



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: County Executive Office
Department No.: 012
For Agenda Of: June 8, 2021
Placement: Departmental
Estimated Tme:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Director(s) Mona Miyasato, County Executive Officer
Contact Info: Nancy Anderson, Assistant County Executive Officer

SUBJECT: Fiscal Year 2021-22 Recommended Budget

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

It is recommended that the Board of Supervisors:

- a) Receive, consider, and file the Fiscal Year 2021-22 Recommended Budget (Attachment A);
- b) Approve final budget adjustments (Attachment A-2) to the Fiscal Year 2021-22 Recommended Budget;
- c) Adopt the Resolution of the Board of Supervisors entitled In the Matter of Adopting the Budget for Fiscal Year 2021-22 (Attachment D);
- d) Approve budget adjustments in the form of Attachment E, as amended during the hearings, to the Fiscal Year 2021-22 Recommended Budget;
- e) Delegate authority to the Chair of the Board to execute renewal of single-year grants and contracts (Attachments B and C) previously approved by the Board and included in the Fiscal Year 2021-22 Recommended Budget, where contract amounts are within 10% of previously contracted amounts;
- f) Receive the draft salary resolution (Attachment F), direct any specific changes made during the June 2021 budget hearings, and adopt that amended salary resolution to be effective July 1, 2021, which updates job classifications and department position allocations to include

positions approved by the Board of Supervisors during the Fiscal Year 2021-22 budget hearings;

- g) Adopt position changes previously approved by the County Executive Officer during Fiscal Year 2020-21 under Board Resolution 99-486, as shown in Attachment G; and
- h) Determine pursuant to CEQA Guidelines §15378(b)(4) that the above fiscal activities are not a project subject to the California Environmental Quality Act.

Summary Text:

The Fiscal Year (FY) 2021-22 Recommended Budget is hereby submitted to the Board of Supervisors pursuant to the County Budget Act (California Government Code § 29000 et seq.), which specifies that the Board of Supervisors must adopt a balanced budget each year, with funding sources equal to financing uses. Any Board adjustments to the budget made during June budget hearings will also be incorporated in the form of Attachment E. The information in this letter, attachments, and hearing binder are provided to enable the Board to adopt the FY 2021-22 budget during budget hearings. Budget hearings are scheduled for June 8 and, if necessary, June 10, and may also be continued into the following week.

Discussion of individual department work initiatives and budgets for the coming year were reviewed with the Board during the budget workshops conducted in April. The purpose of the budget hearings is to provide the Board with an overview of the budget, respond to questions about the budget, and provide updates to department budgets since the April workshops.

FY 2021-22 Recommended Budget Overview

The FY 2021-22 Recommended Budget for all funds totals \$1.35 billion, an increase of \$160.5 million, or 13.5% from the FY 2020-21 Adopted Budget. The General Fund, which funds many County operations, totals \$436.2 million, an increase of \$31.5 million, or 7.8%. The budget, in total, supports a workforce of 4,347 full-time equivalent (FTE) employees and reflects a net increase of 41 FTE employees. A majority of the change in the overall budget of \$160.5 million from last fiscal year is related to Federal American Rescue Plan Act (ARPA) funding that is the largest single increase at \$43.3 million (half of the County's total allocation comes in FY 2021-22). Much of the remaining increase is related to a wide variety of State and federal grants secured for FY 2021-22, including the federal Emergency Rental Assistance Program and the California Homeless Housing, Assistance, and Prevention grant program. Finally, tax revenue and charges for services each increased by \$20.8 million. Operating expenditures include both ongoing and one-time costs, and ongoing costs are largely supported by ongoing revenues. The Executive Summary of the FY 2021-22 Recommended Budget, Section B, details this information.

Overall, the recommended budget includes funding to provide mandated and essential services, meet debt service obligations, address critical deferred maintenance and infrastructure needs, and adhere to the Board's financial management policies.

Cannabis Tax Revenue Use Policy

Based on Board direction at budget workshops, the use of a portion of cannabis revenue for ongoing purposes was incorporated and applied towards expansion requests as shown in the table on the next page.

The concept for the new policy stems in part from the need to address critical needs coming from KPMG recommendations, organizational enhancements such as Information Technology, data and discovery, purchasing and other department program needs that have been delayed in the past due to limited General Fund Contribution (GFC) resources. Over the past several years, GFC growth has been first used towards commitments to the new jail operations, fire tax shift and pension cost increases related to the change in rate of return. While GFC growth has also been able to cover annual increases in salary and benefits and general liability insurance in order to keep departments at status quo levels, very little remains to address these other issues to the extent needed.

Some Board members have indicated that it would be helpful to hear alternatives to cannabis revenue as the source for ongoing budget costs. The County Executive Office will bring Budget Development Policies to the Board in December 2021 and can include further considerations of limiting use of cannabis tax revenue from cultivation to only certain one-time budget items and potentially limiting an ongoing level of budget funding to cannabis tax revenue from retail (\$625,000 FY 2021-22). If these limitations are applied, the FY 2021-22 ongoing budget funding could be supplanted by new GFC growth and available State or federal resources, etc. over time until the retail cannabis revenue level is met, should the Board direct this approach.

With the policy applied and CEO Recommended Expansions added, the remaining cannabis resources available total \$9,654,700 (\$805,000 ongoing and \$8,849,700 one-time). The table below summarizes the amount of anticipated cannabis tax revenue; ongoing expenditures funded by this revenue to date; and new uses included in the FY 2021-22 Recommended Budget, which are further detailed in the CEO Recommended Expansion table by department.

Cannabis Tax Revenues and Recommended Uses

	Ongoing	One-time
Available Sources	\$19,056,000	\$10,969,100
25% of Ongoing to Establish Stabilization Reserves	(4,764,000)	
FY 2021-22 Ongoing Set-Asides Available for One-time Use		1,350,000
Recommended Uses		
Parks, Roads and Public Facilities	\$2,609,400	\$1,543,000
Planning for Future Expenses	3,702,000	
Ongoing Cannabis Enforcement	3,081,400	
Cannabis Taxation Ordinance Compliance	1,848,800	135,000
Public Safety Services	938,600	250,000
Cannabis Permitting, Health Education & Outreach	260,000	510,400
Community Libraries	658,700	
Equity & Inclusion	50,000	500,000
Long-Term Planning & Development	233,100	90,000
Housing & Homelessness Programs		245,000
Alternative Energy		171,000
Enhance Elections Operations	105,000	
Innovation		25,000
Total of Recommended Uses	\$13,487,000	\$3,469,400
Remaining Unallocated Sources	\$805,000	\$8,849,700

CEO Recommended Expansions

The recommended budget includes funding expansions based on consideration of State and federal requirements, Board priorities, established needs, and areas in which the County could face significant financial, legal, health, or safety risks or liability. These recommendations total \$10.4 million and 15 FTE, and were made after input from the Board at the April workshops and further discussions with departments.

FY 2021-22 CEO Recommended Expansions

#	Description	FTE	Ongoing	One-Time
County Executive Office				
1	Cannabis Permits and Licensing Technicians: To assist with annual license processing and assist with customer outreach and response.	2.0	\$135,000	\$135,000
2	Chief Data Officer Position (Data/Discovery): Add one Chief Data Officer position to oversee the data efforts countywide as recommended by KPMG.	1.0	\$256,000	
Clerk Recorder Assessor				
3	AB 37 and Voter's Choice Act (VCA) Election Staffing: One AOP position to assist with AB 37 implementation and move to the California's Voter's Choice Act (VCA). Department will use state revenue as well as fund balance in FY 2021-22 to cover remaining costs, but ongoing \$350k will likely be needed starting in FY 2022-23.	1.0	\$105,000	
District Attorney				
4	eSCARS Coordinator: One Victim Witness Supervisor to implement and manage the eSCARS child abuse reporting project in the County.	1.0	\$124,600	
General Services				
5	Capital Projects Team: Adds one Enterprise Leader and funding for two contracted project managers to assist with the increased volume of capital projects handled through General Services.	1.0	\$190,000	\$550,000
Planning & Development				
6	Administration Division - Enterprise Leader: Add one Enterprise Leader to oversee Administration Division. GFC request will partially fund position costs, with remaining recovered through permit revenue.	1.0	\$74,000	
7	Cannabis - License and Permitting: Add one Supervising Planner and one Planner III for up to 2 years to expedite permit processing.	2.0		\$140,400
Probation				
8	Pretrial Supervision Program: Enhance existing Pretrial Supervision Program by adding two Deputy Probation Officers.	2.0	\$270,400	
Public Defender				
9	IT Staffing: Add one permanent FTE position to enhance the productivity and efficiency of the technology team.	1.0	\$118,600	
10	Fiscal Staffing: Add one permanent FTE Accountant position to handle fiscal matters and all grants.	1.0	\$112,000	
Public Works				
11	Floradale Bridge Project: Local match required for the Federal Highway Bridge Program revenue.			\$993,000

FY 2021-22 CEO Recommended Expansions (*continued*)

#	Description	FTE	Ongoing	One-Time
Sheriff				
12	Body-Worn Cameras: Provides funding for the body-worn camera ongoing software maintenance and data storage, and fund a position (Computer Systems Specialist) to manage the hardware and operate the software. Sheriff's Office will provide the one-time funding necessary for the purchase of the cameras using asset forfeiture funds.	1.0	\$313,000	
Treasurer-Tax Collector-Public Administrator				
13	Cannabis Tax Collection and Compliance: One Enterprise Leader position to be responsible for cannabis tax collection and compliance auditing efforts.	1.0	\$219,400	
General County Programs				
14	Equity Set-Aside: To continue training, education and outreach efforts through County HR and Community Services Department.			\$500,000
15	Public Bank Viability Study: The County of Santa Cruz requested interest to participate in a viability study to establish a Central Coast Public Bank with Counties of Monterey, San Benito and San Luis Obispo.			\$25,000
16	Employee Housing Study: Funding will not be released until staff completes initial evaluation and returns to Board.			\$245,000
17	Data/Discovery Set Aside: Provides funding to add five (5) positions and equipment to multiple departments. CEO is leading discussion on how funding should be allocated and will be brought back to Board for final allocation approval.		\$743,600	\$510,000
18	Voter's Choice Act (VCA) Election Set-Aside: Preserves ongoing funding for elections staffing and professional services needed to facilitate Voter's Choice Act election model. AB 37 legislation recently amended will enable department to phase in VCA resulting in lower costs. Department has identified funds for FY 2021-22, but most are one-time in nature. The set aside funding could be used towards one-time needs in FY 2021-22.		\$350,000	
19	Cannabis Education Set Aside: BWell and Public Health Departments to develop plan for use that will include allocation to Community Based Organizations. In addition, BWell was recently awarded Prop 64 grant funding (\$959k through 2023-24) for extra help staff for outreach and education to youth.		\$160,000	
20	Bi-lingual Translation Services: Need identified by departments for enhanced access translation services and recommended by KPMG.		\$50,000	
21	General Liability Set Aside: 9.1% or \$1M cost increase projected for 22-23		\$500,000	
22	Program Stabilization: Increases set aside for unanticipated contractual cost increases by \$2.25M.		\$2,250,000	

FY 2021-22 CEO Recommended Expansions (*continued*)

#	Description	FTE	Ongoing	One-Time
General County Programs (<i>continued</i>)				
23	Crisis Intervention Team Set Aside: Sets aside ongoing funding for the county's three crisis intervention teams, which are currently funded by grants that will be ending in the next 18 to 24 months. The set aside funding could be used towards one-time needs in FY 2021-22.		\$500,000	
24	IHSS MOU increase: County's share related to State MOU ongoing funding changes.		\$300,000	
25	Homeless Shelter Operating Costs Set Aside: Sets aside ongoing funding for homeless shelter operations currently being funded through a variety of grants that may not be ongoing in future fiscal years. The set aside funding could be used towards one-time needs in FY 2021-22.		\$500,000	
Total		15.0	\$7,271,600	\$3,098,400

Strategic Reserve Policy

The County's Strategic Reserve policy calls for a targeted funding level of 8% of operating revenue (approximately 30 days of working capital) for the General Fund to be appropriated annually by the Board of Supervisors as part of the budget adoption process. The recommended budget includes a fully funded Strategic Reserve at \$38.8 million in FY 2021-22.

Essential Priorities and Commitments for the Future

In FY 2020-21, the County remained at the forefront of fighting the pandemic, expanding and intensifying healthcare and safety net services, public safety and leading emergency operations. While mounting an epic response to the pandemic, County departments continued to advance prior commitments and key initiatives. The following are major initiatives continuing in FY 2021-22, and further detail on each can be found in Section B of the Recommended Budget:

- **Improving access to justice and diversion.** Many evaluations of the criminal justice system and plans for improvements have been developed over the past two years through KPMG management reviews, a grant-funded Center for Court Innovation strategic planning and research support effort, as well as collaborative efforts undertaken through County criminal justice committees and workgroups. The pandemic crisis sped the implementation of some recommended system efficiency initiatives, while also requiring innovative action in response to external demands and the pandemic environment. The County's challenge now becomes a matter of refining current successful collaborative efforts to enhance data-driven decision-making, enhance the use of technology to more efficiently respond to and address the needs of the criminal justice partners and their clients, and put into action many of the recommendations that have been made in evaluations. These efforts to create sustainable, effective improvements to the criminal justice system and the Board's direction to enhance diversion efforts will improve access to justice and better outcomes for the community. The recommended budget includes \$1,509,600 for data and discovery positions and technology needs and \$660,700 for efforts to ensure continuance and expansion of pre-trial evaluations.
- **Partnering to enhance mental health services.** Criminal justice partners and Behavioral Wellness continue to implement major initiatives to reduce the numbers of mentally ill

individuals entering the criminal justice system and increase referrals to appropriate mental health services, including several diversion grants which fund services such as co-response teams and a sobering center. In addition, Laura's Law is funded and operative in the county until June 2023, and no further action is required at budget adoption hearings.

- **Focusing on equity and inclusion.** In the past year, Human Resources began implementation of the J.O.I.N. framework on race and equity by conducting an organizational assessment to determine the County's current state, holding learning labs for executives and managers, and starting a resource library on the Diversity and Inclusion intranet site. Community Services formed and launched the Equity Advisory & Outreach Committee, comprised of 12 community members and organizations representing marginalized and under-resourced communities. The County continues to pursue its equity, diversity, and inclusion goals and the recommended budget includes a one-time allocation of \$500,000 within General County Programs to continue these efforts.
- **Furthering our commitment to a sustainable environment through completion and commissioning of the ReSource Center.** Formerly known as the Tajiguas Resource Recovery Project, the ReSource Center project will convert commercial and residential waste into resources by recovering recyclable materials, transforming organics into landscape nutrients, and creating renewable energy in the process. With this new technology, approximately 60% of additional waste from our trash cans will be diverted from the landfill, bringing our region's diversion rate above 85% while significantly reducing greenhouse gas emissions. The facility broke ground in December 2018 and construction is nearly complete, with a total cost of \$133.9 million. Facility commissioning is planned for summer 2021.
- **Initiating major capital projects.** High-priority capital projects were identified in early 2019 for Certificate of Participation (COP) funding, and COPs are expected to be issued within the next year. Funding for debt service payments is carved out in the recommended budget in anticipation of this issuance and projects will be brought to the Board for necessary approvals.
- **Ensuring resilience through Renew '22:** During the last year, we prepared and positioned ourselves to adopt new practices, be responsive and resilient, and rethink what the public needs and expects of us through our Renew '22 initiative. The pandemic caused an acceleration of Renew '22, which was initiated in 2017 to fortify the organization against the next economic or natural emergency. We have continued to pursue efficiencies and improvements in the way we do business to help position us to mitigate or avoid the difficult funding choices that were necessary during the last recession. Some Renew '22 efforts that have continued over the past year include process improvement and innovation training, KPMG departmental management reviews, and greater employee engagement.

Final Budget Adjustments:

As is the case each year, events have occurred since the Recommended Budget was prepared that prompt staff to recommend adjustments to various appropriations and revenues. The recommended adjustments are detailed in **Attachment A-2**, and include:

- Appropriations included in the FY 2020-21 budget that were not spent but are planned to be spent in FY 2021-22.

- A cash advance for construction costs related to the Floradale Bridge project for Public Works in the amount of \$3.5 million from the General Fund to cover costs until the department can obtain reimbursement. In FY 2020-21, the Board approved an advance from the General Fund totaling \$1.7 million for this project and the department anticipates a need of up to \$6.7 million over the construction period.
- Other recommended changes that adjust General Fund and non-General Fund budgets

A special board meeting has been scheduled for June 1, 2021 for a discussion on potential allocation of American Rescue Plan Act funds totaling \$43.3 million and the one-time cannabis revenue of \$8.85 million mentioned above. Should the Board provide direction regarding these one-time funds toward projects or other budgetary needs at the special meeting, the items would be included on the Attachment A-2 form for budget hearings.

Expansion Requests for Board Consideration:

Departmental requests for additional ongoing or one-time General Fund support are presented for Board consideration in **Attachment A-3**. Requests total \$4.0 million in ongoing funding, \$5.5 million in one-time funds, and 6.5 FTEs.

Board Adjustments (further expansions) – Attachment E:

The recommended budget includes ongoing discretionary cannabis revenue of \$805,000 and one-time cannabis revenue in the amount of \$8.85 million available for allocation by the Board at these hearings. During the course of the hearings, the Board may wish to allocate those funds. **Attachment E** provides a form that can be used for Board deliberation.

Ongoing Grants and Contracts:

The County has numerous ongoing grants and contracts that are renewed each year with the funding and expenditures approved by the Board during annual budget adoption. The execution then becomes ministerial and is delegated to the Chair of the Board, who signs the contracts on behalf of the County, thus reducing the number of administrative agenda items that come before the Board during the year.

The Board has customarily delegated this authority to include grants and contracts where amounts are within 10% of current agreement amounts.

This process is only for single-year contracts, not multi-year agreements. To qualify for this process:

1. Contract terms and conditions, including contract scope of work, must remain materially unchanged from the prior contract, and
2. The value of the contract cannot change by more than 10% from the prior year value.

Ongoing contracts or grants in amounts that exceed this 10% threshold must be individually presented to the Board for approval. If rates or units of service change, the contract may qualify

for the ongoing contracts process if these changes are clearly disclosed on the ongoing contract list.

The recommended ongoing grants and contracts by department are included as attachments with a recommendation that the Board approve, as a group, their renewal for FY 2021-22. The grants to be included in this year's budget hearings are identified in **Attachment B**. The contracts to be included in this year's budget hearings are identified in **Attachment C**. The contract list may include partial-year contracts that equate to an appropriate pro rata share (taking into account the 10% threshold) had the request been to renew for a full year.

Budget Resolution:

The Resolution of the Board of Supervisors follows as **Attachment D**. The Board adopts the budget through this Resolution. The Resolution also allows the County Executive Officer, under limited circumstances, to approve changes to appropriations for previously approved equipment purchases, and includes other approvals and authorizations.

Salary Resolution

In conjunction with the budget, the FY 2021-22 salary resolution is also before the Board for consideration and adoption. **Attachment F** lists all positions requested for authorization by the Board, including those already authorized as well as any changes included in the recommended budget. In addition, the Board's approval of the salary resolution will include approval of any amendments made during budget hearings. This update of the master classification and salary plan is required by Section 27-17 of the County Code. **Attachment G** details the position changes approved by the CEO during FY 2020-21 under the authority granted through Resolution 99-486. This resolution delegates authority to the CEO to administratively approve position changes throughout the year when the changes do not result in a change to a department's budget or a net change in a department's allocated positions. The total number of positions changed in this manner cannot exceed 10% of the total authorized positions within a department for a fiscal year. The resolution also requires that the Board annually review and approve such administrative changes.

Fiscal Impacts:

Approval of these recommendations adopts the FY 2021-22 Recommended Budget with any modifications determined by the Board, and authorizes the County Executive Officer and/or the County Auditor-Controller to take any necessary related fiscal actions.

Attachments:

- A FY 2021-22 Recommended Budget
- A-1 CEO Recommended Expansions
- A-2 Final Budget Adjustments
- A-3 Department Expansion Requests - Deferred to Hearings
- B Ongoing Grants
- C Ongoing Contracts
- D Budget Resolution of the Board of Supervisors
- E Board-Approved Budget Adjustments (pending Board deliberation)

- F FY 2021-22 Salary Resolution
- G FY 2020-21 Position Changes under Resolution 99-486

Cc:

Department Directors
Assistant County Executive Officers
CEO Fiscal and Policy Analysts