County of Sonoma Agenda Item Summary Report

Clerk of the Board
575 Administration Drive
Santa Rosa, CA 95403

Agenda Item Number:
(This Section for use by Clerk of the Board Only.)

To:	Sonoma County Board of Supervisors
Board Agenda Date: December 12, 2017	**Vote Requirement:** Majority
Department or Agency Name(s):	County Administrator
Staff Name and Phone Number: Sheryl Bratton, 565-2431	**Supervisorial District(s):** All
Title:	Fire Recovery Update

Recommended Actions:

Receive update on fire recovery efforts and next steps.
A) Post-Fire Fiscal Outlook Update
B) Adopt a Resolution Creating the Office of Recovery & Resiliency and directing staff to pursue staffing and financial options to support the Office.

Executive Summary:

In the early morning hours of October 9, 2017, the Emergency Operations Center was activated in response to several fires that became known as the Sonoma Complex Fires. The disaster is one of the worst in California history, and presents an ongoing risk to the life and safety of people, property and environment of Sonoma County. Staff will provide a fiscal update and a proposal for an office within the County Administrator's Department dedicated to recovery and resiliency efforts.

Discussion:

In the early morning hours of October 9, 2017, the Emergency Operations Center was activated in response to several fires that became known as the Sonoma Complex Fires. The Fires burned 173 Square Miles, destroyed 6,579 Structures and damaged an additional 486.

Planning for recovery efforts were initiated and continue every day to help Sonoma County residents begin the process of rebuilding. The recovery efforts associated with the Sonoma Complex Fires are multi-pronged, and impact almost all of the departments within the County.

The oral update will include information from Christina Rivera, Assistant County Administrator, on a post-fire fiscal outlook update, and Sheryl Bratton, County Administrator, on a proposal to consolidate recovery efforts.

Prior Board Actions:	
December 5, 2017 – Renewal of Emergency proclamations and Urgency Ordinance Extending Prohibition on New Vacation Rental and Hosted Rental Permits. November 21, 2017 - Renewal of Emergency proclamations and Amendments To The Cleanup Urgency Ordinance Addressing Enforcement. November 14, 2017 - various actions supporting recovery efforts. November 7, 2017 - Renewal of Emergency proclamations, Resolution to allow Temporary Residential Use of Recreational Vehicles on Agricultural Lands and Lands Under Land Conservation Act Contracts for Emergency and Immediate Housing needs October 24, 2017-various actions supporting recovery efforts, including urgency ordinances related to housing availability and the prevention of price gouging, waiving impact fees for new accessory dwelling units, and implementation of Safe Parking. October 17, 2017-authorize the State to provide direct assistance for debris removal October 10, 2017-Ratify the Proclamation of a Local Emergency and Request for State and Federal Assistance	
Strategic Plan Alignment	Goal 3: Invest in the Future
By developing a comprehensive recovery effort, the Board ensures the long-term stability of our community and our residents.	

Fiscal Summary			
Expenditures	**FY 17-18 Adopted**	**FY 18-19 Projected**	**FY 19-20 Projected**
Budgeted Expenses			
Additional Appropriation Requested			
Total Expenditures			
Funding Sources			
General Fund/WA GF			
State/Federal			
Fees/Other			
Use of Fund Balance			
Contingencies			
Total Sources			

Narrative Explanation of Fiscal Impacts:

Staffing Impacts			
Position Title (Payroll Classification)	**Monthly Salary Range** (A – I Step)	**Additions** (Number)	**Deletions** (Number)

Narrative Explanation of Staffing Impacts (If Required):

Attachments:

Post-Fire Fiscal Outlook Update Report
Memorandum to the Board on Proposed Office of Recovery & Resiliency
Proposed Resolution Approving the Office of Recovery & Resiliency and Pursuing the Addition of Position Allocations and Funding Options for the Office

Related Items "On File" with the Clerk of the Board:

County of Sonoma Post-Wildfire Disaster Fiscal Outlook Update

December 12, 2017

Prepared by the County Administrator's Office

Contents

Attachments

A) General Fund Fiscal Outlook

B) Estimated Property Tax Reduction - Secured Tax Only

C) Disaster Emergency Work – Cost Incurred as of 11/30/2017

Executive Summary

In the early morning hours of October 9, 2017, the Emergency Operations Center was activated in response to several fires that became known as the Sonoma Complex Fires. The Fires burned 173 square miles, destroyed 6,579 structures and damaged an additional 486. As a result, on October 10, 2017, President Donald J. Trump declared the existence of a major disaster in the State of California and ordered Federal aid to supplement State and local recovery efforts in the areas affected by wildfires, including the Sonoma Complex Fire, beginning on October 8, 2017, and continuing.

The declaration activates the Robert T. Stafford Disaster Relief and Emergency Assistance Federal Act, 42 U.S.C. §§ 5121-5206, which provides support to State and local governments when disasters overwhelms government to respond. Consequently, Sonoma County is eligible to recover disaster cost impacts through a cost share approach.[1] In this particular disaster, President Trump authorized 100% federal funding for Disaster Response emergency protection activities completed during the first 30 days to put out the fires, as well as efforts to evacuate and shelter populations at eminent risk.

Prior to October 8, 2017, the County of Sonoma had a positive financial outlook with a plan to achieve a structurally balanced budget[2] by Fiscal Year 2020-2021 through a graduated reduction of the County's reliance on year-end savings over the next 4 years.

Towards the structurally balanced goal, the Board adopted new fiscal policies and the FY 2017-2018 Budget implemented the beginning of the phased in approach to eliminate the use of projected year-end surpluses to balance the county's budget.

Overall, based on professional economic estimates, [3] the global and national economies are growing at a logical pace without any obvious signs of a looming recession. Additionally, the California Legislative Analyst Office's November 15, 2018 report includes Moody's Analytics consensus forecast of the U.S. economy continuing its expansion.

[1] Under most Presidential declared disasters, the cost is initially split 75% paid by the Federal Government and 25% by the State. Then, the county is required to share 25% of the State's share (e.g. 25% of 25% = 6.25% county share).

[2] A structurally balanced budget is where recurring revenues are equal to recurring expenditures.

[3] Beacon October 2017 Economic Outlook Sonoma County (Presentation)

In spite of positive national economic outlooks, the County's plans to achieve a sustainable and strong fiscal outlook became fragile after the October 2017 wild fires throughout the County. Prior to the wildfires the County's FY 2017-18 budget had a $6.6 million surplus after close of books. After the fire, projections show a $21 million shortfall.

At this point, the full extent of the fiscal challenges is not in clear view. Our county's recent past does not include an example similar to the October 2017 deadliest wildfire disaster in state history. Consequently, there are no precise methods for staff to estimate impacts to our economy and local governments' fiscal positions. Further, based on Lake and San Diego counties' fire disaster experiences, we believe financial impacts will likely continue for years to come. In summary, there is still great uncertainty as to the short, intermediate and long term fiscal impacts. It is clear, however, that the impacts will be very significant. Nonetheless, departments are re-prioritizing efforts to ensure rebuilding our community remains Priority Number 1.

Given the enormity of the challenge ahead, it is important to work across jurisdictions for solutions as we address unanticipated increased costs, reduced revenues, potential cash flow challenges, and outlying reimbursements which may not materialize for several years.

This staff report will discuss revenue and cost impacts from the fire, and strategies identified to address upcoming fiscal challenges.

Introduction

Managing the fiscal challenges will require strategic decisions and long term coordination with many partner agencies. It is paramount for organizations to partner across jurisdictions and leaders have already started meeting regularly to address project coordination, cost share, funding sources, and grant opportunities.

Our five year forecast is an important tool for budget development and is even more critical now. Our estimates have been updated to reflect department costs related to the disaster and revenues lost. Our County Administrator, Auditor Controller Treasurer Tax Collector, Human Resources, and County Counsel financial team has been meeting since the inception of the wildfire event to provide guidance to departments and organize the financial response to this disaster.

This team has been meeting with peer agencies including Marin, San Diego, and Kern counties to learn about best practices. These peer agencies have also reviewed our five year forecast and policies with a critical lens in order to provide us with valuable feedback. The forecast contained in this report incorporates the feedback from the peer review counties. Additionally, Napa, Mendocino, and San Francisco counties held special information sessions with the Sonoma County cross departmental disaster financial team and provided valuable insights and best practices related to recapturing disaster related costs. The Disaster Finance team has also participated in several trainings from the Federal Emergency Management Agency (FEMA) and the California Office of Emergency Services (CalOES) to understand changes to funding sources, documentation required, timelines, and processes for disaster relief.[4]

The outcome of this collaboration is an initial estimate of the disaster response detailed in the sections below. It is extremely important to note that these estimates are fluid and will continue to be refined as financial transactions are reviewed and processed.

[4] As noted, Sonoma County is eligible to recover disaster cost impacts through a cost share approach of 75% from the federal government, 18.75% from the State of California and 6.25% for the local share. In this particular disaster, President Trump authorized 100% federal funding for Disaster Response activities within the first 30 days of the disaster.

These early estimates for the County's General Fund show a $21 million unanticipated shortfall in FY 2017-18. The shortfall is largely due to revenue losses (approximately $10.7 million) and increased expenses from immediate disaster response (approximately $10 million). The subsequent years' projected shortfall is anticipated to continue at over $19 million annually, if expenses are not reduced and revenues do not increase.

General Fund Fiscal Outlook

Attachment A is the updated 5 year fiscal forecast summary which includes disaster related impacts to revenues, as well as departmental expenses incurred for disaster response.[5]

The General Fund 5-Year Fiscal Outlook assumes that there are no new program or services that would require additional funds. In addition, the fiscal outlook assumes that none of the estimated $10 million of initial disaster response cost is recovered for the entire 5 year period. According to county peers, reimbursement of disaster response costs can take up to 3 years, and the associated audits confirming cost eligibility another 1 to 2 years.

Understanding the impacts of the disaster start with how County revenues and expenditures have changed from this event. Revenues are projected to decrease by about $10.7 million in FY 2017-18, while disaster related expenditures incurred to date is estimated at $10 million. As a result, the General Fund is projected to have an unanticipated $21 million shortfall in FY 2017-18. The shortfall is estimated to continue annually (over the 5 year forecast period) an average of over $19 million as a result of expenses outpacing revenues.

Table 1 and Chart 1 compares fiscal position projections before and after the fire disaster. Year 1 or current FY 2017-18 shows the most drastic $27 million position swing from a $6.6 million surplus to a $21 million deficit.

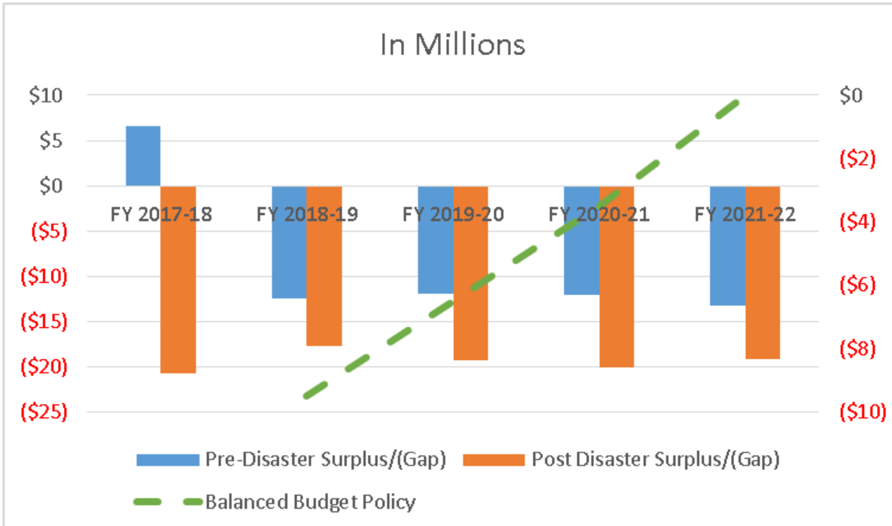
Table 1. General Fund Surplus / (Gap) Outlook

	Pre-Disaster Surplus/(Gap)	Post Disaster Surplus/(Gap)	Change
FY 2017-18	$6.61	($20.72)	($27.33)
FY 2018-19	($12.50)	($17.67)	($5.17)
FY 2019-20	($11.90)	($19.34)	($7.44)
FY 2020-21	($12.10)	($20.08)	($7.98)
FY 2021-22	($13.30)	($19.15)	($5.85)

Not cumulative amounts. Values depict position within each fiscal year.

[5] FEMA Category A: Debris Removal and Category B: Emergency Response activities costs reported by departments as of November 30, 2017.

Chart 1. General Fund Surplus / (Gap) Outlook



The following sections cover revenues and expenditures changes.

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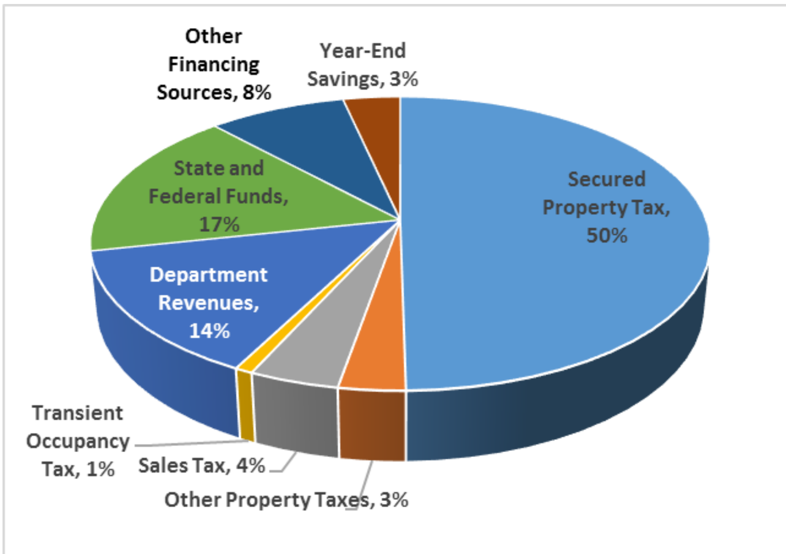
Impacts to Funding Sources

The main source of General Purpose revenues is the combination of property, sales, and transient occupancy taxes. In addition, county operations are financed with specific department generated revenues whether associated with state and federal program, or for direct services provided to other agencies or directly to the public.

Chart 2. FY 2017-18 Adopted General Fund Revenues



Secured Property Tax

The County's principal General Purpose revenue comes from Secured Property Tax. Secured property taxes represent 50% of the General Fund total revenues and finances 40% of the county's General Fund budget plan.

Based on initial fire damage estimates the County Assessor has preliminary estimated the County of Sonoma may experience a $1.6 billion assessed value reduction as a result of destroyed structures, which represents an estimated 2% decrease from the FY 2017-18 certified assessed value of $85.5 billion.

As a result of the declared disaster, the Tax Collection and Assessor teams have been processing calamity claims for property owners who lost their properties or had significant damage. The Revenue and Taxation Code section 170 provides that if a calamity such as fire, earthquake, or flooding damages or destroys property, owners may be eligible for property tax relief. The loss estimate must be at least

$10,000 of current market value to qualify the property for this relief.

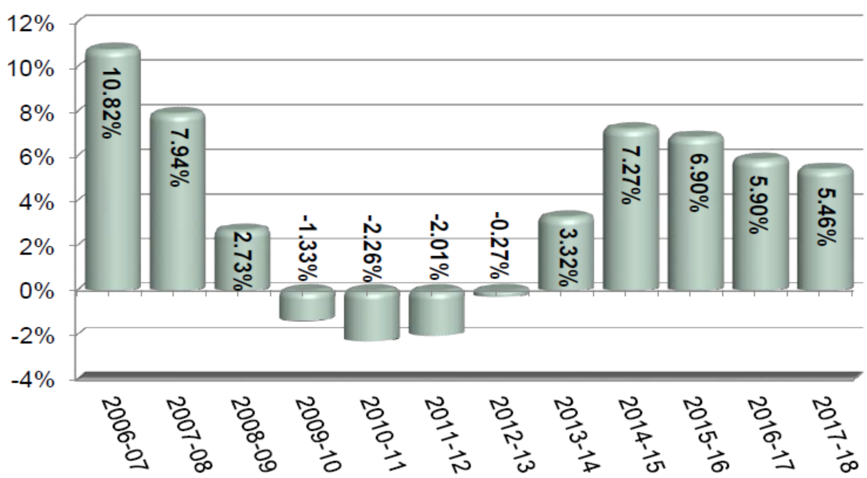
Based on preliminary damaged secured property values, a $3.4 million of ongoing General Fund Secured property taxes losses is estimated to be experienced in the current fiscal year. See Attachment B.

The FY 2018-19 secured property tax revenues associated with non-damaged parcels are projected to grow by 2% annually from the reduced ongoing base.

The annual growth factor assumes the Board of Equalization will certify a 2% California Consumer Price Index change.

Chart 3 is the current assessed value historical changes since FY 2006-07 and includes four consecutive years of total assessed value reductions experienced during the Great Recession.

Chart 3. Pre-Fire Historical Assessed Value Changes



Sales Tax

The county's sales tax represents 4% of the County General Purpose revenues. Our consultant, HdL Companies, developed a sales tax forecast dated November 21, 2017; which includes post-fire impacts and shows Sonoma economy recovering on the sales tax side as early as next year with a slight dip in FY 2017-18 of 2.7% or a loss of $546,000, and 1.7% increases year over year thereafter. Table 2 provides Sonoma County's (not including cities) General Fund 1% Bradley-Burns tax revenue source outlook.

Table 2. 1% Bradley-Burns Sales Tax (Not Including Cities and Districts

Industry Group (in millions)	FY 2016-17 Actuals	FY 2017-18 Projection	%	FY 2018-19 Projection	%	FY 2019-20 Projection	%	FY 2020-21 Projection	%	FY 2021-22 Projection	%	FY 2022-23 Projection	%
Autos & Transportation	$ 1.43	$ 1.50	4.8%	$ 1.50	-0.2%	$ 1.52	1.0%	$ 1.53	1.0%	$ 1.55	1.0%	$ 1.55	0.0%
Building & Construction	$ 2.52	$ 2.30	-8.8%	$ 2.43	5.6%	$ 2.50	3.0%	$ 2.58	3.0%	$ 2.65	3.0%	$ 2.73	3.0%
Business & Industry	$ 6.70	$ 6.46	-3.5%	$ 6.53	1.1%	$ 6.59	1.0%	$ 6.66	1.0%	$ 6.66	0.0%	$ 6.66	0.0%
Food & Drugs	$ 0.97	$ 0.97	0.5%	$ 0.99	2.1%	$ 1.01	2.0%	$ 1.03	2.0%	$ 1.05	2.0%	$ 1.07	2.0%
Fuel & Service Stations	$ 1.66	$ 1.68	0.8%	$ 1.76	5.2%	$ 1.78	1.0%	$ 1.81	1.5%	$ 1.84	1.5%	$ 1.85	1.0%
General Consumer Goods	$ 0.81	$ 0.82	0.8%	$ 0.80	-1.8%	$ 0.81	0.5%	$ 0.81	0.5%	$ 0.81	0.0%	$ 0.81	0.0%
Restaurants & Hotels	$ 1.88	$ 1.88	0.0%	$ 1.91	1.5%	$ 1.97	3.0%	$ 2.03	3.0%	$ 2.09	3.0%	$ 2.15	3.0%
Transfers & Unidentified	$ 0.00	$ 0.02	882%	$ 0.00	-80.2%	$ 0.00	0.0%	$ 0.00	0.0%	$ 0.00	0.0%	$ 0.00	0.0%
State & County Pools	$ 2.15	$ 2.15	0.0%	$ 2.25	5.0%	$ 2.34	4.0%	$ 2.44	4.0%	$ 2.52	3.5%	$ 2.65	5.0%
County Share	$ 1.75	$ 1.77	1.0%	$ 1.77	0.0%	$ 1.77	0.0%	$ 1.77	0.0%	$ 1.77	0.0%	$ 1.77	0.0%
Total	$ 19.87	$ 19.54	-1.7%	$ 19.95	2.1%	$ 20.29	1.7%	$ 20.65	1.8%	$ 20.94	1.4%	$ 21.24	1.5%
State Administration Cost	$ (0.24)	$ (0.25)		$ (0.26)		$ (0.26)		$ (0.27)		$ (0.27)		$ (0.28)	
Total	$ 19.63	$ 19.29	-1.7%	$ 19.69	2.0%	$ 20.03	1.7%	$ 20.38	1.8%	$ 20.66	1.4%	$ 20.97	1.5%
60-Day Accrual Adjustment	$ 0.31	$ 0.10		$ 0.08		$ 0.09		$ 0.07		$ 0.08		$ 0.08	
With 60-Day Accrual	$ 19.94	$ 19.39	-2.7%	$ 19.77	1.9%	$ 20.11	1.7%	$ 20.45	1.7%	$ 20.74	1.4%	$ 21.04	1.5%

Transient Occupancy Tax (TOT)

Effective January 2017 the county's Transient Occupancy Tax or bed tax rate was adjusted from 9% to 12%.[6] The rate increase was estimated to produce an additional $5 million in revenues.

The adopted FY 2017-18 budget includes $20 million in TOT total revenue. Based on the Board's Community Investment Program Policy, the majority of the funds are dedicated to economic development, tourism promotion, workforce housing, roads, and Regional Parks. Of the total FY 2017-18 expected revenues, $3.7 million is directed towards General Fund operations. Outside of these major initiative purposes, about $1 million is assigned for community grants to non-profits.

[6] Voters approved the rate increase to address the impacts of tourists. On October 3, 2017, the Board of Supervisors revamped the policy related to the uses of transient occupancy taxes and renamed it the Community Investment Program Policy.

In recent years the county has solicited community non-profit grant applications in advance of the new fiscal year. Currently, staff anticipates opening the application process in January 2018 and presenting grant recommendations for the Board's consideration in the spring, unless otherwise directed by the Board.

As a result of the fire, over seventy TOT tax revenue producing properties were destroyed. The loss TOT revenue to the County's budget associated with the destruction of 70 transient occupancy properties is estimated at $700,000. In addition, given many vacation rental properties are now occupied by residents who lost their homes, the revenue loss from these properties is estimated to be $687,000. Of the revenue loss, about $175,000 is the General Fund portion, with the remainder going into the Community Investment Program. It should be noted staff estimates a year-end available fund balance of approximately $2 million in the Community Investment Program fund.

State/Federal/Local Agencies

The FY 2017-18 General Fund budget includes about $76 million, or 17% of total sources, in state, federal, cities, and other local agencies revenues. The majority of this category is from Proposition 172 Public Safety funds programmed at $45 million within the Sheriff Office and District Attorney budgets. Also, based on the Board's fiscal policy adopted in 2016 a portion of the Proposition 172 Public Safety revenues is programmed to support Fire Services countywide. For the updated fiscal outlook, given these revenues are derived for statewide sales volume, it is not anticipated that these revenues will be materially impacted as a result of the disaster.

Department Generated Revenues

Many of the county's services are financed through permits, charges and fees for services, or by direct billing of services such as Regional Parks, Permit Sonoma, Health Services, and Human Services.

The FY 2017-18 budgeted amount for General Fund revenues from these types of departmental services is $65 million or 14% of total sources. Through a cursory preliminary review, at this time we expect $3.3 million[7] of departmental revenues to not be realized as result of certain departments not completing billable services due to the need to redirect staff to immediate disaster needs. As part of the Mid-Year estimate process all departments will be preparing an analysis of the expected total revenue for the fiscal year.

[7] The preliminary estimate is based upon initial reports from County Counsel, Information Systems, Probation, Health Services, Human Services, Child Support, Community Development Commission, Regional Parks, and the Agricultural Commissioner.

Other Revenues

The remaining revenue categories include Residual Dissolved Redevelopment Agencies' Tax returning to the county, Unsecured Property Tax, Supplemental Tax, Documentary Transfer Tax, use of annual Tax Revenue Loss funds (Teeter), interest earnings, and transfer of funds within the county budget units. The total of this group for FY 2017-18 is $55 million or 12% of all funding sources. Given limited available information and the fact that some of the sources such as Residual Tax and Use of Teeter are invested specifically for housing and road infrastructure, minor losses amounting to $3.7 million are assumed with the updated fiscal outlook. Most of the change is anticipated as a result of decreases in Unsecured, Supplemental, and Documentary Transfer tax.

Cannabis Taxes

The FY 2017-18 budget marks the first year of projected Cannabis Tax revenues. The budget projected a total of $3.9 million in such tax revenues. Although this new revenue source is tracked separate from the County's main operational General Fund and thus not included in the updated 5 year fiscal forecast, staff has collected preliminary revenue impacts given reported impacts to some cannabis crops.

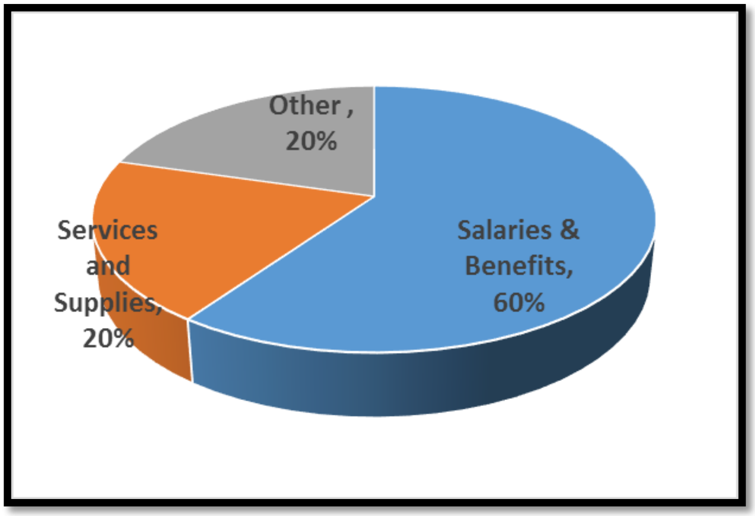
Based on site visits completed by the Agriculture, Weights, and Measures department, staff has identified 112,000 square feet of verified crop losses resulting in approximately $300,000 of tax revenue loss.

Outdoor		Indoor		Mixed Light		Total	
Sq Ft	**Tax $**	**Sq Ft**	**Tax $**	**Sq Ft**	**Tax $**	**Sq Ft**	**Tax $**
8,357	$ 16,714.00	-	$ -	-	$ -	8,357	$ 16,714.00
30,000	60,000.00	-		800	6,000	30,800	66,000
-	-	376	2,820	-	-	376	2,820
-	-	1,616	12,120	-	-	1,616	12,120
33,560	67,120.00	-	-	10,000	65,000	43,560	132,120
12,424	24,848.00	1,600	12,000	3,000	13,500	17,024	50,348
9,500	14,250.00	-	-	850	1,913	10,350	16,163
93,841	**$ 182,932.00**	**3,592**	**$ 26,940.00**	**14,650**	**$ 86,412.50**	**112,083**	**$296,284.50**

Impacts to Funding Uses

The county's main operating General Fund was adopted with a total of $550 million in gross expenses, which nets down to $459 million when reimbursed expenses are excluded. Chart 5 provides an overview of the major uses categories.

Chart 5. FY 2017-18 General Fund Adopted Uses



Operating Expenses

The FY 2017-18 adopted General Fund budgeted appropriations total is $459 million[8]. The majority of the expenses is programmed for salaries and benefits at $330 million, and services and supplies at $109 million. Together these two major groups of expenses represent 80% of the total General Fund expenditures. Starting with FY 2019-20, these expenses are expected to grow from 1.5% to 2% annually. The growth assumption is based on most economic forecasts predicting about a 2% annual change in overall economic and cost of goods adjustment.

[8] Net of reimbursements between budget units.

Unanticipated Fire Disaster Response and Recovery

Data collection efforts are underway to fully capture disaster expenses incurred, which county staff will be evaluating for FEMA/Cal-OES claiming purposes. Overall, the early estimated cost associated with the October 2017 wildfire event, thus far, is $7.6 million for the emergency response and $2.5 million for debris removal, for a $10 million total unanticipated expense recognized as of this writing.

Attachment C provides a breakdown by department of staffing costs associated with overtime and extra help, as well as services and supplies incurred.

The newly created Disaster Relief Fund which was created with an initial deposit of $3 million will be used towards costs of services and supplies, contracts, mutual aid agreements, and other recovery efforts that have already been invoiced. The County Administrator staff will be bringing a mid-year adjustment to the Board and will recommend an amount from the discretionary sources to augment the Disaster Fund in order to capture non-salaries and benefits reimbursement eligible emergency expenses incurred over the $3 million currently in the Disaster Relief fund.

Fiscal Outlook Uncertainty

Although the fires started approximately 60 days ago, full containment was not achieved until October 31, 2017. Significant resources have been spent on the most immediate priorities, and our current understanding of the total fiscal impacts of the disaster is limited. It will take years before the County has a complete grasp of the financial impacts. There are numerous examples where the U. S. Department of Homeland Security (Office of Inspection General) makes a finding that millions of dollars reimbursed in a disaster should be “de-obligated” and returned to FEMA. Typically, the de-obligation may come more than 5 years after the funds have been received by the jurisdiction.

Local Match towards Debris Removal Cost

Based on initial conversations with FEMA staff the total cost of fire debris removal is anticipated to be in the $1 billion range for the original 8 California counties impacted by the October 2017 Wildfires. FEMA representatives have orally stated that approximately 75% of this cost is attributable to debris removal within Sonoma County. This includes all city and county residential parcels. There are 4,540 property owners participating in the government-led clean-up program in Sonoma County.

At this time, based on two potential share scenarios between local, state, and federal, it is estimated that the total local match could range between $18 million and $46 million:

FEMA estimated cost for original 8 counties in California:	$1 Billion (FEMA estimate)
Portion attributable to properties in Sonoma County:	$750,000,000 (FEMA estimate)
Local Share (25% of state share):	
If Federal/State split is 90%/10%:	$18,750,000
If Federal/State split is 75%/25%:	$46,875,000

Assuming half of the parcels in the program are in the city and half are in the unincorporated county, the City and County would be exposed to a local share range of $9,375,000 to $23,437,500 each. The local match may be reduced by securing private property owners’ insurance policies debris coverage payment, and in-kind services.

County Property Damages

Property damage estimates from county owned property damaged by the fires is being differentiated between property loss covered under the County's property insurance (managed by the Human Resources Risk Management team), and infrastructure damages not covered by county insurance, such as damages to Road facilities.

Given limited information and unknown timeline costs associated with replacing or repairing county/agencies' assets the property damage estimates, are not included in the updated General Fund fiscal outlook.

The Risk Management team has assessed damages covered under our insurance policy to be $3.2 million, as follows:

	County Property - Insurance Covered Loss
ADMINISTRATIVE SUPPORT AND FISCAL SERVICES	$ 100,100
General Services	$ 96,100
Information Systems	$ 2,500
CRA	$ 1,500
JUSTICE SERVICES	$ 402,500
Probation	$ 2,500
Sheriff	$ 400,000
HEALTH AND HUMAN SERVICES	$ 15,000
Health Services	$ 2,500
Human Services	$ 12,500
DEVELOPMENT SERVICES	$ 535,100
PRMD	$ 3,500
TPW	$ 31,600
Regional Parks	$ 500,000
OTHER COUNTY SERVICES	$ 2,150,000
Ag Preservation and Open Space District	$ 150,000
Non-Departmental	$ 2,000,000
Total	**$ 3,202,700**

The insurance policy covers cost of replacement and lost revenues associated with property losses. As of this writing, department staff has reported damages to Regional Parks systems, communications tower, fuel cell, fleet vehicles, air filtration systems, mobile equipment, and law enforcement uniforms and other equipment. The estimated deductible is estimated at $60,000 and is currently included in the FY 2017-18 adopted budget.

Road infrastructure damages are not covered by property insurance. Cost estimates have not been fully developed for FEMA/Cal-OES project approval. Staff's current preliminary cost estimate for right of way infrastructure (e.g. guardrails, retaining walls, light posts, street signs, and culverts) is between $2 and $3 million.

Addressing Projected Fiscal Challenges

The updated fiscal outlook projects General Fund fiscal gaps starting at $21 million in FY 2017-18 and remaining at over $19 million annually for most of the forecasted 5 year period.

Staff has identified measures to align expenses to anticipated General Purpose sources. Over the course of the next several months, staff will continue to explore options to address the anticipated shortfalls. The following strategies are either already being implemented or currently being evaluated by staff.

A. FEMA and State Cal-OES Reimbursement Claims

One of the key components of recovery is the partnership formed with our federal, state, and local partners. However, it is important to note 100% cost recovery will not be achieved. Staff's conclusion is based on other jurisdictions' disaster reimbursement experience.[9]

FEMA will not cover items that can be covered through insurance or other funding sources. Reimbursements from FEMA have a long life cycle and have not been included in the forecast. Once a claim is obligated, the Office of Inspector General may audit the claim and once they have closed their audit, the claim amounts may be distributed to back fill reserves. Original documentation needs to be maintained in departments through audit, close out and an additional three years post close out letter.

[9] Note that a Disaster Recovery management services contract is recommend separately as part of the Board's December 12, 2017 consent agenda. It is important to retain expert financial assistance to maximize reimbursement and minimize the risk of the potential for Federal de-obligation of funds.

B. Tax Revenue Loss State Backfill

Senator McGuire's office has diligently been working with impacted Northern California counties and organizing meetings with the state Department of Finance to look at the possibility of providing state disaster funds to backfill tax revenues losses. Most recently, on November 27, 2017 representatives from Lake, Mendocino, Napa, and Sonoma counties provided early estimates of tax losses.

Sonoma County Auditor-Controller-Treasurer-Tax Collector has provided an initial estimate of losses impacting the County's General Fund as follows:

Category	FY 2017-18 Revenue Loss Estimate	FY 2018-19 Revenue Loss Estimate
Secured property taxes - Prop 13 (1%)	$ (3,444,000)	$ (3,657,000)
Secured property taxes - VLF Swap		(1,244,000)
Transient occupancy taxes	(687,000)	(1,066,000)
Preliminary estimate	**$ (4,131,000)**	**$ (5,967,000)**

While the State has backfilled revenue losses as a result of a disaster in the past, given the magnitude of disasters experienced before, during, and after the Sonoma County Complex disaster event, we have not assumed property tax losses backfill in the updated Outlook.[10]

C. Federal and State Legislative Advocacy

In addition to immediate disaster assistance funding, opportunities may be available through grant programs and by requesting special legislation at the state and federal level. As an example, a joint letter from the County and the City of Santa Rosa was sent to the Housing and Urban Development (HUD) agency requesting a direct allocation of disaster funds. Both jurisdictions are Community Development Block Grant (CDBG) entitlement communities, and could therefore receive a direct allocation as opposed to the funding going through the state.

[10] As of December 8, 2017, California's legislative delegation request of $4.4 billion in federal assistance had not yet been approved. Since California's request for federal assistance, several destructive wild fires broke out in Southern California, which will necessarily add to California's federal aid request.

The HUD Regional office in San Francisco is supportive of the joint request for a direct allocation. If Sonoma County receives a direct CDBG-DR allocation, 15% of the allocation can be spent on planning activities and 5% can be spent on administrative costs with the remaining 80% available towards economic recovery projects. If structured properly, funding can also be used to match the non-federal share of FEMA Public Assistance projects.

D. General Fund Reserves

Consistent with best practice recommendations from the Government Finance Officers Association of the United States and Canada, as part of FY 2017-18 budget hearings the Board approved the updated Reserve policy. The Board established a target to maintain a total unassigned General Fund Reserve balance equal to 1/6 or 2 months of annual General Fund operating revenues. The county's main General Fund Reserve is currently at $53 million or 12% of revenues designated as the General Fund main reserve. The current $53 million reserve represents about 1.5 months of annual General Fund operating revenues.

The General Fund Reserve can be considered to address one-time expenses for strategic recovery investments incurred as a result of the disaster. If the Board elects to use some of the reserves, the County Administrator's Office along with the Auditor-Controller Treasurer-Tax-Collector will develop adjustments to the existing Reserve Policy and will provide a recommendation on the minimum level of standing reserve that should remain in order to maintain the County's strong credit rating and be able to address potential future emergencies.

Departments may also have some discretionary fund balances that can be re-directed for these one-time or short-term expenses related to the disaster. To this end, staff's annual review of all fund balances is underway and the results of the analysis will be presented as part of upcoming budget updates in the future.

E. Limit Operational Cost Increases

Reducing and controlling operating costs is a must in our financially challenging post-disaster environment. Therefore, as the fiscal year operations continue and budget planning is underway, the County Administrator's Office is working with departments and agencies to limit countywide operating expenditure changes.

In addition, recognizing the abundance of knowledge and understanding of county services housed within the county family, the CAO's Operations and Budget team will create an online vehicle to capture creative ideas from across the organization to balance the budget. Suggested solutions will be vetted through a committee and the best options will be highlighted at the budget policy workshop.

F. Reprioritizing Current 2017-18 Discretionary Sources

As needs are identified that require use of the County's limited discretionary funds, the County Administrator has requested departments and agency leaders to identify opportunities where resources from non-mandatory programs/initiatives can be redirected towards recovery priorities so that the Board can consider these budget balancing opportunities.

G. Revisit FY 2017-18 Recommended Budget Reduction Plans (2% ; 4%; and 6% Reduction Scenarios)

In preparing the FY 2017-18 budget last spring, departments were required to develop General Fund reduction scenarios in case reductions were needed to address Federal budget impacts. As part of the 2018-19 budget development, the County Administrator's Office will work with departments to update the reduction scenarios. Potential General Fund reductions, are one of the many balancing tools we will need to consider in developing the 2018-19 budget.

. FUND ONLY T (as of 12/07/17 Draft)	Revised Budget FY 16-17	Actuals FY 16-17	Adopted Budget FY 17-18	Early Estimates FY 17-18	Disaster Impacts	Variance to Adopted	Projected FY 18-19	Projected FY 19-20	Projected FY 20-21	
	$ 252,475,296	**$ 258,935,079**	**$ 264,470,760**	**$ 265,206,760**	**$ (7,224,020)**	**$ (6,488,020)**	**$ 268,485,000**	**$ 273,728,000**	**$ 280,287,000**	**$ 2**
operty Tax	222,733,000	226,510,007	236,102,135	236,102,135	(3,444,000)	(3,444,000)	239,342,000	244,129,000	250,232,000	2
ment Increment	(9,963,000)	(10,047,664)	(10,667,295)	(10,667,295)	154,980	154,980	(10,881,000)	(11,099,000)	(11,376,000)	(
operty Tax RPTTF	3,797,827	3,797,827	3,000,000	3,000,000		-	3,060,000	3,121,000	3,199,000	
Property Tax	5,700,000	5,920,124	5,800,000	5,800,000	(1,800,000)	(1,800,000)	5,916,000	6,034,000	6,185,000	
tal Property Tax	2,800,000	3,011,226	2,960,000	2,960,000	(960,000)	(960,000)	3,019,000	3,079,000	3,156,000	
ry Transfer Tax	5,000,000	6,047,472	5,000,000	5,000,000	(1,000,000)	(1,000,000)	5,000,000	5,000,000	5,000,000	
	18,849,169	19,593,000	18,564,000	19,300,000	-	736,000	19,667,000	20,001,000	20,341,000	
s (mainly TOT)	3,558,300	4,103,087	3,711,920	3,711,920	(175,000)	(175,000)	3,362,000	3,463,000	3,550,000	
rmits/Franchises	13,414,570	15,023,480	14,376,788	14,376,788		-	14,000,000	14,000,000	14,000,000	
deral Funds	73,920,031	71,375,312	75,775,023	75,852,757		77,734	75,853,000	77,749,000	79,693,000	8
tures/Penalties	7,614,410	7,515,978	7,887,622	7,887,622		-	7,000,000	7,000,000	7,000,000	
ey/Property	5,337,342	5,397,564	5,198,537	5,198,537	(198,537)	(198,537)	5,199,000	5,202,000	5,205,000	
Services	50,986,341	42,515,259	50,077,599	50,077,599	(3,273,145)	(3,273,145)	50,994,000	51,568,000	52,148,000	5
us Revenues	4,155,530	6,545,175	3,671,150	3,671,150		-	3,708,000	3,745,000	3,682,000	
cing Sources	34,899,888	30,275,137	21,774,393	22,054,393		280,000	22,275,000	22,498,000	22,723,000	
ent to the General Fund						-	1,631,744	1,631,744	1,619,661	
es	**$ 442,803,407**	**$ 437,582,984**	**$ 443,231,872**	**$ 444,325,606**	**$ (10,695,702)**	**$ (9,601,968)**	**$ 449,145,744**	**$ 457,121,744**	**$ 466,357,661**	**$ 4**
enefits	312,311,624	300,307,983	329,552,498	329,611,730	5,107,019	5,166,251	341,674,793	349,362,476	357,223,131	3
upplies	113,598,110	101,264,025	108,854,172	109,881,359	4,919,443	5,946,630	110,487,000	112,144,000	114,387,000	1
es	26,565,735	24,617,859	27,431,392	27,453,252		21,860	28,002,000	28,562,000	29,133,000	
	5,177,063	3,978,989	7,064,599	7,172,373		107,774	3,500,000	4,000,000	4,000,000	
cing Uses (See Next Page)	54,556,525	52,396,311	40,210,328	40,210,328		-	37,068,053	37,439,000	37,813,000	
ngoing adjt. w/growth)	11,380,000	11,380,000	11,563,600	14,677,900		3,114,300	11,751,000	11,942,000	12,137,000	
port Services (not final)	21,784,737	21,784,737	22,253,522	22,253,522		-	21,930,032	22,697,585	23,551,556	
ents	(85,686,254)	(80,464,662)	(92,176,816)	(92,366,752)		(189,936)	(92,598,000)	(94,681,000)	(96,811,000)	(
es	129,319	-	4,425,266	2,386,582		(2,038,684)	5,000,000	5,000,000	5,000,000	
	$ 459,816,860	**$ 435,265,242**	**$ 459,178,561**	**$ 461,280,294**	**$ 10,026,462**	**$ 12,128,195**	**$ 466,814,878**	**$ 476,466,061**	**$ 486,433,687**	**$ 4**
d Balance	**$ 20,238,310**	**$ 20,238,310**	**$ 22,556,052**	**$ 22,556,052**			**$ -**	**$ -**	**$ -**	**$**
icit)	$ (17,013,452)	$ 2,317,742	$ (15,946,689)	$ (16,954,688)	$ (20,722,164)	$ (21,730,163)	$ (17,669,134)	$ (19,344,316)	$ (20,076,026)	$ (
vings Rollover	**$ 3,224,858**	**$ 22,556,052**	**$ 6,609,363**	**$ 5,601,364**	**$ (20,722,164)**	**$ (21,730,163)**	**$ (17,669,134)**	**$ (19,344,316)**	**$ (20,076,026)**	**$ (**

Forecast Assumptions:	Early Estimates FY 17-18	Projected FY 18-19	Projected FY 19-20	Projected FY 20-21	Projected FY 21-22
REVENUE					
Sec. Property Tax	Adjusted for Fire	2.00%	2.00%	2.50%	3.00%
Sales Tax	et of Annexation	1.90%	1.70%	1.70%	1.40%
Other Tax (mainly TOT Activity Projection)	5.00%	4.00%	3.00%	2.50%	2.00%
Interest Earnings Rate Increase	Dept. Info	0.00%	0.25%	0.25%	0.25%
State/Federal Funds	2.50%	0.00%	2.50%	2.50%	2.00%
50% of S&B Growth Estimated to be	Dept. Info	1.83%	1.13%	1.13%	1.13%
Miscellaneous	1.00%	1.00%	1.00%	1.00%	1.00%
Other Financing	1.00%	1.00%	1.00%	1.00%	1.00%
Future Salary & Benefits Cost Changes	0.00%	2.00%	2.00%	2.00%	2.00%
Annual Average Wage Merit Adjustment	0.25%	0.25%	0.25%	0.25%	0.25%
	Factors listed were chosen for fiscal modeling purposes only.				
NON-SALARIES & BENEFITS					
Services & Supplies	1.50%	1.50%	1.50%	2.00%	2.00%
Other Charges	Dept. Info	2.00%	2.00%	2.00%	2.00%
Other Financing Major Components:	**$ 40,210,328**	**$ 37,068,053**	**$ 37,439,000**	**$ 37,813,000**	**$ 38,191,000**
Human Services	$5,143,237	$5,143,237	$5,143,237	$5,143,237	$5,143,237
Human Services VLF Pass-Through	$0	$0	$0	$0	$0
Roads Operations	$4,798,192	$4,798,192	$4,798,192	$4,798,192	$4,798,192
Health Contribution	$9,333,295	$9,333,295	$9,333,295	$9,333,295	$9,333,295
Capital Projects	$5,493,429	$5,493,429	$5,493,429	$5,493,429	$5,493,429
RDA Residual to Reinvest. & Revitalization	$3,000,000	$3,060,000	$3,121,000	$3,199,000	$3,295,000
Prop. 172 Dedicated for Fire Svcs	$1,315,520	$1,315,520	$1,348,408	$1,382,118	$1,409,760
Intra-Department / Project Transfers	$11,126,655	$7,924,380	$8,201,439	$8,463,729	$8,718,087

County of Sonoma
Estimated Property Tax Reduction - Secured Tax Only
Sonoma Complex Fires

Attachment B

Taxing Agencies	FY 17-18 Estimated Reduction	FY 18-19 Estimated Reduction
Sonoma County General Fund	$ (3,444,000)	$ (4,897,000)
Sonoma County Dependent Districts	(448,000)	(499,000)
Independent Fire Districts	(500,000)	(703,000)
Other Independent Special Districts	(490,000)	(499,000)
K-12 Basic Aid School Districts	(1,924,000)	(1,118,000)
K-12 Non-Basic Aid School Districts	(6,413,000)	(6,935,000)
Community College	(1,314,000)	(1,163,000)
County Office of Education	(426,000)	(478,000)
City of Cloverdale	(43,000)	0
City of Cotati	(23,000)	0
City of Healdsburg	(59,000)	0
City of Petaluma	(216,000)	0
City of Rohnert Park	(110,000)	0
City of Santa Rosa	(513,000)	(1,721,000)
City of Sebastopol	(37,000)	0
City of Sonoma	(65,000)	0
Town of Windsor	(2,000)	0
Prop 13 (1%) Estimate	$ (16,027,000)	$ (18,013,000)
Ad Valorem (Debt Service) Estimate	$ (2,402,000)	$ (2,682,000)
Prop 13 & Ad Valorem Estimate	$ (18,429,000)	$ (20,695,000)

Notes:
1) Estimate based on the Assessor's review of approximately 75% of damaged parcels
2) FY17-18 disaster value reductions are prorated from the event date to end of fiscal year (October 2017 - June 2018)
3) Pursuant to Revenue & Taxation Code Sections 96.2 and 4707, the estimate for FY17-18 (year of event) is to be apportioned using countywide AB8 factors
4) FY18-19 estimate is based on value reductions by tax rate area and is consistent with impacts to the Equalized Roll
5) FY18-19 estimate includes VLF Swap revenue impacts to County, City of Santa Rosa and school districts
6) Estimate does not include Unsecured & Supplemental Revenue losses

Provided by: Sonoma County Auditor-Controller-Treasurer-Tax Collector
Date: December 5, 2017

Functional Area	Category A - Debris Removal		Category B - Emergency Response		
	Overtime / Extra Help	Services and Supplies	Overtime / Extra Help	Services and Supplies	Total
ADMINISTRATIVE SUPPORT AND FISCAL SERVICES					
Board of Supervisors/CAO			$ 129,336		$ 129,336
County Counsel			$ 86,176		$ 86,176
Human Resources			$ 61,340	$ 6,380	$ 67,720
General Services			$ 462,225	$ 11,121	$ 473,346
Information Systems			$ 311,835	$ 25,172	$ 337,007
Auditor-Controller- Treasurer-Tax Collector			$ 40,689		$ 40,689
Clerk-Recorder-Assessor			$ 34,231	$ 3,089	$ 37,320
Non-Departmental		$ 571,474		$ 1,409,323	$ 1,980,797
JUSTICE SERVICES					
Probation			$ 125,357	$ 10,684	$ 136,041
District Attorney			$ 361,400	$ 340	$ 361,740
Public Defender			$ 4,517		$ 4,517
Sheriff			$ 1,224,124	$ 522,997	$ 1,747,121
HEALTH AND HUMAN SERVICES					
Health Services		$ 380,356	$ 696,806	$ 599,254	$ 1,676,416
Human Services			$ 638,668	$ 11,257	$ 649,925
Department of Child Support Services			$ 71,439		$ 71,439
DEVELOPMENT SERVICES					
Permit and Resource Management			$ 202,008	$ 785	$ 202,793
Community Development Commission			$ 47,154		$ 47,154
Fire and Emergency Services			$ 181,521		$ 181,521
Transportation and Public Works	$ 230,640	$ 1,284,270	$ 699	$ 2,171	$ 1,517,779
Economic Development Department			$ 8,757		$ 8,757
Regional Parks			$ 118,577	$ 20,000	$ 138,577
OTHER COUNTY SERVICES					
Agriculture Preservation and Open Space	$ 3,000	$ 300	$ 41,066	$ 57,057	$ 101,423
Agriculture/Weights and Measures			$ 22,940	$ 3,413	$ 26,353
UC Cooperative Extension			$ 2,515		$ 2,515
Total	**$ 233,640**	**$ 2,236,400**	**$ 4,873,379**	**$ 2,683,042**	**$ 10,026,462**