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DATE: June 15, 2021

TO: Members of the Board of Supervisors

FROM: Sheryl Bratton, County Administrator

SUBJECT: Available Sources and Budget Adjustment Tool

This memo and the attached materials provide an overview of the potential changes to the Recommended Budget for the Board deliberations during budget hearings, including adjustment requests and sources available to fund a portion of those requests. There are four primary types of requests that will be considered during budget hearings. First, some departments had to make service reductions either due to higher than normal cost increases or to declining departmental revenues, and have submitted Add Backs to restore these baseline services; these items are requesting County discretionary funding. Second, some departments had additional resources, such as increased revenues or cost reductions in other areas, and are asking to make Program Changes for additions to their budgets; these items are not seeking County Discretionary funding. Due to limited resources, Program Change Requests calling for additional General Fund were not accepted. Third, Board members submitted requests for additional funding for specific programs or items. Fourth, community organizations were allowed to submit requests for specific items to be funded in the budget. Both Board and community funding requests are requesting County Discretionary Funding.

The memo highlights recommendations from the County Administrator and includes a description of available sources that can be used to either restore reductions or address Board priorities. Attachment A is the Budget Adjustment Tool that will be used during Budget deliberations to match budget requests to available sources. Attachment B provides information on the departmental Add Backs and Program Change Requests. Attachment C provides information on the Board and Community Budget Requests. Attachment D provides a summary of position changes in the recommended and supplemental budget.

Overview of Funding Requests

Due to improved financial conditions and the difficult decisions that the Board made in the FY 2020-21 Budget Hearings, most departments did not need to make reductions to baseline services in order submit a balanced FY 2021-22 budget plan. There are several departments, however, that had to make baseline reductions either due to loss of departmental revenues or due to particularly large cost increases. A total of \$6.8 million of Add Backs were submitted to

offset these reductions. These include \$5.9 million of ongoing needs and \$840,000 of one-time needs. Because external funding is expected to be available for some of the ongoing needs in the future, some ongoing needs totaling \$1.7 million might be appropriately funded in FY 2021-22 with one-time sources based on the expectation that external sources will become available. The County Administrator has reviewed and prioritized these, and recommendations are included with the Budget Adjustment Tool.

In addition, departments submitted \$6.3 million in Program Change Requests that are funded with departmental resources. The County Administrator instructed departments not to submit Program Change Requests that requested county discretionary funding. The County Administrator reviewed the requests that complied with the instructions and recommendations are included with the Budget Adjustment Tool as \$0 requests, as revenues are expected to balance expenditures. The changes that are recommended will not require additional commitment of discretionary resources and are effectively already balanced.

Board members submitted ten budget requests totaling at least \$5.1 million, with some including a range of potential funding options that could drive the cost higher. Of the total, \$3.1 million is for one-time needs, while \$2 million is for ongoing needs. Community organizations, with the support of two or more Board members, submitted four requests totaling \$527,000, including \$250,000 in ongoing and \$277,000 in one-time requests.

In order to partially address these needs, as well as provide resources for other priorities, the County Administrator has identified \$6.1 million in ongoing discretionary funding, as well as \$12.0 million in one-time fund balances that are available for use. Narrative details of this funding are included below, followed by a high level summary table. The Budget Adjustment Tool provides further details on specific requests.

Overview of Funding Sources

Ongoing Sources (\$6.1 million total)

General Fund Available Revenue - \$1.5 million

The passage of Measure O has allowed for \$1.5 million of ongoing revenue that had temporarily been diverted to the Department of Health Services to help fund Residential Care Facilities to become available for other Board Priorities.

Reinvestment and Revitalization Fund - \$4.0 million

A combination of general growth in residual funding coming back to the County as Redevelopment Successor Agencies ongoing obligations decrease and tax revenues increase along with changes to the allocation of residual funding based on a recent court decision have led to an increase in ongoing funding available through the Reinvestment and Revitalization fund. While housed in a separate fund, this funding is available for general government purposes. Based on an analysis of remaining obligation of the Successor Agencies, the Auditor-Controller-Treasurer-Tax Collector and County Administrator recommend programming an additional \$4.0 million in ongoing revenue.

Graton Tribal – Rohnert Park Charitable Contribution Pass-Through - \$600,000

As part of the amended agreement with the Federated Indians of the Graton Rancheria signed in December 2019, the County will be named the beneficiary of the a portion of Rohnert Park’s guaranteed mitigation payment designated for charitable contributions. This will add approximately \$600,000 in additional revenue. The funding under this portion is not restricted to a specific use.

One-Time Sources (\$12.1 million)

General Fund FY 2020-21 Year End Estimated Fund Balance - \$6.0 million

The County will not close its books until late in July of 2021, and until that time it will be uncertain what the final available balance will be. Current projection suggest that approximately \$18.5 million will be available at close of books, however given the significant uncertainty around the final amount, particularly in light of the impacts of COVID-19, staff recommends that \$6 million be made available for use during Budget Hearings. Recommendations for amounts in excess of \$6 million that are available at year end are discussed in the Recommendations section of this memo.

Reinvestment and Revitalization Fund - \$4.1 million

The Reinvestment and Revitalization fund includes available fund balance of about \$4.5 million, once earmarked funding for specific projects are taken into account. Staff recommend \$4.1 million of this funding be made available to meet one-time needs, while retaining \$400,000 in fund balance against the possibility of unexpected revenue declines or future needs.

Refuse Franchise Fees - \$2.0 million

The Refuse Franchise has a projected available balance of \$2.9 million, as identified in the fund balance review. These franchise fees are designated by Board policy the designated use is for solid waste obligations, roads infrastructure preservation, and other Board of Supervisors priorities. Consistent with the Board’s financial and budget policy, staff recommend making \$2.0 million available, while the remainder be maintained against future needs for designated uses of this fund.

CAO Recommendations

In addition to identifying available funding sources, the County Administrator is making the following recommendations regarding the use of available funds:

Use Ongoing Funds to Restore PG&E-funded positions

During the FY 2020-21 Budget Hearings, the Board restored 10.5 positions with **\$1.8 million** in PG&E funding annually for three years (FY20-21, FY21-22 and FY22-23). The County Administrator recommends utilizing \$1.8 million in ongoing revenues to replace the PG&E Settlement funding. This will make the temporary restorations permanent, while freeing up approximately \$3.6 million (\$1.8 million/year for the remaining 2 years) in one-time PG&E Settlement funding for Board priorities. See Attachment A for a full list.

Preserve Ongoing Capacity

Preserve \$2.6 million in ongoing capacity for future needs, such as strategic plan implementation and staffing costs for the upcoming Behavioral Health Unit at the Jail. Utilize \$1 million of this capacity as one-time in FY 2021-22 to support current needs.

Replenish Contingencies (One-time)

The Board has committed \$1.2 million in FY 2021-22 Contingencies prior to budget hearings, which will reduce available contingencies to \$3.8 million for the year. Staff recommend that the Board utilize **\$1.2 million** of available one-time funding to replenish contingencies to the full \$5 million to provide capacity for unexpected needs that may arise during FY 2021-22.

One-time funding for Fire Services

In line with recommendations from the Fire Services Ad Hoc Committee, staff recommend assigning **\$2 million** in one-time funding, in addition to funds already dedicated to the Fire Service Project, to help provide support for up to two years to Bodega Bay Fire Protection District, contingent on signing of a Memorandum of Understanding between that district and the Sonoma County Fire Protection District for consolidation of services, and for other Fire Service Project needs.

Maintain General Fund Reserves (One-time)

The County Administrator recommends programming **\$1.15 million** in one-time available funding to General Fund Reserves to maintain the current level of 9.5% of operating revenues. See Tab 4 for additional details.

FEMA Audit Reserve (One-Time)

Per Board's Financial Policies, program \$2.2 million in one-time available sources to the FEMA Audit Reserve to maintain a level of 20% of all funding received. See Tab 4 for additional details.

Disaster Response Fund (One-time)

As was noted during Budget Workshops, the recent string of disasters have highlighted the need to be prepared to respond quickly with adequate funding set aside. In line with this Board request, staff recommend that **\$3 million** of available one-time fund balance be programmed to a new Disaster Response Fund, which will be available to provide initial funding for response to new disasters. Replenishment may come from state and federal reimbursements received for individual disasters for which this funding is used.

Strategic Plan Priorities Set Aside (One-time)

Implementation of the Strategic Plan will require resources. In order to further implementation during FY 2021-22, the County Administrator recommends devoting any available balance of the one-time funding identified in this memo after the items above and any one-time add backs or board and community requests that the Board selects to fund during Budget Hearings, be designated for funding of Strategic Plan priorities, to come to the Board later during the Fiscal Year. The County Administrator is recommending that **\$5 million** be designated for this

purpose. Should less than \$5 million be available from the \$12.1 million programmed in this memo, staff recommend that additional General Fund Year-End available fund balance at the close of books be programmed toward strategic plan needs to bring the total programmed to \$5 million. During the Fiscal Year 2022-23 budget process, staff will look to carve out additional ongoing revenue to make this one-time funding ongoing.

Pension Pay-down (One-time)

Consistent with the Board's Financial Policies, staff recommend that 50% of any remaining one-time year-end General Fund available balance available at Close of Books after all items above have been funded be devoted toward paying down unfunded pension liability.

County Center Funding (One-time)

Staff recommends that the remaining 50% of any remaining one-time year-end General Fund available balance be programmed toward initial funding of the new County Administrative Center project.

Attachment

A) List of PG&E Settlement-funded positions.

Attachment A

FY 2020-21 Positions Restored with 3-year PG&E Settlement Funding

Department	Positions	FY21-22 Funding
Sheriff's Office	0.5 FTE Dispatch Allocation	\$ 96,660
Board of Supervisors/County Administrator	1.0 FTE Communications Specialist	\$ 100,005
Clerk- Recorder-Assessor	1.0 Administrative Services Officer for Fiscal	\$ 139,541
District Attorney	1.0 Chief District Attorney Investigator	\$ 257,253
District Attorney	1.0 Deputy District Attorney	\$ 263,589
Probation	2.0 Juvenile Hall Staff	\$ 306,006
Auditor-Controller-Treasurer-Tax Collector	2.0 TOT Positions	\$ 310,000
Probation	2.0 Adult Supervision Staff and Fleet	\$ 312,792
Total	10.5 positions	\$ 1,785,846