



COUNTY OF HUMBOLDT

Legislation Text

File #: 20-642, Version: 1

To: Board of Supervisors

From: County Administrative Office

Agenda Section: Departmental

SUBJECT:
Proposed Fiscal Year (FY) 2020-21 Budget

RECOMMENDATION(S):

That the Board of Supervisors:

1. Receive and review Humboldt County's Proposed FY 2020-21 Budget;
2. Adopt a Resolution Authorizing an Inter-Fund Loan for the Forest Resources and Recreation Fund (1710) (Attachment I);
3. Direct the Auditor-Controller to transfer \$1,158,000 in FY 2020-21 from the Tax Loss Reserve Fund (3010) to the General Fund;
4. Approve the use of the General Fund's fund balance (savings) to be used for one-time expenditures to meet the Board's Balanced Budget policy;
5. Approve a one-year waiver of the Board's Contingency Reserves and General Reserves policy to set Contingency Reserves and General Reserves below policy level based on limited financial resources;
6. Direct the Clerk of the Board to post and publish the required public hearing notice for the FY 2020-21 Proposed County Budget at least 10 (ten) days prior to the public hearing; two publications are required, with at least five (5) days intervening between the dates of the first and last publications, not counting such publication dates (Attachment II);
7. Continue budget discussion to the public hearings scheduled for Monday, June 15, 2020 (1:30 p.m. and 5:30 p.m.);
8. Direct the County Administrative Officer to return to the Board on June 23, 2020, to consider adoption of the final budget for FY 2020-21; and
9. Take other action as appropriate.

SOURCE OF FUNDING:

All County Funds

DISCUSSION:

Annually, the County Administrative Office (CAO) presents a proposed budget. California

Government Code Sections 29000 through 30200, known as The County Budget Act, as applied through rules issued by the Office of the State Controller, provide the legal requirements pertaining to the content of the proposed budget, adoption procedures and dates by which action must be taken. The CAO, as designated by the Board, is responsible for completing the budget process pursuant to state code.

Locally, the budget process is lengthy and includes the below steps:

- On Feb. 11, 2020, as part of the Mid-Year Budget report, your Board set parameters for the development of the FY 2020-21 budget for General Fund allocations and the budget calendar. The parameters included direction to set departmental allocations from the General Fund to increase by 5 percent based on current year General Fund allocations. This allocation would allow for a balanced budget and does not require departments to absorb any additional cost increases. In addition, your Board directed staff to accept Additional Requests for General Fund Appropriation (additional funding requests) in FY 2020-21 with a preference given to one-time requests that support infrastructure improvements.
- Preparation of the proposed budget began on Feb. 5, 2020, when CAO staff presented to departments the parameters for development of their FY 2020-21 budget requests. Departments were asked to submit their requests to the CAO by March 16, 2020. The CAO reviewed the budget and Additional Requests for General Fund Appropriation (funding requests) from March through May 2020.
- On May 19, 2020, as part of the Third Quarter Budget report and in response to COVID-19, your Board directed staff to: temporarily cease or redirect one-time funding options to balance the FY 2020-21 budget; reduce expenditures to balance the FY 2020-21 budget through voluntary furloughs and reduced hours, reductions in overtime and extra-help expense, and holding positions vacant; to return at first quarter with reduced budget proposals; to explore Partial Service Retirement options; and to explore a Voluntary Separation Incentive Program.
- Presentation of the proposed budget is before your Board today.
- Public hearings on the proposed budget are scheduled to be held on June 15, 2020.
- The final budget is anticipated to be adopted on June 23, 2020.

On Feb. 22, 2020, Humboldt County was the first rural county in the country to report a positive COVID-19 case. Since then the case count has steadily increased. On March 20, 2020, Public Health Officer Teresa Frankovich issued a Shelter-In-Place order.

The COVID-19 pandemic has forced Humboldt County, and many local businesses, to make operational changes by having staff either work from home, work from an alternate site, or take leave to take care of themselves and loved ones. These efforts have been largely successful at “flattening the

curve” locally and it is likely that lives have been saved. This is a credit to members of the community who continue to show remarkable selflessness for others, and county staff who remain steadfast in their commitment to serving and caring for the people of Humboldt County.

On May 19, 2020, staff presented a Third Quarter Budget Report, detailing the initial the estimated impacts of COVID-19. Your Board provided direction to staff to begin taking action to address the anticipated revenue shortfalls. Included in that direction was for county departments, in coordination with the CAO, to return during the First Quarter Budget Report for FY 2020-21 with reduced budget proposals that incorporates a mix of 2.5, 7.5 and 15% reductions to the General Fund Allocation. The proposed budget before your Board today is in many ways a placeholder while staff continue to study the effects of COVID-19. By adopting this budget, your Board is granting spending authority to departments to deliver services to the community.

As staff seek opportunities to reduce expenditures in an effort to minimize elimination of filled positions, your Board may want to prioritize those decisions based on the following Core Roles:

- Enforce laws and regulations to protect residents
- Provide for and maintain infrastructure
- Create opportunities for improved safety and health
- Encourage new local enterprise
- Support business, workforce development and creation of private-sector jobs
- Protect vulnerable populations
- Strengthen climate change resiliency

In addition to the Core Roles, the Strategic Framework defines the following Priorities for New Initiatives to providing core services:

- Match service availability with residents’ needs
- Safeguard the public trust
- Partner to promote quality services
- Be an effective and influential voice for the community at regional, state and federal levels.

Today, the total proposed budget (or spending plan) before your Board for FY 2020-21 is \$465,395,857. The total proposed budget represents an increase of \$13,801,479, or 3%, more than the budget your Board adopted for the current FY 2019-20. This increase is primarily due to the following:

- \$1.5 million for the creation of a Solid Waste fund (3691)*
- \$1.7 million for Economic Development activities
- \$9.4 million in Natural Resources for Integrated Regional Water Management
- \$7 million for state and federally reimbursable activities in Health and Human Services
- Offset by a \$5.8 million decrease in the General Fund as detailed below*

*The transfer of \$1.5 million for Solid Waste from the General Fund to fund 3691 nets zero overall but increases the reduction in the General Fund expenditures over the prior year.

The FY 2020-21 budget proposes that your Board allocate \$156,940,553 in General Fund expenditures, which is a decrease of \$5,843,015, or 4 percent, from last year. This decrease is primarily due to the following:

- \$801,000 reduction in Contributions to Reserves
- \$2.1 million reduction in Contributions to Communications for the Radio Infrastructure project
- \$471,113 reduction in Contributions to Aviation due to reduced need as a result of CARES Act Funding
- \$547,060 reduction in Contribution to Roads
- \$407,245 reduction in Contributions to Contingencies
- \$1.5 million reduction for Solid Waste moving to a separate fund

FY 2020-21 Fund Balance Table

Estimated FY 2020-21 Beginning Fund Balance	11,382,588
Revenues	146,854,138
Other Financing Sources/(Uses)	10,086,415
Expenditures	(156,940,553)
Use of Fund Balance	(1,054,889)
<i>Anticipated First Quarter Adjustments</i>	
Proposition 172 Shortfall	(1,460,518)
Emergency Operations Center Expenditures	(400,000)
Estimated FY 2020-21 Year-End Fund Balance	8,467,181

In addition, staff anticipate a shortfall in Proposition 172 revenues of \$1.4 million and unbudgeted Emergency Operations Center (EOC) expenses of \$400,000, resulting in an estimated ending fund balance for FY 2020-21 of \$8.4 million. As previously mentioned, staff will continue to monitor the impacts of COVID-19 and return at first quarter to adjust the budget for these unanticipated expenditures and revenue losses. In FY 2019-20, the adopted budget included \$5.8 million in the use of fund balance. The decreased use in fund balance use for FY 2020-21 is primarily due to a cautious approach to financing FY 2020-21 in anticipation of the impacts associated to COVID-19.

In the General Fund, projected revenues for FY 2020-21 are \$146,854,138, which is a decrease of \$5,449,368, or 4 percent, from FY 2019-20. This revenue decrease is primarily due to a reduction in

Measure Z revenues as a result of COVID-19, and funding allocations in FY 2019-20 for projects that have been completed, such as the Eureka Veterans Hall and the replacement of Elections equipment. In FY 2020-21, the financing sources total \$10,086,415. These financing sources, added to the General Fund revenues, create a balanced budget. However, this includes \$1 million in the use of fund balance as proposed Measure Z expenditures exceed revenues. The remaining \$9 million is primarily for transfers from trust funds and charges for services provided to other agencies. Approximately half, or \$84,477,054, of the total General Fund revenues, which includes \$9,473,000 in Measure Z, is available to be spent on your Board's priorities and projects.

Measure Z

In November 2018, Humboldt County voters passed Measure O by nearly 74%. This measure renews Measure Z, the local half-cent sales tax originally passed by voters in 2014. Measure Z was the original ordinance that imposed the tax, and Measure O simply stated that it will remain in effect until ended by voters. As such, the tax will continue to be referred to as Measure Z.

Measure Z is estimated to bring in \$9.4 million in revenue for the community in FY 2020-21. Due to declining revenues anticipated as a result of COVID-19, it is estimated that there will be a shortfall in FY 2020-21 of \$1.6 million. Your Board appointed a nine-member Citizens' Advisory Committee to make recommendations on the use of these funds. This committee has played an integral part in reviewing the Measure Z funding requests received for FY 2020-21. At the end of March 2020, the committee submitted their Measure Z funding recommendations for inclusion in the proposed budget. On April 14, 2020, your Board evaluated the recommendations provided by the Measure Z Citizen's Advisory Committee. The Committee recommended a total of \$3.1 million in funding applications.

The FY 2020-21 proposed budget includes a recommended \$11 million for Measure Z expenditures. This is comprised of \$7.8 million in on-going expenditures, \$89,554 in carry forward funding for incomplete projects allocated in FY 2019-20 and \$3.1 million in one-time expenditures for local agencies as follows:

- \$1.65 million for the Fire Chief's Association
- \$374,383 for K'ima:w
- \$136,348 for Southern Trinity Area Rescue
- \$282,294 for City of Arcata
- \$390,000 for the Eureka Police Department
- \$266,371 for City of Fortuna

More detail on the Measure Z proposals submitted and recommended for funding can be found in Attachment III.

In order to transparently report on the Measure Z revenues and expenditures, each transaction concerning Measure Z takes place in a budget unit that is specific to Measure Z. This allows staff, the Citizens' Advisory Committee and the public the ability to see the description and the amount of funding for each activity. There is also a Measure Z section located within the Governance tab (starting on page B70) in the proposed budget. This section summarizes the recommended budgets for all

Measure Z budget units.

Additional Funding Requests

Departments submitted over \$4.4 million in additional funding requests, as shown in Attachment IV. Due to the unknown financial state of the county as a result of COVID-19, the CAO is not recommending any of the additional funding requests. While these requests have merit, they did not meet a priority level that allowed for them to be funded based on available financial resources

Recommendation 2: Inter-Fund Loans

An inter-fund loan is necessary for the Forest Resources and Recreation Fund as it is anticipated the costs for infrastructure and operations of the McKay Community Forest will exceed available revenues. The resolution (Attachment I) before your Board today authorizes the General Fund to loan \$226,600 to the Forest Resources and Recreation Fund against the expected payment from future timber harvests.

Recommendation 3: Transfer from Tax Loss Reserve Fund

A Teeter plan requires counties to have 1 percent of all property taxes and assessments levied (Revenue and Taxation code 4703(a)) placed in a tax loss reserve fund, or Teeter fund. For Humboldt County this means the county’s tax loss reserve fund should be approximately \$1.8 million. Any dollar amount over the 1 percent requirement can be credited to the county General Fund. For FY 2019-20 your Board approved transferring \$1,155,000 to the General Fund from the Tax Loss Reserve fund. The county’s tax loss reserve fund (3010) is estimated to have a balance of \$3.4 million at the end of the current fiscal year, with an additional \$1.1 million in revenue anticipated for FY 2020-21. An estimated \$1.1 to \$1.5 million can be transferred to the General Fund on an on-going basis depending on economic conditions. Based on the current estimated fund balance, it is recommended that \$1,158,000 be transferred to the General Fund for FY 2020-21. COVID-19 is anticipated to have an impact on the balance of this fund as many taxpayers have requested a waiver of late penalties due to COVID-19. It is difficult to say at this point what that impact will be as property tax payments, and requests to waive penalties, continue to be received. It is likely that this transfer may need to be adjusted at first quarter.

FINANCIAL IMPACT:

Funding is as shown in the Humboldt County FY 2020-21 Proposed Budget document.

The total proposed county budget is \$465,395,857 proposed General Fund expenditures are \$156,940,553 including a Contingency Reserve of \$1.6 million.

The County’s internal service funds appear as expenditures in other County budgets; therefore, in an effort to avoid duplication, they are excluded from the budget totals above. The proposed appropriations in the funds not included in the county total are as follows:

3500 - Motor Pool Fund	\$ 4,436,123
3520 - Risk Management Fund	\$ 715,691
3521 - Communications Fund	\$ 2,664,362
3522 - Employee Benefits	\$ 475,700

3523 - Workers Compensation Fund	\$ 291,080
3524 - Liability Insurance Fund	\$ 1,291,923
3525 - Medical Plan Fund	\$17,796,426
3526 - Dental Plan Fund	\$ 1,696,661
3527 - Unemployment Insurance Fund	\$ 221,405
3528 - Purchased Insurance Premiums	\$ 96,268
3530 - Airport Enterprise Fund	\$ 3,815,449
3539 - Aviation Capital Projects	\$ 1,598,056
3540 - Heavy Equipment Fund	\$ 2,712,556
3550 - Information Technology Fund	\$ 5,182,919
3552 - ADA Compliance Fund	\$ 9,504,610
3555 - Purchasing Central Service Fund	\$ 382,388

STRATEGIC FRAMEWORK:

This action supports your Board’s Strategic Framework by providing for and maintaining infrastructure and managing resources to ensure sustainability of services.

OTHER AGENCY INVOLVEMENT:

All county departments and agencies, as well as several community organizations that receive county funding, are affected.

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Board’s discretion

ATTACHMENTS:

- I. Resolution Authorizing Inter-Fund Loan for the Forest Resources and Recreation Fund
- II. Public Hearing Notice
- III. Measure Z Funding Requests
- IV. Additional Requests for General Fund Appropriation
- V. Humboldt County FY 2020-21 Proposed Budget (copy on file with the Clerk of the Board and available online at <http://www.humboldt.gov/247/Budget>)
- VI. Arcata Veterans Funding Request
- VII. Eureka Veterans Funding Request
- VIII. Fortuna Veterans Funding Request
- IX. Samoa Peninsula Funding Request

PREVIOUS ACTION/REFERRAL:

Board Order No.: H-1, H-2
Meeting of: 2/11/20, 5/19/20
File No.: N/A