



# COUNTY OF HUMBOLDT

For the meeting of: 4/14/2020

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File #: 20-439

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**To:** Board of Supervisors

**From:** County Administrative Office

**Agenda Section:** Departmental

**SUBJECT:**

Fiscal Year 2019-20 Measure Z Year-End Projections, Fiscal Year 2020-21 Measure Z Citizens' Advisory Committee Recommendations, Measure Z Carry Forward Policy and 10-year Measure Z Revenue and Salary Forecast

**RECOMMENDATION(S):**

That the Board of Supervisors:

1. Approve the request from the Department of Health and Human Services, Social Services to carry forward Measure Z funds from fiscal year (FY) 2019-20 into FY 2020-21 to fund a software upgrade that was delayed beyond FY 2019-20;
2. Review and approve the Measure Z Carry Forward Funding Policy (Attachment I);
3. Review and provide direction on the recommendations from the Measure Z Citizens' Advisory Committee contained in Attachment II for FY 2020-21; and
4. Receive and discuss the financial forecast of Measure Z revenue and salary expenses over the next 10 years.

**SOURCE OF FUNDING:**

General Fund - Measure Z

**DISCUSSION:**

**County Requests**

The Department of Health and Human Services (DHHS) Social Services requests that your Board approve the carry forward of \$89,554 in unspent funding to complete the Structured Decision Making (SDM) software upgrade that has been delayed by the vendor until FY 2020-21. These funds were specifically allocated for a software upgrade to the SDM Intake Assessment Tool for Adult Protective Services.

**Measure Z Carry Forward Funding Policy**

The Measure Z Carry Forward Funding Policy is a set of rules for practice and procedure that provides applicants and staff with guidelines for approving carry forward requests. Measure Z funds are intended for use within the FY for which they are awarded. The county recognizes that organizations

may face unexpected challenges throughout the term of the FY that may inhibit them from spending down the awarded funds within the projected timeframe. Therefore, from time to time, county departments or outside organizations (Awardees) may be allowed to “carry forward” the total amount, or a portion, of the unused funding to the following year. The purpose of this policy is to ensure Awardees are aware of the requirements and limitations of all Measure Z funding carry forward requests and to grant the County Administrative Office the authority to approve carry forward requests.

**Fiscal Year 2020-21 Measure Z Allocations**

The Citizens’ Advisory Committee on Measure Z Expenditures is tasked with receiving public input and recommending projects, programs or activities to be funded by your Board. In total, 28 applications totaling \$7,618,316.35 were received from various county departments and outside agencies. The committee held two meetings to receive public input, solicit additional information from the applicants, and to discuss the various proposals. The committee reviewed and considered all of the qualifying applications by merit with a “yes” or “no” vote; then prioritized those with a majority “yes” vote into level one, two or three, with level one being of the highest priority. The committee then further refined the list by prioritizing applications with equal scores. Through this ranking process, the committee developed a prioritized list for your Board's consideration. The list begins with the highest priority applications, allowing for the Board to make additional allocations from the list should additional funding become available at first quarter or mid-year. The Committee’s letter of recommendation containing the prioritized list is included as Attachment II for your Board’s consideration.

An itemized list detailing all the applications received, along with a copy of the applications are included as Attachment III. In addition, all letters of support for various funding applications are contained in Attachment IV.

**FY 2020-21 Measure Z Balance Table**

<b>Estimated Year-End Balance for FY 2019-20</b>	\$ -
DHHS Social Services Carry Forward Request	\$ 89,554
Estimated Discretionary Revenue for FY 2020-21	\$ 10,994,000
	<u>\$ 11,083,554</u>
DHHS Social Services Carry Forward Request	\$ (89,554)
Estimated Ongoing Expenditures	\$ (7,888,659)
<b>Estimated Fund Balance Available for Allocation</b>	<u>\$ 3,105,341</u>

\*if carry forward request is approved

There is an estimated \$10.9 million in revenue available for allocation in FY 2020-21, with \$7.88 million estimated for ongoing expenditures and \$3,105,341 available for allocation at your Board’s

discretion. Staff recommend that your Board review the Committee's list of recommendations and the funding applications and provide direction on which Measure Z requests will receive funding in FY 2020-21. The Citizens' Advisory Committee's list ranks the 28 funding applications, totaling \$7,618,316.35. Accordingly, this requires your Board select which applications will receive funding in the upcoming fiscal year. Staff recommend that your Board utilize the priority level established by the Committee to make this selection.

### **Measure Z 10-Year Revenue and Salary Forecast**

On Nov. 19, 2019, the Measure Z Citizens' Advisory Committee submitted a letter to your Board, expressing concerns related to ongoing funding and allocation trends (Attachment V). On Dec. 10, 2019 staff brought an analysis of ongoing salary and benefit (S&B) costs of Measure Z funded positions to your Board for discussion. Your Board directed staff to work with the Sheriff, Chief Probation Officer and District Attorney to discuss a long-term plan and bring options back to the Board. Measure Z revenue projections through fiscal year 2029-30 were calculated based on sales tax projections by Hinderliter, de Llamas & Associates (HdL), and compared to ongoing S&B costs (Attachment VI). While projections indicate that in-county S&B expenditures will not exceed available revenues in the foreseeable future, the workgroup identified several strategies to increase availability of funds in future years. The workgroup has committed to implementing the following strategies:

- Moving vacancies to Measure Z positions when possible
- Staffing Measure Z positions with low-step employees
- Moving positions likely to accrue overtime out of Measure Z
- Capping Measure Z personnel allocations at current levels (no new staffing requests from county departments for the foreseeable future)
- Providing an annual Measure Z forecast and update to your Board

Additionally, the workgroup identified a strategy that would require approval from your Board; this strategy is not recommended however, as this would interfere with General Fund allocations to other county departments.

- Capping Measure Z expenditures at FY 2020-21 budget totals, with the General Fund absorbing ongoing increased costs.

It should be noted that when Measure Z was originally enacted, it was a clear intention of your Board that these projects would in no way impact the General Fund, as the General Fund was unable to absorb additional costs. Measure Z was designed to address a shortfall in public safety and essential services, and diverting any of the current Measure Z obligations to the General Fund may impact the ability of the General Fund to continue with current service levels in future fiscal years.

### **FINANCIAL IMPACT:**

Based on the HdL revenue and salary expenditure projections included in Attachment VI, the financial impact of capping ongoing expenditures from the Measure Z Fund and using General Fund dollars to absorb those costs would be \$15,098,713 over ten years. As the long-term economic impacts of the cannabis industry and COVID-19 pandemic remain unknown, staff will continue to monitor Measure Z

revenues and provide your Board with updated projections annually.

There is currently a total of \$3,105,341 in estimated Measure Z revenue available for allocation in FY 2020-21. However, revised HdL sales tax projections received on April 8, 2020 forecast a 1.6% decrease in state sales tax revenues for FY 2020-21, which would result in a decrease of \$175,904 in Measure Z revenue. On March 30, Governor Newsom signed an Executive Order allowing the California Department of Tax and Fee Administration (CDTFA) to offer a 90-day extension for sales, use and transactions tax returns and tax payments for all businesses filing a return for less than \$1 million in tax liability.

In addition to the 90-Day Sales Tax Extension Plan, small business taxpayers will be able to enter into a 12-month, interest-free, Installment Plan Agreement (IPA) for up to \$50,000 of sales and use tax liability. Small businesses defined under this order are businesses with less than \$5 million in taxable annual sales. These state actions will likely impact Measure Z revenues. Measure Z revenues are heavily impacted by the local economy, and staff will continue to closely monitor economic trends as the COVID-19 pandemic unfolds and return to your Board with a more detailed analysis at third quarter.

STRATEGIC FRAMEWORK:

This action supports your Board's Strategic Framework by creating opportunities for improved safety and health, protecting vulnerable populations, and enforcing laws and regulations to protect vulnerable populations.

OTHER AGENCY INVOLVEMENT:

None

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Board discretion

ATTACHMENTS:

1. Measure Z Carry Forward Funding Policy
2. Citizens' Advisory Committee Letter of Recommendations
3. Fiscal Year 2020-21 Applications for Measure Z Funding
4. Fiscal Year 2020-21 Funding Application Support Letters
5. Chair Ziemer Letter to Board of Supervisors
6. Measure Z Projections

PREVIOUS ACTION/REFERRAL:

Meeting of: 12/10/19

File No.: 19-1742

