



DEPARTMENT OF FINANCE AUDITOR-CONTROLLER COUNTY OF MONO

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June 4, 2021

Board members, Colleagues, and Community Members

We are pleased to present the County of Mono \$125 million fiscal year (FY 2021-2022) Recommended Budget. While the County Budget Act refers to this as the County Administrative Officer's recommended budget, it is a collaborative effort between the CAO's Office, Finance, and all Departments. It is compiled with critical input from stakeholders participating in this year's process. As in previous years, we are reminded that we have an extraordinarily competent team of people who consistently strive to create the best Mono County imaginable. We are again sincerely thankful for the tremendous effort from everyone to make this year's budget the best it can be during fiscally challenging times due to the pandemic.

Importance of the Annual County Budget

The most crucial policy setting action the Mono County Board of Supervisors performs every year is the adoption of our annual budget and the decisions putting this policy into action, which is allocating our scarce resources towards performing essential public services. The development of this budget has taken five months, working collaboratively with all our departments, to propose an integrated spending plan for the next twelve months. We are reminded of who our ultimate customer is, that is all Mono County citizens and visitors. This budget communicates the Board's priorities, focuses our efforts and ultimately drives employee behavior and decision making.

"Nothing is more effective than the rules and results of the budget. Nothing."¹

We are reminded of this as we set the context about how important this budget communicates to our constituents, residents, and visitors about the work the County plans to deliver over the next twelve months using scarce taxpayer resources.

Fiscal Resiliency Reminder

Your Board set fiscal resiliency as a strategic focus area and priority. Adopting a structurally balanced budget where recurring expenditures are fully paid for with recurring revenues with no reliance on carryover balances is a critical step towards achieving this goal, as well as continuing to build and maintain our reserve balances. We are again reminded that this takes patience and a commitment to stay disciplined.

County leadership continues to underscore how having a strong fiscal foundation enables the County to spring back, adapt and grow when the next recession hits. This is the classic

¹ Klein, A. (2019). *City on the line: How Baltimore transformed it's budget to beat the great recession and deliver outcomes*. Lanham, MD: Rowman & Littlefield.
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definition of fiscal resiliency. As experience has demonstrated time and again, it is not whether there will be another recession but the difficulty of predicting when the next recession arrives. Why not be prepared regardless by being fiscally resilient. The recommended budget we present to your Board today is not fully indicative of resiliency, but it contains glimpses of our potential to achieve resiliency. It preserves core county services with no negative impact on the County's workforce. It adds needed positions, contains opportunities for employee promotions and advances, and includes crucial market rate adjustments bringing compensation plans in line with our peer counties. Capital outlay to replace and enhance County assets is included, as well as adding to existing Economic Stabilization balances. Furthermore, this is accomplished while making further reductions in the General Fund structural deficit, reducing it from a high of \$6.2 million in FY 2018-19 to the \$1.2 million recommended in this budget for FY 2021-22.

This Year's Budget Journey

This budget characterizes revenue recovery of resources lost because of measures to protect the public from the COVID-19 pandemic. The past 15 months illustrate the difficult contradiction between shutting down the economy, which purposefully put people out of work resulting in many fiscal hardships, to save lives. How do you measure one's job against one's health? This is an example of public leaders having to choose the best of two worse outcomes. It would appear as this budget is being published that these difficult times are behind us for now.

Yet, this budget is not a return to the status quo spending in effect before COVID became an everyday topic of conversation. While recruitment efforts to fill vacant positions continue, this recommended budget reflects vacancy savings of \$211,000, slightly more than last year's savings of \$188,000. This budget is much improved over the last one where COVID induced budget balancing mechanisms included delaying hiring decisions as much as possible to achieve one-time budget savings, and ultimately a balanced budget. And like last year, every single department found ways to reduce, and often delay, non-critical services and supply spending. Service and supply spending in the General Fund alone is \$519,080 less despite robust revenue recoveries.

Budget forecasts for revenues and workforce expenditures are at the maximum precision possible currently. Budgeting with precision moves us closer to a structurally balanced budget without raising taxes, reducing the workforce, or cutting services. But it also lessens the gap between budgets and actual results, and we know from experience this reduces the amount of carryover available for funding future budget deficits. We must be reminded of this so that we make specific plans to increase reserve balances first, before spending down unanticipated surplus funds. This recommended budget includes the contribution of \$160,964, though small and immaterial, to existing reserve balances of \$6 million.

Over the past two months, the budget team met individually with every department, all working together to propose a budget that fits within our available spending resources, prioritizes workforce needs, and delivers on-going services. This recommended budget delivers on this objective.

One consequence arising from budgeting with greater precision is a larger need and frequency of accessing expenditure contingencies. However, this recommended budget reduces the GF contingency budget to a minimum amount of \$100,000, well below traditional policy levels. The

budget team is confident mid-year requests can be primarily funded through the use of budget savings in services and supply budgets. Unspent services and supply appropriations for the County’s General Fund for the past nine years, from FY 2011-12 through FY 2019-20, has ranged from a low of \$804,000 (or 10% of budget) to a high of \$2,660,000 (or 24% of budget), and averaged \$1,700,000 (or 17% of budget) per year.

Available General Fund Carryover Balance for Spending in FY 2021-22

One important outcome of this year’s budget process is achieving a General Fund budget deficit of no more than \$1,200,000. With leadership and support from the Board, the County has made significant progress reducing its all-time high budget deficit of nearly \$6.2 million (in 2019). Accounting work to close the FY 2020-21 fiscal records is still months away from being complete. We will not know how much budget savings for the current year will restore fund balance until this work is complete. We previously estimated GF carryover balance available for spending at \$1,228,000 as presented below. This is assuming 100% execution of the FY 2020-21 budget, as amended.

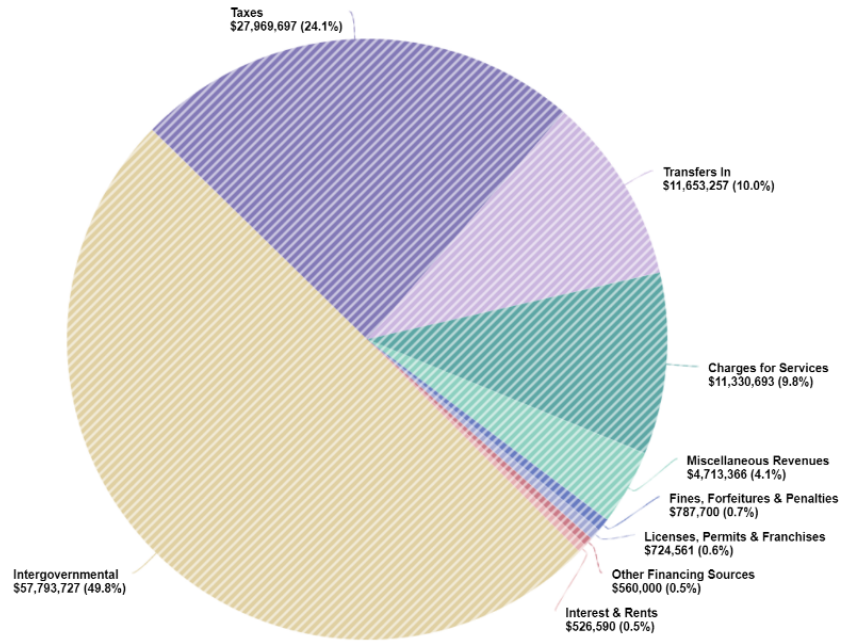
FUND BALANCE AT BEGINNING OF YEAR (July 1, 2020)	\$6,457,000
NOT AVAILABLE FOR SPENDING	
Advances to Solid Waste fund	(99,000)
CDBG/HOME Loans	(887,000)
Prepays and Inventory	(113,000)
FY 2020-21 FORECASTED SURPLUS (DEFICIT)	(2,423,000)
JAIL MATCH – TRANSFER	(707,000)
ADDITIONS TO RESERVE BALANCES	(1,000,000)
PROPOSED FY 2021-22 BASE BUDGET	(1,200,000)
GF CARRYOVER PROJECTED AT JUNE 30, 2022	\$28,000

Of course, the County may benefit from a FY 2020-21 actual deficit (or surplus) which is more favorable than shown above and resulting in a higher carryover balance into this next fiscal year budget. But we cannot comfortably predict this at this time, except the recently completed long-term forecasting and modeling of General Fund finances clearly shows a pattern of underspending appropriations. Any differential should be used to augment County reserve balances or fund one-time spending initiatives such as investing in our interoperable emergency communications system.

The two pie charts below illustrate the countywide recommended budget, as proposed.

2021-22 Countywide Revenues by Type

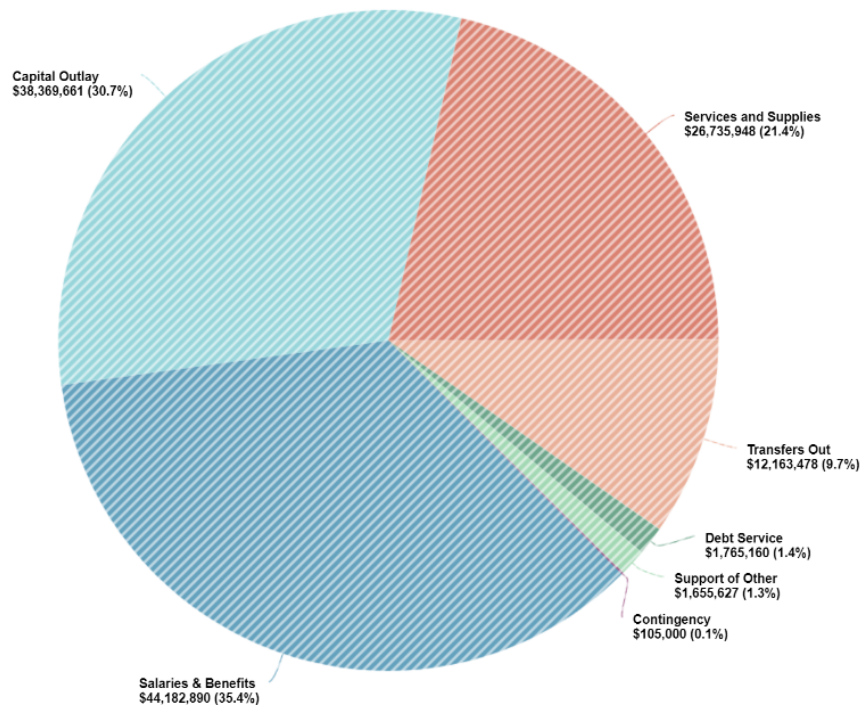
Visualization



Data filtered by Revenues, No Project and exported on June 1, 2021. Created with OpenGov

2021-22 Countywide Expenditures by Type

Visualization



Data filtered by Expenses, No Project and exported on June 1, 2021. Created with OpenGov

Overview of the GF Recommended Budget

The current recommended GF budget is balanced at our target as shown below:

	FY 2020-21 AMENDED BUDGET	FY 2021-22 RECOMMENDED BUDGET	INCREASE (DECREASE)	% CHANGE
RECURRING REVENUES				
Taxes	\$25,253,961	\$27,399,490	\$2,145,529	8.50%
Intergovernmental	4,561,099	4,604,883	43,784	0.96%
Charges for Services	5,727,433	5,980,915	253,482	4.43%
Transfers in	852,940	932,961	80,021	9.38%
Fines, Forfeitures & Penalties	683,150	744,700	61,550	9.01%
All other Revenues	632,493	617,333	(15,160)	(2.40%)
TOTAL RECURRING REVENUES	\$37,711,076	\$40,280,282	\$2,569,206	6.81%
RECURRING SPENDING				
Salaries and other compensation	16,960,927	17,691,887	730,960	4.31%
Benefits	10,139,662	10,866,694	727,032	7.17%
Services and supplies	10,544,236	10,025,156	(519,080)	(4.92%)
Support of others	321,612	582,479	260,867	81.11%
Transfers out	1,226,046	1,227,880	1,834	0.15%
Contingency	321,050	100,000	(221,050)	(68.85%)
TOTAL RECURRING SPENDING	\$39,513,533	\$40,494,096	\$980,563	2.48%
OPERATING DEFICIT	\$(1,802,457)	\$(213,814)	\$1,588,643	(88.14%)
NON-RECURRING SPENDING				
Capital outlay	--	(15,000)	(15,000)	n/a
CARB	(395,000)	(510,222)	(115,222)	29.17%
Civic Center Project	(71,768)	(150,000)	(78,232)	109.01%
First Five visit program	(150,000)	(150,000)	--	0.00%
Transfer jail matching funds	(707,137)	--	707,137	(100.00%)
Transfer to reserves	(1,000,000)	(160,964)	839,036	(83.90%)
DEFICIT	\$(4,126,362)	\$(1,200,000)	\$2,926,362	(70.92%)

General Fund Budget Analysis

Revenues

Property taxes, TOT, and sales taxes are projected to increase by \$1.9 million, reflecting current year growth and recovery of discretionary resources lost during the pandemic. Charges for services increased by \$253,482, or 4.43%. In the aggregate, this year's GF budget incorporates additional revenue of \$2,569,206, or 6.81%, to offset increased operational spending, which ultimately lowers the budget deficit.

Changes in significant revenue categories are summarized in the table below.

SIGNIFICANT REVENUE CATEGORY	BUDGETARY IMPACT
Current secured, unsecured, and unitary property tax revenues (excludes delinquencies and supplemental taxes)	The AB8 valuation from the Assessor in early April showed 2.31% increase over the prior year. The prior year budget reflected increased delinquency rates that did not occur as anticipated. As a result, current property tax revenues are projected to increase by \$984,000, or 5.1%.

SIGNIFICANT REVENUE CATEGORY	BUDGETARY IMPACT
<p>Transient occupancy taxes (excluding the amount allocated to tourism)</p>	<p>As of May, TOT actual receipts for FY 2020-21 have outperformed this year's budget by \$116,294, with no collections yet included for the 4th quarter. TOT revenues for FY 2021-22 are projected to return to 2019 levels, increasing by \$1.1 million, or 56%.</p>
<p>Bradley-Burns local sales tax (1%)</p>	<p>Sales taxes are projected to increase by nearly \$53,000, or 9.64%. Sales taxes exclude point of sale transactions within the jurisdictional town limits.</p>
<p>Proposition 142 public safety dedicated revenues</p>	<p>Current year collections are \$48,500 short of FY 2020-21 projections with several months of collections remaining. Projections for FY 2021-22 calculated using a four-year average are \$284,000 higher, or 22%.</p>
<p>Excess ERAF</p>	<p>County policy is to budget \$500,000 of this revenue to fund operations with excess amounts being directed towards reserves. The budget was increased above policy levels by \$65,000 to pay for two one-time outstanding contracts. It was increased an additional \$106,422 to balance the budget at the target amount and allow incorporation of policy items requested by departments.</p>
<p>Charges for services</p>	<p>Projected increase of \$253,482, or 4.43%. Charges for services is the aggregation of 47 different objects. Fees with the largest increase include \$150,000 for planning permits (ongoing projects), \$90,000 in facilities and engineering reimbursements from projects, and \$78,500 for A87 reimbursement. IT service contracts decreased by \$113,000 because of completion of the 911 dispatch study for which allied jurisdictions made funding contributions.</p>
<p>Court fines and penalties, vehicle code fines</p>	<p>Based on recent collections, court fines are projected to recover, increasing by \$63,000, or 9.3%.</p>

Expenditures

GF recurring spending has been held to an increase of \$980,563, or 2.48%, more than spending levels in FY 2020-21. Salary and benefit spending are higher by \$1,457,992, or 5.38%. This increase is \$599,032 higher than the increase experienced in recommending the FY 2020-21 budget. Position advancements and promotions add up to new spending of \$313,000, but this amount is offset by a vacancy savings of \$211,000. The new positions, which were timed to start later in the year, total additional spending of \$122,101. The remainder of the increase in workforce costs results from scheduled COLAs and step increases, market rate adjustments for at-will employees, and escalating pension contributions. Departments were successful in finding savings of \$519,080, or 4.92%, in their services and supply budget line items, about half of the savings found in recommending this year’s budget. Yet, this budget includes continuation of some discretionary spending items, including \$104,000 for fish enhancement, \$150,000 for first five home visiting program, \$44,000 to continue financially supporting local community organizations, and \$252,000 for EMS expansion in the Tri-Valley area. Lastly, the recommended budget reflects resiliency in that it recommends a contribution to reserves in the amount of \$160,964.

Changes in significant expenditure objects are summarized in the next table.

SIGNIFICANT EXPENDITURE OBJECTS	BUDGETARY IMPACTS
Salaries	Salaries are higher by \$730,960, or 4.31%. Most of the increase is a combination of 5% steps for most bargaining unit employees and annual COLAs. In the current budget, there were a total of 9 vacancies. This next year, there are 13 vacancies but many of these are expected to be filled prior to the end of the current fiscal year. A total of ten months savings was taken across four positions, for a combined savings of \$129,000. The budget recommends two new positions, one for Community Development and one for Animal Services.
Benefits	Increase of \$727,032, or 7.17%. Pension costs are higher by \$570,829, or 10.6%. A modest 2.26%, or \$66,078, of health care savings is included. Health care savings result from the full year effect of migration to the lower SELECT PERS health care option, but these savings are offset by increasing premiums throughout all plans in the County’s health care program.

SIGNIFICANT EXPENDITURE OBJECTS	BUDGETARY IMPACTS
Services	Service contracts are lower by \$362,882, mostly from eliminating contingency amounts within the objects of professional, consulting, and specialized services. One-time contracts of \$150,000 for fiscal projections and the county-wide fee study included in the current year were reduced to \$65,000, to cover the remaining periods of these two contracts. Special department expense is lower by \$298,291 because the EMS expansion appropriation to White Mountain Fire Protection District was moved to support of others in a non-operating budget unit.
Transfers out	Transfers out to other funds are lower by \$1,350,885. This is because the \$1 million contribution to reserves is reduced to \$160,964 in this proposed budget. The other significant change is that last year's budget included a transfer of \$707,137 to complete the accumulation of the County's local contribution share towards project costs for constructing the new jail. The subsidy to Motor pool to fund vehicle replacements subject to CARB were \$115,222 higher in this budget than the current one, while the contribution to finish the Civic Center project is \$78,323 higher.

What this Recommended Budget includes

If it is included in the budget, then it gets done. If it is not included in the budget, then it does not get done.

The Recommended Budget is balanced, as required by law, using \$1,200,000 of carryover for the General Fund (GF) and \$7,676,824 of carryover from non-general funds, the majority of which is the accumulation of unspent grants and state and federal revenue allocations.

While the following list is not all inclusive, this Recommended Budget includes sufficient resources to achieve the following extensive list:

- Provide core services including public safety, public health, community safety net services, road and infrastructure repairs and improvements, community and economic development services, and governance and administration.

- Funding for all positions with recruitment efforts underway as well as opportunities for staff promotions and advancements.
- The addition of 3 new full-time and 2 part-time seasonal positions.
- Contribution to GF reserve balances (Economic Stabilization) of \$160,964.
- Continuation of an appropriation of \$65,000 with consultants for completing the multi-year fiscal projections and the countywide fee study.
- Appropriations of \$40,000 to engage consultants in strategic planning and governance efforts.
- Appropriation of \$30,000 to continue advancing the County's JEDI program (Justice, Equity, Diversity, and Inclusion).
- Continue EMS expansion in the Tri-Valley region at \$252,000.
- Contribution of \$510,222 towards the replacement of heavy equipment/vehicles subject to CARB regulations.
- Transfer of \$150,000 from the General Fund to the Mono County Civic Center Capital Projects fund to complete audio/visual outfitting, perform sound reduction remediation, and to construct employee safety enhancements in the lobby.
- Continue GF contribution to the First Five Commission at \$150,000 for the home visiting program.
- Continues same level of community grant funding of \$44,000.
- Continues same level of fish enhancement funding of \$103,737.
- Distribution of \$150,000 of proposition 47 public safety funding to our first responder agencies, the same as in previous years.
- Hiring a housing manager or director funded partially with the Whole Persons Care Grant but ultimately by the GF when funding runs out unless other grant resources are identified.
- Collection of rents from departments residing in the Civic Center and appropriations of \$1,271,475 to make debt service payments on the 2019 Civic Center Certificates of Participation obligation.
- Home grant award of \$500,000 for loan gap financing and rent subsidies.
- New and existing CDBG grant awards that includes \$310,000 for subsidized child care, \$250,000 for planning, and \$64,484 for economic development.
- COVID-19 special funding for Public Health aggregating to \$1,843,136 to defray spending in responding to controlling and mitigation the COVID-19 illness. A total of seven limited term positions are included to assist in delivering these public health services to County communities through a specially designated COVID team.
- The former Geothermal Royalty Fund is now the Eastern Sierra Sustainable Recreation Fund and supports the permanent recreation coordinator transition to full-time work for Mono County. Two additional seasonal positions are budgeted to assist in delivering program activities.
- Replacement of vehicles costing \$1,377,169 paid with previously collected capital charges from participating departments (users) plus \$237,000 to replace three additional vehicles using dedicated grant funds.
- Subsidy from the GF to the Road Fund representing the SB1 MOE contribution, which secures the gas tax funded resources to move forward with important road construction projects.

While the above programs are worth highlighting, this budget provides for the delivery of many additional, ongoing services and programs that enhance the quality of life for our citizens and guests. As the County begins to fiscally recover from the loss of core revenues caused by the COVID-19 pandemic, this budget hallmarks elements of resilience characterized by its ability to continue providing and improving public services for our communities. In the Recommended Budget book, you will find spending plans for each County Department. We encourage readers to review the narrative, organizational charts, core services, and next year's goals that each Department provides to assist readers about what each of them plan to accomplish this next year.

What this Recommended Budget does not include

County budgets require give and take and there is never enough money to go around. We anticipate and build this budget to spend within the resources we expect to be available in the next fiscal year – both in additional revenues plus reasonable amounts of carryover balances. It includes appropriation for this County to continue responding to COVID-19 effects, which we expect to continue through the end of September 2021. With the strategic priority of fiscal resiliency, any additional, even critical, expenditures that enhance County fiscal health, fulfill mandates, or satisfy stakeholder funding requests need to be postponed until excess carryover is identified, unanticipated revenues are realized, or budget savings are reasonably anticipated.

To highlight a few items, while still noteworthy, for which this Recommended Budget did not include:

- Unfreezing of three Deputy Sheriff Officer and one Public Safety Officer in the Sheriff Department, and one Community Development Analyst III in the Community Development Department. Currently, the position allocation list closely aligns with the recommended budget.
- Funding to pay for upgrades and replacement of our interoperable emergency communications system.
- Any appropriation for the Air Subsidy. The last time this was funded was in FY 2019-20 for \$35,000.
- Payouts to retiring employees for accumulated vacation, sick leave, and overtime, currently estimated at approximately \$132,000.
- Funding for a project to digitize County records and alleviate concerns about the availability of physical space to continue storing paper copies of records.
- American Rescue Plan Act (ARPA) resources of \$2,805,578 and how the County plans to spent them.
- Contributions of more than \$160,964 to GF contingency reserves that include the general reserve, economic stabilization, and unassigned carryover balance.
- Funding for future investment beyond a pay as you go approach in the County's CARB compliant equipment replacement program.
- Funding for new capital improvement projects or facility replacement.
- Resources to sustain on a permanent basis affordable housing in the unincorporated area of the County. At this time, resources totaling \$852,709 are accumulated to start the fiscal year but likely to be depleted over the next several years.
- Does not address setting aside additional resources to pay down the County's unfunded pension liability of approximately \$56.1 million.

Concluding Comments

The progress made towards a structurally balanced GF budget is demonstrated in this recommended budget proposal, as the County recovers from revenue losses brought about by the pandemic. In terms of progress, the GF budgetary deficit has been reduced by nearly \$5 million (or 81%) over the course of three budget cycles. More importantly, this budget proposal continues delivery of critical core services to citizens, constituents, and visitors while also investing in our workforce with competitive wages and benefits. As emphasized in previous budget efforts, a concern is the number of budget reducing strategies employed towards resolving the immediate budget gap, which presents a challenge in future years to reach a structurally balanced budget, and then maintain it at this level in future years. These strategies are “near-term treatments” and may not fully and holistically solve structural budget imbalances for the long-term, at least not in a reliance kind of way.

Recommended Budget Snapshot

Below is a snapshot of the Recommended Budget. The data below shows that available resources fall short, yet our team of dedicated staff and County leaders continue to advance our County mission, *”To support all our communities by providing superior services while protecting our unique rural environment.”*

FUND TYPE	REVENUES	APPROPRIATIONS	FUND BALANCE SURPLUS (USED)
General Fund	\$40,280,282	\$41,480,282	\$(1,200,000)
Reserves	160,964	--	160,964
Special Revenue	39,679,771	44,268,598	(4,588,827)
CSAs	396,068	699,100	(303,032)
Capital Projects	25,834,774	27,387,492	(1,552,718)
Debt Service	1,700,952	1,445,398	255,554
Enterprise Activities	3,222,375	3,905,171	(682,796)
Internal Service Fund Activities	4,780,754	5,746,723	(965,969)
Total Recommended	\$116,055,940	\$124,932,764	\$(8,876,824)

To learn more about the budget, please visit our website at <https://www.monocounty.ca.gov/auditor/page/2021-2022-budget-portal>. If you have any questions, please contact me at jdutcher@mono.ca.gov.

Respectfully Submitted,

The Mono County Budget Team