



COUNTY OF MENDOCINO

Executive Office

DECEMBER 8, 2009 FOLLOW UP

Departmental Budget Shortfall Recap

Fiscal Year 2009-10

- December 8, 2009
 - Executive Office presented the First Quarter Budget Status Report
 - The Board directed staff to return on February 2, 2010 with mitigation strategies on departments with projected shortfalls

Departments presenting mitigation strategies on their projected shortfalls....

- Human Resources
\$(68,000) general fund shortfall
- HHSА Departments - Mental Health
\$(1,300,000) Agency shortfall (State dollars, realignment dollars only)
- Sheriff's Office Budgets BU 2310 and BU 2510
\$(864,004) general fund shortfall



COUNTY OF MENDOCINO

Executive Office

FY 2009-10 – FY 2012

BUDGET BALANCING STRATEGY

Today's Presentation

- General Fund Facts
- Previous Actions
- Impacts of Previous Actions
- Immediate Budget Action Needed
- 5-Part Budget Balancing Strategy
- County Finance Team
- Multi-year Forecast Budgeting
- Budget Timetable
- Summary Recap



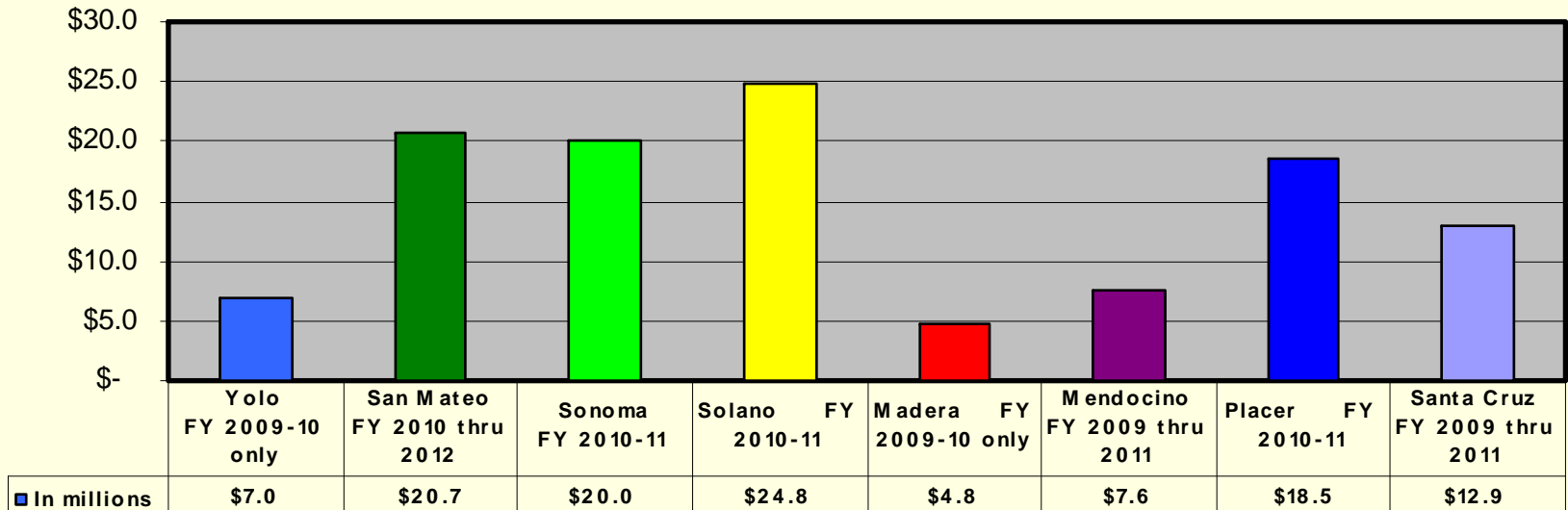
GENERAL FUND FACTS

Fiscal Outlook

- FY 2010-11 through FY 2011-12 will continue to show a downward trend in local forecasted revenue
- Short-term department solutions exhausted
- No real long-term planning or strategies for the overall organization
- Need for strong financial planning and action in order to survive through very lean fiscal years

Comparative County Budget Deficits

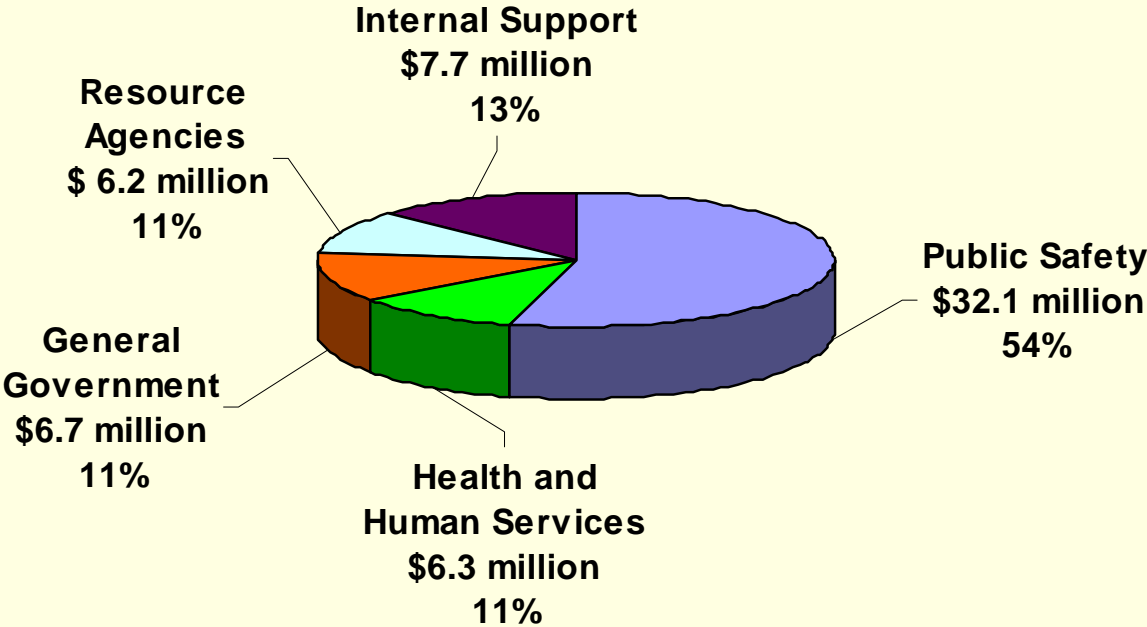
**Comparative County Projected Deficits
2009-2010 and 2010-2011
(in millions)**



The Discretionary Pie-\$59 Million

FY 2009-10

General Fund Allocations by Percentage

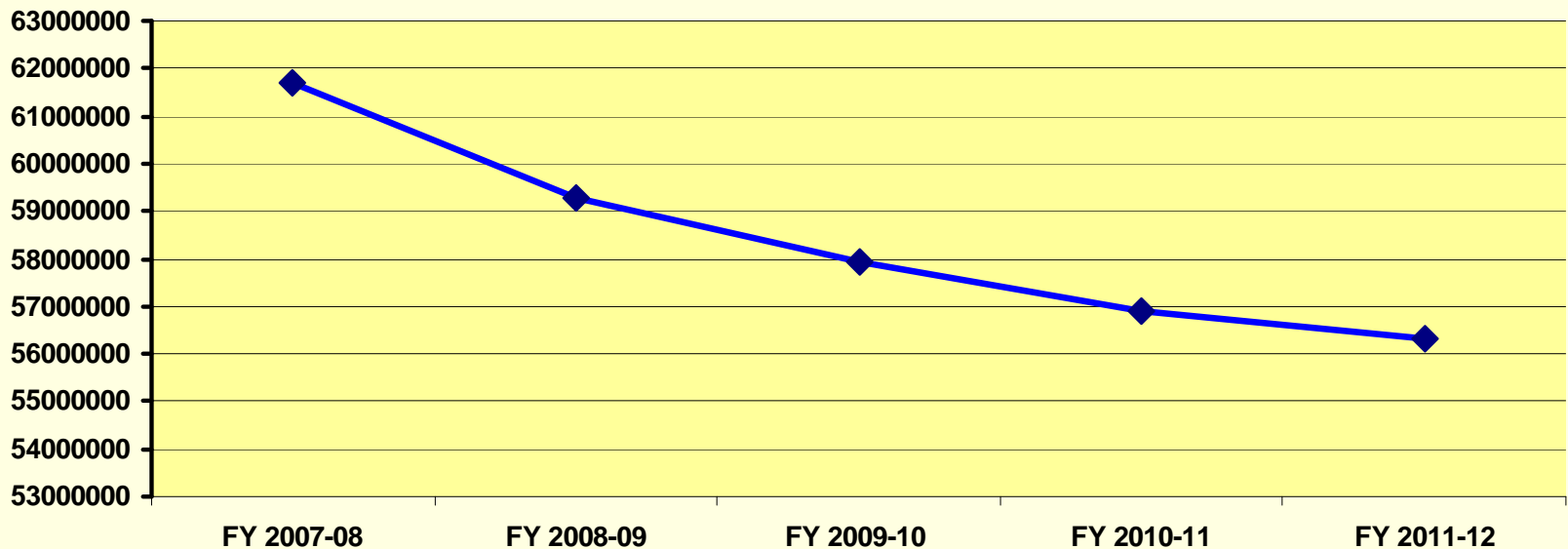


Structural Deficit to Continue...

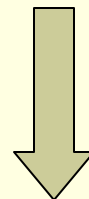
- Forecasted discretionary revenue is trending downward through fiscal year 2012 due to.....
 - Continued state budget cuts causing pressure on County General Fund to mitigate losses in state revenue and reimbursement delays
 - Lower commercial property reassessments
 - Reduced sales tax
 - Reduced property tax growth

Structural Deficit to Continue...

County of Mendocino General Fund Forecast Trend
FY 2007-08 through FY 2012



- Forecast for General Fund Discretionary Revenue continues to trend downward at 9 %





PREVIOUS ACTIONS

Previous Actions: Board Budget Policies/Budget Balancing Strategies FY 2008 through 2010

- 15 to 20 % decrease in general fund appropriations FY 2009-10 (Phase I, II, III and IV) mostly from internal support departments, general government, and most resource agency departments
- 6% reduction to workforce county-wide/ 80 employees laid off
- 8 % reduction in workforce county-wide/ 120 positions kept vacant
- 10% reduction to employee costs through mandatory and voluntary time off
- Selective hiring of mission critical vacant budgeted positions
- Most designated reserves and replacement reserves (Vehicle and IT) utilized for balancing prior year's budget

Previous Actions

Board Budget Policies and Budget Balancing Strategies FY 2008 through 2010 (continued)

- Capital projects halted unless funded with outside sources
- No *new* initiatives unless with outside funding
- No backfill of state program reductions with general fund dollars
- No use of “one time only revenue” to fund long term existing operations
- Budget expense reductions (i.e. travel requests and bottled water)
- Utilized temporary “stop-gap balancing measures -2009-10
Recommended Budget
- Continue review of mandated vs. discretionary level of services
- Ongoing review of contracts for possible elimination

Tracking the Numbers...

- Department Budget recommendations are tracked utilizing the Master Budget Balancing Worksheet which is presented to the Board before June 30th each year
 - Tracking tool for reporting funding levels for departments, balancing, analyzing, and recording CEO recommendations
 - Allows recording historical phases of the budget process

FY 2009-10 MASTER RECOMMENDED BUDGET WORKSHEET

BU	DEPARTMENT	2008-09 NET COUNTY COST (FINAL ADOPTED)	Less: ONE TIME ONLY ALLOCATIONS OF EXPENDITURES OR REVENUES TO NCC 2008-09	ADDITIONAL CEO/AUDITOR ADJUSTMENTS INCLUDING BOARD DIRECTION ON June 16, 2009	(POST AUDITOR ADJUSTMENT) PER BOARD DIRECTION FY 2009-10 PROPOSED NCC ALLOCATIONS TO DEPARTMENTS
JUSTICE DEPARTMENTS					
2010	Enhanced Court Collection Program	-	-		\$ -
2012	AB 233 Program	(1,118,921)	-	\$ (5,905)	\$ (1,124,826)
2090	Child Support Services	237,544	(237,544)	\$ 145,424	\$ 145,424
2070	District Attorney	4,191,331	-	\$ 733	\$ 3,973,025
2510	Jail	8,860,637	-	\$ 5,780	\$ 9,503,091

IMPACTS OF PREVIOUS BUDGET ACTIONS

Impacts of Previous Actions

- Reduced critical service delivery of internal support and services to the public (i.e. custodial, administrative, technical support, social services and public health services, and library services)
- Increased workloads for County employees
- Increased workload for department heads and managers
- Low employee morale county-wide with concerns about stability of future employment
- Departments exhausted most short-term budget balancing tools

IMMEDIATE BUDGET ACTION NEEDED

Immediate Budget Action

- Hiring freeze that only approves positions that meet criteria for critical mandates such as public safety
- As part of the CEO budgetary authority, reinstitute the Executive Office budgetary and program approval of all new contracts
- Freeze all future salary and benefit increases subject to pre-existing contractual obligations
- No new initiatives
- Analyze and implement, as appropriate, department head recommendations from January 11, 2010 workshop and other suggestions by finance team and outside agencies or constituents



5-PART BUDGET BALANCING STRATEGY

5-Part Budget Balancing Strategy

1) Organization Restructuring:

- Program reductions including non-essential/non-mandated services
- Department consolidation
- Supervisor/manager to staff ratios
- Staffing level efficiencies
- Public-private partnerships/contract consolidation and/or reductions

2) Revenue Enhancement:

- Leveraging dollars
- Creative financing
- Entrepreneurial efforts

5-Part Budget Balancing Strategy (continued)

3) Economic Development

- Broadband connectivity
- 5 Year Redevelopment Plan implementation
- Require county departments to address economic development on all agenda summaries

4) Labor Negotiations:

- Completion of MOU's with 8 bargaining units

5) Multi-year Forecast Budgeting:

- Forecasting and planning long-term in the budget process
- Create reserves
- Establish budget and debt policies
- Continue support of County Finance Team

County Finance Team

- Mendocino County implemented its first County Finance Team in November 2009
- The finance team will replace the annual Budget Conferences with departments to promote a more county-wide approach to recommendations and solutions rather than individual department recommendations and solutions
- The finance team is comprised of the core group of the Assistant CEO, Deputy CEO/Fiscal, Auditor and Treasurer Tax Collector
- The Finance team's objective is to look at long-term strategies county-wide that may benefit the *many* and not the *few*



MULTI-YEAR FORECAST BUDGETING

Multi-Year Forecast Budget Process Summary Overview

- Benefits of a Multi-Year Forecast Budget
- Major Considerations for Unknown Factors
- Implementing a Multi-year Forecast Budget
- Implementing a Multi-year Budget Process

Benefits of Multi-Year Forecast Budgeting

- Ability to identify long-term trends
- Promotes transparency by responsive action
- Ability of county finance team and Executive Office to develop long-term financial goals, strategies, recommendations and budget policies for Board decision making
- Ability to focus on strategies and goals rather than budget process and required information
- Ensures timely and frequent budget amendments
- Adjusts current *and/or* subsequent years' budget to setup future year Recommended Budget
- Evolves year-round with no last minute discovery of financial crisis
- Allows adjustments for strategic response

Major Considerations for Unknown Factors

Certain unknowns play an important part in multi-year budget forecasts...

- Ongoing state budget actions and legislation effecting current and future forecasts
- Labor agreements

Implementing Multi-Year Forecast Budgeting

- The Budget Balancing Strategy includes a plan for continued budget forecasting through 2012 implementing a ***Multi-year forecast budget process*** for 2010-11 through 2011-2012
- The Board would adopt the Mendocino County Budget for 2010-11 and approve a forecast of a Budget Plan through 2011-2012

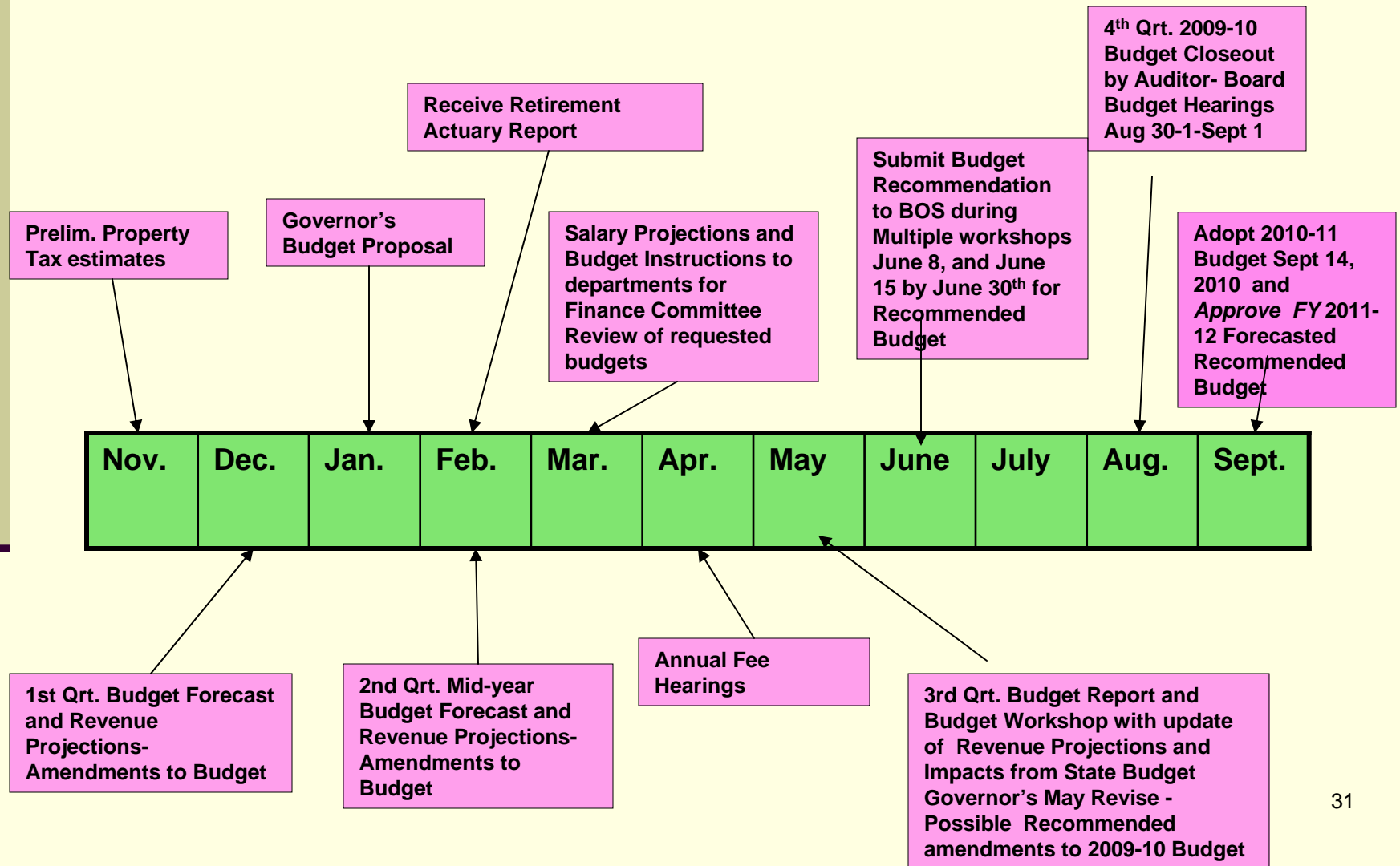
Implementing Multi-Year Budget Process

- Continual fiscal evaluation of ongoing programs
- Quarterly monitoring and updates, adjustments, amendments, and evaluation
- Budget amendments and adjustments cover current fiscal year AND the remaining years of the plan unless one time only
- Projecting quarterly through the end of the year and taking actions as facts are known
- Providing projections beyond the current Budget



BUDGET PROCESS TIMETABLE

Budget Process Timetable



Summary Recap

The Budget Balancing Strategy for 2009-10 through 2011-12 presented today....

- Addresses the current budget and forecasted structural deficit
- Encourages a team building approach
- Focuses on sustainable solutions for providing services for the future
- Pending Board action, the finance team and the Executive Office will form recommendations utilizing these guidelines for the Recommended Budget, to adopt the 2010-11 budget AND to approve the framework of a forecasted Recommended Budget for FY 2011-12

Recommendation

- Adopt the Resolution approving the budget policy guidelines and timelines as presented today in the Budget Balancing Strategy for eliminating the General Fund structural deficit by Fiscal Year 2011-12

Next Steps

- Executive Office to implement immediate actions as presented
- February 2-May 25, 2010- Executive Office and finance team will review budget requests for 2010-11 by departments including developing recommendations to balance the 2010-11 Recommended and forecasted 2011-12 Budget and report back on May 25, 2010
- February 23, 2010–Second Quarter 2009-10 Mid-Year Budget report including report on 2010-11 State Budget impacts
- March 10, 2010–Budget Instructions and assigned Net County Costs to departments (2009-10 Base-line budgets absorbing salary and benefit increases less one time only revenues and expenditures)
- May 25, 2010–Budget Workshop- 3rd Quarter Budget report on 2009–10 current fiscal status-Governors May Revise and recommended budget solutions to balance the Budget
- June 8, 2010 Budget Workshop with possible continuation to June 15, 2010