

COUNTY OF HUMBOLDT

AGENDA ITEM NO.

I-2

For the meeting of: February 07, 2017

Date: January 31, 201~~6~~⁷
To: Board of Supervisors
From: Amy S. Nilsen, County Administrative Officer *AN*
Subject: Mid-Year Budget Review for Fiscal Year (FY) 2016-17, Budget Outlook for FY 2017-18, and Recommendations for Budget Adjustments (4/5 Vote Required)

RECOMMENDATION(S):

That the Board of Supervisors:

1. Receive and file a review of the current (FY 2016-17) and projected (FY 2017-18) budget years;
2. Direct the County Administrative Office (CAO) to prepare the FY 2017-18 budget based on the following parameters:
 - a. Set departmental allocations from the General Fund to increase by 6 percent based on current year General Fund allocations;
 - b. Accept and consider requests for additional General Fund appropriations that demonstrate a potential to generate future savings, and/or support the intent of Measure S;
 - c. Refund \$1 million in excess funds in the Workers' Compensation fund (3523) to be distributed proportionately to the county funds that have contributed in previous fiscal years;

Prepared by Elishia Hayes, Senior Administrative Analyst

CAO Approval *Karen Clower*

REVIEW:

Auditor *MSM* County Counsel _____ Human Resources *DF* Other _____

TYPE OF ITEM:

☐ Consent
☒ Departmental
☐ Public Hearing
☐ Other _____

PREVIOUS ACTION/REFERRAL:

Board Order No. L-1, C-10, G-2, C-21, L-1

Meeting of 1/26/10, 6/28/16, 9/6/16, 12/13/16, 1/17/17

BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT
Upon motion of Supervisor _____
Seconded by Supervisor _____

Ayes _____
Nays _____
Abstain _____
Absent _____

SEE ACTION SUMMARY

and carried by those members present, the Board hereby approves the recommended action contained in this Board report.

Dated: _____

By: _____
Kathy Hayes, Clerk of the Board

3. Approve a refund in the current fiscal year of \$500,000 in excess fund balance in the Motor Pool fund (3500) to be distributed proportionately to the county funds that have contributed in previous fiscal years;
4. Approve the use of \$335,000 of Measure Z funding reserved for alcohol and drug services to be utilized as matching funds for the Probation Department's Proposition 47 (Prop 47) grant application, should the application be approved;
5. Allocate \$55,000 of one-time Measure Z funds to the CAO-Information Technology (IT) Team, with the support of the Sheriff and Office of Emergency Services (OES), for the purpose of conducting a radio systems needs evaluation to address public safety concerns;
6. Approve the revised use of unspent Measure Z funding totaling \$35,000 for the Arcata Police Department to be used for the purchase of a vehicle for diversion counselors to travel between the schools;
7. Approve the revised use of unspent Measure Z funding totaling \$5,000 for the City of Rio Dell to be used for training and/or code enforcement activities;
8. Approve the revised use of the Measure Z allocation totaling \$77,250 for the City of Blue Lake to pay an equivalent portion of the current contract between the City of Blue Lake and the Sheriff's Office;
9. Roll any remaining unallocated Measure Z funds from FY 2016-17 to FY 2017-18 for recommended distribution by the Citizens' Advisory Committee for a combination of one-time and ongoing expenditures;
10. Approve the list of budget adjustments shown on Attachment III and authorize CAO staff to make any technical corrections necessary to effectuate the Board's direction (4/5 vote required);
11. Unfreeze a 1.0 full-time equivalent (FTE) Deputy Planning Director (job class 0315, salary range 511) in Current Planning (1100-277);
12. Reallocate a .50 FTE Parent Partner I in Mental Health (1170-424) to a 1.0 FTE Parent Partner I (job class 0578A, position 03, salary range 279);
13. Allocate a 1.0 FTE Supervising Mental Health Clinician (job class 0916, salary range 476) to Mental Health (1170-424);
14. Allocate a 1.0 FTE Substance Abuse Counselor I (job class 0491A, salary range 342) to Mental Health (1170-424);
15. Allocate a 1.0 FTE Supervising Mental Health Clinician (job class 0916, salary 476) to Alcohol and Other Drugs (AOD) (1180-425);
16. Allocate a 1.0 FTE Public Health Microbiologist Trainee (job class 0525, salary range 374) to Public Health Laboratory (1175-435);

17. Direct staff to develop a policy and incorporate an annual departmental contribution to Public Agency Retirement Services (PARS) ranging from .25 percent up to 2 percent of salaries, depending on funding availability, into FY 2017-18 budget development;
18. Approve reserving excess revenue in FY 2017-18 for Measure S related expenditures such as enforcement and implementation of the county's medical marijuana land use ordinance; and
19. Provide additional direction to staff as appropriate.

SOURCE OF FUNDING: All County Funds

DISCUSSION:

The CAO undertakes a mid-year financial review each year. The mid-year review serves the dual purpose of monitoring the county's financial status for the current fiscal year and providing staff, your Board, and the public with a preview of the county's financial status going into the next budget year. This report has been divided into four key sections: a review of the financial condition in various county funds as of Dec. 31, 2016; a brief overview of the factors which may affect that financial condition heading into the next fiscal year; policy responses staff recommends that your Board consider in light of the county's current or projected financial condition; and a schedule for preparing the county budget for the fiscal year beginning July 1, 2017.

Review of Mid-Year Financial Condition for FY 2016-17

This review covers only the largest county funds and smaller funds with negative balances. Other funds not mentioned appear to be on track, as of Dec. 31, 2016, to end this fiscal year in a positive cash position as budgeted.

1100 – General Fund

The fund containing the majority of county programs is the General Fund. This fund is the source of discretionary money derived from local revenue sources such as property tax and is available to be spent on local needs. As stated in the First Quarter Budget Report for FY 2016-17, the General Fund began FY 2016-17 with a positive fund balance of \$11.2 million, this included \$1.5 million of Measure Z funding.

The FY 2016-17 budget was adopted with a \$4.9 million planned

1100 - General Fund	
FY 2015-16 Year-End Fund Balance	11,224,480
FY 2016-17 Adopted Revenue	118,017,810
1st Qtr Board approved revenue adjustments	83,000
Additional Measure Z revenue	270,000
Additional property, sales and other tax revenue	1,425,686
Cannabis Excise Tax	371,980
Motor Pool refund	241,241
Proposition 172 Revenue	(1,260,239)
	<u>1,131,668</u>
FY 2016-17 Adopted Expenditures	(122,932,981)
Board approved expenditure adjustments	(2,268,450)
Board approved Measure Z expenditures - 9/6/16 and 1st Qtr	(775,520)
Unused Measure Z	360,000
Expenditures (over)/under budget	368,754
Recommended Contribution to Contingencies	(371,980)
Recommended Additional mid-year expenses	<u>(241,241)</u>
	(2,928,437)
Net Costs	(6,711,940)
Estimated FY 2016-17 Year-End Fund Balance	4,512,540
**\$965,000 of fund balance includes Measure Z	

spend-down of this balance. Since budget adoption there have been additional Board approved expenditure adjustments of \$2.2 million, partially offset by revenue in the General Fund. These additional costs were primarily for one-time investments in contributions to capital and Americans with Disabilities Act projects, the PARS Post-Employment Benefits Trust Program and a contribution to the General Reserve for FY 2017-18. In addition, unallocated Measure Z revenues and expenditure savings from prior fiscal years were carried forward, which allowed for additional Measure Z allocations totaling \$775,520. These costs increased the spend-down of the fund balance to \$7.9 million, leaving an estimated year-end General Fund balance of \$3.3 million.

As identified by departmental mid-year reviews, General Fund net costs through June 30, 2017 show expenditures exceeding revenues by \$6.71 million instead of \$7.9 million. This positive news is primarily due to sales and property tax revenues that are anticipated to be \$1.4 million higher than budgeted. However, this is offset by an anticipated reduction in Proposition 172 (Prop 172) revenues of \$1.2 million. Departmental expenditures are estimated to be \$368,754 under budget. A large portion of this savings is due to salary savings in the Probation Department due to the time associated with the recruitment of qualified personnel. Additionally, Measure Z revenue is anticipated to be \$270,000 higher than budgeted, with expenditures being \$360,000 under budget.

In estimating the potential revenue to be received from Measure S, the Commercial Cannabis Cultivation tax, staff based their analysis on the issuance of 400 medical cannabis cultivation permits. As of Jan. 19, 2017 a total of 13 medical marijuana permits have been issued. This represents approximately 289,060 square feet of outdoor farms, 18,960 square feet of mixed light, and 15,000 square feet in indoor farms. Therefore, the estimated revenue from Measure S is \$371,980 for FY 2016-17. A recommendation is contained on page 18 to move this revenue to contingencies for future use to complete a required Environmental Impact Report (EIR). Until the EIR is completed, the county has limited ability to regulate commercial cannabis as well as continue to accept applications for permits.

The Motor Pool fund is required to refund \$500,000. The California State Controller completed a review of the county's cost allocation plan and issued an audit finding which included the Motor Pool fund, citing that there is an excessive fund balance due to overcharging departments. The \$500,000 refund will be dispersed proportionately to contributing departments. This refund will result in \$241,241 of revenue to the General Fund.

The Clerk-Recorder per Government Code (GC) Section 27300 et seq., is required to establish a social security number truncation program in order to create a public record version of each official record. GC 27316 (d) (1) addresses the fee for this service by stating "In addition to all other fees authorized by this section, a county recorder may charge a fee of one dollar (\$1) for recording the first page of every instrument, paper, or notice required or permitted by law to be recorded, as authorized by each county's board of supervisors." The funds generated by this fee shall be used only by the county recorder collecting the fee for the purpose of implementing a social security number truncation program pursuant to Article 3.5 (commencing with Section 27300). The Board of Supervisors approved the collection of the truncation fee at its meeting on January 26, 2010, and the Recorder's Office started collecting the fee April 1, 2010. Records have been examined and it has been determined that the number of documents where the fee would have been collected is 165,354. As such, \$165,354 will need to be transferred from the General Fund and a recommendation for the same is contained on page 17.

The Sheriff's Office and County Counsel Code Enforcement Unit (CEU) have submitted a joint request for additional funding to be allocated for the purpose of Abandoned Vehicle Abatement. The CEU has received numerous complaints from the residents of Southern Humboldt concerning abandoned vehicles. It

has been reported that there are approximately 30 vehicles in the Shelter Cove area that require abatement. The cost is approximately \$100 per hour for a tow truck to pick up a vehicle in this region. An allocation of \$24,587 has been requested. Funding for this request is available through the Motor Pool refund.

Finally, as discussed in the First Quarter Budget Report, last November the State Controller's Office released an audit of the Board of Equalization's (BOE) accounting and administrative controls that identified many inconsistencies, indicating that the allocation of sales and use tax had been done so incorrectly, causing revenue to be deposited into the wrong accounts. The misallocations directly affected the General Fund, 1991 realignment, 2011 realignment and Prop 172. The BOE has indicated that they intend to correct their internal processes before determining the amount that was misallocated. In the meantime, because the BOE is aware they have been calculating Prop 172 true-ups incorrectly, they have temporarily stopped providing those quarterly calculations. It is anticipated that the BOE will take corrective actions by the end of this fiscal year, with reallocations taking place in FY 2017-18. At this time, it is estimated that Prop 172 revenue will be \$1.2 million less than budgeted. Staff will closely monitor Prop 172 revenues and will provide an update in the Third Quarter Budget Report.

Therefore, the year-end estimated fund balance for the General Fund is \$4.5 million, as shown in the chart on page 3. Of this balance, \$965,000 is designated for Measure Z expenditures.

Measure Z

As a result of departmental mid-year submittals, information is now available to provide a more detailed overview of Measure Z for the current fiscal year. Measure Z revenue and expenditures were adopted at \$12,102,718. On Sept. 6, 2016, your Board allocated \$175,000 to the Sheriff for the purchase of a Bearcat Rescue and Recovery Vehicle. In addition, \$600,520 was allocated through the First Quarter Budget Review to Public Works for road repairs. As reported by departments during the mid-year review, and review of invoice submittals from outside agencies, it is estimated that Measure Z expenditures will be under budget by approximately \$360,000. These unspent funds

are primarily due to a delay in recruiting and hiring qualified personnel for DHHS, Probation, the District Attorney and the Public Defender. These are not anticipated to be on-going funds to be allocated in future fiscal years as it is projected that these positions will be filled. In addition, it is also estimated that Measure Z revenues will come in over budget by \$270,000 for FY 2016-17. This funding could be used for on-going purposes.

Measure Z

FY 2016-17 Adopted Revenue	10,427,200
Measure Z Revenue Over Budget	<u>270,000</u>
Total FY 2016-17 Revenue	10,697,200

FY 2016-17 Adopted Expenditures	(12,102,718)
Additional Board approved Measure Z expenditures	(775,520)
Measure Z Expenditures Under Budget	<u>360,000</u>
Total FY 2016-17 Expenditures	(12,518,238)

Net Costs	(1,821,038)
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Unspent Measure Z Funds for FY 2015-16	2,221,810
Unspent Measure Z Funds for FY 2014-15	<u>564,228</u>
	2,786,038

Unallocated Measure Z Fund Balance	965,000
Reserved for alcohol and drug care issues	<u>(335,000)</u>
Total Available for Allocation	\$ 630,000

During the First Quarter Budget Report presented to your Board on Nov. 15, 2016, your Board reserved \$335,000 of unspent Measure Z funding in FY 2016-17 to be used to address alcohol and drug services. Your Board determined funding would be held for any proposal that addresses alcohol and drug services. The funding was not designated for any one particular agency. The Board of State and Community Corrections has released the Prop 47 Request for Proposals whereby agencies can apply for grants of up to \$1 million for rehabilitative programs that offer substance-use disorder treatment, mental health services and diversion opportunities, in conjunction with housing and job-skills training. Currently, the Probation Department, in conjunction with the Humboldt County Community Corrections Partnership (CCP), is working on a grant application that would provide funding for: five AmeriCorps case managers; funding for housing options such as the Arcata House Partnership; Serenity Inn in collaboration with Alcohol Drug Care Services; a new women's transitional house through Humboldt Recovery Center; first/last security deposits for housing rentals; tattoo removal; and transportation costs to MediCal dental appointments in Redding. In addition, the Probation Department is looking for clinical supervision support to be provided through the local medical community in order to leverage Drug MediCal dollars. Utilizing Measure Z dollars as matching funds will increase the competitiveness of this proposal. Therefore, the Probation Department is requesting the \$335,000 to be used as grant matching dollars (recommendation 4 on page 2).

In addition, the CAO IT Division submitted an application for funding totaling \$157,000 to enhance technology and communications equipment, as well as software to support county public safety. IT has requested, with support from the Sheriff and OES, to approve a partial allocation of \$55,000 (recommendation 5 on page 2) to complete the critical first phase of a radio systems needs evaluation. An application for this funding was submitted through the normal Measure Z channels and is also contained on the Citizens' Advisory Committees list of secondary recommendations which are meant to be considered in the event that funds remain unallocated during the mid-year review. Currently there are "dark areas" around the county where emergency personnel, such as Sheriff Deputies, have no radio connectivity. Radio communication when in remote areas of Humboldt County is critical to the operations of public safety officers. In addition, developing a solution to provide connectivity to the "dark areas" will enhance the Emergency Warning System, allowing for more effective transmission of tsunami and other emergency warnings.

Both Arcata Police Department (APD) and the City of Rio Dell were awarded Measure Z funding for costs associated with staffing and now have salary savings. These cities are requesting to use their allocated Measure Z funds for other purposes. APD was allocated \$328,937 for costs associated with staffing one Student Resource Officer and two Juvenile Probation Diversion positions to directly serve K-12th grade students and families. APD's request is to utilize the unspent funding totaling \$35,000 (recommendation 6 on page 2), to purchase a vehicle for the diversion counselors to travel between the schools. The City of Rio Dell was allocated \$35,569 to fund a clerical position. The original intent was to utilize staff already employed with the city but instead they hired a part-time employee. Due to delays in this hiring process, the City of Rio Dell is anticipating \$5,000 (recommendation 7 on page 2) in savings and requests the funding for either training and/or code enforcement activities. It should be noted that this information was presented to the Citizens' Advisory Committee (CAC) at the meeting of Jan. 26, 2017 and the committee was not supportive of utilizing funding for activities that were beyond the scope of the original funding application.

Measure Z allocations were approved for the City of Blue Lake and the City of Trinidad through the budget adoption process. The City of Blue Lake was allocated \$77,250 for a half-time deputy, and the City of Trinidad was also allocated \$73,317 for a half-time deputy. Deputy services are provided to both cities through the Sheriff's Office. Due to vacancies in the Sheriff's Office, the length of time for recruitment and

training of new deputies, and the difficulty with passing a background investigation, the Sheriff has been unable to proceed with the execution of a contract with the cities.

The City of Blue Lake submitted a formal proposal (Attachment I), noting the desire to maximize the use of funds, maintain the integrity of the original intent of the application and to create an opportunity to leverage funds in the most effective manner. The proposal is to utilize the allocated funding to pay for a portion of the city's current or upcoming 2017 contract with the Sheriff's Office (recommendation 8 on page 2). The city currently pays \$313,403 for deputy services, which includes a 6 percent contract increase of \$17,740 for 2016. This equals 31 percent of the city's general fund revenue, in a budget that has a 15 percent deficit. Utilizing Measure Z will ensure Blue Lake can continue to provide the means to address crime and is in line with the original request.

The City of Trinidad was also invited to submit a supplemental proposal of its own, however it was unable to formulate a proposal in time for mid-year. The city anticipates submitting a request later in the year.

The year-end estimated balance of unspent Measure Z funding totals \$630,000, as shown in the chart on page 5. This report contains a recommendation to fund an additional \$55,000 for a radio systems need evaluation. If your Board approves that request, the year-end estimated balance of unspent Measure Z funding will total \$575,000.

Therefore, the CAO recommends the following:

- Allocate \$55,000 of one-time Measure Z funds to the CAO-IT Division, with support from the Sheriff and OES, for the purpose of conducting a radio systems needs evaluation to address public safety concerns;
- Allocate \$335,000 for alcohol and drug services to be utilized as matching funds for the Probation Departments Prop 47 grant funding application, should this application be approved;
- Approve the revised use of unspent Measure Z funding totaling \$35,000 for the Arcata Police Department to be used for the purchase of a vehicle for diversion counselors to travel between the schools;
- Approve the revised use of unspent Measure Z funding totaling \$5,000 for the City of Rio Dell to be used for training and/or code enforcement activities;
- Approve the revised use of the Measure Z allocation totaling \$77,250 for the City of Blue Lake to pay an equivalent portion of the current contract between the City of Blue Lake and the Sheriff's Office; and
- Roll any remaining unallocated Measure Z funds from FY 2016-17 to FY 2017-18 for recommended distribution by the Citizens' Advisory Committee for a combination of one-time and ongoing expenditures;

Should your Board prefer to allocate the remaining \$630,000 (or \$575,000 if the above recommendations are approved) in unspent Measure Z funding in FY 2016-17, available for your consideration is the CAC recommended Measure Z expenditures, broken down by primary and secondary recommendations (Attachment II). The following is an itemized list of the CAC recommendations for primary expenditures that were reduced and secondary expenditures that were not funded:

- A. \$392,855 of the Humboldt County Fire Chief's Association application was reduced in the adopted budget. This funding request is for equipment such as fire engines, metal building kits and

protective equipment, as well as dispatch services and efforts to improve sustainability. This funding request is on the primary list of recommendations.

- B. \$100,000 of the City of Arcata Police Department application was reduced in the adopted budget as one Senior Resource Officer position was eliminated from the funding allocation. This funding is on the primary list of recommendations.
- C. \$399,480 of Public Works application was reduced by the committee. This funding is for chip sealing and slurry sealing county roads. The remaining balance was identified by the committee as a secondary recommendation with first priority if any additional funding was available.
- D. \$17,654 of the City of Ferndale Police Department application was not initially recommended by the committee, however your Board opted to fund half of this request in the adopted budget, leaving \$17,654 unfunded. This request is of higher priority on the list of secondary recommendations and is for public safety radio repeater upgrades to link Ferndale, Fortuna and Rio Dell Police Departments.
- E. \$73,325 for the City of Rio Dell Police Department application for one full-time community services officer. This full request remains unfunded and is of higher priority on the secondary list of recommendations.
- F. \$157,000 for the County Administrative Office application to enhance technology and communications equipment, as well as software to support county public safety. This full request remains unfunded and is on the secondary list of recommendations, with no priority specified.
- G. \$215,000 for the Yurok Tribe Department of Public Safety for support of the upriver volunteer fire department including equipment, training, staff and environmental clean-up. This funding is on the secondary list of recommendations with no priority specified.

Fund Balances in Other Funds

Health & Human Services Funds

The Department of Health and Human Services (DHHS) administers six budgeted funds. DHHS began this fiscal year with an overall departmental fund balance of \$14 million. All funds remain on budget with the exception of the Mental Health (MH) fund with a projection that expenditures will exceed revenues by \$101,518, leaving an estimated negative fund balance of (\$3.5 million). As noted in the First Quarter report, efforts to reduce or eliminate negative fund balance for DHHS-MH have been difficult due to the delay between when services are paid for and when federal reimbursement is ultimately received. This delay is caused by the claims settlement process which can take multiple fiscal years to reach completion. While DHHS-MH staff have worked diligently to reduce the claim submission timeframe and have also experienced significant reductions in the number of claim denials, the negative fund balance continues to be of concern and is being monitored closely.

1120 – Economic Development Fund

Budgeted revenues and expenditures remain on target through mid-year. The Economic Development Fund (EDF) ended FY 2015-16 with a negative fund balance of (\$181,163). The fund balance that EDF ended with in FY 2014-15 was a positive \$3,566. The negative fund balance had been offset by the advance receipt of grant funding from the Workforce Innovation and Opportunity Act and was anticipated to return to a negative balance. This negative fund balance has existed since before the EDF became part of the County Administrative Office, and most likely will need to be covered by the Economic Set-Aside Trust Fund.

1200 – Roads Fund

The Roads fund began the fiscal year with a fund balance of \$4.3 million. Projections for FY 2016-17 year end show that expenditures will exceed revenues by \$2,862,391, reducing the fund balance to \$1.4 million.

As noted in the 5 Year Financial Forecast that came before your Board on Jan. 24, the Road fund has developed a structural deficit due to reductions in gas prices, thereby reducing gas tax revenue. This will need to be closely monitored in the coming fiscal year to prevent a negative balance from developing.

1500 – Library Fund

The Library anticipates that expenditures will exceed revenues by \$82,198 for the current fiscal year. This is an improvement over the adopted budget where expenses exceeding revenues by \$249,538. This is due to salary savings and unanticipated Erate revenues of \$65,591. The Erate program provides discounts to assist libraries in obtaining affordable telecommunications and internet access.

3530 – Aviation Enterprise Fund

The Aviation Enterprise Fund began FY 2016-17 year with a negative fund balance of (\$545,273). The department estimates that revenues will exceed expenditures by \$182,705, reducing the negative fund balance to (\$362,538). A primary factor in reducing the negative fund balance is due to Measure Z funding. As noted in the Financial Forecast, when Measure Z sunsets in 2020 and the Aviation Enterprise Fund no longer receives the support of the General Fund, it is anticipated a structural deficit will occur. The county remains committed to maintaining a regional airport that offers commercial air service and will continue to look for solutions to ensure Aviation's long term sustainability.

Internal Service Funds

The county has 13 Internal Service funds that provide for services to other county departments including: Motor Pool; Heavy Equipment; Risk Management; Communication; Purchasing; and Information Technology. These funds ended FY 2015-16 with a combined fund balance of \$19.75 million.

Two funds, Purchased Insurance and Workers' Compensation began FY 2016-17 with a combined fund balance of \$2.44 million. In FY 2016-17, a refund of \$300,000 was issued from the Purchased Insurance and \$600,000 from the Workers' Compensation fund to county departments. The Human Resources department is recommending issuing another refund of \$1 million from the Workers' Compensation fund for FY 2017-18. These excess funds are available due to insurance reimbursements received from the Excess Insurance Authority and a payroll "true-up" for Workers' Compensation.

The Motor Pool fund is required to refund \$500,000 to county departments. The California State Controller completed a review of the county's cost allocation plan and issued an audit finding which included the Motor Pool fund, citing that there is an excessive fund balance due to overcharging departments. Staff recommends that the \$500,000 refund be dispersed evenly over contributing departments.

The Liability Fund began the fiscal year with a negative fund balance of (\$128,873). Human Resources estimates that revenues will exceed expenditures, as budgeted by \$680,429. This will bring the fund balance into the positive by an estimated \$551,556, more than \$379,000 better than budgeted. This positive movement is attributed largely to additional revenue received in response to a large court ordered settlement in the McKee/Tooby Ranch case.

The Medical Fund continues to experience a negative balance. The fund began the fiscal year with a negative balance of (\$691,986) and it is estimated that revenues will exceed expenditures by \$270,340. This positive movement is due to staff's efforts to better estimate insurance charges. In the past the premiums, debt recovery and Public Employees Retirement System (PERS) administrative fee has been underestimated and is the root cause to the negative fund balance. Human Resources continues to provide conservative estimates to ensure the balance does not further decline.

While there are funds that are in negative standing, there are others that are positive. Overall the culmination of the Internal Service Funds balance will increase by an estimated \$1.3 million over the FY 2015-16 year-end fund balance. This increase in fund balance is due to additional revenue as mentioned previously in the Liability Fund and improved cost recovery in the Medical Fund.

Section 2: Budget Outlook for Fiscal Year 2017-18

As your Board directs county staff to begin preparing a budget for next fiscal year, consideration will be paid both to the position of county funds as of mid-year (the subject of the prior section of this report) and to the potential effects of other factors, both internal and external. The primary factors to consider will be the proposed state budget, the economy and the need for long-range planning.

The Proposed State Budget

The Governor released the state's proposed budget for FY 2017-18 on Jan. 10. The real budget debate does not begin until late May after the "May Revise" is issued, reflecting state income tax receipts. Typically a large percentage of the proposals from the January release are carried forward into the May Revise. The state's total budget proposal is \$179.5 billion, with \$122.5 billion in general fund spending. General fund expenditures are projected to remain flat this year compared to 2016-17. The Governor proposes a supplemental deposit of \$1.15 billion to be put into the state's Rainy Day Fund - boosting the balance to \$7.9 billion, reaching 63 percent of its constitutional target. Revenue is down \$5.8 billion from last year's projections, which is causing a budget deficit of \$1.6 billion. There is a significant stress on preparing for the next recession, which the Department of Finance is forecasting in 2018. According to the proposed budget, with a \$27 billion deficit just a few years ago, and uncertainty at the federal level, financial restraint is required. The emphasis should be on avoiding major new and ongoing state expenditures, reducing budgetary borrowing, and reducing longer term pension and retirement debt.

The proposed budget for FY 2017-18 does contain some highlights for counties. These highlights include:

Health and Human Services

- Governor Brown's Director of Finance will discontinue the Coordinated Care Initiative and dismantle the In-Home Supportive Services (IHSS) Maintenance of Effort as of June 30, and counties will resume collective bargaining responsibilities for IHSS workers. According to estimates from the County Welfare Directors Association, this will result in \$625 million in increased county costs for the IHSS program in 2017-18. It is estimated that this change will increase expenses for county IHSS services in FY 2017-18 by \$697,000 and \$1.6 million over the next six years.
- County workers conduct Medi-Cal eligibility work on behalf of the state. As part of a budget deal in 2016, the 2017-18 budget maintains the state's commitment to fund county Medi-Cal administration activities with \$655.3 million from all funds (\$217.1 million from the state general fund).
- Continuum of Care Reform (CCR) of the state's foster and probation youth group homes went live on January 1. The budget includes \$163.2 million General Fund (\$217.3 million total funds) to continue the implementation of CCR. Counties, including Child Welfare Services, Behavioral Health services, and probation services, continue to grapple with implementing CCR. The Budget states that while progress has been made in implementing CCR, assumptions on caseload movement were revised to more accurately reflect the pace of implementation.

Transportation

The Governor's budget includes a slightly updated version of his September 2015 transportation funding proposal which is set at \$4.3 billion per year for local streets and roads. However, this amount will not be enough to stop continued deterioration of the local road network. While negotiations take place before the May revise, the Governor said he is committed to avoiding an impact on the General Fund when considering a transportation package. Of concern to your Board's constituents, the updated plan raises the gas tax from 11.7 cents to 21.5 cents and indexes it to inflation; increases the diesel excise tax by 11 cents; and imposes a \$65 per year "road improvement charge" for vehicle registration. While the Governor's proposed budget would certainly improve the Road fund, there is not yet enough detailed budget information to formulate solid estimates currently staff estimates roughly \$4.5 million in new revenue under the Governor's plan. However, there is still doubt whether a transportation package will even be completed this year.

Cannabis

Due to the recently passed Proposition 64 and Medicinal Cannabis and Regulatory Safety Act, California will be regulating and taxing cannabis for medical and recreational purposes. The budget includes \$52.2 million to fund state regulatory activities, processing of licenses and enforcement. These funds will go to the Department of Consumer Affairs (\$22.5 million), Department of Public Health (\$1 million), Department of Food & Agriculture (\$23.5 million), Board of Equalization (\$5.3 million), and the Department of Health Care Services (\$5 million).

Local Public Safety: The budget includes the following for local public safety:

- \$1.616 billion for 2011 realignment, with estimate for growth falling to \$59.1 million from \$102 million last year. This could mean lower than anticipated revenues for the Humboldt County Community Corrections Partnership to allocate for public safety needs.
- \$114.9 million for Community Corrections Performance Incentive Grants.
- \$11 million for probation departments to supervise the temporary increase in the average daily population of offenders on Post Release Community Supervision as a result of the passage of Proposition 57.
- Budget proposes to eliminate the ability to suspend drivers' licenses for failure to pay fines and penalties.

The Local Economy

Over the past year leading indicators of the local economic environment have, for the most part, shown little change. Building permits and manufacturing orders have all increased over the past year, while help wanted advertising has fallen and unemployment rates have stayed relatively stagnant. Median home prices have increased from \$255,000 in October 2015 to \$305,000 in October of 2016, with home sales declining. Mortgage rates, have decreased slightly over last year, with the average 30-year fixed rate mortgage being 3.875 percent according to Humboldt State's Economic Index report for November 2016. Gas prices have also decreased slightly with California and Eureka's average price per gallon at \$2.75 per gallon.

These steady local economic activities are supported by Beacon Economics' fall 2016 report that indicates California has stayed on course with solid economic performance. Beacon Economics reports that the California job market has been impressive over the past few years and has outdistanced the nation in terms of growth and job creation. Nearly every industry continues to add jobs, with Health Care and Social Assistance leading the way. It is noted however, that the pace has slowed over the growth experienced last year for the both the state and nation. In addition to steady job gains, Beacon Economics indicates growth in spending activity with a two percent increase in taxable sales in the first half of 2016. The housing

market has also experienced an increase in home prices but has yet to surpass the levels experienced pre-recession. Beacon Economics notes the demand for homes has been sustained by low interest rates, however it has also been impeded by limited inventories, high underwriting standards, and large down payment requirements. All in all, it is anticipated that the state economy will continue to move forward in steady fashion with growth slowing somewhat in the coming year.

Expenditure Increases for FY 2017-18

The California Public Employees' Retirement System (CalPERS) Board recently approved a reduction in the discount rate, or the percentage of expected returns on investments made by CalPERS, to occur gradually over the next three fiscal years. According to legislative representatives with California State Association of Counties (CSAC), this action was taken in an overall effort to strengthen the long-term sustainability of the retirement system. The current discount rate is 7.5 percent and will be reduced to 7.375 percent in FY 2018-19, 7.25 percent in FY 2019-20 and 7.0 percent in FY 2020-21. This phased-in approach is to ensure predictability and less volatility on county budgets as it provides ample time to prepare for the eventual drop to 7.0 percent. The reduction in the discount rate alone will increase retirement costs to the General Fund by \$678,000 in FY 2018-19 and \$1.3 million in FY 2019-20.

This reduction comes in consideration of a low-return environment that financial experts anticipate to continue over the next 10 years. Long-term low returns combined with growing pensions put the pension fund at risk of a dangerously low-funded status. As such, it was the general consensus of the employer stakeholders, including CSAC, to take action soon to ensure sustainability.

Retirement costs are estimated to increase by 11 percent, or an estimated \$1 million, for the General Fund in FY 2017-18. According to the 2017 Five Year Financial Forecast, the below increases in retirement costs to the General Fund are anticipated for the coming years:

- \$1.8 million in FY 2018-19
- \$1.7 million FY 2019-20
- \$1.79 million in FY 2020-21
- \$796,000 in FY 2021-22, at which it is estimated cost increases will stabilize

The Governor's proposed FY 2017-18 budget included elimination of the Coordinated Care Initiative citing a lack of cost effectiveness. This dismantles the county's In Home Support Services (IHSS) maintenance of effort and returns collective bargaining to the county. The county's future share of cost will be 35 percent for IHSS and is compounded by the state's recent policy changes to minimum wage, three days of sick leave, and overtime for home care workers. It is estimated that this will cost counties at least \$4.4 billion over the next six years. DHHS has estimated that if costs stayed the same as the current fiscal year, the increase for FY 2017-18 would be \$697,000 and \$1.6 million over six years. The increases in minimum wage will further increase those costs for the years to come and is certain to have a negative effect on the DHHS fund balance.

As mentioned in the First Quarter Budget Report and requiring further emphasis in mid-year are the potential costs looming in the future for Americans with Disabilities Act (ADA) improvement projects and the immense amount of deferred maintenance. Your Board signed a consent decree in August 2016 that requires the county to make significant improvements and investments to county facilities and operations. While the expenses related to this agreement are unknown at this time, it can be expected that they will be extensive and long lasting. In addition, there are several county facilities that require extensive repair

and/or rehabilitation, while other are behind on regular maintenance. The county contribution to these projects is not keeping up with costs and will require significantly more funding or other action if not addressed.

As mentioned previously, retirement costs are estimated to increase by \$1 million in FY 2017-18. Salaries are estimated to increase by \$1.2 million or 4 percent. Health insurance is anticipated to decrease by \$80,000 or 1 percent. This reduction is due to an estimated increase in health insurance costs in FY 2016-17 that did not occur. All other benefit costs, including disability and social security, will increase by \$45,000. In total, salaries and benefits are estimated to increase by \$2.14 million, or 4 percent, in the General Fund.

Currently estimated cost increases for the General Fund in FY 2017-18 include workers' compensation and liability insurance increases in the amount of \$784,130. Total known cost increases to the General Fund are \$2.9 million, or 5.3 percent over FY 2016-17.

Revenue Changes for the General Fund

In 2016 voters approved a commercial marijuana cultivation tax on the November 2016 ballot. This tax measure, known as Measure S, places a \$1 to \$3 per square foot tax on commercial cultivators, depending upon the type of grow. In parallel with Measure S, a state ballot initiative, known as Proposition 64, called for a comprehensive system to legalize nonmedical marijuana, or recreational marijuana. This ballot initiative also passed in November.

Currently, your Board is unable to pursue land use ordinance(s) related to recreational marijuana until an EIR is completed. This limits the county's ability to regulate recreational marijuana as well as continue to accept applications for commercial cannabis permits. However, currently there are approximately 2,336 commercial cannabis permits in process in the Planning and Building Department.

Staff intends on fine tuning Measure S estimates throughout FY 2017-18 as Planning and Building continue to work through processing current commercial cannabis applications. It should be noted that of the 2,336 permit applications received, only 84 of them are complete. The remaining 2,252 require a significant amount of additional information and should not at this time be considered in potential revenue projections. The first tax bills are expected to be sent out in March 2017 for the first tax installment, with the second tax installment taking place in October 2017. The Planning and Building Department anticipates the 84 completed applications to be processed by the October statement date. Estimated revenue for FY 2017-18 is \$2.2 million.

Due to federally mandated changes to depreciation calculations regarding county properties, the county is now required to use straight line depreciation. Prior to this change, the county was calculating depreciation based on usage. The useful life of an asset was determined in terms of production output, or usage, rather than years of service. Because a large majority of county properties are dilapidated and beyond their useful life, as determined by the straight line method of depreciation, many departments no longer have depreciation expense, or a dramatically reduced expense for depreciation. This mandate has caused a significant reduction in departmental A-87 charges. While this may be viewed as a benefit to the departments, it has caused a reduction of \$1.4 million in A-87 intrafund transfers to the General Fund. This loss in revenue is a direct cause of the county's deferred maintenance. As county facilities continue to go unmaintained, it can be anticipated that additional losses in revenue such as this will place a burden on the county.

It is estimated that in FY 2017-18 the General Fund will receive approximately \$444,364 in one-time revenue from an insurance refund from the Workers' Compensation fund. It is recommended that the General Fund's portion of this refund remain as discretionary revenue to cover increased expenses anticipated in FY 2017-18.

In FY 2017-18 property tax is anticipated to increase by \$1.4 million, sales tax is estimated to increase by \$1 million, and the Hotel and Motel tax and all other miscellaneous revenue is estimated to increase by \$360,000. Measure Z sales tax is estimated to increase by \$625,000, with Measure S revenue estimated at \$2.2 million. Total known revenue increases are estimated to be \$4 million, not including Measure Z revenue.

Section 3: Policy Considerations

To assist in the development of a balanced FY 2017-18 budget, staff is recommending that the Board provide direction on the issues identified below.

Humboldt County provides defined-benefit pensions to its retirees through the California Public Employees Retirement System (CalPERS). These plans are pre-funded, meaning both employer and employee make contributions during the working life of the employee and these contributions are then invested and the earnings on the funds are re-invested. If the contribution rates and investment earnings achieve their targets over the working life of the employee, there will be sufficient funds available at the employee's retirement date to pay a defined benefit over the remainder of the employee's life span. This defined benefit is calculated as a percentage based on the employee's age at retirement multiplied by the number of years worked and the employee's compensation during a specified period.

Given CalPERS is a pre-funded plan, changes to, or a failure to realize, any of the assumptions that underlie its targets for funding must be made up by adjusting employer contributions in future years. In the past decade several changes have occurred that have resulted in an unfunded liability of over \$220 million, including:

- Changes in benefit levels
- Changes in final compensation period
- The recession
- "Smoothing" period
- Reduction in assumed earnings
- Longer lives assumed.

It is in Humboldt County's interest to reduce the amount of unfunded pension liability for two reasons: 1) to improve the county's financial statements, and 2) to reduce the likelihood of annual payment amounts on the unfunded pension liability "crowding out" needed services in future periods of declining revenues. In recognition of these interests, your Board has examined options for reducing this liability. In 2012 your Board approved a reduced retirement tier from 2.7 percent at age 55 to 2.0 percent at age 55 and in 2013 the Public Employers' Pension Reform Act further reduced the retirement tier to 2.0 percent at age 62 for miscellaneous employees.

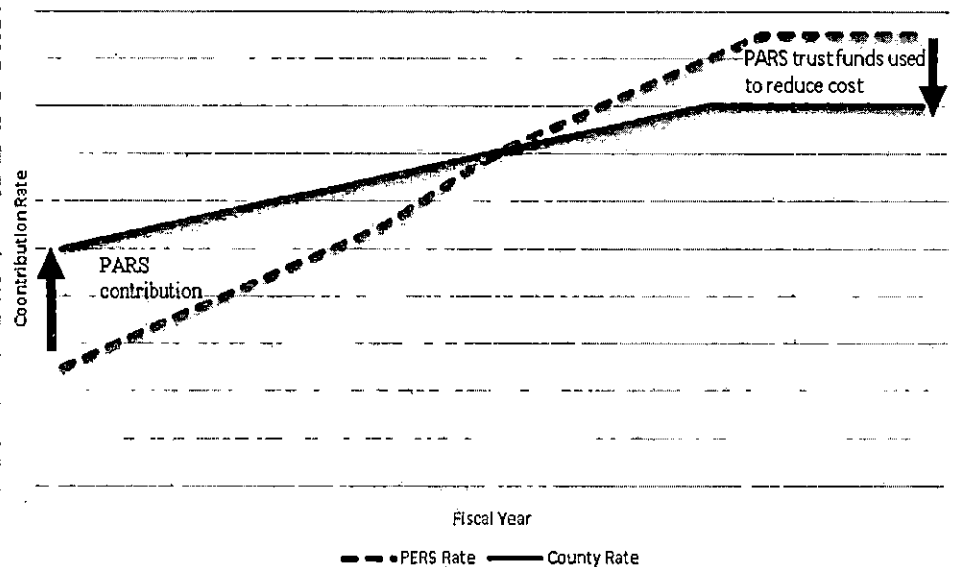
In 2016 the Board of Supervisors and bargaining groups approved county employees paying an additional three percent toward their retirement in exchange for a 3 percent raise.

Additionally, between Feb. 10, 2015 and July 21, 2015, a total of four reports were presented to your Board identifying potential solutions to address pension concerns. One such solution was establishing an irrevocable trust, also known as “Section 115” trust, based on the provision of the Internal Revenue Code that allows for their interest earnings to be tax-exempt. On Sept. 15, 2015 your Board approved a Public Agency Retirement Services (PARS) Pension Rate Stabilization Program (PRSP).

A primary advantage of placing funds into the trust account rather than holding them in fund balances for subsequent contribution to CalPERS is that investments in the trust can be made under the more flexible rules of California Government Code Section 53216.1 rather than the more restrictive rules of Government Code Section 53601. An investment in PARS has the potential of yielding a much larger rate of return than those funds held in the county’s pooled investments. An additional advantage of holding funds in trust rather than contributing an equivalent amount directly

to CalPERS is that the county retains complete control over the timing and amount of disbursements from a trust. The county also controls the timing of contributions to the trust. The combination of these features would potentially allow the county to smooth out contributions to CalPERS – contributing to the trust when the county has funds available and then using the trust to pay CalPERS when the county’s revenues decline. A final advantage of the trust approach is that assets held in the trust would directly reduce the county’s pension liability for financial reporting purposes.

Rate Stabilization



The General Fund began contributing to this PARS trust in FY 2015-16. The account balance with PARS is currently \$778,629, with an additional \$500,000 that has been allocated in the FY 2016-17, bringing the total to \$1.27 million. It is anticipated that on an annual basis during the First Quarter Budget report the CAO will continue to recommend an additional contribution to the PARS trust.

As previously mentioned in the above section titled “Expenditures Increases in FY 2017-18”, CalPERS has approved a reduction in the discount rate, to be phased in over three years from 7.5 percent to 7.0 percent. It is anticipated that this reduction, compounded with the normal increase, will increase retirement costs for the county by nearly \$6.8 million over the five fiscal years. It is further anticipated that if no significant changes to the contribution amounts were made, then the contribution rates will continue to rise until FY 2024-25. This expense will become increasingly more difficult to absorb and if the county were unable to meet the required funding contribution the unfunded liability will continue to grow and services may require cutbacks or elimination; smoothing out the contribution rates has become imperative.

A large portion of the unfunded liability is attributed to staff from departments that are not funded by the General Fund. However, the burden of the unfunded liability has in large part fallen on the General Fund and thus far all of the funds contributed to PARS have been at the expense of the General Fund. After careful contemplation, staff has concluded that it would be most equitable to share a portion of this burden with all county departments and therefore recommends an annual departmental contribution to PARS ranging from .25 percent up to 2 percent of salaries, depending on the county's financial resources.

For example, estimated salary costs for FY 2017-18 is \$122 million, a contribution to PARS of 1 percent of total payroll would be \$1.2 million. Of that, \$418,000 would be a contribution from the General Fund, with an \$809,000 contribution from other county funds. Of the \$1.2 million contribution, \$1.03 million would be for miscellaneous employees and \$191,000 for safety employees.

Contributions to PARS will help to stabilize the contribution rates set by PERS. As shown in the graph on the previous page, as the balance in the PARS trust grows and produces investment returns, those funds can be utilized to reduce the contribution rate increases, thereby reducing the effect of the contribution rate increase on the county and potentially preventing service reductions. Therefore, staff requests direction to develop a policy and incorporate an annual departmental contribution to PARS ranging from .25 percent up to 2 percent of salaries, depending on funding availability, into the FY 2017-18 budget.

Set Parameters to Guide FY 2017-18 Budget Preparation

As presented in the Five Year Financial Forecast, economic indicators for the United States, California and Humboldt County show that recovery from the recession is continuing and all indicators are that the economy will continue to grow for the next year or two. For Humboldt County, building permits issued are still below pre-recession levels as recovery continues. Historically recessions have occurred about every five years apart, with the longest period of expansion being 10 years. The current economic expansion is approaching seven and a half years, the fourth longest on record in this country. History suggests that another recession may occur during the next five year forecast period. Based on this information the CAO recommends setting departmental allocations from the General Fund to increase by 6 percent based on current year General Fund allocations. At this point, staff estimate revenues exceeding expenditures by \$370,000 or total estimated revenues of \$58.8 million and expenditures of \$58.5 million. However, as staff receives additional information from departments and continues to review revenue, these estimates may change when the third quarter budget report is presented to your Board. In addition, expenditure estimates do not include contributions to the county's long-term obligations such as ADA and deferred maintenance. There are also no considerations for any federal changes such as the repeal of the Affordable Care Act. It should be emphasized that this positive budget projection includes \$2.2 million of Measure S funding. Staff recommends reserving excess revenue for Measure S related expenditures such as enforcement and

implementation of the county's commercial medical marijuana land use ordinance. The current budget estimates for FY 2017-18 reflect an estimated year-end fund balance of \$4.8 million.

Estimated year end fund balance for FY 2016-17	4,512,540
Estimated Discretionary Revenue for FY 2017-18	58,892,353
Estimated Expenditures for FY 2017-18	(58,522,775)
Estimated year end fund balance for FY 2017-18	<u>4,882,118</u>

In addition, the CAO recommends accepting requests for additional General Fund appropriations that have the potential to demonstrate future savings and/or support the intent of Measure S (see attachment III). The funding available for requests will be dependent on updated fund balance and revenue estimates and actual budget submittals.

Approve Various Budget Adjustments

The CAO during the Mid-Year Budget Report frequently brings forward budget adjustments on behalf of departments in order to decrease the number of individual items coming to the Board, and provide time savings to departments. Most of the changes are related to increased expenditures which are offset by dedicated funding sources, special revenues or grant funding that are not available for other activities. The recommended budget adjustments requested are detailed in Attachment IV. These include:

- \$17,000 County Administrative Office (1100-103) - HdL reviews sales tax information and audits it to correct any "point of sale" distribution errors, thereby generating previously unrealized sales tax income for the county. In December 2016, HdL submitted an invoice for collecting unreported or improperly paid taxes from a large local corporation in the amount of \$17,089. This is a cost to be paid as they were able to recoup \$113,924.90 in improperly reported taxes. As this invoice is significantly more than the normal allocation for the services provided by HdL, a budget adjustment is required. While an unexpected expense, it is imperative to the proper collection of sales tax, a vital source of General Fund revenue. The adjustment of \$17,000 will be offset by additional sales tax revenues that have been realized in part by the efforts of HdL. This budget adjustment supports the Board's strategic framework by enforcing laws and regulations to protect residents.
- \$40,000 Revenue Recovery (1100-114) – To upgrade Revenue Results, also known as CUBS, collection system used by Revenue Recovery from the current DOS based system to a Windows based system. This upgrade will enhance reports, data transfers, customization, tracking and client contact to increase productivity and efficiency across all Revenue Recovery operations. Revenue Recovery is now within the Treasurer-Tax Collector's Office (TTC). This expenditure is offset by an unanticipated refund from Motor Pool. This supplemental budget supports the Board's Strategic Framework, Core Roles by providing for and maintaining infrastructure.
- \$165,354 Contribution Other (1100-199) – Per GC section 27300 and 27316 (d)(1), fees collected by the county recorder for recording the first page of every instrument, paper, or notice are to be utilized to establish a Social Security number truncation program. These revenues were received by the General Fund incorrectly over the course of almost 7 years. This unanticipated expense is offset by unanticipated revenue from Motor Pool. This supplemental budget supports the Board's Strategic Framework by providing community-appropriate levels of service.
- \$11,300 Contribution Other (1100-199) – This supplemental request is for Information Technology to purchase digital cameras for the Board of Supervisors' chambers. This will allow for more effective streaming and recording of meetings to ensure community participation and transparency. Funding for this request is available through an unanticipated refund from Motor Pool. This supplemental budget supports the Board's Strategic Framework by providing for and maintaining infrastructure
- \$24,587 Contribution Other (1100-199) – This supplemental request is for the Sheriff's Department, in conjunction with County Counsel CEU, for the purpose of vehicle abatement in the Southern

Humboldt region of the county. Funding for this request is available through the Motor Pool refund. This budget adjustment supports the Board's strategic framework by enforcing laws and regulations.

- \$371,980 Contingency Reserve (1100-990) – Transfer FY 2016-17 Cannabis Excise Tax revenue to contingencies to be reserved for the Environmental Impact Report in order for the county to continue cannabis regulations and issuance of cultivation permits. This budget adjustment supports the Board's strategic framework by enforcing laws and regulations to protect residents.
- \$75,000 Regional Facility (1100-254) – To purchase four HVAC units for the Regional Facility. Additional revenue has been realized due to out-of-county ward payments that are sufficient to cover this cost. This supplemental budget supports the Board's Strategic Framework, Core Roles by providing for and maintaining infrastructure
- (\$390,929) Medical Care (1100-490) – A supplemental budget is requested due to reduced costs as a result of delays in the planned increase of the inmate/indigent medical services contract. The time required to implement increased medical staffing levels to care for county inmates and indigent populations took longer than anticipated. This reduced expense will result in a reduction in the funding allocation from the Community Corrections Partnership. Revenue received from 2011 Realignment will be reduced accordingly. This meets the Board's Strategic Framework by protecting vulnerable populations.
- \$460,000 Headwaters Fund (1120-286) – For grant commitments for the Decade of Difference (DoD) which will allow the Humboldt County Office of Education (HCOE) to focus on a series of goals to ensure local youth the best opportunity to be prepared to enter the local workforce, as well as an increase in Headwaters Fund Board authorized mini-grants. These funds have been made available through Grant Fund (\$160,000) and Community Investment Fund (\$300,000) transfers. This meets the Board's Strategic Framework by creating opportunities for workforce development and supporting business
- \$54,839 Workforce Investment (1120-287) - The Humboldt County Workforce Development Board (WDB) has recently been certified by the California WDB as a high-performing local board. This distinction means the WDB will be given a higher priority when applying for competitive funds and as such a monetary award is being granted in the amount of \$54,839. These funds will be used to support Workforce Innovation and Opportunity Act activities. This meets the Board's Strategic Framework by creating opportunities for workforce development and supporting business
- \$34,881 TB Control (1175-419) – The State Tuberculosis (TB) Control Branch allotted the county additional funds due to increased case load totaling \$30,859, in addition the California Department of Public Health Sexually Transmitted Disease Control Board allocated one time funding in the amount of \$4,022. This funding will allow for support and treatment for active TB cases and community outreach to encourage at risk populations to be tested and treated. This supplemental budget supports the Board's Strategic Framework by creating opportunities for improved health and safety and protecting vulnerable populations.
- \$103,761 Nutrition & Physical Activity (1175-433) - The Nutrition Education and Obesity Prevention branch of the California Department of Public Health, awarded an additional grant, called the Native American Pilot Project, totaling \$75,000. In addition, the FY 2015-16 third quarter

payment for the HCOE Partnership posted in FY 2016-17. The revenue line has increased by \$28,761. These additional funds will help to identify opportunities to enhance the nutrition education, Physical activity promotion, and culturally feasible policy, systems and/or environmental change approaches. The main objective of Native American Pilot Project is to reach out to the Native American population and create programs to teach healthy eating and healthy physical activities practices. This supplemental budget supports the Board's Strategic Framework by creating opportunities for improved health and safety and protecting vulnerable populations.

- \$277,000 CARE (1175-437) - The State Office of AIDS (OA) applied for additional Federal funds to provide services to populations of people living with HIV/AIDS. The OA allocated County of Humboldt \$242,000, as the current HIV/AIDS program in Humboldt is robust. In addition, the Partnership Health Care (PHC) of California previously awarded the North Coast AIDS Project (NorCAP) funds to connect clients who are at risk or have Hepatitis C with medical providers. PHC extended the grant award and offered \$35,000 in additional funds for FY 2016-17. This supplemental budget supports the Board's Strategic Framework by creating opportunities for improved health and safety and protecting vulnerable populations.
- \$57,219 PH Preparedness & Response (1175-455) - The emergency preparedness program is funded through a combination of federal and state funding offered through the California Department of Public Health (CDPH). The overall state allocation was increased and a supplemental budget is being requested. Funds will be used to assist the Public Health laboratory perform laboratory tests for local hospitals, regional health jurisdictions and pandemic response. The lab is part of the Laboratory Response Network (LRN); the network was set up to be part of national, state, and local response to bioterrorism, outbreak, and communicable disease. This supplemental budget supports the Board's Strategic Framework by creating opportunities for improved health and safety of the community.
- \$780,500 Bicycle and Trailways Program (1710-715) - The Manila Bike Path was approved by California Transportation Commission (CTC) in December 2016, this supplemental request includes \$28,000 anticipated to be utilized in the current FY. This request also includes a supplemental for the Humboldt Bay Trail in the amount of \$752,500. This is a multi-year project and this request is needed to allow full encumbrance of a professional services agreement. The funding for the Manila Bike Path is made available through federal funds from the Department of Transportation. The Humboldt Bay Train is funded through the State Transportation Improvement fund. This supplemental budget supports the Board's Strategic Framework by providing for and maintaining infrastructure.
- \$11,300 Information Technology (3550-118) - Granicus is used to archive and stream Board of Supervisors Meetings and Planning Commission Meetings. Currently the encoder being used is more than six years old. There is a need to upgrade the Granicus System with a Granicus SDI Encoding Appliance. The upgraded encoding device requires an upgrade of current analog cameras to digital cameras for optimal picture quality. Funds will be used for the purchase and installation of digital cameras in the Board of Supervisors' chambers. This supplemental budget supports the Board's Strategic Framework by inviting civic engagement and awareness of available services.
- \$1,748 Various – A supplemental budget request is needed to effectuate the Motor Pool refund as required by the State Controller's Office for the departments who provided information on the expense to offset this revenue. As not all departments submitted information. This supplemental

budget supports the Board's Strategic Framework by providing community appropriate levels of service.

In addition, a budget adjustment is necessary to more accurately reflect expenditures; these can also be found in attachment IV.

- \$375,000 Roads – Natural Resources (1200-331) – An appropriation transfer from Roads-Engineering (1200-321) is requested as the contract for the Honeydew Bridge Replacement project is being administered in Roads-Natural Resources (1200-331). This budget adjustment supports the Board's Strategic Framework by providing for and maintaining infrastructure.

Approve Position Allocation Adjustments

Similar to budget adjustments, the CAO during the Mid-Year budget report will also bring forward position allocation adjustments on behalf of departments in order to decrease the number of individual items coming to the Board. In the Personnel Allocation Table (Attachment V) 5.5 FTE position allocations/modifications are requested, one of which is a position that is being unfrozen. This includes:

- Current Planning (1100-277) - unfreeze a 1.0 FTE Deputy Planning Director (job class 0315, salary range 511) that is currently frozen. This position will oversee the operational elements of the Planning and Building department and is the first step in a larger strategy to reorganize the department into high functioning work groups. The Deputy Director will be responsible for operationalizing new programs and procedures, maintaining accountability for achieving goals, and ensuring that the daily operations are running effectively and efficiently. Funding for this position exists due to a vacant Supervising Planner Position that will not be filled, along with cannabis revenues. This supports the Board's Strategic Framework by enforcing laws and regulations to protect residents.
- Mental Health (1170-424) - increase a 0.50 FTE to 1.0 FTE Parent Partner I (job class 0578A, position 03, salary range 279), allocate a 1.0 FTE Supervising Mental Health Clinician (job class 0916, salary range 476), allocate a 1.0 FTE Substance Abuse Counselor I (job class 0491A, salary range 342).

The increase of the Parent Partner position will expand the inclusion of family involvement in the delivery of Wraparound services. Wraparound is the key model to serving children and families with complex mental health needs, especially when the child/family is involved with multiple systems. A strong Wraparound model with appropriate support services will lead to reduced use of congregate care and increase permanent connections for youth and families within their own communities. The allocation of the Supervising Mental Health Clinician will enhance clinical oversight, training and supervision of staff. The focus of this position is intended to be the Transition-Age youth population, including direction to support the Humboldt County Transition Age Youth Collaboration (HCTAYC). The allocation of the Substance Abuse Counselor will respond to public safety risks due to unaddressed substance abuse. The focus of this position will be to address the substantial prevalence of alcohol and other drug use among youth, using age-appropriate intervention and treatment. Funding for these positions is available through a salary savings due to long-term position vacancies. These position allocations supports the Board's Strategic Framework by providing community-appropriate levels of service and by protecting vulnerable populations.

- Alcohol and Other Drugs (AOD) (1180-425) - allocate a 1.0 FTE Supervising Mental Health Clinician (job class 0916, salary 476). This position will enhance clinical oversight, training and supervision of staff. The focus of this supervising position is intended to be Dual Diagnosis Services; to coordinate

treatment services for the complex needs of clients with diagnosis of mental health and substance use disorder. Fund sources for this position include Federal block grant for Substance Abuse Prevention and Treatment, CalWORKS Mental Health and Substance Abuse allocation and Federal Financial Participation (FFP) for services to Medi-Cal beneficiaries. This position allocation supports the Board's Strategic Framework by providing community-appropriate levels of service and by protecting vulnerable populations.

- Public Health Laboratory (1175-435) - allocate a 1.0 FTE Public Health Microbiologist Trainee (job class 0525, salary range 370). At the Board of Supervisors meeting of Dec. 13, 2016 (item C-21), the Board adopted the new classification of Public Health Microbiologist Trainee. Currently the county's classification of Public Health Microbiologist I is the trainee level for the classification series. The state requires that trainees be identified as such in their job title. This position allocation will meet the requirements of the state and the modern demands of the department. Funding for this position is available through Health Preparedness funds. This position allocation supports the Board's Strategic Framework by protecting vulnerable populations.

Section 4: Budget & Fee Update Calendar

The proposed calendar for county budget development (Attachment V) provides for final adoption of the budget on June 27, 2017. The intent is to allow for adoption of the budget before the beginning of the next fiscal year.

The calendar for FY 2017-18 includes a reformat to the community outreach meeting per the direction of your Board at the meeting of Jan. 17, 2017. To reach the outlying areas of the county a meeting will be held in Northern, Southern and Eastern Humboldt. These meetings will be held on March 2nd, 6th and 9th.

FINANCIAL IMPACT:

The recommended budget adjustment will increase the overall county budget by \$2,095,540.

OTHER AGENCY INVOLVEMENT:

None.

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Recommendation 3

The Board could choose not to refund Motor Pool charges to departments. This is not recommended as the Motor Pool fund has an excess fund balance that should be returned to the contributing funds.

Recommendations 4 through 9

The Board could choose to allocate Measure Z funds in a different manner than recommended. This is not recommended as these allocations adhere to the intentions of Measure Z and the majority of the Citizens' Advisory Committee recommendation, ensuring a transparent process.

Recommendation 10

The Board could chose to not to approve some or all of the budget adjustments and require individual departments to return to the Board with separate supplemental budgets. This is not recommended as these budget adjustments support the Board's Strategic Framework.

Recommendation 11-16

The Board could chose to not to approve some or all of the personnel allocations and require individual departments to return to the Board with separate allocation requests. This is not recommended as these personnel allocations support the Board's Strategic Framework.

Recommendation 17

The Board could chose not to proceed with developing a policy to incorporate a contribution to the Public Agency Retirement Services (PARS) into FY 2017-18 budget development. This is not recommended as this would reduce the county's ability to address the increasing costs of CalPERS.

Recommendation 18

The Board could chose not to reserve excess revenue in FY 2017-18 for Measure S related expenditures such as enforcement and implementation of the county's medical marijuana land use ordinance. This is not recommended as these expenditures will allow the county to effectively manage cannabis related activities.

ATTACHMENTS:

- I. City of Blue Lake Measure Z Proposal
- II. Citizens' Advisory Committee Recommendations
- III. Commercial Marijuana Cultivation Tax Resolution
- IV. Recommended Budget Adjustments
- V. Position Allocation Table
- VI. Budget & Fee Schedule Development Calendar for 2017-18

Attachment I
City of Blue Lake Measure Z Proposal



CITY OF BLUE LAKE

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Phone 707.668.5655

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Blue Lake, CA 95525
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November 16, 2016

Humboldt County Board of Supervisors
825 5th Street
Eureka, CA 95501

Dear Board of Supervisors:

In recent meetings, the City of Blue Lake has reviewed alternative options for the use of the 2016 Measure Z Funds allocated for the City of Blue Lake with the City Council, our Public Safety Commission and the community. It is unfortunate that for the next year, the Sheriff's Office is unable to fulfill our previously approved Measure Z request of an additional ½ time deputy to help address the criminal activity in Blue Lake. In an effort to maximize the use of the funds, maintain the integrity of the original intent of the funds and to create an opportunity to utilize the funds in the most effective manner, the City of Blue Lake would like to propose the following option for the Board's consideration:

Utilize the allocated \$77,400.00 in Measure Z Funding to pay for a portion of the City's current or upcoming 2017 sheriff contract. The City currently pays \$313,403.00 for deputy services, which includes a 6% contract increase for 2016 of \$17,740.00 and is 31% of our general fund revenues. Currently, the City of Blue Lake is working with a 15% budget deficit and will likely be operating with a deficit for the next few years until we are able to rebalance our revenue streams as industry and businesses change in Blue Lake. Using Measure Z funds for Blue Lake for Sheriff deputy services will ensure that Blue Lake can continue to provide the best means to address crime in Blue Lake and is in line with our original request.

The City is committed to working with the Sheriff's Office on our crime issues. In January, the City will be hosting a presentation by the Humboldt County Sheriff Citizens on Patrol Program (SCOP) to encourage participation and to build partnership opportunities with our neighboring jurisdictions. An increase in participation in the SCOP Program will provide a long-term benefit to the Sheriff Department, the City of Blue Lake and our neighboring jurisdictions, and will allow for increase patrol services for the times that the City's deputies are off-duty.

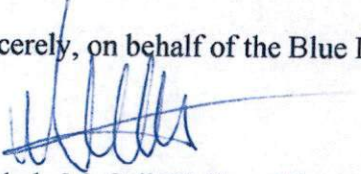
Additionally, the City through our Public Safety Commission, community volunteers and other partnerships will look at opportunities to develop mapping and assessment programs to implement additional criminal deterrents, which may include lighting installation, targeted patrols, vegetation removal to day-light problem areas, etc...

The City of Blue Lake is excited to present this proposal for your review and consideration; we feel that the opportunities listed above meet the original intentions of the funding source and continue the long-term benefits outlined in the original application's goals and objectives. We are excited to continue to build our relationship with the Sheriff Department and look forward to working with them to build additional collaborative opportunities.

Thank you for your consideration in this matter; if you have any further questions, please feel free to contact the Blue Lake City Manager, Amanda Mager, at 707-668-5655, or by email at citymanager@bluelake.ca.gov.

Thank you again; we look forward to working with you on this most worthwhile project.

Sincerely, on behalf of the Blue Lake City Council,

A handwritten signature in blue ink, appearing to read 'Michele McCall-Wallace', with a long horizontal flourish extending to the right.

Michele McCall-Wallace-Mayor

Stephen Kullmann
John Sawatzky
Jean Lynch
Adelene Jones

Attachment II
Citizens' Advisory Committee Recommendations

FY 2016-17 Measure Z Requests

Attachment II

Agency and Project	Agency Requested	Primary Citizens' Advisory Committee Recommendations	Board Recommended	Remaining Primary Citizens' Advisory Committee Recommendations	Secondary Citizens' Advisory Committee Recommendations	Board Approved 1st Quarter
Affordable Homeless Housing Alternatives, Inc.						
Sanctuary Camp - to develop and supervise a safe, legal, transitional sanctuary camp. This will provide a place for people to reside while permanent housing is being developed.	55,548	0	0	0	0	0
Tiny House Village - to establish and operate a safe, legal, transitional tiny house village.	63,933	0	0	0	0	0
Safe Parking Program - to develop and supervise a safe, legal, transitional safe parking program for one year.	55,880	0	0	0	0	0
Alcohol Drug Care Services, Inc.						
Treatment Facility - to purchase and remodel a vacant skilled nursing facility. This will allow all of the current treatment services to be in one location, expand current treatment capacity, provide new program curriculum and make more efficient use of staff.	575,000	0	0	0	0	0
Area 1 Agency on Aging						
Elder Ombudsman - to advocate for residents in long-term care settings and investigate allegations of elder abuse and neglect.	10,452	10,452	10,452	0	0	0
City Ambulance of Eureka, Inc.						
To provide every emergency response vehicle in the County with a comprehensive map book created by a professional mapping service.	9,370	0	0	0	0	0
City of Arcata Police Department/Sheriff						
Two student resource officers and two juvenile probation diversion positions to directly serve K-12th students and families in the north county. Will work collaboratively with the schools to reduce truancy and to keep juveniles out of the juvenile justice system.	428,937	428,937	328,937	100,000	0	0
City of Blue Lake						
One half time deputy sheriff.	77,250	0	77,250	0	0	0
Public Safety Education - for the design, printing and mailing of a public safety educational brochure to City residents and businesses.	1,560	0	0	0	0	0

FY 2016-17 Measure Z Requests

Attachment II

Agency and Project	Agency Requested	Primary Citizens' Advisory Committee Recommendations	Board Recommended	Remaining Primary Citizens' Advisory Committee Recommendations	Secondary Citizens' Advisory Committee Recommendations	Board Approved 1st Quarter
City of Eureka Police Department						
Two police officers, equipment and homeless support services to work with the county's Mobile Intervention Support Team (MIST) to reduce homelessness.	459,140	459,140	459,140	0	0	0
City of Ferndale Police Department						
Dispatch services for the police department.	20,200	0	0	0	0	0
Public safety radio repeater upgrade for linking the Ferndale, Fortuna and Rio Dell police departments. Patrol vehicle repeaters for the police patrol vehicles.	35,308	0	17,654	0	17,654	0
City of Fortuna Police Department						
Maintaining the current Measure Z funding for a police officer assigned to the Drug Task Force. Purchase of 27 hand held digital radios to replace worn out, aging radios currently in use.	180,665	180,665	180,665	0	0	0
City of Rio Dell Police Department						
One full time community services officer to support the mission of the City's law enforcement officers. Primary responsibilities would be code enforcement and animal control.	73,325	0	0	0	73,325	0
Continued funding for part time clerical position in the City's police department to support law enforcement, nuisance abatement and code enforcement.	33,649	0	33,649	0	33,649	0
City of Trinidad						
One full time deputy sheriff position to provide a dedicated peace officer in the Trinidad area seven days a week.	150,634	75,317	75,317	0	0	0
College of the Redwoods						
School resource officer protection services, staff to answer public safety department emergency phone line, public safety staff for the Garberville campus, maintain public safety department services, active shooter training and safety workshops, upgrade roads, curbs, parking lots and purchase and install additional emergency call box phones.	793,800	0	0	0	0	0
County Auditor-Controller						
Sr Fiscal Assistant—to assist with the increased workload as a result of Measure Z monies flowing into the county due to additional accounting and reporting duties.	49,940	0	0	0	0	0

FY 2016-17 Measure Z Requests

Attachment II

Agency and Project	Agency Requested	Primary Citizens' Advisory Committee Recommendations	Board Recommended	Remaining Primary Citizens' Advisory Committee Recommendations	Secondary Citizens' Advisory Committee Recommendations	Board Approved 1st Quarter
County Administrative Office						
To pay-down the California Public Employees Retirement System (CalPERS) accrued unfunded liability.	1,000,000	0	0	0	0	0
Information Technology for enhanced technology and communications equipment and software to support county public safety	157,000	0	0	0	157,000	0
Relocate county services to allow for the creation of two new courtrooms in the existing county courthouse.	50,000	0	0	0	0	0
For critical emergency response services in areas that are outside of existing fire service district boundaries, such as along the Highway 299 corridor.	252,855	0	252,855	0	0	0
County Counsel						
A one time allocation of funding for code enforcement abatements on parcels where the owner is either unwilling or unable to clear the violation themselves.	40,000	0	40,000	0	0	0
District Attorney						
Vehicle and mileage cost for Measure Z investigator position.	26,588	26,588	26,588	0	0	0
Fire Chief's Association						
Equipment such as used fire engines, metal building kits, personal protective equipment and fire hose. Dispatch services and efforts to improve sustainability and equity in how emergency services are supported in the County.	2,231,397	2,231,397	1,838,542	392,855	0	0
Fortuna Union High School						
One full time campus supervisor for the main Fortuna High School campus to investigate crimes, protect victims and provide a safer environment.	51,570	0	0	0	0	0
Humboldt Area Center for Harm Reduction						
Peer outreach program to promote improved public health and safety through the exchange, collection and disposal of used syringes, overdose medication, education, support and peer to peer communication with substance users.	20,000	0	0	0	0	0
Humboldt Animal Rescue Team						
Expand services to care for and find homes for more animals.	10,000	0	0	0	0	0
Humboldt Spay/Neuter Network						
Funding to offer free rabies vaccines and free spay of female pit bulls.	19,500	0	0	0	0	0

FY 2016-17 Measure Z Requests

Attachment II

Agency and Project	Agency Requested	Primary Citizens' Advisory Committee Recommendations	Board Recommended	Remaining Primary Citizens' Advisory Committee Recommendations	Secondary Citizens' Advisory Committee Recommendations	Board Approved 1st Quarter
Humboldt Waste Management Authority						
The expansion and augmentation to cover the costs associated with clean up by waiving disposal fees for illegal dumped solid waste.	40,000	40,000	40,000	0	0	0
K'IMA:W Medical Center						
The continuation of ambulance service in the Willow Creek Service area.	324,408	324,408	324,408	0	0	0
Equipment for the ambulances such as life monitors and defibrillators.	109,238	0	0	0	0	0
Public Defender						
Increase staffing levels in the Public Defender offices to correspond to staffing increases from Measure Z in the Sheriff, District Attorney and Probation departments.	629,722	0	161,047	0	0	0
Eliminate the Alternate Counsel's office and transfer staff to Public Defender and Conflict offices. Increase part-time investigator to full time.	43,346	43,346	43,346	0	0	0
Public Works						
Provide funding for chip sealing and slurry sealing county roads to prevent pavement failures and insure safer driving surfaces.	2,500,000	1,500,000	1,500,000	0	1,000,000	600,520
Identification and removal of non-hazardous and hazardous waste dumped on County property.	50,000	10,000	10,000	0	0	0
Train additional staff for mandated Aircraft Rescue and Fire Fighting services required for commercial service at ACV.	7,000	0	7,000	0	0	0
Provide funding for the portion of FAA mandated Aircraft Rescue and Fire Fighting services required for commercial service at ACV that is not covered by TSA.	140,000	0	140,000	0	0	0
Improvements to the Arcata Veterans Hall, including kitchen hood and fire suppression equipment, electrical upgrades, exterior painting and accessibility improvements.	300,000	0	0	0	0	0
Radar speed feedback signs and pedestrian countdown signals.	130,000	0	0	0	0	0
Redwood Acres						
Emergency Facility Use Plan for evaluation of the potential use of the fairgrounds during and after a regional emergency.	25,000	0	0	0	0	0

FY 2016-17 Measure Z Requests

Attachment II

Agency and Project	Agency Requested	Primary Citizens' Advisory Committee Recommendations	Board Recommended	Remaining Primary Citizens' Advisory Committee Recommendations	Secondary Citizens' Advisory Committee Recommendations	Board Approved 1st Quarter
Sheriff						
Four deputy sheriffs, one correctional lieutenant, one community services officer, one animal control officer and funding for overtime. Purchase a four 4-WD patrol vehicles and one rescue/recovery vehicle.	1,261,316	1,261,316	970,958	0	0	0
Yurok Tribe Department of Public Safety						
Support for upriver volunteer fire department including equipment, training, staff and environmental clean-up.	215,000	0	0	0	215,000	0
TOTAL	12,708,531	6,591,566	6,537,808	492,855	1,496,628	600,520

**Earmark \$335,000 for the purpose of drug and alcohol treatment

Attachment III
Commercial Marijuana Cultivation Tax Resolution

BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT, STATE OF CALIFORNIA

Certified copy of portion of proceedings, Meeting of August 9, 2016

RESOLUTION NO. 16-89

RESOLUTION PLACING THE HUMBOLDT COUNTY COMMERCIAL MARIJUANA CULTIVATION TAX ORDINANCE ON THE NOVEMBER 2016 BALLOT FOR VOTER APPROVAL

WHEREAS, on October 9, 2015, the Governor of California signed into law the Medical Marijuana Regulation and Safety Act (Senate Bill 643, Assembly Bill 266, and Assembly Bill 243), known as the MMRSA, which provides regulatory guidance for medical marijuana within the State of California; and

WHEREAS, on January 26, 2016, the Humboldt County Board of Supervisors adopted the Commercial Medical Marijuana Land Use Ordinance, Ordinance No. 2544, which provides for the location and permitting of commercial cultivation, processing, manufacturing and distribution of marijuana for medical use in the Coastal and Non-Coastal zoning districts within Humboldt County; and

WHEREAS, California Business and Professions Code Section 19348(c) allows counties to impose a tax, pursuant to existing law, on the privilege of cultivating, dispensing, producing, processing, preparing, storing, providing, donating, selling or distributing medical marijuana or medical marijuana products; and

WHEREAS, California Revenue and Taxation Code Section 7284 allows the board of supervisors of any county to impose a license tax upon each and every kind of lawful business transacted in the unincorporated areas of the county; and

WHEREAS, revenues collected on any tax imposed pursuant to California Revenue and Taxation Code Section 7284 may be reserved for specific or general local purposes as determined by the board of supervisors of the county imposing the tax; and

WHEREAS, the County of Humboldt is dedicated to protecting the environment from the negative impacts associated with illegal marijuana farms, including, without limitation, the diversion and pollution of sensitive water sources, through the enforcement of local and state laws and regulations that require commercial marijuana cultivators to protect natural resources and water quality in rivers, creeks and streams; and

WHEREAS, additional revenue will allow the County to maintain local rural ambulance services, and continue to safely protect the lives of Humboldt County residents; and

WHEREAS, additional County resources are needed to fight drug-related crimes, eliminate methamphetamine labs and provide drug prevention and rehabilitation services in Humboldt County; and

WHEREAS, additional funding sources will help the County restore and maintain protective and counseling services for the victims of child abuse and other related crimes which have been severely reduced in recent years; and

WHEREAS, additional funding will allow the County to provide children and their families with needed access to mental health services and thereby help maintain healthy family relationships in Humboldt County; and

BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT, STATE OF CALIFORNIA

Certified copy of portion of proceedings, Meeting of August 9, 2016

RESOLUTION NO. 16-89

WHEREAS, on July 19, 2016, the Humboldt County Board of Supervisors approved the "Humboldt County Commercial Marijuana Cultivation Tax Ordinance," Humboldt County Ordinance No. _____, which imposes an annual tax of \$1 per square foot of outdoor cultivation area, \$2 per square foot of mixed-light cultivation area and \$3 per square foot of indoor cultivation area for general purposes in accordance with Business and Professions Code Section 19348(c) and Revenue and Taxation Code Section 7284; and

WHEREAS, the Commercial Marijuana Cultivation Tax Ordinance imposes a general tax, and the revenues generated thereby will be placed in the County's discretionary General Fund for various County purposes, including, without limitation, the essential services and protections set forth herein; and

WHEREAS, the Commercial Marijuana Cultivation Tax Ordinance will ensure that commercial marijuana cultivators contribute to the County's efforts to protect natural resources and provide essential services to the residents of Humboldt County; and

WHEREAS, the Commercial Marijuana Cultivation Tax Ordinance will greatly benefit the people of Humboldt County by generating revenue of approximately \$7.3 million per average year; and

WHEREAS, the Commercial Marijuana Cultivation Tax Ordinance will provide the County of Humboldt with a guaranteed, locally controlled, revenue source that cannot be taken by the State of California; and

WHEREAS, the Humboldt County Board of Supervisors wishes to place the Commercial Marijuana Cultivation Tax Ordinance on the November 8, 2016 ballot for majority voter approval pursuant to California Business and Professions Code Section 19348(c), California Revenue and Taxation Code Section 7284 and California Government Code Section 53723; and

WHEREAS, upon approval by a majority of Humboldt County voters, the Commercial Marijuana Cultivation Tax Ordinance will become operative on January 1, 2017.

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

1. That all of the above recitations are true and correct; and
2. That the Commercial Marijuana Cultivation Tax Ordinance is a general tax not raised for a specific purpose, in which the revenues generated thereby will be placed in the County's discretionary General Fund for general purposes, thereby requiring a majority vote of the Humboldt County voters participating in the November 8, 2016 election; and
3. That the Commercial Marijuana Cultivation Tax Ordinance shall only apply to commercial marijuana cultivation operations located within the unincorporated territory of Humboldt County; and
4. That the Commercial Marijuana Cultivation Tax will be collected and administered by the County of Humboldt; and
5. That the Commercial Marijuana Cultivation Tax Ordinance sets a local excise tax rate structure of \$1 per square foot for outdoor cultivation area, \$2 per square foot of mixed-light cultivation area and \$3 per square foot of indoor cultivation area, as directed by the Humboldt County Board of Supervisors on June 28, 2016; and


BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT, STATE OF CALIFORNIA

Certified copy of portion of proceedings, Meeting of August 9, 2016

RESOLUTION NO. 16-89

6. That the net proceeds of the Commercial Marijuana Cultivation Tax will be used by the County for various County purposes, including, without limitation, the services and protections set forth herein, which will benefit the residents of Humboldt County; and
7. That the full text of the Commercial Marijuana Cultivation Tax Ordinance is found in Humboldt County Ordinance No. ____; and
8. That the Humboldt County Board of Supervisors hereby directs staff to take any and all actions necessary to place the Commercial Marijuana Cultivation Tax Ordinance on the ballot for the November 8, 2016 election for majority voter approval, as summarized in the ballot measure statement attached hereto as Exhibit A, and to place the full text of Humboldt County Ordinance No. ____ in the corresponding ballot pamphlet; and
9. Upon approval by a majority of Humboldt County voters participating in the November 8, 2016 election, the Commercial Marijuana Cultivation Tax Ordinance will be operative on January 1, 2017.
10. This resolution shall be effective immediately.

Dated: August 9, 2016


MARK LOVELACE, Chair
Humboldt County Board of Supervisors


Adopted on motion by Supervisor Fennell, seconded by Supervisor Sundberg, and the following vote:

AYES:	Supervisors	Sundberg, Fennell, Lovelace, Bohn, Bass
NAYS:	Supervisors	--
ABSENT:	Supervisors	--
ABSTAIN:	Supervisors	--

STATE OF CALIFORNIA)
County of Humboldt)

I, KATHY HAYES, Clerk of the Board of Supervisors, County of Humboldt, State of California, do hereby certify the foregoing to be an original made in the above-entitled matter by said Board of Supervisors at a meeting held in Eureka, California.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Seal of said Board of Supervisors.


By ANA HARTWELL
Deputy Clerk of the Board of Supervisors of the
County of Humboldt, State of California

Attachment IV
Recommended Budget Adjustments

ATTACHMENT IV

RECOMMENDED BUDGET ADJUSTMENTS

Fund	Budget	Acct #	Budget Name	Account Name	Adjustment	Reason
Supplemental Budget Revenue						
	1100	254 643103	Regional Facility	Regional Facility Cost Reimb.	\$ 75,000	Adjust for actual revenue
	1100	490 504410	Medical Care	2011 Public Safety Realignment	\$ (390,929)	Adjust for reduced expense
	1100	888 107000	General Purpose Revenue	Sales Tax	\$ 17,000	Additional sales tax HdL
	1100	888 900042	General Purpose Revenue	Cannabis Excise Tax	\$ 371,980	Additional cannabis excise tax
	1100	888 612007	General Purpose Revenue	Transfer from Motor Pool Fund	\$ 241,241	Refund from Motor Pool
				Total General Fund	\$ 314,292	
	1120	275 612007	Economic Development	Transfer from Motor Pool	\$ 171	Refund from Motor Pool
	1120	286 705026	Headwaters Fund	Grant Fund #3848	\$ 160,000	Decade of Difference and mini-grant funding
	1120	286 705029	Headwaters Fund	Income/Community Investment Fund \$3846	\$ 300,000	Decade of Difference and mini-grant funding
	1120	287 514060	Workforce Investment	State-Small Grants	\$ 54,839	Adjust for actual revenue
				Total Economic Development Fund	\$ 515,010	
	1175	419 514003	TB Control	State Aid TB Control	\$ 30,859	Adjust for additional revenue
	1175	419 631051	TB Control	Ca End STD	\$ 4,022	Adjust for grant revenue
	1175	433 510014	Nutrition & Physical Activity	Local Incentive Award LIA	\$ 103,761	Adjust for grant/revenue
	1175	437 531124	CARE NorCAP	Federal-HIV Care Consortium	\$ 242,000	Adjust for new funding source
	1175	437 707254	CARE NorCAP	Other Grants	\$ 35,000	Adjust for grant revenue
	1175	455 509050	PH Preparedness & Response	Federal Reimbursement Grant	\$ 57,219	Adjust for revenue
				Total Public Health Fund	\$ 472,861	
	1380	206 612007	Child Support Services	Transfer from Motor Pool	\$ 735	Refund from Motor Pool
				Child Support Fund	\$ 735	
	1710	715 523190	Bicycle and Trailways Programs	STIP, FAS, FAO & FAU Projects	\$ 780,500	Humboldt Bay Trail and Manila Bike Path
				Total Bicycle and trailways Program	\$ 780,500	
	3520	359 612007	Risk Management	Transfer from Motor Pool	\$ 564	Refund from Motor Pool
				County Insurance Fund	\$ 564	
	3521	151 612007	Communications	Transfer from Motor Pool	\$ 17	Refund from Motor Pool
				Communication Fund	\$ 17	
	3550	118 612007	Information Technology	Transfer from Motor Pool	\$ 177	Refund from Motor Pool
	3550	118 707080	Information Technology	General Fund Contribution	\$ 11,300	Digital Cameras
				Total Information Technology	\$ 11,477	
	3555	115 612007	Purchasing	Transfer from Motor Pool	\$ 84	Refund from Motor Pool
				Central Service Fund	\$ 84	
Total Revenue					\$ 2,095,540	

ATTACHMENT IV

RECOMMENDED BUDGET ADJUSTMENTS

Fund	Budget	Acct #	Budget Name	Account Name	Adjustment	Reason
Expenditures						
1100	103	2118	County Administrative Office	Professional Services	\$ 17,000	HdL sales tax recovery
1100	114	8965	Revenue Recovery	Computer Software	\$ 40,000	CUBS system upgrade
1100	221	2229	Sheriff	Abandoned Vehicle Removal	\$ 24,587	Vehicle Abatement
1100	199	3257	Contributions-Other	Contribution to other funds	\$ 165,354	Contribution to Records Conversion-Social Security Truncation
1100	199	3334	Contributions-Information Technolo	Contribution Other Funds	\$ 11,300	Contribution to IT for BOS chambers' digital cameras
1100	254	8279	Regional Facility	Man Lift	\$ 10,000	HVAC system for Regional Facility
1100	254	8428	Regional Facility	HVAC System	\$ 65,000	HVAC system for Regional Facility
1100	490	3171	Medical Care	Jail Medical Costs	\$ (390,929)	Adjust for reduced expense
1100	990	2010	Contingency Reserve	Contingencies Co General Fund	\$ 371,980	Reserve for EIR
Total General Fund					\$ 314,292	
1120	275	2225	Economic Development	Transportation - Out of County	\$ 171	Refund from Motor Pool
1120	286	2561	Headwaters Fund	Mini Grants	\$ 10,000	Mini-grant funding
1120	286	3109	Headwaters Fund	Grant Fund Disbursements	\$ 150,000	Decade of Difference
1120	286	3246	Headwaters Fund	CIF Grants	\$ 300,000	Decade of Difference
1120	287	3017	Workforce Investment	Small Grants Program	\$ 54,839	Adjust for revenue expenditure
Total Economic Development Fund					\$ 515,010	
1175	419	2509	TB Control	CA End STD	\$ 4,022	Adjust for grant expenditure
1175	419	2515	TB Control	St TB-Housing	\$ 30,859	Adjust for revenue expenditure
1175	433	3027	Nutrition & Physical Activity	HCOE Partnership	\$ 28,761	Adjust for revenue expenditure
1175	433	3028	Nutrition & Physical Activity	Native American Initiative	\$ 75,000	Adjust for grant expenditure
1175	437	3109	CARE NorCAP	Grand Fund Disbursements	\$ 35,000	Adjust for grant expenditure
1175	437	3479	CARE NorCAP	Care for the poor	\$ 242,000	Adjust for new funding source
1175	455	2345	PH Preparedness & Response	Lab Annex/Modular	\$ 57,219	Adjust for revenue expenditure
Total Public Health Fund					\$ 472,861	
1380	206	2125	Child Support Services	Transportation and Travel	\$ 735	Adjust for Motor Pool refund
Child Support Fund					\$ 735	
1710	715	8946	Bicycle and Trailways Program	Humboldt Bay Trail	\$ 752,500	Professional service agreement
1710	715	8947	Bicycle and Trailways Program	Manila Bike Path	\$ 28,000	Manila Bike Path
Total Bicycle and Trailways Program					\$ 780,500	
3520	359	2225	Risk Management	Transportation - Out of County	\$ 564	Adjust for Motor Pool refund
County Insurance Fund					\$ 564	
3521	151	2225	Communications	Transportation - Out of County	\$ 17	Adjust for Motor Pool refund
Communication Fund					\$ 17	
3550	118	2225	Information Technology	Transportation - Out of County	\$ 177	Adjust for Motor Pool refund
3550	118	8006	Information Technology	Computer Equipment	\$ 11,300	Digital cameras for BOS
Total Information Technology Fund					\$ 11,477	
3555	115	2118	Purchasing	Professional and Special Services	\$ 84	Adjust for Motor Pool refund
Central Service Fund					\$ 84	
Total Expenditures					\$ 2,095,540	

ATTACHMENT IV

RECOMMENDED BUDGET ADJUSTMENTS

Fund	Budget	Acct #	Budget Name	Account Name	Adjustment	Reason
Appropriation Transfers						
From:						
	1200	321	2118	Roads Engineeering	Professional & Special Services	\$ 375,000 Honeydew Bridge Replacement
				Total Roads Fund	\$ 375,000	
To:						
	1200	331	2118	Roads Natural Resources	Professional & Special Services	\$ 375,000 Honeydew Bridge Replacement
				Total Roads Fund	\$ 375,000	

Attachment V
Position Allocation Table

Personnel Allocation by Budget Unit for FY 2016-17

Attachment V

BUDGET		SALARY	FY 2015-16	FISCAL YEAR 2016-17		
UNIT	TYPE CLASSIFICATION NO./TITLE	RANGE	YEAR-END	BOARD	MID-YEAR	YEAR-END
		1/1/2017	AUTHORIZED	ADOPTED	ADJUSTED	AUTHORIZED
277 CURRENT PLANNING						
FT	130 SENIOR OFFICE ASSISTANT (37.5 HR)	321	1.00	1.00	0.00	1.00
F0	315 DEPUTY PLANNING DIRECTOR	511	0.00	0.00	1.00	1.00
FT	328 PLANNING TECHNICIAN I/II (37.5 HR)	337/351	2.00	2.00	0.00	2.00
FT	608 BUSINESS MANAGER	446	1.00	1.00	0.00	1.00
FT	619 DEVELOPMENT ASSISTANCE MANAGER	493	1.00	1.00	0.00	1.00
FT	626 ADMINISTRATIVE ANALYST I/II	379/412	2.00	1.00	0.00	1.00
FT	630 SENIOR PLANNER (37.5 HR)	433	5.00	5.00	0.00	5.00
FT	631 PLANNER I/II (37.5 HR)	369/396	6.00	3.00	0.00	3.00
FT	681 SUPERVISING PLANNER	474	1.00	1.00	0.00	1.00
FT	832 DIRECTOR OF PLANNING & BUILDING	*	1.00	1.00	0.00	1.00
FT	180 OFFICE ASSISTANT I/II (37.5 HR)	255/286	1.00	0.00	0.00	0.00
FUNDED POSITIONS			21.00	16.00	1.00	17.00
F0	315 DEPUTY PLANNING DIRECTOR	511	1.00	1.00	-1.00	0.00
POSITIONS FROZEN INDEFINITELY			1.00	1.00	-1.00	0.00
TOTAL POSITIONS ALLOCATED			22.00	17.00	0.00	17.00
424 MENTAL HEALTH						
FT	117 BUDGET SPECIALIST	446	1.00	1.00	0.00	1.00
FT	122 OFFICE SERVICES SUPERVISOR	370	2.00	2.00	0.00	2.00
FT	124 SENIOR FISCAL ASSISTANT	347	7.00	7.00	0.00	7.00
FT	135 SENIOR OFFICE ASSISTANT	334	1.00	1.00	0.00	1.00
FT	164 ADMINISTRATIVE SECRETARY	337	1.00	1.00	0.00	1.00
FT	166 ADMINISTRATIVE SECRETARY (MC)	363	3.00	3.00	0.00	3.00
FT	167 EXECUTIVE SECRETARY (MC)	382	1.00	1.00	0.00	1.00
FT	177 FISCAL ASSISTANT I/II	297/323	4.00	4.00	0.00	4.00
FT	179 OFFICE ASSISTANT I/II	268/299	2.00	2.00	0.00	2.00
FT	185 FISCAL OFFICER	419	1.00	1.00	0.00	1.00
FT	269 MENTAL HEALTH MAINTENANCE CUSTODIAN	313	5.00	5.00	0.00	5.00
FT	270 SENIOR MENTAL HEALTH MAINT. CUSTODIAN	343	1.00	1.00	0.00	1.00
FT	434 MENTAL HEALTH COOK	320	2.50	2.50	0.00	2.50
FT	491 SUBSTANCE ABUSE COUNSELOR I/II	342/360	2.00	2.00	1.00	3.00
FT	492 SR. SUBSTANCE ABUSE COUNSELOR	373	1.00	1.00	0.00	1.00
FT	515 NURSE CASE MANAGER	429	2.00	2.00	0.00	2.00
FT	545 HHS-MENTAL HEALTH BRANCH DIRECTOR	550	1.00	1.00	0.00	1.00
FT	574 MEDICAL OFFICE ASSISTANT I/II	399/317	14.50	14.50	0.00	14.50
FT	575 SENIOR MEDICAL OFFICE ASSISTANT	345	6.00	6.00	0.00	6.00
FT	576 PEER CAOCH I/II	279/293	7.50	12.50	0.00	12.50
FT	577 PEER CAOCH III	307	1.00	2.00	0.00	2.00
FT	578 PARENT PARTNER I/II	279/293	3.50	3.50	0.50	4.00
FT	626 ADMINISTRATIVE ANALYST I/II	379/412	13.00	13.00	0.00	13.00
FT	643 ACCOUNTANT/AUDITOR I/II	376/400	2.00	3.00	0.00	3.00
FT	685 SENIOR PAYROLL/PERSONNEL SPECIALIST	370	1.00	1.00	0.00	1.00
FT	692 ACCOUNTING SYSTEMS ANALYST	412	1.00	1.00	0.00	1.00
FT	742 VOCATIONAL TRAINEE/ASSISTANT	274/291	1.00	1.00	0.00	1.00
FT	761 DEPARTMENT INFORMATION SYSTEMS TECH	370	2.00	2.00	0.00	2.00
FT	768 VOCATIONAL COUNSELOR I/II	345/370	1.00	1.00	0.00	1.00
FT	900 CRISIS SPECIALIST	412	1.80	2.00	0.00	2.00
FT	901 DIRECTOR OF DIETARY SERVICES	365	1.00	1.00	0.00	1.00
FT	902 MEDICAL DIRECTOR	725	1.00	1.00	0.00	1.00
FT	903 DISCHARGE PLANNER	353	2.00	1.00	0.00	1.00
FT	905 MEDICAL RECORDS MANAGER	470	0.00	1.00	0.00	1.00
FT	907 MENTAL HEALTH CASE MGR. I/II	354/382	52.00	54.00	0.00	54.00
FT	909 MENTAL HEALTH CLINICIAN I/II	422/452	59.60	63.60	0.00	63.60
FT	910 SENIOR ACTIVITY THERAPIST	392	1.00	1.00	0.00	1.00
FT	911 MENTAL HEALTH WORKER I/II	301/320	12.80	12.80	0.00	12.80
FT	912 PSYCHIATRIC MID-LEVEL PRACTITIONER	515	2.00	1.00	0.00	1.00
FT	913 PSYCHIATRIC NURSE	457	34.40	34.40	0.00	34.40
FT	914 PSYCHIATRIC TECHNICIAN I/II	363/392	10.50	9.50	0.00	9.50
FT	915 QUALITY MGMT COORDINATOR	470	1.00	1.00	0.00	1.00
FT	916 SUPERVISING MENTAL HEALTH CLINICIAN	476	14.00	14.00	1.00	15.00
FT	919 SENIOR MENTAL HEALTH WORKER	349	1.00	1.00	0.00	1.00
FT	920 SUPERVISING PSYCHIATRIC NURSE	476	6.00	6.00	0.00	6.00
FT	921 PSYCHIATRIC PHYSICIAN'S ASSISTANT	496	1.00	1.00	0.00	1.00
FT	922 ASST. DIR. OF PSYCHIATRIC NURSING	496	2.00	2.00	0.00	2.00
FT	924 SENIOR PSYCHIATRIST	710	1.00	1.00	0.00	1.00

Personnel Allocation by Budget Unit for FY 2016-17

Attachment V

BUDGET		SALARY	FY 2015-16	FISCAL YEAR 2016-17		
UNIT	TYPE CLASSIFICATION NO./TITLE	RANGE	YEAR-END	BOARD	MID-YEAR	YEAR-END
		1/1/2017	AUTHORIZED	ADOPTED	ADJUSTED	AUTHORIZED
424 MENTAL HEALTH						
FT	928 SENIOR PROGRAM MANAGER - MENTAL HEALTH	507	7.00	8.00	0.00	8.00
FT	931 DEPUTY BRANCH DIRECTOR	531	1.00	1.00	0.00	1.00
FT	932 DIRECTOR OF PSYCHIATRIC NURSING	507	1.00	1.00	0.00	1.00
FT	934 PROGRAM MANAGER	497	3.00	2.00	0.00	2.00
FT	936 DEPARTMENT PROGRAMMER - ANALYST	434	1.00	1.00	0.00	1.00
FT	937 PHYSICIAN/PSYCHIATRIST	694	6.00	1.00	0.00	1.00
FT	938 PAYROLL/PERSONNEL SPECIALIST	360	1.00	1.00	0.00	1.00
FT	939 ACTIVITY THERAPIST	361	1.00	1.00	0.00	1.00
FT	1425 PROGRAM COORDINATOR	419	3.00	3.00	0.00	3.00
FT	1734 SENIOR VOCATIONAL COUNSELOR	388	1.00	1.00	0.00	1.00
FUNDED POSITIONS			322.10	326.30	2.50	328.80
POSITIONS FROZEN INDEFINITELY						
TOTAL POSITIONS ALLOCATED			322.10	326.30	2.50	328.80
425 ALCOHOL AND DRUG						
FT	124 SENIOR FISCAL ASSISTANT	343	1.00	1.00	0.00	1.00
FT	177 FISCAL ASSISTANT I/II	293/319	2.00	2.00	0.00	2.00
FT	491 SUBSTANCE ABUSE COUNSELOR I/II	338/356	7.00	7.00	0.00	7.00
FT	492 SENIOR SUBSTANCE ABUSE COUNSELOR	369	2.00	2.00	0.00	2.00
FT	574 MEDICAL OFFICE ASSISTANT I/II	295/313	2.70	2.70	0.00	2.70
FT	626 ADMINISTRATIVE ANALYST I/II	375/408	2.00	2.00	0.00	2.00
FT	916 SUPERVISING MENTAL HEALTH CLINICIAN	476	0.00	0.00	1.00	1.00
FT	928 SENIOR PROGRAM MANAGER - MENTAL HEALTH	503	1.00	1.00	0.00	1.00
FT	934 PROGRAM MANAGER	289	0.00	0.00	0.00	0.00
FUNDED POSITIONS			17.70	17.70	1.00	18.70
POSITIONS FROZEN INDEFINITELY						
TOTAL POSITIONS ALLOCATED			17.70	17.70	1.00	18.70
435 PUBLIC HEALTH LABORATORY						
FT	512 PUBLIC HEALTH LABORATORY DIRECTOR	522	1.00	1.00	0.00	1.00
FT	516 PUBLIC HEALTH LABORATORY MANAGER	489	1.00	1.00	0.00	1.00
FT	525 PUBLIC HEALTH MICROBIOLOGIST TRAINEE	374	0.00	0.00	1.00	1.00
FT	526 PUBLIC HEALTH MICROBIOLOGIST I/II	374/418	2.00	2.00	0.00	2.00
FT	571 LABORATORY ASSISTANT I/II (37.5 HR)	281/328	1.00	1.00	0.00	1.00
FT	1571 LABORATORY ASSISTANT I/II	295/341	5.00	6.00	0.00	6.00
FT	1572 SENIOR LABORATORY ASSISTANT	367	1.00	1.00	0.00	1.00
FUNDED POSITIONS			11.00	12.00	1.00	13.00
POSITIONS FROZEN INDEFINITELY						
TOTAL POSITIONS ALLOCATED			11.00	12.00	1.00	13.00

Attachment VI
Budget & Fee Schedule Development Calendar for 2017-18

BUDGET & FEE SCHEDULE DEVELOPMENT CALENDAR FOR 2017-18

Wednesday, January 25 Board Reviews Strategic Framework

Tuesday, February 7 Present 2016-17 Mid-Year Budget Report to Board of Supervisors

Monday, February 27 Budget workshop: County Administrative Office presents 2017-18 budget instructions to county departments

Thursday, March 2 Community Budget Meeting – Garberville

Tuesday, March 6 Community Budget Meeting – Willow Creek

Thursday, March 9 Community Budget Meeting – Eureka

Monday, April 3 2017-18 Budget Requests Completed by county departments and due to County Administrative Office

Monday, April 24 2017-18 department presentations to Board of Supervisors

Monday, May 1 2017-18 department presentations to Board of Supervisors

Tuesday, May 2 Present 2016-17 Third Quarter Budget Report to Board of Supervisors

Monday, May 15 2017-18 draft budget sent to departments for review

Tuesday, June 6 County Administrative Office presents 2017-18 proposed county budget to Board of Supervisors

Monday, June 19 Public hearings on 2017-18 proposed county budget; 1:30 & 6:00 p.m.: Clerk of the Board required to publish notice

Monday, June 26 Fee Update: County Administrative Office distributes fee instructions to county departments

Tuesday, June 27 FY 2017-18 county budget adopted by Board of Supervisors

Monday, August 7 Fee update requests completed by county departments and due to County Administrative Office

Tuesday, September 19 FY 2017-18 county fee schedule public hearing noticed and fees publicly available & public hearing for special district budgets

BUDGET & FEE SCHEDULE DEVELOPMENT CALENDAR FOR 2017-18

Tuesday, October 3	FY 2017-18 county fee schedule adopted by Board of Supervisors
Monday, November 6	Effective date for updated county fees (except Planning & Building)
Tuesday, November 7	Present 2017-18 First Quarter Report to Board of Supervisors
Monday, December 4	Effective date for updated Planning & Building Fees