short by a total of \$1.17 million, or 9.7% of expected need by the end of the plan period.

Outside agencies: This scenario would provide a base allocation of \$1.67 million to outside agencies in FY 2024-25, decreasing each year to \$1.58 million in FY 2026-27. The agencies that received funding in FY 2023-24 would continue to receive funding. The Fire Chiefs Association would receive significantly more funding than the current year, though it reduces each year to fund cost increases for small county departments. As the Fire Chief allocation is the largest of any outside agency in this scenario, should your Board desire, there may be opportunity to reallocate a portion of this funding to another agency. As with Option #1, any revenue above \$12.5 million could be dedicated for outside agencies and projects not involving additional county staff, with recommendations to be provided by the Measure Z Committee.

Future potential: This option would move the county towards the Measure Z Committee's recommendations more quickly than Option #1. Any deallocated staffing positions would be reassigned within DHHS. In addition, if the county were to establish additional local, state or federal revenue there is potential that existing Measure Z projects like the Public Works brush cutting project could be funded with those revenue sources, further reducing the county's share of Measure Z allocations.

Option 3 (Status quo)

This option would retain all 83 county positions currently funded by Measure Z, including the 4.0 FTE Public Works brush cutting crew and the 4.0 FTE DHHS MIST Team. The county would continue allocating funding to the seven departments that have staff funded by Measure Z, and allocations would be based on total need, which includes salaries, benefits and central costs.

Funding impact:

- Total allocation to county departments: Variable. Projected at \$11.45 million in FY 2024-25, increasing to \$12.02 million in FY 2025-26, and \$12.61 million in FY 2026-27.
- Revenue estimated at \$12.5 million: County allocations utilizing 91.6% of available funding in FY 2024-25, 96.1% in FY 2025-26, then exceeding 100% by FY 2026-27
- Does it meet 80% of ongoing revenue: No.
- Does it meet 70% of all available funding: No.

This scenario would continue the historical practice of Measure Z funding, which is to ensure all county staff positions are fully funded, as well as other fixed department costs. It significantly reduces funding available to outside agencies, and in FY 2026-27 county costs would exceed the \$12.5 million revenue projection.

Outside agencies: This option would provide \$1.05 million to outside agencies in FY 2024-25, reducing to \$484,000 in FY 2025-26 and zero in FY 2026-27. Following the rationale for Options 1 and 2, the agencies that receiving funding this year would receive funding again next year, though the allocation for fire is proposed at \$390,000, which is lower than their allocation in the current year. However, allocations to outside agencies would require Board input, especially in FY 2024-25 when there is little funding available.

Future potential: This option would not move the county towards the Measure Z Committee's recommendations and does not follow the Board's prior direction. However, as with the other options, as funding becomes available for existing Measure Z-funded county programs, your Board could re-purpose any associated savings.

Background

Due to recent reductions in the amount of funding available for agencies outside the county, in June your Board was presented with the Citizens' Advisory Committee on Measure Z Expenditures recommendations that your Board take action to ensure that, by FY 2026-27, no more than 70% of total annual Measure Z revenue (comprised of ongoing revenue and money left in fund balance) is

allocated to county departments. Based on historical trends this equates to roughly 80% of ongoing Measure Z revenue derived as a result of that year’s sales activity, and excludes any unspent funding from the prior year, which typically amounts to \$1-\$2 million each year.

In FY 2022-23 the Board allocated 16 additional Measure Z positions to county departments, which, combined with reduced revenue, was a major factor in reducing the amount of funding available to outside agencies. Those positions were allocated as follows: 4.0 FTE to Public Works for a brush cutting and fire prevention; 7.0 FTE to the Department of Health & Human Services (DHHS) for two Mobile Intervention Services Teams (MIST) to work with the Sheriff’s Office on behavioral health-related calls for service; 4.0 FTE to the District Attorney’s (DA) Office for enhanced evidence and video processing; and 1.0 FTE to the County Administrative Office (CAO) for indigent defense, fire and Measure Z administration. Total salary and benefits costs for those positions were \$1.54 million. Due to feedback from the Measure Z committee, the Board deallocated 8 of these positions (3.0 from DHHS, 4.0 from the DA, and 1.0 from the CAO), reducing county salary costs by \$783,678 in FY 2022-23.

In FY 2023-24, Measure Z revenue is projected at \$12.6 million. There are 83 total county positions funded by the measure, and county allocations totaled \$11.47 million, or 91% of available revenue. Unlike prior years, due to reduced revenue and delays in closing prior fiscal years, staff projected there would be no unused funding from FY 2022-23 available in the current year.

Benchmarks for Revenues and Expenditures

In order to provide a baseline on which to measure the spending plan against the stated goals, each option below is set against what staff believe is a conservative fixed annual revenue figure of \$12.5 million over the plan period.

Because each option provides flat allocation amounts, determined by percentages of estimated available revenue, each scenario would provide revenue that does not fully cover estimated expenses for county departments, with a gap that grows each year due to increasing salary and benefits, and other program costs. To estimate expenditure costs, staff used current year staff allocations (with varieties described below) and associated salary and benefit costs, and applied a 5% annual increase, and a 5% annual increase for other costs.

To determine annual percentage allocations for county departments, staff determined the current year allocations as percentages of the available revenue and adjusted the percentages slightly for rounding and to distribute funding shortages in future years so no single department bore the brunt of reduced funding. Departments with 4.0 FTE or fewer receive full funding as they do not have the same flexibility as larger departments use vacancies to reduce expenditures.

FINANCIAL IMPACT:

Expenditures (1100, 889)	FY23-24	FY24-25 Projected	FY25-26 Projected
Budgeted Expenses	\$12.6 million	\$12.5 million	\$12.5 million

Additional Appropriation Requested			
Total Expenditures	\$12.6 million	\$12.5 million	\$12.5 million
Funding Sources (1100, 889)	FY23-24 Adopted	FY24-25 Projected*	FY25-26 Projected*
General Fund	\$12.6 million	\$12.5 million	\$12.5 million
Total Funding Sources	\$12.6 million	\$12.5 million	\$12.5 million

**Projected amounts are estimates and are subject to change.*

Narrative Explanation of Financial Impact:

The projected revenue of \$12.5 million for FY 2024-25 and FY 2025-26 are conservative and used in the scenarios described above only as a way to ensure consistent projections against targeted percentages. It is likely that revenue for the next 2 years will be higher than these figures.

Depending on the approach your Board chooses, there could be a reduction in personnel allocations, departments may not receive enough funding to fully cover staffing allocations, which may result in staffing deallocations, or county staffing positions will remain fully funded. If all positions remain allocated and fully funded, expenditures are projected to exceed \$12.6 million by FY 2026-27.

STAFFING IMPACT:

Department	Total FTE in FY 23-24
Public Defender	2
DHHS	12
District Attorney	12
Probation	6
Sheriff	46
Public Works	4
Human Resources	1
TOTAL	83

Narrative Explanation of Staffing Impact:

In FY 2023-24 there were 83 positions allocated to county departments. Of those, 8.0 FTE were added in FY 2022-23.

STRATEGIC FRAMEWORK:

This action supports the following areas of your Board’s Strategic Framework.

Core Roles: Create opportunities for improved safety and health

New Initiatives: Build interjurisdictional and regional cooperation

Strategic Plan: 4.1 - Identify synergies between all county departments and cities to increase efficiency and effectiveness

File #: 23-1456

OTHER AGENCY INVOLVEMENT:

All agencies receiving or applying for Measure Z funding

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Board discretion

ATTACHMENTS:

1. Funding Projections for Options 1 and 2
2. Staffing breakdown

PREVIOUS ACTION/REFERRAL:

Meeting of: April 25, 2023; June 6, 2023; June 27, 2023

File No.: 23-550; 23-767; 23-902