



# OFFICE OF THE COUNTY ADMINISTRATOR

## COUNTY OF SONOMA

575 ADMINISTRATION DRIVE – ROOM 104A  
SANTA ROSA, CALIFORNIA 95403-2888  
Telephone (707) 565-2431  
FAX (707) 565-3778

**M. CHRISTINA RIVERA**  
COUNTY ADMINISTRATOR

**PETER BRULAND**  
DEPUTY COUNTY ADMINISTRATOR

**BARBARA LEE**  
DEPUTY COUNTY ADMINISTRATOR

**CHRISTEL QUERIJERO**  
DEPUTY COUNTY ADMINISTRATOR

**PAUL GULLIXSON**  
COMMUNICATIONS MANAGER

DATE: June 2, 2023

TO: Members of the Board of Supervisors

FROM: M. Christina Rivera, County Administrator

SUBJECT: FY 2023-24 Budget Hearings Binder Overview

### Introduction

The Recommended Budget includes \$2.19 billion in total expenditures and 4,285 full time equivalent positions, which constitutes most of the appropriations. It represents a status quo budget, implementing existing programs and new items that the Board of Supervisors has already approved within identified available resources.

The enclosed Public Hearing Binder materials provide additional information complementing the Fiscal Year (FY) 2023-24 Recommended Budget. These materials include a review of County funds to identify sources that can be used during budget hearings, which have not yet been programmed in the Recommended budget; departments and Board members funding requests; County Administrator's use of available funds recommendations; Board Budget Inquiries submitted in April along with staff responses; County's Financial Policies revisions; County's Proposition 4 appropriations limit adoption; and supplemental budget adjustments to the FY 2023-24 Recommended Budget. The materials also include the budget resolutions that will codify the Board's close of hearing actions and adopt the final revised Adopted FY 2023-24 budget.

The Recommended Budget Book is available at:

<https://sonomacounty.ca.gov/Main%20County%20Site/Administrative%20Support%20%26%20Fiscal%20Services/CAO/Documents/Public%20Reports/Budget%20Reports/2023-24/FY-2023-24-Recommended-Budget-Webpage-Clickable-Table-Contents.pdf>.

What follows is a brief review of some of the issues facing the County as we look toward next year's Budget.

## **Discussion of Key Issues**

### ***Updated Labor Agreements***

The County has partnered with the eleven labor groups to develop updated labor agreements. Based on the agreements achieved to date, FY 2023-24 and the two subsequent fiscal years will see, in aggregate, approximately a 14% increase in operational costs associated with staffing. Assuming we do not experience a significant change in revenues, FY 2023-24 increased costs will be met with ongoing revenues. Subsequent fiscal years may be seeing a tightening of the fiscal capacity if all positions are filled.

### ***Disaster Funds and FEMA Reimbursement Status***

Since 2017, the County has faced nine federally declared disasters. The County has spent more than \$175 million on disaster response, excluding items such as regular employee time diverted from normal work to disaster response that are generally not covered by outside assistance. As of this writing, the total cumulative outstanding reimbursement is \$119 million (\$34 million for Roads and \$85 million due to the General Fund; \$75 million of which is associated with COVID-19).

The County was able to avoid the worst reductions and respond to ongoing disasters in large part due to unprecedented infusions of disaster-related funding. This included significant infusions from the federal government in the form of CARES Act and American Rescue Plan Act (ARPA) funding, as well as FEMA disaster assistance. It also included the timely arrival of the \$149 million PG&E Settlement related to the 2017 wildfires.

All counties are facing the same delays in receiving FEMA obligations and reimbursements that we are, and we are working with our state and federal legislators to inform them of these challenges. As a result, the budget continues to rely on the Kincadee Settlement funds as a temporary bridge until FEMA revenues are recognized. Staff will provide FEMA reimbursement updates as part of the Quarterly budget update reports.

### ***Behavioral Health Unit Construction Status***

In November of 2015 the County was awarded state funding for construction of a Behavioral Health Housing Unit (BHHU) at the Main Adult Detention Facility. The BHHU will be a 32,000 square foot, 72-bed mental health detention facility, and is designed to address the growing need for behavioral health treatment and care within the County's detention program. The County received \$40 million in state funding for this project, while it was estimated that the County would contribute \$4.7 million in cash and in-kind match.

The original timetable called for the project to be completed in September 2019. Unfortunately, events have intervened to delay the project significantly. It is now estimated that the project will cost at least \$9.3 million more than was initially anticipated and could be as high as \$20 million. These increases are not the result of changes to the project's design or specification. Rather, they are solely driven by high rates of inflation compounding over years in delays, and by anticipated costs around inclusion of a Project Labor Agreement, which as

noted in the August 11, 2020, Board Item authorizing inclusion of a Project Labor Agreement as part of the selection criteria for the project bid, is anticipated to increase costs by \$3.7-\$3.9 million.

This gap will need to be solved before the project can be bid. Health Services, the Sheriff's Office, Public Infrastructure, and County Administrator staff will be revisiting the overall intent of the project to discern if there are other options to deliver a solution that will house inmates in need of behavioral support while incarcerated.

### **County Center Replacement**

On [January 31, 2023](#), the Board directed staff to issue request for proposals for pre-development services including environmental studies, land use entitlements, and preparation of plans and specification. Predevelopment is expected to occur over the next 2 years. The development site was confirmed to be the existing County Center, and an update on the financing available was provided. The current financing capacity is at \$239 million, including debt service issuance, towards either a one building cost of \$682 million or a two-building cost of \$721 million.

### **Homeless Costs**

Beginning with FY 2022-23 Budget Hearing materials, we began providing information on costs associated with homeless response and prevention for the prior complete fiscal year. The information provided below reflects homelessness costs incurred in FY 2021-22.

Due to the nature of homelessness prevention and response, the County does not have a financial account coding structure exclusively designed to track homelessness related expenses, as delivery of service interactions are not all identified as providing services to housed versus unhoused clients. Likewise, individuals may interact with a County department for a number of reasons, and their housing status may or may not be the leading cause for that interaction. Therefore, determining costs associated with addressing homelessness relies on considering expenditures as well as available case data.

*Ultimately, the reported costs are an approximation of actual expenses incurred due to these realities.*

In total, in FY 2021-22 Countywide spending on homelessness prevention and response totaled almost \$129 million, with the largest share being in the Community Development Commission (CDC). CDC expenditures include funds that flow through the Continuum of Care (CoC), but are approved by the County's Board of Supervisors/Board of Commissioners.

The enclosed table includes costs associated both with prevention, such as rental assistance programs/housing vouchers, as well as response, such as cleaning up homeless encampments in parks. Even the delineation between prevention and response can be nuanced. That said, the majority of costs in the Community Development Commission, Health Services and Human

Services can better be characterized as preventative costs, while response costs are attributable to the other departments.

Note that the Homeless section housed in CDC was moved to the Department of Health Services in FY 2022-23. This change will be reflected in the cost data presented in next year’s materials.

<b>Department/Program</b>	<b>FY20-21 APPROXIMATED ACTUAL</b>	<b>FY21-22 APPROXIMATED ACTUAL</b>
<b>Community Development Commission Programs</b>		
Affordable Housing	\$33,876,217	\$43,811,447
Ending Homelessness	\$7,528,044	\$13,891,245
Housing Authority	\$37,712,059	\$45,922,030
Project Homekey <sup>i</sup>	\$18,056,000	\$0
<b>Community Development Commission Total</b>	<b>\$97,172,320</b>	<b>\$103,624,722</b>
<b>Health Services Programs</b>		
Accessing Coordinated Care and Empowering Self Sufficiency (ACCESS)	\$6,464,568	\$6,738,393
Behavioral Health (BH) Acute Forensic	\$4,176,650	\$6,512,901
Behavioral Health (BH) Youth & Family	\$804,371	\$1,262,483
<b>Health Service Total</b>	<b>\$11,445,589</b>	<b>\$14,513,778</b>
<b>Human Services Programs</b>		
Adult & Aging	\$601,980	\$652,478
Employment & Training	\$965,623	\$3,134,517
Family Youth & Children	\$2,662,918	\$1,925,869
<b>Human Services Total<sup>ii</sup></b>	<b>\$4,230,521</b>	<b>\$5,712,864</b>
<b>District Attorney Total</b>	<b>\$248,691</b>	<b>\$236,683</b>
<b>Regional Parks Total</b>	<b>\$298,584</b>	<b>\$379,889</b>
<b>Probation Total</b>	<b>\$1,219,949</b>	<b>\$1,500,878</b>
<b>Public Infrastructure Total<sup>iii</sup></b>	<b>\$1,247,143</b>	<b>\$684,790</b>
<b>Sheriff- Law Enforcement Total<sup>iv</sup></b>	<b>\$421,487</b>	<b>\$411,157</b>
<b>Sonoma Water Total<sup>v</sup></b>	<b>\$500,000</b>	<b>\$800,000</b>
<b>Total Homelessness Prevention and Response Costs:</b>	<b>\$116,784,284</b>	<b>\$127,864,761</b>

**Description of Notable Changes – FY 2020-21 to FY 2021-22**

<sup>i</sup> In FY 2020-21 Project HomeKey funding was used to purchase 2 hotels, there was no HomeKey funding for FY 2021-22.

<sup>ii</sup> Human Services re-examined which programs to include in this analysis, which is an improvement in the methodology.

<sup>iii</sup> In FY 2020-21, there were costs for security associated with the Joe Rodota Trail and at Chanate, which did not occur during FY 2021-22. FY 2021-22 costs mainly represent security at Los Guilucos.

<sup>iv</sup> Sheriff Office does not include detention costs to house individuals self-reported as homeless.

<sup>v</sup> Sonoma Water represents work performed in specific geographical areas.

### ***Future Uncertainty***

The outlook is not clear. The economic picture for the nation is cloudy, and the state continues to impose new requirements on local governments in the way we conduct elections, manage the criminal justice system, and deliver safety net programs to our most vulnerable. The Governor's May Revise does not forecast a recession, but it does recognize increased revenue risks which could significantly change the state's fiscal trajectory in the near term. The state budget included sharp spending cuts, primarily to one-time programs, and a \$31.5 billion projected shortfall in FY 2023-24, with ongoing deficits beyond. The state forecast is driven by declining revenues, particularly income tax. Income tax remains a particular unknown, as the state has delayed filing deadlines to October 2023 for several counties' residents impacted by the winter floods.

Consequently, I encourage the Board to limit additional resources programming to efforts that maintain core County services and, where possible, pause the number of new projects and/or initiatives, so that staff can concentrate on delivering critical services to our community and where possible implement program efficiencies.

### **Layout of the Binder**

#### **Budget Hearings Overview (Tab 1)**

This tab includes this Overview Memo and the Budget Hearing Schedule. The Budget Hearings begin on Tuesday, June 13, at 8:30 a.m. and have been publicly noticed to continue from day-to-day for up to fourteen days. Public comment on the Budget has been scheduled for each day.

#### **Available Sources Memo (Tab 2)**

The Available Sources memo summarizes the sources of discretionary revenue available to fund requests represented on the Budget Hearing Deliberation Tool.

#### **Budget Hearing Deliberation Tool (Tab 3)**

The Budget Hearing Deliberation Tool illustrates the requests for Department-funded program changes as well as requests for discretionary funding. Details on the organization of the Budget Hearing Deliberation Tool are included in the cover memo for that tab. The cover memo also includes County Administrator Recommendations on which items to fund.

#### **General Fund Reserve Memo (Tab 4)**

This tab provides an overview memo of the General Fund Reserve balance and policies.

#### **Add Backs and Program Changes (Tab 5)**

This tab provides detailed reports for Add Back and Program Change Requests submitted by departments and in accordance with the County Administrator's budget instructions.

**Board Member Budget Requests (Tab 6)**

This tab includes funding requests received from the Board of Supervisors and staff analysis of the request.

**Board Inquiry Requests (Tab 7)**

This tab includes responses to the Board Inquiry Requests (BIRs) received in conjunction with the Spring Budget Workshops in April.

**Supplemental Budget Adjustments (Tab 8)**

This tab presents Supplemental Budget Adjustments, which are administrative or Board approved adjustments that have occurred between the submission of the Recommended Budget by departments to the County Administrator on March 2, 2023, and the June Budget Hearings.

**Summary of Position Changes (Tab 9)**

This section provides a summary of position changes from the Recommended Budget to present.

**Fund Balance Memo and Directory (Tab 10)**

This tab provides an overview memo of the Fund Balance Directory, which summarizes all the budgetary funds with restricted uses governed by the Board.

**Financial Policy Updates (Tab 11)**

This tab contains updates to the County's Financial Policies, which are illustrated in track changes. There are only very minor administrative changes to the policies this year.

**Appropriations Limits (Proposition 4) (Tab 12)**

This tab provides the details for the calculations for the FY 2022-23 appropriations limits for the County and for various special districts and agencies governed by the Board of Supervisors and the associated Resolutions. Each year the County board must approve an appropriations limit for the year, which dictates the total amount of tax revenue and certain related revenue streams that can be appropriated during a fiscal year.

**Board Resolutions (Tab 13)**

This tab contains the two resolutions and related exhibits that the Board must approve in order to officially adopt the FY 2023-24 Budget. The Concurrent Resolution contains the actions necessary for the Auditor-Controller-Treasurer-Tax-Collector and the County Administrator to implement the Adopted Budget. The Concurrent Resolution includes four exhibits as follows:

Exhibit A – The Final Budget Adjustment Tool, approved by straw vote in advance of the formal adoption.

Exhibit B – A list of the Governmental Entities governed by the Board.

Exhibit C – Supplemental Budget Adjustments.

Exhibit D – Contains a countywide summary of positions by Department and the Position Allocation List for FY 2023-24.

This tab also includes the Resolution for the Sonoma Valley County Sanitation District.

### **Overview of Budget Hearings/Budget Schedule**

The Budget Hearings are slated to take place over three days. They will begin on Tuesday, June 13 at 8:30. The first day will include presentations on the budget and available sources. Time permitting, the Board will begin deliberations on Tuesday afternoon.

On Wednesday, June 14, the Board will continue deliberations. It is anticipated that deliberations will conclude on this day with a straw vote on the adopted budget.

There will be no Budget Hearings on Thursday, June 15, in order to enable staff to finalize the budget resolution and other materials in anticipation of adoption.

On Friday, June 16, it is anticipated that the Board will hear an overview of changes made to reflect direction at hearings and will adopt the budget.

Should the Board require additional time for deliberations, hearings may be continued to the week of June 19, and will be concluded by June 23. It is not anticipated that the second week will be needed.

A detailed schedule is below.

## FY 2023-24 Budget Hearing Schedule

- **Day 1 – Tuesday, June 13 at 8:30 am**
  - 8:35 AM: Public Comment on the budget
  - Budget Overview Presentation
  - Available Sources, CAO Recommendations, Budget Deliberation Tool Overview
  - Straw Vote on Available Sources (ACTION)
  - Lunch
  - Review and Straw Vote on Department-Funded Program Change Requests (ACTION)
  - Begin Deliberations
- **Day 2 – Wednesday, June 14 at 9:00 am**
  - 9:05 AM: Public Comment on the Budget
  - Continue Deliberations
  - Lunch
  - Continue Deliberations
  - Direction to Staff (Straw Vote)
- **Day 3 – Friday, June 16 at 9:00 am**
  - 9:05 AM: Public Comment on the Budget
  - Recap of Budget Balancing Tool and Deliberations
  - Adoption of the FY 2023-24 Budget and Prop 4 Appropriations Limits