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Exhibits

BU 1000 Non-Departmental Revenue Forecast	Exhibit A
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Attachments:

FY 2022-23 3 rd Quarter Budget Net Zero Adjustments and Administrative Clean Up.....	Attachment A
FY 2022-23 3 rd Quarter Vehicle/Fixed Asset Request	Attachment B

INTRODUCTION

Purpose

With this document, the County begins the Third Quarter Budget Report process to the Board of Supervisors for Fiscal Year (FY) 2022-23. The Third Quarter Report covers the first three quarters of the budget year, from July 1, 2022 through March 31, 2023, and provides detailed information projecting how the County budget status is likely to end on June 30, 2023. 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, cannabis 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. 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.

STRATEGIC PLAN 2022-2027

The Board of Supervisors, in May 2022, adopted the County's first Strategic Plan in over 30 years. The plan will help guide the critical decisions the Mendocino County Board of Supervisors will face over the next five years to improve the quality of life for county residents. County leadership engaged in conversations with over 1,000 county residents, to explore the challenges the county faces and identify solutions that will result in a more effective county government organization, a thriving economy, and a county that is safe, healthy, resilient, and prepared for future uncertainties. The County is grateful to so many constituents who voiced their opinions about what's important to them, their families, and the county's future.

The County has identified ambitious goals with specific objectives that will enable achievable, and positive results. Accomplishing these goals will depend on allocating sufficient County staff to implement key tasks; designating resources via the budget process within the context of the County's mandated funding commitments; close collaboration with community members, businesses, nonprofits, and local government organizations; and finally, the Board of Supervisors' commitment and leadership.

Additional information regarding public input provided and the complete plan is found on the Mendocino County website: [Mendocino County Strategic Plan 2022 - 2027 | Mendocino County, CA](#)

Strategic Priorities

The strategic plan consists of 17 goals under these 4 priority areas:

- An Effective County Government Organization
- A Safe and Healthy County
- A Thriving Economy
- A Prepared and Resilient County



These priorities and goals are supported by specific actionable objectives for County staff to implement. The first priority of an effective County organization, is critical to the implementation of the other three priorities. A strong internal organization, with a healthy culture, participative leadership, clear communication channels, and departments fully staffed with qualified individuals, will make it possible for the County to achieve results in the additional three priority areas.

Priorities, Goals & Objectives

An Effective County Government Organization

- Define clear roles, responsibilities, and processes for government leadership
- Create a thriving organizational culture
- Implement new approaches to demonstrate our commitment to Diversity, Equity, and Inclusion (DEI)
- Improve operational efficiency by streamlining processes and implementing technology-based solutions
- Increase transparency in government operations to build trust with employees, communities, and partners
- Assure financial sustainability of the County

A Safe and Healthy County

- Provide a person-centered approach to help under-resourced individuals and families thrive
- Deliver culturally relevant public health services that focus on prevention and are guided by social determinants of health
- Increase access to behavioral health services
- Help people feel safe in their communities
- Implement practices that support a sustainable environment and responsible stewardship of natural resources

A Thriving Economy

- Support a vibrant economy
- Support increased housing stock at a range of affordability levels
- Ensure that affordable and reliable broadband communications is available to all County residents

A Prepared and Resilient County

- Increase disaster/emergency preparedness and resiliency
- Ensure access to rural fire protection and emergency medical services
- Improve and maintain transportation and road systems/access routes

In prior budget cycles, the Board of Supervisors identified budget goals and priorities as focus areas in the development and implementation of the County budget. The County's adoption of a Strategic Plan in May of 2022 has led to a change in the approach to how priorities are defined. The guidelines, goals, and priorities used in prior reports can be found in at this link: [Fiscal Year 2022-23 Budget Goals and Priorities](#)

STATE AND FEDERAL WATCH LIST

State Budget Watch List

May 14: Governor's "May Revise"

May 14: Legislative Analyst Office "May Revise" Analysis

June 2: Last Day to pass bills out of the house of origin

June 15: Budget Bill must be passed by midnight

June 27: Last day for a legislative measure to qualify for the November General Election ballot

July 1: Fiscal Year begins

Federal Budget Watch List

May 15: Annual appropriations bills may be considered in the House

June 10: House Appropriations Committee reports last annual appropriation bill

June 15: Congress completes action on reconciliation legislation

June 30 : House completes action on annual appropriation bills

July 15: President submits mid-session review

October 1: Fiscal Year begins

EXECUTIVE SUMMARY

The Third Quarter of Fiscal Year 2022-23, is projecting revenue to remain stagnant, paired with high inflation, and escalating cost of goods and services, staffing challenges, energy and material costs escalations. The Board of Supervisor's goals and directives through the Strategic Plan, continue to guide staff on the County's priorities, including facility upgrades to ensure employees and the community remain safe, carbon reduction planning, public safety needs, deferred maintenance, disaster recovery and resiliency, and to seek new funding sources.

Moving into the final quarter of FY 2022-23, the intent is to:

- Preserve Public Safety and County core services while facing declining revenue growth and increasing expenses
- Invite and encourage cost saving strategies
- Seek new revenue sources (i.e. grants and programs)
- Focus on cost saving strategies to improve Mendocino County's fiscal stability (i.e. energy conservation, paper consumption, and travel).

The Third Quarter is projecting general fund departments will be \$3 million over budget. At the April 25, 2023 Board of Supervisors meeting, the Auditor-Controller-Treasurer-Tax Collector reported out on the fiscal year 2021-22 carry

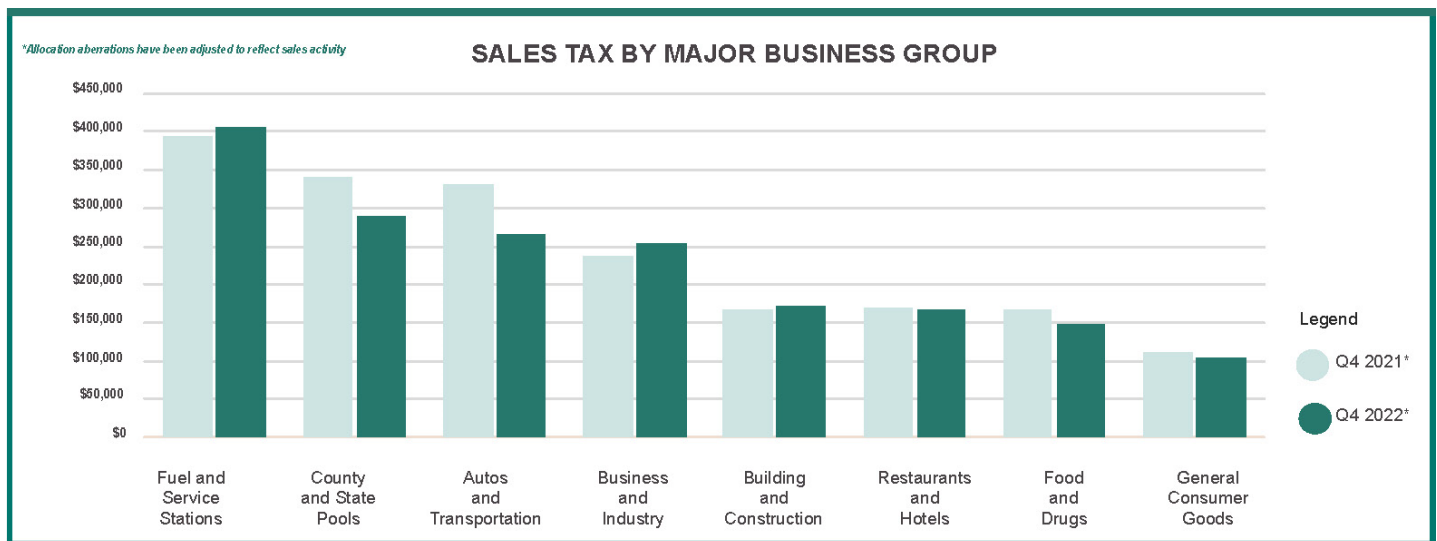
forward. The Executive Office is collaborating with the various departments and offices to reconcile the balance of the 2021-22 carry forward. \$500,000 of the carry-forward has already been obligated by the Board of Supervisors at the budget workshop held on December 13, 2022.

The operational budget presented today, does not include the FY 2020-21 Health Plan deficit. The Executive Office, the Wellness and Health Benefit Committee continue to review strategies for Health Plan recovery.

COUNTY FINANCIAL OUTLOOK

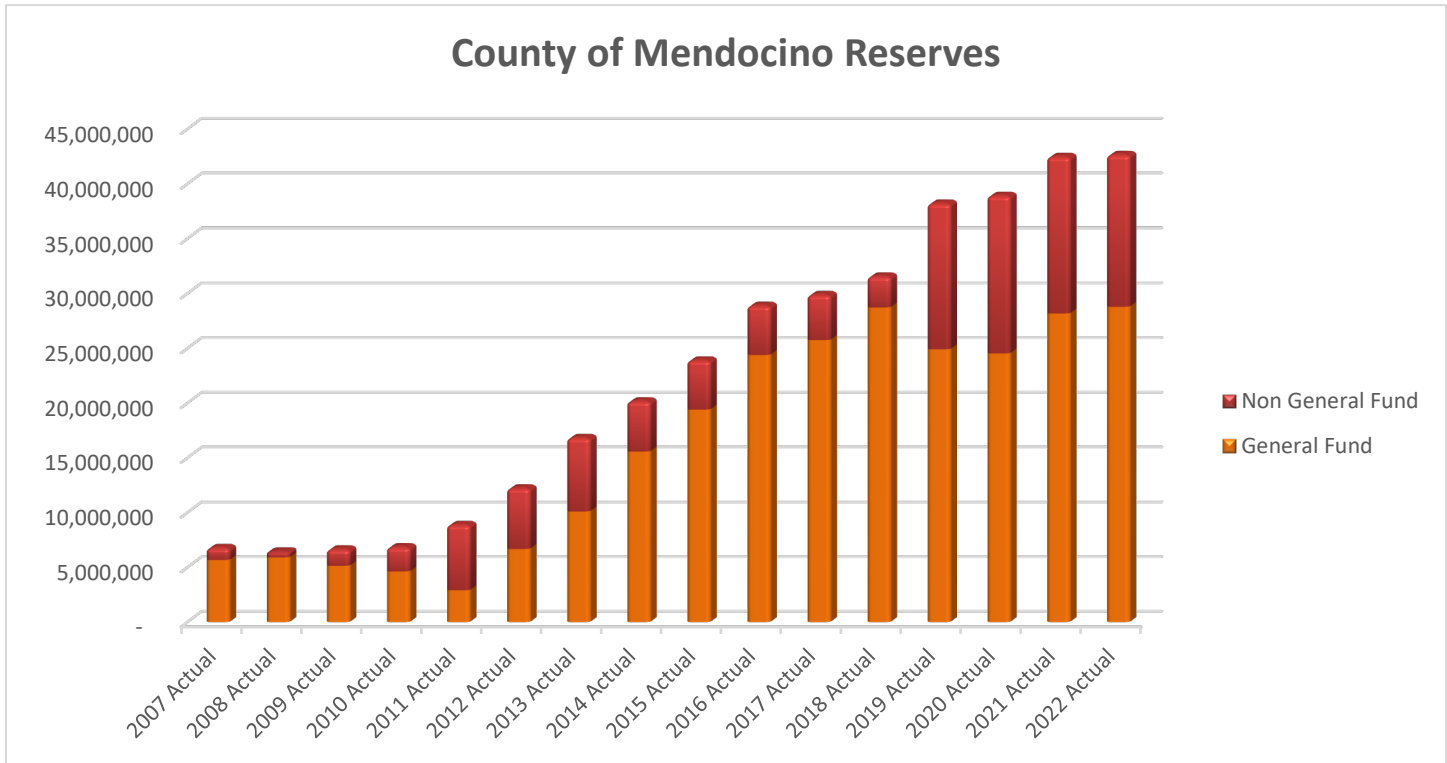
A continuing decrease in the cannabis market, a temporary decrease in the Cannabis tax as approved by the Board, and a trending decrease in sales tax revenue, are causing an increased concern for Mendocino County's financial outlook. Fiscal Year 2022-23 Sales tax revenues for Mendocino County is projected to end at \$7.9 million, down \$500,000 from what was adopted. The Transient Occupancy Tax is projecting to be down over \$400,000, though changing vacation trends may lift this revenue back to the adopted amount. The County's non-departmental revenue projections can be seen in Exhibit A.

Mendocino County's overall sales were down 6%, excluding all reporting aberrations, for October-December 2022, when compared to the same timeframe last year (October-December 2021)¹. Below is a recap of sales tax by major businesses groups within Mendocino County for calendar year Quarter 4 2022 when compared to calendar year Quarter 4 2021¹.



¹ HDL Companies

RESERVE ACCOUNTS



*Please note: In FY 2018-19, several reserve accounts were reclassified, and is why there is a shift in the General Fund/Non General Fund graphed allocation.

THIRD QUARTER REVIEW BY BUDGET UNIT

Summary of General Fund Departments by Budget Unit

The summary provides information on department budget unit projections for end of year (EOY) FY 2022-23 and only includes those budget units that are projected to come in greater than \$150,000 over their NCC Assignments.

Fiscal Year 2022-23 3rd Quarter General Fund Budget Units of Concern					
Budget Unit	Department Name	Adjusted Budget	YTD	Projected	Projected Deficit
1110	Auditor-Controller	951,635	1,132,934	1,449,000	(497,365)
1140	Payroll	162,558	154,714	345,490	(182,932)
1610	Buildings & Grounds (Facilities)	5,148,377	3,773,035	5,378,106	(229,729)
1941	Clerk-Recorder	(71,853)	80,548	101,446	(173,299)
2310	Sheriff-Coroner	17,052,162	15,045,890	18,249,629	(1,197,467)
2810	Cannabis Management	250	1,393,249	1,034,366	(1,034,116)
2860	Animal Care	1,067,464	1,115,841	1,465,502	(398,038)

BU 1110 – Auditor-Controller

At third quarter, Auditor-Controller anticipates being over budget by \$497,365 primarily due to budget appropriations for 2022-23 being under allocated by \$347,000. Additional expense (\$29,867) is in line item 862189

Professional & Specialized Services – Other which includes contracts for Debtbook/Fifth Asset, outside auditor’s Clifton Larson, and property tax system Aumentum/Manitron.

BU 1140 - Payroll

Staffing resources have been applied to this new budget unit to bring it’s functions into compliance with State and Federal laws and conforming to the needs of the various bargaining units and their unique requirements.

BU 1610 – Buildings & Grounds (Facilities)

At third quarter, Building & Grounds (Facilities) anticipates being over budget by approximately \$229,000 due to structural funding reductions during budget adoption, as well as unanticipated cost increases in utilities of approximately 20%. In addition, the County of Mendocino converted to clean energy in County owned facilities in the unincorporated area of the county, resulting in an increase in costs of approximately \$15,000.

General Services Agency was able to reduce the impacts with unanticipated revenues collected (approximately \$500,000 in additional revenues are anticipated over budgeted amount).

BU 1941 – Clerk-Recorder

At third quarter, Clerk-Recorder anticipates being over budget by \$173,299. This is primarily due to being fully staffed for the majority of the FY and revenues being projected to have a short fall of about \$100,000, due to a decrease in recording and clerk requested services.

BU 2310 – Sheriff-Coroner

Several bargaining units were approved MOU enhancements for DSA, MCLEMA and SEIU, including changes to premiums and longevity and certain paid time. These changes have a domino effect in the 1000 Series and will likely see a substantial overage in the 1000 series at year-end.

BU 2810 – Cannabis Management

The overage is due to a lack of renewal fees that cannot be collected until licenses have been issued.

BU 2860 – Animal Care

Unbudgeted staffing increases when Animal Control was transferred from the Sheriff’s Office.

Emergency Storm Damage-General Services Agency

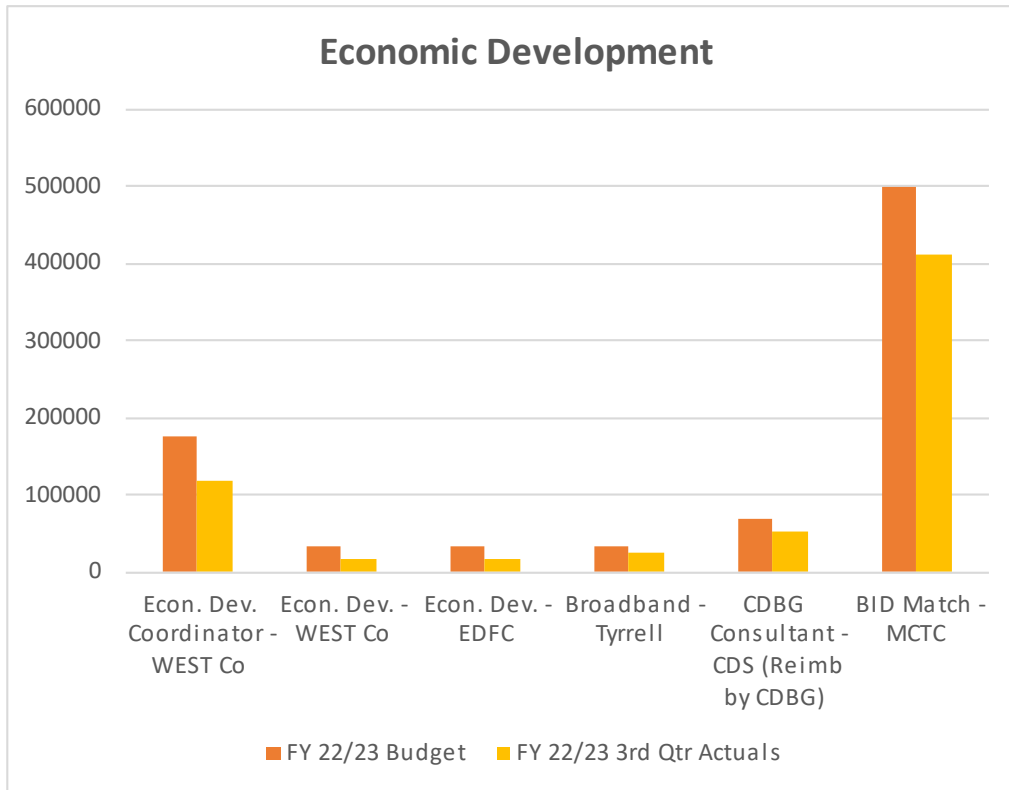
During the December 2022/January 2023 storm events, General Services Agency/Facilities responded to numerous potential hazards throughout the County’s owned real property, including Bower Park (Gualala), Fort Bragg Justice Center Fencing (Fort Bragg), and power lines serving the Public Safety Microwave Communications site at San Hedrin/Big Signal Peak. This response resulted in staff working 162.75 hours, including 33 hours of overtime on storm related projects. The County is working with the Executive Office and FEMA on providing cost estimates associated with repair and mitigation of all damage.

General Services Agency/Facilities contracted with a local contractor to mitigate damage, including repair of damaged equipment and restroom facility and removal of downed trees at Bower Park due to storm events. The

costs to restore the park to a safe to visit condition are estimated at \$148,000. General Services Agency anticipates the park repairs to be completed by the end of April.

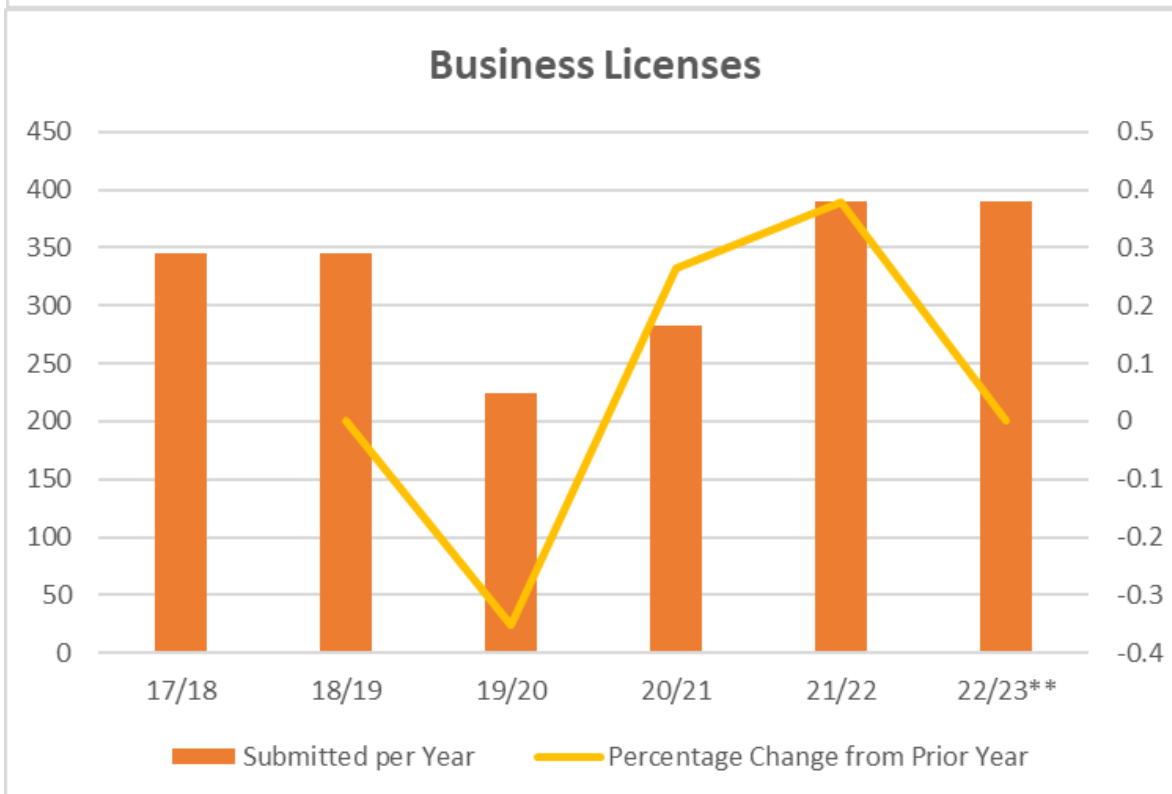
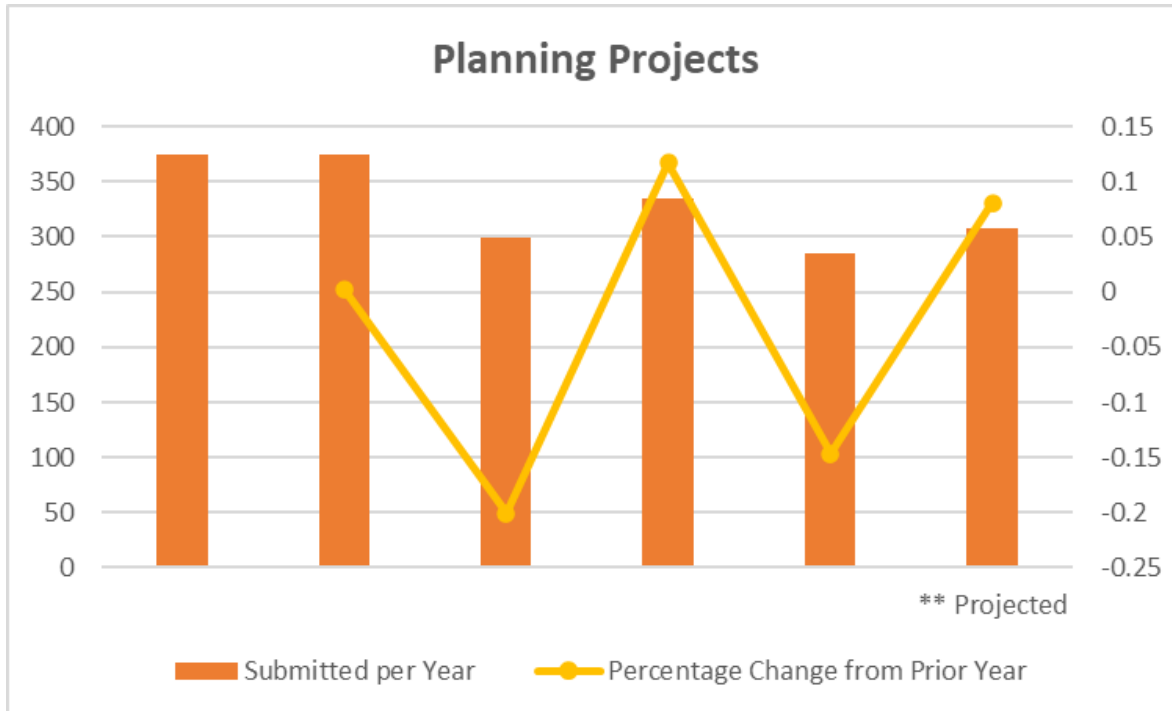
Economic Development Activity 22-23

At 3rd quarter, the Economic Development budget unit is not showing any significant variances, and is currently at 76% from total budget level in expenditures. Economic Development PM-1810 is 100% General Fund. The largest item in the budget is the BID's 50% match which represents 60% of the budget unit's total activity.



Planning Projects and Business Licenses

The planning projects submitted for this year are projecting an increase of 8.1% compared to year 2021-22. Business Licenses submitted are projected to remain at year 2021-22 levels. The Bella Vista Major Subdivision Modification was approved by the Board of Supervisors on April 11, 2023 for 171 new lots (39 age restricted units, 13 moderate-income units, and 119 market rate units).



Building Permit Updates

Building Permits are projected to be at the same levels as FY 21/22, with the exception of Ag Exempt and Commercial which are lower in comparison. Additionally, Web Permits have nearly doubled. The processing times of permits has decreased from 6-8 weeks, to 4-6 weeks. There are 2,956 applications pending on a 'Waiting for Applicant Status'.

Building Permit Updates	21/22	22/23 To Date	FY22/23 Yr End Projection
Single Family Residence	36	39	51
ADU	7	16	21
Addition/Remodel	689	574	746
Solar	192	195	254
Commercial/Industrial	25	5	7
Web Permits	289	447	581
Ag. Exempt	1344	554	720
Misc Permits	768	512	666
	3350	2342	3045
Waiting on Applicant		2956	
Permit Apps Received by F/Y	4150	2331	2914
Processing Timelines	6-8 Weeks	4-6 Weeks	

HUMAN RESOURCES THIRD QUARTER UPDATE

Recruitment Summary

Between January 1, 2023 and March 31, 2023, Human Resources received 176 staffing requests, conducted 148 recruitments, received and screened 1,373 applications, conducted 84 examinations, and prepared 175 certifications (referral of candidates). During this time period, the County hired 77 new employees (67 FTE and 10 extra-help) and had 77 employment terminations (55 FTE and 22 extra-help)


Workforce Development Trainings

The County provided 6 Workforce Development webinar trainings during the 3rd quarter of FY 2022/2023 with an average attendance of 24 attendees per training.

Supervisor/Manager Trainings

The County provided 2 Supervisor/Manager webinar trainings during the 3rd quarter of FY 2022/2023 with an average attendance of 8 attendees per training.

COUNTY EMPLOYEE LABOR CONTRACTS UPDATE

County of Mendocino  Status of Labor Contracts as of March 31, 2023				
Bargaining Unit	Employee Count 3/31/23	Contract Status	Contract Start Date	Contract End Date
Confidential	28	Current	7/1/2022	6/30/2023
Department Heads	12	Current	9/1/2022	8/31/2023
DSA	120	Current	7/1/2022	6/30/2023
Management	65	Current	10/1/2022	9/30/2023
MCLEMA	11	Current	7/1/2022	6/30/2023
MCPAA	25	Current	7/1/2022	6/30/2023
MCPEA	38	Current	10/1/2022	9/30/2023
SEIU	769	Current	7/1/2022	6/30/2023
Unrepresented**	48	Current	Current	Current
**Tied to Department Heads Bargaining Group				

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

Recommended Budget Adjustments and Journal Entries

Refer to Attachment A

CEO Recommended Actions

1. Accept the Fiscal Year 2022-23 Third Quarter Budget Report as presented
2. Accept adjustments as described in Attachment A
3. Approve the funded items on Attachment B, to be added to the fixed asset list
4. Direct Executive Office to work with Auditor-Controller's Office to confirm Health Plan deficit and bring back results on the May 23rd Board of Supervisor's meeting