

MENDOCINO COUNTY EXECUTIVE OFFICE

FIRST QUARTER FY 2009-10 BUDGET STATUS REPORT

The 2009-10 First Quarter “Detail Budget Actuals-YTD-by Department and Account Series” worksheet (attached) as of September 30, 2009 depicts the current year to date (YTD) detail of county department budgets by account series, including total percentages for each department by function. The “Summary Recap- Budget Actuals and Percentages YTD” worksheet (attached) depicts overall expenditures and revenue by department and the percentages for each department as of September 30, 2009. Additionally, this year departments have been requested to provide comments on their budgets for first quarter, so that any known budget issues or concerns can be reported by the Executive Office to the Board of Supervisors for possible action.

The primary analysis for first quarter and the 2009-10 financial status of the county was based on a review of actual year to date (YTD) expenditures and revenue as compared to budget of county department budgets including discretionary revenue.

Department actual expenditures and revenue for first quarter could be best analyzed by using a benchmark indicator of 25%, and also reporting any known budget issues, assumptions or concerns by departments. Salaries and benefits expenditure line items are also a good measure, because these expenditures usually remain constant for department budgets. Although a benchmark is used to gage the actual expenditures and revenue at first quarter it may not actually reflect a true picture of expenditures or revenue. There could be other “one time only” postings such as accruals to expenditures and revenue that could skew the percentage to date. The mid-year or second quarter budget report is usually more informative with corresponding projections as to department budgets and fiscal status of the county.

While some department expenditures are posted in annual or quarterly postings, other expenditures may be posted all at once pending contracts or agreements or legal requirements. With the increased use of “one time only” grants through stimulus funding, or other funding sources for programs, departments are creating new org codes to be used for tracking expenditures. The increased use of multiple org codes by departments can skew the benchmark indicator, if the budgeted expenditures have not been moved to the new org code; it can reflect a 100% expended percentage creating a skewed overall percentage. Workman’s compensation, unemployment, general liability and internal support charges or intra-fund transfers are not posted usually until second quarter. Most department revenues projected are not received until at least second quarter or mid-year, and revenues on most state and federal funding are not drawn down until second quarter or later in the year.

The quarterly department YTD expenditure and revenue reports (attached) were generated from the MUNIS finance system after the Auditor’s office closed the last month of the quarter usually by the 15th of the following month. This is done to reflect the most current postings to department budgets and to ensure that all necessary charges in the finance system have been posted.

Previous Board direction to the CEO and the Sheriff's Office during the 2009-10 budget process, was to continue monitoring the Sheriff's Office budgets, and to return to the Board with a report on the status of the Sheriff's Office budgets.

The Executive Office will report back to the Board in February 2010 with the mid-year report on department budgets, including a report on the State Budget and impacts known at the time.

The Board may provide direction to staff or take action on any of the following department budgets based on the following information:

Below are key indicators that are applicable to the county department budgetary status for first quarter FY 2009-10 utilizing the 25 % benchmark:

- ◆ The total overall countywide general fund expenditures reflect a total percentage indicator of approximately 23.7 % for departments. Countywide, expenditures for all departments for all funds reflect a total percentage indicator of approximately 10.6%. The percentage countywide is lower mostly due to expenditures that have incurred from draw downs on state and federal funding that is usually not until after second quarter.
- ◆ Revenue for general fund departments reflects a total percentage indicator of approximately 4.8% for departments. Countywide, revenue for all departments for all funds reflect a total percentage indicator of 2.9 %.
- ◆ Most departments have managed overtime expenditures as budgeted. The total general fund overtime percentage to date is 24% of the total budgeted amount, or \$621,745 as compared to \$2.5 million budgeted countywide for FY 2009-10. Last year the comparative percentage was higher at 31 % for all general fund departments.
- ◆ Extra help has exceeded the benchmark indicator of 25% this year. Extra help is at 33% or \$270,952 as compared to \$821,455 budgeted countywide for FY 2009-10. Last year, the comparative percentage was higher at 45% for all general fund departments. This is primarily due to required seasonal staff as mandated and overall reduction to staffing in departments for those departments that have mandated programs.
- ◆ The 1000 series-Salaries and benefits for general fund expenditures reflect a total percentage indicator of 24% for departments. Countywide, 1000 series salaries and benefits for all departments for all funds reflects a total percentage indicator of 20%.
- ◆ The 2000 series-Services and supplies expenses for general fund expenditures reflect a total percentage indicator of 17 % for departments. Countywide, 2000 series services and supplies expenses for all departments for all funds reflect a total percentage indicator of 8 %.
- ◆ The 3000 series- Other charges for general fund expenditures reflect a total percentage indicator of 12 % for departments. Countywide, 3000 series other charges for all departments for all funds reflects a total percentage indicator of 9%.

Below are preliminary comments/assumptions or budget issues stated by departments by function:

JUSTICE DEPARTMENTS

- ◆ **Trial Court Funding – BU 2012** – This budget reflects overall expenditures at 52.9 %. This indicator is high and does not reflect actual expenditures using the benchmark indicator of 25% because of the county’s obligation of civil assessment revenue MOE payment that is made at the beginning of the year to the State.
- ◆ **Conflict Defender -BU 2086** – This budget is anticipated to be over by **\$(100,000)** due to a long term pending case assigned by the Courts to private attorneys which is expected to be billed out before the end of this fiscal year. There is approximately \$300,000 in budgeted appropriations, but this budget has exceeded appropriations the last three years. This is mostly due to higher caseloads assigned to private attorneys by the courts. The Public Defender has stated that their office will diligently work to ensure lower conflict cases and to increase communication with the courts and within the public defender’s office relative to case tracking for conflict cases.
- ◆ **Grand Jury – BU 2060** – This budget is anticipated to be under budget due the termination of leased space and the move from downtown to the administration center in October 2009. Estimated savings is approximately \$15,000 for this fiscal year. Net savings is estimated to be approximately **\$10,000** pending purchase of a new laptop and projector with a portion of the savings after review and approval of this budget at mid-year.
- ◆ **Sheriff – BU 2310** – The Sheriff’s office overall budget reflects expenditures slightly over at 26%. This is because as stated by fiscal staff at the Sheriff’s Office, the budget provides funding for only 75% of allocated positions. As of 10/31/09, 93% of allocated positions were filled. Overtime is at 20%. The Sheriff’s office staff is projecting this budget to be over by the end of the year by **\$(1,377,351)**. Jail – BU 2510 – Jail – The jail budget reflects overall expenditures at 22.5 % which is primarily due to a reduction of overtime currently at 19%. The Sheriff’s Office is projecting this budget to be under budget by **\$ 513,347**. The combined budget projection is over budget by **\$(864,004)**. The CEO has requested that HR provide a list of 5 Deputy Sheriff positions for recommendation to the Board with notice of layoff on December 1, 2009.
- ◆ **Probation – BU 2560** – This budget reflect 27 % in overall expenditures, but this indicator is high and does not reflect real expenditures using the benchmark indicator of 25% because a new org code was set up which reflects expenditures at 100% when there was no budget set up for the new org code as of first quarter. Salaries and benefits expended YTD for this budget reflect 27.5 %, when in reality this budget is at 16 % due to vacancies. Revenue may be lower than projected at this time, but the department will continue to monitor.

INTERNAL SUPPORT DEPARTMENTS

- ◆ **County Counsel BU 1210** – This budget reflects overall expenditures at 41.3 %. This indicator is high and may be misleading because it does not reflect real expenditures using the benchmark indicator of 25% due to intrafund transfers which offset expenditures that usually are not posted until second quarter. Revenues are still early to project, and may be lower than projected pending legal services provided. Department will continue to monitor and provide further information mid-year.

- ◆ **General Services Agency – General Services BU 1160/ B & G BU 1610/ Garage BU 1620/ Information Services BU 1960** - These budget reflects overall expenditures over the 25% benchmark indicator. This indicator is high, and may be misleading because it does not reflect actual expenditures due to intra-fund transfers and charges to departments which offset expenditures that usually are not posted until second quarter. The Garage has a negative net county cost due to fluctuating charges to departments each year.
- ◆ **Human Resources – BU 1320** – This budget may realize a shortfall of approximately **\$(68,000)** which in part is due to budgeted VTO strategies recommended by the department which were used as a balancing tool for this budget to meet cuts during the Phase II cuts to departments for this year. Additional dollars of approximately \$15,000 were deducted by the Auditor in final budget for 5 employees in the bargaining unit of Department Head Unrepresented for 15 days of MTO. Unrepresented employees are not required to take MTO unless an agreement is signed by the Department Heads. Therefore, VTO would be necessary to meet the dollars deducted. Approximately \$12,000 for pins for employee recognition was cut as a strategy during Phase II cuts to departments, but this program was re-instated after the budget was adopted. Departments will be charged for associated costs for the service pins however, it is unknown whether the full costs will be recouped by the end of the year. In Phase I, this budget was submitted with a projected impact to meet NCC of \$39,654. In order to meet NCC, the department recommended a layoff of a ½ FTE HR Analyst as part of the submitted budget during Phase I, and then funding was additionally cut in error in Phase II as recommended by the department for a layoff of 1 FTE HR Analyst which resulted in a shortfall of approximately \$30,000. Human Resources will continue to monitor salaries, operating expenses and revenue and will provide further information at mid-year.
- ◆ **Executive Office – BU 1020/ Promotion BU 1810** - These budgets may possibly realize a shortfall due to additional dollars that were deducted by the Auditor in final budget for the 5 employees in the bargaining unit of Department Head Unrepresented for 15 days of MTO. Unrepresented employees are not required to take MTO unless an agreement is signed by the Department Heads. Therefore, VTO would be necessary to meet the dollars deducted. There may be some salary savings from a portion of the ACEO's position being paid from Health and Human Services Agency. The Executive Office will continue to monitor salaries to see if there may be projected savings or within operating expenses and revenue and will provide further information mid-year.

HEALTH AND HUMAN SERVICES

- ◆ **Health and Human Services Agency – Public Health - BU 4010- HHS Admin -BU 5020-** These budget reflects overall expenditures over the 25% benchmark indicator. This indicator is high, and may be misleading because it does not reflect actual expenditures due to intra-fund transfers and charges to departments which offset expenditures that usually are not posted until second quarter. Overall lower revenues are expected for realignment revenue than budgeted in various budgets. It is unknown at this time the amount of shortfall in realignment until year end. HHS will hold vacancies where possible, and transfer staff within the agency, and pursue grants during the year to meet the budget. Layoffs may be a final option if planning strategies and attrition are not sufficient.

- ◆ **Mental Health BU 4050** – This budget is projected to have a shortfall again this year due to current vacancy rate billing is under budget, and Medi-Cal revenue generation is off approximately \$250,000. This will continue to compound throughout the year as staff is hired and billing does not reach goal productivity levels for at least 6 months. VLF and Realignment projections will see decreases this year impacting the revenue received by approximately \$250,000 from budget. The Managed Care Allocation has not been set but could be decreased by approximately \$325,000 from budget. There is some savings in salaries due to MTO and vacant positions to offset the shortfall. If the county continues to provide the same mental health services, shortfalls will continue as revenue is decreasing. Based on the potential audit adjustments, and continual reduced realignment/VLF revenues and the Medi-Cal Managed Care allocation, a very tentative deficit projection would be approximately **\$(500,000) to \$(1,300,000)**. **This projected deficit will be absorbed through the Health and Human Service Agency as done in prior years.**

RESOURCE AGENCIES

- ◆ **Planning and Building BU 2851- Planning Team BU 2853-** These budgets are on track for revenue projections and expenditures at this time. Salaries and benefits in BU 2851 had a projected shortfall in funding, but will be offset with the retirement of one employee.
- ◆ **DOT Transportation Solid Waste BU 4510-** This budget is still under review pending outcome of privatization and agreements, and it is unknown what, if any savings will be available in NCC by the end of the year at this time. There may be and estimated savings in NCC by approximately **\$100,000** due to franchise revenue. Updates on this budget and projections will be reported at mid-year.
- ◆ **DOT Transportation BU 3010-** This budget has received scheduled Highway User Tax or HUTA payment for November and is expecting further payment for this year. Department will continue to monitor to see if there will be further delays in the payment to counties for next year by the State.

GENERAL GOVERNMENT

- ◆ **Discretionary General Fund Revenue BU 1000** - Property taxes should be received as budgeted, with the exception of Supplemental Roll Tax, which may be under the budgeted amount due to re-assessment applications of property values unknown at this time. TOT is down and will be short at least **\$(250,000)** with loss of restitution settlement funds previously negotiated but now may not to be realized. VLF/Triple Flip funds will be realized at **\$37,000** above budgeted amount. Interest revenue way down for 1st quarter due to cash deferrals and interest on earnings, unknown estimates at this time. Sales tax may be under the projected budgeted amount. A very preliminary projection for purposes of the estimated projection summary below, could be approximately **\$(250,000)** or more but unknown at this time. Sales tax is typically advanced and then there is a “true up” that is calculated once numbers are known. A more definite projection will be done by the Auditor at mid-year.

- ◆ **Assessor/Clerk Recorder/Elections- BU 1120- BU 1941 – BU 1410** – Revenue and expenditures for all budgets are on target. There is not information at this time on any additional election between now and the June Primary. The Assessor will be participating in the special fee hearing on December 15th, which will also increase revenue for this budget offsetting any revenue shortfall for the election budget due to non reimbursement by the State for the special election held last year anticipated to be reimbursed for 2009-10.
- ◆ **Teeter Plan BU 1930** - Revenue seems to be up significantly, but year-end delinquencies may offset this revenue, so this budget may be just on target for the pay down on the amortization schedule this year. It is too early to project at this time.

INTERNAL SERVICE FUNDS

- ◆ **Health Insurance BU 0715** -Overall, there may be some plan savings in the health insurance budget for the general fund departments countywide. A 16% increase in contribution was budgeted for the year, and the Board took action to reduce the contribution to 14%. The county contribution is estimated to be decreased by \$187,500 but doesn't take into consideration any departments who receive a reimbursement through A-87 costs which will be applied to the health plan.
- ◆ **Debt and Liabilities -POB's and COP's - 8010 and 8011** – Budgets are on target for county debt and liabilities. \$500,000 is held in fund balance in anticipation to offset decline in retirement contributions due to layoffs and attrition for increase in county portion of retirement contributions for next fiscal year.

Below is a summary projection of estimated general fund variances as compared to the 2009-10 Budget listed by function:

Projected First Quarter Variance by Function FY 2009-10	
Discretionary General Fund Revenue	\$ (463,000) (under realized)
Criminal Justice Departments	\$ (954,004) (over budget)
Internal Support Departments	\$ (68,000) (over budget)
Resource Agencies Departments	\$ 100,000 under budget
General Government Departments	\$ -0- on target
Projected Over/(Under) Budget Variance	<u>\$(1, 385,004) (over budget)</u>
Health & Human Services Departments (Mental Health)	\$ (500,000 -1,300,000)-(over budget)-to be absorbed by agency