



Legislation Text

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To: Board of Supervisors/Directors/Commissioners
Department or Agency Name(s): County Administrator
Staff Name and Phone Number: Peter Bruland 565-2431
Vote Requirement: 4/5th
Supervisorial District(s): Countywide

Title:

Fiscal Year 2021-22 Budget Workshops

Recommended Action:

- A) Receive the FY 2021-22 Department Budget Presentations
- B) Receive the Updated 5 Year Forecast for the County General Fund
- C) Remove the Hiring and Training Freeze
- D) Direct inclusion of \$100,000 to support equity training efforts in the third quarter consolidated budget adjustments

(4/5th Vote Required)

Executive Summary:

Each year the County holds a budget workshop in April. The purpose of these workshops is to provide the Board and the public with information about the Preliminary Budget for the next fiscal year, and to offer an opportunity for additional questions and direction that assist in ensuring that the Board has the information that they need before deliberation and adoption of the next fiscal year's budget in June. No budget determinations for FY 2021-22 will be made at this hearing.

The Fiscal Year (FY) 2021-22 Preliminary Budget includes \$2.1 billion in expenditures funded by \$2.0 billion in revenues and \$141 million in use of available fund balances. The 3 day workshop includes an updated 5-year General Fund forecast and presentations by each department with an overview of their FY 2021-22 preliminary Recommended Budget. The FY 2021-22 Recommended Budget will be available online on May 15, 2021. In addition, staff request that the current hiring and training freeze policies be lifted at this time as we do not anticipate the need to reduce operations to balance FY 2021-22, and to direct a portion of current fiscal year-end 2020-21 anticipated General Fund balance to fund equity training efforts.

The FY 2021-22 Budget Hearings will be held beginning on June 15. At the June Budget Hearings the Board will deliberate on adjustments to the Recommended Budget, and will officially adopt the Budget for FY 2021-22.

Discussion:

Each year counties are required to adopt balanced budgets for the following fiscal year, which runs from July 1 through June 30. In order to ensure that the Board has the information that they need to deliberate on and adopt a budget, for the last three years the County has held budget workshops in which each department

presents their budgets in advance of budget hearings. Generally these workshops are held in April, with Budget Hearing and adoption occurring in June. Due to uncertainty around the impacts of COVID 19, for FY 2020-21 the Board of Supervisors approved the Recommended Budget in June and adopted the Final Budget in September, as is allowed by state law. For the FY 2021-22 budget the County is returning to its normal schedule. The budgets included here are referred to as the “Preliminary Budget”. They will be substantially the same as the Recommended Budget, which will be published online on May 15, but in some cases Recommended Budgets were not finalized at the time of completing this item, so there may be minor changes for that document.

Budget Overview

The FY 2021-22 Preliminary Budget includes \$2.1 million in expenditures which is a 0.8% decrease from the FY 2020-21 Adopted budget. The decrease in the budget is largely attributable to COVID 19 response costs and related revenues included in the FY 2020-21 Adopted Budget. COVID 19 response costs for FY 2021-22 are not included in the Preliminary Budget and will be considered as part of June Budget hearings in order to allow more time to better understand the rapidly changing situation and the level of resources needed as we hope to transition out of spread containment to virus control and community recovery.

Individual presentations, attached to this item, detail the Preliminary Budgets for each department. Anticipated revenue increases, in combination with budget reductions made as part of the FY 2020-21 budget, meant that most departments did not require reductions to services to meet budget. In some cases, however, decreases to specific departmental revenues or especially large increases to costs lead to required cuts. More information on these is included in the attached presentations.

Two particular items related to new revenues should be noted in the context of the Preliminary Budget. First, in November 2020 voters passed Measure O, a sales tax to support Behavioral Health services. The Preliminary Budget includes anticipated revenues for this measure, and programs the portion of expenditures associated with preserving existing services that were previously funded by one-time resources. All programmed expenditures are in accordance with the voter-approved expenditure plan. Expenditures to be funded by Measure O associated with new programs are not included in the Preliminary Budget. The Measure O Ad Hoc committee of the Board of Supervisors is working with the Department of Health Services and the County Administrator’s Office to develop the process for considering funding recommendations for the new programs, which will come to the Board later in 2021 and the budget will be adjusted at that time.

Second, as part of the American Recovery Plan (ARP), Sonoma County is expected to receive \$95.9 million. The first half of the ARP funds are anticipated to be received by the County in May 2021 and the second half of the funds should be received in the spring of 2022. The Preliminary Budget does not include this funding. At budget hearings, staff will bring recommendations for programming a portion of the ARP funds toward: (1) FY 2021-22 COVID 19 response (currently estimated at \$13.5 million for the first half of the fiscal year, with the second half response cost estimates still under development); and (2) maintenance of a 20% FEMA audit reserve (estimated to require \$3.5 million) based on Board policy. Recommendations for the remaining funds will come to the Board during the new fiscal year, again to allow adequate data gathering and analysis to support recommended uses.

General Fund Forecast

The General Fund is currently projected to end FY 2020-21 with a \$10.6 million surplus. This surplus primarily

exists because some tax revenues, particularly sales tax and documentary transfer tax, have not been hit as hard by the pandemic as was initially feared, and because of higher than anticipated salary savings from vacant positions. While this savings is anticipated, the final amount will not be known until after the close of books. During the June budget hearings staff will include estimated remaining surplus or one-time year-end balance for consideration during the Board's deliberation.

The FY 2021-22 General Fund budget is projected to be balanced, \$541 million in sources matching \$541 million in uses. Both these numbers are a decrease from FY 2020-21 projections due to the presence of one-time revenues, including transfers of fund balance from various funds, and one time expenditures, including \$20 million of General Fund going to COVID 19 response during FY 2020-21.

In FY 2022-23, a deficit of \$13.8 million is projected. The greatest driver of this projected deficit is an increase in salary and benefits associated with the expected staffing of the Behavioral Health Unit at the Main Adult Detention Center, which is anticipated to increase costs by about \$7 million annually, as well as expected increases to general salaries and benefits and services and supplies costs.

In FY 2023-24, the projected deficit increases to \$14.8 million. Cost decreases from the completion of payments on the 2003 Pension Obligation Bonds are expected to be offset by increased pension costs due to a potential lowering of the Sonoma County Employee Retirement Association discount rates, as well as a decrease in transfers into the General Fund by \$2.2 million as 3-year PG&E settlement proceeds will not continue to support County operations. Attachment D includes a list of positions funded with one-time PG&E funds during the FY 2020-21 Budget Hearings.

In FY 2024-25, growth in expenditures, particularly wages and benefits, without prior fiscal years' operational adjustment to balance deficit, are assumed to outpace revenue growth, leading to an increased deficit of \$19.2 million.

It should be noted that all future year deficits are projected with no change to current policies. In each of the future years the County Administrator will propose a balanced budget based on adjustments that decrease expenditures or increase revenues.

Hiring and Training/Travel Freeze Update

On June 10, 2020, the Board approved the implementation of freezes on hiring and training/travel as a result of the significant unknown fiscal impacts associated with the Coronavirus Emergency. While the updated longer-term forecast shows that we need to continue managing County-wide finances with prudence, staff is recommending that each of these freezes be lifted based on improvements to revenue projections.

The travel and training freeze was a logical approach in June, 2020, when the ability for staff to travel and participate in conferences was significantly limited and logistics were unknown. As the availability of remote training opportunities, as well as in person trainings increases, this freeze is no longer the best mechanism to control costs. Additionally, while a short-term training freeze has limited impacts in the longer term a training freeze can impact employee effectiveness.

Related to this, the Board has confirmed that racial equity is a central strategic pillar for the County. In light of this, and in light of the ending of the training freeze, staff is recommending that the Board approve the

reprogramming of \$100,000 of FY 2020-21 current fiscal year estimated savings for equity training. If so directed, staff will make necessary budget adjustments during third quarter consolidated budget adjustments.

Prior Board Actions:

September 11, 2020 - Adoption of the FY 2020-21 Revised Recommended Budget

June 10, 2020 - Consideration of the FY 2020-21 Recommended Budget & Budget Balancing Strategies

FISCAL SUMMARY

Expenditures	FY 20-21 Adopted	FY21-22 Projected	FY 22-23 Projected
Budgeted Expenses	\$100,000		
Additional Appropriation Requested			
Total Expenditures	\$100,000		
Funding Sources			
General Fund/WA GF	\$100,000		
State/Federal			
Fees/Other			
Use of Fund Balance			
Contingencies			
Total Sources	\$100,000		

Narrative Explanation of Fiscal Impacts:

The Board will adopt the FY 2021-22 Budget during the June budget hearings. Redirection of savings from the FY 2020-21 budget to fund equity training will be made during third quarter consolidated budget adjustments. There will be no net change to total countywide appropriations.

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:

Attachment A - Budget Workshop Schedule

Attachment B1 - Board Information Request Form - Instructions

Attachment B2 - Board Information Request Form

Attachment C - General Fund Fiscal Forecast

Attachment D - Positions Funded with PG&E settlement Funds

Attachment E - Department Presentations

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

None