



COUNTY OF MENDOCINO

STATE OF CALIFORNIA

FY 2018-19 2nd QUARTER REPORT & ADJUSTMENTS

Yorkville Highlands

Courtesy of Visit Mendocino

MARCH 26, 2019

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BU 1000 Non-Departmental Revenue Forecast	Exhibit A
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Attachments:

FY 2018-19 2 nd Quarter Budget Adjustments.....	Attachment A
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Purpose

With this document, we begin the Mid-Year Budget Reporting process to the Board of Supervisors for Fiscal Year (FY) 2018-19. The Mid-Year Report covers the first two quarters of the budget year, from July 1, 2018 through December 31, 2018, and provides detailed information projecting how the County budget status is likely to end on June 30, 2019. As with mid-year reports presented to the Board of Supervisors in the past, this report examines the Net County Cost (NCC) projections of departments across the County system. The NCC for a department is identified by taking the annual expenditures of a department and subtracting the annual revenues derived by that department. **Most departments operate at a loss and require infusions of discretionary general fund dollars to be able to maintain services. These infusions of revenue, referred to as NCC, are financed primarily by property tax, sales tax, and transient occupancy tax revenues.** The pool from which the County provides these monies is limited and is annually adopted in the County's budget as Budget Unit 1000. An update on these funds is represented in **Exhibit A** of this document.

California Government Code § 29009 requires the County to produce a balanced budget and the Mid-Year Report is an important step in the process of fulfilling this legal requirement of the County's financial management. **Every year we hope to produce a budget that is balanced between the needs of our community and revenue reality that is presented to us.** All decisions and policy in this matter are solely the responsibility of the Board of Supervisors. The Chief Executive Officer serves as the administrative officer designated by the Board to advise and administer Board direction in fulfilling the requirements of GC § 29009.

Budget Goals & Priorities

In 2016, the Board of Supervisors identified budget goals and priorities, as focus areas in the development and implementation of the County budget. The goals and priorities include:

- Fiscal Stability
 - Debt mitigation and elimination are a priority
- Financial Sustainability
 - Maintain the reserve policy
 - One-time revenue will not be used for on-going expenses
- Organizational Development
 - Investing in the Organization's future through the Leadership Initiative, succession planning, and recruitment and retention practices.
 - Identify and measure departmental performance metrics, including the balancing of location-based provision of county services.
- Investment in Roads
- Economic/Business Development
 - Broadband
 - Permit Fee Waiver Program
 - Support New Housing Development
 - Grant Writer Program
- Support for Emergency Services
- Homeless Issues
- Support Community Partners


Budget Planning Directives

The first Budget Workshop for FY 2019-20 is scheduled to be held on March 26, 2019 during open session at the Board of Supervisor's meeting following presentation of this FY 2018-19 Mid-Year Report. During the workshop the Board will provide guidance for the budgeting and financing goals. At the April 24, 2018, FY 2018-19 Budget Workshop, the Board expanded on the priorities with the following directives:

- Use one-time revenue for one-time expenses
- All expenditures of Mental Health Treatment Act (Measure B) Funds must be approved by the Board
- Human Resources and County Counsel will explore the use of interns and volunteers
- Comprehensive evaluation of the County's vehicle fleet condition prior to purchasing additional vehicles
- Greater detail provided to the Board regarding facility modifications and improvements prior to approval
- Exploration of the use of solar at County facilities
- Greater evaluation of the proposed IT upgrades for a cost savings analysis
- Development of property acquisition options around the new courthouse
- Development of property liquidation options for the Willits Justice Center
- Pursuit of grant funding to generate additional County revenue
- Auditor to reflect Proposition 172 funds in the BU 1000 series table
- Executive Office develop options for an updated EMS model
- Treasurer – Tax Collector to review County online payment fee structure

The Executive Office continues to focus on these goals and priorities throughout the year resulting in Mid-Year Budget recommendations supporting the Board's direction. Please reference **Exhibit C** for additional status information regarding these directives.

Budget Calendar

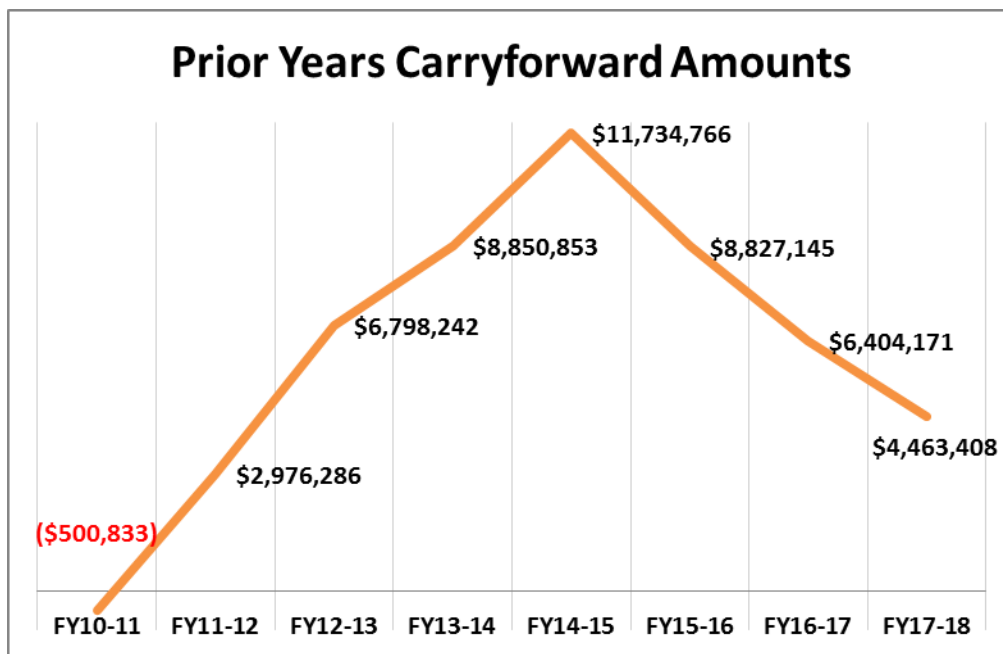
<div>  <h1>FY2018-19 Budget Calendar</h1> </div>	
Date	Event
March 1, 2019	3 rd Quarter reporting instructions transmitted
March 6, 2019	Budget Kick – Off Meeting
March 14, 2019	Munis Budget Training
March 15, 2019	Munis Budget Training
March 15 - 30, 2019	Budget Entered Into Munis
March 20, 2019	3 rd Quarter Budget Projection Report Due
March 25, 2019	Cost Estimates for proposed Facility Modifications and Vehicle Requests returned to Departments
March 25, 2019	Narrative Template Distributed
March 26, 2019	Mid-Year Budget Due for Board approval
March 26, 2019	Budget Workshop
April 1, 2019	Completed Proposed Budget, Facility Modifications, Vehicle Request, & Fixed Asset forms due to EO
April 4-5, 10-11 2019	Budget Conferences
April 23, 2019	Fee Hearing
April 30, 2019	3/4 Quarter year CAFR report due
May 7, 2019	AM: 3 rd Quarter report presented to BOS / PM: Budget Workshop
May 10, 2019	Narratives Due
June 11, 2019	Final Budget Public Hearing
June 12, 2019	Resolution for Approval on Final 2018-19 Budget
June 18, 2019	Final Budget Adoption

Overview

In 2016, the Board of Supervisors set overarching goals and priorities founded in fiscal sustainability and organizational development. With the addition of two new Board members in 2019, now is the time to revisit previous goals and priorities and provide strategic direction for the upcoming FY 2019-2020 budget cycle. It is essential to lay out the direction and goals of the organization and provide a blueprint to guide the organization in determining where to allocate limited resources. An effective budget follows strategy. Organizational strategy plays an integral role in the budget decision-making process by aligning finances with goals and priorities.

Moving forward this fiscal year, we are following the Board of Supervisors' fiscal management goals and directives, focusing on fiscal stability, financial sustainability and organizational development. The back-to-back wild fires and the continued under performance of cannabis revenues are just two examples of under realized revenue and unanticipated expenses. This year, the majority of the projected carryover is much closer to the budgeted amounts. This is due to the Executive Office, the Auditor's Office and the Departments ongoing collaborative efforts to carefully estimate expenditures and revenues and thoughtful oversight of the budget. However, we have a few major department shortfalls this year. Those department shortfalls may be due to unanticipated expenses and/or underfunding.

The final carryover amount from FY 2017-18 was **\$4,463,408**, \$3,965,190 more than projected at 3rd quarter. Of that amount \$4,043,218 was allocated to various departments and programs (see FY18-19 1st Quarter Report for breakdown) leaving \$420,190 remaining for appropriation at Mid-Year. Prior fiscal year carryforward amounts are shown in the following graphs and table:



• FY 2017-18	\$4,463,408	• FY 2013-14.....	\$8,850,853
• FY 2016-17	\$6,404,171	• FY 2012-13.....	\$6,798,242
• FY 2015-16	\$8,827,145	• FY 2011-12.....	\$2,976,286
• FY 2014-15	\$11,734,766	• FY 2010-11.....	(\$500,833)

CEO Budget Team Update

The Executive Office Budget Team relies on departments to provide accurate quarterly budget information which is the basis of developing this Mid-Year Report. We are aware that numerous factors can affect this preliminary estimate of our year-end outcome including unanticipated expenses, under-realized or over-realized revenues, vacancy factors, as well as other unforeseen circumstances.

In FY18-19 the CEO Budget Team began a proactive campaign to create an environment of greater financial stewardship throughout the county, representing the care, conservancy, planning, attention, upkeep, and management of our financial resources and choices beginning at the individual level. Efforts to this goal have included simple measures to increase the volume and quantity of meaningful communications such as one-on-one or small team budget discussions allowing the Executive Office and Departments to better understand each other's programs and priorities.

Other efforts to this end are more formal such as conducting regular monthly budget monitoring, forecasting, and various other budget related trainings. The CEO Budget Team has also partnered with other county Departments, such as the Fleet & Facilities division and Auditor-Controller's Office, to jointly host more specialized trainings. While difficult to measure, the budget team is confident that this initiative is on the way to fulfilling its goal based on feedback from several Departments.

- # of Training Topics Covered.....7
- Total Training Sessions Provided28
- Total Seats Filled / Persons Trained *266

** Includes individuals who attended multiple training topics*

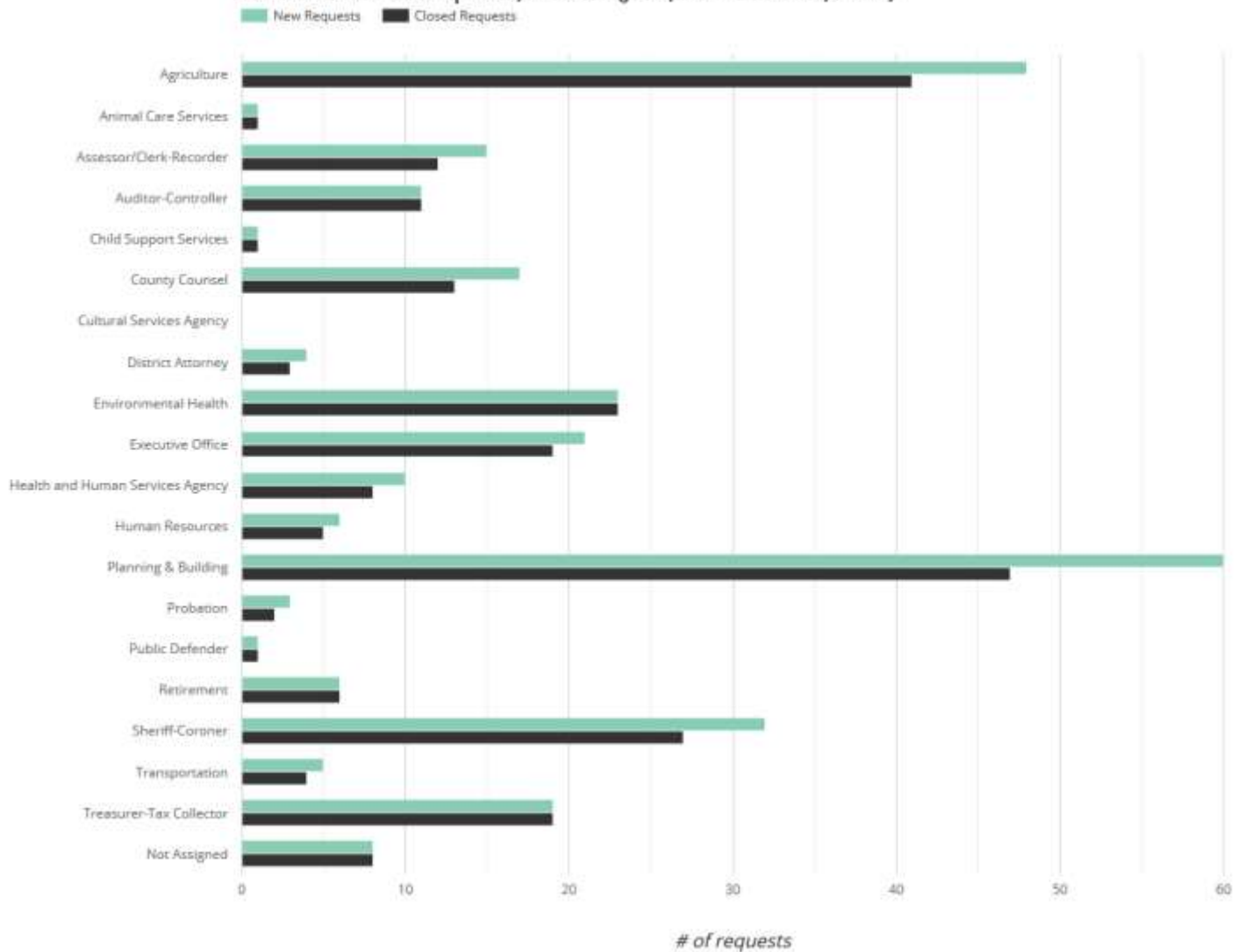
The CEO Budget Team works regularly with the Auditor's Office and the other departments to develop and report various metrics and key performance indicators. It is the hope that these metrics provide a level of transparency for the public to evaluate the county's activities. Some of these metrics are presented here and throughout this report.

Public Records Act Requests

The California Public Records Act declares that access to information concerning the conduct of the people's business is a fundamental and necessary right of every person in the state because it gives the public an opportunity to monitor the functioning of their government. It is the county's goal to provide the public with timely access to its public records.

The County of Mendocino uses a software solution called NextRequest to facilitate a public records request. In most cases request will be fulfilled within 10 days, unless an extension is utilized in accordance with State law. The public can review previous requests and responsive documents, or submit new request for public documents. County departments receive hundreds of request each year with varying levels of work required to respond. The following chart provides the Board with information on what departments received requests this fiscal year.

New and Closed Requests, Custom (Jul 1, 2018 - Dec 31, 2018)



PUBLIC RECORDS ACT REQUESTS – JUL-DEC 2018

Open Requests		Completed Requests	
Waiting for Requestor:	19	# of Completed:	244

To begin to report on the County's Financials, the CEO Budget Team works closely with the Auditor-Controller's Office to prepare. As subject matter experts, the Budget Team looks toward the Auditor throughout the year for numerous projections and estimates for future revenues and expenses. The following sections provide some of these forecasts including projections for Non-departmental Revenues, Teeter Plan performance, as well as other items such as the Mental Health Treatment Act (MHTA or Measure B) tax revenues which allowed the MHTA Committee prepare their budget for the remainder of FY18-19.

Non-Departmental Revenues – BU 1000

After an analysis of Budget Unit 1000 – Non-Departmental Revenue, The Auditor-Controller's Office projects an end of year total surplus of **\$3,029,000**. A detailed revenue breakdown for BU1000 and Prop 172 revenue forecasts are provided in **Exhibit A**.

Major Budget Variances (>\$40k over budget)

Despite the County projecting an increase in surplus in BU 1000, the unanticipated expenses described throughout this Mid-Year Report are greater than the anticipated surplus. The County will continue to experience increases in operating costs with the largest impacts expected to be salary and benefit related costs. The uncertainty surrounding salaries is even more poignant given all of the County's current Union Labor Agreement are set to be renegotiated in calendar year 2019. See [page 10](#) for more details on Labor Contract and negotiations.

While not all-inclusive, the following table presents the major budget variances (over/under budget) projected for the end of FY18-19. This includes a large projected shortfall in the Teeter Plan (BU 1930), which has created a deficit of approx. **\$1,500,000** and contributing to the CEO Budget Team prediction for an overall deficit for the end of fiscal year 2018-19:

FY2018-19 End of Year Projections					
Budget Unit 1000 Surplus vs Top 10 Over-budget Departments/Programs					
Budget Unit	Description/Department Name	2018-19 Revised Budget	2018-19 Quarter 2 Actuals	2018-19 End of Year Projections	Variance
1000	Non-departmental Revenue Total	(56,085,467)	(16,623,415)	(59,114,467)	3,029,000
1930	Teeter Plan Total	(1,500,000)	(142,353)	0	(1,500,000)
2310	Sheriff-Coroner Total	14,213,485	8,234,944	15,560,978	(1,347,493)
2510	Jail Total	9,939,126	5,672,590	10,512,452	(573,326)
2085	Alternate Defender Total	787,300	549,744	916,375	(129,075)
1210	County Counsel Total	628,984	787,196	748,628	(119,644)
2012	Court Collections - AB 233 Total	(714,500)	98,145	(637,090)	(77,410)
1810	Economic Development Total	572,414	237,485	646,980	(74,566)
2860	Animal Care Total	605,849	645,601	672,538	(66,689)
1320	Human Resources Total	1,227,532	1,042,514	1,275,162	(47,630)
2080	Public Defender Total	2,408,089	1,151,523	2,451,491	(43,402)
Total of Major Variances:					(950,235)
Unallocated FY17-18 Carryforward:					420,190
SubTotal of All Variances:					(530,045)

Teeter Plan Update

The Teeter Fund runs most of the year with a deficit balance and incurs an interest expense instead of interest revenue. The goal for the Teeter Plan is to always first cover any current year interest expense and property tax delinquency with the redemption revenues collected throughout the year. After that any excess revenues can be added to the general fund as fund balance available. The following factors have affected the Teeter Plan in FY2018-19:

- Interest rates have increased which results in an increased interest expense to the county. Interest expense for the Teeter Plan is now projected to be over budget by \$500,000
- The Teeter Plan is projected to only cover the current interest and delinquencies but not contribute to fund balance. Net principal expenses are projected to be over budget by \$400,000
- Both 'Property Tax Delinquent Revenue' and 'Penalty and Cost on Delinquency' are not realizing revenues as expected. These line items are projected to be over budget by \$600,000

Measure B – Mental Health Treatment Act (BU 4052) Update

The Measure B – Mental Health Treatment Act subcommittee has developed a program budget for the FY2018-19. The committee's approved budget is reflected below:


2018-19 Fund 1224 Budget Unit 4052 Mental Health Act (Measure B) Recommended Budget Summary	
ACCOUNT DESCRIPTION	BUDGET
824100 Interest	-30,000
821500 Sales and Use Tax	-7,500,000
Revenue Totals	-7,530,000
862060 Communications	0
862150 Memberships	0
862170 Office Expense	2,000
862187 Education & Training	2,000
862188 Printing	1,000
862189 Prof/Spec Services	50,000
862190 Publications & Legal Notices	500
862230 Information Tech Equip	2,000
862239 Special Dept. Expense (MCSO staff)	20,000
862239 Special Dept. Expense	252,000
862253 Travel Out of County	2,000
2000 Series Totals	331,500
865802 Operating Transfers Out	1,000,000
5000 Series Totals	1,000,000
Measure B Revenue SubTotal:	-7,530,000
Measure B Salary & Expense SubTotal:	1,331,500
Measure B NET Total:	-6,198,500

The County of Mendocino considers employees to be our #1 asset. The following section provides a number of updates from the county Human Resources department regarding status of our labor staffing, workforce recruitment, and training initiative. Items presented in this section also include several health & wellness programs and the work done by the Mendocino County Executive Leadership Team (MCELT) and expanded leadership working groups.

COUNTY EMPLOYEE LABOR CONTRACTS UPDATE

The County has entered into formal negotiations with the Mendocino County Public Attorneys Association (MCPAA). Their contract expired on December 31, 2018 and negotiations are on-going. In addition, the Deputy Sheriffs Association recently submitted a formal information request in preparation for bargaining with a contract end date of June 30, 2018. We expect to begin formal negotiations with our general employees represented by SEIU, and with the County's law enforcement management association (MCLEMA) very soon as these units also have a contract end date of June 30, 2018.

All County bargaining unit agreements will expire in 2019.

<div style="text-align: center;"> <p>County of Mendocino</p>  <p>Status of Labor Contracts as of December 31, 2018</p> </div>				
Bargaining Unit	Employee Count*	Contract Status	Contract Start Date	Contract End Date
Confidential	22	Current	9/1/2017	6/30/2019
Department Heads	15	Current	9/1/2017	8/31/2019
DSA	144	Current	7/1/2017	6/30/2019
Management	53	Current	10/1/2017	9/30/2019
MCLEMA	10	Current	7/1/2017	6/30/2019
MCPAA	28	In Negotiations	1/1/2017	12/31/2018
MCPEA	40	Current	10/1/2017	9/30/2019
SEIU	754	Current	7/1/2017	6/30/2019
Unrepresented**	37	Current	9/1/2017	8/31/2019
<p>* Does Not Include Extra Help</p> <p>** Tied to Department Heads Bargaining Group</p>				

Acronym Definitions:

DSA: Deputy Sheriffs Association
 MCLEMA: Mendocino County Law Enforcement Management Association
 MCPAA: Mendocino County Public Attorneys Association
 MCPEA: Mendocino County Probation Employees Association
 SEIU: Service Employees' International Union, Local 1021

Recruitment Summary

Between July 1, 2018 and December 31, 2018 Human Resources received 321 staffing requests, conducted 168 recruitments, received and screened 2,532 applications, conducted 47 examinations, and prepared 165 certifications. During this time period, the County hired 89 new employees and had 162 employment terminations.

As of December 31, 2018 there were a total of 305 vacant positions of which we were actively recruiting 172. The majority of vacancies were in Health and Human Services Agency, Sheriff's Department, and Department of Transportation which are three of our largest departments. Based on positions being actively recruited, the County-wide vacancy rate at mid-year was 12.3%.

The Human Resources Department is currently working on developing a monthly report which will be included with the CEO Report. This data will include specific information for individual positions approved to be filled during the time period being reported. In addition, the Executive Office and Human Resources will be working with all Departments during FY 2019-20 budget development cycle to review vacant positions and eliminate those which have been vacant for more than 24 months with no plan to fill.

Leadership Initiative

The Executive Office hosts a quarterly expanded leadership meeting where department heads and all staff involved in leadership activities are invited to attend. Each meeting includes a presentation on relevant leadership topics such as developing functional teams, career planning, and high performance organizations. Meeting attendance continues to grow as more employees participate in the work of leadership.

The Leadership Book Club meets on the 2nd Thursday of each month from 12:00 pm - 1:00 pm at 501 Low Gap Road. Over the past 6 months, the book club has completed 2 books, with approximately 60 employees participating in activities.

As part of the on-going Leadership Development initiative, a Keynote presentation by the award winning author of the book "Turn the Ship Around", David Marquet was held in conjunction with the HHSA all staff meeting on October 3rd, 2018 at the Ukiah Fairgrounds. Mr. Marquet imagines a work place where everyone engages and contributes their full intellectual capacity, a place where people are healthier and happier because they have more control over their workplace where everyone is a leader. All County Employees were invited to attend and over 600 employees participated.

The Mendocino County Executive Leadership Team (MCELT) meets at least monthly addressing cross-organizational issues that have significant long term impacts. MCELT is responsible for developing, implementing and maintaining policies and programs that align with the Leadership Philosophy. Over the past few years County employees participating in leadership identified several areas of opportunity for improvement. Seven project teams were formed in the spring of 2017 to start work on the identified areas. The Leadership project teams are communication, recruitment/retention, operational processes, customer service, economic development, performance plans and employee engagement. These teams have been working very hard and over the last year have developed short term and long term goals.

In September 2018 Mendocino County's Executive Leadership Team (MCELT) held its first High Performance Organization (HPO) Academy on September 17 and 18, 2018. MCELT members worked in teams of two to present nine topics covering a number of leadership and HPO topics to the attendees. 28 employees from various departments attended. The goal of MCELT is to provide this training twice a year to employees at all levels within the County organization.

Health & Wellness

637 County employees and their covered dependents participated in on-site health screenings in 2018. 465 employees completed all three requirements for the wellness incentive program which qualifies them for discounts in 2019 on their health care premiums.

County-Wide Training Program

There were a total of 232 training seats* filled by County employees between July 1, 2018 and December 31, 2018. The provided classes included a wide range of professional and technical topics such as:

- Business Presentation and Public Speaking
- Communication Skills
- Emotional Intelligence
- Dealing with Difficult People
- Time and Task Management
- Facilitation Skills
- Microsoft Excel **
- Microsoft Publisher **

* *These figures do not include the Executive Office's Budget Training Sessions. Please refer to the CEO Budget Team Update for those figures.*

** *Three skill levels (Introductory, Intermediate, and Advanced) were provided for the Microsoft technical skills trainings*

Summary

It is important to understand the distinction between state and local revenue streams. While state indicators have been strong over the past several years, this is based primarily on revenue from personal income tax, sales and use tax and corporate income tax. The capital gains tax growth has been the result of the strong stock market and is surged in State Fiscal Year 2017-18 but not nearly as high as the \$8 billion estimate. Much of that growth comes from income taxes on capital gains, income that individuals receive when they sell stocks and other assets.

For over a year there has been strong stock market growth but indicators are pointing toward a slowing period ahead. The Legislative Analyst's Office (LAO) expected that growth to be accompanied by an increase in quarterly tax payments (typically made by higher-income taxpayers). That growth has not yet materialized. They suspect that many high-income individuals might have a large tax liability for 2017, but have nonetheless been making quarterly payments more consistent with their 2016 tax liability. If the LAO is right, monthly revenue collections for January and/or April will exceed the administration's earlier projections which were what the June 2017 budget was premised. It is still unclear as to what effect the National Tax Cuts and Jobs Act will have on capital gains.

The County's main source of discretionary revenue is property taxes, which are directly tied to the housing market and has subsequently suffered throughout the recession. While the County benefited from a general rise in the real estate markets prior to the recession, that revenue stream has been largely flat compared to inflation and barely able to keep pace with the rising costs of operating the County. 2018 saw a boost to the local real estate market influenced by increased demand following the destructive 2017 fires, among other factors. **Excluding the coastal regions, median home prices in Mendocino County have dropped by 12.2%, reducing from the 2018 peak median of \$410,000 to the current 2019 median of approx. \$360,000.**

Property tax revenue from FY2015-16 to FY2017-18 had been steadily growing into FY2018-19, but this trend appears to have stalled or plateaued. For FY2018-19 the Auditor's Office is projecting to collect approx. \$34,000,000, \$1,000,000 above the adopted budget amount. Again, while there is strong evidence that the county, state, and nation are experiencing continued improved economic conditions, **that fact should be tempered by the reality that the County's own recovery in property tax revenue will often lag behind the overall economic improvements of the larger region and the state by several (generally 1 to 3) years.**

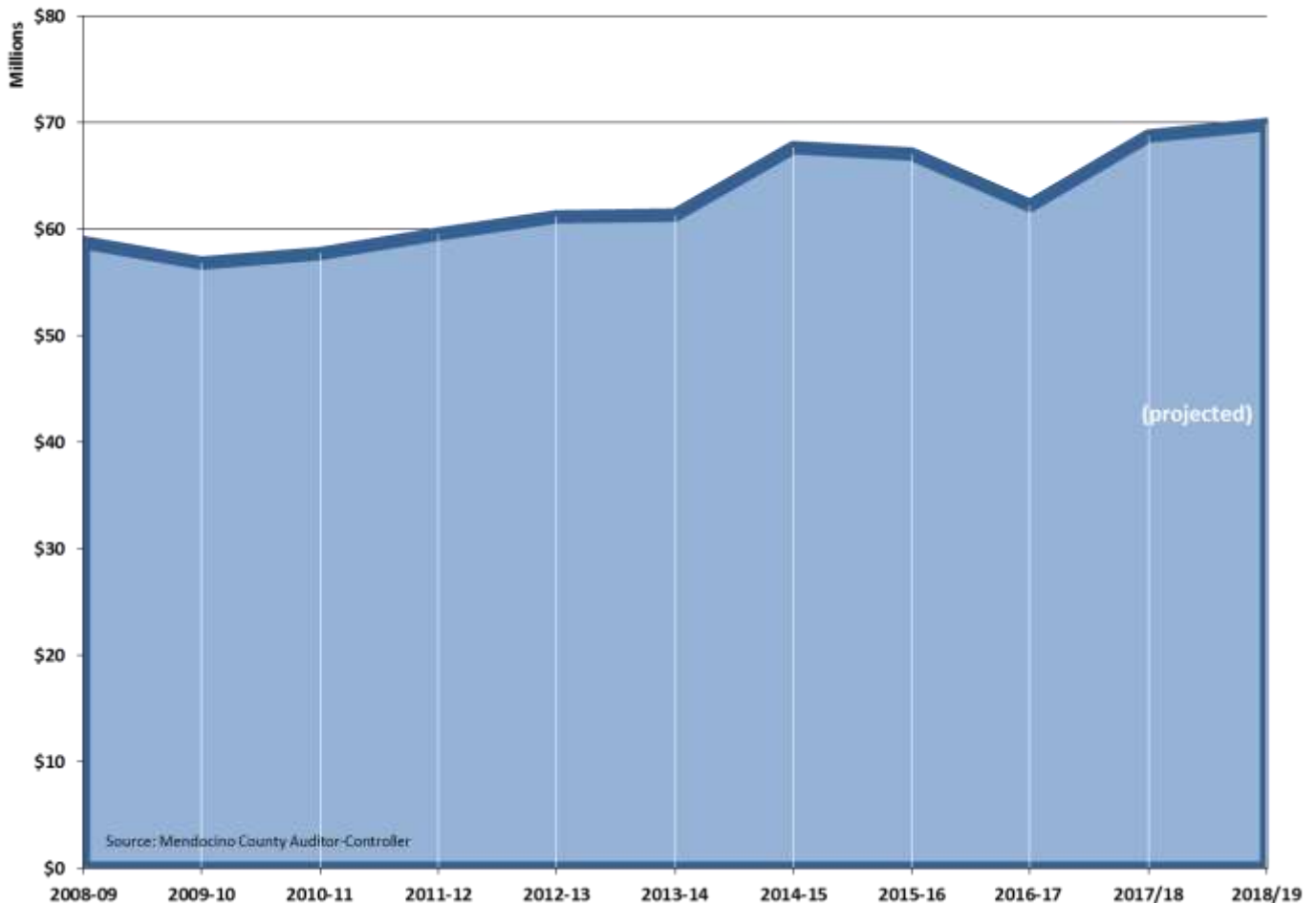
The graphs and narratives found on following pages provide historical performance data and other detailed information regarding discretionary revenue, property taxes, sales tax and transient occupancy tax.

Discretionary Revenue

The graph below depicts Budget Unit (BU) 1000 performance over the past several years as well as the County's projected outlook for revenues through FY 2018-19. Budget Unit 1000 is the source of the County's discretionary revenue, which is used for Net County Cost assignments. Without significant growth, it is likely that Net County Cost (NCC) assignments will remain essentially flat into next fiscal year, with increases only being included to cover additional costs from labor agreements and fire related costs. In order to continue to maintain the General Reserve, make deferred capital improvements, and cover rising workers' compensation and retirement costs, it is recommended that the Board avoid current-year financing of operations with carry-over balances. Continued scrutiny of on-going revenues and one-time expenditures will be a part of the FY 2019-20 budget preparation processes, in order to determine if NCC assignments can be adjusted.

The graph below also shows the significant increase in discretionary revenue received in FY 2014-15. This increase was a result of strength in travel and tourism, sales tax receipts and property tax growth. However you can see this is artificially inflated as a result of one-time revenues from the state to repay Pre-2004 mandate debt, of which Mendocino County has received approximately \$2.8 million. When this amount is removed from the FY 2016-17 numbers, it is anticipated there will be slight growth of on-going revenue in BU 1000. Additional details regarding BU 1000 can be found in the attached **Exhibit A**.

DISCRETIONARY REVENUE (BU 1000)



Property Taxes

The County's overall financial picture is tied closely to trends and changes in property tax revenue. The Current Secured Property Tax alone makes up almost half of all County discretionary dollars. Current projections continue to show slow growth in current secured property tax revenue over the next several years, after a slight decline in FY 2011-12. This revenue stream is expected to continue a slow increase in the near future. Mid-year projections for Current Secured Property Tax receipts are \$34,000,000, an increase of \$1,000,000 from the Adopted Budget of \$33,000,000, a 3% increase.

** In FY 18/19 the general fund will spend over \$35,500,000 on Public Safety*

** In FY 19/20 the general fund is estimated to contribute \$36,700,000 on Public Safety*

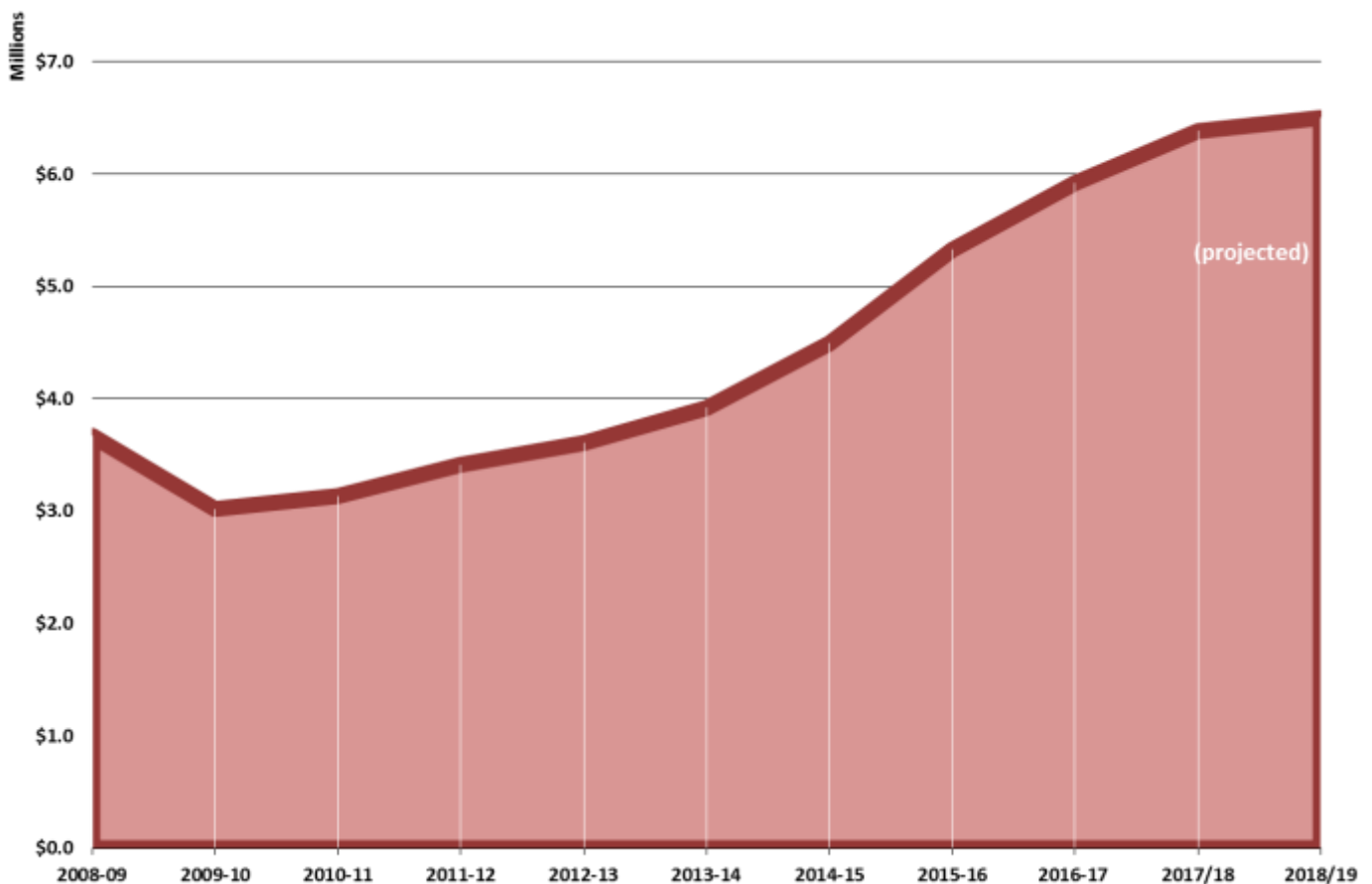
SECURED PROPERTY TAX REVENUE



Sales Tax

The sales tax “1.25% Local Share” is collected on sales in the unincorporated areas of the County and does not include the proceeds of the public safety or Measure B sales tax. These are shown as separate fund accounts. The actual benefit to the County general fund is 1.0%. Under current state law, 0.25% is diverted to the Mendocino Council of Governments (MCOG) for transportation projects that benefit all jurisdictions. Consumer confidence has grown steadily and the public continues to spend money. In the depth of the recession, sales tax revenue plummeted sharply to a low in FY 2009-10, but has now bypassed pre-recession levels. The Mid-Year Report projects an increase from \$6,100,000 to \$6,500,000 by the end of the fiscal year over the projection in the Adopted Budget.

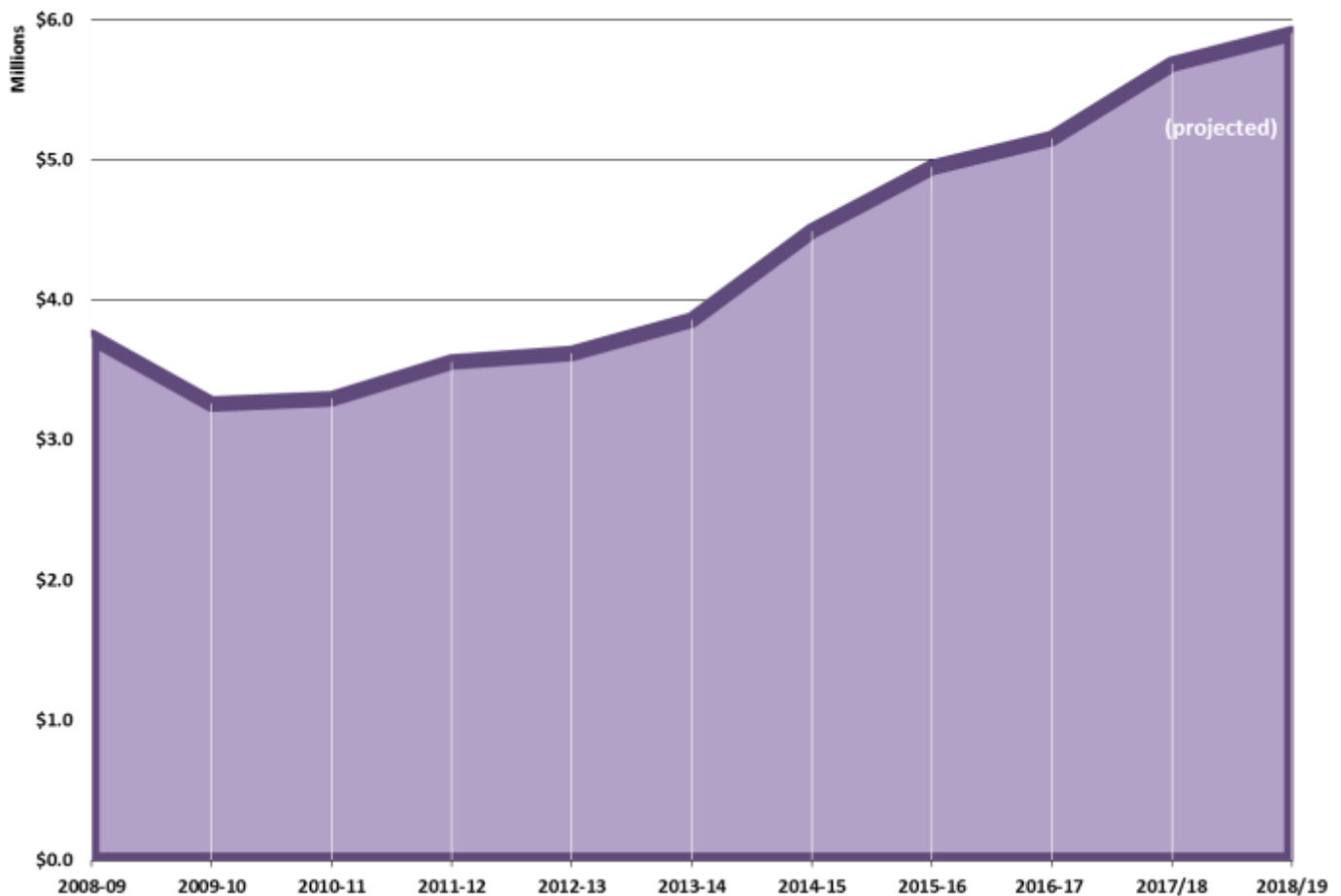
SALES TAX REVENUE (1% COUNTY SHARE)



Transient Occupancy Tax (TOT)

A tax of 10% is levied on all of the lodging rooms in the unincorporated areas of Mendocino County. This is a discretionary revenue stream that is used to partially support destination marketing efforts in the County. As with other revenues the Great Recession caused a dramatic decline in TOT revenue. However, as travelers began spending again, a steady growth has occurred which has brought TOT revenues back to pre-recession levels. During the recession visitors looked to lower cost destinations and Mendocino undoubtedly benefited from this. Destination marketing and positive press from a number of national publications have also likely helped build the image of Mendocino County as a quality visitor destination. FY 2017-18 was a particularly strong year and it is expected that strength in the travel and tourism sectors will continue to grow. Mid-year projections estimate to come in above the \$5,650,000 Adopted Budget amount at \$5,900,000.

TRANSIENT OCCUPANCY TAX (TOT)



State Budget

The State budget for Fiscal Year 2018-19 was passed by the State Legislature and signed by the Governor in June 2017. The 2018-19 budgets continue to prioritize the state's Rainy Day Fund and paying down accumulated debts and liabilities to counter the potential fiscal impact of federal policy changes on California and preparation for a recession. The Budget makes few ongoing commitments and instead focus on one-time General Fund spending focused on infrastructure, homelessness and mental health.

On Thursday, January 9, 2019, Governor Gavin Newsom held his first budget press conference introducing the proposed 2019-20 State budget. Governor Newsom stressed his idea of a California for All and outlined several ambitious proposals around health care, housing, education, homelessness, emergency preparedness and tax credit. The 2019-20 Budget is projected to have a healthy one-time surplus of \$24.1 billion. The proposed 2019-20 budget totals \$209 billion in total state funds, consisting of \$144 billion from the General Fund.

State Fiscal Outlook

The Governor's January budget proposal anticipates continued revenue growth, with General Fund revenues expected to be \$137 billion in 2018-19 and \$143 billion in 2019-20. This is due largely to an improved outlook for personal income tax, fueled by strong wage withholding and capital gains. It is also important to note that these figures are preliminary. This positive outlook could easily flip the other way, given the volatility of the personal income tax, which is the state's largest revenue source.

The Governor's January budget proposal reflects a downward forecast for outlook for sales and use tax revenues largely due to business investment from federal tax credit changes not materializing. The Administration modified its figures to reflect a projected sales tax revenue generation of \$25 billion in 2017-18, \$26.2 billion in 2018-19 and \$27.4 billion in 2019-20. These revised estimates reflect a reduction of \$378 million in 2017-18, \$430 million in 2018-19, and \$565 million in 2019-20.

The Governor's January budget proposal anticipates property tax revenues to continue showing positive growth. In total, the Governor's January budget proposal estimates statewide property tax revenues to increase by 6 percent in 2018-19 and 6.8 percent in 2019-20.

Emergency Preparedness and Response

For emergency preparedness and response, the budget proposal provides property tax backfills for the counties affected by the 2018 fires, including longer term backfills for Butte and Lake Counties, as well as a waiver for the local share of debris removal costs. The Governor also proposes to fund improvements to the 9-1-1 system, earthquake early warning, mutual aid, public safety radios, fuels reduction, prescribed burns, and other wildfire prevention programs pursuant to last year's SB 901. In addition, the budget proposal includes one-time funding for a statewide education fund on disaster preparedness and significant investment to expand the state's firefighting capacity and response.

STATE BUDGET WATCH LIST

– KEY DATES –

- January: LAO Detailed Budget Analysis
- February: LAO Detailed Revenue Forecast (April is the peak of the revenue stream due to income tax filings)
- February: Assembly/Senate Budget Committee hearings begin
- May: Governor's "May Revise" released (Available Mid-May)
- June: Budget Bill must be passed by legislature (June 15 deadline)
- July: Fiscal Year begins (July 1)

FEDERAL BUDGET WATCH LIST

– KEY DATES –

- February: Congressional Budget Office submits reports to Budget Committees
- April: Senate Budget Committee reports concurrent resolution on the budget
- April: Congress completes action on the concurrent action on the budget
- May: Annual appropriations bills may be considered in the House
- June: House Appropriations Committee reports last annual appropriation bill
- June: Congress completes action on reconciliation legislation
- June: House completes action on annual appropriation bills
- July: President submits mid-session review
- October 1: Fiscal Year begins

Homelessness

Governor Newsom builds upon the current budget investment in combatting homelessness by proposing an additional \$500 million in 2019-20 in one-time General Fund for siting emergency shelters, navigation centers, and supportive housing. Entities that apply for this funding must establish joint regional plans to address homelessness that include cities and counties, and report all funding used for homelessness services. The proposal also includes \$200 million of that funding to local Continuums of Care, \$100 million to the state's 11 largest cities, and the remaining \$200 million for "meeting milestones" grants to local jurisdictions that show progress toward developing housing and shelters.

Health and Human Services

The Governor's January budget proposal contains revisions to the county IHSS MOE that was established in 2017. The end result of these revisions is estimated to increase State General Fund costs for IHSS, starting at \$241.7 million in 2019-20 and growing to \$547.3 million in 2022-23. The Department of Finance estimates that there would not be a Realignment shortfall until 2021-22 and it would be a minor shortfall of \$9.5 million. This is positive news for counties as prior estimates under the existing structure showed shortfalls of several hundred million dollars in the coming years. The Governor's January budget proposal provides an ongoing increase of \$15.4 million General Fund for county IHSS administration, for a total of \$326 million General Fund. The budget summary notes that this increase reflects revised benefit rate assumptions. The 2017-18 Budget included a provision that required the Department of Finance to work with counties to develop a new methodology for calculating IHSS administration costs.

The Governor's January budget proposal provides an increase of \$53 million for Medi-Cal county administration over the 2018-19 funding level. Total funding is \$2.1 billion (\$723.6 million General Fund). This increase results from an adjustment based on the growth (2.63 percent) in the California Consumer Price Index. The 2018-19 budget established the new Medi-Cal County Administration methodology that includes this annual adjustment based on the California Consumer Price Index.

Transportation and Housing

The Governor's January budget proposal includes \$4.8 billion in SB 1 (Beall, 2017) funding in 2019-20. \$1.2 billion in funding from Road Maintenance and Rehabilitation Account (RMRA) will be split evenly between cities and counties, with another \$1.2 billion dedicated to the repair and maintenance of the state highway system. An additional \$400 million is available to repair and maintain the state's bridges and culverts, \$307 million is available to improve trade corridors, and \$250 million is available for congested commute corridor projects. The budget proposal also reflects \$458 million for local transit operations and \$386 million for capital improvements for transit, commuter, and intercity rail. Counties and cities will also receive the final \$75 million loan repayment authorized by SB 1.

In addition to \$500 million in one-time funding for local efforts to address homelessness (for additional details, see the "Homelessness" section), the Governor proposes \$750 million in funding for revamping regional housing planning, setting new short- and long-term targets for housing production, and to provide incentive funding for local governments that successfully encourage housing production. The proposal includes \$250 million to counties and cities to help "jump-start" housing production, with a further \$500 million held out as incentives for local agencies that meet related goals. **However, he also proposes withholding transportation funding from local agencies in areas where housing production has not met planning targets.**

Federal Budget Update

The fall of 2018 was another difficult year in budget negotiations at the federal level. Stability continues to be a concern at the local level as many budget line-items directly impact state and local finances. Similar to recent years, the House and Senate were unable to agree on any appropriation bills before the 2018 federal fiscal year resulting in a partial government shut down in December 2018 and 2019 before funding agreements could be reached.

On March 11, 2019, the Trump administration released its 2020 budget request. The budget proposal calls for \$4.75 trillion in spending with increased spending on the military and significant cuts to domestic programs like education, healthcare, agriculture and environmental protections. The budget is unlikely to have an effect on actual spending levels, which are controlled by Congress. The budget is likely to face an uphill battle with Congressional majority leader's deeming it dead on arrival. We can expect that the fall of 2019 will include difficult budget negotiations and possible utilization of continuing resolutions to fund the government should the President and Congress not meet an agreement by October 1.

Conclusion/Next Steps

Mendocino County Executive Office staff will continue to work with its state lobbyists and monitor federal legislative and budget developments to stay informed of proposed changes. Some budget items inevitably have a big effect on Mendocino County and its residents, and others are less felt. County staff is committed to keeping a firm hold on information resources to be able to allow the Board to act proactively when needed.

Labor Update

Our employees are our greatest asset and it is important that, as we move forward in FY 2018-19 and begin planning for FY 2019-20, we consider the historic cost of salary and benefit increases. Salary increases of 5% over two years and 6% over two years have been included in agreements since 2015 for all bargaining units. The estimated general fund cost for a 5% salary increase in FY 2019-20 is 3.2 million dollars.

The County has entered into formal negotiations with the Mendocino County Public Attorneys Association (MCPAA). Their contract expired on December 31, 2018 and negotiations are on-going. In addition, the Deputy Sheriffs Association recently submitted a formal information request in preparation for bargaining with a contract end date of June 30, 2018. We expect to begin formal negotiations with our general employees represented by SEIU, and with the County's law enforcement management association (MCLEMA) very soon as these units also have a contract end date of June 30, 2018. All County bargaining unit agreements will expire in 2019.

In April 2019, Human Resources will bring forward the results of the KOFF Total Compensation Study. This study was initiated to provide a comparison between the County's current Classification and Compensation Plan (CCP) with a "whole job" system, make a decision on which CCP system to use going forward, and to possibly begin the process of addressing internal equity. In addition, this study will provide a comparison of Mendocino County's total compensation to that of other Counties. If the Board wishes to implement a plan for internal equity or other salary adjustments based on this study, it will have a significant and on-going impact on the County's budget in future years

Grant Writing Program Update

Water Agency

- Groundwater Sustainability Plan
- Storm Water Management Plan
- Trash Amendment grant application
 - in partnership with Department of Transportation

Recovery Grants

- See "Fire Recovery" and "Recovery Grants" section on pages 27-28 for detail

Economic Development

- Friends of Liberty
- EDFC, West Company

Animal Care Mobile Spay and Neuter Expanded Tribal Outreach Grant

- Beginning in January 2019, Animal Care Services will be the recipient of funding to provide expanded mobile spay & neuter outreach to the underserved populations on the 10 recognized tribal reservation areas in Mendocino County. The overall goal is to perform 255 surgeries within the 2019 calendar year. The grant, provided by Petsmart Charities Inc., was awarded to the County's community partner Ukiah Spay & Neuter Assistance Program (SNAP). Total award is \$18,155

HHSa has applied for grants to bring valuable services to our community that the department would not be able to support otherwise. These valuable services include, but are not limited to the following:

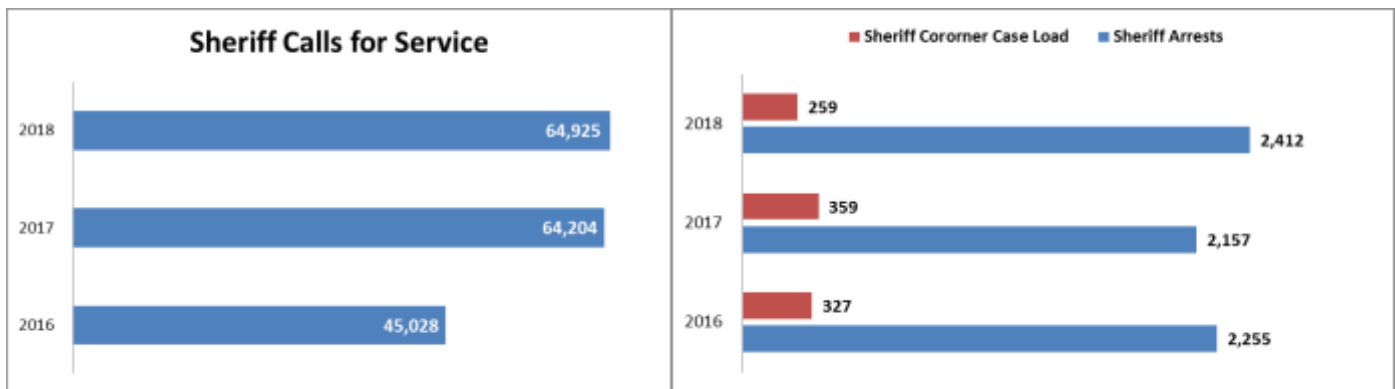
- Gang and Drug Prevention activities to the coastal community, especially after school activities
- Bicycle/pedestrian to support multi-modal forms of transportation
 - Program highlights the importance of sobriety no matter the mode of transportation
- SNAP-ED grant leads healthy eating activities in the community
 - Supports health events showcasing healthy recipes and 'Rethink Your Drink' campaign
- Whole Person Care Grant will provide services collaboratively with community partners to individuals with very complex health/social needs
- Medicated Assisted Treatment is a pilot project that to be implemented in the county jail and drug court

- SAMSHA grant will provide services to individuals experiencing homelessness with co-occurring disorders

Mendocino County Sheriff's Office (MCSO)

Within the FY2019 First Quarter Review, it was projected that the Sheriff's Office Field Services Budget would be \$2,090,180 dollars over budget. Through a series of implemented budget efficiencies, staff has been working to reduce the projected deficit to the Sheriff's Office Budget. At mid-year, the Sheriff's Office now projects the budget deficit will be \$1,347,493 dollars over budget. This projected deficit reduction of \$742,687 is due to a series of budget efficiencies the Sheriff has implemented to reduce overall costs. These efficiencies include:

- A new Professional Standards Bureau Manager was hired and a Corrections Deputy was moved into Professional Standards Bureau (PSB) to assist with the background processing. This has reduced the length of time each background takes and minimized the need for outside (contracted) investigators.
- Sheriff's staff has concentrated on the hiring of new Field and Corrections Deputy's to reduce minimum staffing overtime expenses.
- After a competitive bid process, the Sheriff changed vendors for patrol car builds. Although this will not change the overall amount the Sheriff's Office spends for patrol units this fiscal year, it will provide for more replacement patrol units for the same cost. By updating vehicles regularly, within the factory warranty period, the Sheriff's office decreases annual maintenance costs.
- The Sheriff has transitioned Academy basic training from the College of the Redwoods to Santa Rosa Junior College. This change eliminates housing and meal costs for the Police Academy training.
- MCSO has one dispatch supervisor position filled and because of a retirement, are experiencing a savings from the funded but unfilled second dispatcher supervisor position. The Dispatch Center is also fully staffed in the Dispatch division which has reduced the required overtime to staff all shifts. MCSO is reviewing staffing patterns and researching options to increase efficiencies and maximize possible savings within Dispatch.



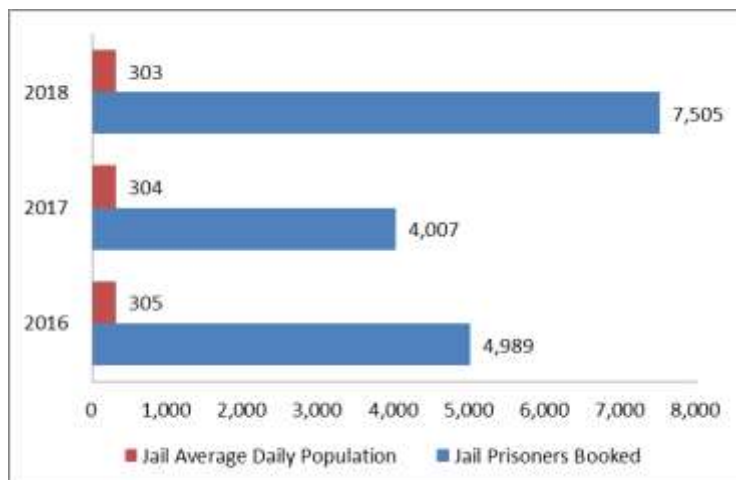
- Dispatch will be experiencing a temporary shortage in personnel due to medical and maternity leave. The Sheriff worked with HR and the CEO's Office to obtain authorization to temporarily Dual Fill a dispatch position to offset the overtime costs associated with this personnel shortage.
- The Sheriff provided direction to the sector commanders regarding the removal of the 4 hours of overtime associated with 12 hour shifts. We anticipate a reduction of overtime by completing this policy change.
- The Sheriff's Management team met with DSA regarding strict adherence to the language regarding shift differential pay, clear direction given to sector commanders to reduce differential pay to adhere with MOU language. We anticipate a reduction in the shift differential pay.
- All commanders were given direction to schedule mandated training (Range, Defensive Tactics and Driving) for mid-level Sergeant Supervisors during their regularly scheduled work weeks, to reduce overtime expense.
- One Deputy Sheriff was moved to the Coast Sector to assist with coverage for the Bailiff - Court Security position. This move has reduced overtime expenses to cover the coast Court Security Detail.

- During December, our Fiscal Manager took another position within the County. This position was absorbed by the Professional Standards Division, creating 100% savings in that position for the remainder of the fiscal year.
- Close monitoring of Sheriff Office overtime and personnel training costs is continuing. To help reduce overtime and training costs, Sheriff's Office personnel are working to have mandated training courses certified by POST and STC for presentation here locally. This change reduces expensive travel related costs for legislatively mandated training.
- Purchases within the 2000 series are being re-examined prior to authorization to determine if alternative solutions, recycling of older supplies and equipment or deferral could occur, prior to expending funds. This work by Sheriff's office personnel has significantly decreased expenditures within the 2000 series.

County Jail

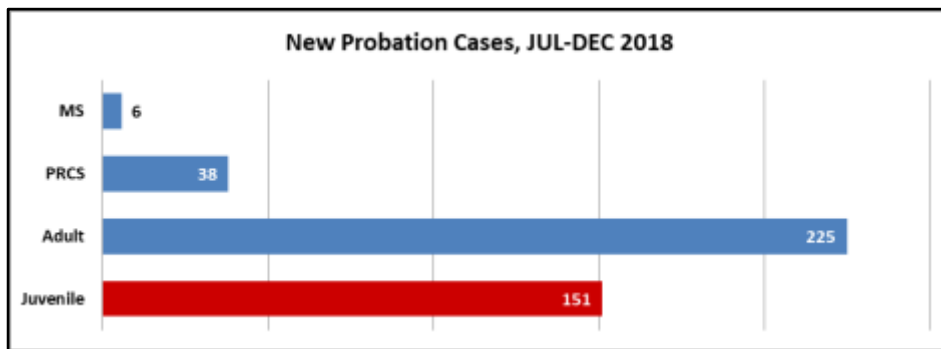
Within the FY2019 First Quarter Review, it was projected that the Sheriff's Office Corrections Budget would be \$779,342 dollars over budget. Through a series of implemented budget efficiencies, staff has been working to reduce the projected deficit to the Sheriff's Office Corrections Budget. At mid-year, the Sheriff's Office now projects the budget deficit will be \$573,326 dollars over budget. This projected deficit reduction of \$206,106 is due to a series of budget efficiencies the Sheriff has implemented to reduce overall costs. These efficiencies include:

- The Sheriff's Corrections staff has assumed the cooking and deliveries of meals to Juvenile Hall. Juvenile Hall reimburses the Jail for these services based on # of meals provided on a recurring basis.
- The Sheriff's Corrections staff has added a Lieutenant to the Corrections Administration Division. This has made a significant enhancement to efficiency of the operation of the jail and allows more management focus on individual areas of responsibility, expense and overtime costs.
- The Sheriff's Corrections staff is closely monitoring the inmate clothing and laundry services to ensure streamline processes and accurate ordering as well as managing inventory to maximize the use of funds.
- The Sheriff reassigned one correctional deputy to Professional Standards. His assignment is to assist in completing backgrounds. This will improve the hiring process which reduces overtime expense.
- The Sheriff's Corrections staff is currently working with the Public Defender and Courts to increase to usage of video for Court hearings. This will create efficiencies in the Court process and could result in less overtime used.



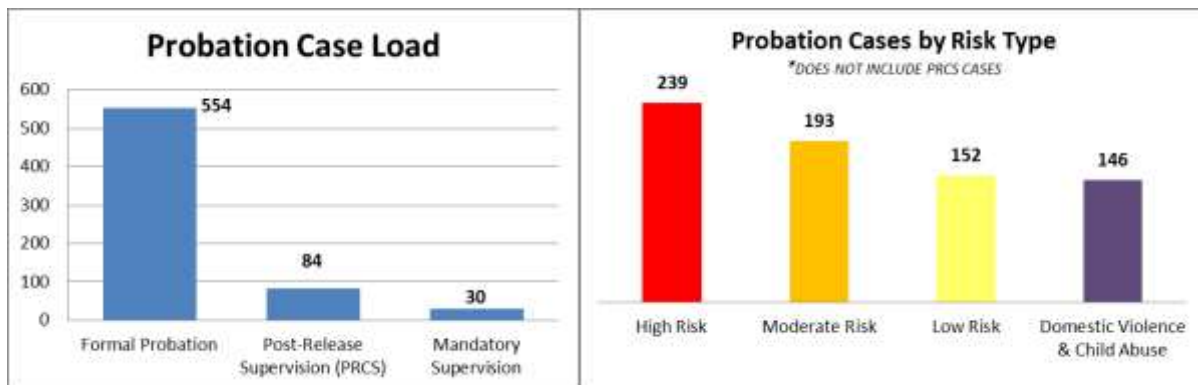
Probation

Probation staffing has made progress towards stabilization of positions. The Chief Probation Officer position was filled in February 2018 with the appointment of Izen Locatelli. The Assistant Chief Probation Officer was filled in April 2018 through internal promotion. The Juvenile Probation Division Manager retired in December 2018. At this time the role of Division Manager for both Adult and Juvenile Probation are being filled by a single employee. During the last 12 months a total of 4 DPO terminations (3 voluntary and 1 transfer to the Sheriff's Office) and 1 DM retirement. 3 DPO's have been hired (1 transfer from the Hall, 1 transfer from HHSA and 1 transfer from the Sheriff's Office.) An additional DPO will be starting in March. We are continuing our recruitment efforts to fill vacant and funded positions which have resulted from not only terminations, but promotions as well.



- MS – Mandatory Supervision
- PRCS – Post-Release Community Supervision

The significant reduction in the Probation Department's budget for FY18-19 as a result of funding the Juvenile Hall, has limited the positions the department is able to fill. We continue to evaluate our required staffing levels in relation to our ability to meet our court-mandated duties. The department continues to work closely with HR and the Executive Office to ensure we are able to meet our mandates through our staffing levels.



Probation implemented its new risk and needs assessment tool at the end of the 2nd quarter, with full roll-out and training occurring in January 2019.

Juvenile Hall

Juvenile Hall has been actively working on organizational changes as a result of reducing maximum Hall capacity to 20 in order to meet allocated budget. Kitchen staffing and food preparations were discontinued at the end of the first quarter with food services being transferred to the Jail. Transition has worked well and we are recognizing significant cost savings.

Due to the uncertainty of the Hall's future, the department has experienced some turnover. Aside from the reduction to kitchen staff (3.8 permanent employees and 1 extra help employee), the department has had the following terminations in the last 12 months:

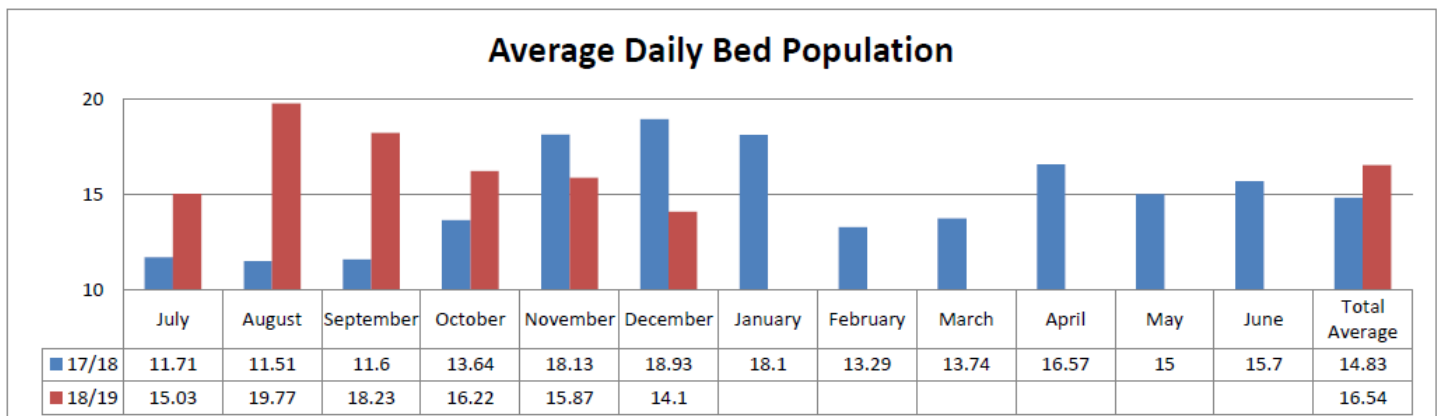
- 2 Supervising JCO's (1 termination & 1 transfer to Probation)
- 8 JCO's (6 terminations and 2 promotions to SJCO)
- 6 extra help JCO's (5 terminations and 1 hired as full-time permanent).

The department is recovering from the above turnover with active recruitments. At the end of the 2nd quarter Juvenile Hall was down 2 full-time JCO's. One new hire started on February 25th, with another recruitment moving to the panel interview stage in mid-March. The department hopes to be fully staffed sometime in the early part of the 4th quarter. An additional extra help JCO was also added in the 2nd quarter of FY18-19. This brings our extra help staff to 6. The department is also continuing to recruit in this area. Full staffing and additional extra help personnel will allow the department to continue with their goal of reducing overtime costs associated with vacancies and absences.

An Acting Probation Division Manager for Juvenile Hall has been in place since November 2018, replacing the former Division Manager who transferred to the Probation Division Manager position for Adult and Juvenile Probation. Recruitment for a permanent Division Manager for the Hall will be complete by the end of the 3rd quarter.

During the first six months of the FY2018-19:

- The monthly average Juvenile Hall population has ranged from 16.7 to 16.3
 - The population gender ratio was approximately 77% male and 23% female
- A total of 155 admissions to Juvenile Hall, averaging 25.8 admissions per month
 - Of the 155 admissions, gender ratio was approximately 72% male and 28% female
- The average stay in days per juvenile was 22 days



*September 29, 2017 was the last day Mendocino County Juvenile Hall housed Lake County detainees.

IT Master Plan

As the Board is aware, the County embarked upon an IT Master Plan project in December 2017. Preliminary findings identified 13 priority/mission critical projects and the Board approved the transfer of \$670,364 from existing IT Reserves to fund those projects in FY 17-18. Of the 13 priority/mission critical projects: 11 have been completed and two were deferred to FY 18-19 due to funding. Completed projects totaled \$584,600 and deferred projects totaled \$60,000, bringing the priority project totals 4% under budget.

The IT Master Plan was finalized and approved by the Board in November 2018. In the IT Master Plan 99 initiatives were identified with a potential investment of \$20.7 million over five years. In November 2018 the Board allocated \$1 million to IT Master Plan Projects. Funding has been allocated to 17 initiatives. These initiatives include:

Initiative	Project Description	Status	% Complete	Estimated Completion
12	Munis Gap Analysis and Utilization Improvement – Procurement and Payables	In progress	5%	June 2019
13	Budget Process Review and Improvements – Phase 2	In progress	40%	June 2019
17	Aumentum Property Tax Assessment Contract and Project Management	In progress	80%	March 2019
25	Assessment of Cannabis Processes – Phase 2	In progress	80%	March 2019
37	MCSO Aegis Upgrade	In progress	10%	18 months from contract start
52	Network Upgrade RFP	In progress	50%	June 2019
56	IT Computer Equipment Replacement	Procurement	25%	June 2019
57	Public Safety Mobiles	Procurement	20%	June 2019
58	Internet Resiliency	In progress	10%	Dec 2019
60	Technology Support for EOC	Procurement	80%	May 2019
66	Wireless Network Enhancements Phase 1	Procurement	25%	Sept 2019
74	MCSO Structured Cabling Phase I	In progress	20%	Dec 2019
77	Multi-Jurisdictional Radio Operations	Procurement	80%	April 2019
90	Logging and Audit Trails	Complete	100%	March 2019
70	Public Safety Repeater Spare Parts	Procurement	75%	April 2019
--	Public Safety Radio Voting Comparators	Procurement	20%	Sept 2019
75	MCSO Network – Routers	Procurement	50%	August 2019
--	MCSO Network – Firewalls	Complete	100%	Feb 2019
--	DA/MCSO Firewalls for CJIS compliance	Procurement	20%	June 2019
--	MCSO Aegis Message Switch	In progress	10%	July 2019

Since the approval of the IT Master Plan by the Board, additional needs have been identified and added. These projects include:

Project	Project Description	Est. Completion
Situational Awareness Cameras	Five public access camera covering 80% of County populated areas	May 2019
Forrestwatch Fire Early Alert Cameras	Artificial intelligence early alert system for fire detection	TBD
EOC Policy Room Improvements	Situation and briefing room (SBR)	June 2019

The IT Master Plan has identified the need for many critical infrastructure improvements/replacements as well as areas of improvement to increase efficiencies. Overall success is dependent upon the continued investment of the IT Master Plan.

- Department recommended investment for Fiscal Year 19-20 is \$4,000,000.

Fire Recovery

As a follow up to the 2017 Redwood Complex Fire, the County has developed the 2018-2019 Recovery Project Plan. The Plan has identified seven (7) recovery support functions corresponding to FEMA and CalOES Recovery frameworks. These recovery support functions provide a framework for the purpose of coordinating partnership efforts and seeking grant funding. These seven functions include:

- 1) *Community Planning and Capacity Building*
- 2) *Community Emergency Preparedness*
- 3) *Housing*
- 4) *Infrastructure*
- 5) *Economic Recovery and Resiliency*
- 6) *Health and Human Services*
- 7) *Natural Systems and Cultural Resources*

To date the County has been awarded approximately \$8,178,000 in grants for soil stabilization projects, hazardous tree removal, unmet needs for fire survivors, as well as grant funding for the infrastructure retrofit of the Redwood Valley County Water District project. The County is currently pursuing an additional \$23,426,000 in additional grants for planning and hazard mitigations, and staffing. These additional grants, if awarded would provide funding for the update of the County's General Plan Safety Element, an updated Multi-Hazard Mitigation Plan, various fuel reduction programs throughout the County, early warning systems such as cameras and sirens, ignition resistant construction materials rebates program, and fire resistant retrofitting of the County's communications infrastructure. Many of these grants are specifically inter-related to the identified projects within the Recovery Project Plan.

Additionally, in 2018 the County was also affected by yet another devastating fire, the Mendocino Complex Fire, which started on July 27, 2018. This fire became a larger complex fire of two (2) wildfires, the River Fire and the Ranch Fire, which burned in Mendocino, Lake, Colusa and Glenn counties, with the Ranch Fire being California's single-largest recorded wildfire. The Ranch Fire burned eight miles northeast of Ukiah, and the River Fire burned six miles north of Hopland, to the south of the larger Ranch Fire. First reported on July 27, 2018, both fires burned a combined total of 459,123 acres over four counties before being 100% contained on September 18, 2018. Within Mendocino County approximately seventeen structures were destroyed or damaged, approximately 10 structures were located within the Ranch Fire footprint, and seven structures were within the River Fire footprint.

After several months of engaging the state of California on the request for debris removal affecting those properties affected by the Mendocino Complex Fire, the state of California has finally advised the County that Cal OES will assist with private property removal and will require the County to perform the debris removal and then seek reimbursement from the state for eligible activities at a 75/25 percent cost share. Currently the County is evaluating those properties that were impacted by the Mendocino Complex Fire that would qualify for the private property debris removal. Recognizing that some properties already performed a self-debris removal, the County is re-evaluating the affected properties to determine those that are eligible. Moving forward, it is anticipated that property owners wishing to participate will be responsible for the 25% local share. It should be noted that sufficient funds will need to be set aside to perform the cleanup of debris and then the county will need to seek reimbursement from the state once the cleanup has occurred.

Given the current unpredictability of reimbursement and local share of cost arrangements, it is recommended that the County exercise an abundance of caution and set aside \$2.5 Million of the General Fund reserve for immediate fire recovery response. This can be revisited at year end once it is more fully determined what will be reimbursed or back filled by state and federal sources, and the County's long term community recovery budget items are more fully identified and developed.

Disaster-Recovery Grants -- AWARDED		
FY 2017-18 Projects	Award Amount	Local Match
Redwood Valley County Water District projects; Technical assistance and grant development	\$100,000	\$0
Technical assistance for County projects	\$50,000	\$0
Laughlin Post-wildfire Soil Stabilization	\$35,400	\$11,800
Critical and Unmet Needs for Fire Survivors	\$254,854	\$0
Total awarded FY2017-18:	\$440,254	\$11,800
FY 2018-19 Projects	Award Amount	Local Match
Redwood Valley Water District Infrastructure Retrofit (Phase I)*	\$494,554	\$1,997,081
<i>Department of Water Resources Award to Cover Local Match</i>	-----	<i>(\$1,900,000)</i>
<i>Redwood Valley Water District Contribution to Local Match</i>	-----	<i>(\$97,081)</i>
Redwood Complex Fire Recovery: Hazardous Tree Removal	\$1,001,450	\$0
The Road to Recovery: Redwood Complex Fire Restoration – Planning	\$88,382	\$0
The Road to Recovery: Redwood Complex Fire Restoration – Implementation	\$656,902	\$0
Total awarded FY2018-19:	\$2,241,288	\$0
Disaster-Recovery Grants -- PENDING AWARD		
Project	Award Amount	Local Match
Redwood Valley Water District Infrastructure Retrofit (Phase II)	\$5,496,689	* Included above
Fire Vulnerability Assessment and Emergency Evacuation Preparedness Plan	\$247,884	\$32,116
Western Hills Fuel Break	\$1,652,200	\$0
2018-19 Mendocino County Fire Footprint Hazardous Tree Removal Program	\$987,784	\$0
Defensible Space and Community Chipper Program	\$1,418,614	\$0
Mendocino Hazardous Fuel Reduction	\$2,812,500	\$937,500
Infrastructure/Road, Public Utilities in North Ukiah	\$9,095,746	\$2,273,937
Economic Recovery Coordinator	\$397,180	\$104,000
Planning and Building Staffing	\$206,250	\$68,750
Ignition Resistant Construction	\$2,250,000	\$750,000
Update Hazard Mitigation Plan	\$187,500	\$62,500
General Plan Safety Element Update to Integrate Multi Hazard Mitigation Plan	\$150,000	\$50,000
Total Pending Award:	\$19,405,658	\$4,278,803
Disaster-Recovery Grants -- Applications in Progress		
Project	Award Amount	Local Match
Generator	\$802,500	\$267,500
Mendocino County Fire Cameras Early Warning System	\$1,593,750	\$531,250
Mendocino County Defensible Space Assistance Program	\$449,175	\$149,725
Mendocino County Early Warning Sirens	\$371,250	\$123,750

Redwood Valley County Water District Infrastructure Project

Mendocino County, pursuant to the Memorandum of Agreement with the Redwood Valley County Water District, is administering State and Federal grants to preform water system upgrades in those areas burned in the 2017 Redwood Valley Fire. The County shall administer the overall fiscal and project management while engineering & construction project management, design and quality control are defined work tasks under the engineering consultant contract with Brelje & Race Consulting Engineers (BRCE). The BRCE agreement was approved by the Board of Supervisors on January 8, 2019, for a maximum cost of approximately \$1.2 million. Reimbursement for 100% of costs is expected.

The project is broken into two phases:

- Phase I – Planning, Engineering, & Design
 - BRCE develops , in collaboration with Mendocino and Redwood Valley
- Phase II – Primary Construction
 - Expected to begin in late-2019

Schedule for some design services have been delayed as a result of complications with Right of Way access to private property. Construction is planned to begin late-2019 and be completed in 2020 at cost of approximately \$6.25 million. Costs to the county are expected to be reimbursed at 100%. As with the engineering consultant contract; the construction contract will be administered by the County using grant funds or district funds as necessary.

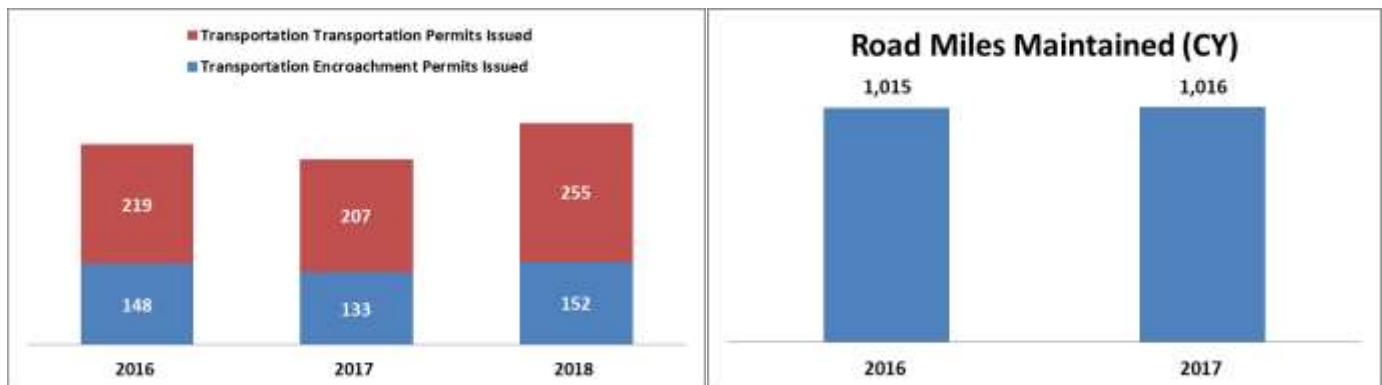
Roads & Transportation

Mendocino County is responding to four declared disasters – Storm Damage on Federal Highway Roads in 2016, two full Federal Emergency Management Agency Storm Damage events in January 2017, and most impactful, the October 2017 and August 2018 fires, and the February 2019 flood.

The Mendocino County Department of Transportation (MCDOT) staff has been performing site reviews with staff from the California Emergency Management Agency (Cal EMA) and the Federal Emergency Management Agency (FEMA). It will cost approximately \$8.3 million to restore the most critical “B” (protective measures) and “C” (permanent repair) list sites this year. Reimbursement is expected to be somewhere in the range of 75% to 93.75%.

Mendocino County’s Federal Highway Administration Agency (FHWA) eligible “on system” roads have approximately nine storm-related damage sites, and the process of notification and application is ongoing. These nine sites (three from 2016) have an estimated repair cost of approximately \$3.5 million. Reimbursement of 88.53% is expected.

Fire damage includes sub surface and surface repairs, culvert replacement, guardrail replacement, and hazardous tree removal in public right of way. The estimated amount of total damage to the County Maintained Road System is approximately \$17.1 million, with a +/- \$1.7 million local share. MCDOT office staff is working very hard to ensure that Mendocino County receives all the emergency funds needed.



Capital Improvement Projects (CIP)

The County's Capital Improvement Plan (CIP) includes sections for Roads & Bridges, County Fleet, IT Maintenance & Upgrades, and Capital Projects. Each section includes example projects and estimated five year expenses for the General Fund and non-General Fund. In recent years, the County has balanced the CIP needs with other priorities while utilizing a "pay as you go" model. Construction costs have begun increasing dramatically, first due to the strong economy and now most likely due to the regional reconstruction efforts from the October wildfire. As an example, completion of the Administration Center's roof project was estimated to cost \$3,000,000. The actual low bid was \$4,300,000. This escalation of costs impacts all the County's facilities-related needs. Capital Projects are organized in categories that include the following:

- **Roof Replacements & Repairs:** The County continues to have multiple facilities with urgent needs related to roof replacement and repair. Identified roofing projects primarily impacting the General Fund include the Administration Center, Sheriff's Office, Courthouse Annex, and the Point Arena Veterans Hall.
 - The CIP estimated annual General Fund expense at \$1,380,000 annually
- **Capital Facilities Maintenance:** Represents many types of projects that are to be expected on a regular, recurring basis and are necessary to maximize useful effective life of a facility. Examples include parking lot maintenance, exterior and interior painting, hazardous tree mitigation, etc.
 - Estimated General Fund expense for maintenance is \$1,100,000 annually
- **Major Projects/Capital Improvements:** Examples include the Little River Airport Terminal reconstruction, Sheriff Substation in Mendocino, and the Jail Expansion.
 - Estimated General Fund expense is \$500,000 annually
- **Fire-Life-Safety/Modernization of Ageing Facilities:** Represents ADA improvements, changes for consistency with the building code as building configurations and occupancies change.
 - Estimated General Fund expense is \$350,000 annually
- **Energy Efficiency Retrofitting & Upgrades:** Replacement of inefficient/broken HVAC units, building weatherization, infrastructure for electric vehicles, etc.
 - Estimated General Fund expense is \$335,000 annually

Roofing Updates

On December 18, 2018, the Board gave direction to prioritize completion of roof replacements on the Main Jail and the Jail Programs/Emergency Operations Center (EOC) building. Additionally, direction was given to transfer at least \$1 million in funding from reserves to pursue completion of phase two (of three) roof replacement at the Administration Center.

The Garland Company will serve as the primary contractor to replace the main jail roof. It is anticipated that a contract for this roof replacement will be brought to the Board in May. This roof replacement project is expected to be complete before the next rainy season.

The Jail Programs/EOC building roof replacement will be put out to bid April 12, with a contract before the Board in June. This roof replacement project is expected to be complete before the next rainy season.

Phase II of the Administration Center roof replacement will be put out to bid in the fall of 2019, with the roof replacement expected to begin in spring, 2020. The roof will be patched prior to next year's rainy season.

New Jail Facility

The first section of Mendocino County's current jail facility was built in 1985, with a rated capacity of 86. The core of the original facility was masonry, but the four housing wings were linear style pre-fabricated (semi-permanent) metal structures. Over the subsequent years as the need for more beds increased, 34 cells were turned into triple bunks in 1987. In 1991, an additional housing unit was built to replace older housing units and bring the jail to its current Board Rated Capacity (BRC) of 295. The current Average Daily Population (ADP) of the facility is 303.

The design of the existing jail is inadequate, and does not provide the correct quantity and type of beds needed in today's correctional environment. It also lacks adequate space for programs such as educational, substance abuse and mental health treatment. There is insufficient space for medical exams and no accommodations for mental health services. While there is currently a dental exam room in the facility, it is remote from housing and inappropriately designed for maximum security inmates. The facility lacks respiratory isolation cells and safety cells.

In 2017, the County applied for and received a \$25 million funding commitment from the State to construct a new special needs housing unit and visitor center. The County has committed a local match of \$2 million toward completion of this project. The County's procured architectural firm, Nacht & Lewis, has completed approximately 60% of the facility design work. A procurement process is under way for a construction manager that will oversee the building contractor when bids have been received. This timeline for construction of this new building will have it operational in 2023.

Status of FY2018-19 Capital Improvement Projects

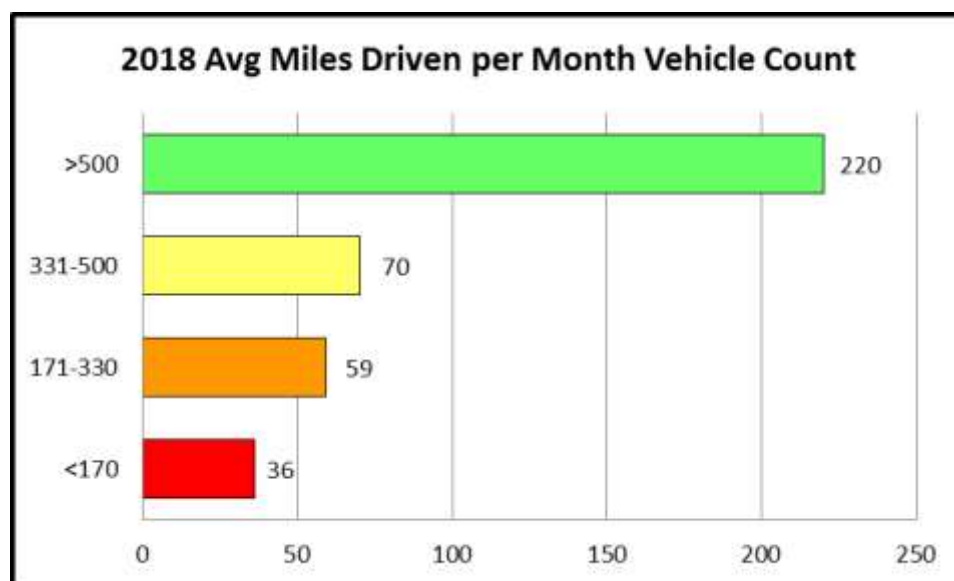
FY2018-19 CAPITAL IMPROVEMENT PROJECTS					
Proj #	Project Name	Dept	FY18-19 Budget	Final or Est. Cost	Year to Date
COMPLETED					
922	Main Jail Sewer Repairs	MCSO	\$ 1,240	\$ 13,743	\$ 509
945	Main Jail Mod 3 Water Heater Replacement	MCSO	\$ 11,000	\$ 9,915	\$ 9,915
947	Public Health Redwood Tree Removal	HHSA	\$ 8,000	\$ 5,700	\$ 5,700
917	Jail Laundry HVAC Replacement	F&F	\$ 8,275	\$ 8,275	\$ 8,275
919	Child Support HVAC Replacement	CSS	\$ 13,765	\$ 13,765	\$ 13,765
920	WISC Data Room Split Unit Building 61	HHSA	\$ 7,850	\$ 7,850	\$ 7,850
923	EOC/Cong Huffman's Office HVAC	EO	\$ 8,275	\$ 8,275	\$ 8,275
924	Jail Kitchen Refrigeration Equipment	MCSO	\$ 25,000	\$ 17,500	\$ 13,860
923	Admin Center Data Room Cooling	IS	\$ 40,000	\$ 13,000	\$ 13,000
894	Jail B2 Wing 4 Exercise Yard Fence Retrofit	MCSO	\$ 21,172	\$ 22,368	\$ 21,172
734	Mendocino - Renovate structure as a new DT Substation	MCSO	\$ 91,485	\$ 264,423	\$ 87,374
912	Ukiah Veterans Hall HVAC Replacement	F&F	\$ 145,000	\$ 147,151	\$ 147,151
925	UST Monitoring and Wells; Fort Bragg & Willits Road Yards	F&F	\$ 100,194	\$ 66,851	\$ 33,851
927	San Hedrin Power Line Emergency Repairs - 2018	F&F	\$ 30,000	\$ 69,997	\$ 19,729
757	HHSA - Public Health / Mental Health Roof & HVAC Replacement Phase 1	HHSA	\$ 76,426	\$ 1,047,889	\$ 76,426
910	Fire Repairs at Laughlin Peak Repeater Site	RISK	\$ (57,994)	\$ 441,726	\$ 383,732
IN PROGRESS					
943	Fort Bragg Justice Center Generator Replacement	Courts	\$ 35,000	\$ 31,972	
946	Willits Substation Tree Removal & Maintenance	MCSO	\$ 10,000	\$ 21,782	
926	Willits Justice Center Elevator Pit Seal & pump	Courts	\$ 20,000	\$ 20,000	\$ 5,500
761	Fort Bragg Avila Center Installation of Existing Generator	HHSA	\$ 137,087	\$ 150,176	\$ 58,556
873	Ukiah Library Paint & Power Wash Exterior	Library	\$ 27,500	\$ 12,600	
930	Library - Ukiah Install new Carpet and Flooring throughout	Library	\$ 160,000	\$ 58,900	
915	Library - Paint Interior	Library	\$ 56,248	\$ 14,600	
929	Library - New Circulation Desk	Library	\$ 67,178	\$ 67,178	
931	Child Support Hot Water Heater	CSS	\$ 5,000	\$ 5,000	\$ 1,900
866	Yokayo Front Canopy Renovations	HHSA	\$ 860,000	\$ 860,000	\$ 45,559
928	Treasurer-Tax Collector Security Enhancements	TREAS	\$ 185,000	\$ 185,000	\$ 3,000
954	Main Jail Roof Replacement	MCSO	\$ 775,000	\$ 775,000	
955	EOC Sheriff Programs Roof Replacement	EOC	\$ 225,000	\$ 225,000	
PLANNED FOR CURRENT FISCAL YEAR					
936	Replace Flooring in Public Health Room 192 (small break room)	HHSA	\$ 6,000	\$ 6,000	
956	WISC Mold Remediation at south offices of Building 32	HHSA	\$ 20,000	\$ 20,000	
957	Juvenile Hall Security Improvements	Probation	\$ 50,000	\$ 50,000	
952	Generator Interconnect Projects 6 locations	EOC	\$ 170,000	\$ 170,000	
958	Childrens' Services Ceiling Insulation Encapsulation (Evaluate & Design)	HHSA	\$ 30,000	\$ 30,000	

COUNTY VEHICLE FLEET ANALYSIS

The County has purchased and is in the process of installing a new version of Fleet Maintenance Pro, which is software that will provide better access to data related to the County's vehicles. The County's fuel pump system and related software were upgraded in the last year, and in addition to maintenance records the Fleet Maintenance Pro system will now have fueling information imported for gas pumped at the County garage. The Voyager Card system, used for gas purchases at outside gas stations, is being re-configured to allow the import of those fuel records into the Fleet Maintenance Pro system as well. This new software version with data imports will greatly improve the County's ability to complete comprehensive fleet analysis.

At this time, the County fleet consists of approximately 386 "passenger-type" vehicles, excluding heavy equipment. This total does include special (low) use vehicles, such as a tow truck, a boom truck, special purpose law enforcement vehicles, etc. The average age of vehicles in the fleet is 9.9 years old, and average fuel economy of the fleet is approx. 15 MPG. The Sheriff's Office has the largest fleet of assigned vehicles, with approximately 109; the Department of Transportation has the second largest fleet of assigned vehicles, with 73.

COMBINED FLEET		DOT FLEET		SHERIFF FLEET	
Vehicle Fleet Size	386	Vehicle Fleet Size	73	Vehicle Fleet Size	109
Average Vehicle Age	9.9	Average Vehicle Age	11.8	Average Vehicle Age	7.2
2017 Miles Driven	2,988,705	2017 Miles Driven	427,910	2017 Miles Driven	1,281,745
2017 Monthly Avg	648	2017 Monthly Avg	488	2017 Monthly Avg	977
2018 Miles Driven	3,083,632	2018 Miles Driven	443,399	2018 Miles Driven	1,282,444
2018 Monthly Avg	719	2018 Monthly Avg	513	2018 Monthly Avg	1060
2-year Total Miles	6,072,337	2-year Total Miles	871,309	2-year Total Miles	2,564,189
2-year Monthly Avg	684	2-year Monthly Avg	501	2-year Monthly Avg	1019



Summary of General Fund Departments by Budget Unit

This summary provides information on General Fund budget unit projections for mid-year of FY 2018-19 and only includes those departments that are projected to come in over their NCC assignment. The period of time covered includes July 1, 2018 through December 31, 2018, the first two quarters of the fiscal year.

BU 1000 – Non-Departmental Revenue

Non-Departmental Revenues are projected to have a surplus of \$3,029,000. The Auditor will address the Board of Supervisors during midyear review to explain what revenue sources contributed to the surplus.

BU 1210 – County Counsel

County Counsel anticipates to be over budget by \$119,644. Contributing factors include

- Reimbursements are expected to have a shortfall of \$100,474 (11%). This is due to the reimbursement methodology implemented in FY18-19 was not consistent with the prior years resulting in lower than expected reimbursements.
- Lower revenues are anticipated and the department is projecting to have shortfall of \$52,442 (12.09%)
- Deputy County Counsel was hired at a lower rate than estimate. This resulted in salary savings of approx. \$33,000.

BU 1810 – Economic Development

The Services & Supplies (2000 series) is currently below budget (-8%), but it is expected to go over budget by 11% or \$74,980. Key factors influencing this projection include a previously unpaid \$29,000 invoice from EDFC (approved by the Board) and an increase in the CDS contract. Also of note, the Mendocino Tourism Commission (MCTC) TOT revenue matching expense is expected to be higher than expected due to higher than expected TOT revenues collected by the county (as TOT revenue increase so does the County's matching payments to MCTC. So while this budget unit may appear over budget in isolation, these variances are mostly offset by the increased TOT revenue(*) when aggregated.

* **NOTE:** TOT Revenues are reported in **Exhibit A, BU 1000 – Non-departmental Revenue Forecast**

BU 2012 – Court Collections (AB233)

End of Fiscal year revenues are projected to be 7% short, most significantly found in 826380-Cost Recovery. This is due to Court Collections staff being dedicated to Cannabis program and Transient Occupancy Tax enforcement efforts. Salaries cannot be recovered from revenue when the function is not performed related to court-ordered debt collections. Shortfall estimated to be \$77,410 at end of year.

BU 2080 – Public Defender

At the end of the 2nd Quarter, the department has expend just under 50% of their 1000 series budget. But with new hires since July 2018 creating a lower than budgeted vacancy rate coupled with increases to salaries, the department is projecting to be over budget by \$43,402 in the 1000 series at the end of the fiscal year.

BU 2085 – Alternate Defender

The Alternate Defender is projecting to be \$129,075 over budget in their 1000 series and is not achieving the 10% vacancy rate factor applied to general fund departments in the FY 2018-19 adopted budget. Major cases have resulted in a part-time attorney being converted to a full-time employee increasing salary and expenditures for an extended duration.

BU 2310 – Sheriff-Coroner

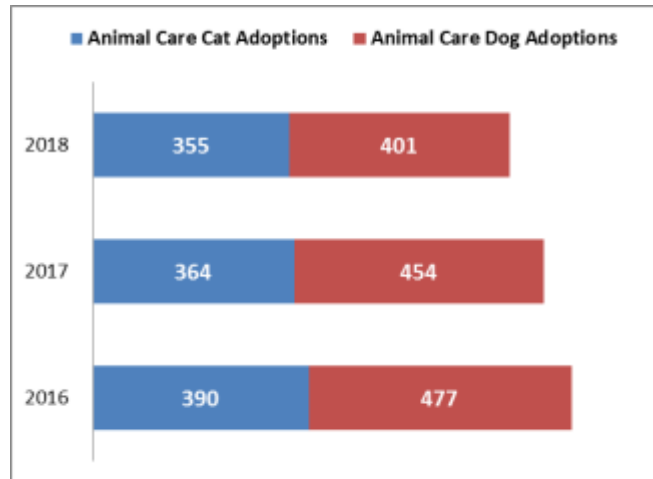
At mid-year, the Sheriff's Office now projects the budget deficit will be \$1,347,493 dollars over budget. Please see the Sheriff Office's narrative under Priority Updates section on page 16-17 for more details

BU 2510 – County Jail

At mid-year, the County Jail now projects the budget deficit will be \$779,342 dollars over budget. Please see the County Jail narrative under Priority Updates section on page 17 for more details.

BU 2860 – Animal Care

In FY18-19, unbudgeted expenses for professional services related to the boarding and care of 19 impounded horses have created been a significant burden to the department's budget for services. BU 2860 anticipates utilizing the Animal Rescue Designated Reserve to offset the costs of board and care for the 19 horses currently in their care. Revenues are currently at **0.80%** of budget. This is largely due to non-payment by the cities of Ukiah and Willits for County provided Animal Care services totaling \$275,407 to date. Other revenues are projected to come in at budget.



MID-YEAR RECOMMENDATIONS

Recommended Budget Adjustments

See Attachment A

CEO Recommended Actions

1. Accept the Fiscal Year 2018-19 Mid-Year Budget Report as presented
2. Adopt Resolution Amending the current FY2018-19 Adopted Budget