



COUNTY OF HUMBOLDT

For the meeting of: 2/11/2020

File #: 20-119

To: Board of Supervisors

From: County Administrative Office

Agenda Section: Departmental

SUBJECT:

Mid-Year Budget Review for Fiscal Year (FY) 2019-20, Budget Outlook for FY 2020-21, 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 2019-20 and projected FY 2020-21 budget years;
2. Direct the County Administrative Office (CAO) to prepare the FY 2020-21 budget based on the following parameters:
 - a. Set departmental allocations from the General Fund to increase by 5% based on current year General Fund allocations;
 - b. Accept and consider requests for additional General Fund appropriations with a preference given to one-time requests that support infrastructure improvements;
 - c. Set an annual departmental contribution to Public Agency Retirement Services (PARS) up to 2% of salaries;
3. Review the estimated unallocated Measure Z revenues along with the recommendations from the Measure Z Citizens' Advisory Committee (Attachment I) and provide direction on whether to allocate funding (4/5 vote required);
4. Approve the list of budget adjustments (Attachment II) and authorize CAO and Auditor-Controller staff to make any technical corrections necessary to effectuate the Board's direction (4/5 vote required);
5. Allocate 1.0 full-time equivalent (FTE) Public Information Specialist (job class 0195, salary range 427) and 1.0 FTE Deputy County Administrative Officer (job class 0599, salary range 536) to budget unit 103 Management and Budget Team;
6. Direct staff to return at third quarter only if the budget parameters set forth for FY 2020-21 require substantial changes; and
7. Provide additional direction to staff as appropriate.

SOURCE OF FUNDING:

All County Funds

DISCUSSION:

The CAO undertakes a mid-year financial review each fiscal year. The mid-year review serves the dual purpose of monitoring the county's budget 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:

1. A review of the financial condition of various county funds as of Dec. 31, 2019;
2. A brief overview of the factors which may affect that financial condition heading into the next fiscal year;
3. Policy decisions staff recommend that your Board consider in light of the county's current or projected financial condition; and
4. A schedule for preparing the county's budget for the fiscal year beginning July 1, 2020.

Review of Mid-Year Financial Condition for FY 2019-20

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, 2019, 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 2019-20, the General Fund began FY 2019-20 with a positive fund balance of \$21.1 million, which included \$1.3 million of Measure Z funding.

The FY 2019-20 budget was adopted with a \$5.8 million planned spend-down of this balance. An additional \$9.5 million was allocated for additional Measure Z and General Fund expenditures during the First Quarter Budget Report. These budget adjustments have increased the spend-down of the fund balance to \$15.3 million.

As identified by departmental mid-year reviews, General Fund net costs through June 30, 2020 show the planned spend-down of fund balance is now estimated at \$12 million instead of \$15.3 million. This is primarily due to the following:

- \$2,036,522 in savings for the payoff of the 2016 Finance Plan. These funds were allocated at first quarter. An approved funding draw of \$2,036,522 was not finalized prior to the payoff, reducing the funding need.
- \$121,437 increase in Measure Z revenues.
- \$662,568 increase in sales and property tax revenues.

- \$84,091 in reduced expenditures for the Department of Health & Human Services (DHHS) Measure Z, which is primarily due to salary savings.
- \$387,568 in expenditure savings for all other General Fund departments.

Fund Balance Table

1100 - General Fund	
FY 2019-20 Beginning Fund Balance	\$21,176,669
FY 2019-20 Adopted Revenue	\$152,303,506
General Fund Revenues Over Budget	\$662,568
Measure Z Revenues Over Budget	\$121,437
FY 2019-20 Adopted Other Financing Sources	\$4,672,350
FY 2019-20 Adopted Use of Fund Balance	\$5,807,712
FY 2019-20 Adopted Expenditures	(\$162,783,568)
Budget Adjustment approved 11/19	(\$110,880)
Measure Z Carry Forward	(\$1,084,751)
1st Quarter Measure Z Budget Adjustments	(\$439,012)
1st Quarter General Fund Budget Adjustments	(\$7,894,173)
Estimated FY 2019-20 Year-End Fund Balance	\$5,840,141
Recommended Budget Adjustments	(\$624,871)
General Fund Expenditures Under Budget	\$2,424,090
Measure Z Expenditures Under Budget	\$84,091
Estimated Fund Balance Available to Finance FY 20-21 (w/o Measure Z)	\$8,301,928
Estimated Measure Z Fund Balance Available to Finance FY 20-21	\$205,528

Assuming that your Board approves the recommendations contained in today's report, staff estimate a year-end General Fund balance of \$8.5 million, including Measure Z.

Staff have been overly conservative in estimating year-end actuals due to recent accounting practice changes, delays in closing any months in the current fiscal year, and delays in posting pending journal transfers and expenditure claims. While savings has been reported by departments, those estimates are far less than estimates from prior Mid-year Budget Reports, making it difficult to confidently estimate year-end fund balance. In addition, estimating revenue from the Cannabis Excise Tax has been especially difficult this year. Staff are cautiously optimistic that budgeted revenues of \$8 million will be met. Permitting has begun to gain speed, however as the tax was approved by voters less than 4 years ago, historical trends have not yet been established. Furthermore, a policy decision made in 2019 modified the billing cycle of the Cannabis Excise Tax to allow for bills to be sent out in January for permits from the prior year, to be paid in two installments due in March 15 and October 15. This policy change gave cultivators a tax reprieve in 2019. Cannabis Excise Tax collections will resume in March 2020, leaving a few short months to receive the revenues projected for FY 2019-20. Staff will continue to monitor Cannabis Excise Tax revenues closely and will report back to your Board should any major deviations become apparent.

Pension Rate Stabilization

As reported in the First Quarter Budget Report, the State Controller's Office (SCO), as a requirement of Federal Register Vol. 78 No. 248 (2 CFR) Section 200.431, addressing Compensation Plan Fringe Benefits, requested an actuarial supporting the assessment of a departmental contribution to the county's irrevocable post-employment benefits trust program, also known as a Section 115 trust, administered by Public Agency Retirement Services (PARS). This trust was created for the purpose of pre-funding pension obligations and/or Other Post Employment Benefit (OPEB) obligations by securely setting aside funds to mitigate long-term contribution rate volatility.

On Jan. 7, 2020, staff received notification from the State Controller substantiating the county's PARS charges as they were supported by an actuarial report acquired by the County Administrative Office in FY 2015-16. This positive news will allow the county to retain state and federal dollars held in the PARS account now and into the future, and will offset future CalPERS expenses.

Sales Tax

As of Jan. 20, 2019, \$3,091,260 has been received in sales tax revenue. This is \$104,402 more than actual revenues received this same time last year. In FY 2018-19, \$5.4 million in sales tax revenue was received. Sales tax revenues were particularly difficult to project in FY 2019-20 due to market shifts at the local level centered around the cannabis industry, coupled with the financial software updates taking place at the California Department of Tax and Fee Administration (CDTFA). It appears that revenues are on track to exceed projections. Revenues for FY 2019-20 are estimated to be \$5.58 million, or \$520,000 more than budgeted. This is in line with the Hinderliter, de Llamas & Associates (HdL) comparison of sales tax receipts for the past four quarters which reflect a 1% increase in point-of-sale tax revenue for Humboldt County.

Measure Z

Departmental mid-year submittals provide a more detailed overview of Measure Z for the current fiscal year. The FY 2019-20 budget was adopted with revenues exceeding expenditures by \$164,271. Due to expenditure savings in FY 2018-19, the FY 2019-20 beginning fund balance was actually \$1.3 million. Since budget adoption, there have been additional Board-approved expenditure adjustments of \$439,012. In addition, your Board approved the carry forward of \$1,084,751 in funding for the Humboldt County Fire Chief's Association (\$1,036,451) and the Measure Z audit (\$48,300).

FY 2019-20 Measure Z Balance Table

FY 2019-20 Beginning Fund Balance	\$1,359,492
FY 2019-20 Adopted Revenue	\$10,928,563
Measure Z Revenue Over Budget	\$121,437
FY 2019-20 Adopted Expenditures	(\$10,764,292)
Measure Z Carry Forward Approved 12/10	(\$1,084,751)
First Quarter Measure Z Budget Adjustments	(\$439,012)
Measure Z Expenditures Under Budget	\$84,091
Estimated Year-end Fund Balance FY 2019-20	\$205,528

As reported by departments and upon review of outside agency invoices, it is estimated that Measure Z expenditures will be under budget by approximately \$84,091. These unspent funds are due to DHHS salary savings. Measure Z revenues are estimated to be \$121,437 more than anticipated for FY 2019-20. Overall, revenues are estimated to exceed expenditures by \$205,528, leaving funding available for allocation by your Board. Staff recommends that your Board review the recommendations from the Measure Z Citizens' Advisory Committee (Attachment I) and provide direction on whether to allocate the remaining available funds totaling \$205,528.

Fund Balances in Other Funds**Department of Health & Human Services (DHHS) Funds**

DHHS ended FY 2018-19 with a fund balance of \$3.6 million, a decrease of \$5.5 million from the previous fiscal year. DHHS anticipates that the FY 2019-20 year-end fund balance will be \$6.6 million, an improvement of \$3 million over budgeted projections primarily due to a trust fund transfer of \$6.7 million that was anticipated to occur in FY 2018-19 but did not take place. This increase is partially offset by an anticipated deficit in Mental Health of \$3.8 million. To address the deficit, DHHS has instituted a hiring freeze to evaluate each vacant position to ensure that there is enough revenue and match dollars to fully fund each position. DHHS is working with W. Brown Creative Partners consultancy, who has Health and Human Services experience and expertise, to help DHHS identify further cost-cutting and revenue-enhancing measures. Staff anticipate bringing an item to your Board later this year to develop a strategy to refocus the branch's service delivery to the community.

1120 - Economic Development Fund

The Economic Development Fund (EDF) ended FY 2018-19 with a fund balance of \$214,550. Contained in the First Quarter Budget Report was a budget adjustment of \$112,500 to use fund balance for staff training and team development, new business development and community outreach and education. Economic Development anticipates a year-end fund balance of \$112,050, including the recommended General Fund contribution of \$10,000 contained in today's report for the Equal Employment Opportunity work being done by the Economic Development Coordinator.

1200 - Roads Fund

The Roads Fund ended last fiscal year with a fund balance of \$276,791, which is an increase of \$470,196 from the previous year. Mid-year projections indicate the year-end fund balance for FY 2019

-20 will be \$708,423, an improvement of \$431,633 over the current year adopted budget. This positive news is primarily due to increased Senate Bill 1 (SB1) revenue. The Roads Fund has struggled in recent years and roadways continue to deteriorate, requiring substantial resources to maintain and repair failing infrastructure. In addition, recent storms have compounded the strain on the Roads Fund as staff work to recoup disaster assistance funding from state and federal agencies, a process that can span many fiscal years and is not guaranteed to be successful. Staff will continue to monitor the fund balance closely.

3530 - Aviation Enterprise Fund

The Aviation Enterprise Fund ended FY 2018-19 with a fund balance of \$1.1 million, which represents an improvement of \$1.8 million. Mid-year projections indicate the year-end fund balance for FY 2019-20 will be \$1.3 million, an improvement of \$249,186 over the current year adopted budget. In order to improve the fiscal health of the Aviation Department, a Director of Aviation has been hired and staffing levels have increased to ensure that all revenues are properly collected, and aviation practices are being evaluated to develop future strategic goals.

Internal Service Funds

The county has 14 internal service funds that provide for services to other county departments including Motor Pool, Heavy Equipment, Risk Management, Communication, Purchasing, ADA, and Information Technology. It is anticipated that these funds will end FY 2019-20 with a year-end fund balance of \$21.5 million, a decrease of \$2.7 million from the previous year, primarily due to refunds approved by your Board in the First Quarter Budget Report.

The Medical Fund is estimated to end FY 2019-20 with a negative fund balance of (\$54,063), with no change over the prior fiscal year. This fund has been working to improve the negative fund balance by improving estimated insurance charges to departments. The Medical Fund is the only internal service fund with a negative fund balance. Overall the county's internal service funds remain on target with budgeted revenues and expenditures through FY 2019-20 mid-year.

Section 2: Budget Outlook for Fiscal Year 2020-21

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 impacts 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 2020-21 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 \$222 billion, with \$153 billion in General Fund spending. The Governor proposes a deposit of \$1.6 billion to the state's Rainy Day Fund, which will increase the balance to \$18 billion. General Fund revenues have increased \$5.2 billion from last year's

projections, however expenditures exceed revenues by \$1.4 billion. A large portion of the budget addresses the housing affordability and homelessness crisis and provides funding for emergency response. Several of the proposals warrant close attention, including:

- A new Access to Housing and Services Fund, which is proposed to include an initial state investment of \$750 million. These funds, as proposed, will pay rent for individuals facing homelessness, support new dwelling units, and help stabilize board and care facilities and homes.
- \$695 million, growing to \$1.4 billion in future years, for preventative healthcare. Over a third of the funding will be aimed at the unsheltered homeless population.
- A \$12.5 billion investment over 5 years for climate resilience, partially funded by a proposed climate bond, to fund initiatives related to forest health, Community Power Resiliency (formerly PSPS), home hardening, and a climate revolving fund that would provide low-interest loans for waste diversion, low-carbon transportation, and sustainable agriculture.
- A reduction in probation term lengths for both felony and misdemeanors to 2 years, matched with an investment in more intensive supervision and services for misdemeanant probationers.

Expenditure Increases for FY 2019-20

Over the past few years, California Public Employees' Retirement System (CalPERS) has reduced the discount rate (expected return on investment) from 7.5% to 7.0% and has shortened the amortization period from 30 to 20 years. The current discount rate is 7.25% and will be reduced to 7.0% in FY 2020-21. This reduction comes in consideration of a low-return environment that CalPERS financial experts anticipate continuing over the next 10 years.

Retirement costs are estimated to increase by 11%, or an estimated \$1.6 million, for the General Fund in FY 2020-21. The below increases in retirement costs to the General Fund are anticipated for the coming years:

- \$988,000 in FY 2021-22
- \$781,000 in FY 2022-23
- \$394,000 in FY 2023-24
- \$354,000 in FY 2024-25 at which it is estimated cost increases will stabilize.

Given CalPERS is a pre-funded plan, changes to, or a failure to realize, any of the assumptions that underlie its funding targets must be made up by adjusting employer contributions in future years. In the past decade, several changes have occurred that have increased the county's unfunded liability to over \$296 million. On Sept. 15, 2015, your Board approved a Public Agency Retirement Services (PARS) Pension Rate Stabilization Program (PRSP) in order to begin addressing the mounting unfunded liability. Contributions to PARS will help to stabilize the contribution rates set by PERS. As the balance in the PARS trust grows and produces investment returns, those funds can be utilized to offset the increase in contribution rates, thereby reducing the effect of the contribution rate increase on the

county and potentially preventing service reductions. The FY 2019-20 budget incorporated an annual departmental contribution to PARS equal to 1.5% of salaries totaling \$1.9 million for all county departments. While this is a significant contribution, it does not allow for an aggressive approach to addressing the unfunded liability. In today's report there is a recommendation to increase the contribution rate up to 2%, bringing the total contribution to approximately \$2.8 million for FY 2020-21, and reaching the peak of the pension funding policy limits established by your Board.

Expenditure Increases/(Decreases)		
Expense	\$ Amount	% Change
Salaries	1,469,000	3%
PERS	1,625,000	11%
PARS	256,000	38%
Health Insurance	319,000	5%
All Other Insurance and Benefits	142,000	5%
Work Comp/Liability	489,927	13%
ADA	399,940	100%
Information Technology	357,537	18%
Communication	27,201	14%
Purchasing	51,035	53%
	\$ 5,136,640	6.0%

As mentioned previously, retirement costs are estimated to increase by \$1.6 million in FY 2020-21, or 11%, and the contribution to PARS will increase by \$256,000 for the General Fund. Salaries are estimated to increase by \$1.4 million or 3%. Health insurance is anticipated to increase by \$319,000 or 5%. All other benefit costs, including disability and social security, will increase by \$142,000. In total, salaries and benefits are estimated to increase by \$3.8 million, or 5%, in the General Fund.

Other estimated cost increases in the amount of \$1.2 for the General Fund in FY 2020-21 include workers' compensation, liability insurance, ADA charges to departments and other cost allocation charges. ADA costs are increasing by \$399,940 for the General Fund, primarily due to two large projects taking place at the Agricultural and Planning & Building facilities. Purchasing charges are increasing by \$51,035 due to updated time tracking procedures that has recalibrated the disbursement of charges to reflect current workflow and time tracking practices. Total known cost increases to the General Fund are \$5.1 million, or 6% over FY 2019-20.

It is important to note that in FY 2019-20 additional funding of \$321,569 was allocated for the following ongoing expenses:

- \$25,000 for accounting services to support the County Administrative Office.
- \$2,724 for increased State and Federal Legislative Advocacy costs.
- \$32,729 for 1.0 full-time equivalent (FTE) Accountant-Auditor I/II to provide additional support to the Auditor-Controller's office.
- \$14,500 for a required Governmental Accounting Standards Board (GASB) 68 report regarding pensions and the new CalPERS Annual Fee for agencies who contract for a Social Security offset/reduction for pension calculations.
- \$16,000 for AdastraGov Labor Costing software.

- \$35,000 for extra help dispatch staff to allow the Probation Department to utilize the Sheriff's dispatch system.
- \$95,616 for 1.0 FTE Senior Environmental Analyst to focus on securing grant funding and coordinating implementation of grant funded projects.
- \$80,000 for 1.0 FTE Staff Services Specialist to provide technical support in facility maintenance project management.
- \$20,000 for sustainable integrated water resource management and wildlife preparedness.

A significant portion of the salary increases can be attributed to the above-mentioned staffing allocations, as well as increased CalPERS pension expenses. Due to the rising cost of ongoing expenditures such as salaries and benefits, and cost allocation charges, staff recommend the focus remain on utilizing excess revenues, such as the Cannabis Excise Tax, for one-time expenditures that address the mounting unfunded pension liability, the ADA consent decree and the large backlog of deferred maintenance costs. It is important to remain cognizant of the long-term impacts of those allocations, as future declines in revenue could require the need for service reductions.

Finally, on Sept. 7, 2016 the county entered into a consent decree with the Department of Justice (DOJ) to bring county-owned and leased facilities into compliance with the ADA by Sept. 7, 2019. The county is officially three years into the consent decree. The consent decree continues six months beyond the September 2019 three-year mark to March 7, 2020 allowing the county to continue with specified DOJ consent decree barrier removal and plan for full compliance work moving forward. As the county prepares to move forward from the consent decree, staff are working to develop a transition plan to address the remaining barrier removal needs, estimated at \$31.6 million. Depending on the approved timeframe of the transition plan, it is estimated that ADA will continue to cost the General Fund annually between \$1.5 million and \$3.1 million. Although costly, the county remains committed to providing accessible services to the residents of Humboldt County.

Revenue Changes for the General Fund

As of Jan. 13, 2020, 520 commercial cannabis cultivation permits have been approved and 881 interim permits have been issued. Staff are forecasting that the Cannabis Excise Tax revenue will peak in FY 2020-21. Initial estimates for FY 2020-21 suggest revenues of approximately \$13.8 million can be anticipated, an increase of \$5.8 million over the prior year. Revenue projections assume a 20% default rate as cultivators acclimate to this newly regulated market. This revenue estimate has been updated from the First Quarter Budget Report as staff have worked to improve the data collection on total permits anticipated in future fiscal years.

Revenue Increases/(Decreases)		
<i>Revenue</i>	<i>\$ Amount</i>	<i>% Change</i>
Cannabis Excise Tax	5,890,000.00	74%
Property Tax	1,141,000.00	3%
Sales Tax	700,000.00	14%
Fines and Penalties	(700,000.00)	-32%
All Other Revenue	361,801.00	10%
	\$ 7,392,801.00	11%

In addition, your Board made a policy decision to offer incentive programs for improved use of renewable energy, road improvements and small operators. This impact is very difficult to predict and there is currently little data available to make accurate assumptions as to how many cultivators will capitalize on these incentives. Initial revenue forecasts for FY 2021-22 estimate Cannabis Excise Tax revenue to drop to \$13.17 million. This decrease is due to:

- Staff estimate a reduction in issuance of interim permits as staff work to bring permittees through the full licensing process.
- In 2022 the state will cease allowing interim permits, which will reduce the number of permittees working through the licensing process.
- Small operator incentives on permits currently under 5,000 square feet.

Utilizing Cannabis Excise Tax revenues to fund on-going expenses requires careful consideration as this excise tax lacks historical consistency and the cannabis industry is still adjusting to legalization. Cannabis excise tax revenues should not be considered a reliable source of funding until the industry matures, and historical trends have been stabilized.

In FY 2020-21 property tax is anticipated to increase by \$1.1 million and sales tax is estimated to increase by \$700,000 over the FY 2019-20 adopted budget. Revenue from code enforcement fines and penalties is estimated to decrease by \$700,000 as the cannabis industry begins to stabilize. In addition, the transient occupancy tax and all other miscellaneous revenue is estimated to increase by \$361,801. Overall, revenue is estimated to increase by \$7.3 million or 11%, not including Measure Z revenue. Measure Z sales tax is estimated to increase by a modest \$65,000. Measure Z is highly influenced by the local market shifts. Accordingly, as Cannabis Excise Tax billing will resume after a reprieve in 2019, reducing disposable income for cultivators; it is anticipated that Measure Z revenues will be similar to those realized in FY 2018-19. In accordance with the HdL data, a conservative increase of 1% over the FY 2018-19 actuals is estimated for FY 2020-21 to ensure that expenditures do not exceed available revenues.

Section 3: Policy Considerations

Set Parameters to Guide FY 2020-21 Budget Preparation

Similar to the Governor's FY 2020-21 Proposed Budget, while the county has eliminated structural deficits and made great headway in addressing failing infrastructure and mounting CalPERS liabilities, in order to protect those investments the county must continue to make responsible investments to ensure the future financial stability of the county. It is important that the county remain focused on one-time investments and minimize increases to ongoing expenditures. At this time, the CAO recommends setting departmental allocations from the General Fund to increase by 5% based on current year General Fund allocations. Staff estimate expenditures will equal revenues, with a balanced budget of \$77.7 million. However, as staff receive additional information from departments and continue to review revenue, these estimates may change. The FY 2020-21 budget contains significant contributions to the county's long-term obligations such as ADA, PARS, deferred maintenance and an additional \$1.8 million in Contingencies for staffing needs at the Corrections Reentry Center and funding for the Friends of the Eel River Road Improvement grant program.

The current budget estimates for FY 2020-21 reflect an estimated year-end fund balance of \$8.3 million, not including Measure Z.

In addition, the CAO recommends accepting requests for additional General Fund appropriations with a preference given to one-time requests that support infrastructure improvements.

Budget Adjustments

One-Time Expenditures

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.

The recommended budget adjustments are detailed in Attachment II. Funding for the following budget adjustments is available through fund balance and dedicated revenue sources. Those appropriations include:

- \$104,750 County Administrative Office (1100-103) - Census funding to reimburse the California Center for Rural Policy for conducting census outreach. Funding for this request is available through state funding. This supplemental budget supports the Board's Strategic Framework by managing resources to ensure sustainability of services.
- \$193,750 Human Resources (1100-130) - To carry forward funding allocated for a countywide classification and compensation study approved by your Board in FY 2018-19. Funding for this request is available through fund balance. This supplemental budget supports the Board's Strategic Framework by investing in county employees.
- \$200,000 Capital Projects (1100-170) - Funding for construction at the Fortuna Veteran's Hall. Funding for this request is available through fund balance. This supplemental budget supports the Board's Strategic Framework by providing community-appropriate levels of service and providing for and maintaining infrastructure.

- \$180,000 Capital Projects (1100-170) - Funding for the Juvenile Hall construction project. Funding for this request is available through fund balance. This supplemental budget supports the Board's Strategic Framework by providing community-appropriate levels of service and providing for and maintaining infrastructure.
- \$10,400 Contributions to Other (1100-199) - A contribution to the McKay Community Forest for forestry and trail work required to prepare for public access and use. Funding for this request is available through fund balance. This supplemental budget supports the Board's Strategic Framework by providing community-appropriate levels of service.
- \$3,000 Parks & Recreation (1100-713) - Funding to purchase a money counter and coin sorter. Funding for this request is available through fund balance. This supplemental budget supports the Board's Strategic Framework by managing resources to ensure sustainability of services.
- \$5,900 Roads-Administration (1200-320) - Funding for increased CAMS Software and Maintenance expense. Funding for this request is available through increased road tax revenue. This supplemental budget supports the Board's Strategic Framework by managing resources to ensure sustainability of services.
- \$535,684 Roads-Maintenance (1200-325) - Funding for emergency culvert repairs. Funding for this request is available through a reimbursement from State Parks. This supplemental budget supports the Board's Strategic Framework by managing resources to ensure sustainability of services.
- \$73,915 Dental Plan (3526-356) - Funding for increased enrollees in the county Dental Plan. Funding for this request is available through enrollee premiums. This supplemental budget supports the Board's Strategic Framework by investing in county employees.

Ongoing Expenditures

In addition to the one-time expenditures, there are a number of ongoing budget adjustments that are recommended to keep up with evolving departmental needs. Funding for the current year is available through fund balance, with an additional impact to the General Fund for subsequent years. Those recommended budget adjustments are as follows:

- \$27,721 County Administrative Office (1100-103) - On-going funding for 1.0 FTE Public Information Specialist to manage public records requests, to support the Humboldt County Fair Association and to manage the appointment of indigent defense counsel. In recent years, Public Records Requests (PRA) have increased from 288 in 2017 to 863 in 2019. These requests for records are often very time consuming, requiring a high level of detailed review to ensure the proper records are released. In addition, in order to maintain compliance with state laws, the CAO will now be assisting the Humboldt County Fair Association with records requests once a lease is signed. Finally, the Humboldt County Superior Court has also notified the county they will discontinue identifying conflict counsel appointments, making this a responsibility of the

CAO. The on-going annual cost for a Public Information Specialist is \$90,877. Funding for this request is available through fund balance. This supplemental budget supports the Board's Strategic Framework by managing resources to ensure sustainability of services. In addition, the allocation of 1.0 FTE Deputy County Administrative Officer is requested. Currently a Deputy CAO underfills the allocated Assistant CAO position. Allocating a Deputy CAO will allow for the Assistant CAO position to be filled. Additional funding is not needed in FY 2019-20 for this allocation as the recruitment process will not be finalized this fiscal year. This position allocation will provide a clear line of authority in the County Administrative Office to ensure continuity of operations.

- \$10,000 Contributions to Other (1100-199) - Contribution to Economic Development to reimburse for activities conducted by the Equal Employment Opportunity (EEO) Officer conducting EEO workforce compliance monitoring on behalf of the county. Funding for this request is available through fund balance. This supplemental budget supports the Board's Strategic Framework by investing in county employees.

Appropriation Transfers

In addition to the above budget adjustments, appropriation transfers found in Attachment III are necessary to accurately reflect expenditures. Those adjustments are as follows:

- \$544,299 Information Technology (3550-118) - Funding for the upgrade to Microsoft Office 365 originally allocated as a fixed asset. This project is more appropriately budgeted as a software expense. This transfer supports the Board's Strategic Framework by managing resources to ensure sustainability.

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. These allocation adjustments will increase the overall position allocations by 2.0 FTEs and are as follows:

County Administrative Office (1100-103)

Allocations:

1.0 FTE Public Information Specialist

1.0 FTE Deputy County Administrative Officer

Section 4: Budget & Fee Update Calendar

The proposed calendar for county budget development (Attachment IV) provides for final adoption of the budget on June 23, 2020. The intent is to allow for adoption of the budget before the beginning of the next fiscal year.

FINANCIAL IMPACT:

The recommended budget adjustments increase the overall budget for FY 2019-20 by \$1,355,520, \$624,871 of which is available through General Fund contributions.

STRATEGIC FRAMEWORK:

This action supports your Board's Strategic Framework by providing for and maintaining infrastructure, providing community-appropriate levels of service, managing resources to ensure sustainability of services and investing in county employees.

OTHER AGENCY INVOLVEMENT:

None

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Recommendation 4

The Board could choose 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 by managing resources to ensure sustainability and providing for and maintaining infrastructure.

Recommendation 7

The Board could choose not to approve the personnel allocations. This is not recommended as the Public Information Specialist is supporting new and additional responsibilities in the County Administrative Office and supports the Board's Strategic Framework by providing community-appropriate levels of service, managing resources to ensure sustainability of services and investing in county employees.

ATTACHMENTS:

- I. Measure Z Citizens' Advisory Committee Recommendations
- II. Recommended Budget Adjustments
- III. Appropriation Transfer
- IV. Budget & Fee Schedule Development Calendar for 2020-21

PREVIOUS ACTION/REFERRAL:

Board Order No.: N/A

Meeting of: 3/26/19, 11/19/19

File No.: 19-455, 19-1668