

A Message from County Administrative Officer

Amy S. Nilsen

Dear Board Members and Residents:

Welcome to Humboldt County's budget for Fiscal Year (FY) 2019-20. Last year, I wrote with a message that the county is working to build a strong foundation. This work centered on using targeted investments with the resources available to us now and the meager gains of the economy to lay the groundwork that will allow us to address significant challenges and prepare for an uncertain future. Much remains unknown, but the Board has been decisive in taking a path they believe will set up Humboldt County for success.

Public safety, accessibility, the local economy, and housing have been major focuses for the Board over the last year.

In November, Humboldt County voters displayed the faith they have in the Board and local public safety agencies by passing Measure O by nearly 74%. The measure renews Measure Z, the local half-cent sales tax originally passed by voters in 2014. This was a tremendous outcome for our community, and will provide an ongoing source of local revenue to address our local public safety needs. As an aside, Measure Z was the original ordinance that imposed the tax, and Measure O simply stated that it will remain in effect until ended by voters. As such, we will continue to refer to this revenue as Measure Z. More materially, the Board has repeatedly shown that it does not take lightly the responsibility they have in ensuring these local funds go towards worthy projects that improve or maintain public safety in our community. The Board created the Citizens' Advisory Committee on Measure Z Expenditures to be the citizens' eyes and ears on this funding, and provide recommendations to the Board on how this funding should be spent. In just the last 4 years alone, the Board has funded more than 110 public safety projects through Measure Z, totaling more than \$40 million.

The community has reaped the benefits in significant ways as projects have touched almost every part of Humboldt County. Roads from

Redway in the south to McKinleyville and Willow Creek in the North have received maintenance they would not have otherwise; culverts have been replaced throughout the county and electronic speed feedback signs are bringing down speeds in highly trafficked areas. The Eureka Police Department has enhanced the services it provides around homelessness by hiring and dedicating a police officer to work with our Department of Health & Human Services, by hiring a sworn dedicated Waterfront Parks Ranger and other employees to work on homelessness issues. These efforts have dramatically reduced the amount of times clients were admitted to the Sempervirens Mental Health Crisis Stabilization Unit, and have helped to successfully house homeless individuals. Rural ambulance service on the Highway 299 corridor nearly ended several years ago due to lack of funding, but the Board has committed each year to funding this service. In the last 6 months of 2018, the ambulance responded to 34 motor vehicle accidents alone.

These are just a few of the projects the Board helped make happen through the budget process. I caution you, however, that the amount of funding available for the nine-member Citizens' Advisory Committee to recommend is dwindling. Roughly 63% of Measure Z funding this year was devoted to county personnel costs, leaving \$3.1 million to allocate while more than \$14 million was requested. The need for additional public safety services far outpaces available resources.

To further show commitment to improving public safety, the Board this year decided on a firm to replace and upgrade the radio infrastructure used by public safety agencies around the county. This project will total more than \$6 million by the time it is complete. They also took the final steps to secure \$20 million in state funding for the Senate Bill 863 jail expansion project, which will serve to help individuals transition back into society. This project also commits the Board to funding 13 new positions to staff this facility, and the Board will need to prepare to fulfill that commitment in the future.



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Humboldt County Budget Fiscal Year 2019-20

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

The Public Works Department is completing its restoration work on the beautiful Veterans Hall in Eureka, and the Board is progressing toward a campus-style project in Garberville that will house the veteran's hall as well as a Sheriff's facility, library, and the courts.

The county continues to work towards making its facilities, programs, and services compliant with the Americans with Disabilities Act (ADA) and the consent decree with the Department of Justice (DOJ) around ADA. The county has made needed improvements to several rural libraries, including Rio Dell, as well as our county parks, including an entirely new playground at Freshwater Park (which you can read about at the end of this section). We have pioneered new ADA-compliant services on our website, changed furniture, pathways and room layouts to improve access, and so much more. There is not enough space here to describe all the ADA work being done, but the county will submit a final report to the DOJ in the fall regarding our progress on the consent decree. If the DOJ approves of our progress, we could be out of the consent decree this year, which would bring some financial relief to the county. Regardless of the outcome of the report, there is still plenty of work ahead, as staff has identified more than \$27 million in projects to be completed over the next 5 years alone.

Regarding the economy, the Board has created a new Economic Development Director position, which is tasked with retaining and expanding existing companies, and attracting new businesses that are in line with the county's Comprehensive Economic Development Strategy. This position has helped attract the attention of a fish farm company looking to establish an operation in Samoa. The Director is also putting together a task force to help develop infrastructure that would improve the property where the farm would be located, which would aid the company and other surrounding properties. The Director has also been instrumental in bringing to life Project Trellis, which will allow the county to reinvest in cannabis businesses that are navigating the new legal industry.

The Aviation Department, created in 2018, is showing signs of improvement and that it can fulfill its role to bring more economic prosperity to Humboldt County. Your new Aviation Director has helped ensure that passengers can now fly from ACV directly to San Francisco, Los Angeles, and Denver beginning June 6. A second daily flight to LA has also been added. The department has also secured millions in federal funding by finalizing and submitting administrative work, finished improvements to the runway at the Garberville Airport, improvements to electricity infrastructure at the California Redwood Coast-Humboldt County Airport (ACV), and working with Redwood Coast Energy Authority to bring solar power to ACV.

Several departments this year worked together and took major strides in furthering green energy developments in Humboldt County. The Humboldt Wind Energy Project proposes to construct and operate a project that consists of up to 60 wind turbines south of Rio Dell and Scotia, and will generate up to 155 megawatts of energy, or enough to power 60,000 homes simultaneously. The Draft Environmental Impact report is out for review through the first week of June. The Planning & Building Department is also leading the efforts to create the county's first Climate Action Plan with workshops happening around the county this summer. The county is coordinating with other local agencies to develop a regional plan to reduce greenhouse gas (GHG) emissions from vehicle travel, livestock, electricity consumption and other common sources of GHG's.

The entire state is facing a housing crisis, and Humboldt County is no different. To help set up our community for success, the Board has created the Housing Trust Fund and Homelessness Solutions Committee with devoted funding from the proceeds of selling the Lucas Street property to the trust. The Department of Health & Human Services has coordinated \$2.5 million in state-funded Housing and Emergency Assistance Program grants to community and government partners this year, and is about to facilitate another \$1.4 million through the California Emergency Solutions and Housing grant. The

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county has made a commitment to the Housing First model. 75 new permanent supportive housing units are currently being built. These are dedicated housing units for special needs populations; DHHS provides supportive services to ensure formerly homeless clients regain health and are successful in housing. DHHS works with landlords to expand the number and types of housing units that can be made available, and with clients to improve job skills, repair tenant and credit history and maintain housing. DHHS also recently expanded the Mobile Intervention Support Team (MIST) to partner with both the Cities of Eureka and Arcata, pairing mental health staff with police officers to work specifically with people experiencing homelessness who are in need of services to avoid frequent interactions with law enforcement. Homeless prevention and reduction will continue to be a focus of the county.

Planning & Building has held extensive community workshops to update the Housing Element of the county's General Plan, which will ensure that future growth fits with the community's wishes.

The legal cannabis industry still looms large in our local economy, and the success of this newly legal industry is of the utmost importance. In the mid-year budget report, my office reported to the Board that sales tax was down for the first time since the Great Recession, and the local groups that performed the poorest over the prior year were related to cannabis. The Board responded with urgency by not only adopting Project Trellis (a portion of which was done through an urgency ordinance), but also by modifying local cannabis tax payments so that no taxes are due by cultivators for all of calendar year 2019. This was an unprecedented action, but also one that provides immediate relief to an industry that is facing immense regulatory pressure and is at a critical point. Cannabis farmers should be able to use the funding they will save in 2019 to invest in their business, pay workers and even spend more money locally.

It should be noted that county departments have taken on much

work around hemp. While state regulations have not yet materialized, the Planning & Building Department and Agricultural Departments are working to create a regulatory structure that would work well with Humboldt County's local ordinances, and protect the local cannabis industry. Those regulations have not been finalized as of this writing, but county departments are eager to work with this industry.

The next year will be another important year that shapes the next decade or more. The policy decisions the Board has taken and will take will hopefully better position our community for the future, and there are still significant challenges ahead.

The decision to forego collection of local cannabis taxes in 2019 significantly affects revenue. Staff estimates that cannabis tax revenues will be down by \$8 million in both FY 2018-19 and FY 2019-20, which is roughly half of original estimates. Cannabis taxes have become our largest source of local funding aside from property taxes, and have allowed the county to fund important services like combating childhood trauma, public safety, economic development and aviation staff, Project Trellis and more. We have also contributed to our rainy day fund and some of our mounting debt. Because of this, I recommend the Board approach FY 2019-20 with caution. We must wait to see how the cannabis industry responds before we can devote this funding to ongoing costs and additional services.

County roads and deferred maintenance on our facilities continue to be areas of concern. Many roads have failed as a result of devastating winter storms, making it extremely difficult to access certain communities. While the state and federal governments have approved many of our projects, it is still a time-consuming process to secure necessary permits and actually begin construction. Aside from disaster repairs, county roads are in need of additional ongoing funding. Senate Bill 1, which survived a repeal attempt at the polls in November, will provide \$4.375 million in roads funding in FY 2019-20. While this funding is significant and will allow the



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Fiscal Year 2019-20

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Public Works Department to take on projects like culvert repair and basic road maintenance, fire fuels reduction, illegal dumping, and curb ramp rehabilitation, it will not provide the resources needed to perform ongoing maintenance for the county's more than 1,200 miles of roads. Due to limited funding available in Measure Z, the Citizens' Advisory Committee was unable to recommend Public Works' request for roads funding this year. Finding a solution to properly maintain our roadways is critical.

Retirement costs remain a significant pressure on the budget. While growth rates are likely to slow, the county's contribution towards pension costs are expected to rise over the next several years. CalPERS is now requiring fixed payments towards the county's unfunded liability (now more than \$288 million), rather than a percentage of payroll, which should provide predictability to contribution amounts. The estimated minimum required total employer contribution for FY 2019-20 is \$35.9 million and employee contribution is \$8.5 million, which reflects the annual required contribution but does not address the increasing unfunded liability. In addition, CalPERS several years ago began lowering its estimates on expected returns, which is forcing local governments to contribute more to retirement. The reduced expected returns dropped from 7.5% to 7.0% and was phased in over a 3-year process. The FY 2019-20 projected contributions reflect a 7.25% estimated return.

To combat rising pension costs, the Board has continued to contribute to the Public Agency Retirement Services (PARS) Trust. Last year the county contributed 1.0% of county salaries towards the PARS Trust, and this budget proposes that the amount increase to 1.5%, or \$1.9 million. During the 7-year Financial Forecast report submitted to the Board in February, staff noted that the PARS Trust could grow to roughly \$14.1 million by 2025-26. Utilizing the PARS Trust is critical, as the county is in a position to use the proceeds to pay for spikes in retirement rates.

The Board last year adopted a new policy to contribute to the Deferred Maintenance Fund. As a result, nearly

\$600,000 was transferred to this fund, which can be used to perform needed maintenance on county facilities. This amount is approximately 2% of the total deferred maintenance cost, and that amount should rise each passing year. As our local resources become tighter, more strain will be placed on discretionary funding. It is vital that the Board remain dedicated to funding this preventative and maintenance work, as the cost will only increase if work is delayed. County staff from multiple departments this year partnered with the City of Eureka to begin work on a Facilities Master Plan, which will help guide development of future county facilities.

Our challenges are many, but there is a lot working in our favor. First, county employees continue to display dedication to providing critical services to our community. Staff have continued to take innovative, caring approaches to address local issues. Later in this section we discuss the occupational empowerment program, which provides day-labor opportunities to individuals with significant barriers to work and in need of work readiness; inmate programming which helps incarcerated individuals prepare to re-enter society; a restoration project that used new techniques to preserve a beautiful, historic bridge; and a park repair and upgrade that used community feedback to improve the facility for all. County employees are committed to improving our community.

Our local, state and national economies appear to be in a strong position as well. Our national economy is heading toward its 11th year of expansion, which would be the longest on record. Unemployment is well below the natural rate of 4.6 percent, and is expected to drop by the end of 2019. Wages are rising, albeit slowly. Recessions typically occur 5 years apart, so, while a mild recession is expected as early as the fall of 2020, this confluence of positive factors bodes well for Humboldt County over the next year. To reiterate my message to you today, however, in many ways this period of time is similar to wading into new waters; we know we are in good standing and moving forward, but we need to be prepared for the moment our footing becomes unstable.

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I believe this budget takes an initial step towards that end, but it will take a years-long process to realize the goal of improving the county's financial stability.

The adopted budget totals \$451,594,378. This is an increase of \$38,860,462 million, or 9%, over last year. This increase is primarily due to: \$1.9 million for Roads; \$2.6 million for Economic Development grant activities; and \$2.9 million for Parks and Trails to improve the Humboldt Bay Trail and the McKay Community Forest; The remaining \$30.9 million is attributable to state and federally reimbursable activities in Health and Human Services; \$16.8 million of which is for Mental Health, \$6.3 million for Public Health, and \$7.8 million for Social Services. Revenues utilized to finance FY 2019-20 equal \$430,063,821, with \$21,530,557 in other financing sources largely derived from the use of fund balance and trust fund revenues.

I should note here that the county's newly elected Auditor-Controller has made many changes to the county's financial reporting practices, which affects revenue and expenditures. Notable changes include accounting for transfers between departments differently, as well as contributions from special revenue funds and the General Fund. Previous accounting practices overstated revenues by accounting for revenues twice. When interfund transfers took place between county agencies, revenues were received by the department incurring the expense and then again as revenue by the department being reimbursed. Due to these changes in local accounting practices, revenues and expenditures that are transferred between county agencies are now reflected as other financing sources and uses. You will see these changes throughout the budget document in the departmental budget sections. Regardless of the amount of work the accounting changes entail, the county and its dedicated staff are committed to transparency and being responsible stewards of public funds, and I hope this budget document, which shows details down to individual budget units, displays that sentiment.

General Fund expenditures are estimated at \$162,783,568, which is a decrease of \$2.91 million or 2% from last year. This is primarily due to: \$1 million reduction in Capital Projects due to the completion of Eureka Veterans Building Seismic Repair project; \$1 million reduction in Contingency Reserves due to limited financial resources; \$768,571 in reduced Cannabis Planning activities as the permitting process begins to stabilize.

General Fund revenues are projected at \$152,303,506, which is \$7.2 million, or 5% lower from FY 2018-19. This decrease is primarily due changes in local accounting practices. In FY 2019-20, the financing sources total \$10,480,062.

These financing sources, added to the General Fund revenues, create a balanced budget for FY 2019-20. However, this includes \$5.8 million in the use of fund balance as proposed expenditures exceed revenues. The remaining \$4.6 million was primarily for transfers from trust funds and charges for services provided to other county agencies.

This budget includes a contribution of \$801,000 to General Reserve, which is at policy level. The Board last year adopted a policy that requires a contribution that is equivalent to 10% of cannabis excise tax revenues until reserves are 10% of General Fund expenditures. Note that the reduction in revenues, specifically the cannabis tax revenues, will affect our ability to contribute to our rainy day fund, as well as our debt obligations. The General Reserve will be at \$5.4 million at the end of FY 2019-20, which is 3.3% of General Fund expenditures. The Government Finance Officers Association recommends the General Reserve contain at least 16%, or 2 months of operating costs. That would amount to \$25.96 million. Maintaining such a low amount in savings makes the county vulnerable to events like disasters or swings in the economy. It also affects our credit rating, which has become more important as the county finances more projects.



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Contingencies are proposed at \$2,039,212, which is below policy level. Per Board-adopted policy, Contingencies should be at 2% of General Fund revenues, or \$3.04 million. Due to decreased local revenues, staff is unable to recommend a higher contribution at this time.

This budget has expenditures exceeding revenues by \$5.8 million, requiring the use of fund balance as previously explained. This results in an estimated ending fund balance for FY 2019-20 of \$6 million. The FY 2018-19 adopted budget included \$6 million in the use of fund balance. The decrease in fund balance use is primarily due to a cautious approach to financing FY 2019-20 activities. The proposed use of fund balance is due to the following: \$801,000 contribution to General Reserve (policy level); \$574,000 contribution to Deferred Maintenance (policy level); \$2 million contribution to Contingency Reserve (\$1 million below policy level); \$801,000 contribution to Economic Development for Project Trellis per Board order; \$1.5M in additional request for General Fund appropriations; \$625,000 contribution for ADA barrier removal.

As you know, the county's budget is more than a host of tables and graphs, and references to revenues and expenditures. This budget is the plan that we as a community will use to address the unique needs of our community. The plan is this year's manifestation of accomplishing the Board's Strategic Plan, which the Board updated this year after working with the community to fine-tune it. In prior years, the budget has focused on addressing the community's need for more public safety and accessibility services. This year's budget still focuses on those things, but it also focuses on economic development.

The coming year is another critical year for Humboldt County. Our local economy is seeing new challenges and opportunities, and there is much pressure to increase housing for our most vulnerable populations. These issues, while daunting, are not insurmountable. Over the years, the Board has been successful in taking on

important issues to affect change throughout Humboldt County. As we look forward, we can take solace knowing that Humboldt County employees are dedicated members of our community who are incredibly willing partners when it comes making our community better. There are many unknowns in our future, but due to these partnerships and the Board's foresight, Humboldt County has determined the direction it wants to take and is forging ahead.

This year's Budget Roadshows were held in Northern, Southern and Central Humboldt, as well as online. These 3-hour forums were an opportunity for county officials to discuss one-on-one with members of the community important projects being done in every department. More importantly, community members shared with the county their concerns and top priorities they believe would make Humboldt County a better place. Their input is helping to shape the Board's Strategic Framework, which is discussed on the following pages, as well as the county's work for years to come. The Roadshows continue to be unique and valuable community forums, and we plan on making them available in the future. These gatherings are invaluable and help the county organization stay in touch with the people we serve. We are truly fortunate to live in a place where the community remains engaged in county government.

In closing, I thank the community for its continued participation in the Humboldt County Roadshow, which took place this year during February and March; and our county department heads and staff for their participation in the Roadshow as well as the budget process. I also thank the staff of the Management and Budget Team - Karen Clower, Elishia Hayes, Sean Quincey, Neftali Rubio-Mills, Fiona Wilson and Vanessa Ericksen - for their hard work and perseverance in putting this budget together.



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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



Encourage new local enterprise

4



Create opportunities for improved safety and health

5



Protect vulnerable populations

6



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

7



Strengthen climate change resiliency

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.

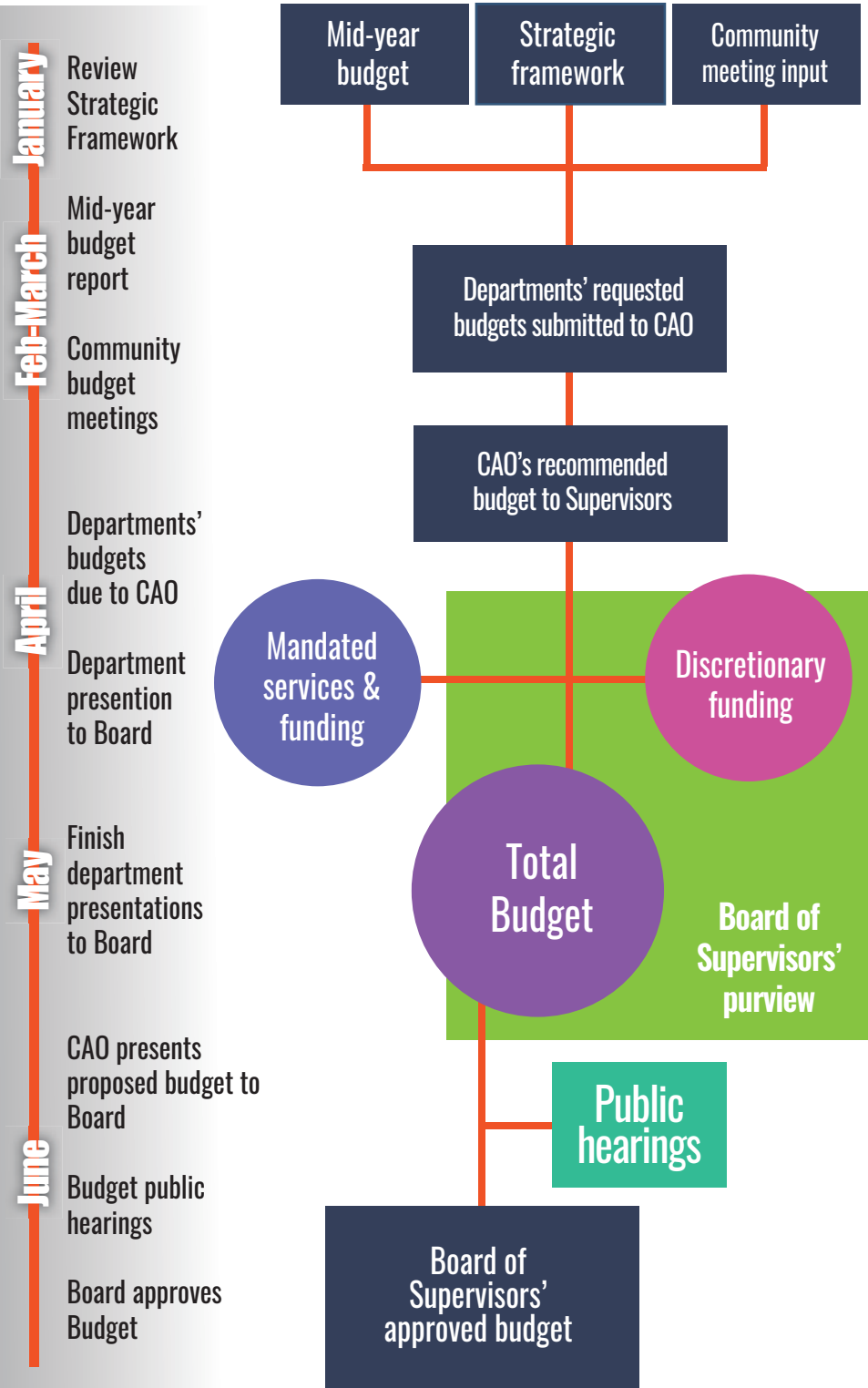
General Fund monies are under the discretion of the Board and are allocated based on the Strategic Framework, and any other specific guidelines set by the Board.

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

BUDGET ADOPTION

Budget adoption took place at the June 25, 2019 Board meeting.

County budgets are important documents, but their meaning can be difficult to decipher for citizens. So, this Budget in Brief is intended to provide you with a high-level overview of the budget, in plain terms. Giving you a better idea of where your public funds are being spent and picture of the issues facing our community.





Total Budget: \$451.59M

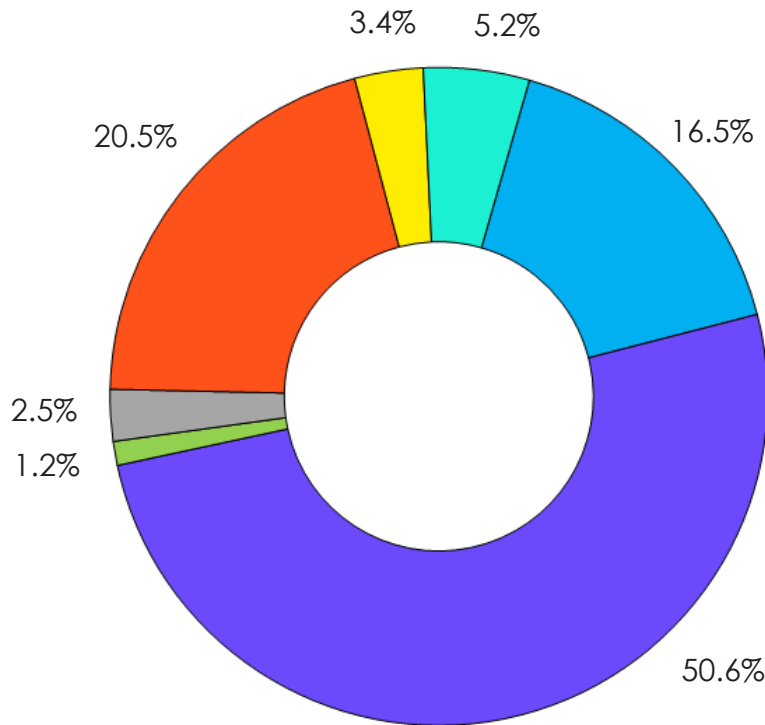
Nearly half of the county's budget each year is spent on Health & Human Services. This includes vital services like CalFresh, the state's supplemental nutrition assistance program for low-income families, and Medi-Cal, which is California's health care system. Public Works projects like road repairs and bridge maintenance also make up a significant portion of spending each year.



Osprey

Expenditures by Service

	<u>Law & Justice</u> \$74.71M
	<u>Health & Human Services</u> \$228.70M
	<u>Education & Agriculture</u> \$5.32M
	<u>Planning & Building</u> \$11.46M
	<u>Public Works</u> \$92.70M
	<u>Transfers & Contingencies</u> \$15.20M
	<u>Admin Services</u> \$23.50M



7.5%

Redevelopment*

Property Tax Distribution Where do your property tax dollars go?

1.9%

County Library

7.4%

Special Districts

2.4%

Cities

62.4%

Schools

16.2%

County General Fund

2.2%

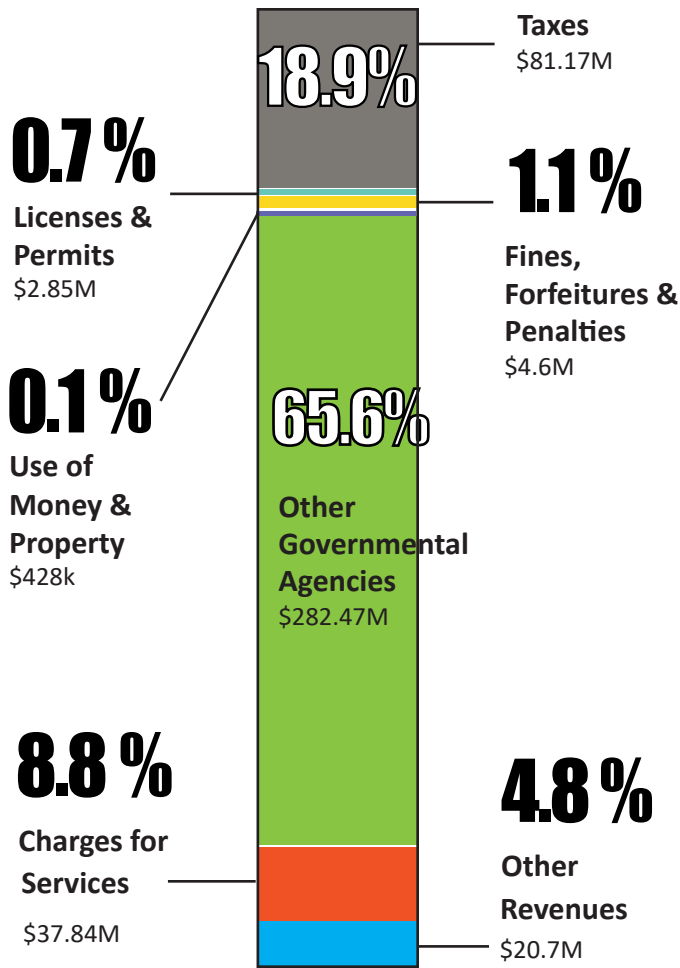
Roads

*Redevelopment agencies have been dissolved. This funding is to pay for the debt of those agencies.

Revenues: \$430.06M

Total expenditures are projected to exceed revenues in FY 2019-20. To make up the difference, the county will use \$5.8 in fund balance, or money left over from the prior year, and \$15.7 million from other sources such as transfers from various trust funds.

Revenue by Source



Lighthouse Road

4 Key Visions for 2019-20

This year the Board will seek to enhance our core services by:

- 1 Emphasizing Healthy and Safe Communities
- 2 Supporting a Healthy Environment with Robust Infrastructure
- 3 Encouraging a Resilient and Thriving Economy
- 4 Improving County Government Operations



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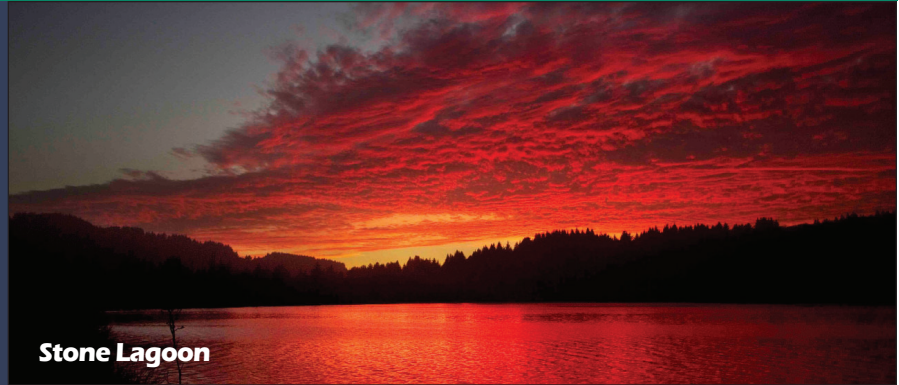
Funded positions

Personnel Allocation



General Fund: \$162.78M

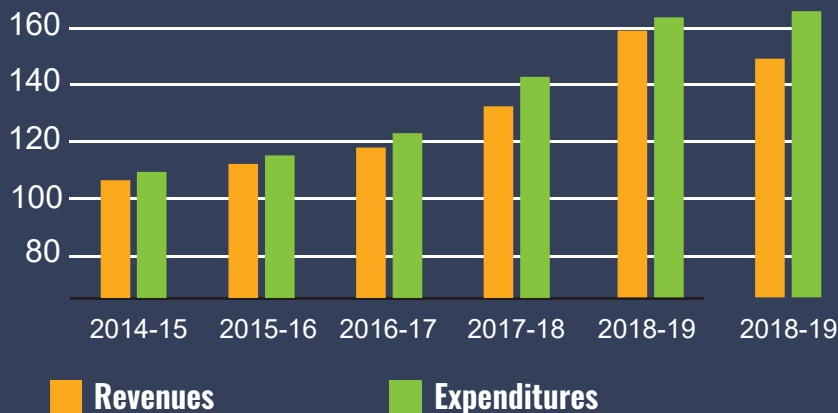
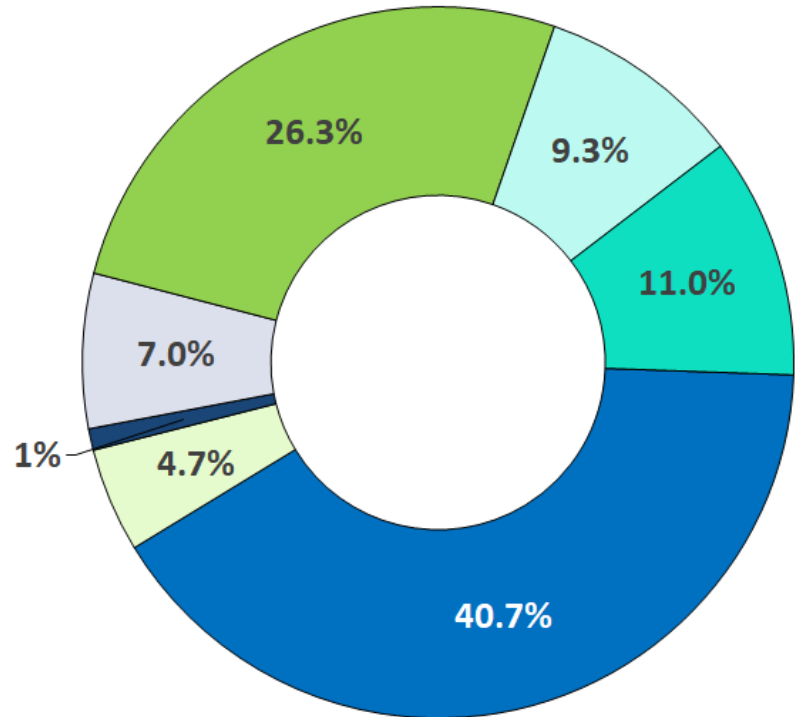
Much of the revenue that comes into the General Fund is not tied to a specific activity and can be spent on local needs, which can change from year to year. In Humboldt, roughly half of those dollars are spent on law and justice services, such as the Sheriff, District Attorney, Public Defender, Probation and Child Support Services.



Stone Lagoon

General Fund Expenditures

	<u>Law & Justice</u> \$66.3M
	<u>Health & Human Services</u> \$7.73M
	<u>Education & Agriculture</u> \$1.59M
	<u>Planning & Building</u> \$11.46M
	<u>Public Works</u> \$42.74M
	<u>Transfers & Contingencies</u> \$15.12M
	<u>Admin Services</u> \$17.84M



General Fund Past Trends

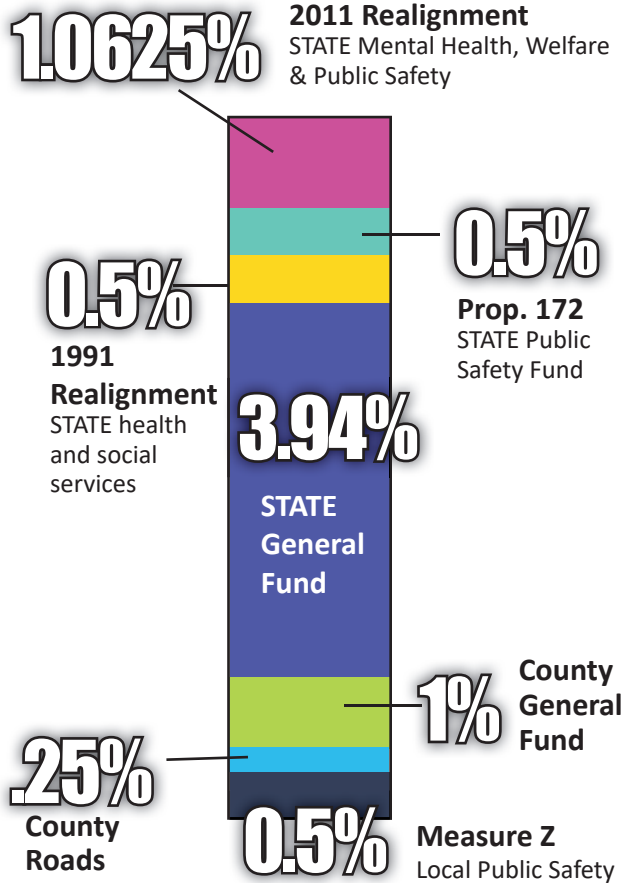
The General Fund continues to depend on fund balance left over from prior years to finance activities in the current year. In FY 2019-20, the county will utilize \$5.8 million in fund balance.

This will result in an estimated balance of \$6 million at the end of the year.

Revenues: \$152.3M

Sales Tax: Where Does It Go?

The sales tax rate in the unincorporated areas of Humboldt County is 7.75%. Of that amount, 7.25% is imposed at the state level, and 0.5% is local.



Additional Funding

Departments requested funds for one-time expenses (\$8.66 million) and ongoing costs (\$946,125). Due to competing priorities and limited funds, not all requests can be funded. The following requests are being recommended for funding:

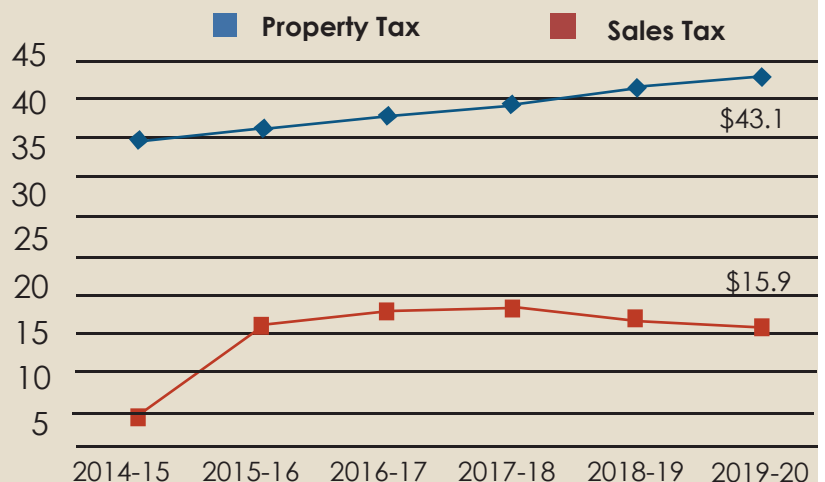
One-Time Costs

- \$500k** Public Works Road Maintenance
- \$129k** Expansion of Mobile Intervention Services Team
- \$75k** One-time insurance premium increase at Land Use
- \$59k** Upgrade to Surveyor equipment
- \$57k** Plans for a new airfield electrical system at ACV airport
- \$40k** Economic Development intern program
- \$27k** Elder and Vulnerable Adult Services Team (EVASt)
- \$20k** Support for sustainable integrated water resource management and wildfire preparedness
- \$14k** Upgrading to 4-door, 4-wheel drive vehicle for UC Cooperative Extension
- \$6k** Kitchen appliances for UC Cooperative Extension
- \$4k** Computer equipment for facility management projects
- \$2k** Software for facility management projects
- \$2k** Updated reference materials to ensure project compliance with state building codes

Property and Sales Tax Revenue

Based on estimated actuals for FY 2018-19, property taxes are estimated to grow at 4.64% while sales tax is projected to decrease by 4.12%.

Total revenue for both is estimated at \$59.1 million. The sales tax includes Measure Z revenue.

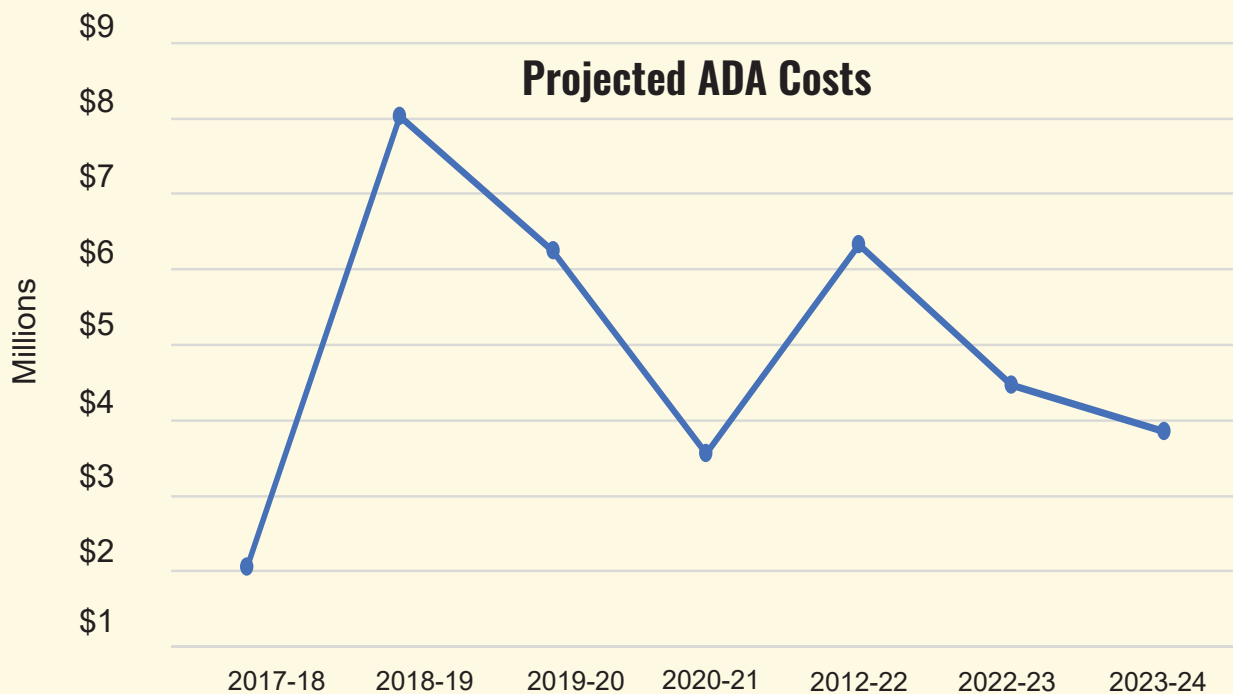




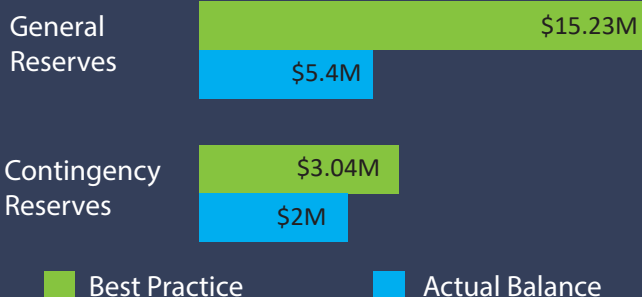
Challenges and

The county continues to work with the Department of Justice (DOJ) to implement ADA-related projects laid out in its 2016 consent decree with Humboldt County. The county, as a requirement of the consent decree, retained an independent licensed architect (ILA) in April 2017 to assess most county facilities for compliance with the ADA, and report the county's progress in terms of compliance with the consent decree to the DOJ. The county has also retained the services of four firms for project design and management for ADA barrier removal. Additionally, the county has also increased staffing to address ADA issues identified within the consent decree. The county has established an internal service fund (ISF) to pay for and allocate costs for required

ADA projects. Cost estimates in terms of barrier removal in the form of public projects, including the \$7.5 million for the correctional facility and \$3.6 million for the Garberville Government Complex, total \$27.5 million. Staff anticipates declining, but still significant costs over the next 2 years, then a jump in 2022 mostly due to a one-stop permitting project and the aforementioned Garberville complex. Cost projections depend significantly on the county's "transition plan," which will be determined after the DOJ reviews the county's final report in September regarding the items in the consent decree. While the consent decree focused on projects that must be done in the immediate future, the transition plan will lay out actions the county needs to take to become and remain compliant with the ADA over the longterm.



Reserves: Best Practices vs. Actual Balance



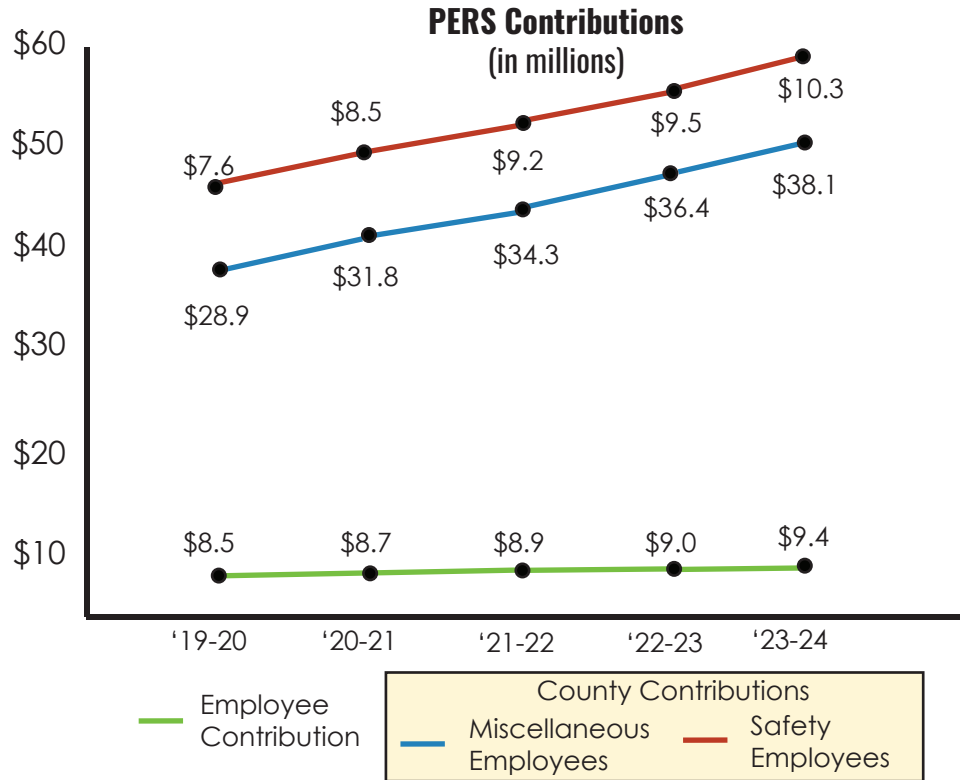
General Reserves is a rainy-day fund to be used in cases of financial hardship or emergency. Finance officers recommend maintaining a balance of 10 to 16 percent of General Fund Revenues in this fund. For Humboldt, that would equal at least \$15.23 million. The Board revised its General Reserve policy this year to add 10 percent of cannabis tax revenues to reserves per year.

Contingency Reserves is funding set aside in a yearly budget to be used for unforeseen circumstances. Recommended levels for this fund are between 2-3 percent of General Fund revenues, or \$3.04 million.

Opportunities

Retirement Costs Continue to Rise

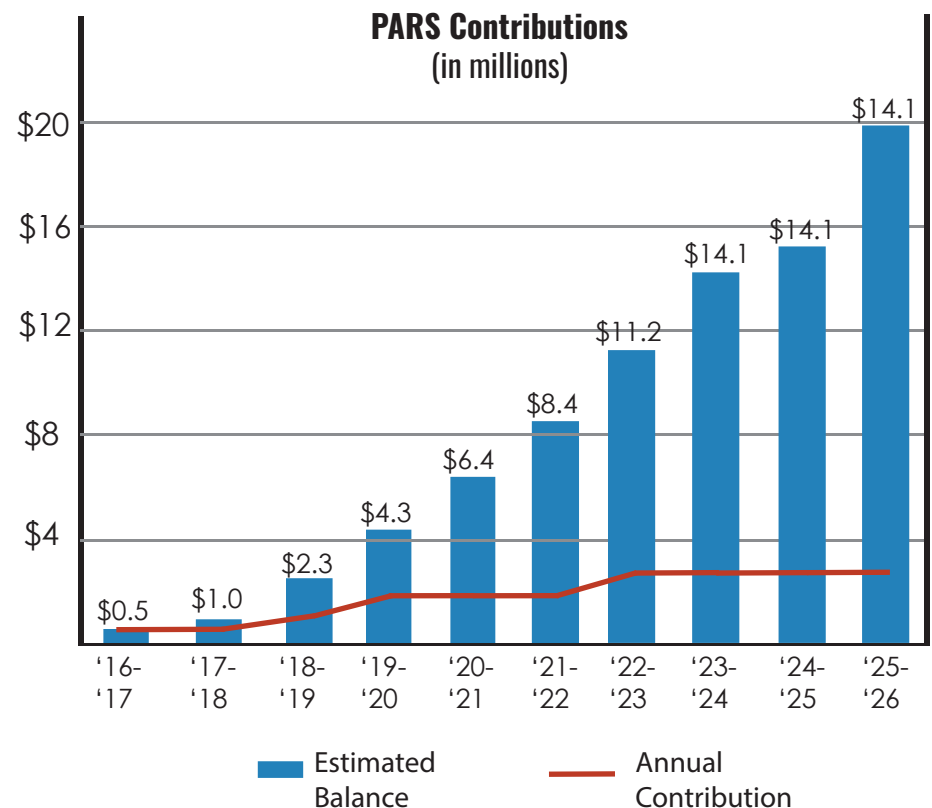
The county's contribution rates towards pension costs are expected to rise over the next several years. CalPERS is now requiring fixed payments towards the county's unfunded liability, rather than a percentage of payroll, which should provide predictability to contribution amounts. The estimated minimum required total employer contribution for FY 2019-20 is \$28.9 million and employee contribution is \$8.5 million, which reflects the annual required contribution but does not address the increasing unfunded liability. In addition, CalPERS has lowered its estimates on expected returns, which is forcing local governments to contribute more to retirement. The chart represents the estimated



total employer contribution (which includes employee, employer and unfunded liability contributions annually) for the depicted forecasted timetable.

Board has taken action to stabilize pension cost

To combat our rising retirement costs the Board in 2015 decided to participate in a retirement stabilization plan, known as PARS. Here's how it works: the county invests money in an outside trust fund, which is managed by a third party. This way we can invest more aggressively than the county treasury allows. The idea is that this money grows year after year, and when the time is right – likely at the point we can't afford CalPERS increases – we put that money towards pension costs, which would help level off the increases. More and more governments are taking part in this idea, and it is one way we can protect ourselves for the long-term.



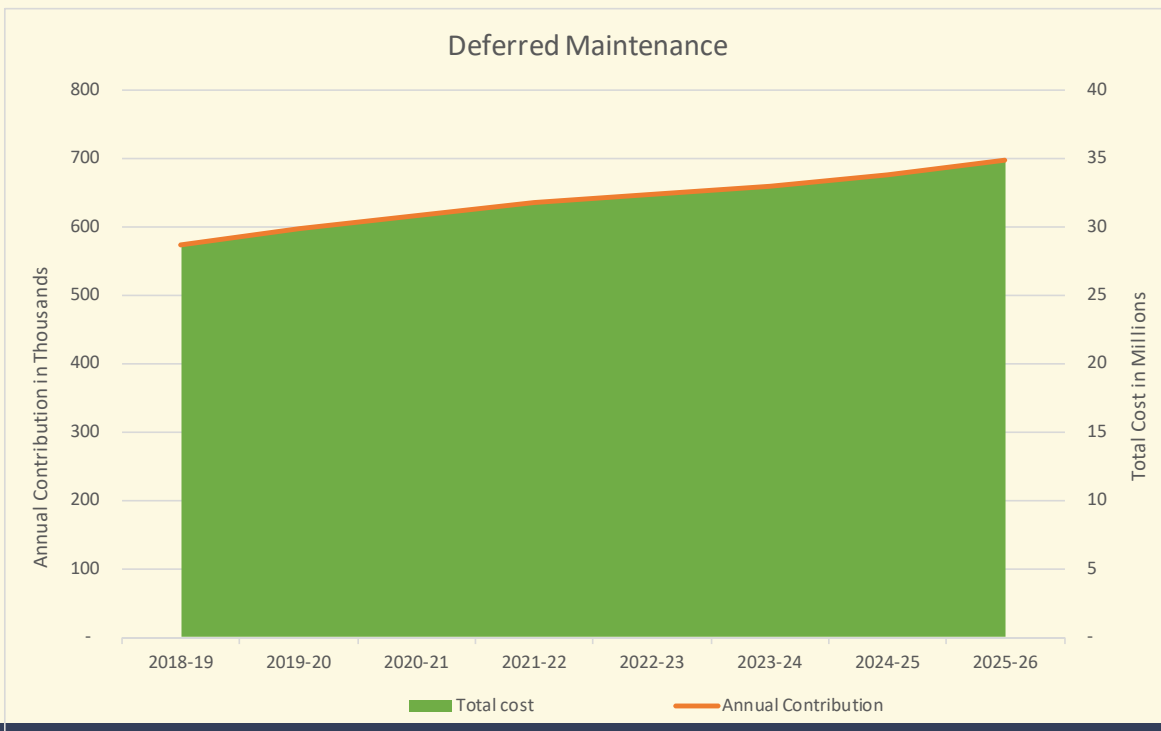


Challenges

The county has fallen far behind in regular upkeep of its facilities. As a result, there are several county facilities that need significant repair or rehabilitation. Deferring maintenance on public infrastructure will only make it more costly later when repairs and fixes are eventually made. The county needs to increase spending on maintenance to keep the facilities in serviceable condition.



Benbow Inn



Deferred Maintenance: How Can We Keep Facilities in Good Order?

While deferred maintenance costs continue to rise, county policy requires a contribution of 2% of estimated deferred maintenance costs to be allocated on an annual basis. However, due to a number of internal and external factors policy levels have yet to be realized. This budget proposed contributing \$574,000 to this purpose. Providing for and maintaining infrastructure is one of the Board's core roles in the 2037 Strategic Framework.

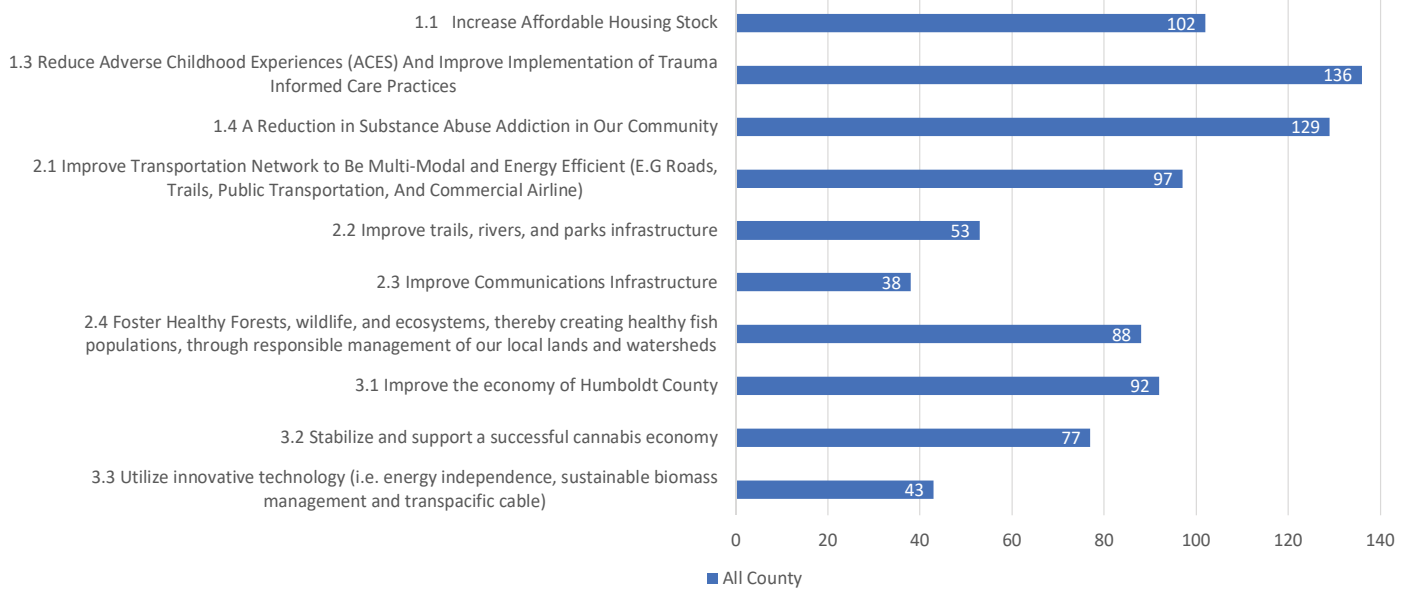
Deferred maintenance costs are estimated at \$28.7 million, plus the Consumer Price Index (CPI), and should continue to rise by at least 3.5 percent per year. The county must allocate more funding towards deferred maintenance so that it meets or approaches policy levels. In addition, the county must prioritize the projects it will take on with any additional funding.

Community Priorities

In March, county staff conducted the Humboldt County Roadshow. Departments and elected officials traveled across the county to listen to community members discuss which county services from the Strategic Framework they would like to see prioritized. Staff took the feedback received from all three Roadshows and placed this information online for ranking. Below are the priorities as ranked by the community.



Strategic Framework

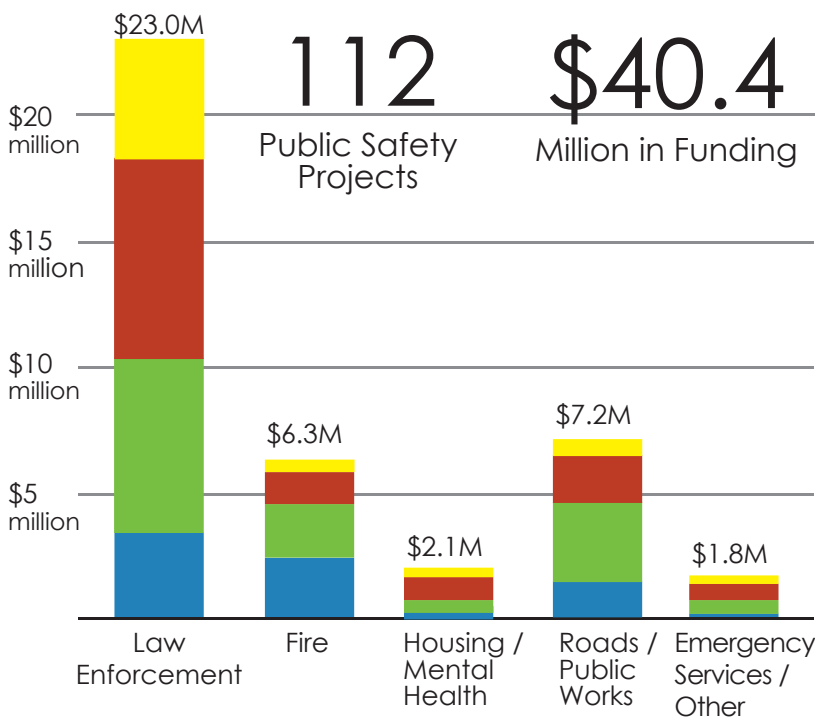




Measure Z

Measure Z is a half-cent local sales tax passed by voters in 2014 and renewed in 2018. Funds from Measure Z are intended for public safety and essential services. This funding has allowed more than 70 personnel to be added at the county, as well as city governments and local non-profits. Volunteer fire departments have received necessary equipment, including fire engines, breathing apparatuses and industry standard protective clothing that would not have been possible otherwise.

Public Safety Projects Funded in First 4 Years of Measure Z



Category	Yr 1	Yr 2	Yr 3	Yr 4
Law Enforcement	\$3.5M	\$6.9M	\$7.9M	\$4.7M
Fire	\$2.5M	\$2.1M	\$1.3M	\$500k
Housing / Mental Health	\$223k	\$582k	\$896k	\$375k
Roads	\$1.6M	\$3.0M	\$1.8M	\$672k
Em. Svc's/ Other	\$285k	\$524k	\$659k	\$317k
TOTAL	\$8.1M	\$13.1M	\$12.6M	\$6.6M

*Graph indicates funds actually spent
 **A complete list of Year 5 projects is in Section J.

“ The DA’s Office was unable to adequately serve the community without Measure-Z-funded staffing. [It] has yielded timely and appropriate criminal justice outcomes while also allowing provisions of appropriate support for victims and witnesses. ”

Humboldt County District Attorney
 Project is funding increased staffing and EVAST Program for vulnerable seniors

“ The Measure Z funding that is provided for the ambulance allows us to maintain Advanced Life Saving (ALS) coverage 24/7. Willow Creek is within the Golden Hour if a life-threatening event occurs. Immediate response saves lives. ”

K’ima:w Medical Center
 Project is funding Hoopa Ambulance, which provides service along Highway 299

Public Safety

Measure Z Night Coverage

Prior to the passage of Measure Z, deputies were unable to provide 24/7 law enforcement services to our Southern and Northern Humboldt areas. During that time, the night shift consisted of 6 deputies patrolling the entire county in 12 hour shifts. With funding from Measure Z, continued by Measure O, we now have 24-hour coverage in all areas. Additionally, overnight we now have 17 deputies patrolling the county in 10 hour shifts.



Filled Positions

- 18 Patrol Deputies (Including Supervisors)
- 9 Correctional Deputies (Including Supervisors)
- 3 Community Service Officers
- 3 Support Staff

A Focus on Service

Through Measure Z, the Sheriff has been able to bring back the Community Service Officer program. Community Service Officers (CSO) investigate crimes with no identified suspects and help free up deputies to take emergency calls

for service. The Sheriff also has one CSO dedicated entirely to abandoned vehicle abatement, helping get abandoned vehicles off of our public roadways. CSOs also participate in outreaches at local schools and in the community.



“Officer Swanson is part of the Mobile Intervention Services Team (MIST), partnering DHHS social workers with police officers. He knows people by name, has built rapport, and is aware of their individual needs. His position allows him to slow down interactions, identify the underlying issues, and work on solutions. In the long run, these interactions reduce calls for service and free up time for patrol officers.

Ranger Gagnon patrols all Eureka parks and trails, keeping them clean and safe. You can find him walking through Sequoia Park, checking for helmets at the Coopers Gulch Skate Park, meeting dogs at the Del Norte Dog Park, and maintaining the Hikshari' Trail.

Eureka Police Department

Project funds 2 police officers, park ranger, homeless liaison





Cannabis Cultivation

The Humboldt County cannabis industry is at a critical moment in history. Cannabis businesses, especially small farmers, are struggling as they transition from an environment that has been illegal for more than 50 years to a legal market. Project Trellis: The County of Humboldt Cannabis Micro-grant, Marketing, and Local Equity Program (LEP) aims to support local businesses by promoting growth and sustainability in the new legal market.

Project Trellis has the potential to provide supportive services, marketing, grants and loans that are critical to local cannabis businesses becoming more competitive in the market, thereby providing a greater chance that the Humboldt County economy can thrive, and local public safety and essential services such as those funded by Measure Z, the half-cent sales tax, can continue.

Why a Trellis? Just as a garden trellis is designed to support and encourage upward plant growth, Project Trellis and the LEP can serve to support and sustain the local cannabis industry until a point of industry stabilization, or beyond.

Project Details:

Micro-grant program

Funding is aimed at providing capital assistance and business resources to Humboldt County cannabis businesses.

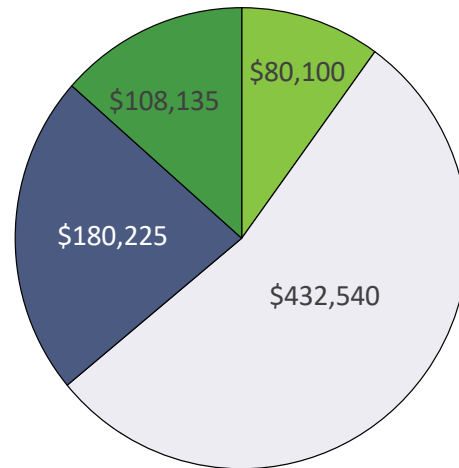
Marketing and Promotional Initiative

Designed to promote Humboldt-grown cannabis as a national and industry brand.

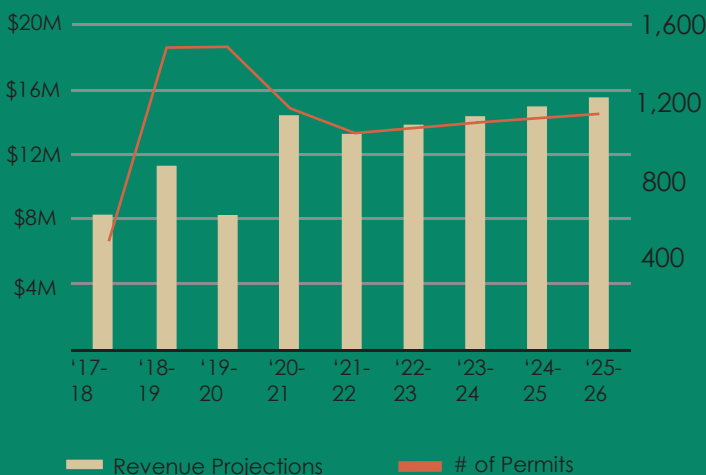
Local Equity program

This program will serve those communities and individuals impacted by the war on drugs. This portion of the program will be funded by a combination of local and state funding.

Project Trellis: Program Breakdown



- Admin
- Marketing
- Micro Grant & Loan
- Local Equity Program



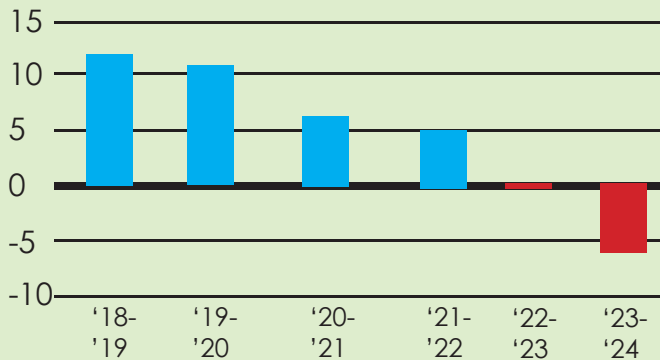
The Future of Cannabis

Utilizing Measure S revenues to fund ongoing expenses requires careful consideration as this excise tax is a new revenue source and the cannabis industry is in its infancy in terms of legalization. In March of 2019, the Board of Supervisors shifted the billing cycle delaying payments and, once due, splitting them into two installments, resulting in a \$6.5 million reduction of revenue in FY 2018-19 and \$9.6 million less than projected in FY 2019-20. Additionally, overall revenues are projected to decline in 2023 when rules limiting farm sizes sunsets.

A Look Ahead

If current trends continue, the General Fund is expected to fall to a negative balance as early as 2022. This is a significant risk to the county's ability to serve the community, particularly when it comes to public safety. Major contributing factors to declining fund balance include increasing retirement costs, costs for ADA and infrastructure financing, and slow to moderate revenue growth, particularly sales tax and cannabis excise tax.

Projection of General Fund Balance*



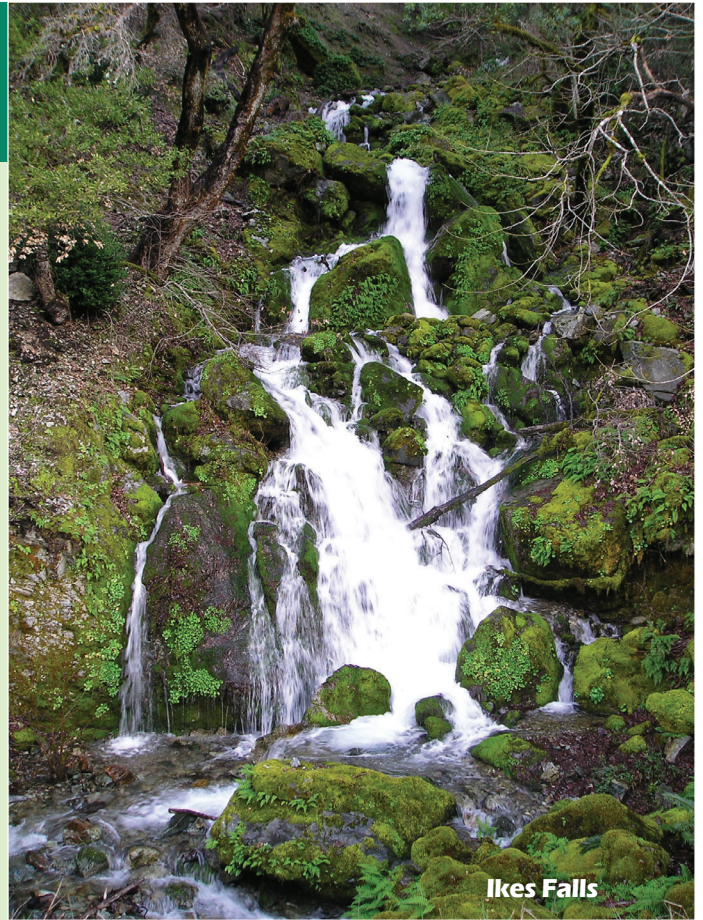
General Fund Projection Results

Projections show that expenditures exceed revenues for each year of the projection.

This forecast assumes that annual contributions to deferred maintenance are \$574k and reserves are 10 percent of Measure S revenues. Contingencies are \$2 million.

Entering FY 2019-20, an additional \$935,000 is needed annually, or \$6.5 million total, to begin to meet annual policy levels for reserves, contingencies and deferred maintenance.

* Projections were made in February, prior to changes in Measure S billing cycles. The change resulted in a reduction of approximately \$8 million in both FY 2018-19 and FY 2019-20. This graph does not reflect this policy change.



Ikes Falls

What does all of this mean?

The General Fund is starting to show improvement, however the county is still spending more than it earns, and that disparity will grow in future years if no action is taken.

We discussed the factors contributing to declining fund balance above, and if either of those factors changes for the better, such as cannabis revenue, the forecast would need to be revised, and the fund balance issue would not portray such a bleak picture.

There are a number of fiscal concerns/issues that are manageable with a long-term plan and a disciplined approach. The include insufficient Reserves, fixed costs increasing faster than revenue growth, reduction of Measure Z revenue, and reliance on fund balance to produce a balanced budget.

Your Board has taken steps to begin addressing the above concerns. Commitment to those plans will provide the county with the best chance to weather the inevitable financial storms headed our way.



Community Connections

Improvement Projects Support County Youth



Freshwater Park now includes equipment and areas that are accessible to all.

First Accessible County Park Reflects Community's Needs

In the fall of 2017, the county entered into an agreement with The KPA Group to design Americans with Disabilities Act improvements at Freshwater Park. The construction project includes accessible routes to amenities, including the park's picnic areas, volleyball court, as well other various locations throughout the park. The construction project also includes a remodel of the unisex restrooms located on the lower level of the park. In addition, the playground area of the park required barrier removal to its ground surface and playground features.

Due to the detailed nature of inclusive playground equipment, the county contracted with Landscape Structures, Inc. Playground equipment and colors were chosen based on a study conducted as part of the Freshwater County Playground Renovation Project, in December 2014. This project study based its evaluation on a focus group of 2nd and 3rd grade students and parents of those students

at Garfield School in Freshwater, and park visitors. In addition, the survey included neighbors along Freshwater Road and one-on-one interviews at the playground and Arcata Farmers Market.

The summary of findings concluded children ages 6-8 enjoyed structures that are unique and complex, and those that challenge their balance, imagination, and skill level. Community input indicated that the playground equipment should incorporate green and yellow as the preferred colors. Staff reviewed the findings in the report, conferred with the Department of Public Works and took into consideration budgetary constraints to determine the number of large and small features for small children, school-age children and accessibility. Staff then consulted with Ross Design, a partner of Landscape Structures, Inc., to design the county's first inclusive playground at Freshwater Park.

Sheriff's Corrections Operations Focuses on Inmate Progress



In-Custody Programming

The Sheriff's Office believes in order for inmates to be successful after release, they must be given the opportunity to better themselves while in custody. The Sheriff provides inmates with a variety of opportunities, from college courses and literacy classes to wellness counseling and AA/NA groups, we want to ensure inmates are equipped with the tools they need to stay out of jail for good.

80 Volunteers	14 Programs offered to inmates
254 Inmates completing college courses	2 Inmates receiving a HiSET certification

CalTRANS Inmate Work Crew

In-custody offenders have the opportunity to join the Caltrans inmate work crew. This crew completes various work assignments during the day such as grass mowing, culvert cleaning, small tree work and chipping throughout the county. Crew members gain work experience while serving their time.

704 Work assignments completed

Sheriff's Work Alternative Program

The Sheriff's Work Alternative Program is an alternative to incarceration for low-risk offenders. Offenders are able to work off their time at either the Sheriff's Wood Lot, Farm, Animal Shelter, or County Garage. This allows the Sheriff to reduce overcrowding inside the jail and it allows individuals to remain productive members of society.

163 SWAP participants	368 SWAP hours served
700 Cords of wood cut	

Occupational empowerment program is 'Helping Humboldt'

Since DHHS's Employment Training Division (ETD) launched Helping Humboldt (HH) in August, more than 130 clients have participated in the program, which provides day-labor opportunities to individuals with significant barriers to work and in need of work readiness.

Program Coordinator Melissa Furbee said the goal of the program is to provide tangible job skills to assist participants into permanent employment. She said participants benefit from learning soft job skills such as being punctual and learning how to maintain work relationships to more concrete skills like landscaping.

Upon its inception, HH started doing regular cleanups at the Humboldt County Public Library's Eureka branch. Library Operations Manager Ronda Wittenberg said HH and Library staff have established a positive working relationship. "Our grounds are routinely receiving much needed weekly pruning, weeding and trash pickup, along with occasional graffiti removal," she said.

ETD Program Manager Connie Lorenzo said



Helping Humboldt staff from left: Steve Brackenbury, Jean Chiles, Julian Lennon, Melissa Furbee and Noah Urban.

participants have picked up more than 885 pounds of trash across the community, disposed of more than two tons of green landscaping waste and washed 160 county vehicles.

"The ultimate goal of the program is getting people doing constructive community work, but also getting people ready for work," she said. "It's beneficial for the community to see our clients being constructive members of the community and giving back. It's something that has an impact on the local community."



Community Connections

Grants boost Mental Health's countywide response

Three grants totaling nearly \$6.5 million are making it possible for Mental Health to expand its services to people across the county.

All three of the awards are Mental Health Services Oversight and Accountability Commission SB 82 Triage personnel grants and include nearly \$700,000 to hire more Mobile Response Team (MRT) staff to serve adults, and more than \$500,000 additional funding for Children & Family Services MRT staff.

Mental Health Deputy Director Paul Bugnacki said five additional staff have been hired to work on the adult MRT since the grant came through, making it possible for the team to provide direct services from 8 a.m. to 7 p.m. daily. He said assessing individuals in the field means they can be linked to services in the least restrictive environment possible. "Now the Crisis Stabilization Unit and Sempervirens are not being overly impacted with folks who did not require that higher level of mental health services," Bugnacki said.

Mental Health's Children's MRT grant is providing similar mental health services to young people between 0 and 21 years old across the county. Senior Program Manager Jet DeKruise said through the Children's MRT grant they recently hired a new case manager who has expanded the team's ability to connect with families and follow up.

The largest grant, totaling more than \$5.2 million, is a partnership between the Humboldt County Office of Education and DHHS Mental Health and will provide children with mental health services in schools across the county. Staff is currently being hired for these positions with the program likely to launch in late spring.



Mental Health staff from left: Cassie Lethin, Bryony Shaw, Dylan McClure, Kelly Johnson, Gabe Bennett, India Garza, Jet DeKruise, Windy Scott, Jennifer Oliphant, Terri Wagner, Shamielka Kiel, Trysta Hays and Betty Garfield.

Oral health grant bringing smiles to local children

More than 100 Humboldt County children with untreated cavities are getting the dental health care they need, thanks to a \$3.8 million Dental Transformation Initiative grant DHHS received from the Department of Health Care Services.

In June, DHHS and its grant partners started enrolling qualified children from across the county into the Smile Humboldt Family program. Staff from Public Health worked closely with partners including Redwood Community Action Agency, K'ima:w Dental Clinic, Redwoods Rural Health Center, Open Door Community Health Centers, California Center for Rural Policy at Humboldt State University and Family and Community resource centers participating in the efforts.

Enrolled families work with a Community Health Outreach Worker (CHOW) to assist in getting the dental care they need. In addition, each CHOW provides individualized oral hygiene instruction, supplies and nutrition education so children can grow up cavity free.



Laura McEwen, DHHS, and Lorey Keele, Redwood Community Action Agency community services director

Helping Humboldt



Innovative Project Ensures Health of Historic Bridge

Brookwood Bridge was first known fumigated wooden bridge in California

Built between 1967 and 1969, the picturesque Brookwood Drive Bridge has served as the gateway into the Brookwood neighborhood for 50 years. The covered timber warren-truss structure, with its signature red paint, crosses over Jacoby Creek near the community of Bayside in Humboldt County.

In 2013, the Humboldt County Department of Public Works conducted a field inspection and bridge condition evaluation to determine what was needed to ensure the bridge would remain a safe way for pedestrians and vehicles to cross the creek for many years to come as it is the only access route into the community.

The primary concern identified in the evaluation was the presence of wood destroying pests which, if not treated, had the potential to cause significant irreversible damage to the lower truss chords and floor beams of the bridge, which are important structural members. Other issues like paint wear, pedestrian walkway and railing deterioration, and needed roof repairs were identified as well.

Rather than replacing the well-designed and constructed bridge which was built by Earl Biehn and Charles Roscoe, first head of the engineering department at Humboldt State, the county worked to preserve and restore the rare and locally significant bridge.

Rehabilitation measures were identified as a cost-effective strategy and the County used unique design and construction techniques to complete the project. The project successfully navigated uncharted regulatory requirements as it was the first time a wooden bridge was fumigated in California. It also used compressed natural gas to maintain utility service during construction operations. The pedestrian walkway was restored to its original appearance while updating its design for current code loading and standards.

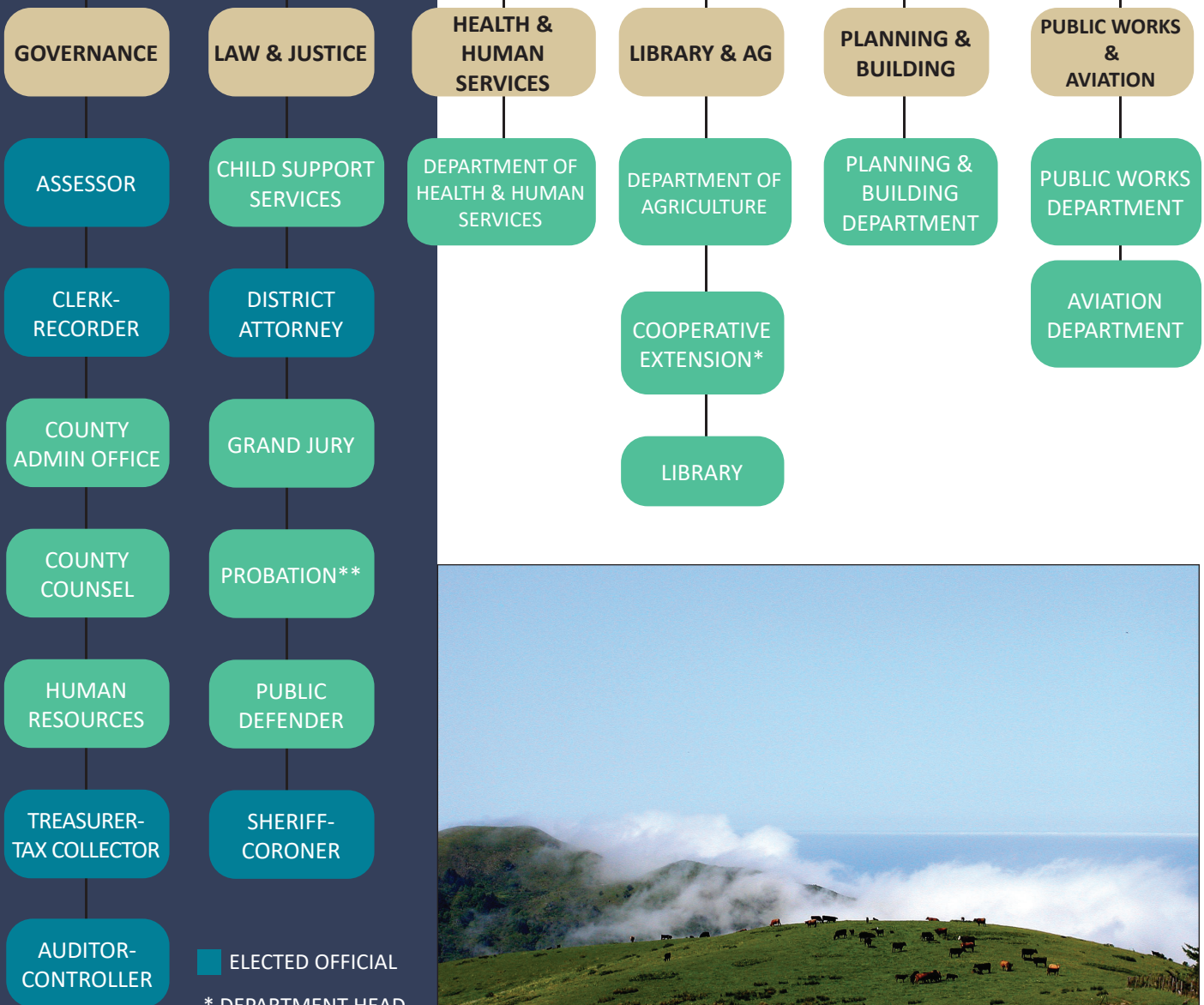
The rehabilitation efforts for the bridge were completed in October 2018 by Quincy Engineering (Engineering Design Firm), Kernen Construction (Contractor), and SHN (Construction Management). The bridge should continue to serve the residents of Brookwood and Humboldt County for the foreseeable future.



County Organizational Chart

CITIZENS OF HUMBOLDT COUNTY

BOARD OF SUPERVISORS



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



Staying Involved

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

Nanci Bryant

Cover: King Range
Back Cover

Nanci Bryant is an employee of the Agriculture Department. She takes her camera everywhere and enjoys taking landscape shots and clearly identifying a subject within a frame. Her dog Beau is a frequent star of her photography.

Jill Duffy

P. 10 Osprey
P. 12 Stone Lagoon
P. 13 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.

Ken Malcomson

P. 11 Lighthouse Road
P. 21 Ikes Falls
P. 26 Bunker Hill

Ken Malcomson is a longtime Humboldt County resident and graduate of Humboldt State. His photography often appears in local publications.

Other Submitted Photos

P. 16 Lisa Wilhelmi: Benbow Inn
P. 19 City of Eureka
P. 22 Humboldt County Administrative Office
P. 23 Sheriff's Office: Inmate Programming
P. 23 DHHS: Occupational Empowerment
P. 24 Mental Health, Oral Health
P. 25 Public Works: Brookwood Bridge

ADOPTED
BUDGET
FY 2019-20



HUMBOLDT COUNTY
CALIFORNIA

