



COUNTY OF HUMBOLDT

Legislation Text

File #: 24-956, **Version:** 1

To: Board of Supervisors

From: County Administrative Office

Agenda Section: Time Certain Matter

Vote Requirement: Majority

SUBJECT:

1:30 PM - Public Hearing on Proposed County Budget and Special District Budgets for Fiscal Year (FY) 2024-25

RECOMMENDATION(S):

That the Board of Supervisors:

1. Convene as the Board of Directors for the Special Districts governed by the Humboldt County Board of Supervisors;
2. Open the public hearing;
3. Receive testimony from the public;
4. Close the public hearing;
5. Approve the FY 2024-25 budgets for special districts governed by the Humboldt County Board of Supervisors including final modifications (Attachment 4);
6. Set June 25, 2024, as the date to adopt the Special Districts' budgets;
7. Adjourn and reconvene as the Board of Supervisors;
8. Open the public hearing;
9. Receive the staff report;
10. Receive testimony from the public;
11. Continue the hearing to 5:30 p.m.;
12. Receive update reports from staff (if required);
13. Receive additional testimony from the public;
14. Close the public hearing;
15. Deliberate on the FY 2024-25 proposed spending plan;
16. Give direction to staff regarding any desired modifications to the Proposed Budget; and
17. Set June 25, 2024, as the date to adopt the budget.

STRATEGIC PLAN:

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

Area of Focus: Core Services/Other

Strategic Plan Category: 9999 - Core Services/Other

DISCUSSION:

Special Districts Budgets FY 2024-25

The Auditor-Controller prepares annual budgets for the special districts governed by the Humboldt County Board of Supervisors pursuant to Chapter 1 of Division 3 of Title 3 of the California Government Code. California Government Code Section 29080 requires that the proposed budgets be made available for public inspection at least 10 days prior to the public hearing pertaining to

such budgets. The Clerk of the Board of Supervisors published notice on May 30, 2024 and June 4, 2024, that this documentation is available for inspection at the Office of the Clerk of the Board and that the Board will consider adoption of the proposed budgets on June 10, 2024. The California Government Code requires each special district to adopt a balanced budget on an annual basis. The budgets are presented with the attached proposed fiscal year 2024-25 budget (Attachment 1).

The Auditor-Controller received two dependent special districts budgets after submission of the proposed budget, therefore, modifications are requested for Loleta Fire Protection District and Whitethorn Fire Protection District, as presented in Attachment 4 to be incorporated in the adopted budget.

Humboldt County Budget FY 2024-25

Annually, the County Administrative Office (CAO) presents a proposed budget to the Board of Supervisors. The adoption of an annual budget is one of the most significant policy decisions of the Board. As such, it requires substantial preparation and benefits markedly from public input.

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 within the confines of state code.

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

- On Feb. 6, 2024, as part of the Mid-Year Budget Review, your Board set parameters for the development of the FY 2024-25 budget for General Fund allocations and the budget calendar. The parameters included direction to set departmental General Fund allocations as status quo to FY 2023-24 with adjustments to increase allocations to include the FY 2023-24 ongoing, Board-approved additional requests for General Fund appropriation (ARGFA) with a 20% reduction and a reduction by any applicable Voluntary Separation Incentive Program (VSIP) with an exemption from the 20% reduction to departments that participated in the VSIP. In addition, your Board directed staff to evaluate General Fund contributions to other funds in budget 1100-199, deallocate FY 2024-25 unbudgeted General Fund positions, limit ARGFA requests to one-time expenditures, set departmental contributions to Public Agency Retirement Services (PARS) to 2% of annual salaries, suspend the annual contribution to the Deferred Maintenance Trust Fund (3464) for FY 2024-25 and reallocate any remaining ARPA funding to previously allocated ongoing costs.
- Preparation of the proposed budget began on Feb.21, 2024, when the County Administrative Office (CAO) staff presented to departments the parameters for development of the FY 2024-25 budget requests. Departments were asked to submit their requests to the CAO by Apr. 2, 2024. CAO staff and the Budget Ad Hoc (Supervisors Arroyo and Bushnell) met with each department during this time. The CAO reviewed the budget and additional funding requests from April through June 2024.
- Presentation of the proposed budget went before your Board on June 4, 2024.
- Public Hearings on the proposed budget are before your Board today.
- The final budget is anticipated to be adopted on June 25, 2024.

At today's hearings, staff recommends that you accept additional public comment and staff input and provide any direction you wish staff to pursue prior to the final opportunity for public input and budget adoption, scheduled for June 25, 2024.

General Fund Contributions to Other Funds and Agencies (Budget Unit 1100-199)

At the mid-year budget presentation, your Board directed staff to review General Fund contributions to other funds and agencies through budget unit 1100-199. These contributions include ongoing allocations. Of the \$6,341,286 in ongoing contributions, \$5,533,661 were determined to have an associated mandate, match, or contract. Of the remaining \$807,265, the CAO recommends funding \$693,700 (Attachment 3). Two allocations are not recommended:

- \$94,615 for the County Library for general Library use, a reduction from the previously annually allocated amount of \$153,000. This is not recommended as the Library fund has sufficient fund balance to maintain services without this

funding.

- \$18,950 for DHHS-Public Health utilized as a fee subsidy for agricultural businesses. This is not recommended as an industry-based subsidy which the General Fund is unable to support on an ongoing basis. DHHS-Public Health will not be negatively impacted as they can incorporate this into the fee schedule and charge out the cost previously covered by the General Fund.

1100-199 Ongoing Additional Funding Requests		
FY 2024-25		
Ongoing Requests	Request	Proposed
CAO Economic Development Director Salary	\$ 208,700	\$ 208,700
Public Works Natural Resources	\$ 20,000	\$ 20,000
DHHS-Public Health Tobacco Prevention	\$ 65,000	\$ 65,000
DHHS-Public Health Hazardous Materials		
Agriculture Fee Subsidy	\$ 18,950	\$ -
DHHS-Behavioral Health and First Five ACEs	\$ 400,000	\$ 400,000
County Library Contribution	\$ 94,615	\$ -
Total	\$ 807,265	\$ 693,700

Additional Funding Requests

Departments originally submitted 31 Additional Requests for General Fund Appropriation (ARGFA) for a total of over \$5.4 million in requests. The CAO’s office worked with departments to find alternative funding sources including Deferred Maintenance and Finance Plan funds. Staff were able to identify \$1.8 million of alternative funding for six requests for necessary Courthouse and Jail facility maintenance and repair projects. In addition, the CAO utilized a new process of reviewing the ARGFAs with department heads and gathered their input on the priority of the requests. Department Heads utilized shared agreements to guide their decision making including the Board’s direction of one-time expenditures, the strategic plan, support for mandated services and support for reorganization and efficiency. Through this process, one request was withdrawn by the Sheriff’s Office reducing the requests by \$455,000.

After these changes, the remaining 24 requests include \$1,178,644 in one-time requests and \$1,998,082 in ongoing requests for a total of \$3,176,726 (Attachment 2). The CAO is recommending 12 requests for a total of \$2,112,921 in the proposed budget. The CAO’s office would typically recommend to decline funding any additional requests due to the status of the General Fund and the outlook of upcoming years, however, in the interest of a ramp-down approach, the recommended requests are based on a target fund balance use of \$14 million and on the priority established in collaboration with department heads. Furthermore, staff recommends that any ongoing requests be approved on a one-time basis and require analysis including another request, if necessary, in FY 2025-26. Staff recommend a hiring freeze for departments that receive additional funding for staffing costs in FY 2024-25.

A late request for General Fund was received from the McKinleyville Municipal Advisory Committee (MMAC) for \$5,000 (Attachment 8). Your Board may also consider funding this request.

American Rescue Plan Act

On Aug. 10, 2021, your Board approved a spending plan for the initial American Rescue Plan Act (ARPA) payment of \$13.16 million, which included funding for an economic impact grant program with priority areas of housing, childcare, and broadband, DHHS General Relief Client debt forgiveness, and community requests as determined to be eligible. On Jan. 24, 2023, your Board opted to utilize \$1.5 million of ARPA funds, previously appropriated for broadband, as matching funds for the Behavioral Health Continuum Infrastructure Program (BHCIP) grant application to fund building a Behavioral Health Crisis Triage Center.

The final ARPA payment of an additional \$13.16 million arrived June 16, 2022, and your Board allocated those funds primarily in FY 2022-23 and the remainder in FY 2023-24. The county received a total of \$26.3 million in ARPA funds. Of that amount, \$22 million in ARPA funds have been expended and it is estimated that an additional \$627,000 will be expended prior to the end of FY 2023-24, for a total of \$22.6 million expended of the original \$26.3 million. The remaining \$3.7 million has already been obligated by your Board to the following projects:

ARPA FY 2024-25	
HVAC for Regional Facility	\$ 85,000
HVAC for Information Technology Facility	\$ 200,000
Child Care Programming	\$ 242,825
Behavioral Health Triage Center	\$ 1,500,000
Housing Trust Fund	\$ 1,500,000
Headwaters Administration - Audit Services	\$ 18,560
Human Resources Staffing	\$ 142,779
Total	\$ 3,689,164

Your Board directed staff at the mid-year budget presentation to allocate any remaining ARPA funds to previously allocated ongoing costs. Due to vacancies in the Human Resources Department and reduced need for COVID-19 testing supplies, \$142,779 is available to allocate in FY 2024-25. These funds are proposed in the budget to be carried forward for Human Resources - Risk Management staffing.

Local Assistance and Tribal Consistency Funds

Through the American Rescue Plan Act, the U.S. Department of the Treasury established the Local Assistance and Tribal Consistency Fund (LATCF) distributing funds to eligible revenue sharing counties and Tribal governments for use on any governmental purpose. This program is intended as a general revenue enhancement program intended to augment or stabilize revenues.

The county was awarded \$3,196,536.10 in LATCF funds to be distributed in two separate tranches, one in FFY 2022 and one in FFY 2023. The county received the first tranche in Oct. 2022 and the second tranche in Dec. 2023. On Jan. 10, 2023, your Board allocated \$1 million of these funds to establish an Earthquake Recovery & Assistance Program to assist residents displaced as a result of the Dec. 2022 earthquake and subsequent aftershocks. Of the \$1 million, \$500,000 has been expended, \$118,103 is pending 100% reimbursement from the California Office of Emergency Services for sheltering, and \$250,000 remains obligated. While \$131,897 remains available for future earthquake response needs, if the full reimbursement is received, \$250,000 will be available for this purpose, unless your Board should choose to reallocate.

In addition, \$2,196,536 remains available and unobligated for your Board to allocate in FY 2024-25. Given the ongoing budget deficit, staff recommends holding these funds as unallocated while staff and your Board work to stabilize the General Fund. Staff will seek further direction on the allocation of these funds from your Board through the Budget Hearings.

Measure Z

During FY 2023-24, your Board took action to improve the Measure Z process including establishing a 3-year spending plan with fixed allocations for county departments and four outside agencies: City of Fortuna, Humboldt County Fire Chief's Association, K'imaw Medical Center and Southern Trinity Area rescue. The total spending plan is \$12.5 million annually. Additionally, your Board created a reserve account and made an initial allocation of \$864,000 and established that unspent funding or additional funding beyond anticipated revenues will not be allocated at the mid-year budget update, as was previous practice, and rather will be held to be utilized in the next year's funding recommendations.

On May 7, 2024, your Board reviewed the FY 2024-25 list of Measure Z applications as prioritized by the Measure Z Citizens' Advisory Committee (Attachment 5). The committee had \$4.1 million available to allocate in the FY 2024-25 process, \$3.6 million of fund balance and \$500,000 of anticipated additional revenues. There was additional fund balance due to underspending by county departments and a one-time accounting adjustment to accrue July and August sales tax revenues. The committee's recommendations funded the first five ranked projects, with \$45,665 of available funding. Your Board accepted the committee's recommendations, only adding the City of Arcata Juvenile Diversion Counselor project for the remaining available balance.

For FY 2024-25, staff are estimating \$13 million in revenues, keeping projections just under the estimated actuals in the current year. Staff base budgeted revenue for sales tax on projections provided by HdL Companies. HdL has years of experience in preparing projections and have traditionally provided the county accurate sales tax projections. Total county obligations, including carryforward projects and the reserve account, are proposed at \$17,706,079.

Measure Z	
FY 2023-24 Beginning Fund Balance	7,920,867
Estimated Revenues	13,381,069
Estimated Expenditures	15,864,646
Estimated Other Financing Sources (Uses)	-
Estimated Use of Fund Balance	(2,483,577)
FY 2023-24 Estimated Ending Fund Balance	5,437,290
Established Reserve	(864,000)
Budgeted Revenues	13,000,000
Budgeted Expenditures	16,842,079
Estimated Other Financing Sources (Uses)	-
Estimated Use of Fund Balance	(4,706,079)
FY 2024-25 Estimated Ending Fund Balance	731,211

Public Works has requested carryforward of \$306,514 for a chip seal project that was approved in FY 2022-23 (Attachment 6). This carryforward has not been incorporated into fund balance projections and would result in a reduction of available funds for allocation in the FY 2025-26 Measure Z process. This carryforward is necessary to finish the project work and staff recommend your Board approve incorporating this into the FY 2024-25 budget in 1100-298 - Public Works Measure Z.

Measure J - Transient Occupancy Tax Increase

On May 7, 2024, staff requested direction from your Board on the allocation of Measure J Transient Occupancy Tax (TOT) funds. As reported in that meeting, it is anticipated that Measure J will bring in more than \$1 million in additional TOT funds in FY 2024-25. The CAO recommended those funds be held in the General Fund for the next 2 years while working to stabilize the General Fund. Your Board elected to establish an ad hoc committee of Supervisors Arroyo and Bushnell to further review the options of holding Measure J funds versus allocating those funds. The CAO’s recommendation to hold the funds is represented in the proposed budget. This recommendation is limited to the Measure J-specific funds.

As a result of Measure J, Humboldt County Visitor’s Bureau (HCVB), Gateway Communities and Redwood Region Entertainment and Education Liaisons (RREEL) would receive an increase in their base TOT allocations as their agreements are based on a percentage. If agreements are renewed in FY 2024-25 at the same rates, allocations will be based on FY 2022-23 which is the first year including a half year of Measure J. These allocations are:

TOT FY 2024-25		
	FY 2023-24	FY 2024-25
HCVB	\$ 315,874	\$ 341,180
Gateway Communities:		
So Hum Visitors Bureau	\$ 65,807	\$ 71,079
Garberville Chamber	\$ 121,085	\$ 130,786
Orick Chamber	\$ 31,587	\$ 34,118
Willow Creek Chamber	\$ 31,587	\$ 34,118
Arcata Chamber	\$ 26,323	\$ 28,432
RREEL	\$ 184,518	\$ 197,698
Total	\$ 776,781	\$ 837,410

Your Board will hear items prior to budget hearings on Measure J and Humboldt County Visitor’s Bureau allocations. Staff seek guidance from your Board to include the results of these items in the adopted budget.

Voluntary Separation Incentive Program (VSIP)

In FY 2023-24, your Board implemented a VSIP to achieve salary savings, with success. The program offered a up to \$20,000 cash incentive to staff who separated before the FY 2024-25 year began, with declining amounts for each month that passed after the beginning of the year. It also required departments to hold vacant for 2 years any positions that participated in the VSIP. In total, 18 employees took advantage of the program and the county paid \$294,000 in incentives, resulting in overall estimated salary savings of \$1.2 million for the first year, and an estimated more than \$2 million in FY 2024-25. In the General Fund, after incentive payments, there was an estimated savings of \$775,000 in FY 2023-24, and over \$1.1 million in FY 2024-25.

This year, staff are proposing your Board consider a VSIP program again. Staff are requesting approval from your Board to develop a program and direct staff to return on July 2, 2024 for final adoption of the program.

Hiring Freeze

To continue to make progress on the structural budget deficit, staff recommend that your Board consider a hiring freeze for FY 2024-25 for departments that receive an ARGFA for personnel costs and in funds that have negative fund balances. This action will work towards personnel expenditure reduction through attrition and reducing the ongoing deficit. Based on the CAO’s recommendations, the departments in the General Fund included in this would be:

- 111 - Auditor-Controller
- 130 - Human Resources Personnel
- 166 - Public Works Land Use
- 168 - Public Works County Surveyor
- 221 - Sheriff Operations

- 246 - Public Defender Conflict Counsel

The funds that have negative fund balances and personnel that would be subject to this include:

- 1160 - Social Services
- 1170 - Behavioral Health
- 1720 - Natural Resources
- 1200 - Roads

At the June 4, 2024 meeting, your Board directed staff to work with departments that were impacted by the approved hiring freeze to submit requests for exception. All impacted departments submitted requests for exception, except for the Public Defender Conflict Counsel.

Your Board may choose to approve any or all of the submitted requests.

SOURCE OF FUNDING:

All county funds, all dependent special district funds

FINANCIAL IMPACT:

Funding is as shown in the Humboldt County FY 2024-25 Proposed Budget document (Attachment 1). The total proposed county budget expenditures are \$606,724,129, proposed General Fund expenditures are \$165,269,298, including a Contingency Reserve of \$1,467,573.

STAFFING IMPACT:

Staffing is as shown in the Humboldt County FY 2024-25 Proposed Budget document (Attachment 1). The total proposed county staffing allocation is 2,344.73 positions, a decrease of 98.54 positions over the FY 2023-24 adopted positions.

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 Discretion

ATTACHMENTS:

1. FY 2024-25 Proposed Budget
2. Additional Funding Requests
3. 199 Funding Requests
4. Special District Budget Modifications - Loleta and Whitethorn
5. Measure Z Final Rankings
6. Public Works FY 2022-23 Road Repairs Measure Z Application
 - 7a. Human Resources Hiring Freeze Exception Request
 - 7b. Auditor-Controller Hiring Freeze Exception Request
 - 7c. Public Works Hiring Freeze Exception Request
 - 7d. Sheriff Hiring Freeze Exception Request
 - 7e. DHHS Hiring Freeze Exception Request.
8. MMAC General Fund Request

PREVIOUS ACTION/REFERRAL:

Meeting of: 6/4/2024
File No.: 24-902