

Memorandum



Date: June 7, 2018

To: Honorable Das Williams, Chair, and
Members of the Board of Supervisors

From: *for* Mona Miyasato, County Executive Officer
Jeff Frapwell, Budget Director *JEF*

Subject: Update on FY 2018-19 available revenues and funding requests

Cc: Assistant County Executive Officers

In preparation for budget hearings of June 11, 2018, I'm providing updated information on 1) unallocated revenue availability, and 2) funding requests that were suggested at or following the April Budget Workshops by Supervisors, Departments or the CEO's office. These are suggested expansion requests you may want to consider in your deliberations.

Available Unallocated Discretionary General Fund Revenue

The recommended budget submitted for your consideration includes unallocated available discretionary revenues set aside in fund balance accounts, as well as anticipated unallocated cannabis tax revenues, as shown below.

FY 2018-19 Available Revenues Not Allocated in Recommended Budget

Revenue Source	Unallocated One-time	Unallocated Ongoing
Discretionary General Fund	\$10,000	\$376,200
Cannabis tax	\$4,600,000	--
Total	\$4,610,000	\$376,200

The cannabis tax revenue of \$4.6 million is net of the funding needed for enforcement, which is already included in the Recommended Budget. Although cannabis tax revenues are expected to provide a new and potentially significant ongoing revenue stream to the County, **I am recommending that in this first year of taxation we treat the revenue as one-time in nature and avoid committing it to ongoing service expansions or restorations.** Until we have lived with this new multi-faceted industry in our county, have a more certain understanding of the enforcement demands it will bring, and experience with actual tax revenues generated, it is prudent to match the first year's revenues to one-time investments or projects that can be conditioned on the actual receipt of the tax revenues.

Funding Requests

Departments have submitted funding requests for your consideration during budget hearings, and these are summarized in Attachment A-3 to the budget hearing materials. In addition to these items, there are other areas that you may wish to consider for funding:

- **Deferred Maintenance.** The FY 2018-19 budget includes \$4.4 million in ongoing funding per the 18% maintenance policy. The original June 2014 projections anticipated \$8.9 million in

ongoing and one-time funding for next fiscal year, leaving a difference of \$4.5 million between the amount incorporated into the recommended budget and the original 2014 projection.

- **Strategic Reserve.** The strategic reserve account is \$10 million below the level advised by Board policy. The current balance is \$23.6 million while \$33.6 million is indicated by policy. This gap is largely the result of the \$6.25 million draw in the current fiscal year for disaster response. I am recommending that the State's property tax backfill allocation of \$4.4 million be used to partially replenish the Strategic Reserve to a level of \$28 million; a final budget adjustment in Attachment A-2 to the budget hearing materials reflects this transfer. This would leave the reserve underfunded by \$5.6 million.
- **Libraries.** At the June 5, 2018, hearing, Board members discussed \$180,000 in additional funding (which is the same amount allocated last year at the budget hearings) to support the library system. I am recommending that the Board also provide additional one-time resources of \$50,000 to cover staffing support (extra help or other resource) to support the Board's new ad hoc committee on library funding as well as stakeholder meetings. In total, this would commit \$230,000 in one-time funding to the Community Services Department for libraries.
- **Parks Plan.** To enhance access and revenue generation, it was suggested at the budget workshops that the County invest in development of a Parks Master Plan, which could position the County for a parks bond and other future funding. It was also suggested that there be planning resources for parks projects. The costs for a consultant study, environmental review, and staffing support is estimated at \$250,000-\$500,000.
- **Updated Hydrology Engineering Maps.** To provide enhanced maps and information in preparation for future disasters and identification of more precise evacuation zones in areas affected by the Thomas Fire, hydrology engineering work will need to be completed, which may or may not include new light detection and ranging (LIDAR) digital terrain mapping. LIDAR can more accurately reflect ground surface conditions in areas of dense vegetation, which would be particularly beneficial in areas of the county with heavy tree canopies and underlying vegetation. The cost for this specialized engineering work and possible LIDAR mapping is estimated to be as high as \$500,000.
- **Cloud-based Internet Solution.** During the recent disasters, the County's website was unable to function at peak times when it became overloaded with the high levels of traffic. As part of recent after-action disaster discussions, the need to migrate to a cloud-based solution that can accommodate peak periods and respond to high traffic demand for our website was identified. This would also include a better content management system for easy and quick updates of webpages by any staff, not just webmasters and specialists, which is needed in emergency situations. The cost would be approximately \$500,000.
- **Homeless Tracking.** The current homeless management information system could be modified to capture information about the geographic origin of homeless individuals. This system modification is estimated to cost \$10,000.
- **Long Range Planning.** The Board may wish to allocate additional funding for Long Range Planning projects that were not funded in the recommended budget. These are presented in slide 5 of the Planning and Development Department budget hearing presentation (tab 23 of the budget hearing binder), and include the Union Valley Parkway Roadway Extension - \$155,800, Utility Grade Solar Ordinance and Policy Amendments - \$501,500, and Short-term Rentals Article II Coastal Zoning Ordinance Amendments - \$35,000-\$102,000.

To assist in your pre-hearing planning, attached is an Attachment E template populated with the above items for consideration. You may choose to edit this and use as a resource for deliberations at the budget hearing on Monday.

Future Needs and Uncertainties

In addition to these discrete suggestions and department requests deferred to hearings, we still have other significant one-time needs, such as over \$195 million in unfunded capital projects, over \$400 million in deferred maintenance, and costs to rehabilitate the existing Main Jail (still to be finalized). Should additional revenue be generated in the future, these existing unfunded needs and projects should be considered before entertaining significant new expansions of service.

The future of some of our revenue sources is also uncertain. SB 1 is under threat in the November 2018 election, and an initiative to require a 2/3 vote of the electorate for any tax measure is being proposed. As to property taxes, while we received backfill for the losses in the current and next fiscal years, it is unlikely this will continue. Our property tax base will take time to recover from the billion-dollar losses incurred due to the disasters. Therefore, we should continue to exercise prudence as we decide on uses of any unallocated revenue now or in the future.

FY 2018-19 Attachment E - Adjustments to FY 2018-19 Recommended Budget

Dept	Description	Amount	Williams	Wolf	Hartmann	Adam	Lavagnino
	Ongoing Funding Sources:						
	Unallocated Discretionary General Fund	\$376,200	376,200	376,200	376,200	376,200	376,200
	Total Available Ongoing Sources	\$376,200	\$376,200	\$376,200	\$376,200	\$376,200	\$376,200
	Remaining Ongoing Funding		\$376,200	\$376,200	\$376,200	\$376,200	\$376,200
	Potential FY 2018-19 Uses:						
	Subtotal Ongoing Uses		\$ -	\$ -	\$ -	\$ -	\$ -

	One-Time Funding Sources:						
	Cannabis Tax Revenue	\$4,600,000	4,600,000	4,600,000	4,600,000	4,600,000	4,600,000
	Emerging Issues	\$10,000	10,000	10,000	10,000	10,000	10,000
	Total Available One-Time Sources	\$4,610,000	\$4,610,000	\$4,610,000	\$4,610,000	\$4,610,000	\$4,610,000
	Remaining One-Time Funding		\$4,610,000	\$4,610,000	\$4,610,000	\$4,610,000	\$4,610,000
	Potential FY 2018-19 Uses:						
PW/GS/CSD	Deferred Maintenance	\$4,500,000					
990	Strategic Reserve	\$5,600,000					
CSD	Libraries	\$230,000					
CSD	Parks Master Plan	\$500,000					
CEO	Hydrology Study	\$500,000					
GS	Cloud-based Internet	\$500,000					
CSD	Homeless Tracking	\$10,000					
P&D	Union Valley Parkway Extension	\$155,800					
P&D	Utility Grade Solar Ordinance	\$501,500					
P&D	Short-term Rentals Coastal Zone Amend.	\$102,000					
	Subtotal One-Time Uses		\$ -	\$ -	\$ -	\$ -	\$ -