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DATE: June 14, 2022

TO: Members of the Board of Supervisors

FROM: Sheryl Bratton, County Administrator

SUBJECT: FY 2022-23 Budget Hearings Binder Overview

Introduction

The enclosed material presented in this Public Hearing Binder represents the supplemental material to the FY 2022-23 Recommended Budget. These materials include County Administrative Officer (CAO) recommendations, information on available funds for use at budget hearings, information on requests for additional fund usage from departments, the Board, and community organizations, responses to Board Budget Inquiries submitted in April, a review of the County's Financial Policies, information for adoption of the County's Proposition 4 appropriations limit, information on supplemental budget adjustments for Budget Hearings, and the budget resolutions.

The Recommended Budget Book is available at:

<https://sonomacounty.ca.gov/Main%20County%20Site/Administrative%20Support%20%26%20Fiscal%20Services/County%20Administrator/Documents/Public%20Reports/Budget%20Reports/0-Recommended%20Budget%20FY%202022-23%20FINAL.pdf>.

The Recommended Budget includes \$2.14 billion in total expenditures and 4,181 full time equivalent positions, which constitutes the vast majority of the appropriations that will be included in the final Adopted Budget. It represents a largely a status quo budget, implementing existing programs and new items that the Board of Supervisors has already approved within identified available resources. The additional funding requests presented in this Budget Hearing Binder constitute only a fraction of that amount. Supplemental Adjustments, which represent items that reflect Board direction, but were finalized too late to be included in the Recommended Budget, total \$50 million in gross expenditures. All requests for funding at budget hearings, including Department submissions, requests from the Board and community organizations, and CAO recommendations total about \$73 million.

While it is important to remember that most of the budget will go toward continuing the myriad of critical existing services provided by the County, it is determinations on these additional items that will garner most of the attention at budget hearings. And while they constitute only a relatively small amount compared to the total budget, there are not sufficient resources to fund all, and competing items will need to be considered. What follows is a brief review of some of the issues facing the County as we look toward next year’s Budget.

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Discussion of Key Issues

COVID Response

For most of Fiscal Year 2021-22, the COVID-19 Pandemic gripped the lives of Sonoma County residents. New variants including Delta and Omicron caused surges requiring mask mandates and closures. As vaccination rates rose and cases decreased, restrictions loosened until February of 2022 when most restrictions and mask mandates were eliminated. Life in Sonoma County began to return to a semblance of “normal”. Throughout the year, with or without restrictions and closures, Sonoma County Health Services and other County Departments continued to respond to the COVID-19 Pandemic.

The Department of Health Services’ continued through 2021-22 with the COVID-19 Response Plan, including enhanced COVID-19 strategies and the emergence of the Vaccine Mission team. The COVID-19 Response Plan includes hotline, mobile testing, contact tracing, and case management sections that maintain mission critical response operations, Alternate Care and Non-Congregate Shelter sites to house homeless individuals exposed to the virus or at risk of serious complications if infected, enhanced strategies for an equitable effort to support those disproportionately impacted, and the vaccine mission for distribution, education, and outreach.

The initial budget for the COVID-19 Response Plan was \$45.1 million in FY 2021-22. Efforts to address the effects of the Pandemic evolved throughout the year as the virus surged and cases increased then into transition and monitoring mode. The total expected cost to the County for COVID response in FY 2021-22 is \$68.5 million with funding coming from Federal Emergency Agency (FEMA), grants, American Rescue Plan Act (ARPA), and County General Fund. As shown on the table below, most of these expenses will ultimately be covered by Federal sources and grant funding, however as will be discussed in the following section, there is a significant lag in receiving much of this funding that has required temporary use of discretionary resources.

COVID-19 Emergency Response Activities	FEMA	Grant Funding	ARPA	General Fund	Total
Total by Source	\$35,733,895	\$14,050,462	\$18,266,717	\$450,000	\$68,501,074

Disaster Funds and FEMA Reimbursement Status

When reflecting about the realities our County has faced over the past five years, it is noteworthy that we have been able to maintain the level of services that we have. This has largely been due to significant infusions of funding related to the disasters we have faced, infusions that cannot count on in the future.

Since 2017 the County has faced seven federally declared disasters. The County has spent more than \$112 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. These disasters also took a toll on County revenues, even as expenditure needs increased.

In the FY 2020-21 budget, departments were asked to submit reduction options totaling just over \$31 million, which equated essentially to a 10% cost reduction. At the same time, the County had to find significant sources to fund COVID response while uncertain about which costs would be reimbursable and when these reimbursements would come.

While some belt-tightening was required, 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 dollar PG&E Settlement related to the 2017 wildfires. While the Board has dedicated the significant majority of this funding to projects that restore wildfire damage and increase resiliency, \$26.8 million of these funds were tied to reimbursement of the County for expenses incurred and reduced revenues, and were therefor made available to support County operations. Among other uses, the settlement funds provided funding to restore nearly \$8 million in departmental reductions (approximately 3% of departmental operational costs). Additionally, 2017 PG&E Settlement funds were utilized to restore funding in the Economic Uncertainty Fund, which was leveraged a few short months

later to cover fees lost due to pandemic closures. Finally, the PG&E funds made it possible to invest nearly \$7 million in key Health department programs, including ACCESS system support and the Mobile Support Team program.

Unfortunately, the story of financial pressure associated with the protracted COVID response does not end there. With continued surges in new variants experienced throughout FY 2021-22, costs continued to mount, and FEMA reimbursement delays reached new levels as that organization continues to struggle with the protracted, nation-wide emergency response pressures. As with other counties, our Auditor's Office does not allow us to budget for FEMA revenues until FEMA has obligated the funds and we expect to receive actual funding within one year. With COVID and other disasters piling up across the country, FEMA has been slower than usual at approving requests and obligating funds. As a result, in order to maintain positive fund balances, the County had to identify other sources to provide temporary cashflow for COVID response. This included committing \$20 million in discretionary fund balance to COVID response as part of the FY 2020-21 Budget. Additionally, during the FY 2021-22 second quarter consolidated budget adjustments, the Board allowed for the temporary use of \$20.6 million from the Kincade PG&E Settlement to finance these costs.

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. However there is little we can ultimately do to change the pacing of our reimbursements. As a result, the FY 2022-23 budget continues to rely on the Kincade Settlement funds as a temporary bridge until FEMA revenues are recognized. Additionally, in working with the Auditor's Office, we were able to project approximately \$15 million in FEMA revenues for anticipated COVID reimbursements that will be received in FY 2022-23 ; these revenues will be included formally in the FY 2022-23 budget through first quarter consolidated budget adjustments. The temporary use of Kincade funds, combined with the anticipated \$15 million in FEMA revenues has allowed us to present our disaster funds closing without negative balances.

This financial picture is a story of irony; disasters have both caused, and, through settlement funds, helped respond to our financial pressures. Were it not for our ability to leverage settlement funds, we would have been in a position of either completely draining General Fund Reserves or making significant cuts to key County services. This story of our actual financial experiences helps show just how quickly our current reserve balance of \$54 million could be needed.

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. During the intervening years the County has suffered from numerous disasters, including fires, floods, and the COVID pandemic, that have taken staff time away from completing work on this project. Additionally, the County has faced years of delays due to a dispute with the state over parking, which has since been resolved, and delays from the state in reviewing critical-path submittals. Most recently, the County has been waiting more than five months for the state to complete review of the draft Ground Lease, which is necessary for the County to receive the State funding and move forward with bidding the project. Assuming the state acts promptly on the Ground Lease, an RFP could be released in the third quarter of 2022, with construction beginning in the second quarter of 2023 and a target for completion in early 2025.

These delays have come at a significant cost. Even prior to the recent spate of high inflation, construction costs have been growing faster than overall prices. 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 \$15 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. Currently, the County is working with our state delegation in an effort to get the state to pay for a portion of the increase, as much of the delay was caused on their end. Additionally, the CAO recommends setting aside a portion of the increased costs now to ensure that, should state funding not come through, the project will not be further delayed.

County Center Replacement

In March 2022, the Board opted not to purchase the downtown Sears site for a new County Center and instead directed staff to explore options for redevelopment on the current site. The decision did not reduce the need for new facilities. Your Board has taken significant strides toward identifying the resources for a new County Center, with policies that have helped accumulate nearly \$12 million in ongoing capacity in the Deferred Maintenance Fund. When the County opted not to purchase the Sears site, \$11.3 million of FY 2020-21 year-end savings was freed up. The CAO recommends that this funding, earmarked by the board for the project already, be devoted to the County Center redevelopment, which will come to the Board with a revised plan during the coming Fiscal Year.

Homeless Costs

The FY 2019-20 Grand Jury report recommended that the Board of Supervisors and County Administrator's Office develop and implement a procedure for County departments to

consistently identify and track the costs of services provided to the homeless population. The information provided below reflects homelessness costs incurred in FY 2020-21.

Due to the nature of homelessness prevention and response, it is not possible for all departments to create an account coding structure that would easily allow staff to run a report that shows total expenditures on homelessness. For example, the Department of Health Services may have a contract associated with providing Mental Health Services, and a portion of those services may be directed to assisting homeless individuals, but it may not be practical or possible to code every interaction with 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 costs associated with addressing homelessness will still be approximate due to these realities.

Despite these challenges, the cost impact of responding to and preventing homelessness is important. As a result, departments have undertaken an effort to evaluate relevant programs and examine available data sources to develop the below approximate costs associated with addressing homelessness. The figures below are the results of this effort and are based on FY 2020-21 actual expenditures, as the most recent complete fiscal year.

The table below includes costs associated both with prevention, such as rental assistance programs/housing vouchers, as well as response, such as cleaning up homelessness 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.

In total, in FY 2021-22 Countywide spending on homelessness prevention and response totaled nearly \$117 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.

Cost information by department are depicted in the table below.

Department/Program	FY 20-21 Approximate Expenditures
Community Development Commission Programs	
Affordable Housing	\$33,876,217
Ending Homelessness	\$7,528,044
Housing Authority	\$37,712,059
Project Homekey	\$18,056,000
Community Development Commission Total	\$97,172,320
Health Services Programs	
ACCESS	\$6,464,568
BH Acute Forensic	\$4,176,650
BH Youth & Family	\$804,371
Health Service Total	\$11,445,589
Human Services Programs	
Adult & Aging	\$601,980
Employment & Training	\$965,623
Family Youth & Children	\$2,662,918
Human Services Total	\$4,230,521
District Attorney Total	\$248,691
General Services Total*	\$1,215,901
Regional Parks Total	\$298,584
Probation Total	\$1,219,949
Transportation and Public Works Total	\$31,242
Sheriff- Law Enforcement Total **	\$421,487
Water Agency Estimated Total***	\$500,000
Total Homelessness Prevention and Response Costs:	\$116,784,284

*General Services costs are primarily for security at Los Guilucos, County campus and Chanate.

**The Sheriff's Office also incurs an estimated \$20.8M/year in detention costs to house individuals self-reported as homeless (302 people reporting as homeless X \$188.93 average daily rate X 365 days/year).

***The Water Agency does not code specific costs associated with responding to homelessness. This cost estimate is based on an evaluation of charges to specific accounts in specific areas and represents the best estimate of that department's homelessness response costs.

Future Uncertainty

As has been noted already in this memo, the County has weathered fires, floods, and pandemic over the last several years. So far, due to a resilient local economy, external aide, and, most importantly, a dedicated workforce we have avoided the worst of the disruptions. Revenues have bounced back from each hit, and our employees have continued to come in day after extended day to continue to serve the community. But there are reasons for concern on both these fronts.

While the economy, both nationally and locally, has bounced back much quicker than was feared from the pandemic, new warnings abound. Unemployment remains low, but inflation has soared to levels not seen since Ronald Reagan was President. In the face of this, the Federal Reserve has begun raising interest rates, and economic growth has begun to slow. Rising interest rates have a significant impact on the effective cost of buying a home, which could either reduce sales and/or reduce prices, thus reducing property tax growth while making housing even less affordable in the County. On their own, higher prices do not reduce sales tax, but if they lead to consumers spending less on taxable costs such as eating in restaurants or purchasing cars because a higher portion of their income is going to non-taxable costs like groceries, sales tax and transient occupancy tax could suffer. And looming in the background is the specter of a recession. The Legislative Analyst's office has warned of a heightened risk of a recession in the next two years, citing high inflation, slowing home sales, and poor consumer sentiment.¹

Many of the same factors that lead to concerns about our economy and revenues are also putting pressure on our workforce. High inflation increases the costs employees bear, while a tight labor market means that employees have options to look elsewhere for more pay or lower cost of living. Years of disasters have also taken a toll on the workers, leading to high levels of burnout and increased turnover. As was discussed during the Spring Budget Workshops, recruitment and retention of employees is a major issue across the organization.

During the coming fiscal year the County will begin negotiations with all bargaining units representing its workers. We cannot predict what the outcomes of bargaining will be, but in considering commitment of ongoing resources it is important to remember that the cost of all of our services, existing and new, is likely to increase over the coming year.

Both these factors lead to the need for restraint in this budget. With potential for cost increases and revenue shortfalls, it would not be prudent to spend on significant new programs that we may not be able to afford in the near future.

CAO Recommendations

Given both the uncertainty over the economic situation and the uncertainty over future contracts, the best course will be to focus on only a few targeted investments and avoid committing to ongoing needs. The Available Sources memo in Tab 3 lays out CAO recommendations for funding to be utilized at budget hearing. Below is a brief discussion of the items that the CAO recommends be funded.

On-going Funding Recommendations

General Fund Support for Homeless Services Re-Organization (\$829,145): On May 24, 2022 the Board approved a plan to transition the Community Development Commission's Ending Homelessness team to the Department of Health Services and return during budget hearings with further details for consideration of this re-organization. Subsequent to that Board item,

¹ <https://lao.ca.gov/Publications/Report/4598>

staff has determined that the need includes 3.0 new FTEs: 1.0 Homeless Services Division Director, 1.0 Accountant III, and 1.0 Senior Office Assistant. Additionally, 2.0 term limited positions will move from the Community Development Commission to the Department of Health Services and will be made permanent. These positions are 1.0 Administrative Aide and 1.0 Program Planning and Evaluation Analyst. The total cost for these position, plus costs for a homelessness dashboard and communications totals approximately \$830,000. The CAO is recommending providing on-going funding for this purpose.

On-going Strategic Plan investments (\$1,000,000): In addition to providing funding for one-time Strategic Plan investments, the County Administrator is recommending making \$1,000,000 available to fund Strategic Plan objectives that require on-going funding. As an example, the Strategic Plan includes an objective under the Racial Equity and Social Justice Pillar to develop and adopt a language access policy for the County. Currently, there are no funds set aside to support the future policy. This is just one example of an area where ongoing funding will be needed to implement the Strategic Plan. The CAO is planning on launching the second year of funding proposals for projects that directly align with Strategic Plan implementation plans that the Board approved in February 2022. It is anticipated that the funding proposals will be brought to the Board in January 2023 for consideration.

Fund 1.0 Director of Animal Services (\$283,862): In order to effectuate Board direction associated with the Animal Services Organizational Placement (May 17, 2022 Board meeting), the County Administrator's Office is recommending creating a 1.0 Director of Animal Services position. The CAO has identified funding previously earmarked to support Animal services that can accommodate this request.

Departmental Requests (\$754,879): The CAO is recommending one Add-Back and two Program Change Requests submitted by departments. These include the restoration of 1.0 FTE Buyer Position in General Services. The functioning of the Purchasing unit directly impacts the ability of all departments to operate and provide services to the community. The CAO is also recommending the addition of three positions to assist in future disaster response: a Senior Emergency Services Coordinator in the Department of Emergency Management to strengthen emergency planning, response, and recovery functions; and an Environmental Health Administrative Services officer and Senior Environmental Health Specialist to lead a Debris Task Force.

One-time Funding Recommendations

Funding for the General Plan Update (\$2,800,000): The total cost for the General Plan update is estimated at \$7.8 million over a six year period, which is offset with approximately \$1.2 million of available General Plan Administration Fee fund balance and by already-budgeted annual General Fund allocations for staffing that total \$3.8 million over the six-year window. Given these sources, a \$2.8 million deficit is expected. The CAO recommends providing funding for this project to ensure that it can be completed in the approved timeframe. Additional details are available in BIR-02, located in Tab 10 of the Budget Hearing Binder.

Contribution to Reserves (\$5,475,000): As further discussed in the General Fund Reserves Memo (Tab 9), the CAO is recommending utilizing year-end fund balancing totaling 1% of operating revenues each year to gradually bring us to the target reserve level of two months of operating revenues (16.7%). If the Board adopts this policy and events do not require use of reserves, we will reach the target of two-months operating reserves in 2028-29.

Behavioral Health Unit Capital Project Funding Gap (\$5,000,000): As described above, state funding for this project is currently not sufficient to cover all costs of the project. In order to allow this critical project to move forward, the CAO is recommending utilizing one-time funds to ensure timely project initiation.

One-time Strategic Plan Investments (\$4,000,000): As part of the FY 2021-22 Budget, your Board approved directing \$5,000,000 in one-time funds towards the implementation of the Strategic Plan. In order to continue furthering implementation during FY 2022-23, the County Administrator recommends directing \$5,000,000 toward the Strategic Plan, including \$1 million in ongoing discussed above and \$4 million in one-time funding. The CAO is planning on launching the second year of funding proposals for projects that directly align with Strategic Plan implementation plans that the Board approved in February 2022. It is anticipated that the funding proposals will be brought to the Board in January 2023 for consideration.

Contribution to Deferred Maintenance (\$11,331,836): Unprogrammed FY 2020-21 Year End Fund balance had been earmarked for the purchase of the Sears site. Though that site purchase did not transpire, the County Administrator is recommending that this fund balance be directed to the Deferred Maintenance/County Center Project fund to continue to build adequate fund balance to meet this critical need.

Restore FY 2022-23 Contingencies to \$5,000,000 (\$685,870): The Board approved use of FY 2022-23 contingencies for Clerk-Recorder-Assessor positions on April 19, 2022. This recommendation would utilize one-time sources to restore contingencies to a starting balance of \$5,000,000.

Departmental Requests (\$1,949,200): One-time funding is being recommended to support four one-time requests from departments. These include two technology projects to ensure completion of mandated services and improve operations: \$230,000 for the Clerk-Recorder-Assessor to rebuild Assessor databases, which currently are outdated and no longer supported, and \$1.5 million for the Sheriff's Office to begin replacement of the 9-1-1 Dispatch System, which is also no longer supported by the developer and carries significant risks should it fail. Additionally, \$112,200 is recommended for the Department of Emergency Management to purchase a transport vehicle capable of towing emergency supply trailers to locations where they are needed, and \$107,000 for the Information Systems Department to purchase an Electric Van and associated charging infrastructure for records, mail, and courier services.

Additional Year-End Fund Balance: The final FY 2021-22 year-end fund balance will not be known until the close of books in July of 2022. If there is year-end fund balance in excess of the amounts programmed at Budget Hearings, the CAO recommends that it be distributed equally

between the following priorities: pay down unfunded pension liabilities; increase General Fund Reserves; and provide additional funding to the County Center Replacement project.

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 14, 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.

General Fund 5-Year Forecast (Tab 2)

This tab includes a 5-Year General Fund Forecast, which projects total sources and uses for the General Fund through FY 2025-26.

Available Sources and Budget Balancing Memo (Tab 3)

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

Budget Adjustment Tool (Tab 4)

The Budget Adjustment Tool illustrates the different types of available sources in three columns at the right (On-Going Discretionary, One-Time Discretionary and GF Contingencies). The rows illustrate different types of requests for funding. Details on the organization of the Budget Adjustment Tool are included in the cover memo for that tab.

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 and Community Budget Requests (Tab 6)

This tab includes funding requests received from the Board of Supervisors and the community organizations that received support from at least two Supervisors.

Summary of Position Changes (Tab 7)

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

Fund Balance Memo and Directory (Tab 8)

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

General Fund Reserve Memo (Tab 9)

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

Board Inquiry Requests (Tab 10)

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

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.

Supplemental Budget Adjustments (Tab 13)

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 CAO on March 2, 2022 and the June Budget Hearings.

Board Resolutions (Tab 14)

This tab contains the two resolutions and related exhibits that the Board must approve in order to officially adopt the FY 2022-23 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 resolution also includes language to formally approve and begin implementation of the reorganization of homeless services reviewed by the Board on May 24, 2022. 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 2022-23.

This tab also includes the Resolution for the Sonoma Valley Community 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 14 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.

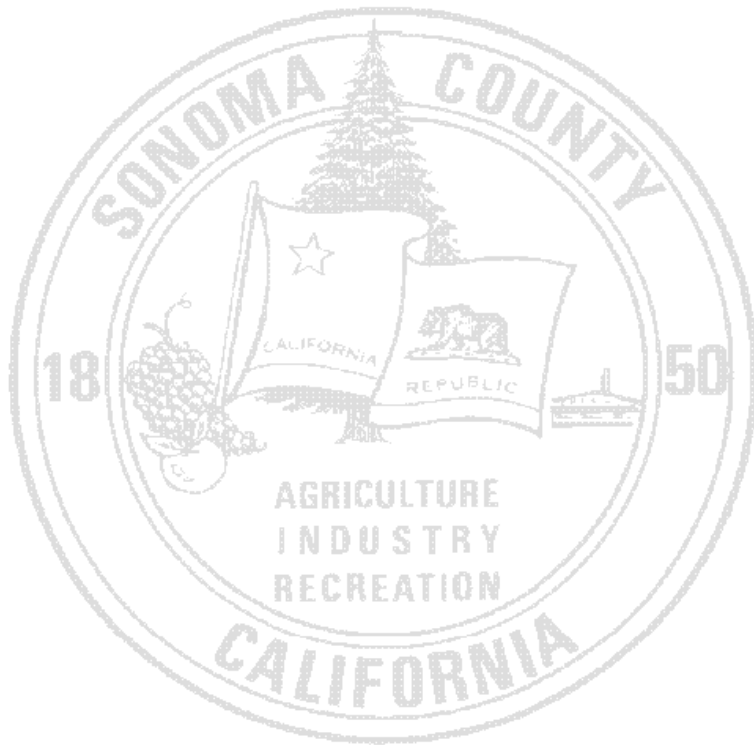
On Wednesday, June 15, the Board will continue deliberations. It is anticipated that deliberations will conclude on this day with a straw vote on the adopted budget.

There will be no Budget Hearings on Thursday, June 16 in order to enable staff to finalize the budget resolution and other materials in anticipation of adoption.

On Friday, June 17, 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 20, and will be concluded by June 24. It is not anticipated that the second week will be needed.

A detailed schedule is attached.



FY 2022-23 Budget Hearing Schedule

- **Day 1 – Tuesday, June 14 at 8:30 am**
 - 8:30 AM: Budget Overview Presentation
 - 10:00 AM: Public Comment on the Budget
 - 11:00 AM: Available Sources, CAO Recommendations, and Budget Deliberation Tool Overview and Straw Vote on Available Sources
 - Lunch
 - 1:00 PM: Begin Deliberations
 - 3:00 PM: Public Comment on Matters not on the Agenda

- **Day 2 – Wednesday, June 15 at 9:00 am**
 - Public Comment on the Budget
 - Continue Deliberations
 - Lunch
 - Continue Deliberations
 - Direction to Staff (Straw Vote)

- **Day 3 – Friday, June 17 at 9:00 am**
 - Public Comment on the Budget
 - Recap of Budget Balancing Tool and Deliberations
 - Adoption of the FY 2022-23 Budget

Note: Thursday, June 16, 9:00am – 1:00 PM: Special Closed Session (in-person)



FY 2022-23 Budget Hearings

Day 1 – Budget Overview



FY 2022-23 Budget Hearings: Chairperson Remarks

Supervisor James Gore





Budget Hearing Schedule & Materials



FY 2022-23 Recommended Budget Hearings Schedule

- **Day 1 – Tuesday, June 14 at 8:30 a.m.**
 - 8:30 a.m. – Budget Overview Presentation
 - 10 a.m. – Public Comment on the Budget
 - 11 a.m. – Available Sources, CAO Recommendations, and Budget Deliberation Tool Overview and Straw Vote on Available Sources
 - 1 p.m. – Begin Deliberations
 - 3 p.m. – Public Comment on Matters not on the Agenda



FY 2022-23 Recommended Budget Hearings Schedule

- **Day 2 – Wednesday, June 15 at 9:00 am**

Public Comment on the Budget

Deliberations

Lunch

Continue Deliberations

Direction to Staff (Straw Vote)

- **Day 3 – Friday, June 17 at 9:00 am**

Public Comment on the Budget

Recap of Budget Adjustment Tool and Deliberations

Final Adoption



Budget Binder Material

- Tab 1 – Budget Hearing Overview
- Tab 2 – General Fund 5-Year forecast Memo
- Tab 3 – Available Sources Memo
- Tab 4 – Budget Adjustment Tool
- Tab 5 – Add Backs & Program Change Requests
- Tab 6 – Board Member and Community Budget Requests
- Tab 7 – Summary of Position Changes
- Tab 8 – Fund Balance Memo & Directory
- Tab 9 – General Fund Reserve Memo
- Tab 10 – Board Inquiry Requests
- Tab 11 – Financial Policies
- Tab 12 – Proposition 4 Appropriations Limit
- Tab 13 – Supplemental Adjustments
- Tab 14 – Budget Resolutions and Exhibits



Public Budget Tools

Budget Reports

Annually, the County Administrator's Office, in conjunction with all County Departments, works to develop a sound operating plan for the County of Sonoma for the approaching fiscal year.

This plan is initially approved by the Board of Supervisors to provide for operations in the new fiscal year until the books of the old fiscal year are closed. At that point, a series of adjustments are drawn up to reflect the actual ending/beginning balances for each of the funds the County maintains and actual progress on multi-year projects already underway.

The Board of Supervisors then holds public hearings on the recommended budget and any recommendations for adjustments. Staff compiles the approved adjustments and any other Board direction during the hearings and the result is the adopted budget for the year.

Fiscal Year 2022-23 Budget Materials

- [Fiscal Year 2022-23 Recommended Budget](#)
- [Strategic Plan Implementation Timeline](#)

Budget Hearing Materials

- [Tab 1 - Budget Hearing Overview](#)
- [Tab 2 - General Fund 5-Year Forecast Memo](#)

<https://sonomacounty.ca.gov/CAO/Public-Reports/Budget-Reports/>

Operating Budget Summary

Revenue Budget

\$2.14 Billion

Adopted Revenue Budget

Expenditure Budget

\$2.27 Billion

Adopted Expenditure Budget

<https://sonomacounty.budget.socrata.com/>

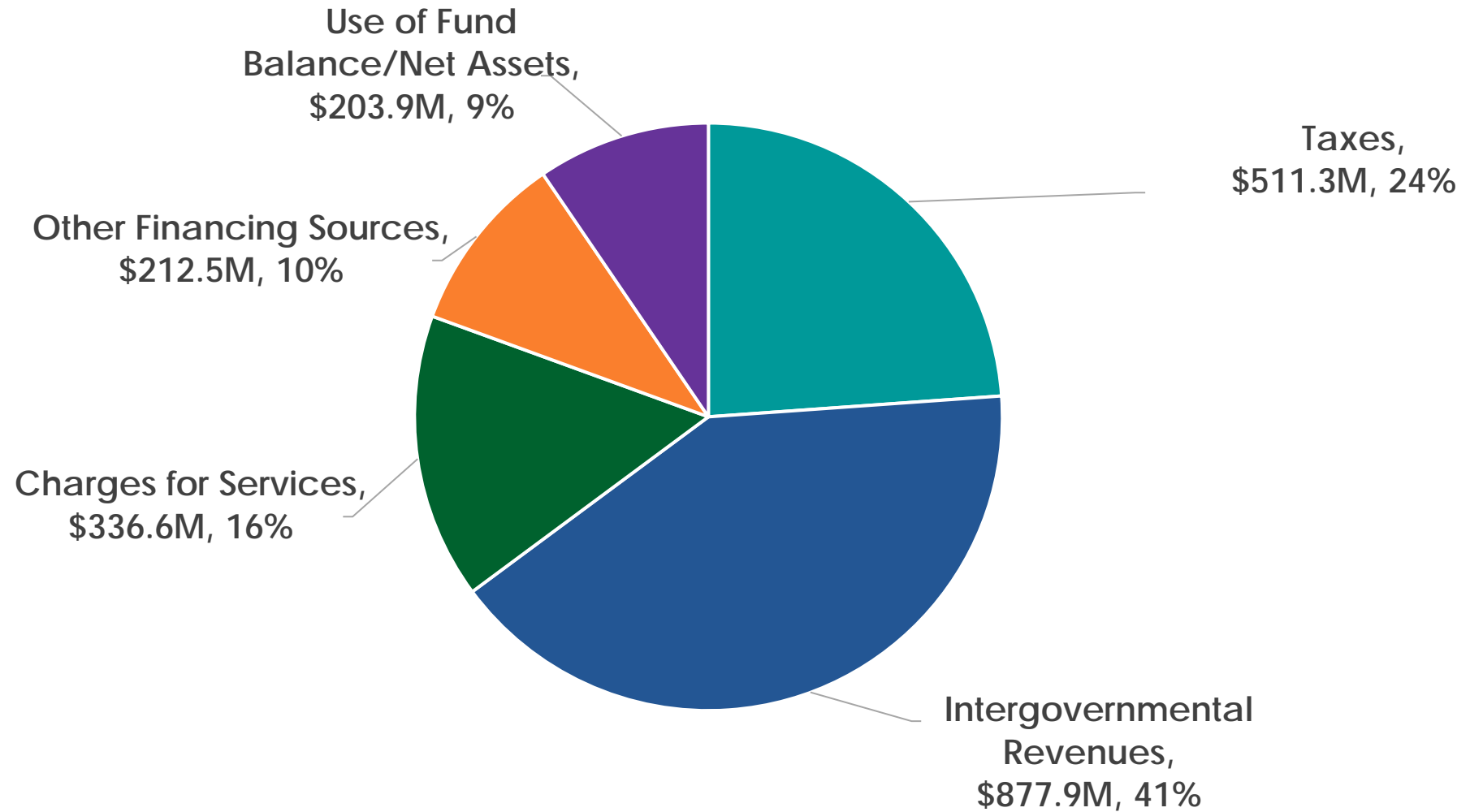




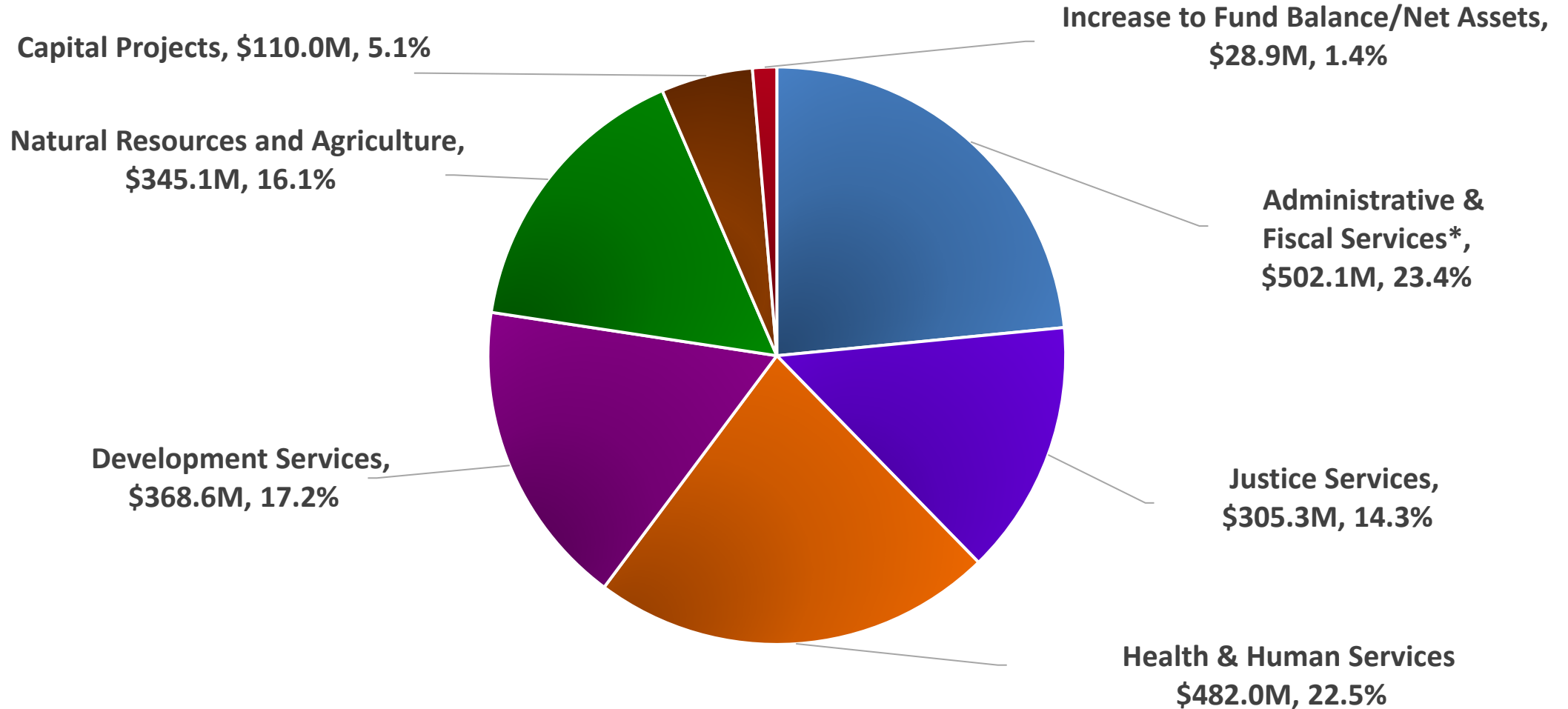
Budget Overview



Recommended Budget - Total Sources - \$2.14 Billion



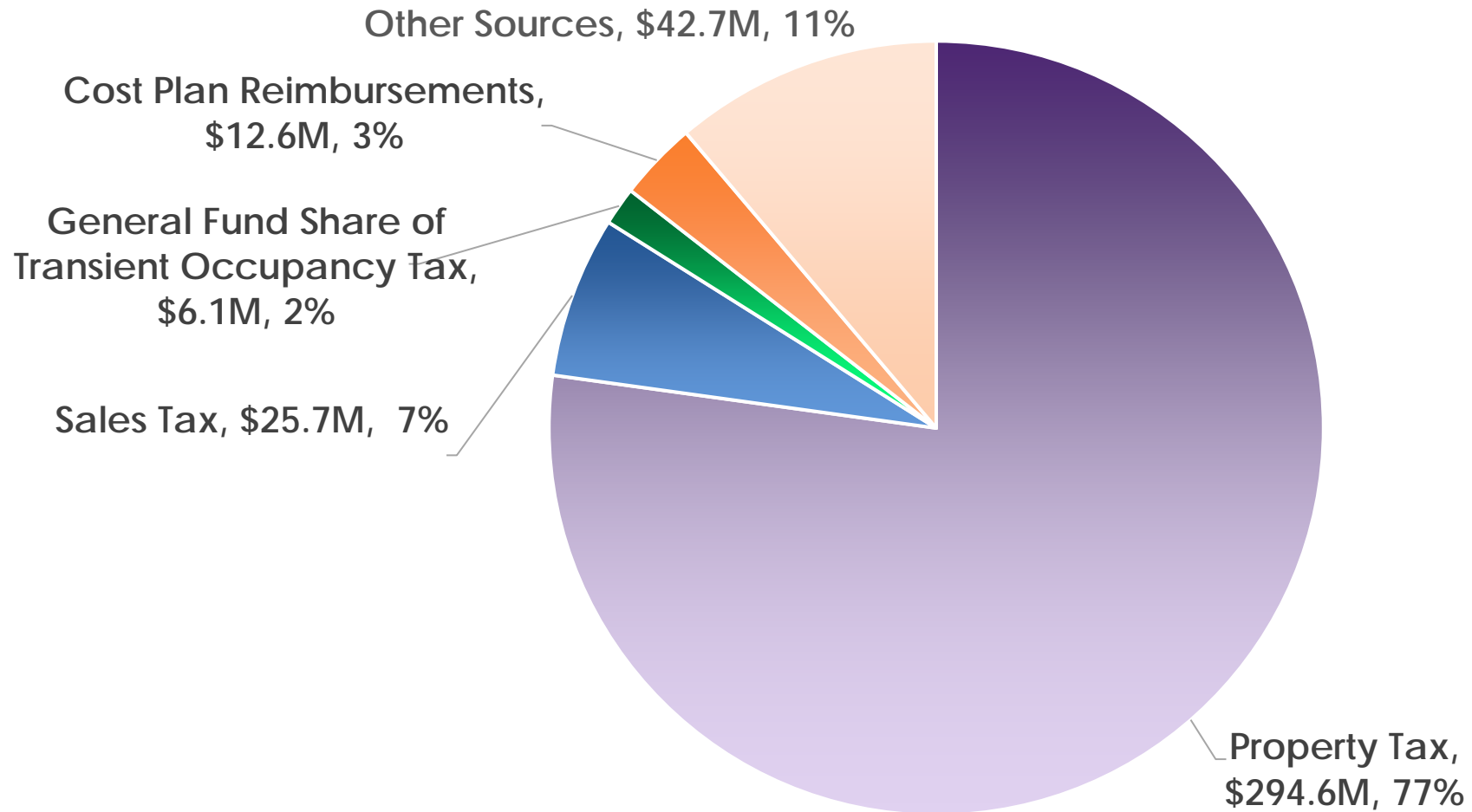
Recommended Budget - Total Uses - \$2.14 Billion



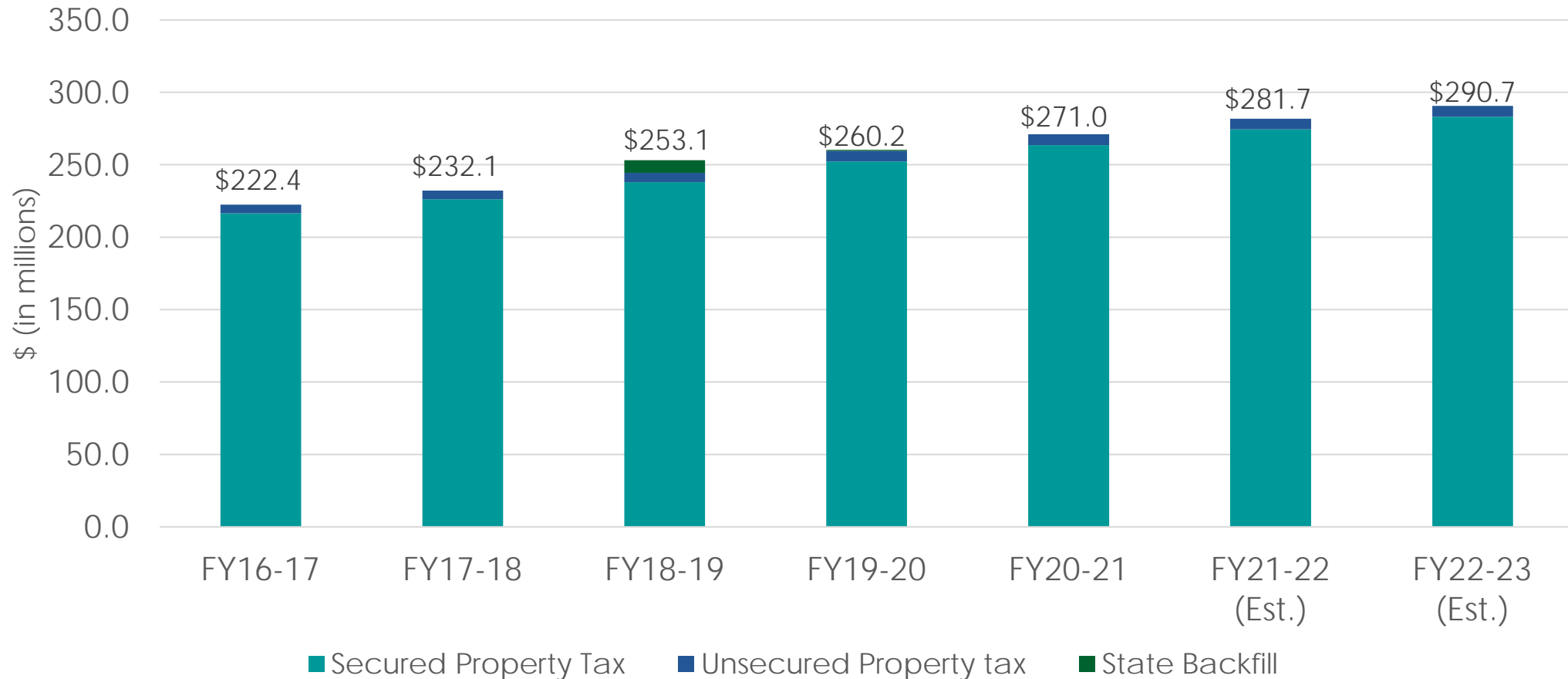
**Administrative & Fiscal Services includes Independent Office of Law Enforcement Review and Outreach (IOLERO), Department of Emergency Management, Office of Equity, and Court Support/Grand Jury as well as including approximately \$264M in countywide expenses on employee benefits, debt service, and disaster expenses.*



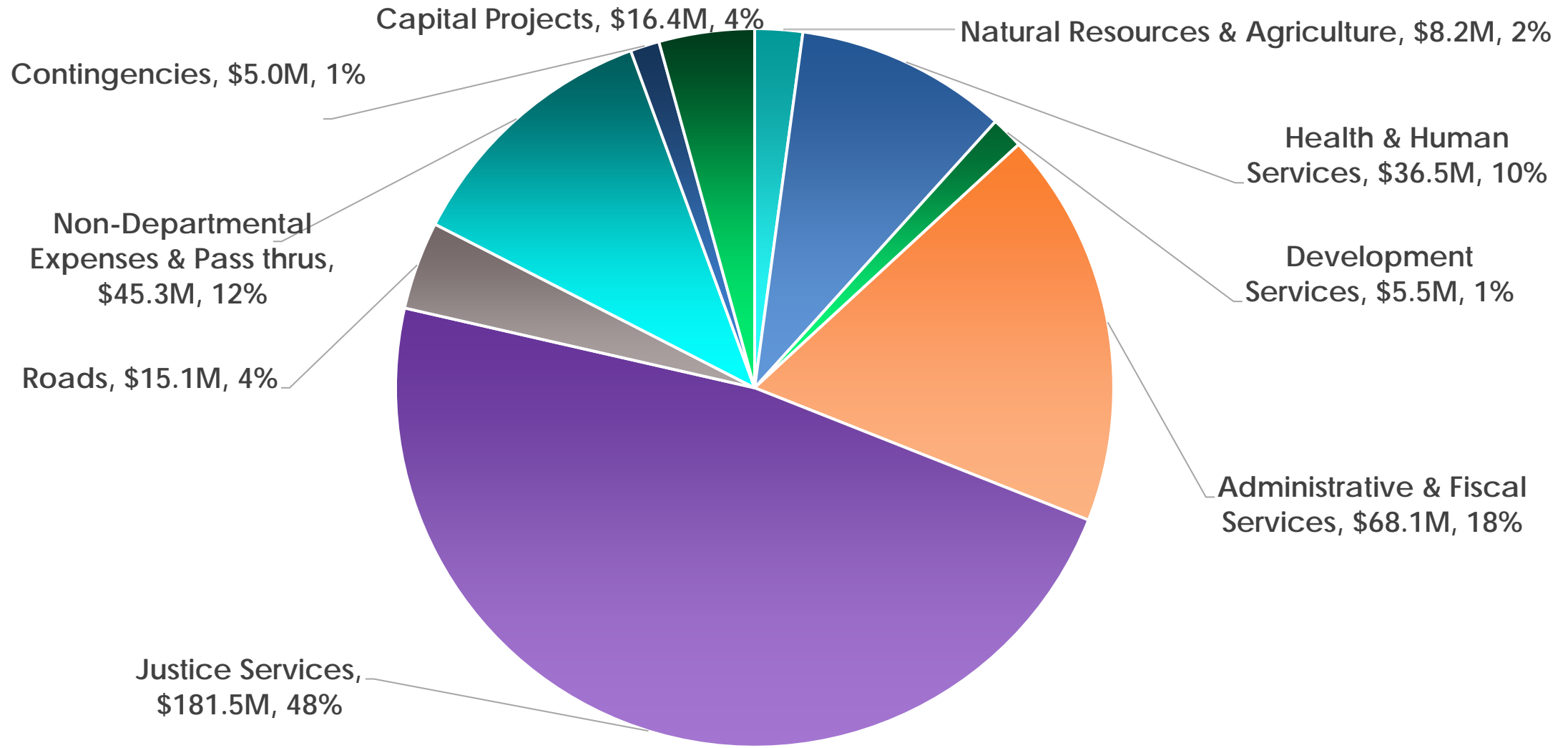
Discretionary General Fund - Total Sources - \$382 Million



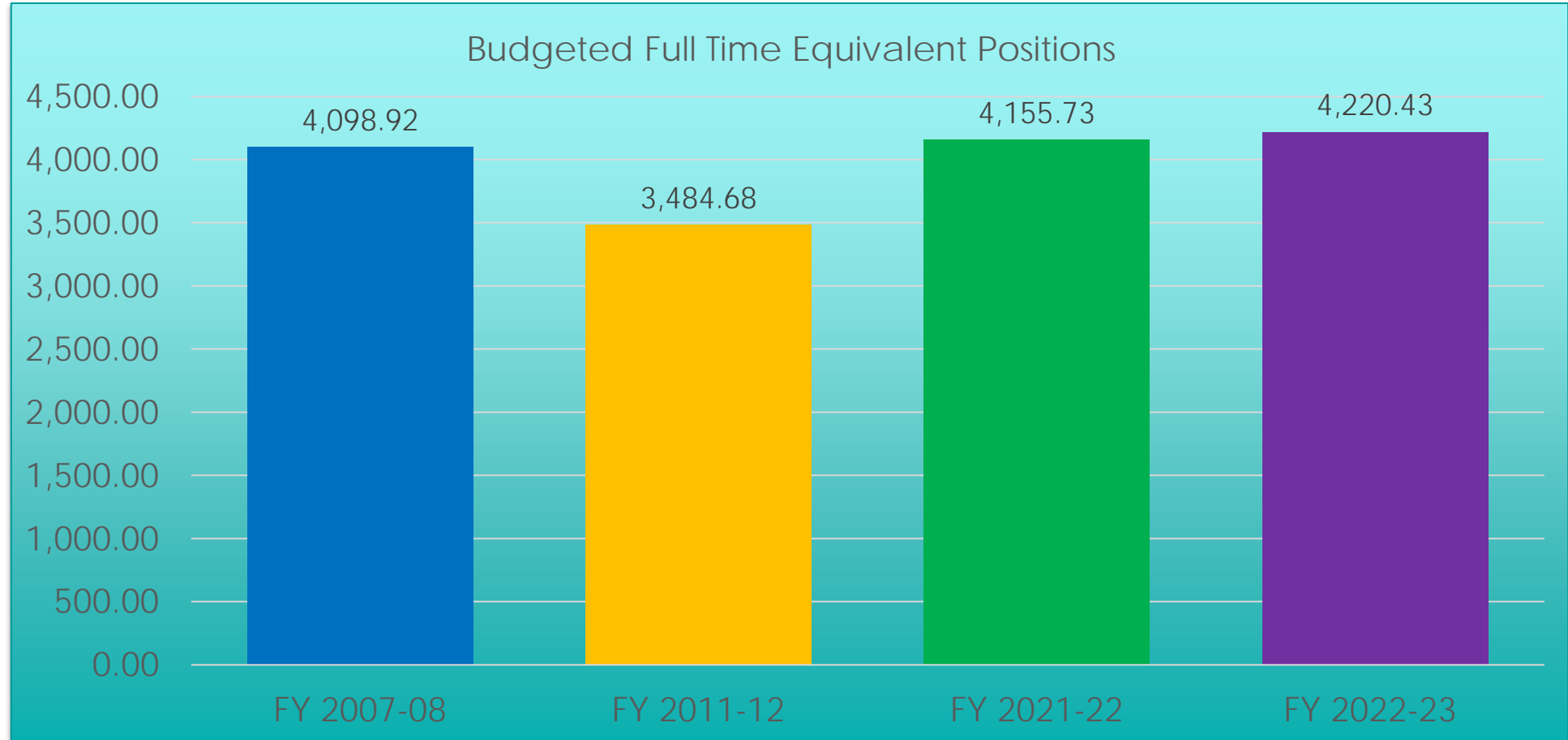
Discretionary General Fund – Property Tax Growth



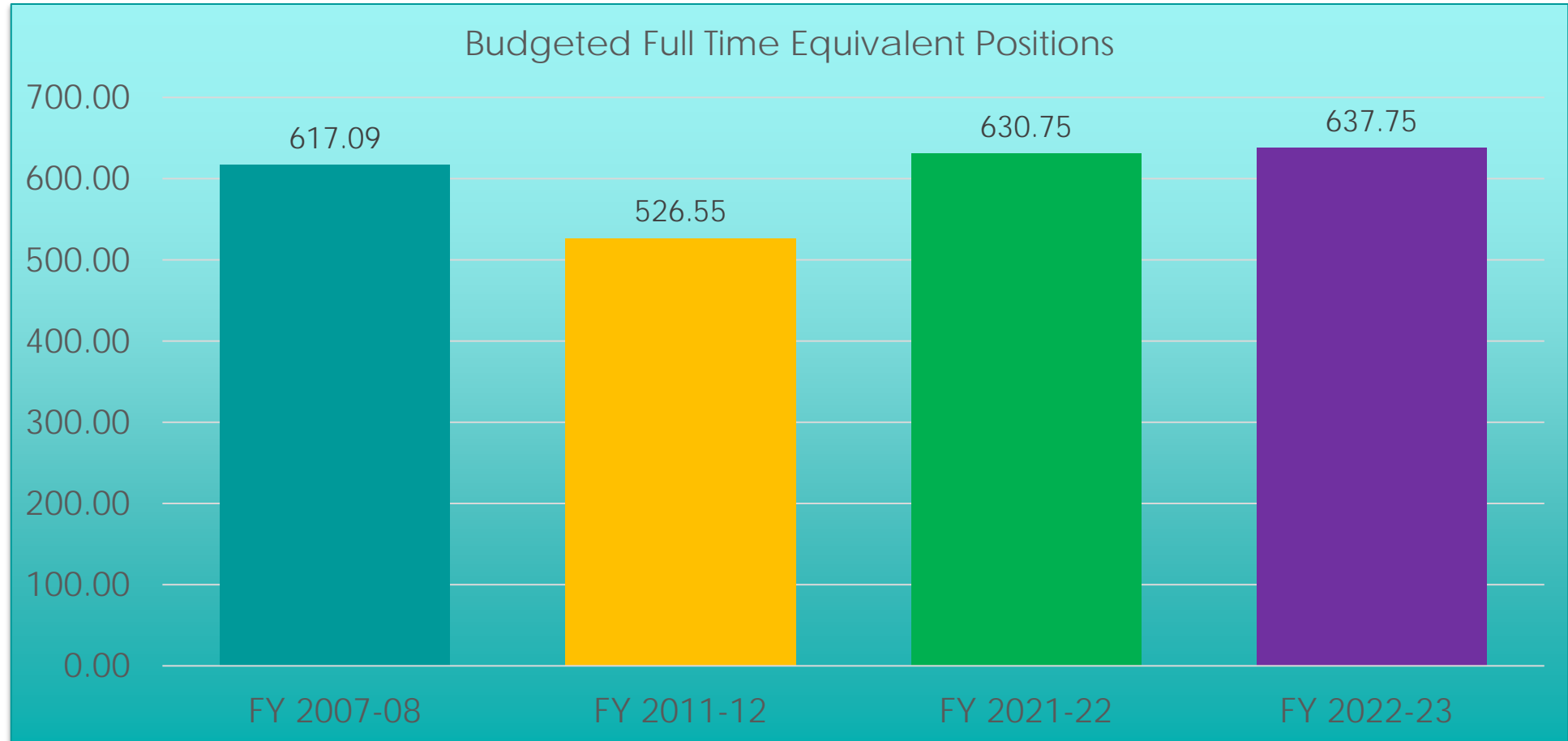
Discretionary General Fund - Total Uses - \$382 Million



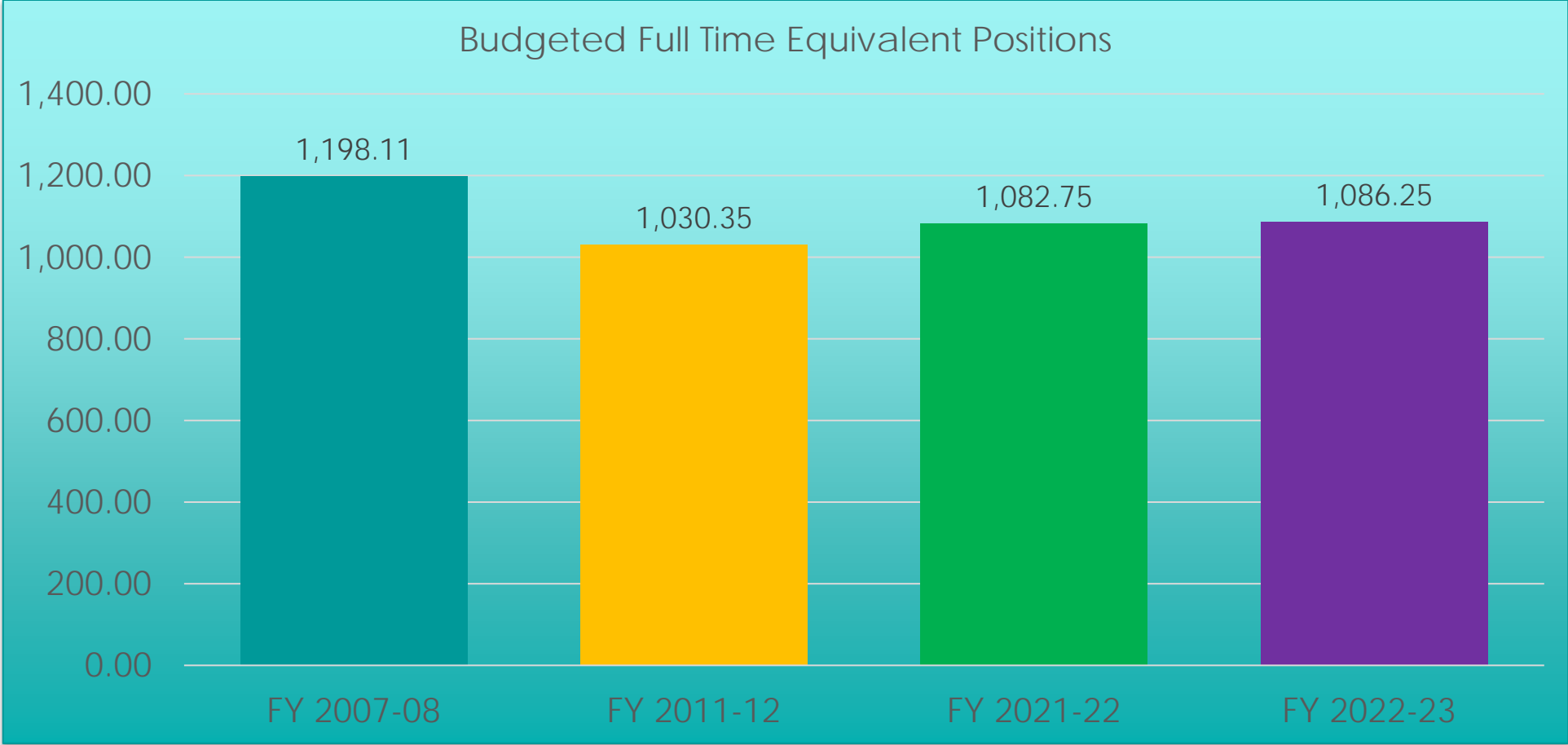
Position Allocations



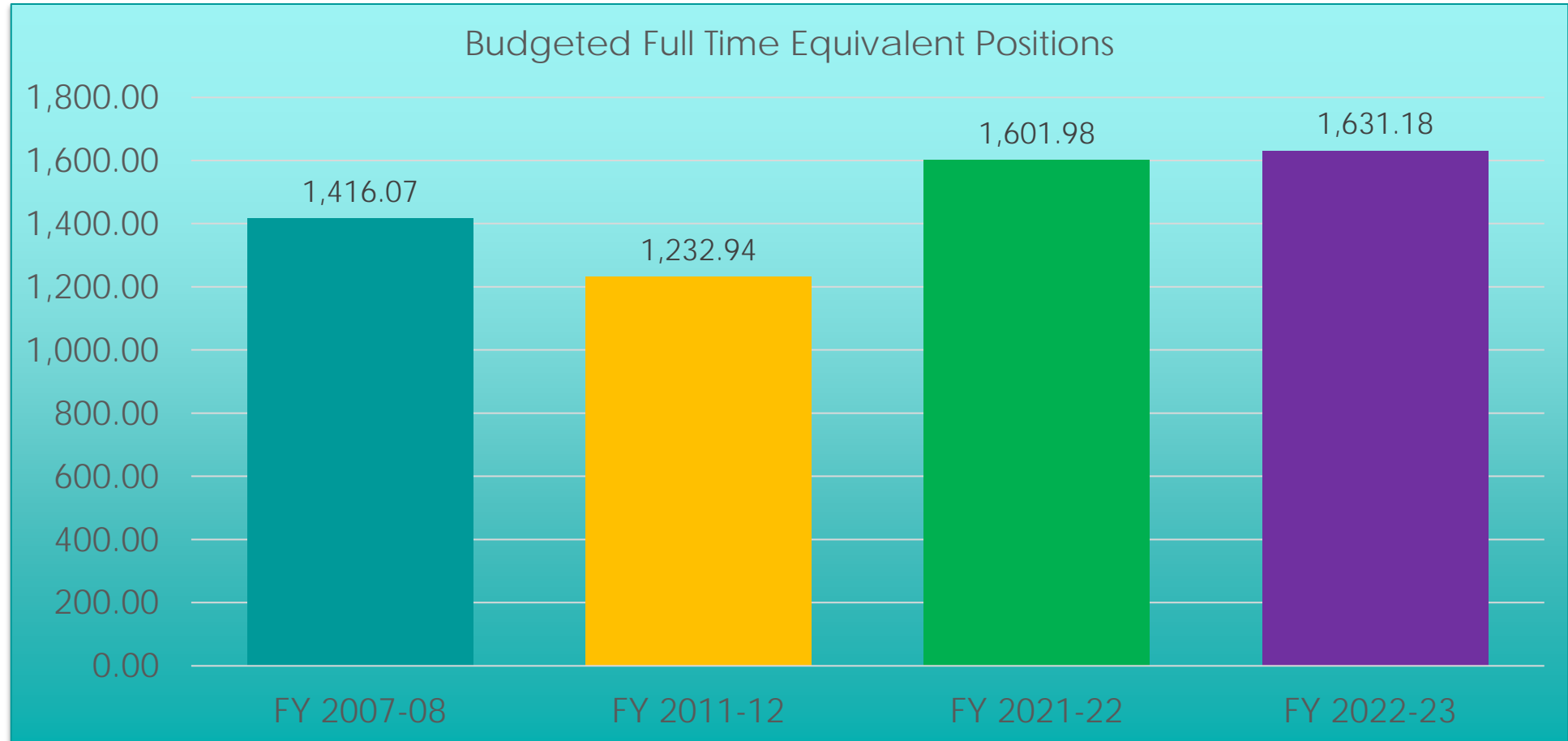
Position Allocations: Administration and Fiscal Services



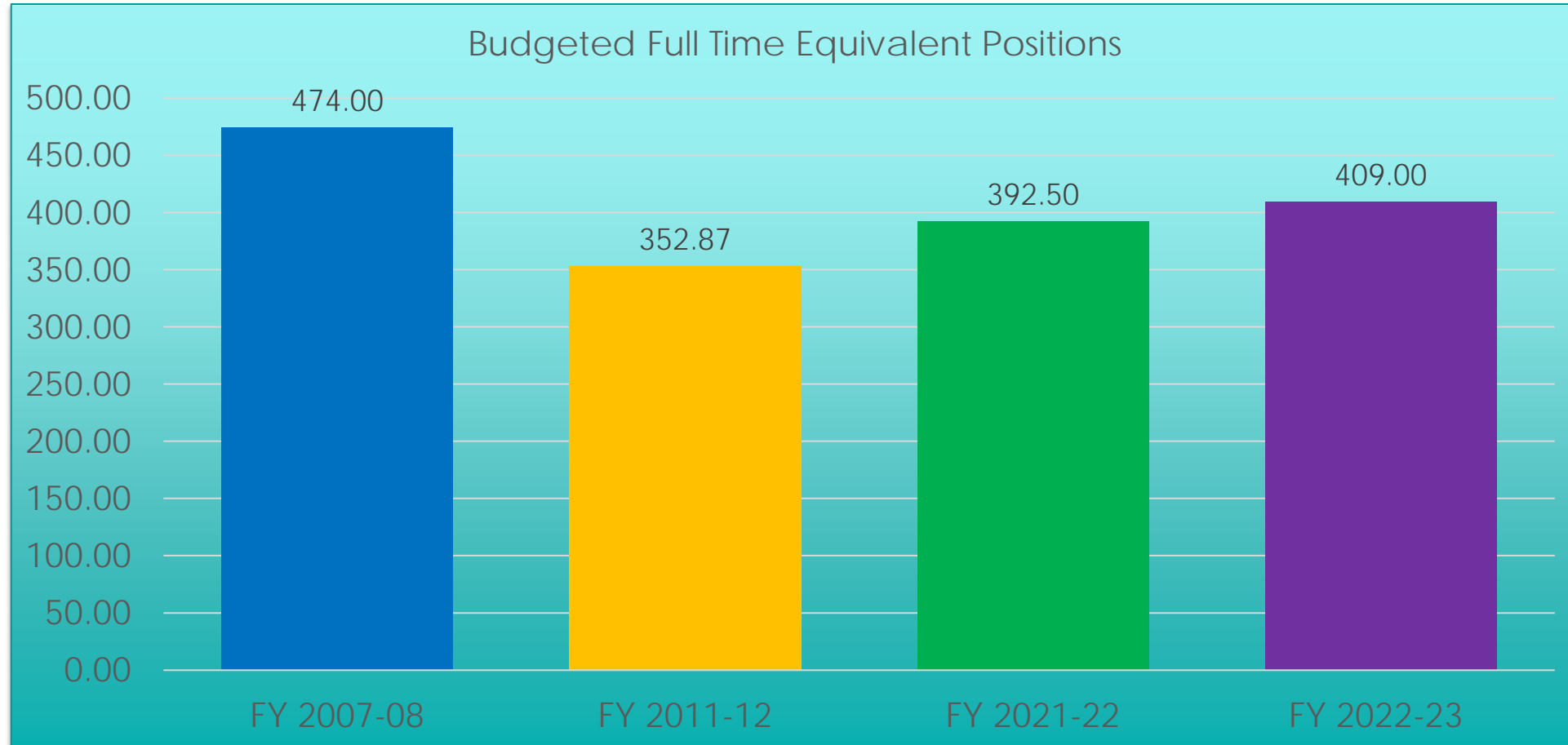
Position Allocations: Justice Services



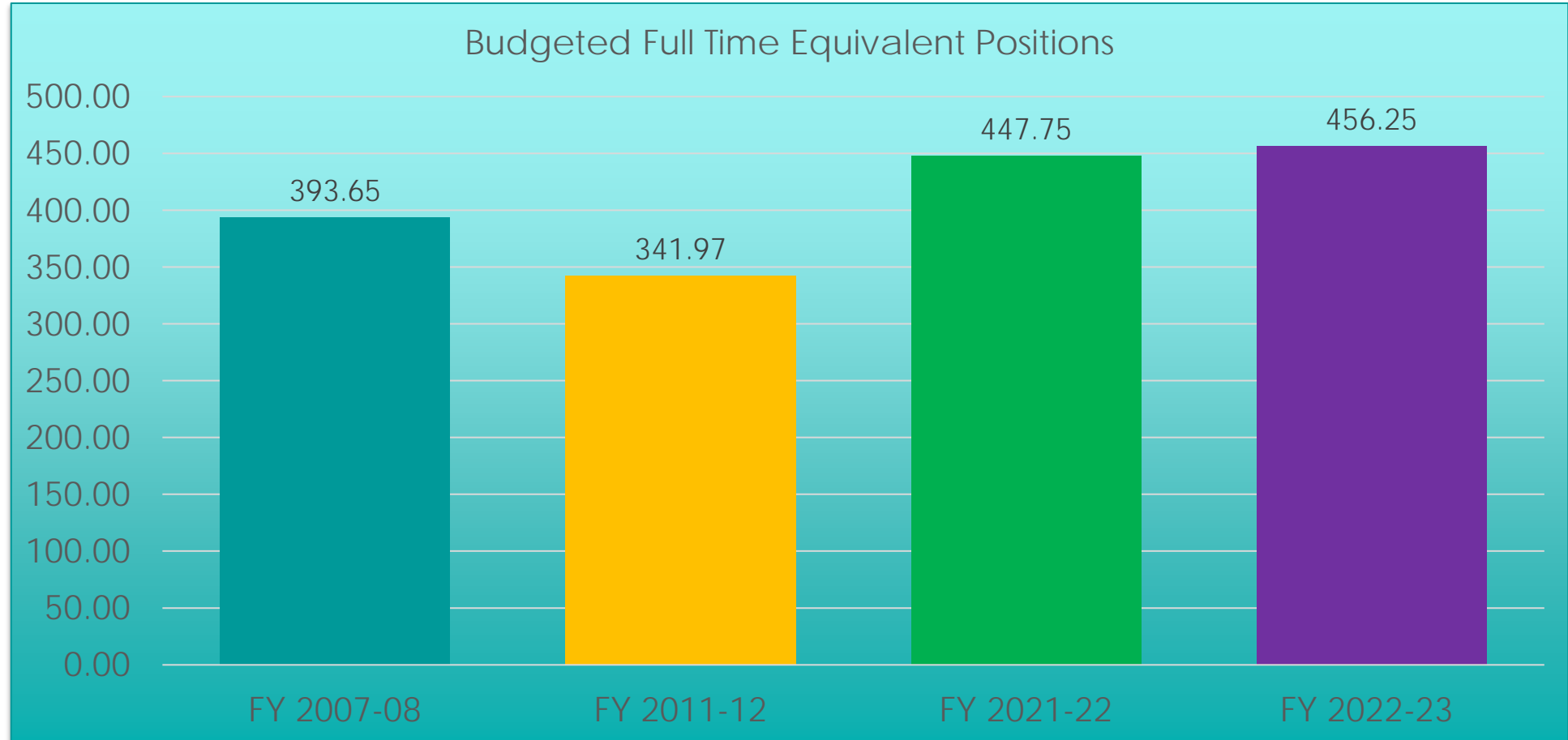
Position Allocations: Health and Human Services



Position Allocations: Development Services



Position Allocations: Natural Resources and Agriculture



Current Vacancies

As of June 7, 2022

Functional Area	Vacant 0-6 months	Vacant 6-12 months	Vacant over 12 months	Total	In Recruitment
Admin and Fiscal Services	33.00	14.50	22.90	70.40	28.00
Development Services	24.00	10.00	6.50	40.50	20.00
Health and Human Services	109.40	70.90	53.38	233.68	109.28
Justice Services	73.50	11.75	19.00	104.25	52.25
Natural Resources & Ag	20.00	9.00	10.80	39.80	10.80
Total	259.90	116.15	112.58	488.63	220.33





Supplemental Adjustments



Supplemental Adjustments

- Account for changes consistent with prior Board direction, but received too late to be included in the Recommended Budget.
 - Board actions taken after March 2, 2022
 - New information received after March 2, 2022



Supplemental Adjustments – Position Changes

- All Position Changes in Supplemental Adjustments are associated with prior Board Direction

Department	Time-Limited	Ongoing	Total
Clerk Recorder Assessor	2.0	4.0	6.0
Community Development Commission	1.0		1.0
CAO and BOS		1.0	1.0
District Attorney	1.0		1.0
Economic Development Board	1.0		1.0
Health Services	6.0	0.2	6.2
Human Services	5.0		5.0
Permit Sonoma	5.0	1.0	6.0
Probation	2.0		2.0
Public Defender	2.0		2.0
Sheriff's Office		0.5	0.5
Open Space		3.5	3.5
Sonoma County Water		3.0	3.0
Transportation & Public Works		2.0	2.0
Total	25.0	15.2	40.2



Other Position Changes

- 12-Month Vacancy Sweeps – 4.0 FTE
 - 1.0 Janitorial Services Supervisor – General Services
 - 3.0 Probation Officer III – Probation Department



Looking Forward

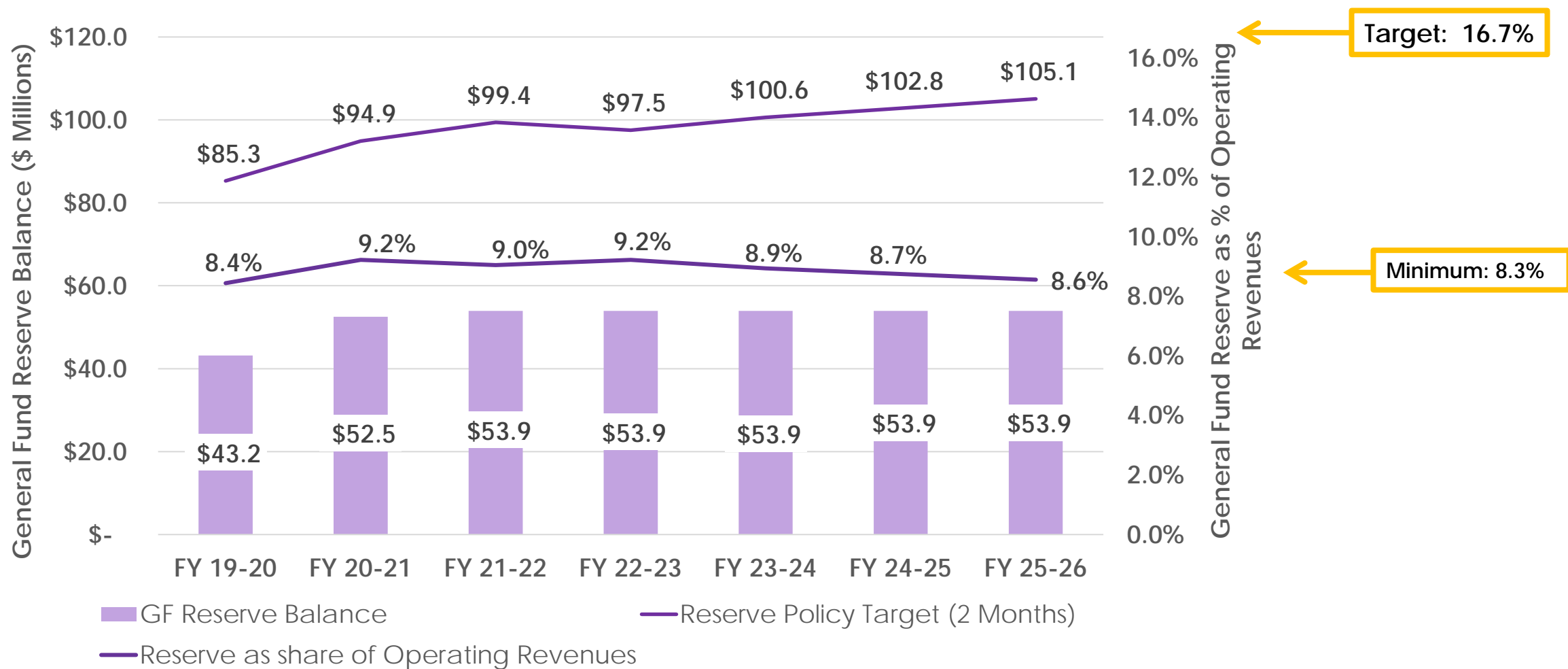


Fiscal Forecast

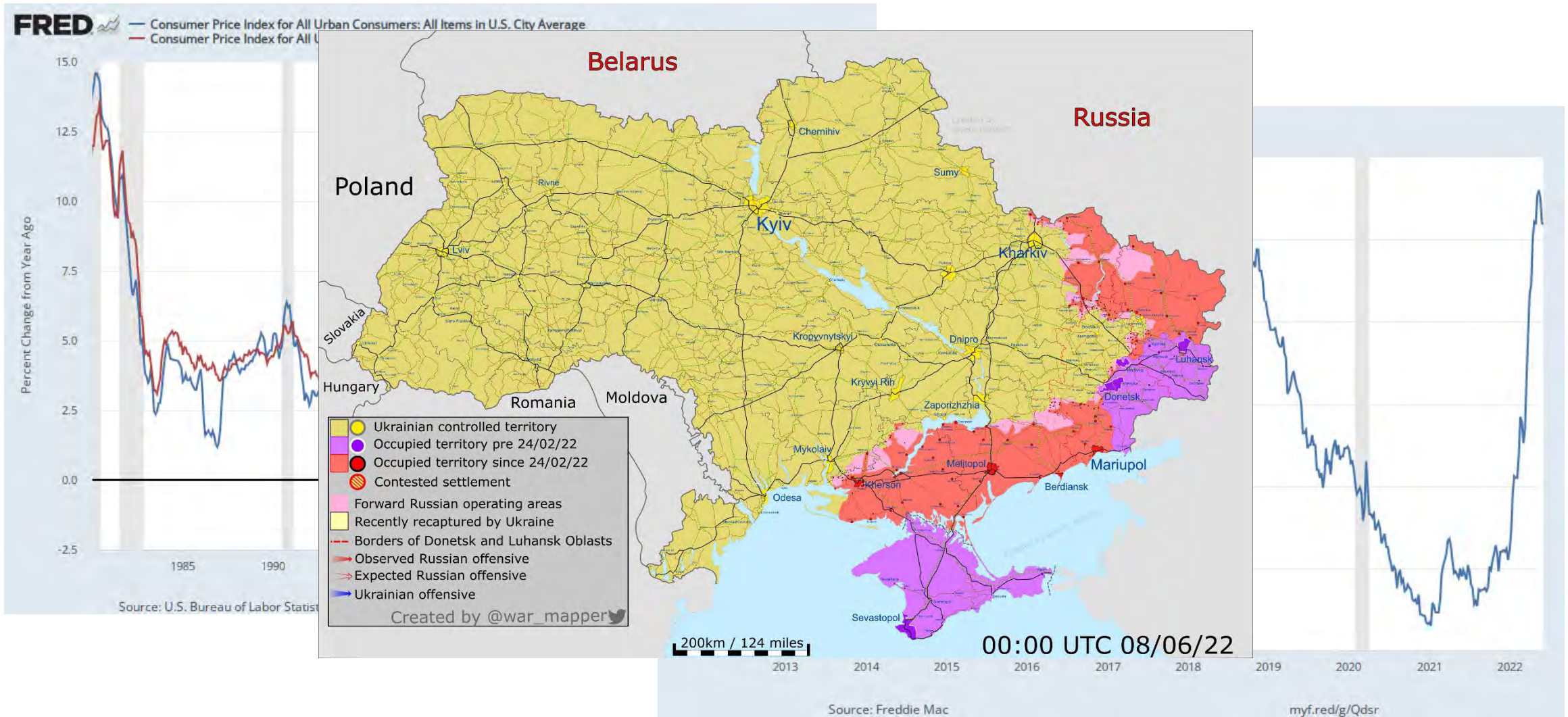
	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27
Total General Fund Sources	\$624.8	\$586.4	\$598.8	\$612.5	\$626.8	\$640.8
Total General Fund Expenditures	\$604.6	\$586.4	\$602.3	\$618.9	\$637.1	\$654.4
Total Surplus (Deficit)	\$20.2	\$0.0	(\$3.5)	(\$6.5)	(\$10.4)	(\$13.6)



General Fund Reserves



Uncertainty Abounds



Recession Coming?

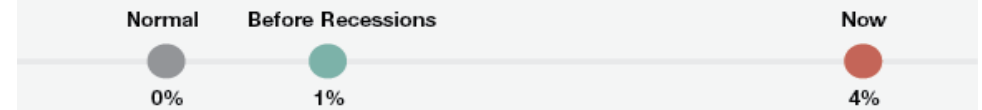
- Legislative Analyst's Office warns of heightened risk of recession in next two years

Figure 8

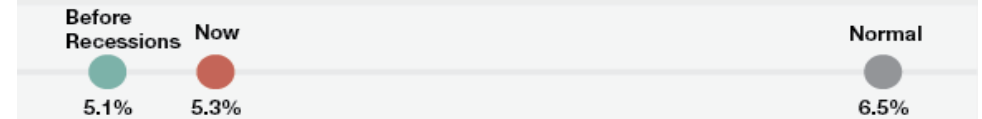
Economic Indicators Point to Elevated Recession Risk

Below, we compare the current values of four economic indicators to normal time periods as well as years leading into past recessions. The data covers the seven recessions since 1973.

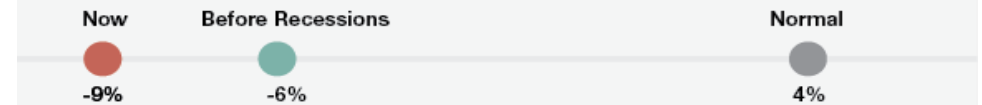
Rising Inflation | California Inflation Relative to Prior Three Years



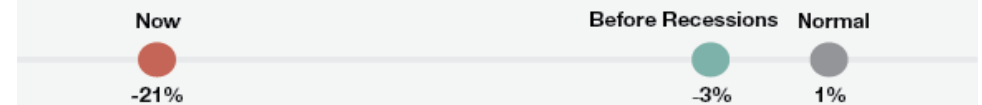
Tight Labor Markets | California Unemployment Rate



Slowing Home Sales | Annual Change in U.S. New Home Sales



Falling Consumer Sentiment | Annual Change in Consumer Sentiment Index

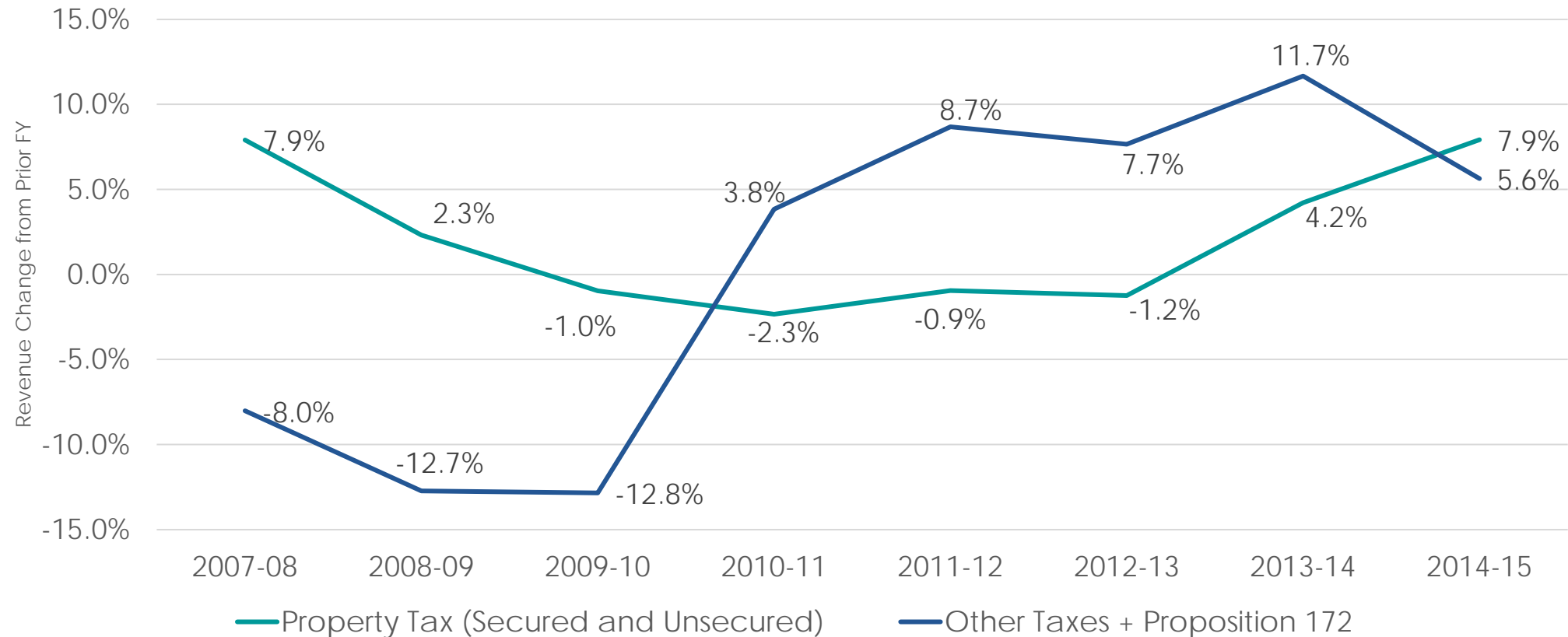


LAO



What Could it mean

Revenue Changes during the Great Recession



Labor Uncertainty

- Will enter negotiations with all bargaining units in coming year
- Recruitment and retention are major concerns throughout the County
- Labor market remains tight



Questions?





FY 2022-23 Budget Hearings

**Day 1 – Available Sources,
CAO Recommendations &
Deliberations**

Presentation Overview

- Overview of Available Sources
- CAO Recommendations
- Overview of Budget Adjustment Tool
- Begin Deliberations



Available Sources



Ongoing Sources

Tab 3

Total Available: \$2.6 million

Source	Amount
Reinvestment and Revitalization Fund	\$1.0 million
FY22-23 Contingencies	\$1.6 million



Ongoing Sources

Reinvestment and Revitalization Fund

- Board of Supervisors established the R&R fund in 2012 after dissolution of Redevelopment Agencies
- Originally focused on completing former redevelopment projects
- Secondary focus on countywide economic, community, and housing development projects



Ongoing Sources

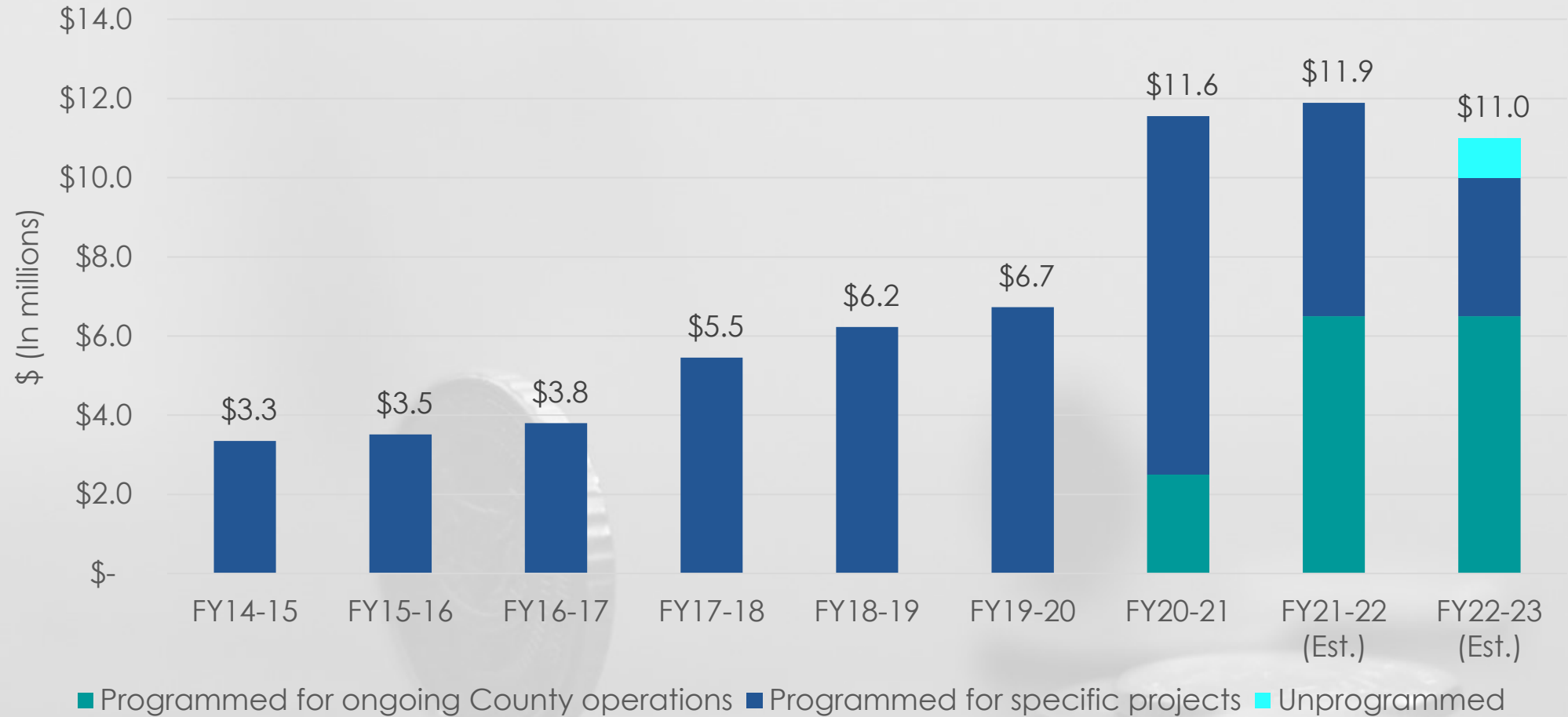
Reinvestment and Revitalization Fund (continued)

- By 2019-20 nearly all former redevelopment projects completed
 - Board redirected funding from CDC County Fund for Housing to support Residential Care Facilities
- By 2020-21 fund began growing due to completion of most successor agencies obligations aside from debt service and court decisions increased share going to County
- At FY 2020-21 Budget hearings Board directed available growth to support countywide needs and prevent cuts, and again utilized available growth for Board priorities at the FY 2021-22 Budget hearings.



Ongoing Sources

Reinvestment and Revitalization Fund – Revenue History



Ongoing Sources

Reinvestment and Revitalization Fund – FY 2022-23 Budget

Item	Recommended Budget
CDC contribution	\$728,040
Behavioral Health ongoing funding (Residential Care Facilities)	\$2,300,000
Policy, Grants and Special Projects funding (CAO)	\$126,836
Ongoing funding to GF to support departments	\$6,500,000
Unprogrammed	\$1,000,000
Total	\$10,654,876



One Time Sources

Tab 3

Total Available: \$40.1 million

Source	Amount
FY2020-21 General Fund YE Fund Balance	\$11.3 million
Reinvestment and Revitalization Fund Balance	\$982,000
Refuse Franchise Fees Fund Balance	\$2.9 million
Community Investment Fund	\$4.6 million
Anticipated FY2021-22 General Fund YE Fund Balance	\$20.2 million
Total	\$40.1 million



One Time Sources

FY 2020-21 Year End General Fund Balance (\$11.3 M)

December 14, 2022

Current Distribution

Source	Health Lab/Morgue	Sears Site
2020-21 YE Fund Balance	\$9.8 M	\$6.2 M
Chanate Sale Proceeds	-	\$13.9 M
Chanate Demo Set Aside	\$10.2 M	-
Total	\$20 M	\$20.1 M

Source	Health Lab/Morgue	Deferred Maint.	TBD
2020-21 YE Fund Balance	\$9.8 M	-	\$11.3 M
Chanate Sale Proceeds	-	\$14.1 M	-
Chanate Demo Set Aside	\$10.2 M	-	-
Total	\$20 M	\$14.1 M	\$11.3 M



One Time Sources

Reinvestment and Revitalization Fund (\$982,000)

Total Fund Balance	\$5,067,582
1) Springs Community Hub	\$2,050,000
2) Hwy 12 Parking Mitigation*	\$820,000
4) Total Maximum Daily Load	\$341,804
5) Guerneville Homeless Shelter	\$485,000
6) CDC Technology Upgrade Project	\$198,778
7) Lower Russian River Area Specific Plan	\$190,000
Total	\$4,085,582
Additional Fund Balance Available for Programming	\$982,000

*Original RDA project



One Time Sources

Refuse Franchise Fees (\$2.9M)

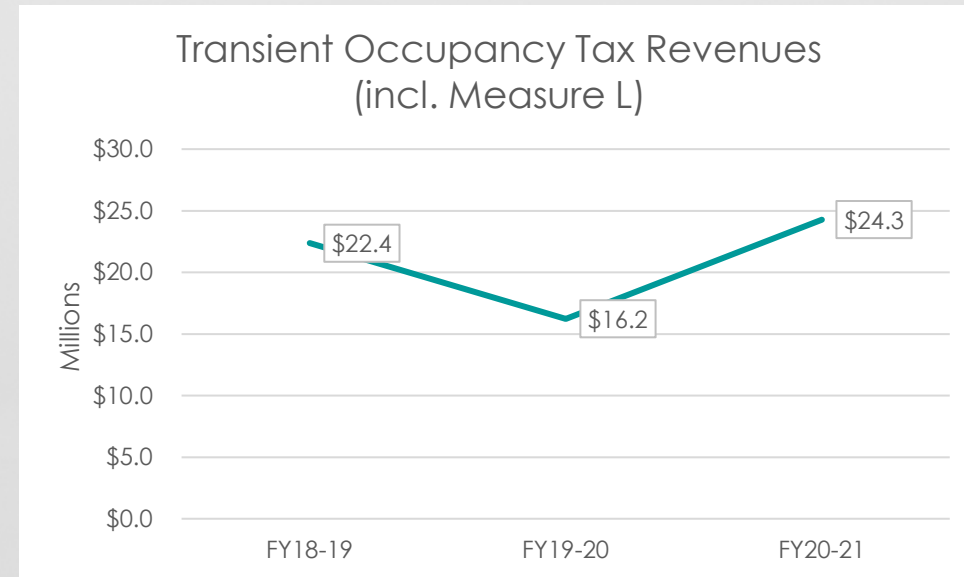
- Estimated Available Fund Balance is \$2.9 million.
- Uses designated by Board policy for solid waste obligations, roads infrastructure preservation and other Board priorities.



One Time Sources

Community Investment Fund (\$4.6M)

- Estimated Available Fund Balance is \$9.6 million.
- Policy allows for any fund balance to be directed to General Fund priorities during Budget Hearings.
- CAO is recommending programming \$4.6M and leaving \$5M in fund balance.



One Time Sources

FY 2021-22 Year End General Fund Balance (\$20.2M)

- Anticipating \$20.2M in FY21-22 Year End General Fund Savings based on 3rd Quarter Estimates.
- Increase of ~\$8M from Mid-Year estimates due to stronger tax revenue growth and increased salary savings in departments.



One Time Sources

Unspent FY 2021-22 Contingencies

- FY2021-22 3rd Quarter Estimates assumed funds would be fully expended.
- However, anticipated balance as of June 14, 2022 is \$3.2 million.



One Time Sources

Total Available: \$43.3 million

Source	Amount
FY2020-21 General Fund YE Fund Balance	\$11.3 million
Reinvestment and Revitalization Fund Balance	\$982,000
Refuse Franchise Fees Fund Balance	\$2.9 million
Community Investment Fund	\$4.6 million
Anticipated FY2021-22 General Fund YE Fund Balance	\$20.2 million
FY 2021-22 Unused Contingencies	\$3.2 million
Total	\$43.3 million



County Administrator's Recommendations



CAO Recommendations

Ongoing

Recommendation	Amount
Support Homeless Services Re-Organization (BOS Date 5/24/22, Item #43)	\$829,145



CAO Recommendations

Ongoing

Recommendation	Amount
Add 1.0 Director of Animal Services (BOS Date 5/17/22, Item #25)	\$283,862*

**Funding was set aside to support Animal Services pending conclusion of the study, so there is no increase in general fund cost to implement this recommendation.*



CAO Recommendations

Ongoing Departmental Requests

Recommendation	Amount
Add 1.0 Senior Emergency Services Coordinator (Emergency Management)	\$241,788
Add 2.0 FTEs for Debris Task force (Health Services)	\$381,365
Retain 1.0 Buyer (General Services)	\$131,726



CAO Recommendations

One-time and Ongoing

Recommendation	One-time	Ongoing
Strategic Plan Investments	\$4,000,000	\$1,000,000



CAO Recommendations

Strategic Plan Year 2 Funding Timeline & Process

Allocation process similar to FY2021-22 where departments submit funding needs for approved Objectives and Board selects which items to fund.

- Mid-July, 2022: Process and timeline released to departments
- Mid-August, 2022: Funding Requests from departments due to CAO.
 - Evaluation criteria will be similar to FY2021-22: operational feasibility, timing, racial and geographic equity and climate resiliency.
- September/October: CAO funding evaluations completed
- Early 2023: Funding Requests will be presented to Board for consideration.



CAO Recommendations

One Time

Recommendation	Amount
Invest FY2020-21 YE Savings in County Center Replacement/Deferred Maintenance	\$11,331,836



CAO Recommendations

County Center Replacement/Deferred Maintenance Fund Balance

	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23 (Rec. Budget)	FY22-23 (CAO Rec.)
Contributions and interest	\$0.8	\$2.8	\$4.7	\$5.3	\$12.9	\$11.9	\$11.3
Chanate Proceeds	\$0.0	\$0.0	\$0.0	\$0.0	\$14.1	\$0.0	\$0.0
Expenditures	\$0.0	\$1.0	\$1.7	\$6.6	\$4.4	\$5.7	\$0.0
Net	\$0.8	\$1.7	\$3.0	(\$1.3)	\$22.5	\$6.2	\$11.3
Balance	\$0.8	\$2.5	\$5.6	\$4.3	\$26.8	\$33.0	\$44.3



CAO Recommendations

One Time

Recommendation	Amount
Funding for General Plan Update	\$2,800,000



CAO Recommendations

One Time

Recommendation

Amount

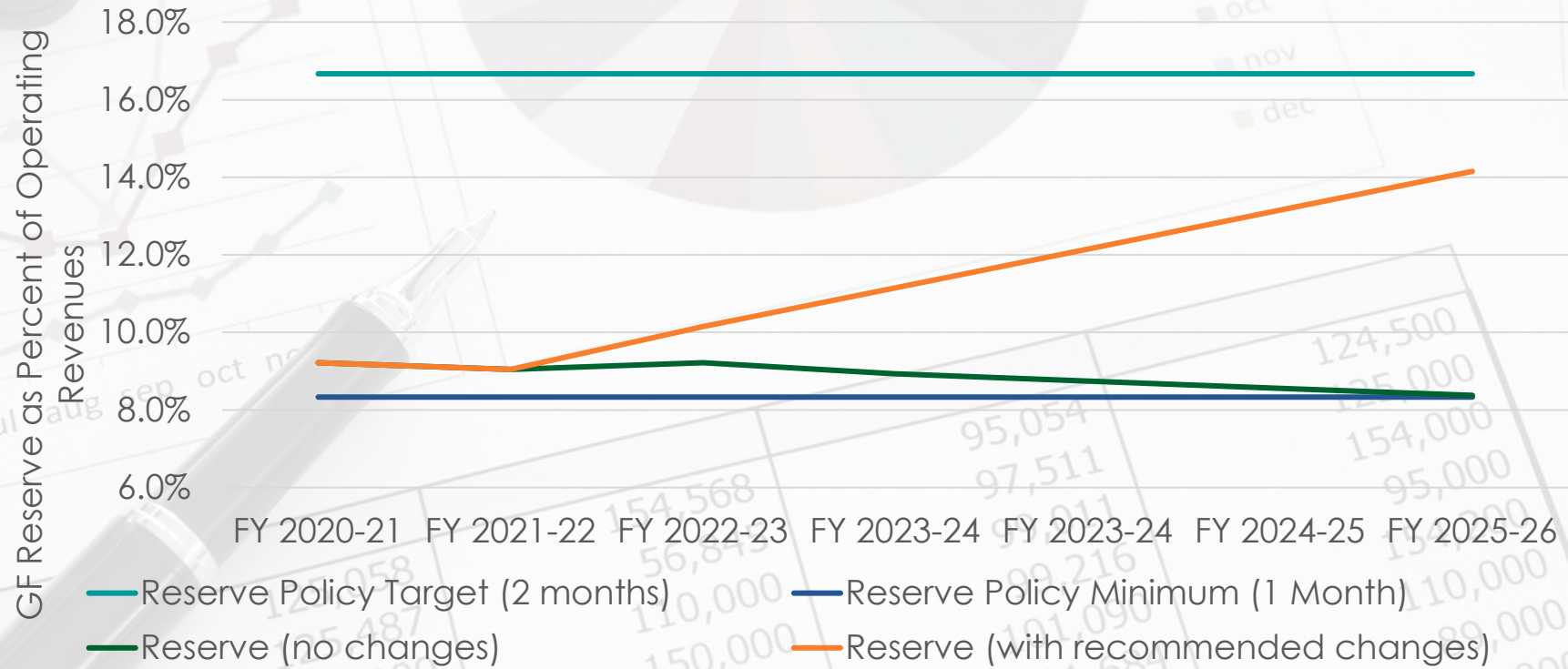
Contribution to Reserves

\$5,475,000



CAO Recommendations

Figure 1: General Fund Reserve as % of GF



CAO Recommendations

One Time

Recommendation	Amount
Behavioral Health Housing Unit Capital Project Funding Gap	\$5,000,000



Behavioral Health Housing Unit

Funding Shortfall

- Original Budget was \$44.7 million
 - \$40 million from State
 - \$4.7 million from County (including in-kind contribution)
- Project significantly delayed due to disasters, dispute with state over parking, and delays in state reviews
- Original projections did not include Project Labor Agreement
- New Estimate: \$54.0 million
 - \$9.3 million Gap
 - Gap may grow
- Seeking additional state funding, but uncertain at present
- CAO Recommend setting some funding aside
- Further delays will increase costs



Behavioral Health Housing Unit

Staffing Set Aside

FY	Amount Set Aside	Amount Programmed
2019-20 Adopted	\$3.1 million ongoing	No funding programmed
2020-21 (pre-COVID)	\$3.1 million ongoing	No funding programmed
2020-21 (Final)	Ongoing capacity released	\$3.1 million ongoing funding to Sheriff's Office
2021-22	No capacity reserved	(Sheriff's Office support ongoing)
2022-23	\$6.6 million ongoing	\$2.1 million 1x for helicopter; \$2.1 million reserved for FY 23-24
2023-24	\$6.6 million ongoing	No funding programmed



CAO Recommendations

One Time

Recommendation

Amount

Restore Contingencies used for CRA positions to \$5M

\$685,870



CAO+ Recommendations

One-time Departmental Requests

Recommendation	Amount
Emergency Response Towing/Transport Vehicle (Emergency Management)	\$112,200
EV & Charging Infrastructure for Records Services (Information Services)	\$107,000
Rebuild Assessor Database (Clerk-Recorder-Assessor)	\$230,000
9-1-1 Dispatch System Replacement – initial work (Sheriff's Office)	\$1,500,000



CAO+ Recommendations

Use of additional FY2021-22 Year-End Savings

Recommendation	Amount
Pension Unfunded Liability Pay Down	One-third
Increase Contribution to Reserves	One-third
County Center Replacement/Deferred Maintenance	One-third





Budget Adjustment Tool Overview



Budget Adjustment Tool

Tab 4

- Will be used throughout budget hearings
- Provides real-time updates on sources available for balancing based on board decisions
- Adjustments to items on the list or to available sources may be made



Budget Adjustment Tool

DRAFT											One-time FY20-21 Fund Balance	One-time*	On-going	GF Contingencies	
											Total Available (Board determined)	11,331,836	28,758,263	1,000,000	4,314,330
											Sum of Approved Uses:	11,331,836	19,910,070	1,000,000	1,584,024
											Remaining:	0	8,848,193	-	2,730,306
Row #	Request ID	Department/BOS Member/Community Org	Title/Short Description	Narrative Tab-Page #	One-time or Ongoing	Funding Requested	Gross Expenditures	Revenues & Reimb/Use of Fund Balance	FTE Req	CAO Review Comment					
Recommended Funding Requests															
A01	NonDpt-PCR-03	CAO Recommendation	Funding for General Plan Update	Tab 1- CAO Rec	One-time	2,800,000	2,800,000	0	0			2,800,000			
A02	NonDpt-PCR-04	CAO Recommendation	Contribution to bring reserves from 9.2% to 16.7% over an 8 year period.	Tab 1- CAO Rec	One-time	5,475,000	5,475,000	0	0			5,475,000			
A03	NonDpt-PCR-06	CAO Recommendation	Behavioral Health Unit Capital Project Funding Gap	Tab 1- CAO Rec	One-time	5,000,000	5,000,000	0	0			5,000,000			
A04	NonDpt-PCR-08	CAO Recommendation	Move FY 20-21 Year End Fund balance originally earmarked for the purchase of the Sears site to the Deferred Maintenance/County Center Project fund.	Tab 1- CAO Rec	One-time	11,331,836	11,331,836	0	0		11,331,836				
A05	NonDpt-PCR-09	CAO Recommendation	Utilize one-time funds to restore contingencies to \$5M; contingencies were utilized for Clerk-Recorder-Assessor positions approved on April 19, 2022.	Tab 1- CAO Rec	One-time	685,870	685,870	0	0			685,870			
A06	CRA-PCR-01	Clerk- Recorder-Assessor	Rebuild Assessor Database for data necessary to assess property and prepare the annual assessment roll.	Tab 5 -PCR- 2	One-time	230,000	230,000	0	0			230,000			
A07	DEM-PCR-02	Dept of Emergency	Emergency Response Towing/Transport Vehicle	Tab 5 -PCR- 65	One-time	112,200	112,200	0	0			112,200			
A08	ISD-PCR-01	Information Systems	Electric Vehicle and charging infrastructure used for countywide delivery of records, mail and courier services.	Tab 5 -PCR- 39	One-time	107,000	107,000	0	0			107,000			



Budget Adjustment Tool

Categorization of requests

- Green – CAO Recommendation or Department Request Recommended for Approval
- White – Board/Community Requests & strong departmental proposal
- Gray – Not recommended

A05	NonDpt-PCR-09	CAO Recommendation	Utilize one-time funds to restore contingencies to \$5M; contingencies were utilized for Clerk-Recorder-Assessor positions approved on April 19, 2022.	Tab 1- CAO Rec
A06	CRA-PCR-01	Clerk-Recorder-Assessor	Rebuild Assessor Database for data necessary to assess property and prepare the annual assessment roll.	Tab 5 -PCR- 2

Example



Additional Information – Tabs 1, 5 & 6

Request ID	Department/BOS Member/Community Org	Title/Short Description	Narrative Tab-Page #
NonDpt-PCR-09	CAO Recommendation	Utilize one-time funds to restore contingencies to \$5M;	Tab 1-
CRA-PCR-01	Clerk-Recorder-Assessor	Rebu	Tab 6-3
DEM-PCR-02	Dept of Emergency	Emer	Tab 6-7
ISD-PCR-01	Information Systems	Elect coun	Tab 6-9
BoardReq-01	Coursey & Gore	Board and Community Funding Requests	Tab 6-11
BoardReq-02	Coursey & Gore	Fire Memorial - 5 year anniversary of the Tubbs Fire	Tab 6-13
BoardReq-03	Gorin	Graffiti Abatement	Tab 6-19
BoardReq-04	Gorin	0.5 BOS Aide Posiiton - D1	Tab 6-24
BoardReq-05	Gorin	Shift Field Reps to GF	Tab 6-24
BoardReq-07	Gorin	Donald Gap Pedestrian Project	Tab 6-47
BoardReq-08	Gorin	Support Fire Safe Councils	
BoardReq-09	Gorin	Renovate Larson Park	
BoardReq-10	Hopkins	Renovate Maxwell Farms Park	
		Equity and Environmental Justice Deputy Director	



Deliberations



Consider CAO Recommended Funding Requests

1. CAO Recommendations (Green)
2. Department Requests for Future consideration (White)
3. Recommended Self-Funded Department Requests (Green)
4. Requests Not Recommended For Funding (Gray)





Consider Board & Community Funding Requests



Questions?

