



Monterey County

Item No.

Board Report

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Legistar File Number: BC 21-005

January 27, 2021

Introduced: 1/17/2021

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Matter Type: Budget Committee

- a. Receive a report from Health Department on closing budget gaps attributable to the COVID-19 pandemic; and
- b. Support the request for allocation of resources to fund the non-reimbursable costs of the County's continuing activities in response to the COVID-19 pandemic for the period from January 1, 2021 through June 30, 2021.

RECOMMENDATION:

It is recommended that the Budget Committee of the Board of Supervisors:

- a. Receive a report from Health Department on closing budget gaps attributable to the COVID-19 pandemic; and
- b. Support the request for allocation of resources to fund the non-reimbursable costs of the County's continuing activities in response to the COVID-19 pandemic for the period from January 1, 2021 through June 30, 2021.

SUMMARY/DISCUSSION:

The Health Department is and has been actively involved in the County's COVID-19 response activities. These include the County Health Officer and issuance of his orders, testing, contact tracing, case investigation, review of industry guidance, community education, and other public health strategies. Many of these efforts are being led by staff in the Public Health Bureau (PHB), where the most significant budget pressures have arisen.

At the October 28, 2020 presentation of the Fiscal Year (FY) 2019-20 Budget End of Year Report, the Budget Office reported on budget gaps identified at the Health Department for FY 2020-21 that are attributable to COVID-19 and requested that the Department return to this Committee to present strategies to close said gaps.

Since the declaration of the COVID-19 emergency, Health Department staff have worked closely with the Budget Office to identify and quantify any potential fiscal impacts. The initial update provided to the Budget Office estimated potential funding gaps of \$2.92M in the PHB, and \$1.4M in the Behavioral Health Bureau (BHB). However, the unrelenting nature of the pandemic and continued surge in cases have worsened the financial forecast in the PHB, as the need for COVID-19 response activities has not declined and there is no current estimate when these efforts might cease. Detailed account of fiscal conditions in PHB and BHB are provided below. All other bureaus are not accounted for in this report.

Public Health Bureau

The PHB is primarily funded by grants. This means that funding is available only if PHB staff perform the grant funded activities. Most of the projected PHB non-reimbursable costs are due to the reassignment of grant-funded employees to work on COVID-19 tasks. Having been reassigned, employees are no longer working on their grant duties and as such, their costs are no longer eligible to be reimbursed by their grants. This results in reduced revenue for the County. Other unanticipated COVID-19 costs include temporary staff for Contact Tracing, Public Health Lab testing equipment and supplies, pop-up testing, and educational outreach.

Some of PHB's costs were initially identified as eligible for FEMA reimbursement. FEMA has since released policy clarification that certain types of work that would be otherwise eligible for FEMA funding will not be eligible in this COVID emergency due to other available Federal funding, such as the CARES Act. PHB COVID costs from March through December 2020, are covered by CARES funds allocated to the Department and other grant monies.

No additional CARES monies are available for costs from January through June 2021. As of the date of this report, there are no new approved Federal stimulus funds to replace CARES beginning in January nor any new grant monies available to fund the ongoing activities. The Governor's FY 2021-22 Proposed Budget allocates resources for vaccine distribution and COVID-19 response efforts, and the incoming Federal Administration has proposed an ambitious relief plan which includes funds for vaccines and testing; however, it is unclear if or how much funding could be available to cover the PHB's ongoing costs. Accordingly, it is estimated the PHB will require the allocation of resources to cover the costs of COVID-19 activities in the last six months of FY 2020-21. The total costs are estimated at \$6,013,471. The PHB estimates to generate approximately \$1,340,444 in revenue from lab testing fees that will help defray costs, so the net amount to be funded is \$4,673,027. Detail is in the table below.

	Amount
Staff Redirected to Work on COVID Tasks	\$ 2,460,661
Contact Tracing Temporary Staff	\$ 831,696
Public Health Lab Testing Equipment and Supplies	\$ 1,554,677
Pop-Up Testing	\$ 745,000
Education and Outreach (211 Call Center, CRLA helpline, etc.)	\$ 72,758
HR, IT, Facilities	\$ 348,678
Total Program Cost	\$ 6,013,471
Estimated Lab Testing Fee Revenue	\$ 1,340,444
Net Cost to General Fund	\$ 4,673,027

At its January 12th meeting, the Board of Supervisors received a countywide report on unfunded ongoing COVID activities. The funding gap in the PHB was included as part of that report. It is anticipated the Board will provide direction on funding allocations in the coming weeks. Staff will remain vigilant of developments at the State and Federal levels about potential funding opportunities and will apprise the Budget Office accordingly as details emerge.

Behavioral Health Bureau

In the BHB the initial funding gap was estimated at approximately \$2.1 million. Subsequently, the Bureau was allocated \$644K in CARES funds intended to cover staff costs directly related to COVID-19 and the cost of protective equipment and supplies necessary to implement public health measures across all worksites. The allocation of CARES funds narrowed the estimated revenue gap to \$1.4 M.

The timing of the emergency declaration and associated downward financial forecast coincided with the Bureau's contract development process to establish new service agreements for FY 2020-21. As a result, the Bureau was able to reduce contract amounts by approximately 10% -15% to align with the decreased revenue projections State consultants forecasted. In addition, the Bureau implemented a strategic approach to filling vacancies to ensure permanent and sustainable resources are available to cover staff costs and to finance overall operations during the pandemic and through the recovery period. As these control measures were in effect prior to the start of FY 2020-21, the Bureau has been in monitoring mode, reviewing revenue and expenditures closely to ensure assumptions still apply and that no additional adjustments are required.

To-date, Realignment and Mental Health Service Act (MHSA) revenue receipts are trending comparable to FY 2019-20 levels. In recent developments, the just released Governor's FY 2021-22 Proposed Budget estimates that Realignment revenue will increase 5.6% from FY 2019-20 and Personal Income Tax, which funds MHSA, will increase by approximately 3%. Based on the improved revenue forecast, no funding gap is anticipated for FY 2020-21. As the control measures implemented reduced service levels, the Bureau will evaluate options to enhance services to clients and will seek to increase expenditures accordingly if and where prudent.

OTHER AGENCY INVOLVEMENT:

No other departments were involved.

FINANCING:

There is no impact from receiving this report. However, there is an anticipated funding gap in the PHB in the amount of \$4,676,027, which is under consideration by the Board for allocation of funding.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

Check the related Board of Supervisors Strategic Initiatives:

☐ Economic Development:

- Through collaboration, strengthen economic development to ensure a diversified and healthy economy.

☒ Administration:

- Promote an organization that practices efficient and effective resource management and is recognized for responsiveness, strong customer orientation, accountability and transparency.

☒ Health & Human Services:

- Improve health and quality of life through County supported policies, programs, and services; promoting access to equitable opportunities for healthy choices and healthy environments in collaboration with communities.

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☐ Infrastructure:


- Plan and develop a sustainable, physical infrastructure that improves the quality of life for County residents and supports economic development results.

☐ Public Safety:

- Create a safe environment for people to achieve their potential, leading businesses and communities to thrive and grow by reducing violent crimes as well as crimes in general.

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