RESOLUTION - ACTION REQUESTED 2020-122

MEETING: March 10, 2020

TO: The Board of Supervisors

FROM: Dallin Kimble, County Administrative Officer

RE: Approve Mid-Year Adjustments 2019-20 and Review Variance Report

RECOMMENDATION AND JUSTIFICATION:
Receive and Review the Midyear Financial Status Report and Approve Budget Adjustments.

Please see the attached staff report, recommended mid-year adjustments, General Purpose Revenue spreadsheet, and revenue/appropriations analysis for additional information.

BACKGROUND AND HISTORY OF BOARD ACTIONS:
The Board has traditionally reviewed the County’s financial position at mid-year and approved adjustments.

ALTERNATIVES AND CONSEQUENCES OF NEGATIVE ACTION:
Budget adjustments could be denied or amended and revenues would not be recognized and additional appropriations would not be allowed.

FINANCIAL IMPACT:
General Purpose revenues will decrease by $231,453 and there will be no change in the general fund contingency

ATTACHMENTS:
FY20 Midyear Staff Report Memo (PDF)
FY20 Midyear Change Request Budget Action (PDF)
FY20 Midyear General Purpose Revenue (PDF)
FY20 Midyear Revenue Variance Explanations (PDF)
FY20 Midyear Appropriations Variance Explanations (PDF)

RESULT: ADOPTED AS AMENDED [UNANIMOUS]
MOVER: Rosemarie Smallcombe, District I Supervisor
SECONDER: Marshall Long, District III Supervisor
AYES: Smallcombe, Jones, Long, Cann, Menetrey
To: Board of Supervisors

From: Dallin Kimble, County Administrative Officer
Leigh Westerlund, Assistant County Administrative Officer

Date: March 10, 2020

Subject: Fiscal Year 2019-2020 Midyear Budget Review

At the mid-point of each fiscal year, staff complete a thorough review of the County's actual revenues and expenditures. This review then informs a selection of requested revisions to ensure the amended budget is aligned with financial realities. What follows here is a summary of the aforementioned review and recommended revisions for the Board's information and consideration.

Overview:
Mariposa County has experienced a strong start to the current fiscal year. A significant loss in revenue due to a delay in County-owned property sales is offset by growing transient occupancy tax revenue and additional state and federal funding. County departments continue to do an excellent job of monitoring expenses and staying within established budgets. The County is in a solid financial position.

Staff recommends a conservative approach moving forward. It is not yet known what effect Coronavirus 2019 will have on Mariposa County or how the state and federal governments will respond. There is more work to be done to designate sufficient reserves, address deferred maintenance, mitigate pension and post-employment benefit liabilities, add needed office space and prepare for unexpected opportunities that may arise. Staff encourages a continued focus on essential services, building reserves, and financial planning to meet long-term obligations.

Revenues:
Through December 31, 2019, the County has collected forty-three percent (43%) of projected general fund revenues. This amount is higher than disaster years FY18 and FY19, and consistent with FY17 and other years prior.

A delay in the sale of County-owned property in Don Pedro and Hornitos accounts for a $600,000 reduction in revenue for the current fiscal year. The delay will allow the County to be responsive to citizen concerns and ensure the fairest outcome to both successful bidders and existing residents. It also helps staff focus on using one-time dollars for one-time expenses moving forward.
The reduced revenue is at least partially offset by additional transient occupancy tax (TOT) and new grant funds. TOT is on pace to exceed $20 million, a dramatic increase over the prior year because of new developments and the voter-approved Measure M. In addition, staff continue to do an excellent job of securing additional grant funds including $85,000 in voting system modernization revenue, $78,000 in state funds to remodel the Department of Child Support Services building (commonly known as the “rock house”), $155,000 in state emergency operations funds for generators to help mitigate Public Safety Power Shutoff (PSPS) events, and $202,000 in additional drug grant funding.

**Appropriations:**
On the appropriation side, departments have been prudent in their spending and the vast majority of budgets/funds are operating within their budgeted amounts. Measure M funds ($3,136,000) are being used for fire services, law enforcement, roads, and to rebuild County reserves as directed by the Board of Supervisors. General fund expenses to date are $29,590,080.

Highlights include:
- There is sufficient savings in salaries and benefits to account for all salary adjustments negotiated and approved by the Board of Supervisors in the current fiscal year. No additional revenue or cuts are required to accommodate these changes.
- Initial investments are included to support significant bridge projects on Darrah Road ($100,000) and Foresta Road ($100,000).
- With an additional allocation of $44,000, the County will move forward with the implementation of Office 365 in the current fiscal year. This major transition will allow employees to access their email and files from anywhere, enable better telecommuting connectivity and unify all County employees under a single email domain.
- The Sheriff’s Office is implementing an innovative Enterprise fleet management pilot program using funds set aside for vehicle replacement.
- Funds are now available to repair fencing and establish a parking area at the burial ground adjacent to the airport as approved by the Board in the fall ($10,000).
- A slight increase has been implemented in the auditor’s extra help staffing line to accommodate the transition to a new property tax software ($12,885).
- Staff is requesting funds for a heavy duty camera that can be used to inspect sewer lines ($11,650). Acquiring a camera, which would be shared by the various sewer utilities, is expected to speed up the time needed to diagnose problems and add to the reliability and resiliency of our sewer utilities.

**Recommended Adjustments:**
As outlined in the sections above, staff recommends the Board recognize $1,525,063 in changes in general fund revenues and associated expenses. No changes are recommended for the general fund contingency, which currently has a balance of $334,059.

Staff will continue to exhibit fiscal responsibility in managing expenses and pursuing grant funding whenever possible.
Outlook:
Despite a relatively positive first half of the fiscal year, challenges remain. Some economists are beginning to wonder aloud whether the public anxiety around the Coronavirus 2019 (COVID-19) outbreak will act as a “black swan” event triggering a global recession. We also have significant pension obligations, a large amount of deferred maintenance, and pending costs tied to finally upgrading our legacy technology. We need to remain vigilant and focused on building reserves and resiliency.

With that said, there is room for cautious optimism. The County has unprecedented interest in new development within local opportunity zones. Upgrades to our aging financial, property tax and productivity software will improve operational efficiency in many areas. It is a great time to be in Mariposa County.

The County is strategically positioned to maintain and improve support for a thriving, scenic, historic and culturally vibrant rural community where residents, businesses and visitors enjoy opportunity, security, engagement, prosperity and wellness. We urge the Board to continue to make strategic and thoughtful investments focused on long-term fiscal solvency and sustainability.
COUNTY of MARIPOSA
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MARSHALL LONG, VICE-CHAIR
ROSEMARIE SMALLCOMBE
MERLIN JONES
MILES MENETREY

DISTRICT IV
DISTRICT III
DISTRICT I
DISTRICT II
DISTRICT V

MARIPOSA COUNTY BOARD OF SUPERVISORS
MINUTE ORDER

TO:          DALLIN KIMBLE/County Administrative Officer
FROM:        RENÉ LaROCHE/Clerk of the Board
SUBJECT:     Receive and Review the Midyear Financial Status Report and Approve Budget Adjustments
RESOLUTION:  20-122

The following action was taken by the Mariposa County Board of Supervisors on March 10, 2020:

J.3. Administration    RES-2020-122
Receive and Review the Midyear Financial Status Report and Approve Budget Adjustments 4/5ths Vote Required

Dallin Kimble extended thanks to the Auditor’s Office, as well as to his assistant, Leigh Westerlund. Ms. Westerlund gave a PowerPoint presentation highlighting points. No public input. Board discussion ensued and revolved around potential effects from the COVID-19 pandemic.

RESULT: ADOPTED AS AMENDED [UNANIMOUS]
MOVER: Rosemarie Smallcombe, District I Supervisor
SECONDER: Marshall Long, District III Supervisor
AYES: Smallcombe, Jones, Long, Cann, Menetrey