COUNTY OF HUMBOLDT

For the meeting of: 12/19/2023

File #: 23-1444

To: Board of Supervisors

From: County Administrative Office

Agenda Section: Departmental

Vote Requirement: 4/5th

SUBJECT:
First Quarter Fiscal Year 2023-24 Budget Update (4/5 Vote Required)

RECOMMENDATION(S):
That the Board of Supervisors:
1. Receive a review of the Fiscal Year (FY) 2022-23 estimated ending balances, first quarter results for FY 2023-24 cost savings measures, and an initial projection of the county's budget condition for FY 2024-25;
2. Ratify the updated FY 2023-24 Voluntary Separation Incentive Program Designation List (Attachment 1);
3. Approve the list of budget adjustments shown on Attachment 2 (4/5 Vote Required), and authorize the County Administrative Office (CAO) staff to make any technical corrections necessary to effectuate the Board's direction;
4. Approve terminating the hiring freeze for all departments that did not receive an Additional Request for General Fund Appropriation (ARGFA) in FY 2023-24, terminate the authority of the County Administrative Officer and Director of Human Resources to authorize exceptions to the hiring freeze, and direct departments that did receive an ARGFA to bring requests for exception before your Board;
5. Direct staff to discontinue exploring mandatory furlough as a cost saving option for consideration at mid-year; and
6. Provide additional direction to staff as appropriate; and
7. Direct the Clerk of the Board to provide the County Administrative Officer with one (1) fully executed, certified copy of the Board order related to this item.

SOURCE OF FUNDING:
All County Funds

DISCUSSION:
The CAO provides quarterly budget reports to keep the Board and the public informed on the status of the county's finances and other factors that may influence that status going forward. Because of the

uncertainty in the finances over the past few years, the first and third quarter reports were not able to be provided. Due to the hard work of the Auditor-Controller's Office in bringing the county's finances to current, staff can provide a first quarter budget update this year.

Economic Outlook

Nationally, the inflation rate has subsided to 3.70% compared to 8.20% last year. That said, the federal reserve rate continues to climb and impact consumer spending in California and Humboldt County. In August, the 30-year fixed mortgage interest rate in Humboldt County had climbed to 7.18% while the median home price fell by 8.50%. In addition, unemployment rose from 4.50 to 5.20%. These factors indicate economic conditions are still challenging for consumers in Humboldt County. According to HdL Companies, the unincorporated area's sales receipts through June 2023 were still down 5.3% over last year. Most business sectors are down, but the service stations saw the steepest decreases in this quarter as prices came down from the high prices at this time last year and garden/agricultural supplies continued to see decreases likely connected to the struggles in the cannabis industry. The state is experiencing similar sales tax trends, except that restaurants seem to be improving on the state level, while they continued to decline in Humboldt County. HdL Companies reports that sales tax is likely to continue to decline for the rest of 2023 before leveling off in early 2024.

Similar to the county, the state experienced significant revenue shortfalls in FY 2022-23, resulting in an estimated $68 billion budget deficit according to the state's Legislative Analyst's Office (LAO). In the FY 2023-24 state budget, the state planned for a $14 billion state budget deficit in FY 2024-25, however, they did not account for the significant shortfall in FY 2022-23, which will further worsen their funding shortfall. The state has a variety of one-time options that they can utilize to address the deficit such as utilizing reserves and reducing spending in schools and community colleges. The state also faces a multi-year deficit; therefore, the LAO urges that one-time funding be used cautiously as it is not sufficient to fund sustained ongoing deficits. It is anticipated that there will be an improvement in FY 2023-24 revenues from what was expected at the time of the state budget, however even with this improvement in revenue, the state will still face a nearly $10 billion deficit in FY 2024-25 if no other actions are taken.

Despite current economic constraints, Humboldt County's economic future looks promising, with offshore wind energy, port development, and diversification of economic activities at the forefront. By leveraging natural resources, and a focus on economic activity related to energy independence and sustainability, Humboldt County can create a sustainable and diversified economy, providing jobs and prosperity for its residents while contributing to California's renewable energy goals and economic development in the northern California region. It's crucial for stakeholders to work together to make the most of these opportunities and address potential challenges early to bring such positive economic impacts to fruition.

Review of Year-End Fund Balances for FY 2022-23

In reviewing the estimated year-end fund balances, it should be noted that the Auditor-Controller's Office is still in the process of being audited on FY 2021-22 and closing FY 2022-23, so while staff believe these numbers are reliable, there is still the possibility of additional transactions posting which could impact fund balance.

1100 - General Fund
The fund containing the majority of county programs is known as the General Fund, which is the source of discretionary funding derived from local revenue sources such as property tax and is available to be spent on local needs.

At the time of the FY 2023-24 Proposed Budget report, the FY 2022-23 year-end fund balance was projected to be $25 million, utilizing $15 million in General Fund balance for the year. The General Fund is estimated to end last fiscal year with a fund balance of $36.9 million, an $11.9 million increase over the anticipated ending balance, much of which is due to savings in Measure Z. As the FY 2021-22 fund balances became more final, the ending fund balance for FY 2021-22 increased from the estimated $40 million to $43.1 million. In addition, the use of fund balance in FY 2022-23 is anticipated to be approximately $6.2 million, a reduction of $8.8 million from the $15 million estimated at budget adoption.

General Fund

	Estimated at the Proposed Budget	As of this report	**Change**
FY 2021-22 Ending Balance	$ 40,000,000	$ 43,087,875	**$ 3,087,875**
FY 2022-23 Fund Balance Use	$ (15,000,000)	$ (6,203,036)	**$ 8,796,964**
FY 2022-23 Ending Balance	$ 25,000,000	$ 36,884,839	**$ 11,884,839**

This positive financial news is largely the result of the following:
- $3.1 million increase in the ending FY 2021-22 fund balance from what was anticipated at the FY 2023-24 Proposed Budget
- $880,214 in Contingency Reserves held for unanticipated expenses that went unspent
- $2.2 million in Measure Z allocations to be carried forward (Attachment 2)
- $73,412 in General Fund allocations to be carried forward (Attachment 2)
- $861,043 in additional savings due to lower than anticipated General Relief assistance payments
- $1.1 million in savings in the Public Works' Facilities Management due primarily to salary savings
- $3.7 million in combined expenditures savings from other General Fund departments

While this is positive news for the General Fund's ability to fund the current year and the upcoming FY 2024-25 budget, the county still faces an adopted budget deficit of $18.4 million for FY 2023-24, which is compounded in future fiscal years by negotiated salary increases and continually rising costs. It is critical that the county continue to be conservative moving forward and work to present a balanced budget in future fiscal years.

Measure Z

Measure Z revenues were $1.3 million less than budgeted in FY 2022-23 due to lower than anticipated sales tax receipts, however, carryforward fund balance was higher than anticipated by $1.9 million. Additionally, Measure Z funds had $3 million in expenditure savings in county department Measure Z allocations and $2.2 million in savings from outside agencies, for a total expenditure savings of $5.2 million. The county department savings included:

- $199,797 in Public Defender savings due to the delay of purchasing the E-Defender software
- $1.04 million in Department of Health and Human Services (DHHS) salaries, services and supplies
- $457,919 in District Attorney salaries
- $228,498 in Probation salaries and services and supplies
- $572,235 in Sheriff salaries and services and supplies
- $396,973 in Public Works salaries
- $104,802 in County Administrative Office (CAO) salaries

This $5.2 million in expenditure savings includes carrying forward the $2.2 million in funds to FY 2023-24 allocated to the following:

- $199,797 for E-Defender software for the Public Defender, this transaction was anticipated as carryforward in the FY 2023-24 budget
- $1,906,007 for fire expenditures, most of which has been ordered, but not received for the Humboldt County Fire Chief's Association (HCFCA)
- $88,539 for the Yurok Tribe's FY 2022-23 Measure Z Project which encountered contract delays due to uncertainty in the county budget

In addition, staff informed your Board of the available $3 million from county expenditure savings at the Dec. 5th Board meeting. As requested, staff will return to your Board in January to consider the $3 million of available funds and the role of the Measure Z Citizens' Advisory Committee. In addition to this $3 million, during the FY 2019-20 and FY 2020-21 audits, it was determined that sales taxes for the July and August periods were applicable to the prior year and should be accrued back. The Auditor-Controller implemented these recommendations in this year which resulted in a one-time Measure Z fund balance increase of $2.4 million. This is not additional revenue, rather an accounting adjustment that resulted in funds being available in fund balance sooner than before.

General Fund and Measure Z

		General Fund		Measure Z		General Fund without Measure Z
FY 2022-23 Ending Balance	$	36,884,839	$	7,952,510	$	28,932,329
Carry forward	$	2,267,755	$	2,194,343	$	73,412
Available balance to fund future years	**$**	**34,617,084**	**$**	**5,758,167**	**$**	**28,858,917**

It is estimated that the General Fund has $34.6 million in available fund balance at the beginning of FY 2023-24, of which $5.8 million is Measure Z funds, resulting in $28.9 million of available General Fund balance for use in future fiscal years.

Health & Human Services Funds

The Department of Health and Human Services (DHHS) administers six budgetary funds. All of the DHHS funds had combined expenditures and other financing uses of $275.5 million and revenues and other financing sources of $278.7 million for FY 2022-23. This resulted in an overall ending departmental fund balance deficit of ($123,266), an improvement in negative fund balance by $5.2 million from the previous fiscal year. DHHS has typically maintained a positive fund balance overall, despite challenges in receiving reimbursements for Behavioral Health services. As DHHS funds are general funds, this negative overall fund balance results in negative interest apportionment, in turn reducing the positive interest to the County General Fund. In FY 2022-23, the County General Fund lost $202,280 in interest due to DHHS' negative fund balances.

This shift to a negative fund balance is primarily due to fund 1160, Social Services Administration which ended FY 2022-23 with negative ($16.2 million) fund balance. DHHS - Social Services Branch (SSB) is primarily funded by state and federal funding sources in which they claim their costs for reimbursement on a quarterly basis. They have the opportunity to submit a revised claim twelve months later. This revised claim allows them to capture costs that were not previously included in the original claim for a variety of reasons, but typically due to late posting of the expenditures. In December 2022, the timeframe for submission of the revised claim was changed from nine months to twelve months which delays reimbursement for those costs by an additional three months. The first claim this impacted was the adjusted claim for Quarter 2 of FY 2020-21. In addition to the change in claiming timeframe, the delays in expenditure posting, especially indirect expenditures such as the Cost Allocation Plan (CAP) and Internal Service Fund (ISF) charges in fiscal years prior to FY 2022-23 have delayed reimbursement as DHHS-SSB was unable to claim many of these costs until their revised claims. DHHS-SSB has submitted their estimated receivables to the Auditor-Controller, detailing $28.3 million of outstanding receivables for FY 2022-23 that will be received in FY 2023-24 or beyond. This exceeds their fund balance deficit by $12.1 million, therefore it is expected that this fund will return to a positive fund balance.

DHHS - Behavioral Health (BH) ended FY 2022-23 with a negative fund balance of ($2.4 million), a positive improvement of $5.7 million over the prior year. DHHS-BH has been plagued with challenges in receiving reimbursements in a timely manner. These delays are caused by the claims adjudication process which can take a few months to close and also the cost report/settlement process that can take multiple fiscal years before full reimbursement is realized. As of FY 2022-23, DHHS-BH fund 1170 long-term receivables for cost report settlements due from the Department of Health Care Services (DHCS) total an estimated $12.5 million. These receipts go back as far as FY 2016-17. The reason these receipts are so long outstanding is due to the state's lengthy cost settlement process. These receipts would eliminate the negative fund balance for DHHS-BH. DHCS has recently taken proactive measures to improve the cost settlement timeline, by instituting payment reform through Cal-AIM. This will change the process to an intergovernmental transfer (IGT) process. This IGT is a transfer of funds from a county (the public agency) to DHCS (the Medicaid Single State Agency) to be used as the county portion of the nonfederal share of payments to the county for Medi-Cal covered Behavioral Health Services. Upon DHHS-BH billing DHCS for service, they then reimburse DHHS-BH the full cost of the service billed. It is anticipated that this will improve the reimbursement process and result in faster payments.

The overall DHHS fund balance will continue to be monitored closely as the Auditor-Controller's Office continues to catch up and while payment reform is implemented for Behavioral Health.

1120 - Economic Development Fund

The Economic Development fund ended FY 2022-23 with an estimated fund balance of $722,812, a decrease of $3.1 million over the prior year. Economic Development manages the Project Trellis Cannabis Equity program which receives funding from the state, this decrease in fund balance is due to a reduction in carryforward funds for this program over FY 2021-22. Your Board directed staff to move forward with the next round of funding, $1.2 million, which was anticipated in FY 2022-23, but has been delayed to FY 2023-24. Staff are reconciling Trellis Equity program funds and will return with any necessary budget adjustments for FY 2023-24 at mid-year.

1200 - Roads Fund

The Roads fund was brought forward at the presentation of the FY 2023-24 proposed budget due to the large negative fund balance. The Roads fund ended FY 2021-22 with a negative fund balance of ($5.4 million), a slight increase in negative fund balance of ($26,244) from what was estimated at the time of the proposed budget. The estimated ending fund balance for the Roads fund in FY 2022-23 is ($8.5 million). While this is an increase in the negative fund balance of over $3 million, it is an improvement of $7 million over what was estimated at the proposed budget. Despite this improvement and recognizing that there are significant outstanding reimbursements for disaster assistance, the Roads fund continues to struggle with funding necessary projects year over year.

As previously shared, Humboldt County has approximately $500 million in need for road repairs over the next 10 years. According to one recent study, the county has some of the worst pavement conditions in the state, and at current levels of funding, most county roads will be rated as "failed" by

2033. Delaying maintenance and repairs to roads only increases costs in the long run - letting conditions worsen until roads have to be replaced entirely. At the Boards direction, staff has begun working on community outreach efforts regarding road conditions and other issues impacting fiscal sustainability in order to develop a potential solution this year. One possibility that is being considered is a potential sales tax measure for 2024 that could help to shore up roads funding as well as qualify for additional funding from state and federal sources. Staff will continue to monitor the fund balance closely.

1500 - Library Fund

The Library fund ended FY 2022-23 with a fund balance of $1.2 million, a decrease of ($321,840) from FY 2021-22. This is better than anticipated as the FY 2022-23 budget reflected expenditures exceeding revenues by $840,934. The reduction in the use of fund balance is due to higher than anticipated revenue collections primarily in property taxes and significant salary savings associated with numerous vacancies over the past year and the amount of time required to fill those positions.

3530 - Aviation Enterprise Fund

The Aviation Enterprise fund ended FY 2022-23 with an estimated fund balance of $35.3 million due to significant fixed assets in this fund. The estimated cash balance in the Aviation Enterprise fund is $3.4 million, an increase of $2.5 million over the prior year. This increase is primarily attributed to receiving additional state and federal funds from the CARES Act, beyond what was anticipated in FY 2022-23.

Internal Service Funds

The county has 14 internal service funds that provide for services to other county departments including: Motor Pool; Heavy Equipment; Risk Management; Communications; Purchasing; ADA; and Information Technology. These funds ended FY 2022-23 with an estimated combined fund balance of $35.8 million, an increase of $7.1 million from the previous year. The increase was due to the following:

- $852,912 increase in the Workers Compensation fund
- $4,520,432 increase in the Liability fund
- $519,419 increase in the Medical fund
- $460,486 increase to the Purchased Insurance fund
- $1,246,508 increase in the Information Technology fund
- $1,596,151 increase to the ADA Fund
- $93,610 increase to the Roads Heavy Equipment fund

These increases have been offset by the following decreases:

- $1,264,475 decrease to the Motor Pool fund
- $39,962 decrease in the Risk Management fund
- $669,776 decrease in the Communications fund
- $34,965 decrease to the Employee Benefits fund
- $124,602 decrease in the Dental fund

- $12,623 decrease in the Unemployment fund
- $47,104 decrease to the Purchasing fund

The Workers Compensation fund had a negative fund balance of ($57,202) at the end of FY 2021-22. The fund balance at the end of FY 2022-23 is $795,710, a move into the positive. The Liability fund had a negative fund balance of ($867,276) at the end of FY 2021-22. The fund balance at the end of FY 2022-23 is $3,653,157, a move into the positive. This large increase in the Liability fund is due to receipt of unbudgeted, reserved settlement funds. The Purchasing fund has a negative fund balance of ($42,247) at the end of FY 2022-23. This negative fund balance is due to larger than anticipated cost allocation plan charges. The Purchasing fund, along with all other internal services funds, will be implementing or have already implemented a process to reconcile charges in order to maintain sufficient fund balances that are not over- or under-funded.

Review of First Quarter Budget Results

County Budget

Your Board adopted the county's FY 2023-24 budget on June 27, 2023 with a $18.4 million budget deficit. With the adoption of this budget, your Board directed cost saving measures including a voluntary separation incentive program (VSIP), voluntary furloughs, and a hiring freeze for the General Fund. In addition, your Board directed staff to explore other cost saving measures which will be considered at mid-year. These measures were advised at the development of the FY 2023-24 budget in order to prevent staffing reductions through layoff due to the unsustainable budget deficit.

Cannabis Excise Tax

On Oct. 3, 2023, your Board elected to reinstate cannabis excise taxes early at 10% of the voter-approved tax rate to be collected in 2025. This does not have an impact on the FY 2023-24 budget, but as mid-year approaches and your Board establishes the parameters for the FY 2024-25 budget, this will be a reestablished revenue source. In addition, your Board established expectations for payments of past due balances in order to be in compliance with permitting. As payments were not budgeted in FY 2023-24, any outstanding payments received this year will have a positive impact on the General Fund. As reported on Oct. 3, outstanding balances total more than $14 million.

Cost Savings

Voluntary Separation Incentive Program (VSIP)

Your Board directed staff to develop a VSIP in FY 2023-24. On July 18th, your Board approved the program plan and the designation list of positions that would be eligible. Additionally, your Board authorized the CAO to update the position designation list if there were additional positions that departments designated and to return at mid-year to ratify any additional designations. Staff have updated the designation list and it is recommended that your Board ratify the additional positions that have been designated. If there are any further designations after this report, they will be brought forward for ratification at mid-year. The additional designations for ratification are noted as updated in Attachment 1.

To date, 17 county employees have received the VSIP for a total county cost of $289,000. As a result of offering VSIP, departments were required to hold positions vacant for a period of two (2) years, thus providing cost savings in FY 2023-24 and FY 2024-25. Departments were able to elect alternative positions to the one being vacated, provided that the positions being held vacant were fiscally equal to that being vacated. Based on this, it is estimated that cost savings from vacancies in FY 2023-24 will be $1,434,065, of which $839,232 is General Fund. In FY 2023-24, accounting for the incentive payments issued to employees for electing to participate in the VSIP, this is net savings overall of $1,145,065, of which $680,232 is savings to the General Fund. FY 2024-25 estimated savings will be $1,915,818, of which $1,122,844 is General Fund. As it was an option for departments to backfill with extra help, these savings could be reduced some by the utilization of extra help staff or if the departing staff member had large leave balances to be paid out. The estimated savings by participating department are in the following table:

VSIP Cost Savings by Department

	FY 2023-24	FY 2024-25	Total
Auditor-Controller	$ 82,572	$ 133,999	$ 216,571
CAO	$ 48,421	$ 87,098	$ 135,519
DHHS	$ 416,412	$ 705,875	$ 1,122,287
Planning & Building	$ 479,290	$ 769,578	$ 1,248,868
Probation	$ 118,370	$ 219,267	$ 337,637
	$ 1,145,065	**$ 1,915,818**	**$ 3,060,883**

Voluntary Furlough

Your Board authorized department heads to offer voluntary furlough to staff members that may choose to utilize this option. The CAO's office has received paperwork from 21 staff to opt-in to ongoing voluntary furlough, 14 of these staff are General Fund. It is estimated that these furloughs will produce $92,749 in savings, of which $56,896 is a savings to the General Fund. In addition to the voluntary furloughs, a targeted voluntary furlough day with associated county building closures was offered on July 3rd, 2023. The July 3rd closure had 68 participants voluntarily furlough, of which 54 were General Fund employees. The estimated total salary cost savings for July 3rd was $32,961, of which $24,639 was General Fund.

Recommendations

Recommendation #2: Budget Adjustments

During the First Quarter Budget Report, the CAO frequently brings forward budget adjustments on behalf of departments to decrease the number of individual items coming to the Board and provide time savings to departments. Most of the changes are related to carryforward of unspent, budgeted funds from the prior budget year. The recommended budget adjustments requested are detailed in Attachment 2. These include:

- $5,519 CAO - Management & Budget (1100-103) - Carryforward FY 2022-23 unspent funds for the Humboldt Transit Authority employee bus pass program.
- $82,893 CAO - Management & Budget (1100-103) - Carryforward FY 2022-23 unspent funds for the Municipal Resource Group (MRG) contract for HR Support/Compaction Analysis/Strategic Planning and staffing analysis in Public Works.
- ($415,000) Contributions - Other (1100-199) - Due to a change in accounting practices, payments on interfund loans are not a budgeted transaction. This budget adjustment removed the payment for the McKay interfund loan.
- $400,000 Advanced Planning (1100-282) - Carryforward FY 2022-23 unspent funds for the McKinleyville Town Center Environmental Impact Report (EIR) and the Multifamily Rezone Projects EIR.
- $88,539 Measure Z Contributions Other (1100-197) - Carryforward of FY 2022-23 Yurok Tribe's Measure Z Project which encountered contract delays due to uncertainty in the county budget.
- $1,906,007 Measure Z Contributions Other (1100-197) - Carryforward of FY 2022-23 fire expenditures, most of which has been ordered, but not received for the Humboldt County Fire Chief's Association (HCFCA).
- $255,431 Library (1500-621) - Due to an unexpected retirement of a long-time county employee.
- $1,880 American Rescue Plan Act (3232-120200) - Carryforward FY 2022-23 unspent funds for the Regional Facility HVAC Project.
- $13,155 American Rescue Plan Act (3232-120200) - Carryforward FY 2022-23 unspent funds for the Information Technology HVAC Project.

Recommendation #3: Partial termination of the hiring freeze

Due to the improved estimated General Fund balance, staff recommends terminating the hiring freeze for departments which were able to budget within their General Fund allocation for FY 2023-24. Staff presents this recommendation cautiously as General Fund balance presents such that it is not anticipated that layoffs will be a necessary action in the FY 2024-25 budget. Despite the positive fund balance, the structural deficit will only increase unless actions, such as those taken by your Board in FY 2023-24 continue to take place. It is critical that departments take opportunities to reduce staffing costs through attrition to prevent a future need for involuntary staffing reductions. Given this, staff recommends the departments which received additional general fund allocations (known as ARGFA's) to prevent layoffs be subject to continue with the hiring freeze as planned through the end of FY 2023-24. Those departments include 10 county departments, some with multiple budgets impacted:

- 101 - Board of Supervisors
- 111 - Auditor-Controller
- 113 - Assessor
- 130 - Human Resources
- 140 - Elections
- 168 - Public Works - County Surveyor
- 219 - Public Defender

- 221 - Sheriff Operations
- 243 - Sheriff Corrections
- 246 - Public Defender - Conflict Counsel
- 262 - Planning & Building - Building Inspector
- 269 - Planning & Building - Code Enforcement
- 277 - Planning & Building - Current Planning
- 282 - Planning & Building - Advanced Planning
- 632 - UC Cooperative Extension

Additionally, staff recommend removing the authority of the County Administrative Officer and Director of Human Resources to grant exceptions to the hiring freeze and directing these departments to request exceptions to your Board.

Recommendation #4: Mandatory Furlough

Due to the improved estimated General Fund balance and that mandatory furlough was only being considered as a last resort measure to prevent staffing reductions, staff recommend that your Board consider removing that as an option for cost savings at this time, so that staff time is not spent developing a program which will more than likely be unnecessary based on current projections. It is recommended that staff focus their efforts on solutions which offer long-term cost savings rather than short-term.

Next Steps

As previously reported, the estimated available General Fund balance for use in FY 2023-24 is $28.9 million. With an $18.4 million adopted budget deficit in FY 2023-24 and incorporating estimated savings from the VSIP and Voluntary Furlough, $11.2 million will remain to fund FY 2024-25.

General Fund Projection - FY 2023-24 & FY 2024-25

FY 2022-23 Ending Balance	$ 36,884,839
Carryforward to FY 2023-24	$ (2,267,755
Measure Z Available FY 2023-24	$ (5,758,167
FY 2023-24 Available General Fund Balance	**$ 28,858,917**
FY 2023-24 Adopted Budget Fund Balance Use	$ (18,387,661
Estimated VSIP & Voluntary Furlough Savings	$ 761,767
FY 2024-25 Available General Fund Balance	**$ 11,233,023**

The mid-year budget process kicked off in the beginning of December with departments attending training on the Sherpa budget software. It is critically important this year that departments are realistic with their year end budget projections, so that reliable fund balance projections can be established for staff to provide recommendations to your Board for FY 2024-25 budget development. Without further action, $11.2 million is likely insufficient to fund FY 2024-25. Expenditure reduction measures must continue to be pursued to reduce the FY 2023-24 budget deficit and anticipated FY 2024-25 deficit. Further, while the fund balance improvement is helpful in funding budget deficits, one-time funds such as fund balance will not resolve sustained budget deficits. It is recommended to prioritize long-term cost saving strategies to produce a balanced budget.

FINANCIAL IMPACT:

Expenditures (Various)	**FY23-24**
Additional Appropriation Requested	$2,338,424
Total Expenditures	**$2,338,424**
Funding Sources (Various)	**FY23-24 Adopted**
General Fund	$73,412
General Fund - Measure Z	$1,994,546
Other Funds	$270,466
Total Funding Sources	**$2,338,424**

**Projected amounts are estimates and are subject to change.*

The financial impact is detailed in the report. If your Board takes action as recommended, the recommended budget adjustments will increase the overall county General Fund (1100) budget by $73,412, the General Fund - Measure Z budget by $1,994,546, the Library fund (1500) by $255,431 and the Emergency Response fund (3232) by $15,035. These adjustments are all carryforward funds that were unspent in FY 2022-23.

STAFFING IMPACT:
Though receiving this report does not have a staffing impact, should your board approve recommendation 4, this will save staff time to explore and develop and mandatory furlough program.

STRATEGIC FRAMEWORK:
The recommended actions support the following areas of the Board of Supervisors' Strategic Framework.

Core Roles: N/A
New Initiatives: Manage our resources to ensure sustainability of services
Strategic Plan: N/A

OTHER AGENCY INVOLVEMENT:
None

ALTERNATIVES TO STAFF RECOMMENDATIONS:
Board discretion.

ATTACHMENTS:
1. VSIP Master Designation List
2. First Quarter Budget Adjustments FY 2023-24

PREVIOUS ACTION/REFERRAL:
Board Order No.: N/A
Meeting of: 6/6/2023
File No.: 23-767