

# Mid Year Budget Report FY 2017-2018

March 13, 2018



# Presentation Outline

- Budget Goals and Priorities
- Human Resources Update
- Economic Outlook
- Legislative Update
- Planning for Emerging Expenses
- Consolidations
- Department Overviews
- FY 2016-17 Close Out
- Mid-Year Recommendations
- Planning for FY 2018-19


# Board Goals and Priorities

- Budget Goals & Priorities
  - Fiscal Stability
  - Financial Sustainability
  - Organizational Development
- Budget Development Priorities
  - Investment in Roads
  - Economic/Business Development
  - Support for Emergency Services
  - Homeless Issues
  - Support Community Partners



# Human Resources



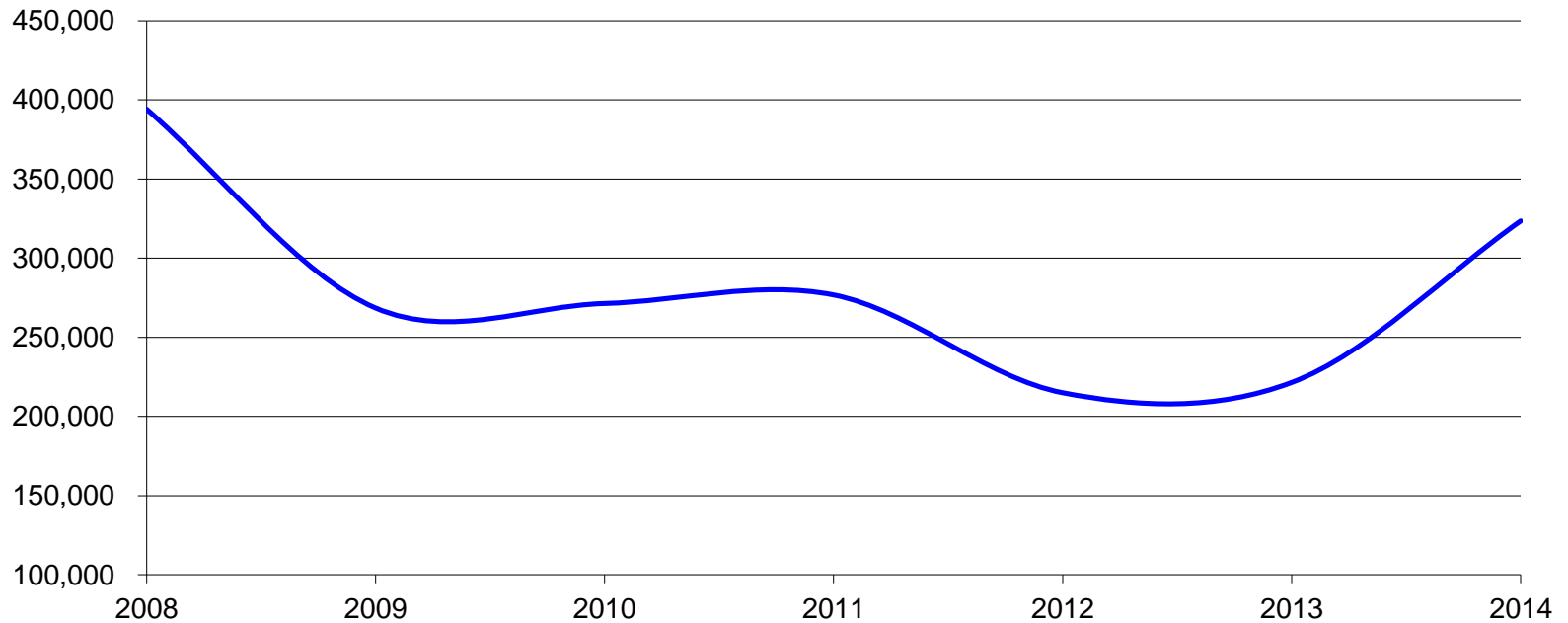
- County Employee Update
  - Recruitment
  - Leadership Initiative
  - Wellness
  - County-Wide Training Program
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# Economic Outlook

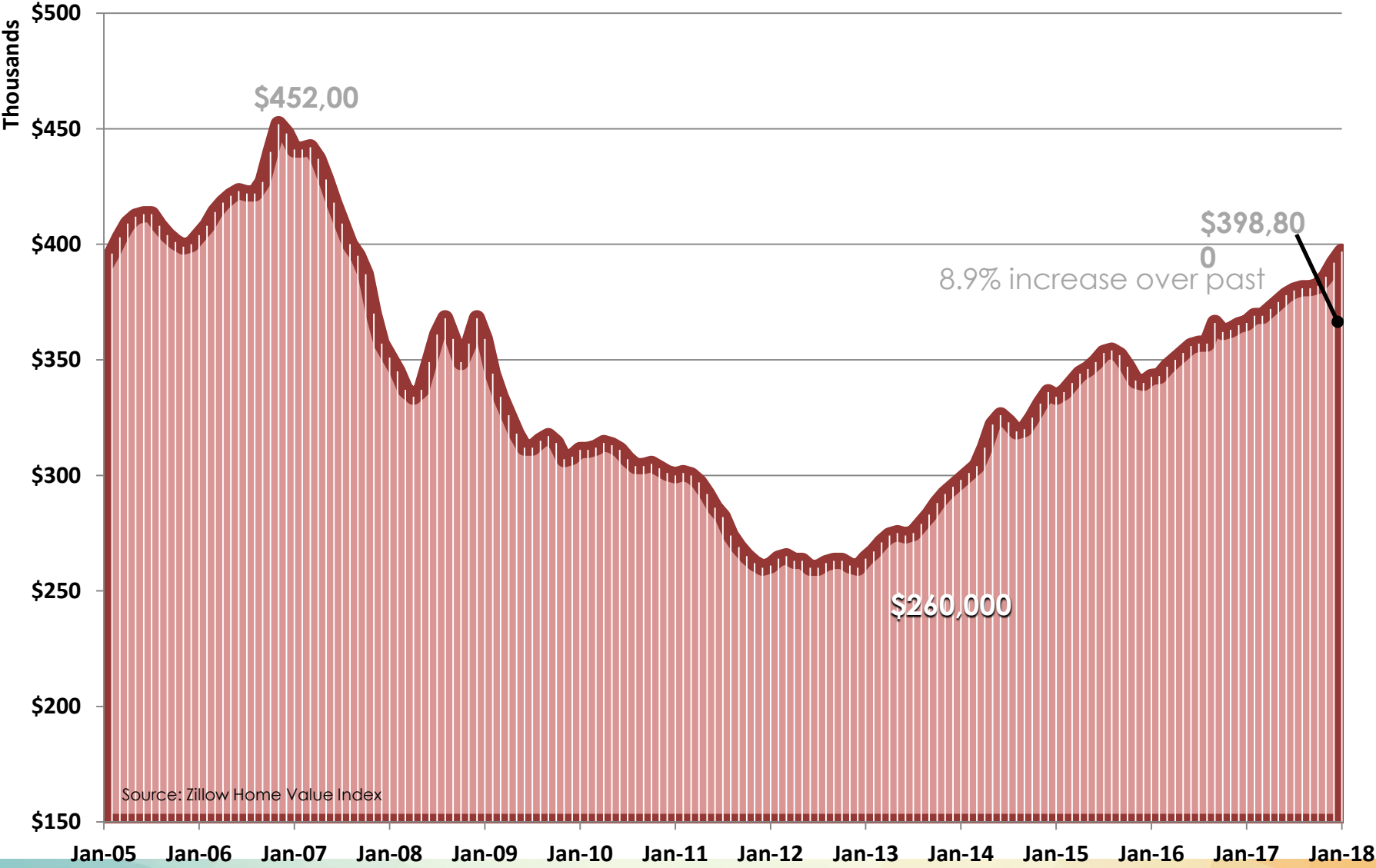
- Metrics for forecasting future economic conditions for 2019:
  - Medium Household Income
  - Property Values
  - Industry Employment and Unemployment
- Recent events that will likely have economic impacts on the local economy that cannot be captured by data.
  - October Wildfires
  - Legalization of Cannabis for Adult Use

# Median Home Price

**Mendocino County Median Home Price 2008-2014**



# RESIDENTIAL PROPERTY VALUES

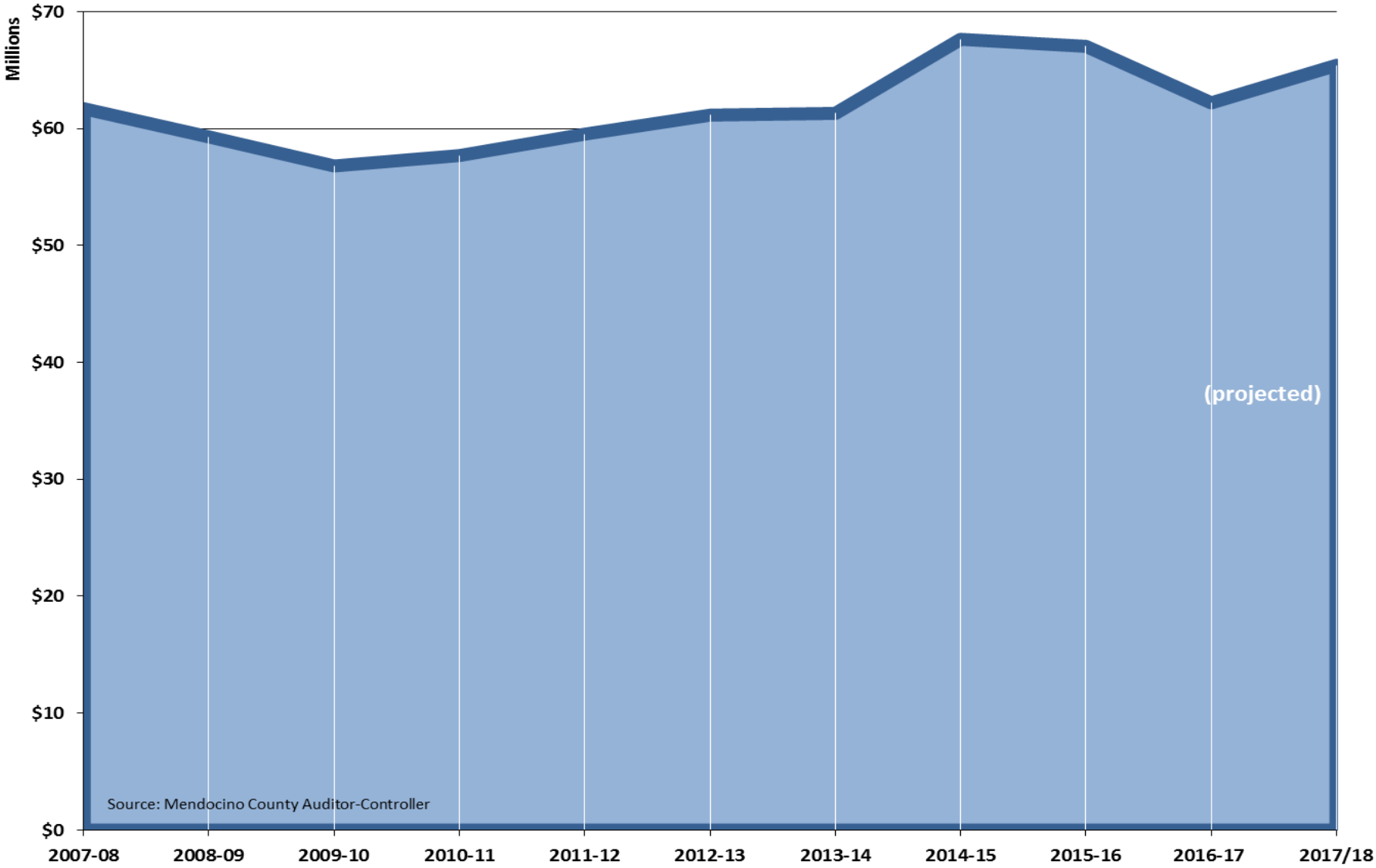


# Employment

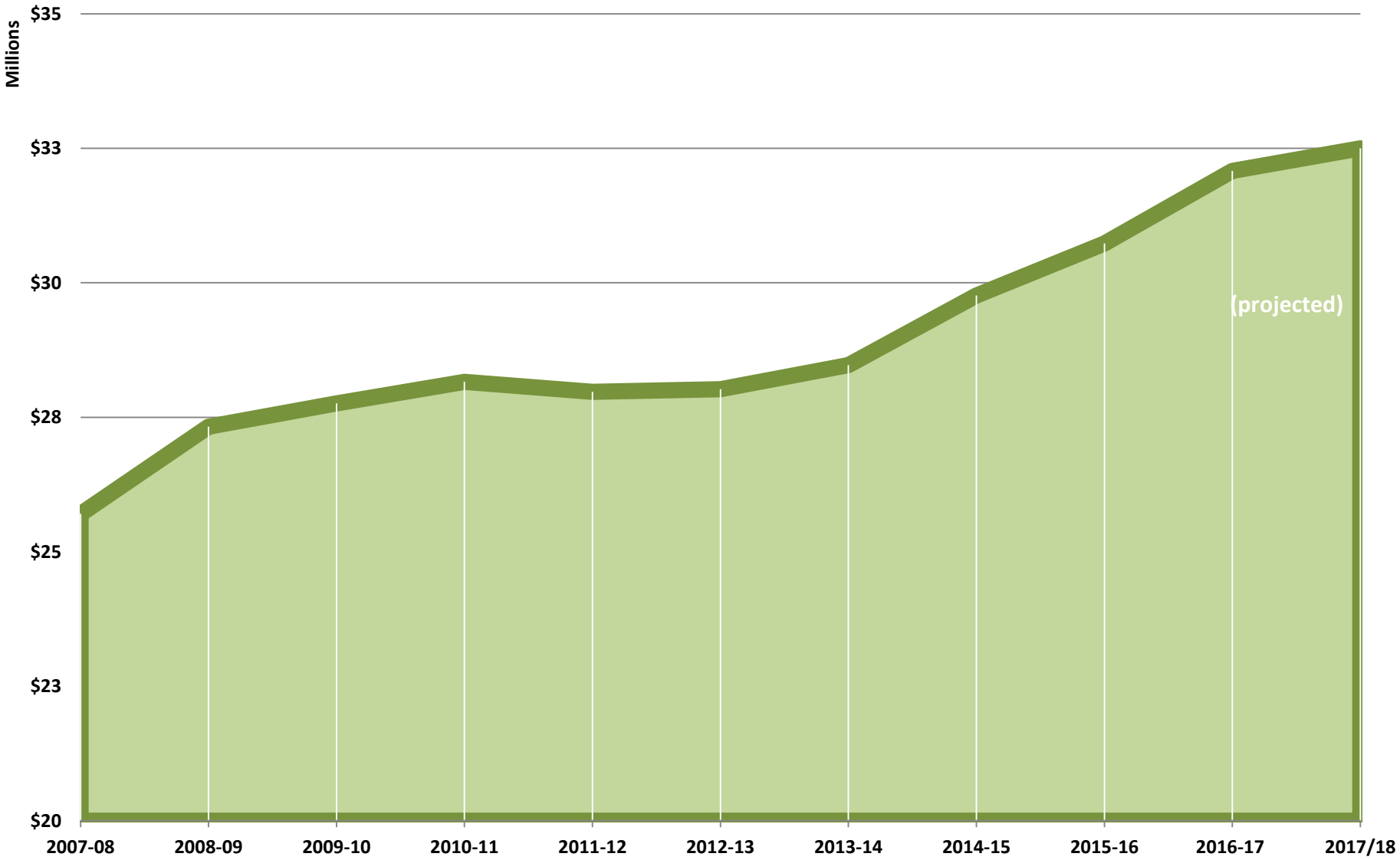
- Overall job growth by 11% between 2011 and 2016.
- The largest industry in the county is Health Care and Social Assistance.
- The Retail Industry continues to be the second largest employer.
- Mendocino's adjusted December 2017 unemployment rate is 4.2%, up 0.3% from the November 2017 rate of 3.9%.
- The year-over rate is down 1.1% from the December 2016 rate of 5.3%.
- With the rate increase in December, Mendocino County rose from 24th rank to 23rd rank (from the top) among 58 counties.



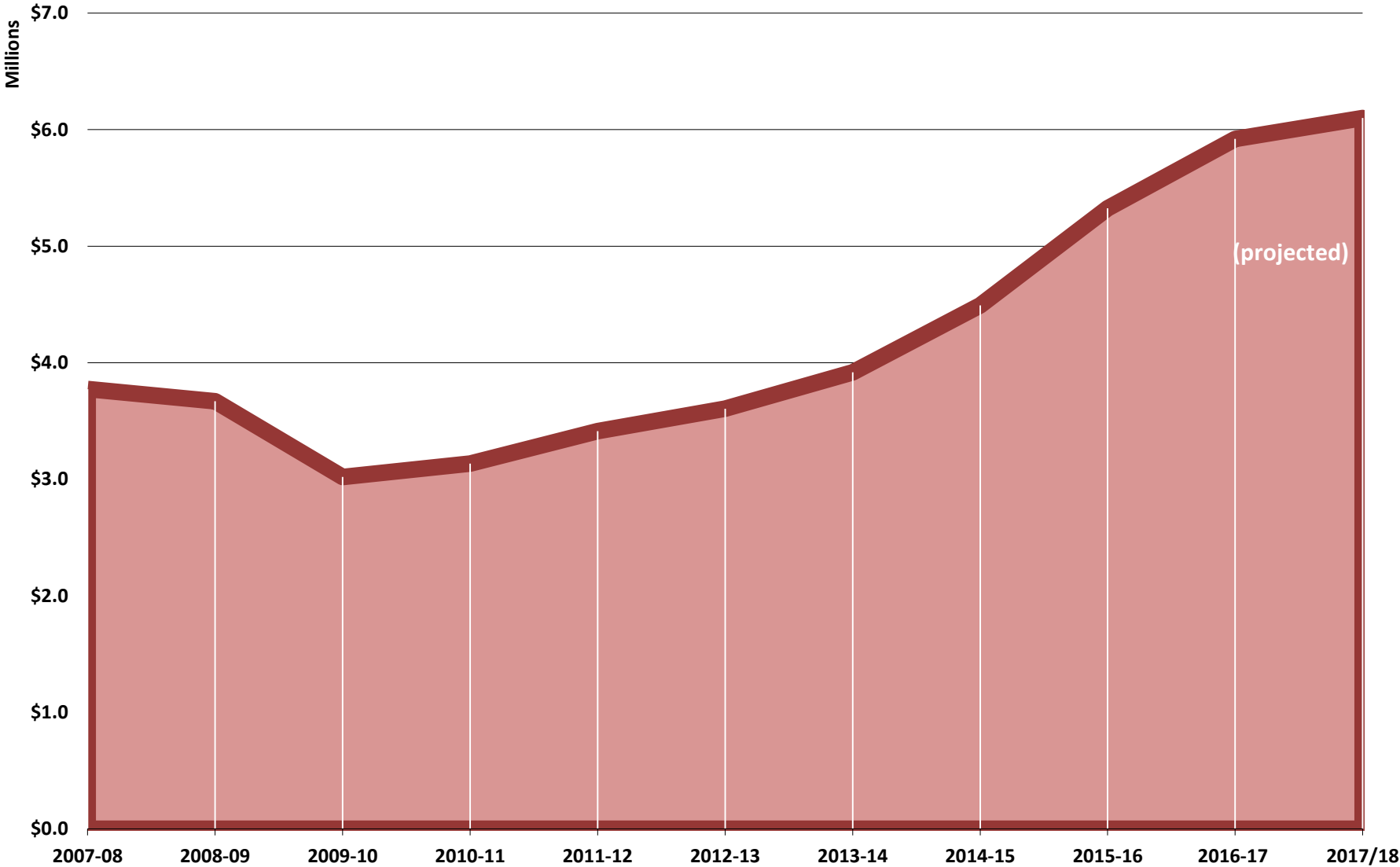
# DISCRETIONARY REVENUE (BU 1000)



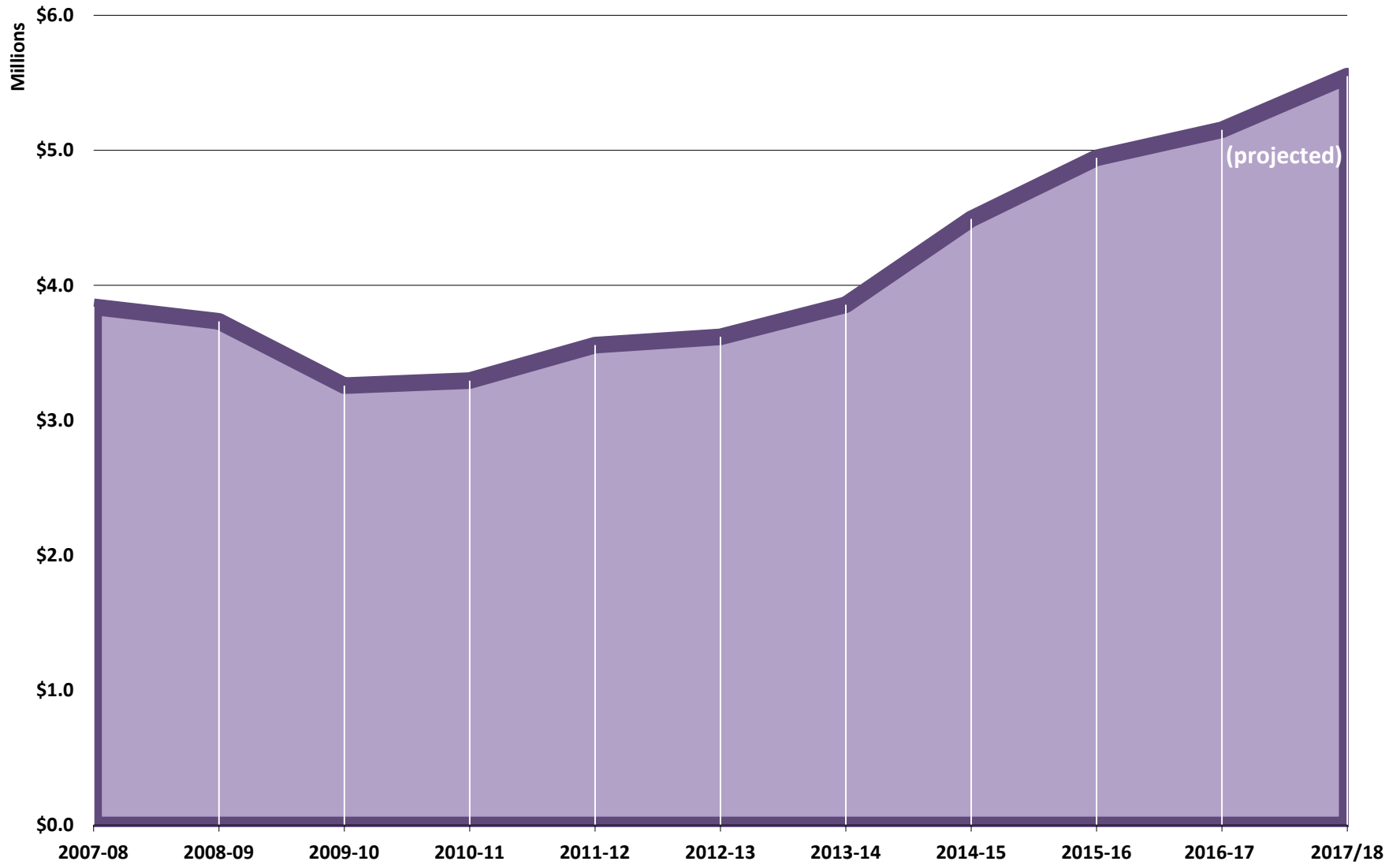
# SECURED PROPERTY TAX REVENUE



SALES TAX REVENUE (1% COUNTY SHARE)



## TRANSIENT OCCUPANCY TAX (TOT)



# BU-1000 Revenue Forecast For Fiscal Year 2017-18

- [Exhibit A - BU 1000 Non-Departmental Revenue Forecast](#)
- 2017/18 Adopted
  - \$64,537,616
- 2017/18 Projected
  - \$65,423,000

# Legislative Update

- State Budget Update
  - Fiscal Outlook
  - Disaster Recovery
  - Health and Human Services
  - Transportation
- Federal Update
  - Two-year Budget Deal
  - Proposed FY 2019 Budget
  - Federal Spending Cuts on the Horizon



# Planning for Emerging Expenses



- IT Master Plan
  - Fire Recovery
  - Salary Increases
  - Local Roads
  - County Capital Improvement Plan
  - Cannabis
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# IT Master Plan

- County-wide needs Assessment
- Preliminary Plan
- Fiscal Projections
  - \$3 million per year for five years
  - FY 2017-18 Recommended increase of \$670,364 transferred from IT Reserves
- IT Master Plan and fiscal projections discussion during the FY 2018-19 budget presentation

# Fire Recovery

- Estimated Tax Loss: \$459,500
- Estimated Fee Revenue Shortfall: \$550,500
- Non – reimbursable Response/Recovery Staff & Material Costs: \$700,000
- Estimated Debris Removal Local Share: \$750,000
- Recommended Set Aside: \$2.5 Million

# FY 17-18 General Fund Salary Increases

- 3% COLA Increase - \$2.1 Million
- Supplemental Pay - \$2.3 Million
- Longevity Pay - \$600,000

# Local Roads

- 2016 Statewide Needs Assessment Report and Pavement Condition Index
- Retrofitting and Reconstruction Projects
- State Transportation Improvement Program
- Corrective Maintenance
- Storm Damage Roads

# Cannabis

- Launch of Cannabis Programs
  - Cannabis Cultivation Program
  - Cannabis Facilities Program
- FY 2017-18 Cannabis Business Tax Allocations
- Cannabis Business Tax Projections
  - Adopted: \$1,708,849
  - Actuals
    - Year to Date as of 3/7/18: \$709,889
- Cannabis Cultivation Program Fee Revenues
  - Adopted: \$1,079,750
  - Actuals
    - Year to Date as of 3/7/18: \$267,420
    - Cottage Permit Refund: \$115,000



# County Capital Improvement Plan

- Roof Replacement & Repairs: \$1.5 Million
- Capital Facilities Maintenance: \$1.1 Million
- Major Projects/Capital Improvements: \$500,000
- Fire-Life-Safety/Modernization of Aging Facilities: \$350,000
- Energy Efficiency Retrofitting & Upgrades: \$320,000

# Consolidation

- Cultural Services Agency -  
Museum/Library/Parks
- Environmental Health and Planning  
and Building Services

# Departmental Review

## **General Fund Departments Projected to Be Over Budget**

- BU 1110 Auditor Controller \$64,505
- BU 1410 Elections \$41,278
- BU 1810 Economic Development \$100,000
- BU 2012 Court Collections \$588,832
- BU 2085 Alternate Defender \$25,000
- BU 2086 Conflict Defender \$129,583
- BU 2310 Sheriff – Coroner \$1,091,278
- BU 2550 Juvenile Hall \$432,126
- BU 2710 Agriculture \$318,240
- BU 2851 Planning and Building \$843,068

# Departmental Review



## **Non General Fund Departments Projected to Be Over Budget**

- BU 0326 Water Agency \$72,935

# 2016-17 Close Out

- 16-17 Carryover: \$1,382,133
- 17-18 Dept. Projections: (\$855,623)
- Fire Recovery: (\$276,080)
- Cannabis Unit: (\$250,000)
- After mid-year adjustments the FY 16-17 carry over is \$0
- Additional Funding from Court Trust:
  - Courts Payment: (\$146,000)


# Major Projected Department Shortfalls

- **BU 2851 Planning and Building Services**
  - \$843,068
  - Due primarily to a revenue shortfall of \$550,520, an increase in Professional Services costs and increases in salaries for certain planning and building staff.
- **BU 2310 Sheriff – Coroner**
  - \$1,091,278
  - Due to a variety of unanticipated costs including negotiated salary and wage increases and underfunding concerns expressed by the department during the build of their 2017-18 budget.
- **BU 2510 Juvenile Hall**
  - \$432,126
  - Due to the termination of the Lake County contract at the end of the first quarter.
- **BU 2012 Court Collections**
  - \$588,832
  - Due primarily to repayment of costs associated with State audit findings and lower than anticipated revenue. The Court Audit by State Controller's Office resulted in a finding that netted a shortage in the County's Maintenance of Effort payment to the State, from prior fiscal years, in the amount of \$462,605.



# Mid-Year Recommendations



- Accept the Fiscal Year 2017-2018 Mid-Year report as presented.
  - Adopt Resolution amending the FY 2017-18 Adopted Budget.
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# Planning for FY 2018-19 Budget

## Fiscal Considerations

- Salary & Benefit Increases - \$6.5 Million
- IT Master Plan - \$4.5 Million
- Fire Recovery - \$2.5 Million
  - Cost Share for Community Projects \$?
  - Cost Share for Debris Removal \$?
- Local Roads - \$2 Million
- County Building Roof Replacement and Repair - \$3 Million
- Cannabis - \$500,000

# Planning for FY 2018-19 Budget

## Fiscal Considerations

- Orr Street Training Center/Patrol Unit
- Jail Expansion Project (SB 844)
- Capital Improvement Plan
- County Reserves (General, IT, Maintenance)
- Fleet Replacement



# Mid Year Budget Report – FY 2017-2018

## QUESTIONS?

