



MAY 7, 2024

3RD QUARTER REPORT

FY 23/24

DARCIE ANTLE
CHIEF EXECUTIVE OFFICER
County of Mendocino

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Exhibits

BU 1000 Revenue Forecast for Fiscal Year 2023-24	Exhibit A
Resolution 3 rd Qtr FY 2023/24	Exhibit B

Attachments

FY 2023-24 3 rd Quarter Budget Net Zero Adjustments	Attachment A
HdL Mendocino County Sales Tax Update 4Q 2023 (Oct-December)	Attachment B
Capital Projects Summary	Attachment C
Museum Project Charter.....	Attachment D
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BUDGET CALENDAR

Date	Event
March 6, 2024	3 rd Quarter Reporting Instructions Transmitted
March 7, 2024	Budget Kick-Off Meeting
March 12, 2024	Mid-Year Report and Budget Workshop
March 14, 2024	Munis Budget Training *Bring Budgets
March 25, 2024	Budget Entered In Munis
March 25, 2024	Completed Proposed Budget, Facility Modifications, Vehicle Request, & Fixed Asset Forms due to Executive Office
March 29, 2024	Narrative Template Distributed
April 1, 2024	3 rd Quarter Budget Projection Report Due Fiscal Year 2023-24
April 3-5, 2024	Budget Conferences for Fiscal Year 2024-25
April 23, 2024	Fee Hearing and Budget Workshop FY 2024-25
May 6, 2024	Narratives Due for Fiscal Year 2024-25
May 7, 2024	3 rd Quarter Report Presentation and Budget Workshop FY 2024-25
June 4-5, 2024	Final Budget Public Hearing for Fiscal Year 2024-25

COUNTY FINANCIAL OUTLOOK

Mendocino County's economic performance continues to be challenged in the areas of a limited workforce, limited connectivity, housing availability, a decrease in the cannabis market, inflation, natural disasters, unfunded State and Federal mandates, major enterprise software updates, and deferred maintenance. Local indications show a decrease in consumer spending and sales tax for Mendocino County. The remaining months of FY 2023-24, as well as future years, the County needs to be conscious of fiscal sustainability.

The following statistics are from the County's most recent sales tax report, provided by HDL Companies for October-December 2023, compared to the same timeframe last year (October-December 2022)¹.

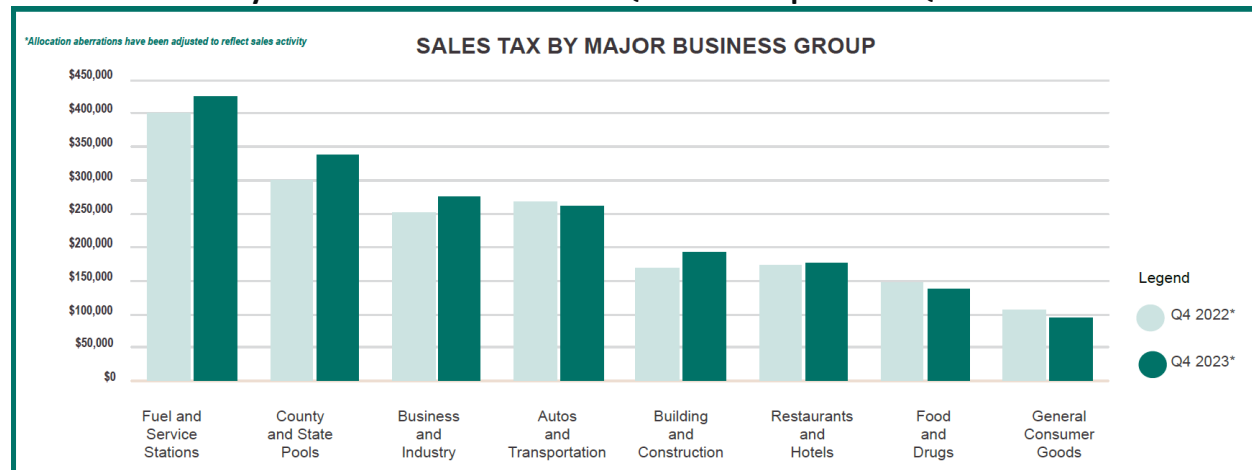
County allocation of the countywide use tax pool **increased by almost 13%** due to overall growth in point-of-sale revenues.

Overall County sales tax **decreased 1.2%**, net of adjustments

Unincorporated area actual sales **increased 4.4%**

Fuel and Services stations **increased 5.6%** overall with Services Stations **decreasing 4.1%**

Mendocino County Sales Tax – Calendar Year Q4 2023 compared to Q4 2022

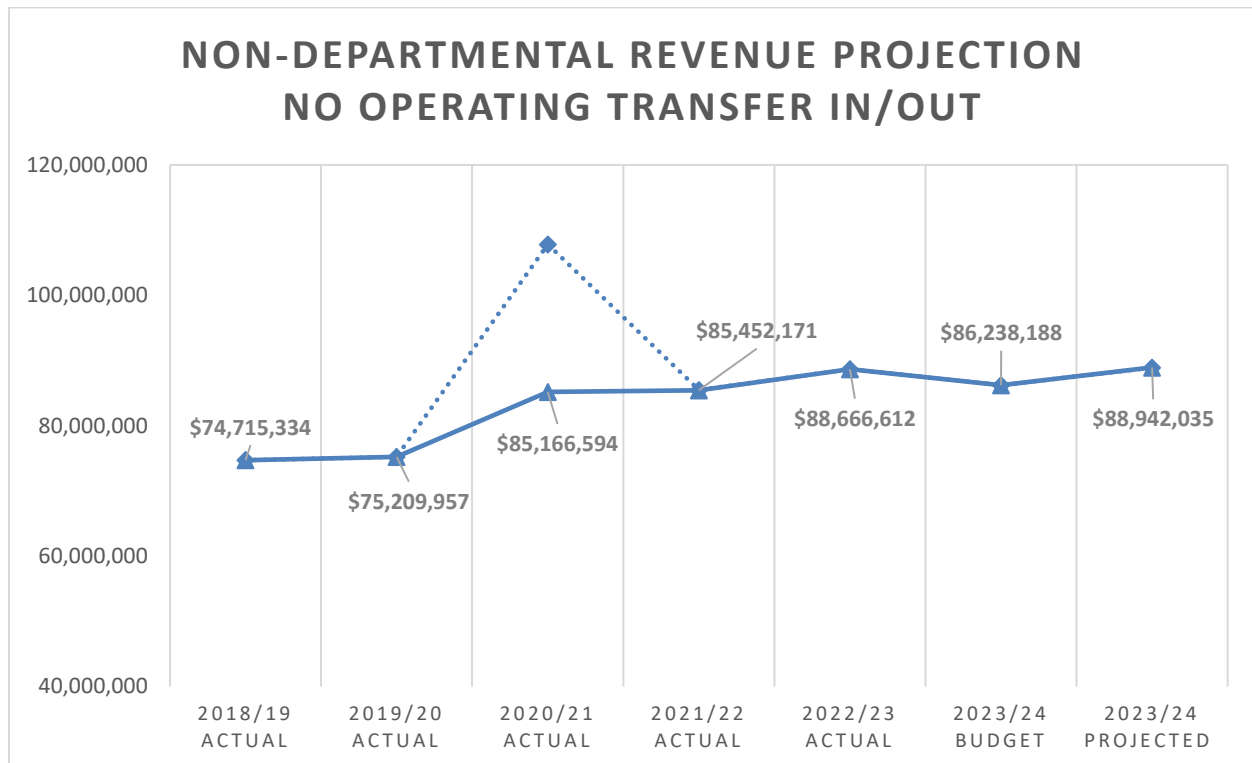


¹ HDL Companies

For further information regarding Sales Use Tax, please see **Attachment B**, provided by HdL Companies.

Non-Departmental Revenues – BU 1000

A detailed revenue breakdown for BU 1000 revenue forecasts is provided in **Exhibit A**.

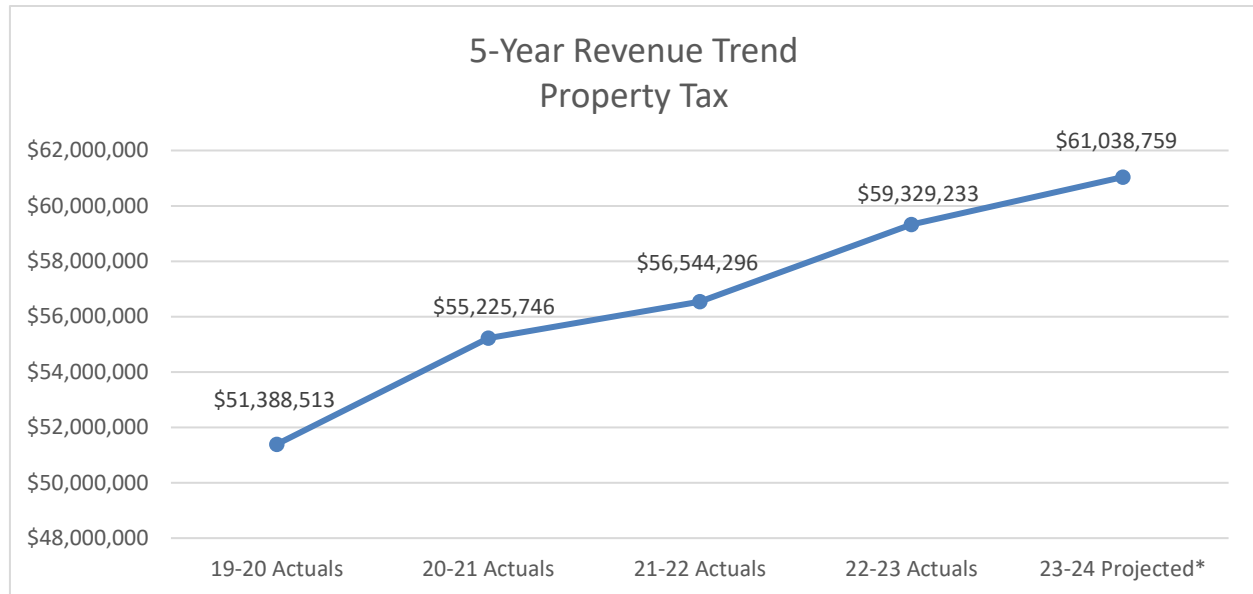


The above chart reflects non-departmental revenue **excluding** all Operating Transfers Ins and Outs. Operating transfer Ins reflect one-time funds used to balance the budgets. Notable examples of these Operating Transfers In include, \$500,000 in Fiscal Year 22/23 and \$4.47m in Fiscal Year 23/24. Operating Transfer Out reflects various funding obligations. In Fiscal Year 2023/24, the Operating Transfer Out totaled \$13.5m, reflecting funding obligations including Measure P (\$4.2m), Roads (\$3.9m), and Library (\$1.4m), and others.

The spike in funds for Fiscal Year 2020/21, represented by the dotted line, reflects approximately \$22.6 million in PG&E settlement funds. Of that total, \$21.4 million has been allocated. The remaining \$1.2 million in PG&E settlement funds is included in the one-time funding recommended to carry forward to Fiscal Year 2024/25 budget.

FY 2023/24 Projections are up 0.31% from prior year 2022/23 actuals. The Year-to-Year average increase in non-departmental revenues is 3.6%. FY 2023/24 projections are up 19.04% from FY 2019/19 actuals.

Revenue – Property Tax



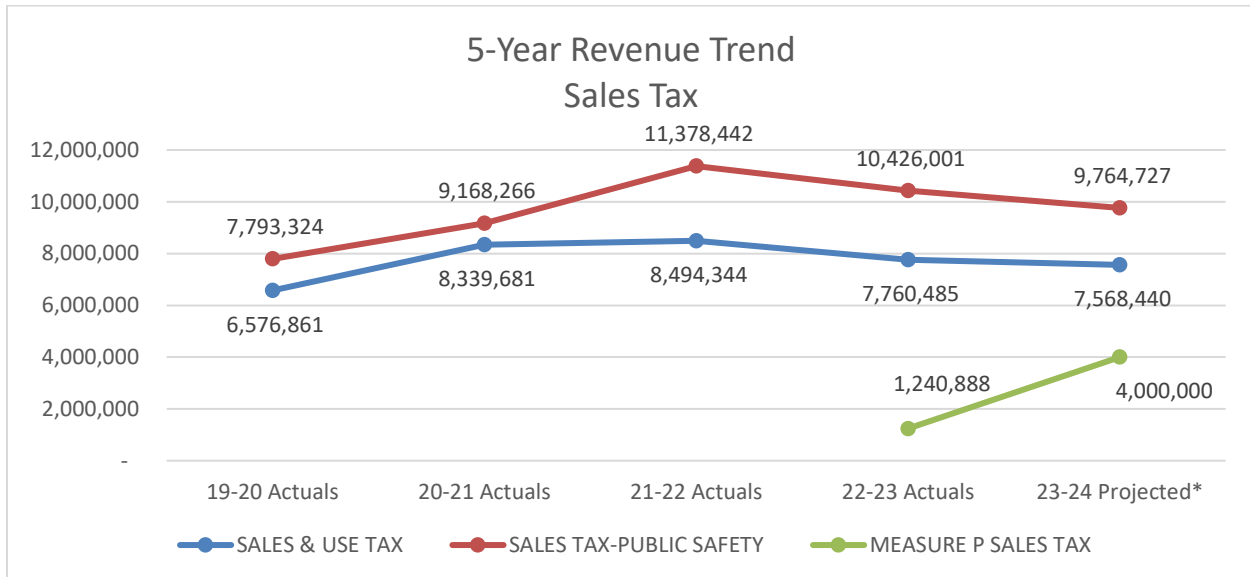
Total Property tax revenues are projected to increase by approximately 3% from \$59.3m in Fiscal Year 2022/23 to \$61m in Fiscal Year 2023/24. The 5-year average annual increase in Property Tax revenues is 4%. Property tax in lieu of VLF revenue is expected to be approximately \$14m million, 4% from prior-year actuals.

Total property tax revenue includes the following property tax revenue categories:

- Property tax current secured
- Property tax current unsecured
- Supplemental roll tax
- Property tax prior secured
- Property tax prior unsecured
- Penalty & cost on delinquent tax
- Property transfer tax
- Prop tax in-lieu of VLF (Vehicle License Fee)
- Williamson act replacement tax
- Homeowners property tax relief

Revenue – Sales Tax and Public Safety

Mendocino County receives sales tax revenue distributed from the State Board of Equalization, per state and local statute. Primary sources for sales tax revenue in Mendocino County are highlighted in the following graphs.

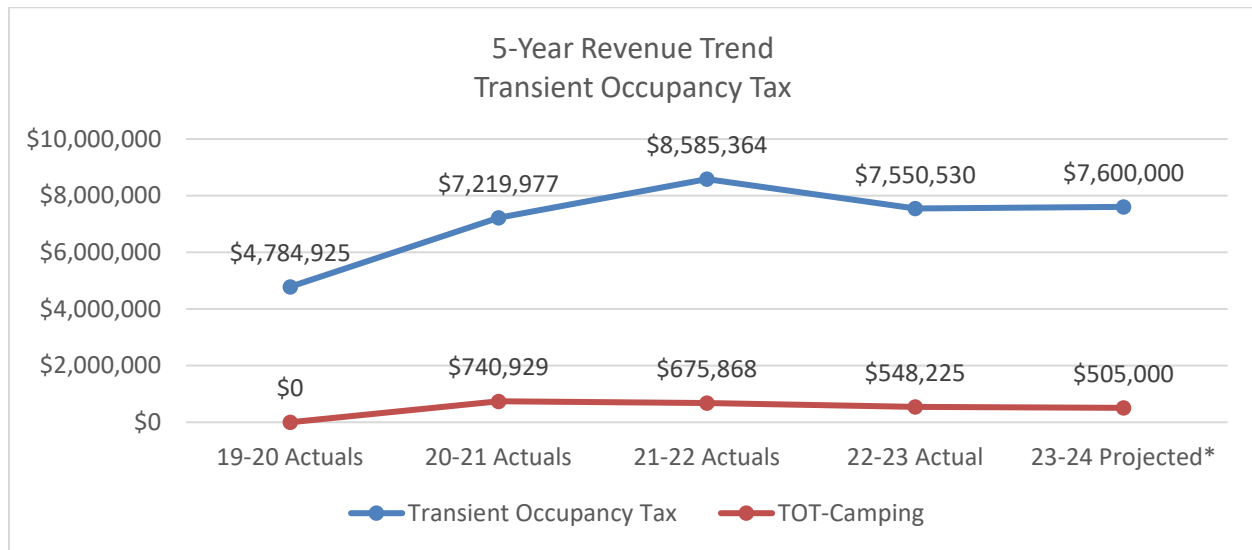


Sales Use Tax revenues are projected to decrease 2.5% from \$7.7m in Fiscal Year 2022/23 to \$7.5m in Fiscal Year 2023/24. This is lower than the budgeted amount of approximately \$8m by \$500k (~5.4%).

The Public Safety sales tax is projecting to decrease 6.3% over the same comparison period.

Measure P is a sales tax measure that was approved in November 2022 and introduced a 0.25% sales tax increase to fund fire prevention and emergency services across the County.

Revenue – Transient Occupancy Tax (TOT)



Transient Occupancy Tax (TOT) revenues are projecting approximately 1% higher in Fiscal Year 2023/24 than prior Fiscal Year 2022/23 actuals. This is lower than the budgeted amount of \$8 million by \$400k (5%).

TOT-Camp revenues are projecting to decrease approximately 8% in Fiscal Year 2023/24 from prior Fiscal Year 2022/23 actuals. This is lower than the budgeted amount of \$680k by \$175,000 (~25%).

3rd Quarter review by Budget Unit

Below is a table with accompanying narrative of Budget Units projecting greater than \$100k over their General Fund Net County Cost (NCC) assignments.

Fiscal Year 2023-24 3rd Quarter General Fund Budget Deficit Projection					
Budget Unit	Department Name	Adjusted Budget	YTD	Projected	Projected Deficit
1130	Treasurer-Tax Collector	406,145	432,038	716,573	(310,428)
1320	Human Resources	1,625,064	1,892,262	2,155,686	(530,622)
1620	Fleet Management	10,389	986,526	220,581	(210,192)
2310	Sheriff-Coroner	20,704,798	16,070,173	21,372,583	(667,785)
2510	Jail and Rehabilitation Center	11,102,582	10,123,683	12,057,576	(954,994)
2810	Cannabis Management	551,575	765,720	854,753	(303,178)
5010	Social Services Administration	29,153	25,694,109	2,172,755	(2,143,602)

BU 1130 – Treasurer-Tax Collector

The Tax Collector budget unit anticipates being over budget by \$310,428. This is primarily due to Penalty & Cost being budgeted at \$230,928, however, currently projected at \$0 for Fiscal Year 2023-24. Historically, the Auditor would balance the budget with funds from ND. This practice has changed to show the full cost of the department.

BU 1620 – Fleet Management

The Fleet Management budget unit anticipates being over budget by \$210,192 due to the Garage changing the billing model that adjusts administrative overhead. The cost recovery method used to project at budget development was formulated for full cost recovery, also known as a shop rate. In FY23-24 Garage adopted individual employee weighted labor rates that no longer provide full cost recovery.

BU 2310 – Sheriff-Coroner

The Sheriff's Office budget unit anticipates being over budget by \$667,785 due to an increase of 93% in Extra-Help for coverage related to retirements and vacancies in critical positions. Retirement increment was 141% expended at mid-year and will likely be offset by the non-increment contribution anticipated to be lower than projected at 65.5%.

BU 2510 – Jail

The Jail budget unit anticipates being over budget by \$954,994 and is projected to be up to twice that by fiscal year-end. The reason for this is that the department's salary projections are lower than they have been for the last two fiscal years, although salaries and salary-related costs have not decreased.

BU 2810 – Cannabis Management

The Cannabis budget unit anticipates being over budget by \$303,178 primarily due to reductions in revenues. The department's fee revenue is projected to end at \$150,000-\$160,000. The Local Jurisdiction Assistance Grant Program (LJAGP) and the Local Equity Entrepreneurial Program (LEEP) Grant revenue projections are anticipated to be approximately \$475,000 under the original grant projection.

BU 1320 – Human Resources

The Human Resources budget unit is reflecting a potential general fund impact of \$530,622 if reimbursement from Social Services for staff services, the labor contract, and the NeoGov contract is not realized. The projected budget does not include grant funding from the DEI grant as the department is unable to utilize the full funding amount in FY 23-24.

BU 5010 – Social Services

The Social Services budget unit reflects a potential general fund impact of \$2,143,602. The Department will monitor Realignment receipts and expenditures and report asap if the Department determines the need for funds from the 2011 Realignment Reserve at year-end.

The Budget Units below are notable mentions.

BU 1410 – Elections

Election expenses are projected to be on budget; however, the department is waiting to see what will happen with the misprints and billing with the print vendor. Revenues are projected to be on budget, however billing for the March 2024 election will be collected in FY 24-25 and need to be moved to FY 23-24.

BU 1941 – Clerk-Recorder

The Clerk-Recorder budget unit anticipates being over budget by \$46,087 due to a decrease in recording which has resulted in lower recording fees.

BU 2012 – Courts – AB 233 Program

Overall revenue is projected to come in over budget (variance of 30.8% or approximately \$284,500). There are several collection accounts coming in higher than budgeted. The most significant are Traffic School Fee at \$390,513.00 over budget and Vehicle Code Fine at \$96,372.00 over budget. There are a several collection accounts coming under budget. The most significant is 826380 Collection Fee at \$261,815 under budget. Although the department is collecting well above what was budgeted, the budget for Fiscal Year 23/24 was conservative. The numbers we are projecting are in line with prior year actuals.

BU 1210 – County Counsel

The County Counsel budget unit anticipates being over budget by \$29,731 primarily due to the inability to bill the Cannabis program and removal of cost recovery from Child Support Services for temporary legal services rendered to that department while the department experienced a vacancy in their “Child Support Attorney” position, which was filled on July 11, 2023. This is partially offset by salary savings due to the vacancy of the County Counsel position.

BU 1960 – Information Technology

The Information Technology budget unit is anticipated to come in at budget, however, there are several items of note. Salaries and benefits are projected to be over budget by \$197,639 due to retroactive COLA's and vacation payouts from retirements which has been partially offset by salary savings. Department revenues and intrafund transfers are collectively projected to come in \$(361,685) under budget due to reductions in direct bill services and removing Communications staff labor reimbursement from departmental Microwave Cost Recovery (MCRM). These items will be offset by a reduction in the 2000 series.

FY 2023-24 Q3 UPDATES

One-time funds

The approved budget for FY 2023/24 included the potential use of approximately \$7.3 million in the use of one-time funding to balance the budget. One-time funding included the following:

- \$3.2m – ARPA (American Rescue Plan Act)
- \$1.2m – PG&E Settlement Funds
- \$1m – LATCF (Local Assistance and Tribal Consistency Fund)
- \$600k - Information Technology Service Fund Holiday
- \$500k – Supplemental Property Tax Backlog
- \$500k – General Reserve
- \$325k – Teeter Reserve
- **\$7.325m - Total**

Mid-Year projections anticipated that approximately \$1.73 million in one-time funds would be needed to balance the Fiscal Year 2023/24 budget. However, based on current FY 2023/24 budget projections, it is anticipated that approximately \$5.025 million in one-time funding will be needed to balance the budget. The recommended use of one-time funds is as follows:

- \$3.2m – ARPA (American Rescue Plan Act)
- \$1m – LATCF (Local Assistance and Tribal Consistency Fund)
- \$500k – Supplemental Property Tax Backlog
- \$325k – Teeter Reserve
- **\$5.025 - Total**

The difference between the \$1.73 million at mid-year and the 3rd quarter projected \$5.025 million is a result of changes in Teeter Plan revenues and estimated costs overall.

Labor Updates

Bargaining Unit	Contract Status	Contract Start Date	Contract End Date
Confidential	Current	7/1/2023	6/30/2026
Department Head	Tentative agreement – to BOS on May 7 for approval	9/1/2022	8/31/2023
DSA	Current	7/1/2023	6/30/2026
Management	Tentative agreement – to BOS on May 7 for approval	10/1/2022	9/30/2023
MCLEMA	Current	7/1/2023	6/30/2026
MCPAA	In negotiations	7/19/2022	6/30/2023
MCPEA	Current	7/1/2023	6/30/2026
SEIU	Current	7/1/2023	6/30/2026
SEIU 2015	In negotiations	12/10/19	12/31/2022
Unrepresented**			

** Tied to Department Head Bargaining Group

Acronym Definitions:

DSA – Deputy Sheriff’s Association

MCLEMA – Mendocino County Law Enforcement Association

MCPAA - Mendocino County Public Attorneys Association

MCPEA - Mendocino County Probation Employees Association

SEIU 1021 – Service Employees’ International Union, Local 1021

Capital Improvement Projects

Below is a list of projects completed during Fiscal Year 2023-24. These completed projects represent approximately \$2.7m in expense, split between General Fund, Non-General Fund, and Grants. A comprehensive list of Completed, In Progress, and Pending projects can be found in **Attachment C**.

Public Health Emergency Preparedness Trailer	Public Health	Completed July 2023
Fort Bragg Veterans Hall Electrical & HVAC System Replacement	Facilities and Fleet	Completed August 2023
Parks Fire Fuel Hazard Mitigation - Mill Creek and Low Gap	Facilities and Fleet	Completed August 2023
Board Chambers Podium ADA Compliance	Facilities and Fleet	Completed August 2023
Remove abandoned Modular at Sheriff's	Sheriff	Completed August 2023
Avila Center Electric Strikes at Interview Booths	Social Services	Completed August 2023
Sheriff's Office Fallen Officer Memorial	Sheriff	Completed September 2023
Fiber Cable from Fort Bragg Justice Center to Avila Data Room	Social Services	Completed December 2023
Administration Center HVAC Unit 20 Replacement	Facilities and Fleet	Completed February 2024
Avila 7C HVAC Unit Replacement	Social Services	Completed February 2024
Fort Bragg Justice Center HVAC Replacement	Facilities and Fleet	Completed February 2024
DOT Video Security Boonville Yard	Transportation	Completed March 2024
WISC Water Damage Remediation and Repairs	Social Services	Completed March 2024
Agriculture-Farm Advisor Roof Replacement	Agriculture	Completed March 2024
Probation Building 26 Proximity Card Readers	Probation	Completed March 2024

CEO Recommended Actions

1. Accept the FY 2023-24 3rd Quarter Budget Report as presented
2. Accept Exhibit A revenue adjustments
3. Approve FY 2023-24 3rd Quarter Budget Net Zero Adjustments (Attachment A)
4. Approve recommended use of \$5.025 million in one-time funds to balance the FY 2023/24 budget

GLOSSARY OF TERMS

General Fund - The primary operating fund of a government, used to finance most typical services such as public safety, administration, and public works.

Budget Deficit - The amount by which government expenditures exceed revenue over a specific period of time, leading to a shortfall that must be financed through borrowing or the use of reserve funds.

Non-Departmental Revenues - Revenues that are not directly generated by specific county departments but are collected at a county-wide level, such as general sales taxes, property taxes, and certain grants.

Net County Cost (NCC) - The total cost to the county for providing services after accounting for all revenues except for General Fund support. It represents the impact to the General Fund.

One-Time Funds - Funds that are not expected to recur on a regular basis, used typically for non-recurring expenditures. Examples include windfalls from legal settlements or one-off state or federal grants.

Operating Transfers In/Out - Transfers of money between different government funds as recorded in financial statements. Transfers in are added to a fund, while transfers out are deducted.

Actuals - The term used to describe the real financial figures recorded during a specified accounting period. Actuals represent the true amounts of revenue received or expenditures made, as opposed to budgeted figures or forecasts.

Property Tax In-Lieu of VLF (Vehicle License Fee) - Revenue received from the state as a replacement for vehicle license fees that local governments previously collected directly.

Sales Tax Revenue - Income earned by the government from sales tax, which is imposed on the sale of goods and services. It is a percentage of the price paid by the consumer at the point of sale.

Transient Occupancy Tax (TOT) - A tax charged to travelers when they rent accommodations in a hotel, inn, motel, vacation rental, etc., for a period of less than 30 days.

Measure P - A sales tax measure that was approved in November 2022 and introduced a 0.25% sales tax increase to fund fire prevention and emergency services across Mendocino County.

Teeter Plan - A method of property tax allocation that allows counties to receive the total amount of property taxes levied regardless of the actual collection rate, with the county assuming the risk for delinquent accounts.

Fiscal Sustainability - The ability to sustain current spending, tax, and other fiscal policies over the long term without risking fiscal crisis.

Fiscal Year (FY) - A one-year period used by governments for accounting and budget purposes, which varies between countries. In Mendocino County, the Fiscal Year is July 1st through June 30th.

Adjusted Budget - Refers to the budget amount that has been modified from the original approved budget to reflect changes such as additional allocations, reductions, or other adjustments during the fiscal year.

YTD (Year-to-Date) - The period starting from the beginning of the current fiscal year up to the current date, used for tracking financial progress and performance against the annual budget.

Projected Deficit - An estimate of the amount by which expenses are expected to exceed revenues by the end of the fiscal year based on current and forecasted operations.

Supplemental Roll Tax - Additional property taxes levied due to changes in property value not accounted for in the original tax roll, often resulting from construction or property sales.

Penalty & Cost on Delinquent Tax - Fees and charges applied to tax amounts that are paid late, intended to encourage timely payment of taxes.

Property Transfer Tax - A tax imposed by local governments on the transfer of property from one owner to another, based on the property's sale price.

Revenue Forecast - The estimated amount of money that will be received from various sources during a specified fiscal period. This is a critical component for budget planning and adjustments.

Capital Improvement Projects (CIP) - Long-term investment projects undertaken by the government to build, maintain, or improve its infrastructure assets, such as roads, bridges, schools, and government buildings.