



COUNTY OF MENDOCINO

STATE OF CALIFORNIA

FY 2019-20

3RD QUARTER REPORT & ADJUSTMENTS

MAY 5, 2020

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Exhibits

BU 1000 Non-Departmental Revenue Forecast.....	Exhibit A
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Attachments:

FY 2019-20 Third Quarter Budget Net Zero Adjustments	Attachment A
FY 2019-20 Third Quarter Journal Entries	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) 2019-20. The Third Quarter Report covers the first three quarters of the budget year, from July 1, 2019 through March 31, 2020, and provides detailed information projecting how the County budget status is likely to end on June 30, 2020. 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 2019-20 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

STATE AND FEDERAL WATCH LIST

State Budget Watch List

May: Governor's "May Revise"

- May: Legislative Analyst Office "May Revise" Analysis
- May 29: Last Day to pass bills out of the house of origin
- June 15: Budget Bill must be passed by midnight
- June 25: 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 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: President submits mid-session review
- October 1: Fiscal Year begins

EXECUTIVE SUMMARY

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.

The first two quarters of FY 2019-20 started with a strong growth trend in sales tax receipts. The 2nd quarter of FY 2019-20 reflect a 6.8% growth above 2nd quarter FY 2018-19. This growth was led by Fuel and Service Stations, Auto sales and Transportation, and County and State Pools. Despite this strong growth trend the onset of COVID-19 has impacted and will continue to negatively impact sales tax and room occupancy tax. The recovery from social distancing and home confinement is expected to continue through 1st quarter FY 2020-21. As the Country emerges from this recession it is expected there will be a delay in rebuilding consumer confidence. This delay will result in a continued downward trend through FY 2020-21. In FY 2021-22 it is expected spending will begin to increase and build back to pre-COVID levels by 2024-25 as businesses with new ways to operate with fewer employees and more moderate capital investments.

This third quarter, projection is reflecting a deficit of (\$1,774,495)

COVID-19 Pandemic

Since January 2020, Mendocino County has been part of a coordinated Public Health response involving the Federal Centers for Disease Control and Prevention (CDC) and the California Department of Public Health (CDPH). On March 4, 2020, Chief Executive Officer/Director of Emergency Services Carmel Angelo declared COVID-19 a Local Emergency and Interim County Health Officer Noemi Doohan declared a Local Health Emergency--both ratified by the Board of Supervisors on March 10, 2020. The Emergency Operations Center (EOC) was activated with Command and General Staff along with specific branches related to Public Health (Communicable Disease, Environmental Health, Medical Health Operational Area Coordinator, Access/Functional Needs, etc.). Health procedures have been implemented following Federal and State guidelines to help contain and mitigate cases of suspected COVID-19.

President Trump declared the COVID-19 Pandemic in California a major disaster on March 22, 2020 allowing for Public Assistance for emergency protective measures. A 90-day estimate shows the County's protective measures will cost approximately \$3,000,000. Public Assistance will reimburse the County 75% of the eligible costs. It is still unclear whether the state will cover 75% of the remaining 25% as they have in the past. On April 13, 2020, FEMA obligated \$753,937 as an expedited up-front payment. Meanwhile, the EOC Finance team continues to work with our grant writers at LACO Associates to aggressively pursue grants to leverage costs.

Summary of COVID-19 Related Expense by Department/Item

Throughout the COVID-19 pandemic, the County of Mendocino has worked diligently to ensure that all areas are being monitored and staffed for the protection of the community and its employees. Within 90 days from the start of this emergency the expense have total approximately \$3,000,000. Below is a comprehensive list of these expenses:

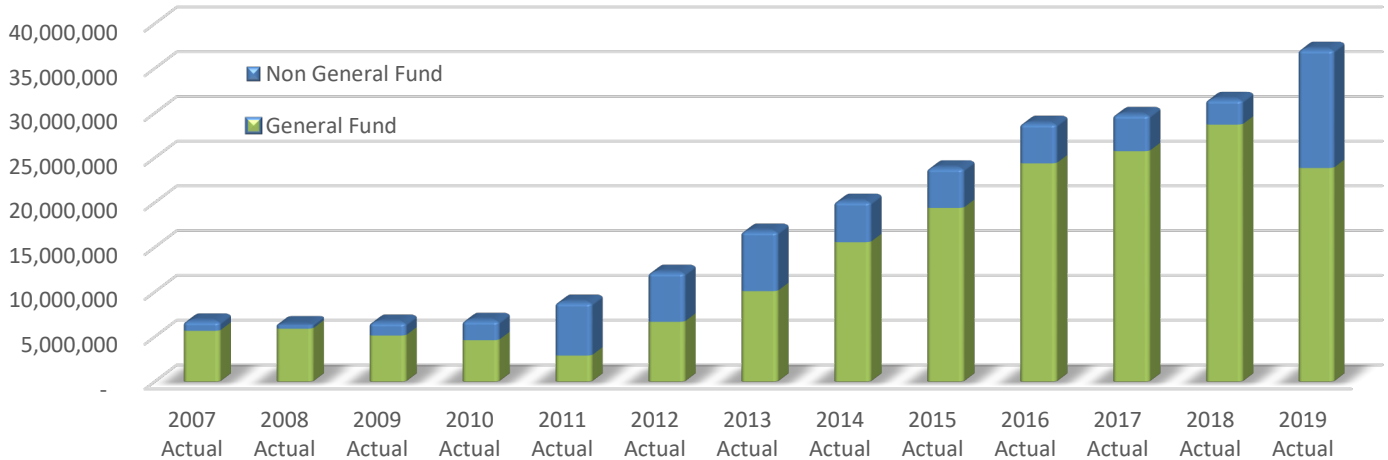
COVID-19 Expense

Department/Item	Amount
EOC Operational Costs (including but not limited to)	2,025,500
• Equipment & Supply Costs	
• Homeless Encampment Costs	
• Safety Costs	
Alternate Care Site	672,408
• Facility & Operational Costs	
Motel/Roomkey Costs	300,000
TOTAL COSTS	2,997,908
• Other projects (cost to be determined)	-
• Emergency Food	TBD
• Enforcement	TBD
• Testing	TBD

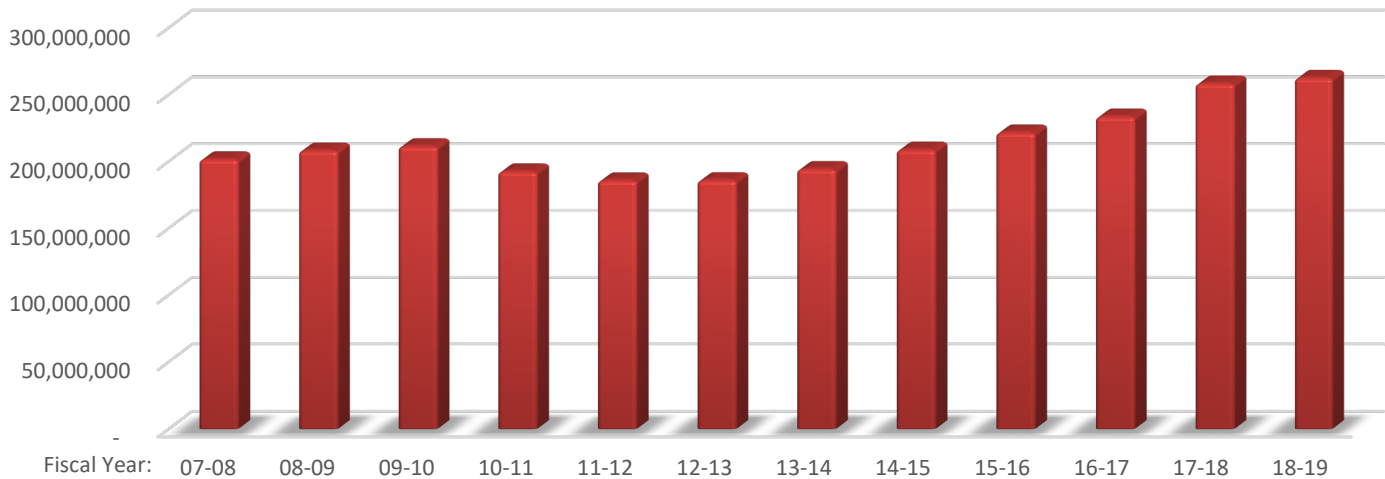
RESERVE ACCOUNTS

Throughout FY 2019-20, the balances in the Reserve Accounts remain the same. Below tables show County Reserves vs. Expense.

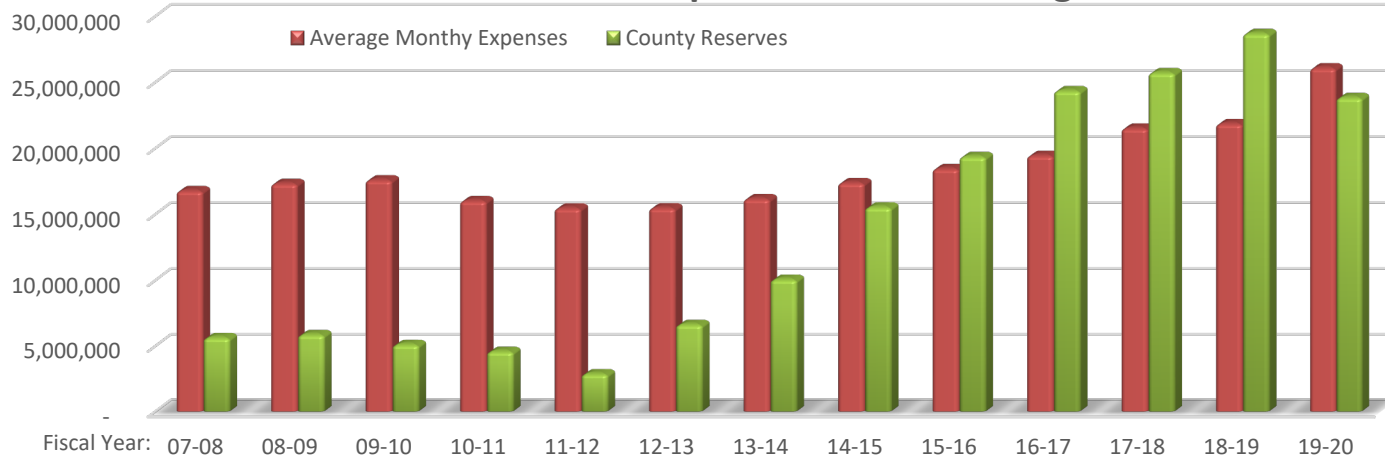
County of Mendocino Reserves



Annual Count of Mendocino Expenses



Count of Mendocino Expenses Month Average



THIRD QUARTER REVIEW BY BUDGET UNIT

Summary of General Fund Departments by Budget Unit

The summary below provides information on General Fund budget unit projections for the Third Quarter of FY 2019-20. The period covered includes July 1, 2019 through March 31, 2020, the first three quarters of the fiscal year. The first three quarters were showing a slight trend higher than prior year. With the impact of the Coronavirus shelter in place order taking effect in March the trend for 4th quarter has taken a sharp decline. **Total FY 2019-20 General Fund is projecting a (\$1,774,495) deficit at year-end.** The Disaster Recovery team is projecting a \$3,000,000 expenditure hit in the 4th Quarter due to COVID response. 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.

FY2019-20 End of Year Projections

Budget Unit 1000 Surplus vs Top 14 Over-budget Departments/Programs

Budget Unit	Description / Department Name	2019-20 Revised Budget	2019-20 End of Year Projections	Variance
1000	Non-Discretionary Revenue Totals	(59,271,334)	(57,271,334)	(2,000,000)
1930	Teeter Plan Total	-	2,000,000	(2,000,000)
2510	Jail Total	9,891,058	10,627,678	(736,620)
2310	Sheriff-Coroner Total	15,243,952	15,826,327	(582,375)
2086	Conflict Defender Total	109,400	450,000	(340,600)
2860	Animal Care & Control Total	647,621	863,095	(215,474)
2080	Public Defender Total	2,404,150	2,597,000	(192,850)
2560	Probation Total	1,235,178	1,389,121	(153,943)
1210	County Counsel Total	875,671	723,183	152,488
1010	Clerk of the Board Total	594,041	389,922	204,119
2851	Planning & Building Services Total	1,917,566	1,703,914	213,652
1320	Human Resources Total	1,235,444	932,915	302,529
2710	Agriculture Total	621,045	205,927	415,118
1940	Miscellaneous Total	6,245,424	3,245,424	3,000,000 *

* KOFF Study

KOFF & COLA Set Aside: 2,000,000

Total All Department Deficits: (1,524,495)

Estimated COVID-19 FY 2019-20 Impact: (2,250,000)

FY 2019-20 Fund Balance Remaining: (1,774,495)

BU 1000 – Non-Departmental Revenue

Non-Departmental Revenues are projected to have a deficit of \$2,000,000. The Auditor will address the Board of Supervisors during third quarter review to explain what revenue sources (Sales Tax and Transient Occupancy Tax) and related COVID-19 issues that contributed to the deficit.

BU 1930 – Teeter Plan

At third quarter, Teeter Plan now projects the budget deficit will be \$2,000,000 this is in relation to collected property tax revenues and the COVID-19 impacts to those revenues.

BU 2510 – County Jail

At third quarter, the County Jail has reduced their projected deficit through efficiencies to \$736,620 over budget. Majority of this deficit is due to an increase in staff salaries and necessary overtime. There has been an overage in department spending due to the amount of supplies needed to keep the Jail and those it houses, clean and disinfected to negate the COVID-19 exposure.

BU 2310 – Sheriff's Office

At third quarter, the Sheriff's Office is now projects the budget deficit will be \$582,375 over budget. This amount is partly due to the increase in salaries per the new labor contracts that were negotiated earlier this FY, overtime and a decrease in revenues due to short fall in fee collections and State realignment funds Prop 172. The Sheriff's Office was able to decrease their budget's deficit by decrease expense spending by 6%.

BU 2086 – Conflict Defender

The Conflict Defender is projecting to be \$340,600 over budget due to increased conflict cases. Conflict cases are court cases where the Public and Alternate defenders office are unable to represent a defendant.

BU 2860 – Animal Care Services

Animal Care Services anticipates being over budget by \$215,474. Majority of this overage is due to unrecognized revenue from pending municipal contracts as well as lowered services due to COVID-19. The department was able to offset 20% of their adopted expense budget due to efficiencies created in daily operations and supply ordering.

BU 2080 – Public Defender

The Public Defender is projected to be \$192,850 over budget, due to the labor negotiations and increased salaries.

BU 2560 – Probation

At third quarter, Probation now projects the budget deficit will be \$153,943. The contributing factors include a decrease in the department's expense, with the lower expense the department had to decrease the amount of reimbursements and received a decrease to the department revenue.

Recruitment Summary

Between January 1, 2020, and March 31, 2020, Human Resources received 146 staffing requests, conducted 76 recruitments, received and screened 1,049 applications, conducted 46 examinations, and prepared 159 certifications (referral of candidates). During this time period, the County hired 55 new employees (42 FTE and 13 extra-help) and had 70 employment terminations (60 FTE and 10 extra-help).

Human Resources COVID-19 Policies and Procedures

From the onset of the COVID-19 pandemic, Human Resources (HR) has been researching and gathering the rapidly issued and often-updated information to provide guidance to employees on numerous topics to ensure their health and safety in accordance with Department of Labor (DOL) regulations, CDC guidelines and County Health Officer guidance. COVID-19 guidelines were developed to address potential workplace impact, sick leave usage, and related issues. Employee assistance information was posted to assist employees in maintaining good mental health and to reduce stress. A webpage was created on the County website that provides COVID-19 Employee Resources.

HR developed procedures, protocols, forms, and guidelines to address numerous issues directly impacting employees. Supervisors and managers were provided guidance on how to address multiple employee leave situations, sick leave call-in protocol, guidance on employees performing essential and non-essential functions, and disaster service workers. HR worked with bargaining units on expanding benefits such as catastrophic leave for COVID-19 related reasons, emergency vacation cash outs, and increased flexible time off accrual caps.

The Human Resources Department developed an advanced sick leave program for employees who exhausted sick leave, a temporary telework program, and procedures to implement a new federal law, Families First Coronavirus Response Act (FFCRA). Every request for leave under FFCRA was processed and approved within the pay period in which it was submitted. HR continues to follow DOL to ensure the proper interpretation and implementation of DOL's regulations related to FFCRA as updates and new information are issued.

Staff was able to develop and introduce three (3) temporary policies which were adopted by the Board of Supervisors, on April 7, 2020: #53 COVID-19 Advanced Sick Leave Program, #54 Implementation of FFCRA Temporary Policy, and #55 Temporary Telework Program Policy.

COUNTY EMPLOYEE LABOR CONTRACTS UPDATE

County of Mendocino



Status of Labor Contracts

As of March 31, 2020

Bargaining Unit	Employee Count*	Contract Status	Contract Start Date	Contract End Date
Confidential	24	Current	7/1/2019	6/30/2022
Department Heads	11	Current	9/1/2019	8/31/2022
DSA	141	Current	7/1/2019	6/30/2022
Management	59	Current	10/1/2019	9/30/2022
MCLEMA	9	Current	7/1/2019	6/30/2022
MCPAA	24	Current	7/1/2019	6/30/2022
MCPEA	42	Current	10/1/2019	9/30/2022
SEIU	752	Current	7/1/2019	6/30/2022
Unrepresented**	38	Current	9/1/2019	8/31/2022

* Does Not Include Extra Help

** 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

The Executive Office is recommending that the Board of Supervisors continue the implemented hiring freeze and take drastic cost cutting measures in the departmental 2000 Series, Contracts and Special departmental expense to cover the (\$1,774,495) deficit and the 25% County share of the estimated COVID 19 expenses.

Recommended Budget Adjustments and Journal Entries

Refer to Attachment A and B

CEO Recommended Actions

1. Accept the Fiscal Year 2019-20 Third Quarter Budget Report as presented
2. Hold 2000 expenditure series spending for supplies and service
3. Freeze all new non-COVID related contracts
4. Implement a 5% reduction on all existing contracts
5. Freeze hiring at current level FTE
6. Take action, per Board of Supervisors direction, to collect service fees for Animal Care Services.
7. Accept adjustments as described in Attachment A and B
8. Adopt Resolution Amending the FY 2019-20 Adopted Budget by Adjusting Revenues and Appropriations