



Legislation Details (With Text)

File #:	2020-0658	Status:	Agenda Ready
Type:	Regular Calendar Item	In control:	County Administrator
File created:	6/23/2020	Final action:	
On agenda:	7/27/2020		
Title:	FY 2020-21 Budget Workshops		
Sponsors:	County Administrator		
Indexes:			
Attachments:	1. Summary Report, 2. A. Board Inquiry Request, 3. B. Summary of Position Reductions, 4. C. Presentation Schedule, 5. D. Overview & COVID Expense Update, 6. D. Probation, 7. D. Public Defender, 8. D. District Attorney, 9. D. Sheriff, 10. D. Emergency Management, 11. D. ACTTC, 12. D. Clerk-Recorder-Assessor, 13. D. County Counsel, 14. D. Human Resources, 15. D. Information Sytems, 16. D. General Services, 17. D. Board of Supervisors/County Administrator, 18. D. Dept of Health Services, 19. D. Community Development Commission, 20. D. Human Services Department, 21. D. Child Support Services, 22. D. Economic Development, 23. D. IOLERO, 24. D. Ag Commissioner, 25. D. Regional Parks, 26. D. Ag + Open Space, 27. D. UCCE, 28. D. TPW, 29. D. Permit Sonoma REVISED, 30. D. Sonoma Water, 31. CARES Act Funding & Wrap Up		

Date	Ver.	Action By	Action	Result
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To: Board of Supervisors/Directors/Commissioners/Directors of the Sonoma Valley Sanitation District of the County of Sonoma

Department or Agency Name(s): County Administrator's Office

Staff Name and Phone Number: Christina Rivera 565-2431

Vote Requirement: Majority

Supervisory District(s): Countywide

Title:

FY 2020-21 Budget Workshops

Recommended Action:

- A) Receive the FY 2020-21 Department Budget Presentations
- B) Receive an update on the estimated FY 2020-21 COVID-19 response costs
- C) Approve staff's recommendations to allocate \$25 million of the state CARES allocation to continue into FY 2020-21 the Health Services department COVID 19 response
- D) Direct up to \$8 million toward community investments and partnerships addressing COVID 19 community impacts

Executive Summary:

As a result of the Coronavirus disease (COVID-19) Emergency and the associated economic slowdown, the County's two-step budget development approach (spring budget workshops and June budget adoption) was modified to allow more time to review revenue data. At the June 10th Recommended Budget discussion, staff was estimating a budget gap of \$50 million based on projected reductions in a variety of revenue streams. As of this writing, the combination of the updated 2020-21 revenue estimates (which include some backfill from the state for realignment funding and better sales tax and property tax projections), and the additional

pandemic expected response costs results in a projected budget gap of approximately \$45 million.

On June 10, 2020 the Board approved a baseline Recommended Budget so that services would continue to be delivered as the new fiscal year began on 7/1/2020. The approved Recommended budget is available at <https://sonomacounty.ca.gov/CAO/Public-Reports/Budget-Reports/PDFs/FY-2020-2021-Recommended-Budget/>. However, given the fiscal challenge has not yet been addressed in the approved Recommended Budget, departments were instructed to prepare FY 2020-21 budget reduction plans. The budget workshops are intended to provide the Board and the public an overview of county services impacts associated with the budget reduction plans submitted by departments. It is important for the Board and the public to understand the nature of the proposed reductions in advance of the upcoming budget hearings which are scheduled for September 1, 4, and 8 through 11.

Staff will also cover additional COVID-19 Health Services department response costs expected to continue throughout the fiscal year and request Board approval to allocate \$25 million of the state's pass-thru Coronavirus Aid, Relief, and Economic Security (CARES) Act funding to support the expected County COVID-19 response costs.

Finally, as part of the workshop, staff will again be employing the use of the Board Inquiry Request form (enclosed), which staff respectfully requests be submitted to CAO-Budget@Sonoma-County.org by **August 3rd** to allow staff time to address prior to the September budget hearings.

Discussion:

FY 2020-21 Department Presentations

At the June 10, 2020 Recommended Budget approval, staff estimated revenue shortfalls totaling approximately \$50 million from countywide revenue sources. The following local revenue sources are expected to have reductions ranging from 8% to 30%:

- General Fund
- Local Sales Tax Measures
- Transient Occupancy Tax (including Measure L)
- Public Safety
- Proposition 172 Statewide ½ cent sales tax
- 1991 State Realignment
- 2011 State Realignment
- Gas Tax

While a portion (\$9.5 million) of the anticipated Realignment funding decline has been back-filled by the State, other departmental revenue sources derived from state funding are also expected to be impacted. Additionally, the COVID-19 economic slowdown will also impact departmental revenue sources derived from various state allocation as well as fees and charges for services, such as local sales tax measures. At this time, after adjusting the prior \$50 million fiscal challenge with the state realignment backfill and CARES pass-thru, as well as additional costs estimates for Health Services department to continue COVID 19 response efforts, staff has revised the fiscal challenge to be \$44.7 million. Note, that additional state Realignment backfill should the federal government provide additional stimulus support has not yet been assumed.

At the request of the County Administrator, departments prepared FY 2020-21 budget reduction plans. Departments and agencies' presentations include \$49 million in adjustments, which are combination of cost reductions, one-time fund balance uses, and the potential deletion of 118 permanent staff allocations with about 55 potential layoffs resulting in various degrees of service impacts to our community. See Attachment B for a list of position adjustments by department.

COVID 19 FY 2019-20 Response Cost Estimates

County staff is in the midst of completing the FY 2019-20 close of books. As of 7/20/2020, COVID 19 related costs incurred from March 2020 through June 2020 are estimated to total about \$39 million, which includes \$12 million in salaries and benefits covered for employees during the first few weeks of Shelter-in-Place while they were not able to serve as Disaster Service Workers. This temporary accommodation was known as Disaster Paid Not Work (DPNW). Thus, the direct COVID 19 response cost without DPNW, is estimated at \$27 million. Of this amount, \$13 million is the expected Federal Emergency Management Agency (FEMA) reimbursement. The remaining balance of **\$14 million** represents about a \$4 million local 25% share and \$10 million in non-FEMA costs for straight time permanent staff costs, initial implementation of Contact Tracing program, internal department billings from Information Systems and County Counsel, Continuity of Operations incurred expenses, and childcare contracts for essential workers. Based on staff's initial review of the state's pass-thru CARES funding, **\$14 million** balance of incurred costs will be offset with CARES funding.

CARES Act Allocation

The state approved budget allocated to the County \$50.6 million in federal pass-through CARES Act funding. These funds are exclusively intended to assist local governments with responding to the COVID-19 emergency and MUST be spent by December 30, 2020. The 9 cities within the County received their own direct allocation of pass-through CARES Act funding, as did other types of public entities (e.g., transit agencies and schools). CARES funds not spent by the County will need to be returned to the state. In fact, by September 21, 2020 the state must submit detailed quarterly report (3/1/20 -6/30/20) to the Federal Treasury, and the next quarterly report (7/1/20 -9/30/20) by October 13, 2020. It is important to note that encumbered and/or awards are considered an expense only if the scope of services has been completely satisfied by 12/30/2020.

Given the close of books for FY 2019-20 is not yet completed, staff estimates we will need to use up to \$15 million in CARES Act funding towards reimbursing the County for unfunded eligible costs incurred in FY 2019-20, which may include support to non-General Fund budgets. In addition, staff recommends using up to \$2.6 million of CARES funds to address FY 2020-21 increased janitorial services, Continuity of Operations expenses, and the COVID 19 education and compliance program.

After applying up to \$17.6 million to cover these County expenses, the CARES balance is \$33 million. Staff is recommending the Board approve the use of \$25 million to non-FEMA eligible Health Services department COVID 19 unfunded response costs from 7/1 to 12/30/2020. Health Services is scheduled to present a plan and a budget to the Board on August 18, which will include estimated costs for the 2nd half of the fiscal year (1/1/2021 to 6/30/2021) that represent an \$18.2 million funding gap as it is outside the current federal stimulus eligibility period. Consequently, the COVID 19 funding gap of \$18.2 million is included in the County's overall \$44.7 million fiscal challenge.

If the Board accepts staff's recommendation, there will be \$8 million still available in CARES funds to address COVID-19 pandemic impacts to the community. If the Board agrees with establishing a portion of the CARES

funds to address impacts to the community, staff can draft a Notice of Funding Availability (NOFA) for community entities to submit funding requests that meet the restrictions of the federal funding. The proposed NOFA timeline for community requests is as follows:

- August 18 - Board approves NOFA
- September 11 - Proposals due
- September 22 - Board considers proposals and awards funding
- December 30 - All funding expended

As an option, the Board may direct a portion of the \$8 million towards direct investments and partnerships outside the NOFA process.

Prior Board Actions:

June 10, 2020 - Recommended Budget Action

April 28, 2020 - FY 2020-21 Fiscal Update

FISCAL SUMMARY

Expenditures	FY 19-20 Adopted	FY20-21 Projected	FY 21-22 Projected
Budgeted Expenses			
Additional Appropriation Requested			
Total Expenditures			
Funding Sources			
General Fund/WA GF			
State/Federal			
Fees/Other			
Use of Fund Balance			
Contingencies			
Total Sources			

Narrative Explanation of Fiscal Impacts:

Direction to staff regarding the allocation of CARES Act funding would be included in the Health Services department 8/18/2020 COVID 19 Continue Response plan, and in the Adopted Budget for consideration by the Board in the September Budget Hearings.

STAFFING IMPACTS:

Position Title (Payroll Classification)	Monthly Salary Range (A-I Step)	Additions (Number)	Deletions (Number)

Narrative Explanation of Staffing Impacts (If Required):

None

Attachments:

- A. Board Inquiry Request
- B. Summary of Positions Identified for Reduction
- C. Presentation Schedule
- D. Department Presentations

Related Items “On File” with the Clerk of the Board:

None