



COUNTY OF HUMBOLDT

Legislation Details (With Text)

File #: 19-820 **Version:** 2 **Name:**
Type: Informational Report **Status:** Passed
File created: 5/29/2019 **In control:** County Administrative Office
On agenda: 6/4/2019 **Final action:** 6/4/2019
Title: Proposed Fiscal Year (FY) 2019-20 Budget

Sponsors:

Indexes:

Code sections:

Attachments: 1. Staff Report, 2. Attachment I Resolution Loan from General Fund for McKay, 3. Attachment II - MZ Applications List 2019, 4. Attachment III Additional General Fund Appropriation Requests 19-20.pdf, 5. Attachment IV - Humboldt Roadshow Feedback Summary, 6. Attachment V - Central Humboldt Round Table Discussion Notes & Comments- 03.13.2019, 7. Attachment VI - Southern Humboldt Round Table Discussion Notes & Comments - 03.20.2019, 8. Attachment VII - Northern Humboldt Round Table Discussion Notes & Comments- 03.27.2019, 9. Attachment VIII - Open Humboldt Online Feedback, 10. Resolution 19-46

Date	Ver.	Action By	Action	Result
6/4/2019	2	Board of Supervisors	approved	Pass

To: Board of Supervisors

From: County Administrative Office

Agenda Section: Departmental

SUBJECT:

Proposed Fiscal Year (FY) 2019-20 Budget

RECOMMENDATION(S):

That the Board of Supervisors:

1. Receive and review Humboldt County's Proposed FY 2019-20 Budget;
2. Adopt a Resolution Authorizing an additional Inter-Fund Loan for the Forest Resources and Recreation Fund (1710) in the amount of \$105,931 (Attachment I);
3. Direct the Auditor-Controller to transfer \$1,100,000 in FY 2019-20 from the Tax Loss Reserve Fund (3010) to the General Fund;
4. Approve a one-year waiver of the Board's policy on Balanced Budget to allow the General Fund's fund balance (savings) to be used for one-time expenditures and to meet policy level allocations for the General Reserve and Deferred Maintenance funds;
5. Continue budget discussion to the public hearings scheduled for Monday, June 17, 2019 (1:30 p.m. and 5:30 p.m.);

6. Direct the County Administrative Officer to return to the Board on June 25, 2019, to consider adoption of the final budget for FY 2019-20; and
7. 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. 26, 2019, as part of the Mid-Year Budget report, your Board set parameters for the development of the FY 2019-20 budget for General Fund allocations and the budget calendar. The parameters included direction to set departmental allocations from the General Fund to increase by 3 percent based on current year General Fund allocations. This allocation will allow for a balanced budget and does 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 the FY 2019-20 budget with a preference given to one-time requests and those that focus on the Cannabis Excise Tax ballot language.
- Community Budget Roadshows were held on March 13, 20 and 27, 2019, with the assistance from Access Humboldt and a facilitator, County of Humboldt elected officials, department heads and representatives from various departments. The purpose of the roadshows were to present the community with the Strategic Framework goals, priorities and objectives, and provide the citizens' of Humboldt County an opportunity to learn about current issues facing the community and share experiences and suggestions on how to make improvements. In addition, community members unable to attend the workshops had the opportunity to participate and express their opinions online via Open Humboldt. Additional information on the Community Budget Roadshow can be found on the county's website at <https://humboldt.gov/1994/Community-Budget-Meetings>.
- Preparation of the proposed budget began on Feb. 27, 2019, when CAO staff presented to departments the parameters for development of their FY 2019-20 budget requests. Departments were asked to submit their requests to the CAO by April 2, 2019. The CAO reviewed the budget and Additional Requests for General Fund Appropriation (funding requests) in April and May, 2019.
- On May 6 and 13, 2019 departments made presentations to your Board on their core services and budget requests.

- Presentation of the proposed budget is before your Board today.
- Public hearings on the proposed budget are scheduled to be held on June 17, 2019.
- The final budget is anticipated to be adopted on June 25, 2019.

The FY 2019-20 budget was developed with the primary purpose of supporting core services and the Board's Core Roles. Additionally, budget development depicts a fiscally conservative approach as the national economy heads into the 11th year of expansion, the longest period of expansion on record. Therefore, the FY 2019-20 represents a cautious approach into the new fiscal year. As additional resources are identified or made available, your Board may want to prioritize the allocation of resources 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 2019-20 is \$450,885,139, which includes expenditures of \$162,184,568 from the county's General Fund. The total proposed budget represents an increase of \$38,151,223, or 9 percent, more than the budget your Board adopted for the current FY 2018-19. This increase is primarily due to: \$1.9 million for Roads; \$2.4 million for Economic Development grant activities; and \$2.9 million for Parks and Trails to improve the Humboldt Bay Trail and the McKay Community Forest. The remaining \$30.9 million is attributable to the following state and federally reimbursable activities in Health and Human Services:

- \$16.8 million for Mental Health Services
- \$6.3 million for Public Health Services
- \$7.8 million for Social Services

In the General Fund, projected revenues for FY 2019-20 are \$152,303,506, which is a decrease of

\$7,218,836, or 5 percent, from FY 2018-19. This revenue decrease is primarily due to changes in local accounting practices. The county's newly elected Auditor-Controller has made changes to the county's financial reporting practices. Notable changes include accounting for transfers between departments differently, as well as contributions from special revenue funds and the General Fund. Previous accounting practices overstated revenues by accounting for revenues twice. When interfund transfers took place between county agencies, revenues were received by the department incurring the expense and then again it was received as revenue by the department being reimbursed. Due to these changes in local accounting practices, revenues and expenditures that are transferred between county agencies, are now reflected as other financing sources and uses. In FY 2019-20, the financing sources total \$9,881,062. These financing sources, added to the General Fund revenues, create a balanced budget for FY 2019-20. However, this includes \$5.3 million in the use of fund balance as proposed expenditures exceed revenues. The remaining \$4.5 million was primarily for transfers from trust funds and charges for services provided to other county agencies. Approximately half, or \$77,394,313, of the total General Fund revenues, which includes \$10,928,563 in Measure Z, is available to be spent on your Board's priorities and projects.

The FY 2019-20 budget proposes that your Board allocate \$162,184,568 in General Fund expenditures, which is a decrease of \$3,363,122, or 2 percent, from last year. This decrease is primarily due to the following:

- \$1 million reduction in Capital Projects due to the completion of Eureka Veterans Building Seismic Repair project
- \$1.46 million reduction in Contingency Reserves due to limited financial resources
- \$768,571 in reduced Cannabis Planning activities as the permitting process begins to stabilize
- \$88,805 in additional expenditure reductions by other General Fund departments

The FY 2019-20 proposed budget has expenditures exceeding revenues by \$5.3 million requiring the use of fund balance, resulting in an estimated ending fund balance for FY 2019-20 of \$6.5 million. The FY 2018-19 adopted budget included \$6 million in the use of fund balance. The decreased use in fund balance use for FY 2019-20 is primarily due to a cautious approach to financing FY 2019-20. The proposed use of fund balance can be attributed to the following:

- \$801,000 Contribution to Reserves (policy level)
- \$574,000 Contribution to Deferred Maintenance (policy level)
- \$2 million Contribution to Contingencies (\$1 million below policy level)
- \$801,000 Contribution to Economic Development for Project Trellis per Board order on May 28, 2019
- \$935,764 in one-time Additional Requests for General Fund Appropriations
- \$625,000 Contributions to American's with Disability Act barrier removal

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 \$10.9 million in revenue for the community in FY 2019-20. Due to declining revenues, it is estimated that there will be a shortfall in FY 2018-19 of \$164,271. 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 2019-20. At the end of March 2019, the committee submitted their Measure Z funding recommendations for inclusion in the proposed budget. On April 16, 2019, your Board evaluated the recommendations provided by the Measure Z Citizen's Advisory Committee. The Committee recommended a total of \$3.5 million in funding applications. With only \$3.1 million available to allocate, your Board was tasked with reducing the Committee recommendations by \$395,631. The below modifications to the Committee recommendations were approved by your Board:

- Reduce the Humboldt County Fire Chief's allocation by \$100,000.
- Reduce the Public Works allocation for illegal dumping by \$10,000.
- Fund the Community Emergency Response Team's request to purchase emergency response equipment in the amount of \$20,524 through the Sheriff's Operations budget unit.
- Delay evaluating the ability to fund the Eureka City Schools request for a School Resource Officer totaling \$55,300 until mid-year as the Sheriff is not currently able to provide a staff person for that position.

In addition to the above mentioned partial funding recommendations and modifications, the Board of Supervisors was tasked with making an additional \$209,807 in reductions. The Board directed staff to identify General Fund dollars to make up for the remaining shortfall.

All Measure Z revenues and allocations are budgeted in separate and distinct budget units in order to maintain a high level of transparency with this revenue source. Intermingling Measure Z with the General Fund in order to fund the remaining \$209,807 is not consistent with that practice. In order to retain a high level of transparency with Measure Z allocations, the following funding recommendations have been separated from the Measure Z budget units and allocated in FY 2019-20 as detailed below:

- \$26,816 Adult Protective Service (1160-504) to continue the Elder and Vulnerable Services Team (EFAST) work in addressing cases of elder and vulnerable adult abuse response.
- \$57,208 Department of Aviation (3530-381) to contract for development of design plans for new airfield electrical system at the California Redwood Coast - Humboldt County Airport.
- \$128,750 Department of Health and Human Services (1170-424) to provide Mobile Intervention Services Team (MIST) expansion services.

The FY 2019-20 proposed budget includes a recommended \$10.7 million for Measure Z expenditures. This is comprised of \$7.3 million in on-going expenditures, \$89,554 in carry forward funding for incomplete projects allocated in FY 2018-19 and \$3.3 million in one-time expenditures. The recommendations for FY 2019-20 include \$115,750 for Public Works. In addition, other local agencies will receive \$2.79 million in Measure Z funding as follows:

- \$247,357 for City of Arcata
- \$290,500 for the Eureka Police Department
- \$58,071 for the Ferndale Police Department
- \$311,000 for City of Fortuna
- \$23,442 for City of Rio Dell
- \$2,100 for the Eel River Cleanup Project
- \$1.6 million for the Fire Chief's Association
- \$39,344 for KMUD Redwood Community Radio
- \$140,000 for Orleans Community Services District

- \$68,800 for Southern Trinity Area Rescue.

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

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 B73) in the proposed budget. This section summarizes the recommended budgets for all Measure Z budget units.

Additional Funding Requests

Departments submitted over \$9.6 million in additional funding requests, as shown in Attachment III. The recommended budget does include funding for a limited number of one-time costs. While all of the departmental requests have merit, the CAO is proposing to direct the limited financial resources in the General Fund to the following funding requests:

One-time expenditures:

- \$8,664 Facilities Maintenance (1100-162) - Funding to update reference materials and to purchase Microsoft Project and two tablets, including data, to run Metabim Work Orders. This funding request supports the Board's Strategic Framework by managing resources to ensure sustainability.
- \$74,654 Land Use (1100-166) - Funding for the increased cost of insurance to eliminate the need for service reductions. This funding request supports the Board's Strategic Framework by managing resources to ensure sustainability.
- \$59,000 County Surveyor (1100-168) - Funding to purchase new surveyor equipment to replace antiquated equipment. This funding request supports the Board's Strategic Framework by providing for and maintaining infrastructure.
- \$20,625 Cooperative Extension (1100-632) - Funding to upgraded a vehicle to four-wheel drive and to make kitchen repairs to the Auditorium at the Agricultural Center. This funding request supports the Board's Strategic Framework by providing for and maintaining infrastructure.
- \$40,047 Contribution to Economic Development (1100-199) - Funding to hire an extra help office assistant for the Intern Program. This funding request supports the Board's Strategic Framework by providing for the county's regional economic future.
- \$26,816 Contribution to Social Services (1100-199) - Funding, as directed by your Board, for the Measure Z application for the Elder and Vulnerable Adult Services Team (EVAST). This funding request supports the Board's Strategic Framework by protecting vulnerable populations.
- \$128,750 Contribution to Health (1100-199) - Funding, as directed by your Board, for the Measure Z application to expand the Mobile Intervention Services Team (MIST). This funding request supports the Board's Strategic Framework by protecting vulnerable populations.
- \$500,000 Contribution to Roads (1100-199) - Funding to conduct road maintenance repairs. This funding request supports the Board's Strategic Framework by providing for and maintaining infrastructure.
- \$20,000 Contribution to Natural Resources (1100-199) - Funding for administrative costs associated to water resource management and wildfire preparedness activities that are not covered through grant funding. This funding request supports the Board's Strategic Framework by managing resources to ensure sustainability.
- \$57,208 Contribution to Aviation (1100-199) - Funding, as directed by your Board, for the Measure Z application to contract for the development and design plans for a new airfield electrical system at the California Redwood Coast-Humboldt County Airport (ACV). This funding request supports the Board's Strategic Framework by managing resources to ensure sustainability.

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 \$105,931 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 \$1.47 million. Any dollar amount over the 1 percent requirement can be credited to the county General Fund. For FY 2018-19 your Board approved transferring \$1,100,000 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 2019-20. An estimated \$800,000 to a \$1.1 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 \$1.1 million be transferred to the General Fund for FY 2019-20.

Recommendation 4: Waiver of Balanced Budget Policy

Contained in staff recommendations is a request for a one-year waiver of the Board policy on a Balanced Budget (adopted October 7, 2008). Staff recommend that your Board allow for the General Fund's fund balance (savings) to be used for one-time expenditures and to meet policy level allocations for General Reserves and Deferred Maintenance. This policy states that the use of available fund balance shall be limited to one-time only expenditures. The county has utilized General Fund savings (fund balance) in the past. This practice does come with risk as economic uncertainties and estimating revenues, which can be challenging, will likely lead to differences between projections and actual amounts. There is a chance that revenues will not grow at the rates estimated, which would result in the need for spending reductions. In FY 2019-20, the use of fund balance is necessary to meet policy level allocations for General Reserves and Deferred Maintenance. In addition, fund balance will be utilized for Project Trellis, ADA barrier removal and for additional funding requests.

Humboldt County Roadshow

The County of Humboldt in March held its annual Humboldt County Roadshow meetings in McKinleyville, Eureka and Benbow. This year staff and elected officials discussed the Board's Strategic Framework and service priorities with community members. At each meeting, representatives from county departments including Aviation, Economic Development, Department of Health & Human Services, Public Works, Sheriff's Office, Probation, Agriculture, Planning & Building and members of the Board of Supervisors held table discussions with attendees and discussed work their respective agencies have accomplished, projects that are currently in progress, and areas the community wants to see improved or changed.

The county also presented 10 goals from the Board's Strategic Framework at the meetings, and attendees were invited to vote on the issues that were most important to them. After the Roadshows, staff also opened an online survey via the county's Open Humboldt discussion forum.

Summaries of votes on the Strategic Framework are included in this item as Attachment IV.

Finally, the table discussions mentioned above were summarized and are included in this agenda item, along with comments submitted by attendees and individuals who took the online survey regarding the Strategic Framework. The table discussion notes and individual comments are included in this item as Attachments V through VIII.

FINANCIAL IMPACT:

Funding is as shown in the Humboldt County FY 2019-20 Proposed Budget document.

The total proposed county budget is \$450,885,139 proposed General Fund expenditures are \$162,184,568 including a Contingency Reserve of \$2 million.

The County's internal service funds generally appropriate as expenditures funding that already appears as expenditures in other County budgets; therefore, in an effort to avoid double-counting, 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	\$ 4,174,389
3520 - Risk Management Fund	\$ 775,616

3521 - Communications Fund	\$ 4,804,771
3522 - Employee Benefits	\$ 455,550
3523 - Workers Compensation Fund	\$ 5,266,904
3524 - Liability Insurance Fund	\$ 3,902,466
3525 - Medical Plan Fund	\$16,762,368
3526 - Dental Plan Fund	\$ 1,504,286
3527 - Unemployment Insurance Fund	\$ 300,423
3528 - Purchased Insurance Premiums	\$ 953,190
3530 - Airport Enterprise Fund	\$ 3,792,800
3539 - Aviation Capital Projects	\$ 4,361,999
3540 - Heavy Equipment Fund	\$ 2,771,791
3550 - Information Technology Fund	\$ 4,605,807
3552 - ADA Compliance Fund	\$ 8,488,356
3555 - Purchasing Central Service Fund	\$ 412,933

Policy levels for Contingency Reserves are not recommended at this time. The Contingency Reserve policy says that an amount equal to 2% of General Fund revenues will be allocated annually for Contingency Reserves. These reserves provide available funding to address urgent needs that may arise throughout the fiscal year. In FY 2019-20, a policy level allocation would be \$3 million. Due to limited available financial resources and recent policy decisions that reduced the anticipated Cannabis Excise Tax revenues, an allocation of \$2 million is proposed, leaving a shortfall in meeting target levels by \$1 million. Furthermore, should your Board choose to allocate additional funding, Contingency Reserves will likely need to be further reduced.

STRATEGIC FRAMEWORK:

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

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. Measure Z Funding Requests
- III. Additional Requests for General Fund Appropriation
- IV. Humboldt County Roadshow Feedback Summary
- V. Central Humboldt Round Table
- VI. Southern Humboldt Round Table
- VII. Northern Humboldt Round Table
- VIII. Humboldt County FY 2019-20 Proposed Budget (copy on file with the Clerk of the Board and available online at <http://www.humboldt.gov/247/Budget>)

PREVIOUS ACTION/REFERRAL:

Board Order No.: N/A

Meeting of: 2/26/19, 4/16/19

File No.: 19-269, 19-521