



COUNTY OF HUMBOLDT

Legislation Text

File #: 23-550, **Version:** 3

To: Board of Supervisors

From: County Administrative Office

Agenda Section: Time Certain Matter

Vote Requirement: 4/5th

SUBJECT:

9:30 AM - Fiscal Year 2023-24 Measure Z Citizens' Advisory Committee Recommendations and Supplemental Budget (4/5 Vote Required)

RECOMMENDATION(S):

That the Board of Supervisors:

1. Review and provide direction on the priority list from the Citizens' Advisory Committee on Measure Z Expenditures for Fiscal Year (FY) 2023-24;
2. Review and consider alternative processes for funding and providing recommendations regarding Measure Z revenues; and
3. Approve the supplemental budget for FY 2022-23 for the Humboldt County Fire Chiefs' Association (Attachment 5) in an amount of \$1,066,051, and authorize the County Administrative Officer to allow flexibility within the spending plan. (4/5 Vote Required)

SOURCE OF FUNDING:

General Fund - Measure Z (1100-889)

DISCUSSION:

The Citizens' Advisory Committee on Measure Z Expenditures is tasked with receiving public input and recommending projects, programs or activities to be funded by your Board with revenue from Measure Z. This year, due to a reduction in economic activity, as well as increased expenses and an increase in ongoing obligations, there is significantly less funding available for Measure Z allocations, especially compared to the past 2 years. This year's recommendations from the committee, while similar in format, represent a dramatic shift in the types of services to be funded by Measure Z, including significant reductions to funding fire, rural ambulance, city police and supportive services. As a result, your Board may want to consider discussing these issues and possible changes to the process for funding applications.

The beginning of this report will describe the projects and services that would be funded were your

Board to follow the typical process the committee has used for years. The second part of the report will discuss potential alternatives that have been considered by an Ad Hoc committee of the Citizens' Advisory Committee, in conjunction with county departments and outside agencies. The final section will discuss the Humboldt County Fire Chiefs' Association's request to carry forward funding already allocated to them from FY 2021-22 into FY 2022-23.

Fiscal Year 2023-24 Measure Z Allocations

In total, 24 applications totaling \$15,737,980 were received from various county departments and outside agencies seeking funding for FY 2023-24. The committee held two meetings to receive public input, solicit additional information from the applicants, and to discuss the various proposals. Through this process applicants reduced their requests, and now the total amount of funding requested is \$15,632,980, a reduction of \$105,000. The following agencies voluntarily reduced their requests by various amounts: Southern Trinity Area Rescue (\$15,000), Fortuna Police (\$25,000 total between two applications), City of Eureka (\$55,000), and the Redwood Parks Conservancy (\$10,000).

As it has done in prior years, the committee reviewed and considered all of the qualifying applications by merit, ultimately ranking them and providing a prioritized list of applications for your Board to consider funding. A letter from the committee chair to your Board, and a list detailing Measure Z applications ranked by priority are included as attachments 1.1 and 1.2.

Copies of all applications received are included as Attachments 2.1 through 2.24. Of the 24 applications submitted, the committee deemed 21 of them as meeting the intent of the ordinance and eligible for funding, with a total request amounting to \$15,428,318. A list of applications deemed ineligible is included as attachment 2.25.

In addition, all letters of support for various funding applications are contained in Attachment 3.

There is an estimated \$12.67 million in funding available for allocation in FY 2023-24. Contrary to years past, staff is not projecting any unused funding from FY 2022-23 to be available to fund next year's activities. This is due primarily to FY 2022-23 revenue underperforming projections by roughly \$1.8 million, as reported to your Board at the mid-year budget report in February.

The reduced revenue in FY 2022-23, combined with increased staffing costs, resulted in a projected year-end fund balance of \$279,000, which is not significant enough for staff to recommend be available for allocation in FY 2023-24. These funds should instead be used as a cushion should revenues continue to fall.

Ongoing county expenditures total \$12,046,825, leaving \$623,429 available to allocate at your Board's discretion. Should your Board choose to follow the committee's recommendation, the Humboldt County Fire Chief's Association (HCFCA) would be the only agency outside of county departments that would receive funding in FY 2023-24. The HCFCA submitted a request (Attachment 2.11) for \$3,025,257.

Background on FY 2022-23

In FY 2022-23, there was an estimated \$17.6 million available for allocation, \$14.38 million from projected revenue and \$3.23 million in unspent revenue from FY 2021-22 as a result of revenues significantly exceeding projections for a second consecutive year, along with conservative estimates of unspent funds due to late processing of financial transactions. Each year staff aim to remain conservative in their revenue projections, and typically each year revenues have exceeded those projected by a few hundred thousand dollars. When this revenue is combined with underspent prior year allocations, it has typically resulted in an additional \$1-\$2 million added to Measure Z's fund balance available for allocation the following year.

In addition, during last year's adopted budget process, your Board approved the use of funding from the American Rescue Plan Act - State and Local Fiscal Recovery Fund to fund the Sheriff's radio infrastructure application (\$795,063) and Public Works' repair on roads project (\$880,000). This action essentially freed up \$1.6 million in Measure Z revenue that was previously scheduled to be allocated to one-time expenditures, allowing your Board to fund more projects on the prioritized list provided by the committee. In total, 16 additional county positions (7 in the Department of Health and Human Services, 4 in Public Works, 4 in the District Attorney's Office, and 1 in the County Administrative Office) were funded in FY 2022-23.

Use of fund balance, and shifting costs are typically done in order to fund one-time uses. Going forward, it will be critical that ongoing expenses or allocations are based on ongoing revenue. One-time funds, such as revenues in excess of projections or unspent prior year funding, should only be used for one-time expenses.

Alternative Approaches

At its first meeting in March, the committee appointed an Ad Hoc committee that would develop alternative approaches to providing funding recommendations to the Board. As the evaluation process for submitted applications was already underway, the committee also passed a motion that required any recommendation from the Ad Hoc would only come to the full committee after their normal ranking process was complete. Since then, the Ad Hoc has met weekly, five times in all, with county staff and multiple county departments that receive Measure Z funding.

While the Ad Hoc's recommendations have not been heard by the Measure Z committee, its goal was to ensure Measure Z continued to deliver on the promise made to voters to maintain and improve public safety and essential services. To accomplish that goal, the Ad Hoc sought to develop a mechanism that would ensure the projects that have historically been prioritized by the committee continued to receive funding, while also ensuring a smaller amount of funding would be available each year to help address changing needs. As your Board is aware, the county has consistently taken the stance that county staff positions funded by Measure Z continue to receive full funding each year in order to prevent layoffs.

Average Annual Allocations from FY 2017-18 to FY 2022-23		
Agency	Avg Allocation Per Year	Avg as a % of all funding available
Hoopa	\$ 348,234	2.40%
Rio Dell	\$ 23,760	0.16%
Fortuna	\$ 327,633	2.26%
Arcata	\$ 312,040	2.15%
Ferndale	\$ 16,345	0.11%
Blue Lake	\$ 25,000	0.17%
Eureka	\$ 416,913	2.87%
Trinidad	\$ 38,318	0.26%
Fire	\$ 1,922,892	13.25%
STAR	\$ 100,849	0.69%
Eureka City Schc	\$ 80,330	0.55%
Redwood Parks	\$ 19,452	0.13%
County Agencies		
Public Def	\$ 260,195	1.79%
DHHS	\$ 990,771	6.82%
District Attorney	\$ 1,354,611	9.33%
Probation	\$ 579,018	3.99%
Sheriff	\$ 5,379,922	37.06%
Public Works	\$ 673,401	4.64%
Code Enforceme	\$ 22,036	0.15%
Auditor	\$ 16,854	0.12%
HR	\$ 26,117	0.18%
CAO	\$ 16,997	0.12%
Revenue	\$ 11,661,509	80.33%
Carryforward	\$ 2,855,770	19.67%
Total	\$ 14,517,279	

The Ad Hoc discussed several approaches, including the possibility of implementing a percentage-based allocation methodology based on historical trends. Attachment 4 provides details on the amount of funding that have been awarded to agencies for the past 6 years (removing any unspent funding an agency carried forward from a prior year’s award). As shown in the table to the right, over those 6 years, county agencies have received roughly 64% of funding each year on average at the adopted budget. In FY 2022-23, county departments were allocated 69% of estimated funding available (81% of actual funding), and in FY 2023-24, the county is on pace to receive more than 95%. This is due to increasing salary costs, additional personnel allocations, and a simultaneous reduction in revenue.

Other approaches the Ad Hoc considered was a dual-ranking approach where the committee would annually consider recommending ongoing county projects, and separately consider outside agency applications; requiring receiving agencies to provide a match; excluding certain costs as eligible uses of Measure Z, and others.

Next Steps

Depending on the will of your Board, there are variety of actions you could take considering this information, including taking no action. Staff recommends your Board discuss the following topics and provide direction as necessary.

Topic #1: Positions Allocated in the FY 2022-23 Cycle

If your Board is interested in discussing changes in the allocation process, staff recommend your Board discuss the new Measure Z positions that were allocated in FY 2022-23 and provide direction to staff. Significant savings could be achieved by deallocating some or all of the county positions that were allocated in FY 2022-23. Of those 16 positions, only one is currently filled (Public Works).

Deallocating all of the positions would result in an estimated savings of \$1.6 million in FY 2023-24. It should be noted that the Public Works application a year ago for brush-cutting was the top-ranked application, and related staff costs for the project are \$368,957. Public Works is the only department that has filled a position that was newly allocated in FY 2022-23. This was the first application Public Works submitted that included staff.

Topic #2: Other mechanisms to reduce expenditures

In order to further reduce ongoing pressure on Measure Z, your Board could consider other mechanisms to reduce expenditures. One approach could be to impose a 10% vacancy rate on county agencies receiving Measure Z funding, similar to the direction your Board provided for General Fund allocations heading into FY 2023-24. In order to prevent layoffs, this would need to be applied to agencies with 4 or more Measure Z employees, and would require a brief implementation period.

These actions, taken in combination, would result in a reduction in FY 2023-24 obligations by \$2.6 million, of which \$973,000 would come from the 10% vacancy, and \$1.6 million from de-allocating the new positions allocated in FY 2022-23. Should the Public Works positions remain allocated, the savings would be \$2.2 million.

Topic #3: Changes to the process to providing funding recommendations

Under this topic, your Board may wish to discuss any of the ideas the Ad Hoc covered in their interviews, including a dual-ranking approach, percentage allocations, or other ideas on how best to make recommendations related to Measure Z funding. Staff ask that you provide direction around this

issue.

Topic #4: Use of one-time funding in Measure Z

Your Board may wish to provide direction on the use of future one-time funding. Typically, this funding comes from revenue that exceeded projections (in current and prior years), and unspent funding from prior years. Currently, any Measure Z funding that is available allows the committee and your Board to continue funding projects further down the prioritized list provided by the committee, regardless of whether a project involves one-time expenditures, or one with ongoing expenditures related to county staff. It is a good financial practice to tie one-time revenues with one-time costs.

Humboldt County Fire Chiefs' Association Supplemental Budget

The HCFCA in FY 2021-22 was awarded \$2 million in Measure Z, and due to circumstances outside their control have not been able to spend all of their funding. Supply chain shortages and increased prices have played big factors in delays in ordering. HCFCA is requesting to carry forward that unspent funding into the current year in the amount of \$1,066,051.

This item also requests that your Board authorize the CAO to allow flexibility within the HCFCA spending plan. Due to the circumstances mentioned above, the HCFCA may need to quickly shift to purchase other necessary equipment and the budget line items detailed in Attachment 6 may not contain enough funding for that type of change. This would allow the HCFCA to discuss changes with the CAO, and as long as the change does not increase the amount to be spent and remains related to Measure Z, those changes would be approved for the carryforward spending plan.

FINANCIAL IMPACT:

Revenue for Measure Z (1100-889) is projected \$12.67 million for FY 2023-24. This is a reduction of \$1.8 million from the FY 2022-23 estimate. Current expenditures for county costs are \$12.04 million, leaving \$623,429 for discretionary allocation. Any action the Board takes will impact Measure Z going forward.

Approval of the HCFCA supplemental budget will increase the Measure Z - Contributions to Others budget by \$1,066,051. Revenue for this action is available from the Measure Z fund balance as a result of HCFCA not expending all of their allocation in FY 21-22.

STRATEGIC FRAMEWORK:

This action supports the Board's Strategic Framework by protecting vulnerable populations.

OTHER AGENCY INVOLVEMENT:

All agencies receiving Measure Z funds

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Board discretion.

ATTACHMENTS:

- 1.1 and 1.2 - Letter from the Chair and prioritized list of applications
- 2.1 to 2.25 - Applications and list of ineligible projects
- 3 - Letters of Support
- 4 - 6-year Trend of Measure Z
- 5 - Supplemental Budget
- 6 - Fire Chiefs Spending Plan

PREVIOUS ACTION/REFERRAL:

Board Order No.: N/A

Meeting of: N/A

File No.: N/A