



COUNTY OF MENDOCINO

STATE OF CALIFORNIA

FY 2018-19 **3rd QUARTER REPORT**

Chief Executive Officer: Carmel J. Angelo

Auditor— Controller: Lloyd Weer

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Exhibits

BU 1000 Non-Departmental Revenue Forecast	Exhibit A
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Attachments:

FY 2018-19 Third Quarter Budget Adjustments.....	Attachment A
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INTRODUCTION

Purpose

With this document, the County begins the Third Quarter Budget Report process to the Board of Supervisors for Fiscal Year (FY) 2018-19. The Third Quarter Report covers the first three quarters of the budget year, from July 1, 2018 through March 31, 2019, and provides detailed information projecting how the County budget status is likely to end on June 30, 2019. As with quarterly 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 quarterly reporting is an important step in the process of fulfilling this legal requirement of the County's financial management. **Every year the County hopes to produce a budget that is balanced between the needs of our community and the revenue reality that is presented.** 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

During the FY 2018-19 budget preparation process, 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
 - New Jail Additional Costs Unknown
 - Overall Facilities improvements – Roofs
 - ADA Transition Plan
 - Facility Energy Efficiency Projects
 - Information Technology Infrastructure
- Financial Sustainability
 - Maintain the reserve policy
 - One-time revenue will not be used for on-going expenses
 - Cannabis Program Sustainability
 - Juvenile Hall/Probation Sustainability

Budget Goals & Priorities - Continued

- 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.
 - Operational Efficiencies
 - Employee Salaries
 - KOFF Study
 - Sheriff Office's Staffing for new mandated transparency reporting
 - IT Master Plan
 - Facility Preventative Maintenance
- Investment in Roads
- Economic/Business Development
 - Support New Housing Development
 - Broadband
 - Grant Writer Program
 - Use of Solar
 - Electric Vehicle Replacement
- Support for Emergency Services
 - Staffing support for Local Emergency Medical Services
 - Explore Emergency Medical Services Joint Powers Authority
 - ***Disaster Recovery and Resiliency***
 - Emergency Preparedness
 - Emergency Access Routes
- Homeless Issues
 - Implementation of Marbut Report
- Support Community Partners
 - Fire Districts
 - Fire Safe Awareness / Forest Management
 - Potter Valley Water Project
 - Climate Action Committee
 - County Service Area 3
 - Other Special Districts/Agencies

Overview

In 2016, the Board of Supervisors set overarching goals and priorities founded in fiscal sustainability and organizational development. On March 23, 2019, with the addition of two new Board members there was a review of the goals. At that time the Board added a few additional goals that are now incorporated into the strategy for the development of FY 2019-20 budget cycle. It is essential to lay out the direction and goals of the organization and to provide a blueprint, which will 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, the County is 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. Additionally, there were a few major department shortfalls this fiscal year. Those department shortfalls may be due to unanticipated expenses and/or underfunding.

Analysis of Budget Unit 1000, Non-Department Revenue, projects a total of \$4,684,000 year end revenue comprised primarily of the following;

- Current Secured Property Tax is trending ahead of budget by +5.30% and will result in a surplus of \$1,750,000
- Sales and Use Tax is up +4.92% and will result in a surplus of \$300,000
- Room Occupancy Tax (TOT) is up +4.42% and will result in a surplus of \$250,000
- Property Tax In Lieu is up +4.40% and will result in a surplus of \$497,000
- Interest Revenue is up due to improved interest rates during FY 2018-19 and will result in a surplus of \$500,000

At Mid-Year the total projected department variances was (\$530,045).

Presently at third quarter, the projected carryforward discretionary revenue from FY 2018-19 to FY 2019-20 is \$1,653,295. Although the County is projecting an increase in surplus discretionary revenues, there is an expected increase to the operating costs, with the biggest impacts expected to be salary and benefit related.

THIRD QUARTER REVIEW BY BUDGET UNIT

Summary of General Fund Departments by Budget Unit

This summary below provides information on General Fund budget unit projections for the Third Quarter of FY 2018-19. The period of time covered includes July 1, 2018 through March 31, 2019, the first three quarters of the fiscal year. **Total FY 2018-19 fund balance carryforward in the General Fund is anticipated to be \$1,653,295 at year end.** The following narratives focus on the departments projected to be over budget. Contributing factors include unanticipated contractual expenses, increased salary and benefits, and departmental revenue projection shortfall.

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 End of Year Projections	Variance
1000	Non-departmental Revenue Total	(56,085,467)	(60,769,467)	4,684,000
1930	Teeter Plan Total	(1,500,000)	-	(1,500,000)
2310	Sheriff-Coroner Total	14,213,485	15,309,513	(1,096,028)
2510	Jail Total	9,939,126	10,450,947	(511,821)
2085	Alternate Defender Total	787,300	906,535	(119,235)
1210	County Counsel Total	628,984	776,612	(147,628)
2012	Court Collections - AB 233 Total	(714,500)	(612,926)	(101,574)
1810	Economic Development Total	572,414	630,327	(57,913)
2860	Animal Care Total	614,973	669,038	(54,065)
1320	Human Resources Total	1,227,532	1,275,162	(47,630)
2710	Agriculture	506,196	683,897	(177,701)

Total of Major Variances: 870,405

Total Other Department Variances: 382,700

**** Unallocated Fund Balance: 400,190**

SubTotal of All Variances: 1,653,295

BU 1000 – Non-Departmental Revenue

Non-Departmental Revenues are projected to have a surplus of \$4,684,000 (8.4%). The Auditor will address the Board of Supervisors during third quarter review to explain what revenue sources contributed to the surplus. Although projecting a surplus, these unanticipated revenues have been used to balance projected departmental shortfalls.

BU 1930 – Teeter Plan

At third quarter, Teeter Plan now projects the budget deficit will be \$1,500,000 (100%) due to the higher than expected interest expense and lower than projected growth rates.

BU 2310 – Sheriff-Coroner

At third quarter, the Sheriff's Office has reduced their projected deficit through efficiencies to \$1,096,028 (7.7%) over budget due to overtime.

BU 2510 – County Jail

At third quarter, the County Jail now projects the budget deficit will be \$511,821 (5.1%) over budget due to overtime.

BU 2085 – Alternate Defender

The Alternate Defender is projecting to be \$119,235 (15.1%) over budget in their 1000 series and is not achieving the vacancy rate factor applied to general fund departments in the FY 2018-19 adopted budget.

BU 1210 – County Counsel

County Counsel anticipates being over budget by \$147,628 (23.5%). Contributing factors include

- Reimbursements are expected to have a shortfall of \$94,430 (9.6%). This is due to the reimbursement methodology implemented in FY 2018-19, which was not consistent with the prior years resulting in lower than expected reimbursements.
- Lower revenues are anticipated and the department is projecting to have a shortfall of \$104,959 (24.2%)
- Deputy County Counsel was hired at a lower rate than estimate. This resulted in salary savings of approximate \$35,000.
- The Department also anticipates an expense savings of \$16,695 (4.4%), to help offset the overages. Some of the expense savings are due to the Department's ability to create paperless systems with multiple departments.

BU 2012 – Court Collections (AB233)

End of Fiscal year revenues are projected to be 7.5% 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 \$101,574 (14.2%) at end of year.

BU 1810 – Economic Development

The Economic Development is projected to be \$57,913 (10%) over budget. Contributing factors include:

- The Mendocino Tourism Commission (MCTC) TOT revenue matching expense is expected to be higher due to higher than expected TOT revenues collected by the county (as TOT revenue increase so does the County's matching payments to MCTC). 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*
- Services & Supplies (2000 series) is expected to go over budget by 13%. 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.

BU 2860 – Animal Care

At third quarter, Animal Care now projects the budget deficit will be \$54,065 (8.8%). This deficit is related to startup costs for the newly opened Fort Bragg Animal Shelter.

BU 1320 – Human Resources

At third quarter, Human Resources now projects an overall budget deficit of \$47,630 (3.9%). This deficit is due to the higher than budgeted contract expense.

BU 2710 – Agriculture

At third quarter, Agriculture now projects the budget deficit will be \$177,701 (35.1%) due to the associated with Integrated Wildlife Damage Management Program (IWDMM) - Environmental Impact Report (EIR).

State Budget Watch List

May: Governor's "May Revise"

- May: LAO "May Revise" Analysis
- June 3: Last Day to pass bills out of the house of origin
- June 14: Budget Bill must be passed by midnight
- June 28: Last day for a legislative measure to qualify for the November 6 General Election ballot
- July 1: Fiscal Year begins

Federal Budget Watch List

- 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

Recruitment Summary

Between January 1, 2019, and March 31, 2019, Human Resources received 178 staffing requests, conducted 114 recruitments, received and screened 1,741 applications, conducted 30 examinations, and prepared 127 certifications. During this time period, the County hired 73 new employees (53 FTE and 20 extra-help) and had 63 employment terminations (50 FTE and 13 extra-help).

Leadership Initiative

Leadership activities continue with quarterly expanded leadership meetings, which include relevant leadership topics, book club with over 60 participants, project team meetings, and High Performance Organization training.

In February, 2019, Mendocino County's Executive Leadership Team (MCELT) held its second High Performance Organization (HPO) Academy on February 13 and February 14, 2019. MCELT members worked in teams of two to present nine topics covering a number of leadership and HPO topics to the attendees. 32 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.

In their upcoming meetings, MCELT will begin developing plans to roll out the next level of the Leadership Initiative. This next phase will be referred to as Leadership 2.0 and will build on prior accomplishments with a focus on streamlining and improving services and development of our employees as public servants.

Health & Wellness

MCWOW launched a new wellness challenge in March called Keep America Active. Keep America Active runs until May 26th and is a holistic lifestyle program that draws on the excitement of learning about new places and people by visiting famous landmarks across the United States. A total of 241 employees are participating to earn points by tracking exercise, produce servings and 2-minute time-outs throughout their day. Additionally there are 10 teams competing for the first place team prize.


County-Wide Training Program

There were 305 training seats filled by County employees between January 1, 2019, and March 31, 2019. Classes included Business Presentation and Public Speaking, Time and Task Management, Emotional Intelligence, Introduction to Word, Introduction to Excel, Introduction to Publisher, Intermediate Word, Intermediate Excel, Intermediate Publisher, Advanced Word, Harassment Prevention for Department Supervisors, and Department Supervisor Skills Academy classes including HPO, Leading with Effective Communication, and Building Trust in Teams.

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, 2019. The County expects to begin formal negotiations with the 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, 2019.

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

THIRD QUARTER RECOMMENDATIONS

The Executive Office is recommending that the Board of Supervisors authorize the anticipated carry forward, as outlined on page 5 (\$1,653,295), to be appropriated as one-time funding to be used towards Disaster Recovery, Information Technology, and Capital Improvements.

Recommended Budget Adjustments

Refer to Attachment A

CEO Recommended Actions

1. Accept the Fiscal Year 2018-19 Third Quarter Budget Report as presented
2. Adopt Resolution Amending the FY 2018-19 Adopted Budget by Adjusting Revenues and Appropriations