

Memorandum



Date: June 6, 2020
To: Chair Hart and Members of the Board of Supervisors
From: Mona Miyasato, County Executive Office
Jeff Frapwell, Assistant County Executive Officer/Budget Director
Subject: Additional Information for June 9, 2020 Budget Hearings

Chair Hart and Supervisors:

As described in the Board letter for the Budget Hearings, the Recommended Budget is balanced with the objective of maintaining current levels of service.

The Recommended Budget includes \$688,200 of one-time General Fund discretionary revenue that has not yet been allocated. This amount includes \$480,100 from cannabis tax revenue and \$208,100 from prior year carryover. Given the economic climate, we recommend allocating these funds to reserves, or urgent one-time uses that need to occur in the coming year.

Uses that have been suggested include the following:

One-time funding requests

- Additional extra help for the Public Defender's Office for post-conviction cases (*#21 on expansion request list*).
- Additional interns to scan files in the Public Defender's Office (*#22 on expansion request list*).
- Purchase of full-sized truck for cannabis compliance team for District Attorney's Office (*#1 on cannabis funding expansion request list; include small ongoing amount*)
- Pension-reserve to assist with increased pension costs in FY 2021-22
- Expenditures for criminal justice reform and social equity initiatives
- Maintenance
- Strategic Reserve

On-going funding requests

- Conversion of contract Veterinarian in Animal Services/Public Health from half time contract to full time permanent position (*#24 on expansion request list*).
- Expenditures for criminal justice reform and social equity initiatives (on-going versus one-time on list above)

- Implementation of Ad Hoc and Library Advisory Committee's recommendations regarding equity among libraries (#5 on expansion request list).
- Additional cannabis enforcement team staff for Sheriff's Office (may not be entire team) (#2 on cannabis funding expansion request list).

Not all of these can be funded with the amount of available revenue.

Cannabis Expenditures

To date, we have limited use of cannabis revenue to one-time uses, in addition to cannabis regulation/enforcement activity. We did this because the market was unknown and the regularly environment was still changing. To date, we have seen increasing cannabis tax revenues, but the regulatory conditions determined by the Board are still evolving, and many operators are not yet permanently licensed or permitted by the County. One-time expenditures, or regulation and enforcement activity tied to cannabis activity, can be more easily reduced or eliminated should cannabis tax revenues fluctuate or decline in the future.

This year, exceptions were made for (1) Enhancing library service funding to maintain hours for small libraries (\$658,700), which the Board directed be included in the Recommended Budget; and (2) adding two Long Range Planner positions for Planning and Development (which is recommended as a final budget adjustment but not included in the Recommended Budget). These positions, however, are tied to discrete projects and could be eliminated if individual long-range planning projects are reduced.

Financial Outlook

We recommend not funding additional ongoing expenditures now, which may need to be reduced in the immediate future. Our financial outlook is still uncertain, the extent and duration of the economic impact is unknown, while the State and Federal budgets have not yet been approved.

The Board's prudence and restraint have allowed the County to be better positioned to absorb these recent State and local financial impacts. The budget still funds your Boards priority projects, and does not require reductions. Because of this restraint, the loss of revenue for the Department of Social Services was offset with reserves, a portion of the SCE settlement funds, and cannabis revenue; otherwise, it could have resulted in reductions in critical safety net services, equivalent to 66 staff layoffs.

We are currently preparing contingency plans with departments if revenue losses are greater than projected, or the pandemic results in fall or winter re-tightening of the economy. We will return in the fall as we know more. In addition to CARES funding we may receive for COVID-19 costs, we could receive additional funding for revenue losses if the federal government provides assistance to State and local governments. If that occurs, we will return with funding options for the Board, and also recommend setting aside sufficient funds for increased pension costs, further State reductions, and local revenue losses in FY2021-22.

Please let us know if you have any questions.