

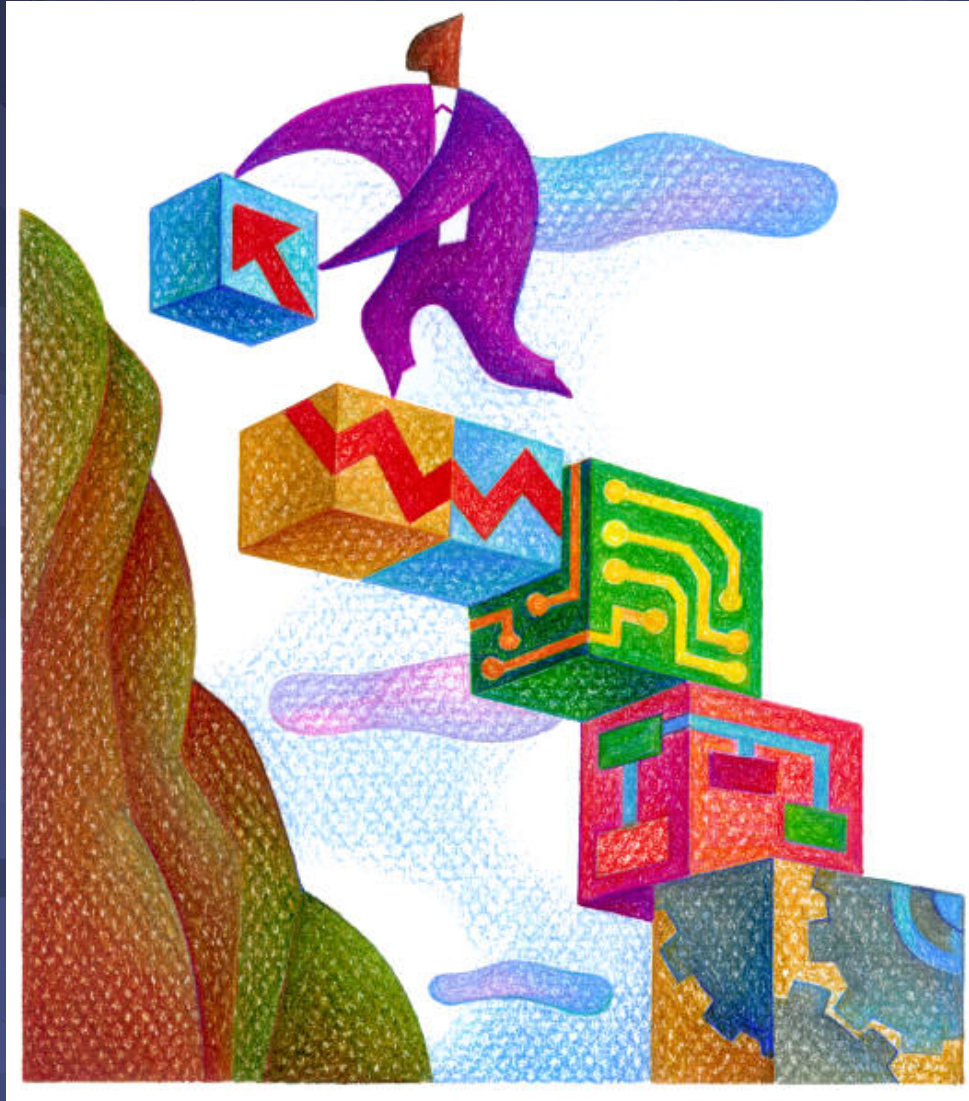
Budget Workshop

**County of Mendocino
Board of Supervisors
February 25, 2008**

This presentation:

- ▣ Provides 2007-08 2nd Quarter Report
- ▣ Reviews proposed State budget cuts
- ▣ Begins 2008-09 budget development
- ▣ Forecasts 2008-09 budget issues
- ▣ Describes budget policies and priorities

Building the budget



Budget development involves:

- ▣ Budget Workshops – CEO and Dept presentations and Board discussions
- ▣ Proposed Budget – Incorporating projections, policies, and priorities
- ▣ Public Hearings – Board deliberations on Final Budget

Budget Calendar

- ▣ **Feb 25:** Budget Kick-off / 2nd Qtr Report
- ▣ **April 1:** Budget Update / Fee Hearings
- ▣ **May 19:** Budget Overview / 3rd Qtr Report
- ▣ **June 17:** Proposed Budget Presentation
- ▣ **June 24:** Proposed Budget adopted
- ▣ **Aug 25:** Public Hearings / Final Budget
- ▣ **Sept 9:** Final Budget adopted

Proposed Budget Process

- ▣ Budget instructions to be issued at the beginning of March
- ▣ Budget materials due to CEO by mid- April
- ▣ CEO budget conferences the last week in April

Budget Communication



Budget Communication

- ▣ **Board:** Budget Workshops and Materials, Budget Binders
- ▣ **Department Heads:** Executive Team Meetings, Materials, Budget Conferences
- ▣ **Staff:** Materials posted on Website, Budget Presentations between Proposed and Final
- ▣ **Community:** Materials posted on Website, Press Releases, Video Record

Budget Book

- ▣ Proposing changes to Budget Book
- ▣ Open to feedback and suggestions to make document more user-friendly



Designing a budget



- ▣ Revenue projections
- ▣ State budget impacts
- ▣ Compensation plans
- ▣ Debts and liabilities
- ▣ County priorities
- ▣ Expenditure proposals

Revenue Projections 2008-09

- ▣ Sales tax revenues projected to remain at prior year levels
- ▣ Property tax revenues projected to remain at prior year levels
- ▣ State payments to be delayed and subventions reduced
- ▣ Minimal fund balance carry-over from 2007-08 fiscal year

2nd Quarter Fiscal Report

- ▣ County is estimated to be within 2007-08 budgeted Net County Cost
- ▣ Factors include increased property tax revenues and salary savings

2nd Quarter Summary



- ▣ CEO working with departments to stay within budgets
- ▣ Current projection of minimal fund balance carry-over going into 2008-09

2008-09 Budget Revenues

- ▣ At this point in time, our best estimate is minimal increase in overall local revenues between 2007-08 and 2008-09, exclusive of State and Federal revenues and any possible fund balance carryover.

State Budget Impacts

- ▣ Current FY impacts on Medi-Cal providers and Education
- ▣ Delayed State payments shift costs to County = \$500,000 in interest
- ▣ Next FY programs cuts – biggest impacts in HHSA, Public Safety, Library



Potential State Cuts Next FY

- ▣ Reduction in Prop 36 funding for AODP
- ▣ Reductions in Social Services funding for Medi-Cal administration, Children's Services, In-Home Supportive Services
- ▣ Reductions in funds for Public Safety Subventions

Compensation Policy

▣ Compensation Philosophy –

Finalized in July 2006

▣ Compensation Plans –

Adopted for all bargaining units in Memoranda of Understanding with terms through late 2009 and 2010

Comp Plan implementation

- ① Review and revise internal equity
- ② Identify benchmark classifications
- ③ Conduct salary surveys
- ④ Implement COLAs and market adjustments per MOUs

Compensation Summary

- ▣ The maximum adjustment in 2008-09 will be a wage increase of 7%, assuming the highest MA of 3.5% in July 2008 and COLA of 3.5% in January 2009 for SEIU and 5 other units
- ▣ Health Plan increase for January 2009 will be projected *for planning purposes* at 16%

Debts and Liabilities

- ▣ In 2005, amortization schedules were set for long-term debts and liabilities.
- ▣ These schedules were adhered to in the 2005-06 and 2006-07 budgets.
- ▣ In 2007-08, the full scheduled payment for the Teeter Plan was not budgeted.
- ▣ Adherence to these schedules is a factor in the County's annual audit and credit rating.

Teeter Plan

- ▣ Teeter Plan implemented in 1992
- ▣ County purchases unpaid property tax liability from other governments and gets to keep tax revenues, including penalty fees
- ▣ Initial purchase of liability = \$5,500,000 debt
- ▣ Liability now \$9,000,000 due to using revenues for operating expenses rather than paying off debt and due to interest on debt
- ▣ Amortization schedule intended to reduce debt to original \$5,500,000 over seven years

Refining the Teeter Plan

- ▣ In 2007-08 Final Budget Hearing, Board gave direction to:
 1. Create separate budget unit for Teeter Plan revenue and payments
 2. In 2008-09, apply Teeter revenues toward debt, rather than operating expenses
 3. In 2008-09, adhere to payment schedule
- ▣ BU# 1930 established
- ▣ Need to update amortization schedule after 2008-09 FY

County Financial Health

- ▣ It is critical to reduce Teeter Plan debt, in order to reduce loss of funds to interest payments on debt, to maintain acceptable credit rating, and to achieve better audit results.
- ▣ Policy #32 refers to the importance of maintaining the County's credit rating

Debts and Liabilities 2007-08

☐ Certificates of Participation	\$1,625,000
☐ ADA Implementation	\$100,000
☐ Finance System	\$150,000
☐ Mill Creek Dams	\$355,000
☐ Mental Health Deficit	\$250,000
☐ Pension Obligation Bonds	\$4,585,000
☐ Underfunded POB Debt	\$800,000
☐ <u>Teeter Plan</u>	<u>\$2,300,000</u>
☐ TOTAL	\$10,165,000

Debts and Liabilities 2008-09

☐ Certificates of Participation	\$1,625,000
☐ ADA Implementation	\$100,000
☐ Finance System	\$150,000
☐ Mill Creek Dams	\$160,000
☐ Mental Health Deficit	\$250,000
☐ Pension Obligation Bonds	\$4,585,000
☐ Underfunded POB Debt	\$800,000
☐ Teeter Plan	\$2,450,000
☐ <u>Microwave System</u>	<u>\$285,000</u>
☐ TOTAL	\$10,405,000

Budget Reserves

▣ General Reserve

Goal: 5% of GF appropriations (\$3 M)

Current: \$1.9 Million

▣ Contingency Fund

Goal: 3% of GF appropriations (\$1.8 M)

Current: \$600,000

County Budget Priorities

2007-08 Continued from 2006-07

- ▣ Debts and Liabilities Schedules
- ▣ Completion of Jail Booking Remodel
- ▣ Justice Facilities Plan
- ▣ UVAP and General Plan Update
- ▣ Mill Creek Dams
- ▣ Finance System implementation

County Budget Priorities

2007-08 Added in Budget

- ▣ Compensation commitments to staff
- ▣ Funding assistance for EMS and Fire
- ▣ Strategic coordination of water
- ▣ Greater investment in roads
- ▣ Microwave System (added mid-year)

County Budget Priorities

2008-09 Continuing

- ▣ Debts and Liabilities Schedules
- ▣ UVAP and General Plan Update
- ▣ Justice Facilities Planning/Feasibility
- ▣ Mill Creek Dams remediation
- ▣ Compensation Plan commitments
- ▣ Water projects
- ▣ Road construction and repair projects
- ▣ Finance System implementation
- ▣ Microwave System implementation

Advance Planning



Advance Planning

- ▣ Completed almost all of 50-acre rezone project by end of 2007
- ▣ Continued Ukiah Valley Area Plan to be completed by end of 2008
- ▣ Continued General Plan Update to be completed by end of 2008
- ▣ Working on Inclusionary Housing Ordinance to be presented April 2008
- ▣ Beginning data collection for Mendocino Town Plan

Criminal Justice Plan



Criminal Justice Plan

- ▣ Board set three objectives in 2005:
 1. Develop Justice Facilities Master Plan
 2. Implement Pre-Trial Services
 3. Address jail repair & remodeling
- ▣ Pre-Trial Services implemented in 2007
- ▣ Justice Facilities Feasibility Study to be completed by June 2008
- ▣ Jail repair and remodeling to be completed by June 2008

Mill Creek Dams

- ▣ Transferred responsibility to Water Agency as of June 1, 2006
- ▣ Expenditures to date: over \$900,000
- ▣ EIR near certification
- ▣ Future expenditures for required remediation estimated at \$1.2 Million over the next five years

Water Projects / Road Projects



- ▣ Water projects include research into water supply options: Reservoir, Dos Rios concept, etc.
- ▣ Road construction and repair projects includes use of Prop 1B funding.

Finance System / Microwave



- ▣ Finance System implementation to be completed by end of 2008-09; shifting from technical considerations to staffing.
- ▣ Microwave system implementation to be completed by 2008.

County Budget Priorities

2008-09 NEW

- ▣ No new/additional priorities are recommended at this time, given the necessity of completing previous priority commitments, reducing debts, and the projected flattening of revenues

Budget Guidelines

1. State and Federal budget cuts will not be backfilled with County General Funds – corresponding expenditure reductions will need to be made
2. Adhere to Debt Reduction Policy – first call on additional revenues will go to Debt Reduction, not operating expenses
3. Explore potential impacts of 10% cut in Net County Cost

Budget Guidelines

4. Use fees to recoup operational expenses whenever possible
5. Do not consider funding for other agencies or new projects at this time
6. New priorities for the Proposed Budget need majority vote of the Board
7. Utilize attrition where possible and Reductions in Force where necessary.

Budget Guidelines

8. Focus on streamlining procedures and permanent fixes, not temporary
9. Build Reserves to goal levels
10. Review all current and proposed budget policies and special funds
11. Incorporate development and funding of Major Maintenance Projects and Capital Improvement Plan into budget process

Budget Trimming / Restructure

- ▣ Departments absorb State cuts and MOU wage increases within budgets
- ▣ Consider efficiencies in Courthouse transfer process, move to consolidate Willits operations with Ukiah
- ▣ Move forward with Health and Human Services Agency integration activities

Revenue Enhancements

- ▣ Examine all fees during fee hearing
- ▣ Consider review of TOT revenues
- ▣ Consider business license fees
- ▣ Review Sheriff billing for services to public and other entities (booking fees)
- ▣ Consider development fees

Next Steps Budget Preparation

- ▣ Carefully monitor 2007-08 budget revenues and expenditures
- ▣ Work with individual departments to stay within budget
- ▣ Itemize and project all known impacts for 2008-09
- ▣ Streamline budget process where possible

Budgets provide a bridge between priorities and resources.

