



COUNTY OF HUMBOLDT

For the meeting of: 1/23/2024

File #: 24-75

To: Board of Supervisors

From: County Administrative Office

Agenda Section: Departmental

Vote Requirement: Majority

SUBJECT:

Measure Z Process for Fiscal Year 2024-25 Allocations and Ongoing Committee Role

RECOMMENDATION(S):

That the Board of Supervisors:

1. Consider the committee's recommendation to reserve unspent funding from Fiscal Year (FY) 2022-23 so it can be allocated in FY 2024-25, and provide direction on any funding allocations to take place at mid-year;
2. Adopt the Citizen Advisory Committee's recommendation to alter the Measure Z award process so that it occurs only once per year with budget adoption;
3. Adopt the committee's recommendation regarding funding a reserve account, with funding to be used when revenues are insufficient for projects in the 3-year spending plan approved by your Board on Dec. 5, 2023;
4. Adopt the committee's recommendation to seek its input regarding any potential spending plans that could be adopted after FY 2026-27; and
5. Provide further direction as to the ongoing committee role.

SOURCE OF FUNDING:

Measure Z (1100-889)

DISCUSSION:

Summary

The Citizens' Advisory Committee on Measure Z Expenditures recently weighed in on what it believes should be its role going forward, and to ensure the committee continues to play a meaningful role in the coming years it provided a series of recommendations, the two most significant of which are to make the two following changes to the annual Measure Z allocation process:

- 1) Your Board should save funding that is available from the prior, and current, fiscal years, and make it available to allocate in the upcoming year, and;

- 2) Only allocate funding once per year, with the adopted budget, rather than allocating additional funding during the year (such as the mid-year budget report).

Staff also recommends that if your Board decides to allocate funds at mid-year, that you consider allocations only to the Fire Chiefs' Association and Roads FY 2023-24 projects as these have been the highest priority, and most underfunded, in the current year. Per the committee's recommendations, staff recommends all remaining funds be held for allocation in FY 2024-25. Other recommendations from the committee are detailed below.

Background

On Dec. 5, 2023 your Board received a report from the Measure Z ad hoc, comprised of Supervisors Bushnell and Madrone, with recommendations to address concerns of the sustainability of Measure Z funding. As your Board is aware, entering the FY 2023-24 budget process, there was less than \$1 million available for allocation due to low revenue in the prior year, and increases in county positions and costs resulting in ongoing expenditures taking up a larger share of revenues. The practice of allocating funds (particularly ongoing funding) soon after projected savings were available was another factor that made it difficult in this instance for the county to adjust to the unanticipated significant drop in revenue from FY 2022-23.

In response, at the Dec. 5 meeting your Board approved a 3-year spending plan for Measure Z (Attachment 1), totaling \$12.5 million each year, that limits ongoing county expenditures and sets allocations for four agencies that are outside the county government, through FY 2026-27. This spending plan was approved after the committee recommended your Board take action to ensure that a portion of Measure Z revenue be reserved for discretionary allocation.

With the majority of ongoing funding already in place for the next 3 years, your Board at the December meeting directed staff to return with an item to discuss the ongoing role of the Citizens' Advisory Committee on Measure Z Expenditures, whose primary role is to recommend projects to be funded with Measure Z.

As your Board is aware, the committee each year reviews applications for Measure Z funding from public agencies that provide public safety and essential services in Humboldt County. In April each year, the committee provides a prioritized list of funding recommendations to your Board, as revenue allows, and in June the allocations are adopted along with the budget. Then, at mid-year staff return to your Board to allocate any unspent funds. This funding is at your Board's discretion, and historically during the mid-year report your Board has continued funding projects further down the committee's list with the aforementioned funding made available through salary savings or additional revenue.

This process, if continued, would present two issues: it would leave significantly less funding than usual for each upcoming year, and funding would be based on projections. For FY 2024-25 there would likely be less than \$1 million available for recommendation from the committee and eventual allocation by your Board, compared to roughly \$5.4 million currently available from prior year savings and additional revenue, including more than \$2 million due a change in accounting practices to accrue

revenue from July and August back to the prior year, as reported to your Board at the First Quarter Budget Report on Dec. 19.

With these considerations, this agenda item will describe potential options for the committee's future role, as well as the committee's recent actions regarding its desires for FY 2024-25 and beyond.

Recent Committee Actions

The Measure Z Committee met on Dec. 7 to hear a report of your Board's meeting and discuss the impending funding cycle. With ongoing Measure Z funding likely to be projected at roughly \$13 million, and \$12.5 million already planned for allocation (leaving roughly \$500,000 for discretionary allocation), the committee voiced concerns similar to those from your Board. Specifically, if there is to be such a relatively limited amount of funding available for allocation each year, what will be the committee's function for the next 3 years? The committee provided a series of unanimous votes regarding recommendations to change the process to fund and award Measure Z projects as follows:

Approval of 3-year spending plan

First, the committee is supportive of the decision to cap county allocations, and unanimously voted in support of the 3-year spending plan for outside agencies, which includes local fire, a Drug Task Force officer provided by City of Fortuna, and ambulance services provided by K'ima:w Medical Center and Southern Trinity Area Rescue. The committee also stated it wants to participate in the financial planning for the period after the 3-year plan is complete.

Allocate funding once per year, hold savings from prior year

Regarding future processes, the committee believes that a more risk-averse approach to the allocation process is needed in order to preserve Measure Z funds and the role of an advisory committee as promised in the measure approved by voters. The committee voted unanimously to recommend that allocations be made only once per year, with the adopted budget, and that funding not be allocated at other points of the year. In addition, the committee believes a more fiscally sound approach to allocating Measure Z going forward is to hold prior year salary savings in fund balance until the following year. This differs from the current practice in that funding for the coming year originates from future year revenue projections and estimated salary savings from the current year.

At the time of its meeting, the committee was unaware of the one-time revenue accrual but expressed a desire to rely on funding that is already available and provide minimal reliance on projected revenues. Therefore, staff believes it is likely the committee would favor holding the revenue from the accrual process, and any other prior year revenue, to be incorporated into next year's cycle.

In case of mid-year allocations, fully fund reduced applications, then move down the list

This recommendation from the committee follows prior practices. During the FY 2023-24 budget adoption process, all of the projects funded were done so at reduced levels. Attachment 2 shows the committee's final ranking sheet, the amount applicants requested, the amount of funding that was ultimately allocated to each project, and the difference between the amount requested and awarded. In total, your Board allocated \$1.2 million to four agencies, which was \$2.67 million short of their total request. It should be noted that the Fire Chiefs Association requested \$3,025,258 million and was

allocated \$566,673, or \$2.4 million less than it requested. The remaining unfunded applications are contained in the ranking sheet.

Reserve 16% of prior year funding for projects in the 3-year spending plan

This recommendation comes from the committee's desire to ensure funding is available for priority projects in years of low revenue. If your Board were to adopt this recommendation, it would be reserving 16% of \$5.4 million, or \$864,000. The committee's stated goal is to use unspent funding from prior years to build a reserve that is equivalent to 16% of annual revenue (as recommended by Government Finance Officers Association). Based on the estimated revenue for FY 2024-25, that amount would be \$2.1 million in reserves. Saving a portion of the \$5.4 million would be a significant step towards the committee's goal.

FINANCIAL IMPACT:

Expenditures (1100-197, MZ BU's)	FY23-24	FY24-25 Projected	FY25-26 Projected
Budgeted Expenses - County Departments	\$11,766,144	\$10,830,978	\$10,870,777
Budgeted Expenses - Outside Agencies	\$1,202,111	\$1,669,022	\$1,629,223
Additional Appropriation Requested	\$1 million	\$4.1 million	\$0
Total Expenditures	\$13,968,255	\$16.6 million	\$13.5 million
Funding Sources (1100-889)	FY23-24 Adopted	FY24-25 Projected*	FY25-26 Projected*
General Fund	\$12,670,255	\$13 million	\$13 million
Hold in Reserve	\$0	\$864,000	\$864,000
Use of Fund Balance - Budget	\$298,000	\$3.6 million	\$500,000
Use of Fund Balance - Mid Year	\$1 million	\$0	\$0
Total Funding Sources	\$13,968,255	\$17.5 million	\$14.4 million

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

Narrative Explanation of Financial Impact:

The chart above shows the budget in the current and upcoming fiscal years if your Board were to adopt staff recommendations. Fiscal Year 2023-24 was adopted with \$12.97 million in expenditures, funded by \$12.67 million in anticipated revenue and utilizing the small amount of fund balance anticipated to be remaining at the time of budget adoption of \$298,000. If your Board were to allocate a total of \$1 million between the Fire Chiefs Association and Roads at mid-year, there would be \$4.49 million remaining in Measure Z's fund balance and available for allocation in FY 2024-25. Further, should your Board accept the committee's recommendation to establish a reserve at 16% of the available allocation for the year, or \$5.4 million, that amount would be \$864,000 held in reserve. Initial revenue estimates for FY 2024-25 are \$13 million for Measure Z, and your Board has already proposed allocating \$12.5 million to certain projects, leaving \$500,000 of anticipated revenue available for the coming year. Based on current information and implementation of the staff recommendations, the chart above shows a total of \$4.3 million being available for allocation during the budget process in the

coming fiscal year.

STAFFING IMPACT:

Narrative Explanation of Staffing Impact:

The recommendations provided above would provide stable funding for county departments and several outside agencies for the next 3 years and provide a clear role for the Measure Z Committee's work during that time. It would also allow staff to provide more accurate revenue estimates for this vital public safety measure.

STRATEGIC FRAMEWORK:

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

Core Roles: Protect vulnerable populations

New Initiatives: Manage our resources to ensure sustainability of services

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

OTHER AGENCY INVOLVEMENT:

Citizens' Advisory Committee on Measure Z Expenditures

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Board discretion

ATTACHMENTS:

1. 3-year Measure Z Spending Plan
2. Measure Z Committee Prioritized List of Projects for FY 2023-24
3. Resolution Establishing the Measure Z Citizens' Advisory Committee

PREVIOUS ACTION/REFERRAL:

Meeting of: Dec. 5, 2023, Dec. 19, 2023

File No.: 23-1456, 23-1444