

# 2018-19 Budget Policy Workshop

**Sonoma County Board of  
Supervisors  
March 20<sup>th</sup>, 2018**



# North Bay Economic Forecast

**\$24 Billion**

The estimated loss in economic activity if every household destroyed by the North Bay wildfires decided to relocate elsewhere.\*

**\$750 Million**

The estimated loss to the County's economy if every household destroyed by the North Bay wildfires decided to relocate elsewhere.\*

**\$52.8 Million**

The estimated loss in state and local taxes generated if every household destroyed by the North Bay wildfires decided to relocate elsewhere.\*

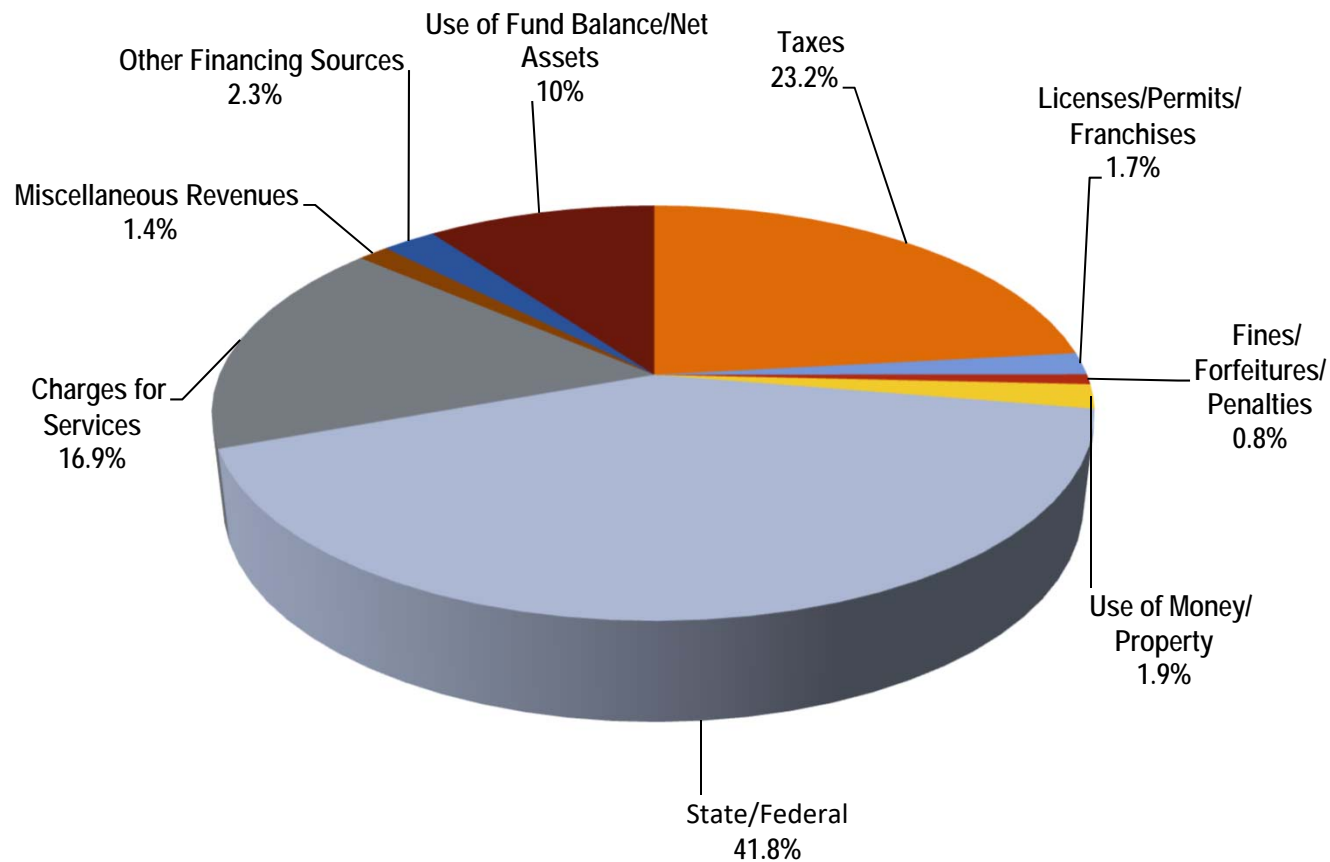
\*Source – Dr. Robert Eyler, North Bay Economic Outlook held on March 2, 2018



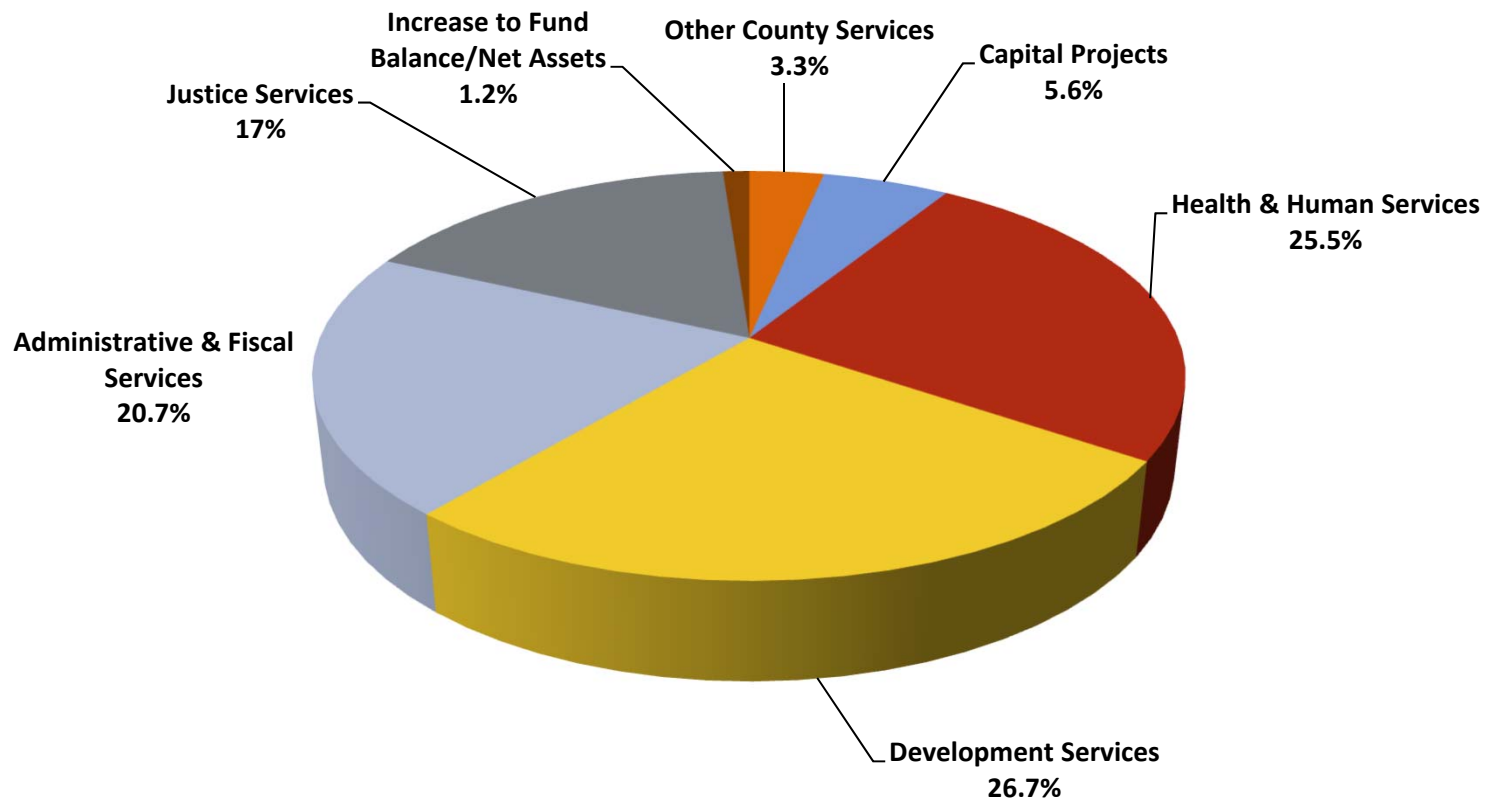
# FY 2017-18 Budget Overview



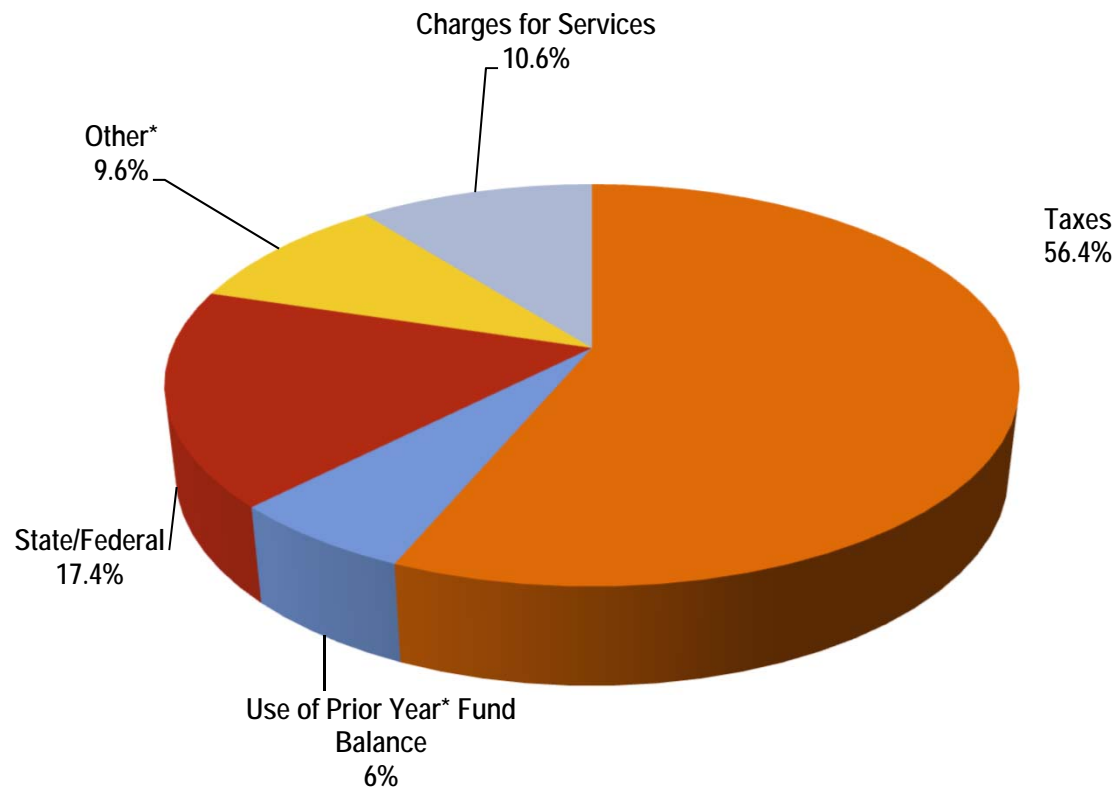
# Total County FY 2017-18 Budget: \$1.7 Billion (Revenue Sources)



# Total County FY 2017-18 Budget: \$1.7 Billion (Uses)



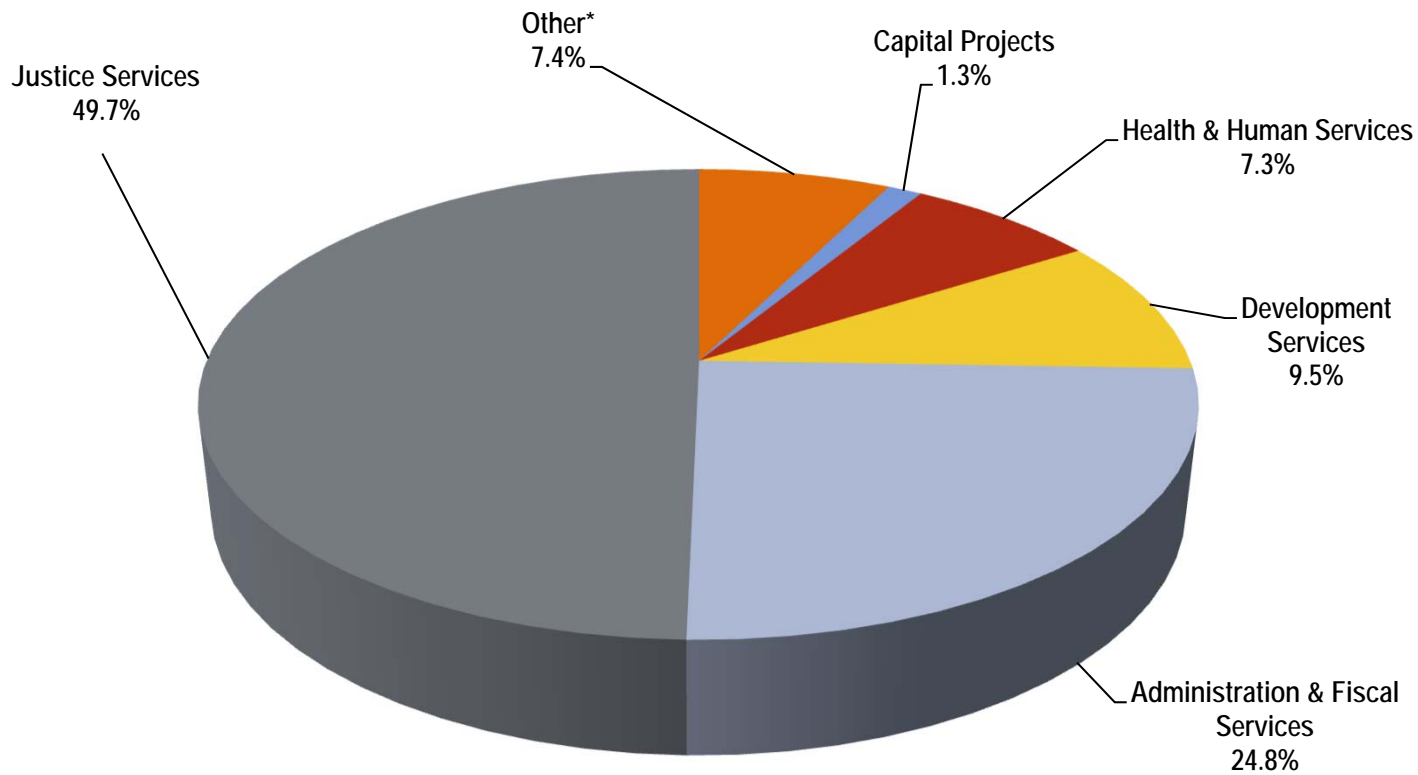
# County General Fund Adopted FY 2017-18 \$459.2 Million (Sources)



\*Use of Prior Year Fund Balance – Includes \$15.9 million carryover GF fund balance.



# County General Fund Adopted FY 2017-18 \$459.2 Million (Expenditures)





# Disaster Impacts

## FY 2017-18 and FY 2018-19





# Total Disaster Impacts

## FY 2017-18 and FY 2018-19

- Immediate Disaster Response: **\$39.9 million**
- County Owned Property Repairs: **\$4.7 million**
- Local Match of Government Sponsored Debris Removal Program: **\$9.4 – \$18.8 million**

# Estimated Total Impact:

# **\$54 – \$63.4 million**



# Total Disaster Impacts

Year to date costs incurred (all funds):

**\$24.5 million**

Anticipated expenses FY 2018-19:

**\$29.4 - \$38.9 million**



# Sonoma Complex Fire Fiscal Impacts

(Does not include Water Agency)

FEMA Category	Description	Department	Approx. Cost
B	Emergency Protective Measures (Already Incurred Expenses)	Emergency Operations, Sheriff	\$19,826,330
A	Right of Way, Roads Debris Removal FY 2018-19	Various Departments	\$15,509,021
C-G	Repair Projects FY 2018-19	Various Departments	\$3,126,000
Z	Direct Administrative Cost (% of total claim)	Countywide	\$1,500,000
<b>Total Submitted:</b>			<b>\$39,961,351</b>
<b>Insurance Covered County Property Repairs</b>		All Departments	\$4,688,551
<b>Total Estimated Impact : (Excluding gov't sponsored debris removal program)</b>			<b>\$44,649,902</b>



# FY 2018-19 Anticipated Government Sponsored Debris Removal Program Local Share

Government Sponsored Debris Removal Program Cost Estimate	Local Cost Share
\$1.5B	\$150M
\$1.0B	\$100M
\$750M	\$ 75M

State Share 75%	City/County Share 25%	County Share 50:50 Split
\$112M	\$37M	\$18.8M
\$75M	\$25M	\$12.5M
\$56M	\$18.8M	\$9.4M



# General Fund FY 2017-18 Mid-Year Status





# Annual General Fund Savings

- Historically average \$20 million in General Fund savings programmed into the following fiscal year sources of revenue
- General Fund savings previously anticipated for use in FY 2018-19 was spent in FY 2017-18 for disaster response



# Update on Budget Gap Presented on 12/12/17

- Departments have managed vacancies and appropriations in order to absorb approximately \$5.3 million in overtime and extra help related to disaster response
- FEMA Advance Payment for FY 2017-18 disaster costs incurred \$9.5 million
- Disaster Fund \$5 million
- State Property Tax Backfill \$3.4 million



# General Fund FY 2017-18 Mid-Year Status

- Estimated **\$2.2 million** gap includes:
  - Estimated mutual assistance from outside law enforcement, health departments, shelter expenses



# FY 2017-18 Other Non-General Fund Challenges



# Department of Health Services: Behavioral Health Division FY 2017-18 Challenges





# FY 2017-18 Deficits

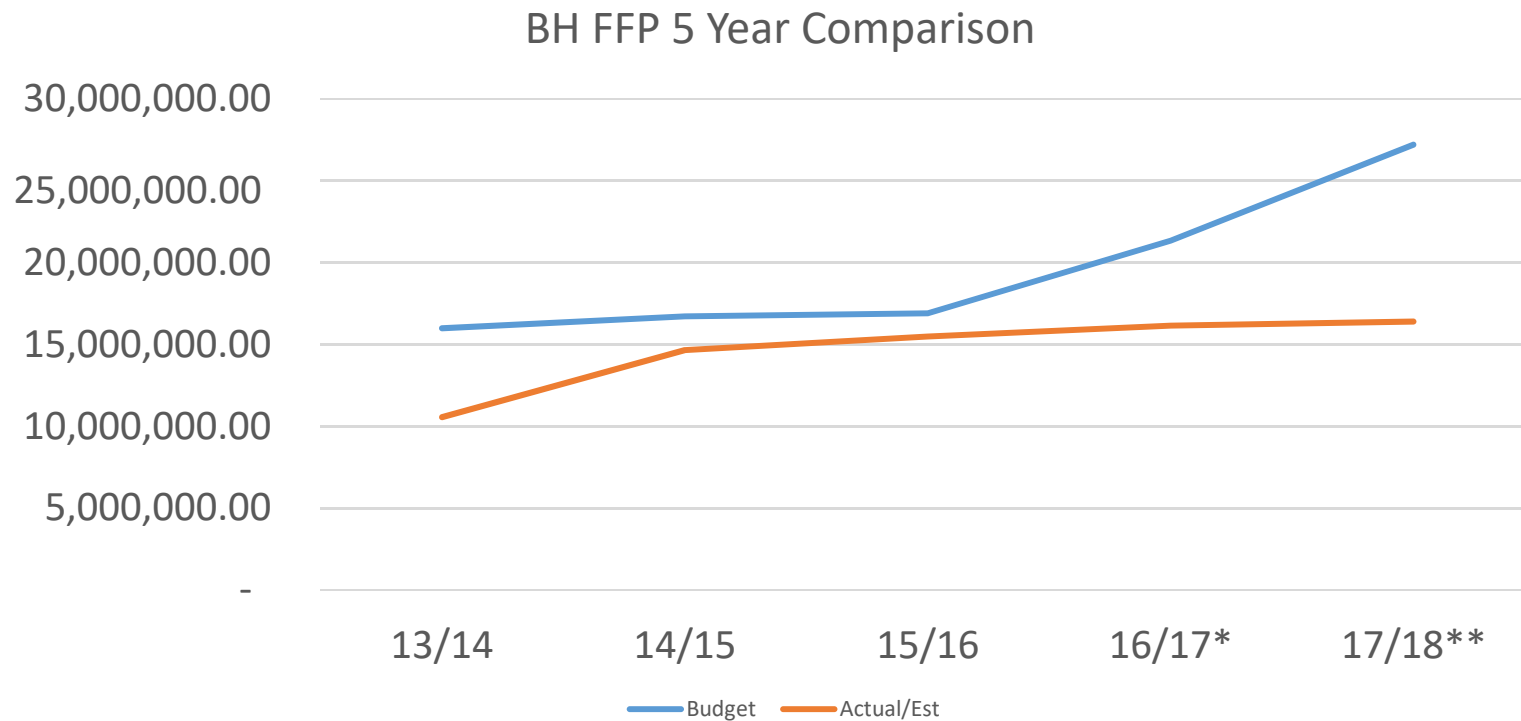
## DHS Behavioral Health Division

DHS Behavioral Health Fiscal Deficits FY 14-15 through FY 17-18					
	FY 14-15	FY 15-16	FY 16-17	FY 17-18	Total
Fiscal Year Budget Deficit	<b>\$6 M</b>	<b>\$5 M</b>	<b>\$11 M</b>	<b>\$8.6 M<sup>1</sup></b>	<b>\$30.6 M</b>

<sup>1</sup> FY 17-18 Mid-Year Projection



# Contributors to FY 17-18 Behavioral Health Deficit Over Projection of Federal Financial Participation



# Contributors to FY 2017-18 Behavioral Health Deficit Other Factors

- Operational Challenges
  - CSU
  - Medicare Billing
  - Care Treatment Plans



# Other FY 2017-18 Budget Deficit Reduction Strategies

- Substance Use Prevention Treatment <sup>1</sup> \$2.0 million
- Contract Reductions (Net) \$1.8 million
- 1991 Mental Health Realignment (fund balance) \$1.0 million
- MHSA Annual Adjustment (fund balance) \$3.0 million
- Other Strategies \$800k

<sup>1</sup> One-time categorical funding



# Cannabis Challenges Presentation





# Cannabis Program FY 2017-18

Revenues	Budget	Est. Actual
Cannabis Tax	\$ 3,935,502	\$ 2,517,754
Fines, Fees, Other	\$ 1,283,905	\$ 886,828
<b>Total Revenues</b>	<b>\$ 5,219,407</b>	<b>\$ 3,404,582</b>

Expenses	Budget	Est. Actual
Permanent Labor Costs	\$ 2,089,258	\$ 1,371,386
Extra Help	\$ 479,645	\$ 86,701
Non-Labor Costs	\$ 846,004	\$ 884,408
<b>Total Expenses</b>	<b>\$ 3,414,907</b>	<b>\$ 2,342,495</b>

	Budget	Est. Actual
# of Permanent Positions <sup>1</sup>	14.0	12.0
Cannabis Fund – Estimated Balance	\$1,804,500	\$1,062,087

<sup>1</sup>Includes one Code Enforcement Inspector

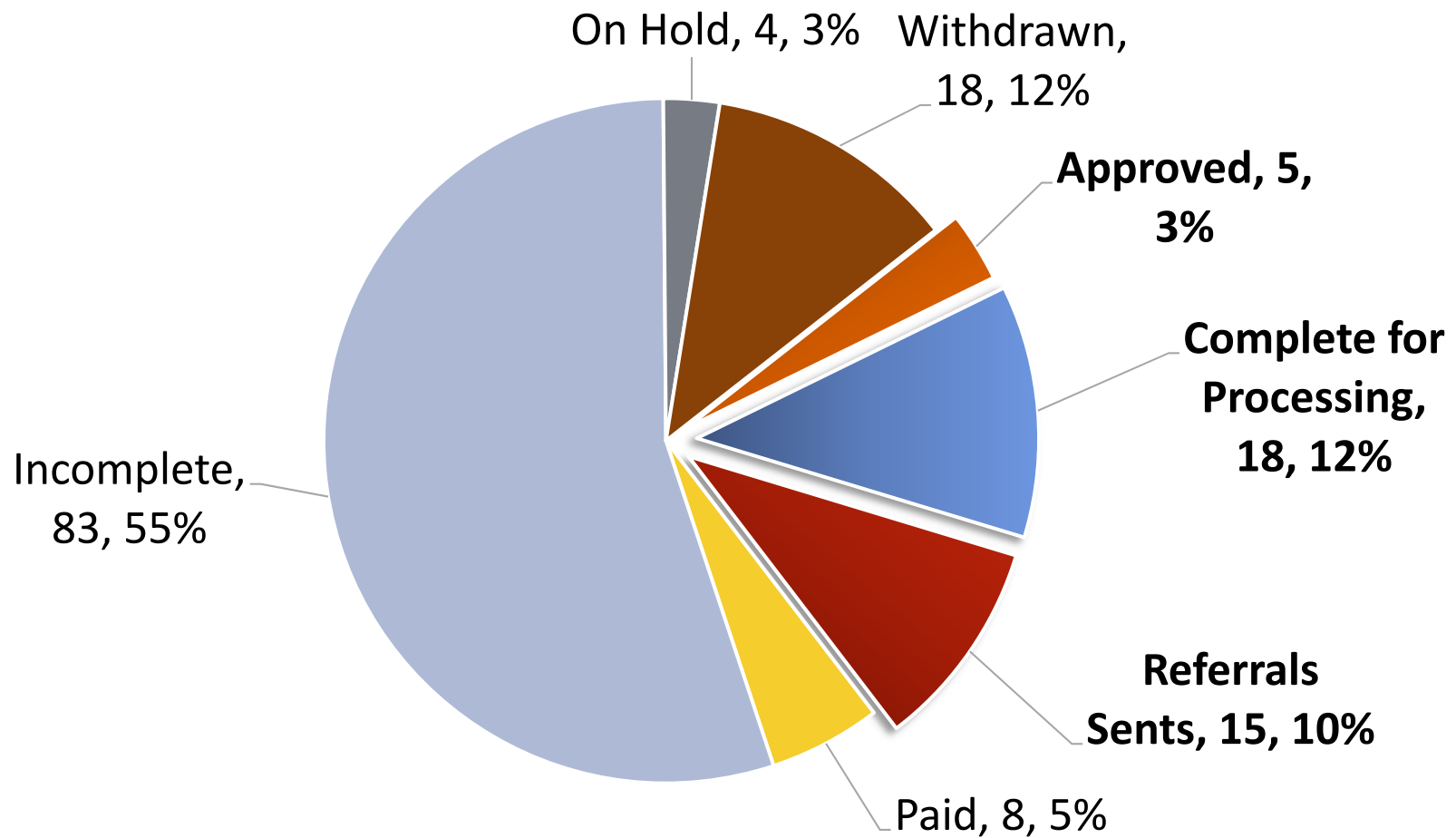


# Penalty Relief Program

- Created to incentivize compliance and to bring the cannabis industry into the regulated market
- Allows certain businesses to operate without being subject to land use fines while they work to become permitted
- 332 businesses have applied for the Penalty Relief Program and are therefore required to file taxes
- 143 have filed tax forms
- June 1, 2018 deadline to submit a complete land use application
- County cannot tax businesses outside of the Program



# Cannabis Applications-151



# FY 2017-18

## Contingency Requests

Current Contingency Balance: **\$1.06 million**

Earmarked: **\$850,000** for dispatch costs for Fire and Emergency Services-  
one-time funding for Transient Occupancy Tax revenue in FY 2018-19

### Current Requests for Consideration:

- **\$25,000** for one year additional funding for Sonoma County Law Enforcement Chaplaincy Services
- **\$180,000** one time for Legal Aid to Homeless Prevention Services
- **\$TBD** Springs parking enforcement and security



# FY 2017-18 Recap

- Current Identified General Fund Gap:

**\$2.2 million**

- No General Fund Savings
- Department of Health Services – Behavioral Health Division Budget Deficit





# General Fund Fiscal Forecast



# General Fund Fiscal Outlook

- Slow growth
- Constrained workforce and housing supply
- Disaster response and recovery costs



# General Fund Fiscal Outlook

**Projected FY 2018-19 budget gap: \$14.2 million**

General Fund (in millions)	Adopted FY 17-18	Revised Budget FY 17-18	Q2 Estimates FY 17-18	Projected FY 18-19	Projected FY 19-20	Projected FY 20-21	Projected FY 21-22	Projected FY 22-23
Taxes	\$ 264.5	\$ 264.5	\$ 266.3	\$ 272.8	\$ 274.1	\$ 280.7	\$ 288.6	\$ 288.6
State/Fed	75.8	75.9	84.6	75.1	77.0	78.9	80.5	80.5
Charges for Services	64.5	64.5	59.2	68.1	68.7	69.3	69.9	70.4
Other	38.5	39.2	41.0	39.5	39.8	39.9	40.1	40.3
<b>Total Revenues</b>	<b>\$ 443.2</b>	<b>\$ 444.0</b>	<b>\$ 451.2</b>	<b>\$ 455.6</b>	<b>\$ 459.6</b>	<b>\$ 468.8</b>	<b>\$ 479.1</b>	<b>\$ 479.9</b>
Salaries & Benefits	329.6	329.8	321.5	337.5	345.1	352.9	360.8	360.8
Services and Supplies	108.9	110.1	125.2	111.7	113.4	115.7	118.0	118.0
Other	112.9	117.2	116.7	109.6	109.5	111.5	112.6	112.6
Reimbursements	(92.2)	(92.4)	(87.3)	(89.0)	(91.0)	(93.1)	(95.2)	(95.2)
<b>Total Expenditures</b>	<b>\$ 459.2</b>	<b>\$ 464.7</b>	<b>\$ 476.0</b>	<b>\$ 469.8</b>	<b>\$ 477.0</b>	<b>\$ 487.0</b>	<b>\$ 496.3</b>	<b>\$ 496.3</b>
Beginning Balance	\$ 22.6	\$ 22.6	\$ 22.6	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Surplus/(Deficit)	\$ (15.9)	\$ (20.7)	\$ (24.8)	\$ (14.2)	\$ (17.4)	\$ (18.1)	\$ (17.2)	\$ (16.4)
<b>Ending Balance</b>	<b>\$ 6.6</b>	<b>\$ 1.9</b>	<b>\$ (2.2)</b>	<b>\$ (14.2)</b>	<b>\$ (17.4)</b>	<b>\$ (18.1)</b>	<b>\$ (17.2)</b>	<b>\$ (16.4)</b>



# FY 2018-19 Fiscal Challenges

- Expected Operational Gap **\$14.2 million**
- Debris Match **\$9.4 to \$18.8 million**
- Behavioral Health Services **\$16 - \$18 million**
- Department of Human Services **\$2.1 million**



# Department of Health Services: Behavioral Health Division FY 2018-19 Challenges





# DHS Behavioral Health Fund FY 2018-19 Projected Balances

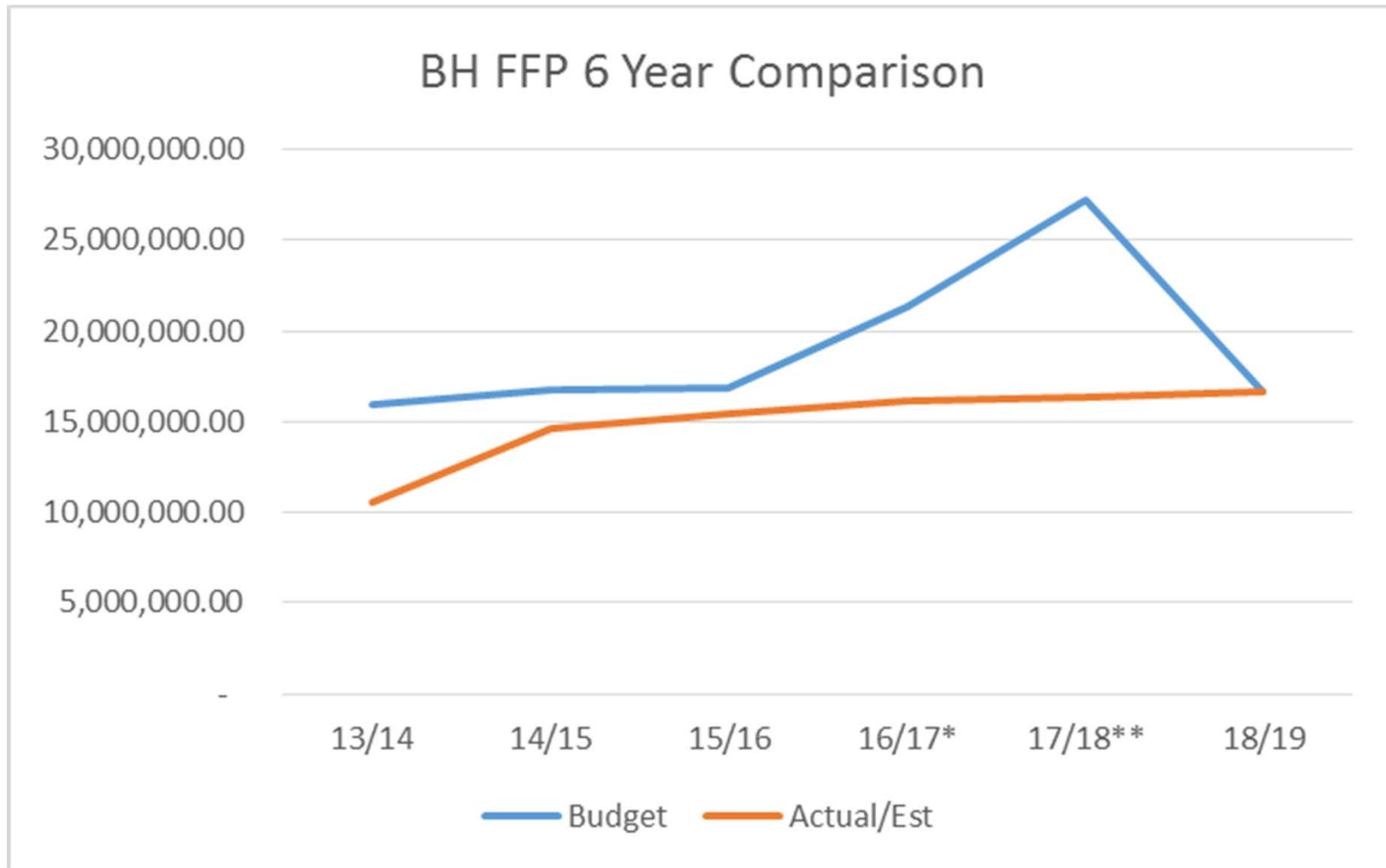
Fund Balances			
	Use to Close FY 16-17 Budget	FY 16-17 (June 2017)	June 2018 (Projected)
<b>1991 MH Realignment</b>	\$1.9m	\$5k	\$0-\$300k
<b>2011 BH Realignment</b>	\$604k	\$36k	\$0-\$300k
<b>MHSA (All Accounts) <sup>1</sup></b>	\$5.0m	\$1.1m	\$900k
<b>IGT <sup>2</sup></b>	\$2.7m	\$99k	\$7.0-\$8.0m

<sup>1</sup> MHSA Accounts: CSS; PEI; Capital; Innovation; and Prudent Reserve

<sup>2</sup> Available for use for one-time costs (i.e., facilities; systems; etc.)



# Federal Financial Participation





# FY 18-19 Behavioral Health Division Other Challenges

- Substance Abuse and Mental Health Services Grant (\$300k)
- Triage Grant (\$900k)
- Interdepartmental Reimbursements (Sheriff) (\$1.4 million)
- Mental Health Services Act (\$5 million)



# FY 18-19 Public Health Division

- AFLP (\$260k)
- Tobacco Funding (\$200k)
- Nurse Family Partnership Funding (\$267k)
- Substance Abuse Prevention Treatment (\$117k)
- Flat 1991 Health Realignment



# Department of Human Services: FY 2018-19 Challenges



# Human Services

- State funding insufficient to cover cost increases to local program and staff expenses.
- Modest State Realignment increase not equal to State growth projections.
- New grant funds allow for new positions and program expansion.
- Position reductions and additions to BOS on April 10<sup>th</sup>



# Human Services Challenges

- *Economic Assistance* (Medi-Cal and Cal Fresh) caseload is level.
- *Employment and Training* (CalWorks) caseload has declined except for those who lost their jobs because of the fire.

Reduction in State Funding.

- *Family Youth and Children* Child Protective Services cases have increased. Foster Care and Valley of the Moon placements have declined. Changes in State law.
- *Adult and Aging* requests for information and assistance (especially related to housing) have increased. Adult Protective Services referrals have increased.



# FY 2018-19 Recovery Opportunities





# FY 2018-19

## Recovery Opportunities

- Hazard Mitigation Grant Program
- Community Development Block Grant – Disaster Recovery
- Other Federal and State Grants

Recovery opportunities **are not to subsidize ongoing operations**, they are for one-time disaster recovery investments only.





# Opportunity: Hazard Mitigation Grant Program

(Proposed applications will be reviewed in April 2018)

Funding Source	Number of projects	Total Project Cost	Grant Ask	Match	Average Match per year
County General Fund*	4	\$11,693,500	\$8,770,125	\$2,923,375	\$974,458
Property Owner Contribution or GF	3	\$16,000,000	\$12,000,000	\$4,000,000	\$1,333,333
Property Owner Contribution	1	\$3,000,000	\$2,250,000	\$750,000	\$250,000
Available Dedicated Revenue Source**	13	\$41,302,700	\$28,976,750	\$12,325,950	\$4,108,650
<b>Total</b>	<b>21</b>	<b>\$71,996,200</b>	<b>\$51,996,875</b>	<b>\$19,999,325</b>	<b>\$6,666,442</b>

\*County General Fund includes \$250,000 that could be funded by Parks fees

\*\*Dedicated revenue sources include special district funds with fund balance, dedicated capital projects funds, and other dedicated sources



# Opportunity: Community Development Block Grant Disaster Recovery

- Congress has approved nationwide supplemental appropriations of \$28 billion for Community Development Block Grant Disaster Recovery (CDBG-DR) funding
- Action Plan within 90 days of the notice in the Federal Register



# FY 2018-19 Budget Framework



# FY 2018-19 Budget Framework

- Assumes No FY 2017-18 General Fund Savings
- General Fund Department Allocations Based on Historic Actual Use
- Internal Service Rates Held flat



# FY 2018-19 Strategies to Balance Budget **\$14.2M Gap**

- Aligning to Actuals
- 2%, 4%, and 6% Reduction Plans
  - Further analysis with departments
- Transient Occupancy Tax - Community Investment Program Reduction
- General Fund Reserve Drawdown (1 x)
- Release of Accumulated Fund Balances (1 x)



# General Fund Reduction Plans

	2%	4%	6%
<b>Admin Support</b>	\$ 719,746	\$ 1,439,492	\$ 2,159,238
<b>Justice Services</b>	\$ 537,526	\$ 1,075,051	\$ 1,612,577
<b>Development Services</b>	\$ 20,000	\$ 39,999	\$ 59,999
<b>Other County Services</b>	\$ 74,276	\$ 148,553	\$ 222,829
<b>TOTAL</b>	\$ 1,351,547	\$ 2,703,095	\$ 4,054,642



# Financial Policies Revisions





# Financial Policies Revisions

- **GENERAL FUND (GF) RESERVE (Revision)**
  - **CURRENT:** Current achieved level is 12%, or \$53 million, target is 16.7% or \$76 million

## **CHANGES:**

- ✓ Recommend minimum threshold 8.3%, or one month of operating revenues
- ✓ Replenishment plan over 3 years



# General Fund Reserve Range Options

(In Millions)

<b>FY 2017-18 GF Reserve Balance</b>	<b>\$</b>	
FY 2018-19 GF Minimum Reserve Balance at 8.3%	\$	37.8
	<b>53.3</b>	
FY 2018-19 GF Minimum Reserve Balance at 5%	\$	22.8
<hr/>		
<b>Amount to Available to Release at 8.3%</b>	<b>\$</b>	<b>15.5</b>
<b>Amount Available to Release at 5%</b>	<b>\$</b>	<b>30.5</b>



# Key Budget Dates (Tentative)

<b>April 17</b>	Board Report to Update the Fund Balance Directory
<b>May 8</b>	Fees and Charges Adjustments – Board Public Hearing
<b>May 10</b>	Governor’s State May Revise Budget
<b>May 15</b>	Publish Recommended Budget for Public Review
<b>June 1</b>	Publish Supplemental Budget, Includes 2, 4, 6 Reductions
<b>June 11 - 23</b>	FY 2018-19 Public Budget Hearings



# Recommended Actions

- Accept General Fund Updated Post-Disaster Fiscal Outlook
- Adopt Resolution increasing Disaster Fund appropriations by \$9.5 million to recognize anticipated Federal Emergency Management Agency (FEMA)
- Approve revisions to the General Fund Reserve Policy, adopt new Public Safety Realignment Innovation Fund policy, and ratify existing Budget and Financial Policies
- Review the County Administrator's FY 2018-19 Budget Development Framework
- Consider Mid-Year Use of Contingencies



# Questions?

