

AUDITOR-CONTROLLER

APPROPRIATIONS FOR CONTINGENCIES & RESERVES..... 9991

MEREDITH FORD, Auditor-Controller

AUDITOR-CONTROLLER’S BUDGET UNITS

Appropriations for Contingencies & Reserves..... 9991
Debt Service – Pension Obligation Bonds 8011
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PROGRAM DISCUSSION

Program: General Fund contingencies include funding necessary to provide continued County operations despite economic uncertainties.

As a general rule, a contingency fund should be maintained at 3% of the budget, and should constitute sufficient financing for all issues/items which occur during the fiscal year but which were unforeseen during the budget process. For Mendocino County, this would equate to an appropriation of well over four million dollars. Failure to appropriate a reasonable level of funding for contingencies would not be prudent and could likely result in the continuing phenomena of the “mid-year budget crisis”.

BUDGET UNIT 9991 SUMMARY

Fund: 1100

	Actual 2005-06	Actual 2006-07	Actual 2007-08 As of 05/20/08	Budget Adopted 2007-08	Request 2008-09	Recommend 2008-09
Net Appropriations	0	-140,000	0	600,000	500,000	500,000
Revenues	0	0	0	0	0	0
Total Net County Cost	0	-140,000	0	600,000	500,000	500,000

PROPOSED MAJOR BUDGET CHANGES

(2007-08 Adopted Budget Compared to 2008-09 Recommended)

Appropriations for Contingencies

- ✧ Acct. 9991 Provides for funding set aside for economic uncertainties. The CEO recommends that \$500,000 be set aside from reimbursement on insurance for the Mill Creek Dam to be used for related matters in 2008-09.

AUDITOR-CONTROLLER

DEBT SERVICES – PENSION OBLIGATION BONDS 8011

MEREDITH FORD, Auditor-Controller

PROGRAM DISCUSSION

Programs: This budget unit accounts for the payment of principal and interest as well as the related annual costs of the County's taxable pension obligation bonds issued in December 1996 in the amount of \$30,720,000 and December 2002 in the amount of \$91,945,000. Included in the December 2002 issue is a partial defeasance (50%) of the December 1996 issue.

The County's Pension Obligation Bond issuances are as follows: \$30,720,000 Taxable Pension Obligation Bond - Issued on December 19, 1996 to allow the County to fund a portion of its current unfunded accrued actuarial liability for retirement benefits of County employees; due July 1 in estimated annual principal installment of \$1,655,000, increasing to \$4,770,000 in the year 2009. As indicated above, this issue was partially (50%) refunded and defeased on December 12, 2002. Please refer to Series 2002 issuance below.

\$91,945,000 Taxable Pension Obligation Bonds Refunding Series 2002 - issued on December 12, 2002, to allow the County to fund the residual portion of its unfunded accrued actuarial liability (UAAL) for retirement benefits of County employees. The amount being funded with proceeds of the 2002 bonds equals the present value of the payments the County would otherwise be required to make to amortize the current UAAL, discounted at the Retirement Association's actuarially assumed earnings rate of 8%. Due July 1 in estimated annual principal installments of \$885,000, increasing to \$7,560,000 in the year 2026. Variable interest rates with interest payable semiannually on July and January 1 at rates ranging from 2.07% to 5.00%. Final maturity is July 1, 2026. This bond issue includes proceeds sufficient to defease approximately fifty percent (50%) of each maturity of the \$23,795,000 outstanding principal amount of the original 1996 taxable pension obligation bonds. By refunding and defeasing the 1996 bonds, the County restructured the amortization schedule of its outstanding debt to achieve a more level annual debt service pattern.

AUDITOR-CONTROLLER

DEBT SERVICES – PENSION OBLIGATION BONDS 8011

MEREDITH FORD, Auditor-Controller

BUDGET UNIT 8011 SUMMARY

Fund: 1410

	Actual 2005-06	Actual 2006-07	Actual 2007-08 As of 05/20/08	Adopted Budget 2007-08	Request 2008-09	Recommen d 2008-09
Services & Supplies	10,165	9,539	7,839	10,600	10,600	10,600
Other Charges	10,211,514	10,439,663	10,451,965	10,545,605	10,735,676	10,735,676
Net Appropriations	10,221,514	10,449,202	10,459,804	10,556,205	10,746,276	10,746,276
Revenues	9,667,856	9,477,014	7,046,682	10,311,130	8,878,000	8,878,000
Total Fund Balance Contribution	553,658	972,188	3,413,122	245,075	1,868,276	1,868,276

PROPOSED MAJOR BUDGET CHANGES

(2007-08 Adopted Budget Compared to 2008-09 Recommended)

Services & Supplies

- ✧ Acct. 2239 Provides for letter of Credit fees, Trustee fees and other miscellaneous corporation debt service maintenance costs related to the issue.

Other Charges

- ✧ Accts. 3310 & 3311 Provides for interest and principal payments on the taxable Pension Obligation Bond issue.

Revenues

- ✧ Acct. 6400 Provides for estimated portion of County retirement contribution related to Pension Obligation Bond issue. Funding originates from charges to departments on bi-weekly basis.

AUDITOR-CONTROLLER

GENERAL DEBT SERVICE – COPS.....8010

MEREDITH FORD, Auditor-Controller

PROGRAM DISCUSSION

Programs: This budget unit accounts for the payment of principal and interest as well as the related annual costs of the County’s general long-term obligation bonds and certificates of participation (COPs). The County’s Certificate of Participation issues are - \$1,260,000 Refunding Certificates of Participation. Issued on or about June 1, 1993, replaced 1983 Series A Bonds whose original proceeds were used in the acquisition of the present Social Services administration facility. This issue was defeased through an advanced refunding that occurred in November 2001. Please refer to comments on 2001 Refunding Certificates of Participation below.

\$8,600,000 1998 Refunding Certificates of Participation - issued on May 15, 1998, to replace 1989 Certificates of Participation in the original amount of \$11,905,000. Funds provided for the acquisition, construction, remodeling, and improvement of certain equipment and permanent facilities for the County. Specifically, the construction projects included the justice centers in Willits and Fort Bragg, the Willits library, the adult detention center (Mendocino County Jail) in Ukiah and the microwave communications system for the Sheriff’s Office. Final maturity was August 15, 2006.

In July 2000 the County made an offer to the holders of these 1998 Certificates, at their option, to tender their certificates for purchase or to exchange them for new certificates issued as part of the 2000 COPs issue (see below). The purpose of this “Tender/Exchange Program” was to restructure the overall debt service obligation of the County to provide for a level annual debt service over the next thirty years.

As a result of this tender/exchange, approximately \$4,350,000 of the outstanding \$6,090,000 certificates was turned in for redemption during the months of July and August of 2000, thereby reducing the annual debt service on this issue over its remaining term.

\$8,595,000 1993 Certificates of Participation - issued on June 1, 1993, to provide for the construction of a new County Administration Center facility, purchased additional space for the Social Services Branch as well as renovations to other capital facilities. This issue was defeased through an advanced refunding that occurred in November 2001. Please refer to comments on 2001 Refunding Certificates of Participation below.

\$7,965,000 Series 2001 Refunding Certificates of Participation - issued on November 20, 2001, to advance refund the 1993 Certificates of Participation notes originally issued in the aggregate principal amount of \$9,855,000 on May 1, 1993. Funds were originally provided for in the construction of various capital projects including the County Administration Center facility and Social Services Center in Ukiah. Due June 1 in annual installments ranging from \$240,000 to \$460,000 in the year 2021. Variable interest rates range from 3.5% to 5.0%. Final maturity is June 1, 2024.

\$22,480,000 Series 2000 Certificates of Participation - issued on September 7, 2000, to provide for the purchase of additional space for the Social Services Branch, the Health and Human Services facilities for the Public Health Branch and the County Museum and the acquisition and construction of a new Animal Control Shelter and Consolidated Health Services Center. In addition, a portion (\$4,350,000) of proceeds from this issue was utilized to defease approximately 70% of the outstanding balance of the 1998 Refunding Certificates of Participation referenced above.

AUDITOR-CONTROLLER

GENERAL DEBT SERVICE – COPS..... 8010

MEREDITH FORD, Auditor-Controller

BUDGET UNIT 8010 SUMMARY

Fund: 1400

	Actual 2005-06	Actual 2006-07	Actual 2007-08 As of 05/20/08	Adopted Budget 2007-08	Request 2008-09	Recommend 2008-09
Services & Supplies	13,033	9,273	7,583	12,500	9,000	9,000
Other Charges	2,364,447	2,913,308	717,583	2,018,511	2,027,789	2,322,585
Net Appropriations	2,377,480	2,922,581	725,166	2,031,011	2,036,789	2,331,585
Revenues	2,357,627	2,064,424	2,083,636	2,071,947	2,021,120	2,315,916
Total Fund Balance Contribution	19,853	858,157	-1,358,470	-40,936	15,669	15,669

PROPOSED MAJOR BUDGET CHANGES

(2007-08 Adopted Budget Compared to 2008-09 Recommended)

Services & Supplies

- ✧ Acct. 2239 Provides for Trustee fees and fees paid to Muni Financial for arbitrage rebate calculation services and annual informational statements.

Other Charges

- ✧ Accts. 3310 & 3311 Provides for interests and principal payments on the Certificate of Participation issues. CEO recommends that \$1,600,000 in funding as part of the county share of General Fund contribution.

Revenues

- ✧ Acct. 4200 Provides for annual rental payment from City of Willits for space in Criminal Justice building.
- ✧ Acct. 7802 Provides for transfer from Social Services, Non-Departmental Revenue and Mental Health for their portion of 1993 and 2000 COP issues.

County of Mendocino

2008-09

PROPOSED BUDGET

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