



County of Mendocino

The Executive Office

FY 2011-2012

1st Quarter Report

November 15, 2011

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Introduction

Today we begin our quarterly budget review process for fiscal year 2011-12. Our goal continues to be to manage the County’s budget by working with departments to stay within their general fund allocation, and to mitigate any long-standing structural deficit still existing within specific county departments. The focus of the report remains on expenditures in lines 861011, 861012, & 861013 related to compensation for regular employees, extra-help, and overtime. The expenditures in these categories should be more consistent with expenditures for the rest of the year.


Personnel costs consume a large proportion of the County budget, and they’re updated every two weeks with payroll. The Executive Office has adjusted these figures downward in order to compensate for certain MOU payouts that are currently on departmental books that will later be reimbursed back to the Departments in December.

The Importance of Structural Balance for FY 2011-12

Departments should adhere to appropriated levels to maintain responsible financial management. Every dollar spent over Board appropriated amounts, in the absence of adequate fund reserves, will ultimately lead to compounded financial issues down the road. In light of the currently stagnant long-term economic recovery of the County, and generally poor prospects for expansion of economic development, it is advisable that these problems be dealt with earlier, rather than later. Therefore, adherence to the Board’s appropriated levels of spending should be strictly enforced. Any budgetary savings departments may achieve through the remainder of FY 2011-12 will be critically important.

Labor Negotiations

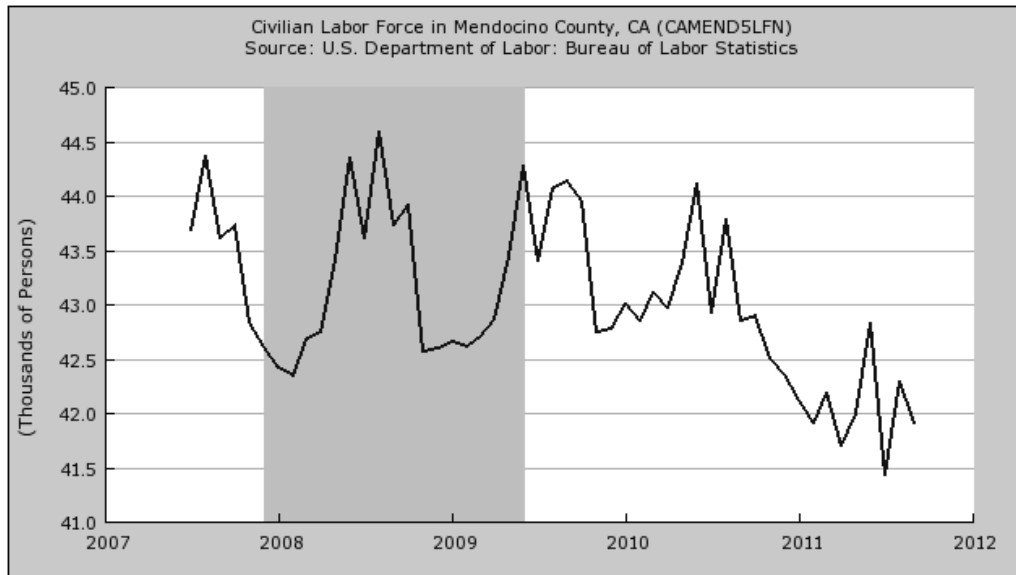
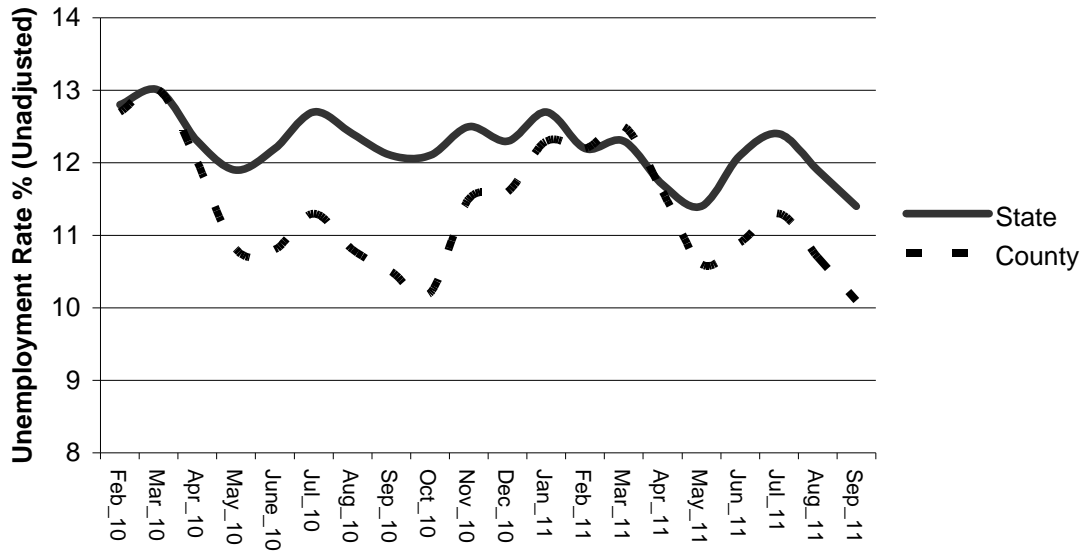
Renegotiation of employee labor contracts is currently ongoing. The following chart outlines the status of the labor negotiation as of November 1, 2011.

County of Mendocino Status of Labor Negotiations 11/01/2011				
	Bargaining Unit	Wages Negotiated	Effective Date	Term Through
	Department Heads	10%	7/1/2010	6/30/2011
	Unrepresented	10%	7/1/2010	6/30/2011
	DSA	10%	7/25/2010	6/30/2011
	MCLEMA	10%	9/19/2010	7/31/2011
	Management	10%	10/3/2010	9/30/2011
	Confidential	10%	10/31/2010	9/30/2011
	MCPEA	12.5%	3/20/2011	6/30/2012
	MCPAA	12.5%	5/24/2011	6/30/2012
	SEIU	12.5%	11/01/11	10/31/12

- DSA: Deputy Sheriff’s Association
- MCLEMA: Mendocino County Law Enforcement Management Association
- MCPAA: Mendocino County Public Attorneys Association
- SEIU: Service Employees’ International Union, Local 1021
- MCPEA: Mendocino County Probation Employees Association

The Local Economy

Unemployment History: The Last 20 Months



(Shaded area indicates US recession.)

Unemployment rates have declined in Mendocino County over the past six months, and hover around the 10.7% mark for the fiscal year's first quarter of July, August, and September. This can be compared to the 10.9% average for the same period in 2010, and the 10.5% average for 2009.

California continues to feel the lingering effects of the recession. The State's September 2011 rate was 7.1 percentage points higher than its pre-recession low of 4.8 percent in September-November 2006. The U.S. rate for September 2011 is 9.1% (the same that it has been for three consecutive months). The nation's rate remained 4.7 percentage points higher than its pre-recession low of 4.4 percent in May 2007.

The General Fund


The first Quarter of 2011-2012 is comprised of 5.6 pay periods, and the total number of pay periods for this year is 26.1. Therefore, the benchmark for this Quarter is 21.46% of budgeted allocations in these categories.

The Executive Office submitted a questionnaire to those departments whose spending was beyond the 21.46% benchmark in payroll, extra-help, and overtime. The following questions were asked:

- Why are the expenditures for the 1st Quarter of FY 2011-2012 over the 21.46% benchmark?
- How do you plan on coming in on budget for these line items, and your budget overall?
- What do you predict your total Net County Cost will amount to by June 30, 2012?

More detailed findings for each department are located on pages 7-9 along with the paraphrased responses of the departments. In all cases this quarter, departments that exceeded the 21.46% will be corrected by mid-year or at the end of the year as the reductions balance out over time. The 21.46% benchmark cannot fit each department perfectly; however, for the most part departments came in very close, with the Executive Office only highlighting those who came in over the benchmark.


The following is a summary of departments whose cumulative total expenditures in lines 861011, 861012, & 861013 (compensation for regular employees, extra-help, and overtime) exceeded the 1st quarter benchmark after adjustments.

The Executive Office									
1st Quarter Report: 21.46% Spending Rate									
	BU	Name	Budgeted 2011-12 Annual	1st Quarter Target	Adjusted 1st Quarter Actual	Available	Adjusted Spending Rate	Target	Over Board Approval
	1010	Clerk of the Board	\$152,174	\$32,657	\$41,630	\$110,544	27.4%	\$32,657	\$8,973
	1110	Auditor	\$623,859	\$133,880	\$136,356	\$487,503	21.9%	\$133,880	\$2,476
	1620	General Services- Garage	\$219,589	\$47,124	\$48,473	\$171,116	22.1%	\$47,124	\$1,349
	2085	Alternate Defender	\$379,126	\$81,360	\$83,544	\$295,582	22.0%	\$81,360	\$2,184
	2310	Sheriff	\$5,339,176	\$1,145,787	\$1,485,483	\$3,853,693	27.8%	\$1,145,787	\$339,696
	Total			\$1,440,808	\$1,795,486				\$354,678

Departments of Concern

There are no departments of concern for the 1st quarter. Each department identified as surpassing the 1st quarter benchmark has acceptable explanations and strategies for arriving on budget June 30th.

Overall 1st Quarter Outlook

Wages, Extra-Help, and Overtime Cost Across the General Fund 1st Quarter Report: 21.46% Spending Rate							
	BU	Budgeted 2011-12 Annual	1st Quarter Target	1st Quarter Actual	Adjustment for Vacation	1st Quarter Adjusted Actual	Adjusted Spending Rate %
	1100 General Fund	\$54,504,845	\$11,696,311	\$10,995,585	\$60,290	\$10,935,295	20.1%

The overall general fund spending for the 1st Quarter in salaries, overtime, and extra-help came in at 20.1% falling below the 21.46% benchmark for the 1st Quarter.

The vast majority of the general fund Budget Units came in under the 21.46% benchmark. The Executive Office would like to take this opportunity to acknowledge the department heads for their conscientious efforts in managing their budgets.

Reserve

The County's FY 2011-2012 Final Budget initially called for a General Reserve of \$3,696,561 as a method to both mitigate the County's negative general fund balance and also build capacity for the organization to cope with cost increases anticipated in FY 2012-2013. The County continues to face increased costs for employee retirement, and medical care. In addition, the County faces declining Federal and State outlays, a "static at best" revenue outlook, unanticipated retiree health insurance costs, among other potential cost increases. At the time of final budget adoption, the County had not achieved resolution with the organizations largest bargaining unit, resulting in borrowing a "transfer" of \$957,169 from the initial \$3.7 million reserve target, and through Board direction, this amount is to be returned to reserves upon completion of negotiations. Following this adjustment, The Board was able to direct \$2,739,392 towards the General Reserve.

Because the County's budget appears to be on track for the 1st Quarter of the fiscal year and with resolution of outstanding labor issues, the Board should have the opportunity to continue building the reserves towards the original target at the Mid-Year budget review in February. This issue is of critical importance in light of the \$(16,339,738) General Fund deficit identified in the FY 2009-10 outside audit. This poor positioning of the County's general fund is evidenced by Standard & Poor's BBB-rating on long-term borrowing (one step away from non-investment grade) and has directly led to the County's inability to conduct budgetary efficiency improvements including the refunding (refinancing) of the County's 2000 series Certificates of Participation (COPs). Building reserves and correcting the General Fund deficit remain the primary objectives and paths towards building a more sustainable and financially responsible County organization.

Revenue

The Auditor-Controller will separately report out on Budget Unit 1000 revenues for the 1st Quarter of FY 2011-2012 during the 1st Quarter Report on Tuesday, November 15, 2011. Attached as Exhibit A is the Auditor-Controller's Revenue Forecast for FY 2011-2012 located on page 10.

Clerk of the Board

1st Quarter Report: **21.46%** Spending Rate



BU	Budgeted 2011-12 Annual	1st Quarter Target	1st Quarter Actual	Adjustment for Vacation	1st Quarter Adjusted Actual	Adjusted Burn Rate %	Over Benchmark Level
1010	\$152,174	\$32,657	\$42,806	\$1,176	\$41,630	27.4%	-\$8,974
<i>Reg. Employees</i>	\$136,174	\$29,223	\$42,806	\$1,176	\$41,630	30.6%	-\$12,407
<i>Extra Help</i>	\$15,000	\$3,219	\$0		\$0	0.0%	\$3,219
<i>Overtime Reg Emp</i>	\$1,000	\$215	\$0		\$0	0.0%	\$215

Department Comments: One FTE position was allocated in Budget Unit 1010 - Clerk of the Board for the first quarter that was budgeted in Budget Unit 1020. A personnel transaction form has been processed to make the correction.

Executive Office Comments: Executive Office will re-evaluate at mid-year.

Auditor-Controller

1st Quarter Report: **21.46%** Spending Rate



BU	Budgeted 2011-12 Annual	1st Quarter Target	1st Quarter Actual	Adjustment for Vacation	1st Quarter Adjusted Actual	Adjusted Burn Rate %	Over Benchmark Level
1110	\$623,859	\$133,880	\$136,356	\$0	\$136,356	21.9%	-\$2,476
<i>Reg. Employees</i>	\$608,859	\$130,661	\$136,356		\$136,356	22.4%	-\$5,695
<i>Extra Help</i>	\$15,000	\$3,219	\$0		\$0	0.0%	\$3,219
<i>Overtime Reg Emp</i>	\$0	\$0	\$0		\$0		\$0

Department Comments: Since April 2011 the Auditor Controller has been out on an extended sick leave and might be gone for an entire year. In late May 2011, The Assistant Auditor Controller was approved for an Out of Class 5% salary increase. This has caused the 1011 line item to be slightly over the 21.9% bench mark. We project to still come in on budget by 6/30/2012.

Executive Office Comments: Executive Office will re-evaluate at mid-year.

General Services Agency-Garage
1st Quarter Report: 21.46% Spending Rate



BU	Budgeted 2011-12 Annual	1st Quarter Target	1st Quarter Actual	Adjustment for Vacation	1st Quarter Adjusted Actual	Adjusted Burn Rate %	Over Benchmark Level
1620	\$219,589	\$47,124	\$49,275	\$802	\$48,473	22.1%	-\$1,349
<i>Reg. Employees</i>	\$219,589	\$47,124	\$46,206	\$802	\$45,404	20.7%	\$1,720
<i>Extra Help</i>	\$0	\$0	\$3,069		\$3,069	100.0%	-\$3,069
<i>Overtime Reg Emp</i>	\$0	\$0	\$0		\$0		\$0

Department Comments: GSA had an extra help employee longer than expected. The employee was specifically hired for getting ready for the auction that ended up being postponed into FY 2011-2012. GSA estimates that they might be over budget in the salary line item by an estimated \$1,000, however in the aggregate will be balanced.

Executive Office Comments: Executive Office will re-evaluate at mid-year.

Alternate Defender

1st Quarter Report: 21.46% Spending Rate



BU	Budgeted 2011-12 Annual	1st Quarter Target	1st Quarter Actual	Adjustment for Vacation	1st Quarter Adjusted Actual	Adjusted Burn Rate %	Over Benchmark Level
2085	\$379,126	\$81,360	\$83,544	\$0	\$83,544	22.0%	-\$2,183
<i>Reg. Employees</i>	\$379,126	\$81,360	\$83,544		\$83,544	22.0%	-\$2,183
<i>Extra Help</i>	\$0	\$0	\$0		\$0		\$0
<i>Overtime Reg Emp</i>	\$0	\$0	\$0		\$0		\$0

Department Comments: The Alternate Defender's Office expects to arrive at budget for FY 2011-2012. The amount of \$2,183 over benchmark level for the first quarter, is expected to be absorbed within the 2000 series (Services and Supplies).

Executive Office Comments: Executive Office will re-evaluate at mid-year.

Sheriff-Coroner

1st Quarter Report: **21.46%** Spending Rate



BU	Budgeted 2011-12 Annual	1st Quarter Target	1st Quarter Actual	Adjustment for Vacation	1st Quarter Adjusted Actual	Adjusted Burn Rate %	Over Benchmark Level
2310 SO	\$5,339,176	\$1,145,787	\$1,487,950	\$2,467	\$1,485,483	27.8%	-\$339,696
<i>Reg. Employees</i>	\$4,401,077	\$944,471	\$1,132,124	\$2,467	\$1,129,657	25.7%	-\$185,186
<i>Extra Help</i>	\$49,790	\$10,685	\$11,627		\$11,627	23.4%	-\$942
<i>Overtime Reg Emp</i>	\$888,309	\$190,631	\$344,199		\$344,199	38.7%	-\$153,568
2510 Jail	\$5,084,020	\$1,091,031	\$897,663	\$0	\$897,663	17.7%	\$193,367
<i>Reg. Employees</i>	4,179,353	896,889	696,890		696,890	16.7%	\$199,999
<i>Extra Help</i>	36,022	7,730	12,169		12,169	33.8%	-\$4,439
<i>Overtime Reg Emp</i>	868,645	186,411	188,605		188,605	21.7%	-\$2,194
Combined	\$10,423,196	\$2,236,818	\$2,385,613	\$2,467	\$2,383,146	22.9%	-\$146,329
<i>Reg. Employees</i>	8,580,430	1,841,360	1,829,014	2,467	1,826,547	21.3%	\$14,813
<i>Extra Help</i>	85,812	18,415	23,796		23,796	27.7%	-\$5,381
<i>Overtime Reg Emp</i>	1,756,954	377,042	532,803		532,803	30.3%	-\$155,761

Department Comments: The Sheriff's Office incurred more than \$227,000 in overtime related expense due to one extraordinary case. Ongoing efforts are being made to minimize overtime, and it is expected that unanticipated revenues will offset unexpected cost. It is projected that combined Budget Units 2310 and 2510 will come in within the Net County Cost assignment.

Executive Office Comments: Inclusive of BU's 2310 and 2510, the Sheriff's combined Patrol and Jail BU's received a Net County Cost of \$19,247,460 at Final Budget. This is a 3.7% increase, or \$715,651 more than the prior year. The Sheriff's Office has indicated, even considering recent unique events, that the Sheriff's two primary budgets, when combined, will balance on June 30, 2012. Executive Office will continue to monitor.

Exhibit A - 1st Quarter Revenue Projection Analysis

Revenue Description	2009/10 Adopted Budget	2009/10 Actual	2010/11 Adopted Budget	2010/11 Actual	2011/12 Adopted Budget	2011/12 Actual thru September	2011/12 Projected Actual
Current Secured Property Tax	28,225,000	27,757,798	28,000,000	28,158,590	28,072,000		28,072,000
Current Unsecured Property Tax	950,000	979,806	965,000	1,016,918	1,052,000		1,052,000
Current Supplemental Roll Taxes	850,000	250,108	300,000	157,254	150,000		150,000
Prior Year Secured Taxes (2008/09 credit to Teeter BU)		0	0	791	0		0
Prior Year Unsecured Taxes	40,000	57,577	50,000	66,521	82,000		82,000
Penalties & Cost on Delinquent Taxes (same as line 7)	700,000	671,869	750,000	743,368	783,000	1,628	783,000
Sales and Use Tax - County 1% Share	3,600,000	3,019,149	3,200,000	3,134,211	3,150,000	365,468	3,150,000
Sales and Use Tax - Public Safety	5,550,000	5,449,961	5,500,000	5,623,651	5,680,000	457,398	5,680,000
Timber Yield Taxes	340,000	63,077	100,000	238,421	250,000		250,000
Highway Property Rentals		102	0	544	0		0
Room Occupancy Tax	3,900,000	3,256,171	3,400,000	3,293,554	3,323,000	575,769	3,323,000
Property Transfer Tax	400,000	298,328	320,000	281,986	282,000	87,545	282,000
Racehorse Tax	0	0	0	0	0		0
Property Tax In Lieu of VLF Revenues	10,000,000	10,099,757	9,977,550	9,977,550	9,947,000		9,947,000
Property Tax In Lieu of Sales Tax (Triple Flip)	1,000,000	937,236	984,124	984,124	1,015,000		1,015,000
Franchise Fees	790,000	740,058	750,000	747,505	750,000		750,000
Forfeiture and Penalties	0	0	0	220,352	0		0
Interest Income	350,000	54,152	60,000	51,310	60,000		60,000
Motor Vehicle In Lieu				158,372	0	37,654	0
SB90 Reimbursement (State Mandated Cost)	0	17,955	0	14,811	0		0
Open Space Subvention (Williamson Act)	0	0	0	0	0		0
Homeowner's Property Tax Exemption	310,000	307,074	310,000	305,629	306,000		306,000
State Other: (State Roundabout Tax Shift)	130,000	130,000	130,000	130,000	130,000		130,000
Federal Grazing Fees	100	531	500	495	0		0
Federal Land In Lieu Taxes	357,663	360,391	330,000	325,319	446,000	445,812	446,000
Federal Other (Geothermal Lease)	0	1,338	1,000	1,337	1,000		1,000
Other Government Agency Revenue (County RDA return)	55,000	54,690	60,000	59,579	60,000		60,000
County Cost Plan Charges/Property Tax Admin Fee	359,350	336,373	380,000	446,882	380,000	94	380,000
Prior Year Revenue	0	335,508	134,054	209,562	0		0
Sale of Fixed Assets	13,425	0	0	56,567	0	107,779	0
Other Sales	0	125,000	300,000	300,000	0		0
Other Revenue	0	2,484	3,000	8,260	4,000	25	4,000
Other (Includes Waste Management Contract Renewal)	0	0	0	0	500,000	500,000	500,000
Refund Jury & Witness Fees	1,000	30	1,000	450	1,000		1,000
Donations	100	0	0	20	0		0
Tobacco Settlement Funds	530,000	636,896	640,000	382,774	500,000		500,000
Operating Transfers In (Mental Health/DOT A-87)	864,181	864,181	601,762	601,762	605,000		605,000
Total	59,315,819	56,807,600	57,247,990	57,698,470	57,529,000	2,579,173	57,529,000