



# DEPARTMENT OF FINANCE AUDITOR-CONTROLLER COUNTY OF MONO

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Board members, Colleagues, and Community Members

We are pleased to present the County of Mono \$121.3 million fiscal year (FY 2020-2021) 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 Departments. It is compiled with critical input from all stakeholders who participated 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 sincerely thankful for the tremendous effort from everyone to make this year's budget the best it can be during fiscally challenging times.

## **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. Budget planning takes six or more months, requiring collaboration from all 17 departments to work together with the County's budget team and the Board in proposing an integrated spending plan that delivers public services over the next twelve months. Through this process, we first estimate taxpayer resources available for appropriation, which set the limit for paying for required and discretionary expenditures that support delivering these public services. The budget communicates to Mono County citizens our priorities for meeting their needs because the County's business is to provide public services on their behalf. It focuses all our efforts and ultimately drives employee behavior and decision making.

*"Nothing is more effective than the rules and results of the budget. Nothing."<sup>1</sup>*

We are reminded of this as we set the context about how important this budget communicates to our communities 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 our reserve balances. We are again reminded that this takes patience and a commitment to stay disciplined. It takes discipline to make tough decisions, and strength to say something like, "that's a great proposal, but not now."

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<sup>1</sup> 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.

County leadership emphasizes how having a strong fiscal foundation enables the County to spring back, adapt and grow when the next recession hits. News Flash! The next recession officially arrived in July 2020 as the U.S. Commerce Department announced second quarter 2020 GDP fell an historic 32.9%. The next recession is here, abruptly sooner than anticipated. While the recommended budget we present to your Board today is not fully indicative of resiliency, it does preserve core county services with no negative impact on the County's workforce and limits depletion of existing reserve balances except General Fund carryover balance.

### **This Year's Budget Journey**

This budget characterizes revenue losses caused directly by the COVID-19 pandemic measures. Hiring decisions are delayed where possible to achieve one-time budget savings. And every single department found ways to reduce, and often delay, non-critical services and supply spending.

Budget forecasts for revenues and workforce expenditures are at maximum precision possible currently. Budgeting with precision moves us closer to a structurally balanced budget without raising taxes 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.

The various budget balancing measures this Recommended Budget incorporates cause departments concern about continuity of important public services beyond the immediate budget year. Department Heads acknowledge that some of the reductions in their budgets may impact operations in future years, and that unmet needs continue to exist.

Over the past two months, the CAO and the budget team met individually with every department, all working together to propose a budget that fits within our available spending resources and without spending down our explicit reserve balances to meet current operational needs. At this time, reserve balances total nearly \$5.4 million, or 13.3% of GF annual spending. This recommended budget demonstrates everyone's commitment to these objectives despite the sudden onset of the recession. It presents a spending plan that preserves county services without negatively impacting our workforce. This is despite the loss of over \$3 million in countywide recurring operating revenues. We primarily accomplish this by being more precise at estimating services and supplies, continuing preciseness in modeling workforce costs, and by delaying certain non-essential expenditures until subsequent recovery years.

One consequence arising from budgeting with greater precision is a larger need and frequency of accessing expenditure contingencies. This recommended budget includes a GF contingency budget of \$539,924, which is an increase of \$140,000 over the previous year contingency budget and exceeds the policy minimum.

### **Available General Fund Carryover Balance for Spending in FY 2020-21**

One important outcome of this year's budget process is achieving a General Fund operating budget deficit of no more than \$2,423,178, the amount conservatively projected as available for

spending in our GF carryover balance. Accounting work to close the FY 2019-20 fiscal records by recording all receivables and payables is incomplete currently. We previously estimated GF carryover balance available for spending at \$2,423,178, comprised of the following:

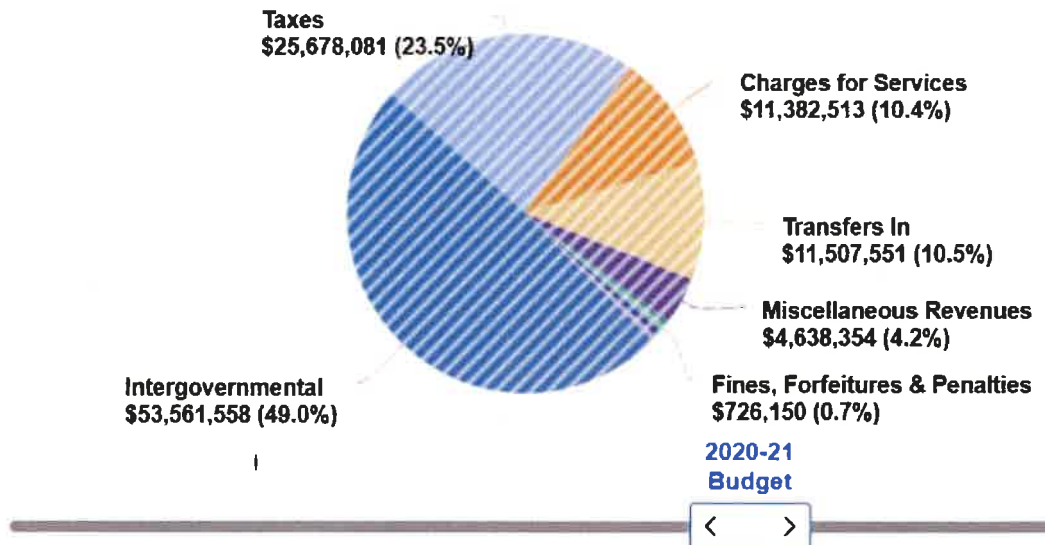
FUND BALANCE AT BEGINNING OF YEAR (JULY 1, 2019)	\$6,481,000
NOT AVAILABLE FOR SPENDING	
Advances to Solid Waste fund	(369,000)
CDBG/HOME loans	(887,000)
Prepays and inventory	(72,000)
Jail Project – Local Match	(810,000)
FY 2019-20 FORECASTED SURPLUS (DEFICIT)	(1,919,000)
<b>AVAILABLE FOR SPENDING IN FY 2020-21</b>	<b>\$2,424,000</b>

Of course, the County likely will benefit from a FY 2019-20 actual deficit (or surplus) which is less 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. Any differential could be used to augment County reserve balances later or fund one-time spending initiatives such as investing in our radio infrastructure.

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

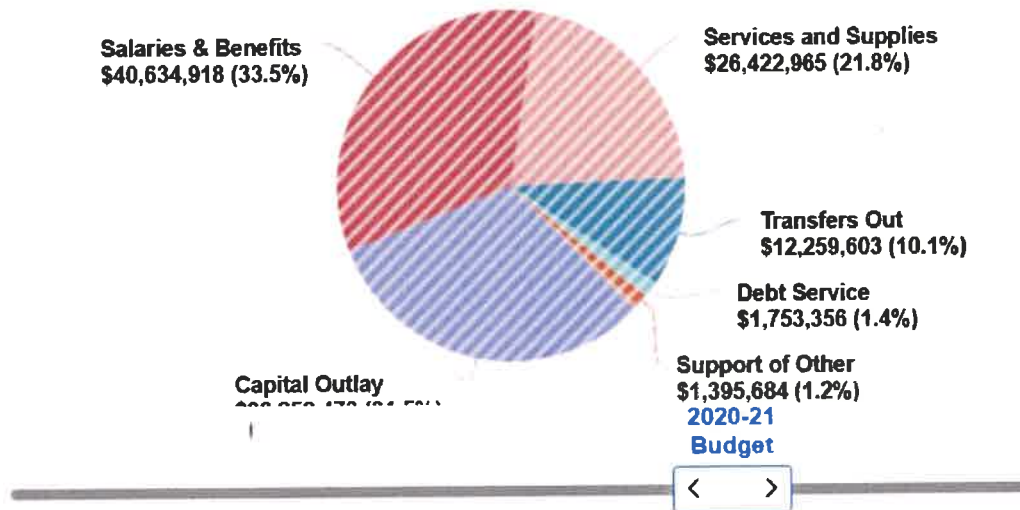
## 2020-21 Countywide Revenues by Type

### Visualization



# 2020-21 Countywide Expenditures by Type

## Visualization



## Overview of the GF Recommended Budget

The current recommended General Fund budget, excluding the transfer of carryover balance to the Jail Facility Capital Project fund, is balanced slightly less than our target as shown below:

	FY 2019-20 AMENDED BUDGET	FY 2020-21 BASE BUDGET	FY 2020-21 RECOMMENDED BUDGET
<b>RECURRING REVENUES</b>			
Taxes	25,989,600	24,643,944	25,253,961
Intergovernmental	4,564,523	4,330,318	4,304,195
Charges for Services	4,743,654	5,204,570	5,728,433
Transfers in	884,334	855,390	952,940
Fines, Forfeitures & Penalties	830,209	683,150	683,150
All other Revenues	742,577	606,492	629,831
<b>TOTAL RECURRING REVENUES</b>	<b>\$37,754,897</b>	<b>\$36,323,864</b>	<b>\$37,552,510</b>
<b>RECURRING SPENDING</b>			
Salaries and other compensation	15,987,939	16,399,019	16,977,964
Benefits	10,104,290	10,397,793	10,139,663
Services and supplies	10,980,676	9,993,331	10,101,527
Support of others	537,160	318,779	334,039
Transfers out	1,537,082	1,245,765	1,333,619
Contingency	227,095	383,239	539,924
<b>TOTAL RECURRING SPENDING</b>	<b>\$39,193,817</b>	<b>\$38,737,926</b>	<b>\$39,426,736</b>
<b>OPERATING DEFICIT</b>	<b>\$(1,438,920)</b>	<b>\$(2,414,062)</b>	<b>\$(1,874,226)</b>
<b>NON-RECURRING SPENDING</b>			
Capital outlay	(239,116)	(9,116)	(150,000)
CARB	(730,600)	--	(395,000)
Payoff debt obligation	(161,693)	--	--
First Five visit program	(150,000)	--	--
Mammoth Lakes FSC	(30,425)	--	--
Transfer jail matching funds	--	--	(707,137)
Transfer to reserves	(543,000)	--	--
<b>DEFICIT</b>	<b>\$(3,293,754)</b>	<b>\$(2,423,178)</b>	<b>\$(3,126,363)</b>

## General Fund Budget Analysis

### Revenues

Property taxes are projected to increase by \$502,000 and charges for services by \$985,000, for a combined total of \$1,478,000 of new revenue to offset increased operational spending. However, revenue losses are projected at a combined \$1,817,000, making this one of the most challenging budgets in many years. While revenues are stagnant, spending continues to climb.

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)	Increased 2.65% to produce \$502,000 of new revenues. The assessed rolls are 4.6% to 15% higher but offset by expectations that delinquency rates will increase.
Transient occupancy taxes (excluding the amount allocated to tourism)	Decrease of \$1.3 million, or 40.3% of the prior year budget, is equal to a loss of near 4% of all GF revenues. There is no data available to accurately measure the pandemic's impact on TOT revenues. The first two quarters are estimated to be less by at least 50% and 60%, respectively, with the remaining two quarters at historical averages excluding this past fiscal year.
Bradley-Burns local sales tax (1%)	Projecting revenue dropping by \$143,158, or 20.7% of last year's sales tax budget. Excludes point of sale transactions within the jurisdictional town limits.
Proposition 142 public safety dedicated revenues	This year's estimate is \$195,000, or 13.1%, less than the prior year.
Excess ERAF	County policy is to budget \$500,000 of this revenue to fund operations with excess amounts being directed towards reserves. The budget was increased \$150,000 purposefully to pay for hiring a consultant to prepare a multi-year financial projection and conduct a county-wide fee study
Charges for services	Projected at \$984,779, or 20.7%. Of this amount, \$661,176 is additional A87 reimbursement. Another \$250,000 is from ambulance fees resulting from both new fees and anticipated fee increases. The remainder is primarily the increase in property tax administrative fees.
Court fines and penalties, vehicle code fines	We project a loss of \$146,000, or 17.7%, of this type of revenue.

### Expenditures

GF total spending has been held to an insignificant change of \$232,919, or 0.6%, over spending levels in FY 2019-20. Salary and benefit spending are higher by \$1,025,398, but departments were successful in finding savings of \$879,149 in their services and supply budget line items. Yet, this budget includes some discretionary spending one might expect would be eliminated during a recessionary year, such as nearly \$104,000 for fish enhancement spending and \$44,000 to continue financially supporting local community organizations.

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

SIGNIFICANT EXPENDITURE OBJECTS	BUDGETARY IMPACTS
Salaries	Salaries are higher by \$990,000, or 6.2%. A portion of the increase is from promised COLAs, which have been preserved in the budget thus far. Last year, there were 17 vacant positions in the GF. This year, there are only 9 positions being recruited for a total cost of \$930,532. Budget savings of \$188,192 was achieved by including the anticipated date of hire subsequent to July 1 into the workforce costing model.
Benefits	Increase of only \$34,743. The higher pension cost of about \$425,000 is offset by discontinuing pre-funding of retiree medical and lower health care spending.
Facility	Significantly higher, by \$403,485, or twice the prior year, because of the move into the Civic Center and the change in calculating the rent apportioned to residing departments.
Supplies	Spending reduced by \$26,691, with attempts to budget closer to actual historical spending in this category.
Insurance	Budget is stable with a less than ½% increase over the prior year budget.
Training	First spending category to be reduced. This year's training budget is reduced by 1/3rds. This is not sustainable post-COVID 19 if the Board's strategic goal is to maintain a superior workforce.

**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 \$3,126,363 of carryover for the General Fund (GF) and \$8,863,681 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.
- An appropriation of \$150,000 for hiring a consultant firm(s) to prepare multi-year fiscal projections and conduct a countywide fee study.
- Continue EMS expansion in the Tri-Valley region at \$252,000.
- Contribution of \$395,000 towards the replacement of heavy equipment/vehicles under CARB regulations.
- Transfer of \$707,137 from General Fund carryover to the Criminal Justice Facility Capital Projects fund (new jail). With this transfer, the County has accumulated the \$1,494,000 required local match to receive SB 844 \$25,000,000 bond proceeds.

- Continue GF contribution to First Five Commission, this year at \$107,573, 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, despite revenue losses passed on by the State to the County.
- Hiring a housing manager or director funded partially with the Whole Persons Care Grant but ultimately will be a GF obligation when funding runs out unless other grant resources are identified. The local rental subsidy program of \$155,000 is also included, also funded with the Whole Persons Care grant.
- Collection of Civic Center rents from departments residing in the Civic Center and appropriations of \$1,266,675 to make our first year of debt service on the 2019 Civic Center Certificates of Participation obligation.
- CARES Act funding of \$1,373,000, less the amount estimated to reimburse the County for eligible costs incurred for COVID-19 activities from March 1 to June 30, 2020. CARES Act funding is prioritized to cover salaries and benefits for personnel who meet the eligibility criteria, additional cleaning services to meet new sanitizing standards, and other COVID-19 driven purchases of supplies and services.
- Continued funding of the EOC operations funded with 75% FEMA revenues with the other 25% paid for with a transfer from general reserve. The joint EOC operations was opened in mid-March to respond to the pandemic emergency which continues into the next fiscal year.
- Home grant award of \$500,000 for loan gap financing and rent subsidies.
- The Public Health budget includes three COVID-19 special funding aggregating to \$677,728 to be used to defray public health spending in responding to COVID-19 emergency.
- Hiring a new position, the permanent recreation coordinator. In accordance with our MOU, the County will receive partial reimbursement from the Town of Mammoth Lakes with the remainder of the funding come from geothermal royalties. Additional spending of \$30,000 is included to pay for miscellaneous recreational projects.
- Replacement of vehicles costing \$1,364,000 paid with previously collected capital charges from participating departments (users) plus the replacement of three additional sheriff vehicles using dedicated restricted funding sources.
- Road fund budget deficit is reduced from \$122,000 in the previous year down to \$50,000, with no additional subsidy from the GF except for the SBI required MOE contribution.
- Construction of a shade structure at the Whitmore Animal Shelter, paid for with donations.

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. Despite the loss of core revenues caused by the COVID-19 pandemic, this budget hallmarks elements of resilience because of its ability to continue providing and improving public services for our communities during an economic downturn. In the Recommended Budget book, you will find spending plans for each County Department. We encourage readers to review the narrative, organization charts, 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. This is especially true and painfully felt during a year such as we will experience in FY 2020-2021. We anticipate and built this budget expecting the double impact of a recessionary economy and the need for this County to continue responding to COVID-19 effects which we expect to continue into the later months of this next fiscal year. 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 expenditure contingencies are reasonably anticipated to not be needed to close out the spending plan of our core programs for the year.

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

- Unfreezing of two Deputy Sheriff Officer and two Public Safety Officer in the Sheriff Department, and seven other positions which Department's have offered to remove from the Position Allocation List. Currently, the Position Allocation List closely aligns with the Recommended Budget.
- Funding above the base line amount of \$150,000 to pay for upgrades to our Radio Infrastructure system. Capital improvements of \$150,000 is included in the recommended budget for the Radio budget.
- Any appropriation for the Air Subsidy. Last year, \$35,000 was approved.
- Contributions 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.
- Resources to sustain on a permanent basis affordable housing in the unincorporated area of the County. At this time, resources totaling \$985,630 are accumulated to start the fiscal year but likely to be depleted over the next three years.
- Does not address setting aside additional resources to pay down the County's unfunded pension liability of approximately \$51.8 million.

### **Concluding Comments**

This COVID-19 pandemic illustrates how important the work to adopt a structurally balance budget and reach a target GF reserve balance of \$10.2 million (25% of annual GF spending) is towards being prepared and resilient in the face of economic downturns. Despite significant revenue losses, the recommended budget presented here preserves core services and the workforce without spending down reserve balances. One concern is the number of budget reducing strategies while resolving the immediate budget gap presents a challenge in future years when these strategies are not sustainable or repeatable with the same results. These strategies are "near term treatments" and may not fully and holistically solve structural budget imbalances for the long-term.



One bright aspect of this year's budget efforts is arriving at a structural budget deficit for the GF of \$1,874,226, and how possible it is to achieve a structural balance during recovery years with a combination of revenue enhancements and expenditure reductions, especially through cross-cutting efficiency efforts.

### 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."*

<i>FUND TYPE</i>	<i>REVENUES</i>	<i>APPROPRIATIONS</i>	<i>FUND BALANCE SURPLUS (USED)</i>
General Fund	\$37,552,510	\$40,678,872	\$(3,126,363)
Reserves	--	113,048	(113,048) <sup>2</sup>
Special Revenue	35,275,786	41,780,884	(6,505,098)
CSAs	363,010	733,925	(370,915)
Capital Projects	26,280,137	27,670,275	(1,390,138)
Debt Service	1,917,694	1,433,121	484,573
Enterprise Activities	3,384,075	3,664,853	(280,778)
Internal Service Fund			
Activities	4,500,664	5,188,943	(688,277)
<b>Total Recommended</b>	<b>\$109,273,876</b>	<b>\$121,263,920</b>	<b>\$(11,990,044)</b>

To learn more about the budget, please visit our website at <https://www.monocounty.ca.gov/auditor/page/2020-2021-budget-portal>. If you have any questions, please contact me at [jdutcher@mono.ca.gov](mailto:jdutcher@mono.ca.gov).

Respectfully Submitted,

The Mono County Budget Team



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Megan Mahaffey (Aug 27, 2020 16:14 PDT)

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<sup>2</sup> Amount needed to provide 25% local match towards FEMA reimbursements.