



Humboldt County Budget Fiscal Year 2017-18

Budget
Adopted
June 27,
2017

Navigating a

Changing Landscape



East Fork,
Willow Creek

Board of Supervisors



Virginia Bass



Rex Bohn



Estelle Fennell



Ryan Sundberg



Mike Wilson

From County Administrative Officer Amy S. Nilsen

Dear Board Members and Residents:

Welcome to Humboldt County's budget for Fiscal Year (FY) 2017-18. First, I would like to thank the community for their participation in the Budget Roadshow during the first two weeks in March. I would also like to thank our county department heads and staff for their participation in the Roadshow as well as the budget process. And I would like to thank your Board for your leadership as the county navigates an ever-changing landscape.

Last year, I wrote to you with a message that the county would create its own path that leads to long-term fiscal sustainability. In many ways this approach is reflective of the community. The people of Humboldt County are self-determined and eager to take on the fulfilling work of contributing to their community. As it relates to county government this sentiment was manifested at the polls in November.

Humboldt County voters this year passed Measure S, a local tax on commercial cannabis cultivation. It should not go unnoticed that many of these voters are involved in the cannabis business. While personal values vary on the issue of cannabis, the fact is that it is now legal across the state, and approving this local tax has the effect of contributing to the community. Now comes the important work of ensuring these contributions help the citizens of Humboldt County.

This work is easier said than done. We stand facing a new landscape, one that seems to be changing on some days by the hour. As I will describe below, Humboldt must find ways to balance new and significant obligations while at the same time providing the services the community demands; and, your Board has proved in the past that it has the foresight and dedication to the well-being of its citizens to do both.

In just the last two years alone, your Board has funded nearly 50 public safety projects through Measure Z, the local sales tax passed in 2014.

This measure has improved more than 50 miles of road from Redway in the south to McKinleyville and Willow Creek in the North. It helped successfully house 30 homeless individuals in 60 days. Local volunteer fire departments have received hundreds of new fire suits, breathing apparatuses, 11 new fire engines, and building kits to store equipment. Resource and juvenile detention officers have returned to several schools, which will help kids stay on track when they face disciplinary issues and keep them from dropping out.

This year your Board also took important steps toward addressing the county's unfunded pension liability, which is over \$220 million. You established an irrevocable trust, known as PARS, to which departments contribute. The trust has more lenient rules than other county funds about how it can invest, which means yields can be greater. The plan is to use contributions from the trust to help flatten the CalPERS rate of growth, providing more predictability to the budget.

Despite this great work, our challenges continue to mount. Last year the county was mandated to improve all of its facilities, programs, services and activities in order to comply with the Americans with Disabilities Act (ADA). This is a significant obligation that will forever change the way the county does business. It also ties in to the chronic issue the county has with investing too little in the way of deferred maintenance. To begin the process of meeting mandates, this budget funds \$2.9 million in additional General Fund appropriation requests, the majority of which are going towards ensuring our services are accessible to all.

At the state level, In-Home Supportive Services is likely to again become the responsibility of counties, while there is not adequate funding to follow. In addition to salary costs, this could impact the General Fund if the County Medical Services Program fee, which is more than \$400,000, is reinstated. And at the national level, there is much uncertainty regarding any number of federally funded programs as the



Mission Statement The County of Humboldt, through the dedication and excellence of its employees, is committed to meeting the needs and addressing concerns of the community and enhancing the quality of life.

Humboldt County Budget Fiscal Year 2017-18

FOCUS: To Promote a Safe,
Healthy, Economically Vibrant Community

current administration seems intent on slashing the budget. In addition, economists are warning that a mild recession is likely to occur in California as early as 2018, which affects sales and property tax revenue, the General Fund's two largest sources of income. These are some of the forces changing our landscape.

The good news is that Humboldt County has perhaps more ability now than ever to play an active role in shaping the way those forces affect our future. Locally, county staff is working diligently with the cannabis community to bring cultivators into compliance and get them permitted. This will go a long way toward ensuring our environment is not further damaged by the industry, while providing revenue for services. Also, your Board is well-represented on important state-wide associations. This year Supervisor Virginia Bass won the 2nd Vice President seat for the California Association of Counties, Supervisor Ryan Sundberg was appointed to the California Coastal Commission and Supervisor Rex Bohn is 1st Vice President of the Rural County Representatives of California. Humboldt County has never had such a strong voice at the state level.

The adopted budget totals \$377,507,071. This is an increase of \$24.13 million, or 6.8 percent, over last year. This is due primarily to \$8.7 million for capital projects, \$2.15 million for Roads, \$3.26 million for cannabis-related activities, and the remainder is attributable to federally reimbursable activities in Health & Human Services, as well as salary and benefit increases.

In the General Fund, revenues are projected at \$136,485,976, which is \$18.5 million, or 15.6 percent higher than a year ago. This is primarily due to capital projects \$7.7 million, Measure S \$4.8 million, property taxes \$1.49 million, Measure Z \$663,396, sales tax \$1.02 million, tax loss reserve fund transfer \$1.1 million, and other dedicated fund sources.

This budget appropriates \$141,153,501, which is an increase of 14.8 percent. This means fund balance in the amount of \$4.67 million will be used to finance FY 2017-18 activities. It should be noted that the majority of this funding will be used for one-time investments. This will result in an estimated ending balance of \$2.4 million.

This budget includes a contribution of \$500,000 to General Reserves, or our rainy day fund. It is a sound financial practice to contribute to reserves,

however, the balance of this fund is well below policy levels. Board-adopted policy states that as a percentage of General Fund revenue, the General Reserve contribution should total between 8 and 10 percent (\$10.9

million) and Contingencies 6 percent (\$8.2 million). The current balances stand at \$2.82 million and \$1.5 million, respectively. The recommended contribution to Deferred Maintenance is \$264,250, far below the amount required. Board policy requires that 5 percent of the outstanding costs (\$32 million) be contributed annually, which would total \$1.6 million this year.

We again face daunting challenges, but your Board in the past has shown the leadership necessary to guide us through tough times. And the citizens of Humboldt County have repeatedly shown they are confident in our local government. As we continue to navigate an ever-changing landscape, our compass must continue to lead us back to the people of our county. Serving them is our top priority.

In closing, I would like to thank the staff of the Management and Budget Team: Chris Shaver, Cheryl Dillingham, Karen Clower, Vanessa Ericksen, Elishia Hayes, Sean Quincey, and Ana Hartwell for their hard

work and perseverance in putting this budget together.



Amy S. Nilsen
County Administrative Officer

“ ADA is a significant obligation that will forever change the way we do business ”

Value Statement

The Board of Supervisors wishes to promote an organizational environment in which staff and department heads are encouraged to explore innovative ways to align the county with current external realities, and are on the lookout for opportunities to improve our organization and the community.



Budget Process

BUDGET PREPARATION

Departments receive input from the community and the Board about priorities for the new fiscal year.

The CAO verifies department requests, compiles them into a cohesive county budget and presents a recommendation to the Board.

BUDGET REVIEW

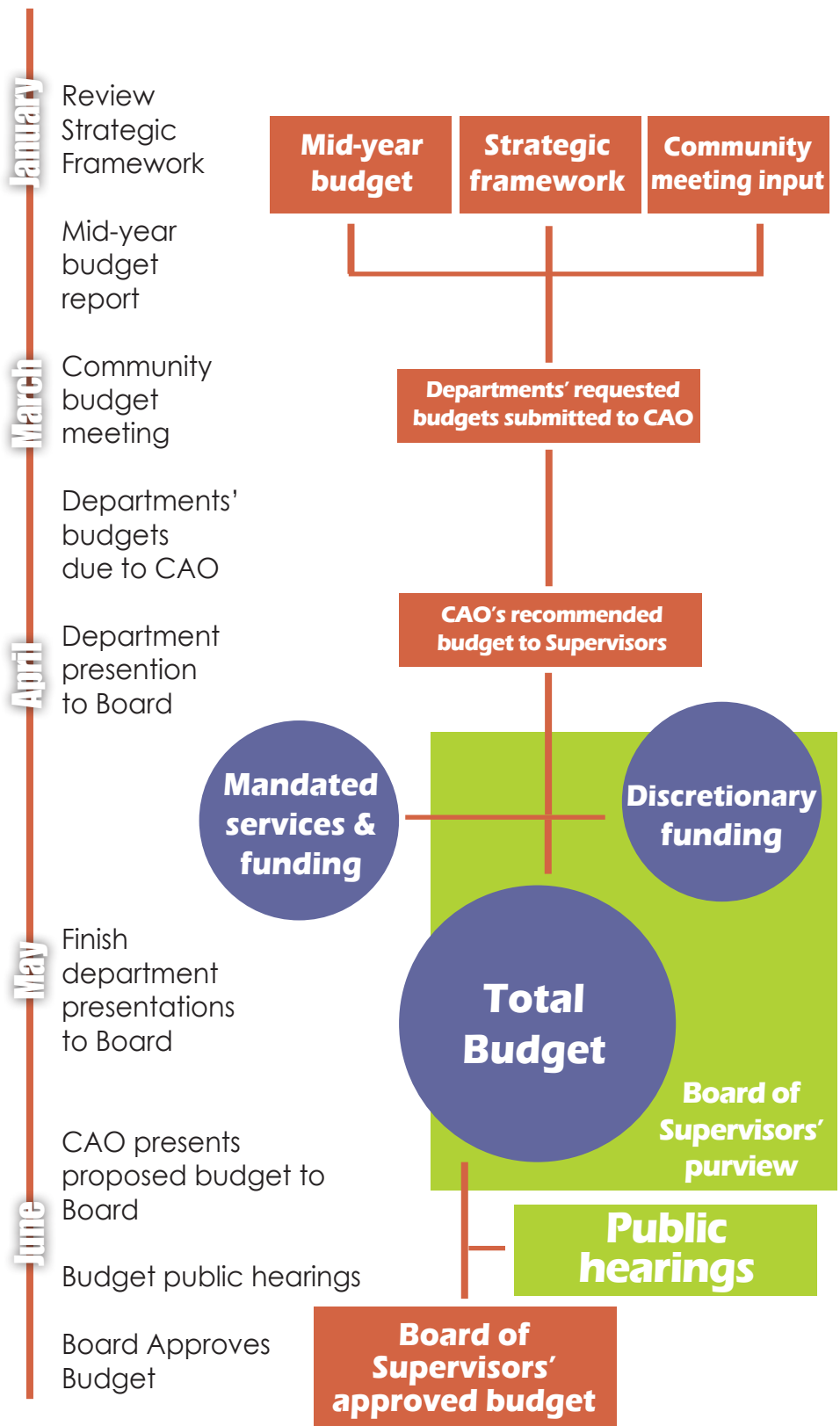
The Board is obligated to use roughly two-thirds of the budget on state- and federally funded programs.

General Fund monies are under the discretion of the Board and are allocated based on the Strategic Framework, and any other specific guidelines set by the Board.

Upon presentation to the Board, the public has an opportunity to provide feedback.

BUDGET ADOPTION

Budget scheduled for adoption at the June 27, 2017 Board meeting.



Strategic Framework

The Strategic Framework acts as staff's guide from the Board of Supervisors for all county work

Priorities for New Initiatives

Provide our core services in ways that:

Match service availability with residents' needs

- Provide community-appropriate levels of service
- Support self-reliance of citizens
- Streamline permit processes
- Retain existing and facilitate new living-wage private sector jobs and housing

Safeguard the public trust

- Manage our resources to ensure sustainability of services
- Invest in county employees
- Invite civic engagement and awareness of available services

Make proactive decisions to:

Partner to promote quality services

- Foster transparent, accessible, welcoming and user-friendly services
- Facilitate the establishment of local revenue sources to address local needs
- Seek outside funding sources to benefit Humboldt County needs
- Facilitate public/private partnerships to solve problems
- Build inter-jurisdictional and regional cooperation

Be an effective and influential voice for our community at the regional, state and federal levels

- Advance local interests in natural resource discussions
- Engage in discussions of our regional economic future
- Engage new partners

Core Roles

1

Enforce laws and regulations to protect residents

2

Provide for and maintain infrastructure

3

Create opportunities for improved safety and health

4

Encourage new local enterprise

5

Support business and workforce development and creation of private-sector jobs

6

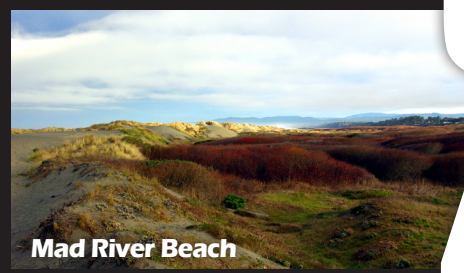
Protect vulnerable populations



Weitchpec



Houda Point



Mad River Beach



Trinidad



Horse Mountain



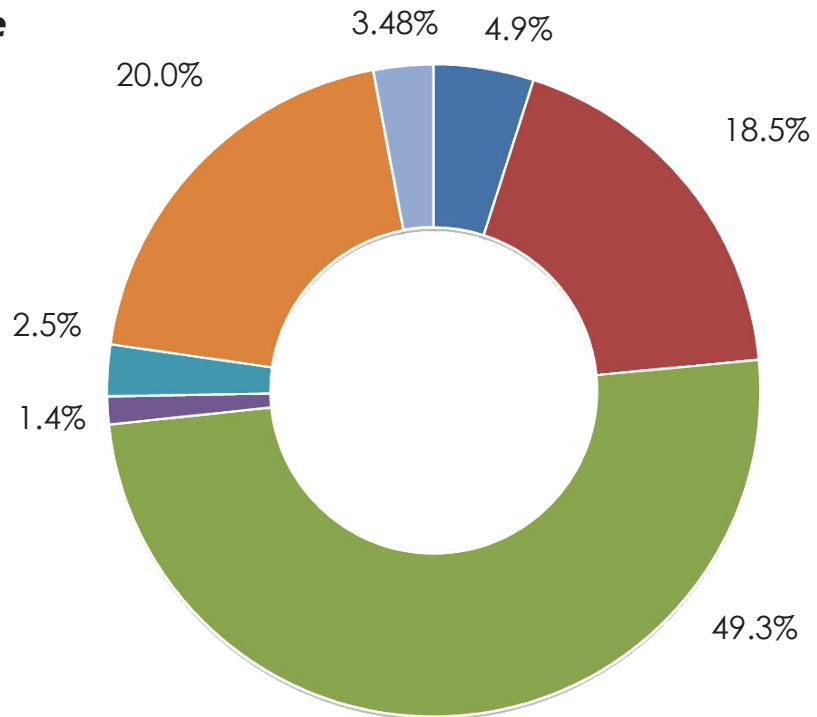
Total Budget: \$377.5M

While the county strives to meet the service demands of the community in FY 2017-18, there are many unknowns at the federal, state and local levels that could impact the county's finances. Other pressing issues include mandated Americans with Disabilities Act improvements, deferred maintenance, unfunded pension liabilities, and building up a rainy day fund.

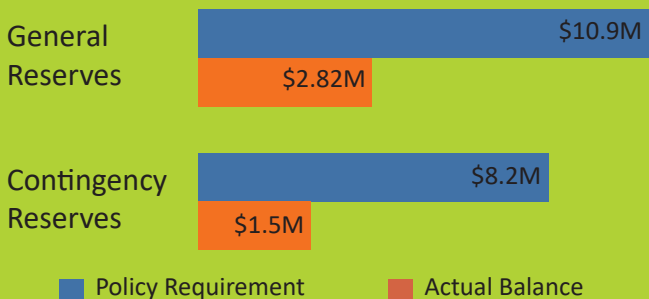


Expenditures by Service

	Law & Justice \$69.86M
	Health & Human Services \$185.91M
	Education & Agriculture \$5.15M
	Planning & Building \$9.51M
	Public Works \$75.38M
	Transfers & Contingencies \$13.13M
	Admin Services \$18.52M



Reserves: Balance vs. Policy Requirements



What are Reserves? Why are they important?

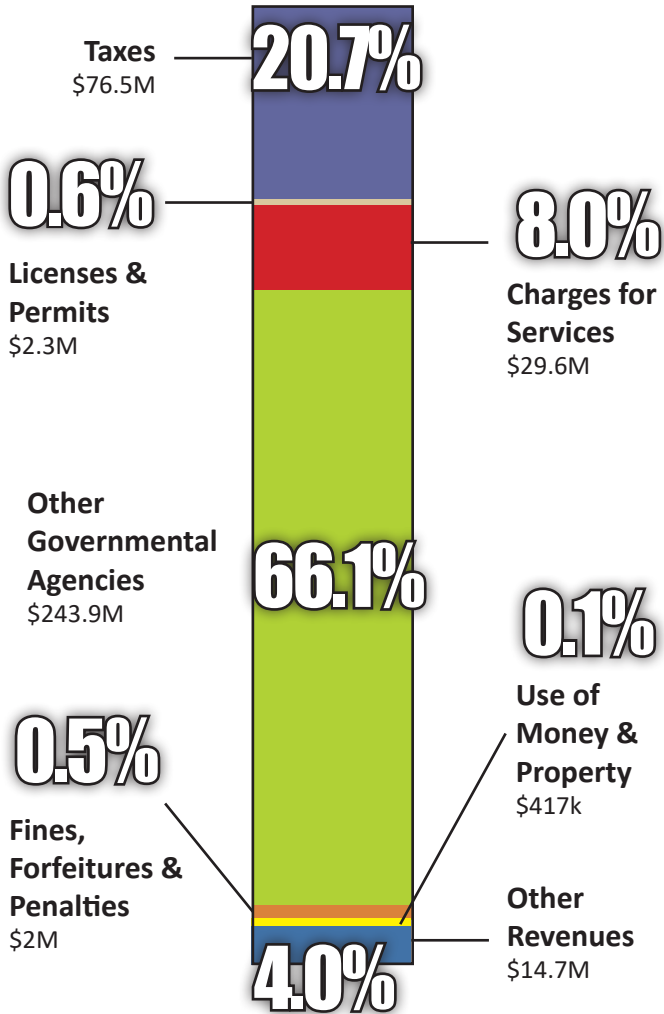
General Reserves is a rainy day fund. It is funding set aside to be used only in the most extreme cases of financial hardship or emergencies.

Contingency Reserves is funding set aside in a yearly budget to be used for unforeseen circumstances. Reserves allow the county to continue providing services during times of financial stress.

Revenues: \$369.61M

Total expenditures are projected to exceed revenues in FY 2017-18. To make up the difference, the county will use \$7.9 million in fund balance, or money left over in various funds from the prior year.

Revenue by Source



Six Key Goals for 17-18

Emphasizing public safety and health

1

Rebuilding reserve and contingency accounts

2

Streamlining inventory of county properties

3

Target investments that generate long-term savings

4

Using results-driven data to demonstrate program effectiveness

5

Support costs for travel, training, and electronic meetings

6

Personnel Allocation



2,238 Funded positions
**Increase of 17.46 funded positions*

91.04 Frozen positions

46.6% of all expenses are personnel costs

0.8% Increase from FY 16-17



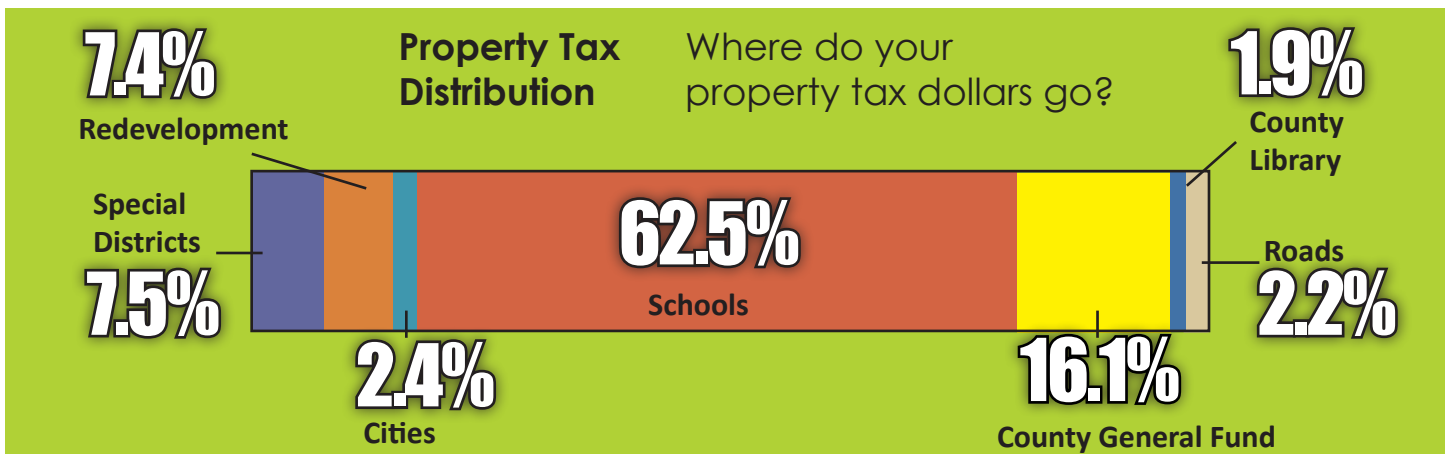
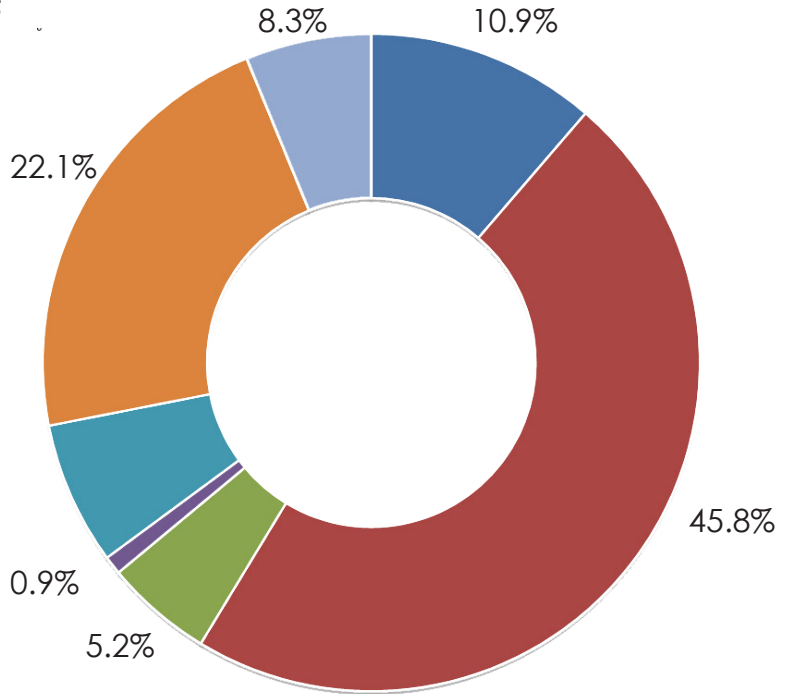
General Fund: \$141.15M

The Board of Supervisors has discretion over only roughly one-third of the county budget. That's because much of the county's revenue comes from the federal and state governments and must be spent on certain activities. The General Fund is different because much of the revenue is not tied to a specific activity and can be spent on local needs, which can change year to year.



General Fund Expenditures

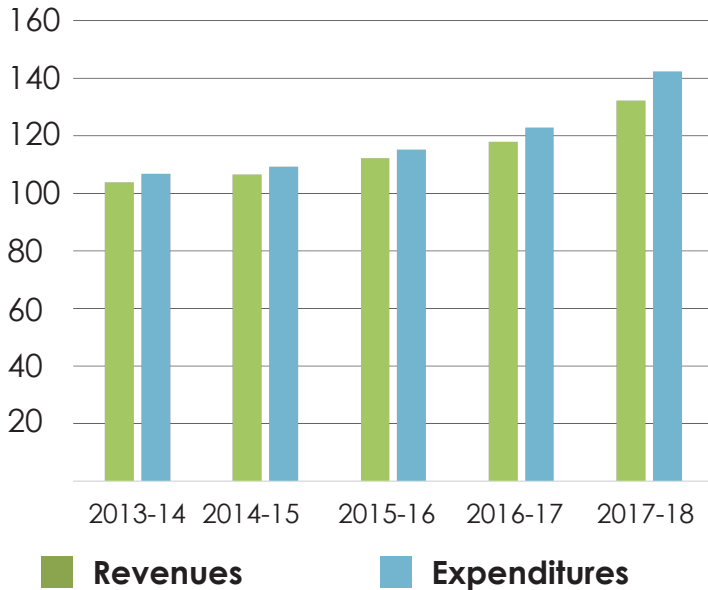
- **Law & Justice**
\$64.7M
- **Health & Human Services**
\$7.3M
- **Education & Agriculture**
\$1.2M
- **Planning & Building**
\$9.5M
- **Public Works**
\$31.2M
- **Transfers & Contingencies**
\$11.8M
- **Admin Services**
\$15.3M



Revenues: \$136.49M

General Fund 5 Year Comparison

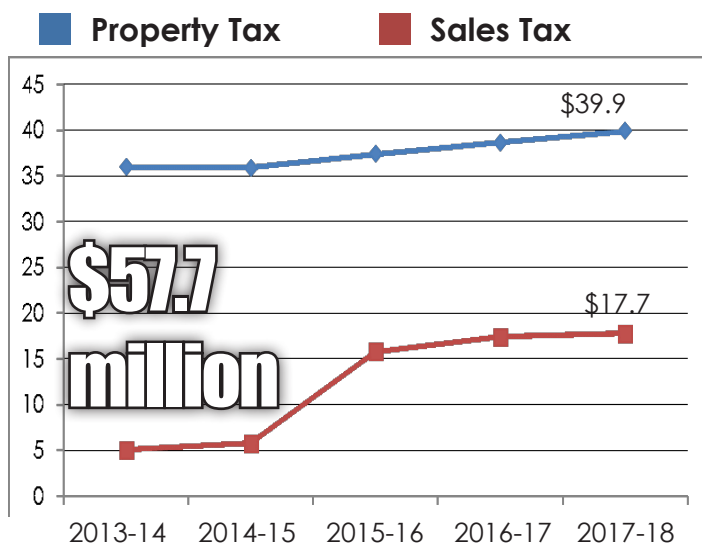
Revenues are not keeping pace with expenditures in the General Fund, which means fund balance in the amount of \$4.67 million will be used to finance FY 2017-18 activities. This will result in an estimated ending balance of \$2.4 million.



Property and Sales Tax Revenue

Property taxes are estimated to grow at 3.3 percent while sales tax are projected to grow by 4.2 percent.

Total revenue for both is estimated at \$57.7 million. The sales tax includes Measure Z revenue.



Additional Funding

Departments requested funds for one-time expenses (\$3.8 million) and ongoing costs (\$781k). Due to competing priorities and limited funds, not all requests can be funded. The following requests are being funded:

One-Time Costs

- \$1.6M** Upgrade to electrical system at courthouse, and replacement of transformers
- \$1.5M** ADA staff and modifications, \$800,000 for mandatory contribution to ADA trust fund
- \$400k** DHHS collaboration with First 5 to respond to Adverse Childhood Experiences (ACEs)
- \$385k** Seed funding for 3 code enforcement staff, 2 vehicles to work on cannabis issues, change in referral process
- \$200k** Deferred maintenance funding
- \$200k** Creation of facility assessment plan
- \$150k** General reserve contribution to bring county in line with policy requirements. This is in addition to a previously scheduled \$350k contribution.
- \$110k** Vehicle abatement and rescue vehicle for Sheriff
- \$110k** One-time funding for staff cost increases
- \$50k** Planning for Veterans Hall and other county facilities in Garberville
- \$29.5k** Computer replacements, phones for Board
- \$20k** Legal assistance for Trinity River Water Contract
- \$20k** Humboldt County Film Commission
- \$5k** Jacoby Creek Road study
- \$2.5k** 4WD vehicle upgrade for UC Cooperative Extension

Ongoing Costs

- \$100k** Debt instrument that allows county to finance capital projects including Juvenile Hall and Vets Bldg.
 - \$280k** 2 Sheriff Deputies
 - \$150k** Assistant Chief Probation Officer
 - \$41k** Additional Clerk of the Board staff
 - \$95k** 1 facility maintenance staff, vehicle to perform deferred maintenance on county buildings
- \$30k is one-time*



Measure Z

Through two years of Measure Z, the half-cent sales tax passed by voters in 2014, the community has seen 48 new public safety projects funded, with 19 more on the way this year. Outlying areas now have 24/7 patrol by law enforcement, local roads are in better shape, and motorists can be assured that an ambulance will be there in case an accident happens on Highway 299. While the community still has many public safety needs, we are safer since the passage of Measure Z.

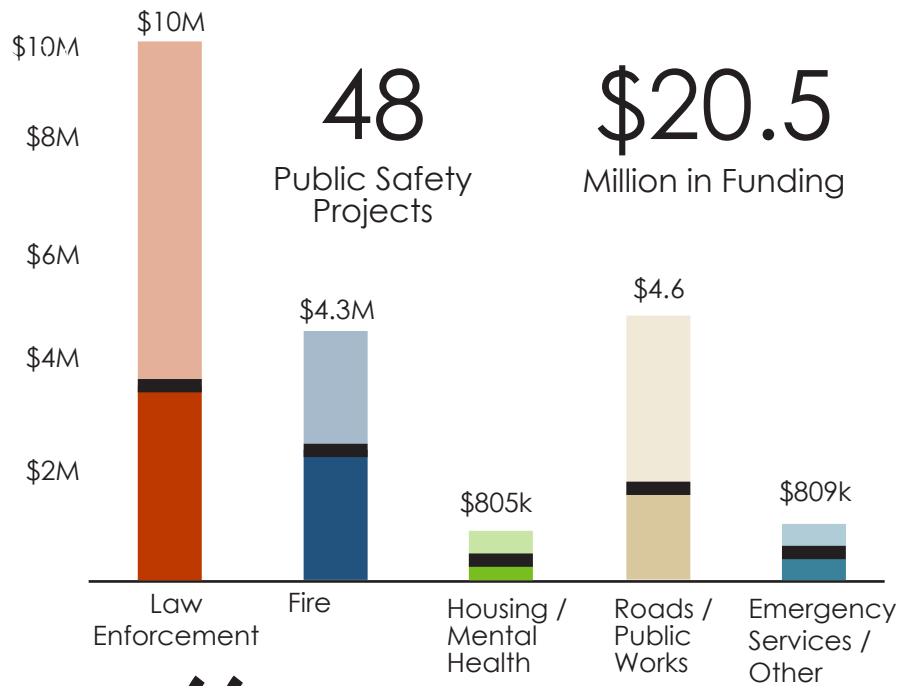


Carlotta Fire District's New Fire Engine

Measure Z funds have been distributed to 33 local and volunteer fire departments since 2015. These funds have been used to purchase fire engines, firefighting suits, breathing apparatuses, hoses, radios and more. Without Measure Z, many of the agencies would not be able to purchase this important equipment.

Year 1 and Year 2 Expenditures

Category	Yr 1	Yr 2
Law Enforcement	\$3.5M	\$6.5M
Fire	\$2.2M	\$2.1M
Housing / Mental Health	\$223k	\$582k
Roads	\$1.6M	\$3.0M
Em. Svc's/Other	\$285k	\$524k
TOTAL	\$7.8M	\$12.7M



48 Public Safety Projects
\$20.5 Million in Funding

*A complete list of Year 3 projects begins on Page J-12

“Hospitalizations and crisis stabilizations admissions have decreased more than 20%. 101 individuals have been linked to housing.”

City of Eureka Police Department
 Project funded 2 officers and homeless support to work with Mobile Intervention Services Team (MIST)

“The fire engines have provided safer, more reliable response vehicles to serve the needs of the community.”

Humboldt County Fire Chiefs Association
 Project funded 11 fire trucks, 13 building kits, 79 new hoses, 45 sets of protective equipment

Public Safety

“Resident deputies have been assigned to Bridgeville, Orleans, Orick and Shelter Cove areas, improving rural area response times.”

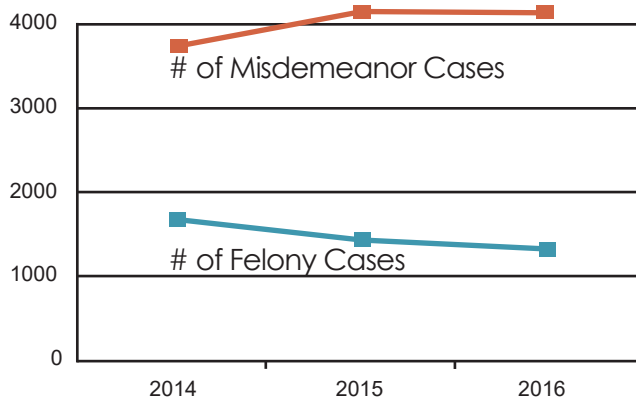
Humboldt County Sheriff's Office

Project is funding 38 staff, including 21 sheriff and correctional deputies, 6 other sworn personnel

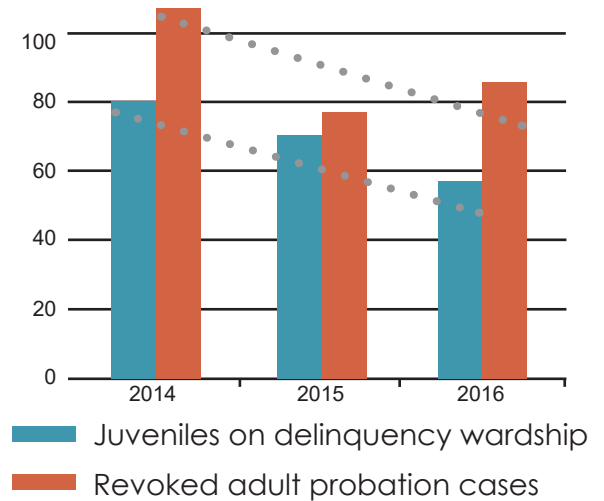


Orick Resident Deputy Joe Conlin

District Attorney Caseload



Probation Outcomes



Behind the data:

With additional staff the DA now assigns one attorney to follow a serious/violent case from beginning to end. This increases efficiency and effectiveness, and it gives victims of violent crime the attention they deserve.

In the Probation Department, we're seeing a greater percentage of successful outcomes with adult and youth offenders. Measure Z is helping people to leave a life of crime behind.



Road Repair

“More than 50 miles of road have received maintenance and 20 radar feedback signs were installed, especially in school zone areas.”

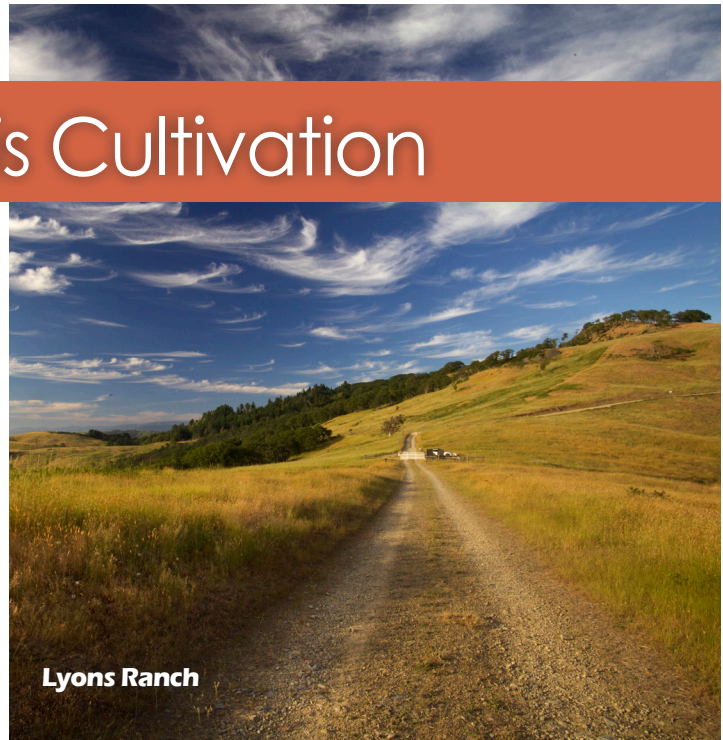
Humboldt County Public Works

Project is funding road maintenance, hazardous waste disposal, security at the airport.



Cannabis Cultivation

Since commercial cannabis cultivation was legalized, there has been intense interest by those in the community to come into compliance with the law. While this has the potential to benefit the environment and the county's ability to deliver services, it will take years before these benefits are fully realized. Meanwhile, significant challenges lie ahead, including ADA improvements, along with looming state and federal funding instability.



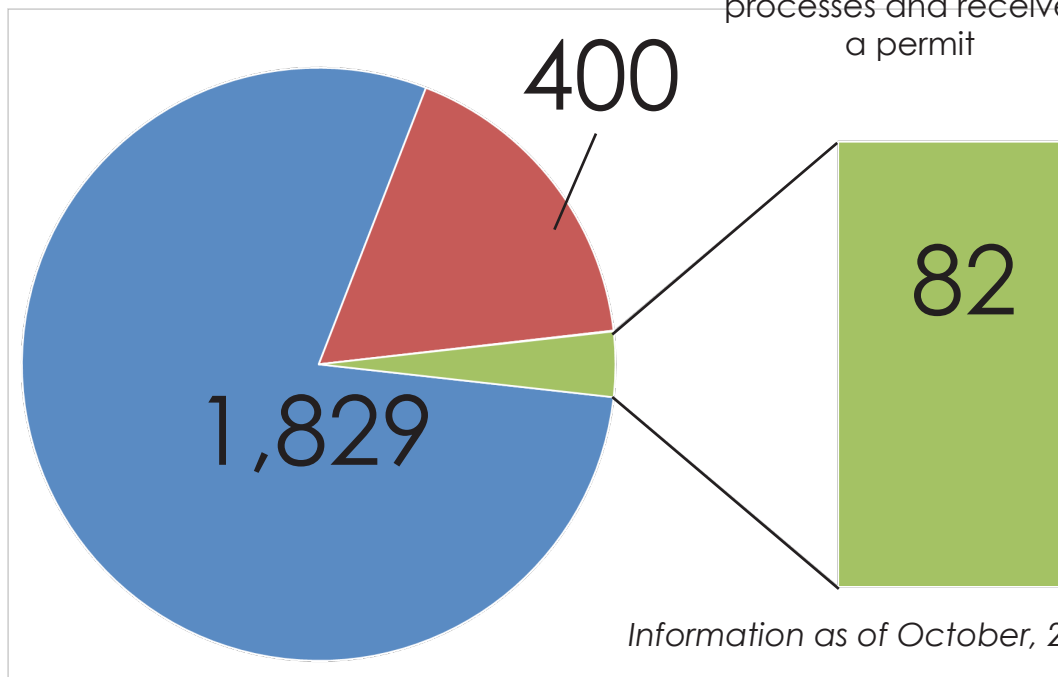
Cannabis Cultivation Permits

Total Applications Received = 2,300+

3.4%

Of applications have gone through approval processes and received a permit

- Applications Being Processed
- Applications Cancelled By Applicant
- # of Issued Permits



Information as of October, 2017

Permitting

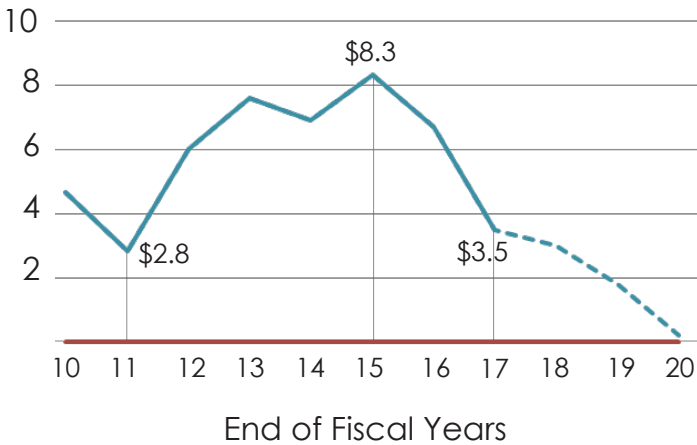
What is involved?

The list of requirements to obtain a commercial cannabis cultivation permit is extensive. There is a 3-page checklist with 50 items to complete, and they must be completed in order. In some cases this can involve meeting not only county regulations but also those of other agencies. Similar to obtaining permits for building, this can involve significant investment.

Five Year Forecast

The county's Five-Year Forecast shows the General Fund with a negative balance of a little more than \$5 million after five years. State economists anticipate a mild recession sometime in 2018, which impacts property and sales taxes, two of the county's largest sources of revenue. Also, salaries, benefit costs and retirement are expected to increase.

General Fund History, Forecast
In millions



General Fund Forecast Results

Expenditures exceed revenues for all 5 years of the forecast.

This forecast assumes that contributions to deferred maintenance are \$500k and reserves are \$350k. The FY 2017-18 adopted budget has those levels at \$64,250 and \$500k, respectively.

Contingencies are \$1.5 million.

An additional \$3 million is needed annually, or \$14.3 million total, to meet policy levels for reserves, contingencies and deferred maintenance.



What does this all mean?

Based on the forecast the General Fund is starting to show improvement, however threats still remain and there are several significant issues around the county that need to be addressed.

Property tax values and Measure S revenues are significant factors in the forecast outcome. Each cannabis cultivation permit is projected to generate \$18,250 on average per year in tax revenue. The ability to issue permits, as well as the overall health of the cannabis industry will impact the fiscal health of the General Fund.

These are signs the county should watch for and avoid: reoccurring operating deficits; insufficient reserves; fixed costs such as salaries and benefits increasing faster than revenue growth; and balancing the budget with reserves or fund balance.



Community Connections

Housing Action Program helps families into housing

Thirty-three homeless families found housing this year due to the grant-funded Housing Action Program (HAP). The families, made up of 43 adults and 57 children, were kept off the streets, and an additional family was able to avoid eviction thanks to HAP assistance.

The program uses the rapid re-housing model to assist CalWORKs (California Work Opportunity and Responsibility to Kids) families, who are homeless or in the process of being evicted, secure housing and other needed supports.

Since its inception in FY 2015-16, the program has housed 70 families in two years.

The Department of Health & Human Services program uses Housing Action Teams that include a social worker, social services aide, and representatives from Welfare-to-Work, the Employment Training Division, Mental Health, Public Health, Child Welfare Services and other community partners as needed.



From left, members of the Housing Action Team include Allan Daniel, Lisa Patterson, Pamela Fishtrom, Matt Totten and Rosy Provino. Not pictured, Andrea Vega.

Specific services are based on individual participants' needs.

The team assists the family in developing a plan to obtain and retain permanent housing. During frequent visits, team members provide a range of services including housing search and rental application assistance, credit report and/or repair services (if necessary to

remove barriers to housing), and landlord recruiting and liaising. Assistance with first and last month's rent and security deposits, moving expenses, utility deposits and application or credit check fees are also available.

Once housing is secured, services remain open for up to six months to allow families time to stabilize.

County IT Installs New Local Area Network

In the past year, the county's Information Technology (IT) division finished upgrading the county to a new Switched Ethernet Local Area Network (LAN), supporting over 30 county locations. Ethernet is the predominant computer networking technology on LAN's today and simplifies connectivity.

The new LAN offers many benefits including: scalable bandwidth, 24 x 7 vendor support, streamlined network architecture, delivers higher performance with the ability to deliver traffic in milliseconds, and can easily be upgraded to higher speeds to meet changing business requirements.

Helping Humboldt

Ag Commissioner Track and Trace pilot project a 1st in state

Humboldt County’s Medical Cannabis Track and Trace Pilot Project was the first county program in California developed and implemented to track the movement of medical cannabis products through the distribution chain from cultivator to retailer.

The pilot project was also the first to apply batch and lot track and trace methodologies to the medical cannabis industry. Batch and lot methodologies offer significant potential to prevent the injection into or diversion of cannabis from the black market. Batch and lot approaches to track and trace are based on proven techniques used in the pharmaceutical industry.

This pilot project is also the first to provide a California County’s medical cannabis industry with a secure “proof of origin” stamp that provides information for law enforcement and also for retail consumers about the quality and safety of the medical cannabis product. Also important for the future success of Humboldt County in the State-wide medical cannabis market is the Humboldt County “proof-of-origin” or branding authorized by MMRSA.

As a result of the pilot project, 35,000 secure stamps were applied to medical cannabis offered for sale in dispensaries in 47 cities throughout California.



Wraparound Unit team members, from left: Tim Johnson, Candice Campbell, Marshall Boyett, Heidi Young, Trevlene Blood, Donna Filippini, Dani Widmark and Corina Keppeler.

Wraparound program unites services for youth

The Department of Health & Human Services has increased outreach to struggling youth and their families, and is currently engaging more than 40 young people dealing with emotional and behavioral health challenges in an innovative program.

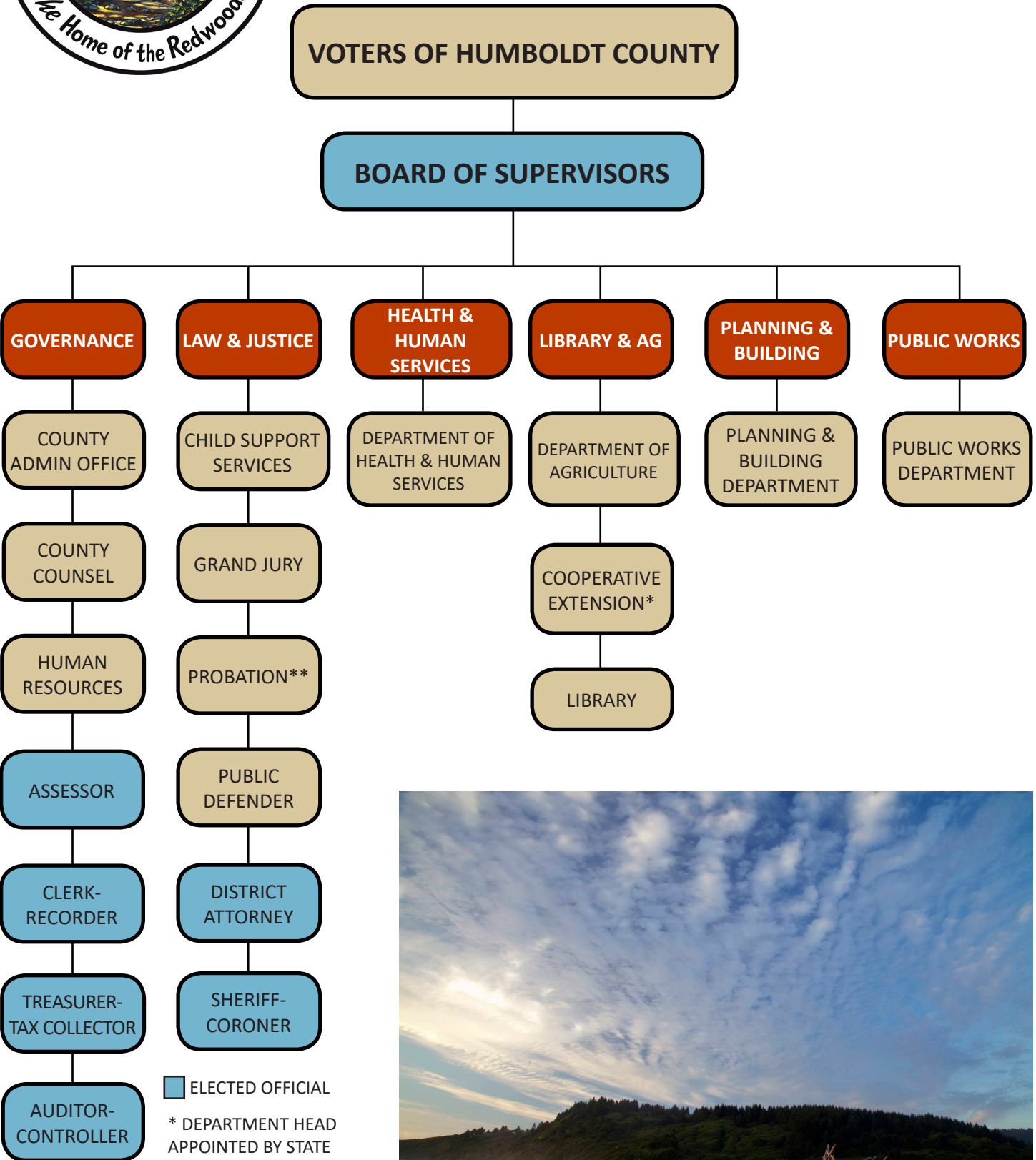
Wraparound is a holistic approach to at-risk youth client intervention, bringing together staff from multiple programs to collaborate on cohesive treatment strategies. It’s an intensive method of engaging children and youth with complex needs so that they can remain in their homes and communities. Perhaps most importantly, family members are engaged and encouraged to fully invest themselves in treatment plans. Staff from Children’s Mental Health, Child Welfare Services and Probation collaborate on individualized cohesive recovery strategies.

Beginning in April 2016, Children & Family Services, joined by Probation, started training as Wraparound coordinators and coaches. In September, eight employees attended the National Wraparound Implementation Academy in Washington D.C. That was followed in October by National Wraparound Implementation Center training in Humboldt.

The Wraparound program has the ability to accommodate up to 100 families.



County Organizational Chart



ELECTED OFFICIAL
 * DEPARTMENT HEAD APPOINTED BY STATE
 ** DEPARTMENT HEAD APPOINTED BY COURTS



Dry Lagoon

Staying Involved



Willow Creek - East Fork

Digitally at Humboldt.gov.org

- Sign up for the county's monthly electronic newsletter
- Weigh in on county issues on the Open Humboldt discussion forum
- Join Nextdoor.com to connect with your neighbors

In Person

- Attend the annual Budget Roadshow in Feb or March
- Attend or watch a Board of Supervisors meeting on Tuesdays
- Attend the budget hearings in June



Photography credits

Martin Swett

- | | | | |
|-------------|-------------------|---------------|--------------|
| Cover Photo | P. 13 | Prairie Creek | |
| P. 7 | Gold Bluffs Beach | P. 16 | Dry Lagoon |
| P. 8 | Trinidad | P. 17 | Willow Creek |
| P. 12 | Lyons Ranch | | Back Cover |

Martin Swett is an avid landscape photographer who prefers to go off the beaten track in search of great images. Martin's photography expeditions take him throughout the Western United States, but he can frequently be found on Humboldt's trails, creeks and beaches during golden hours. Check out more of his work on Flickr.com.



Dry Lagoon



Orleans

Matt Filar

- P. 5 Weitchpec
- P. 5 Mad River Beach
- P. 6 Orleans

Matt Filar has lived on the North Coast since 1977. While his subjects are mostly natural scenes, he also enjoys capturing interesting compositions and objects from bygone eras, as well as fine art, sports, event and group photography. Matt has exhibited his award winning photos in many galleries, and his work is available at several locations in Northern California.

Jill Duffy

- P. 5 Houda Point
- P. 5 Trinidad
- P. 7 Orick

Jill Duffy is a former 5th District Supervisor. She enjoys taking nature shots of the beautiful 5th District, which includes Hoopa, Orick, Fieldbrook, Korb, Orleans, McKinleyville, Trinidad and more.



Orick

Other Submitted Photos

- P. 10 Carlotta Fire Department
- P. 11 Humboldt County Sheriff's Office
- P. 11 Humboldt County Public Works
- P. 14 Department of Health & Human Services
- P. 15 Department of Health & Human Services



Willow Creek

ADOPTED
BUDGET
FY 2017-18

HUMBOLDT COUNTY
CALIFORNIA

