RUSS BRANSON CONSULTING

Mono County

General Fund Long-Term 10-Year Forecast

May 11, 2021

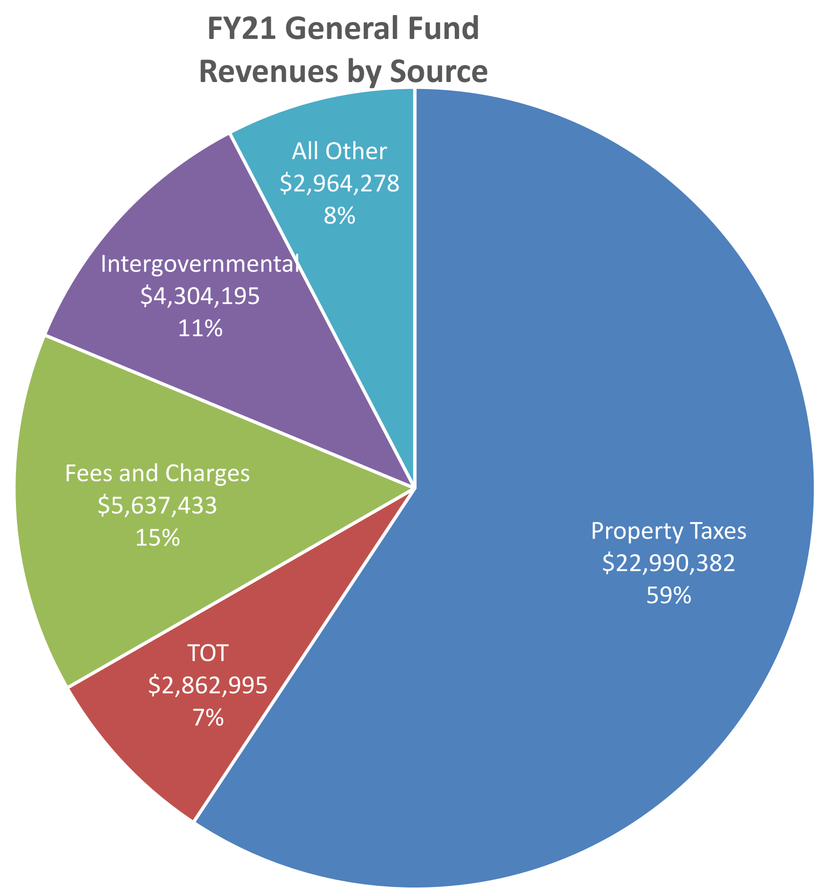
Presentation Overview

- Review of Revenues and Expenses
- Evaluation of Financial Health
- Budget Forecast
- Alternative Forecasts
- Budget Perspectives

Revenues

Mono County GF Revenue | Sources

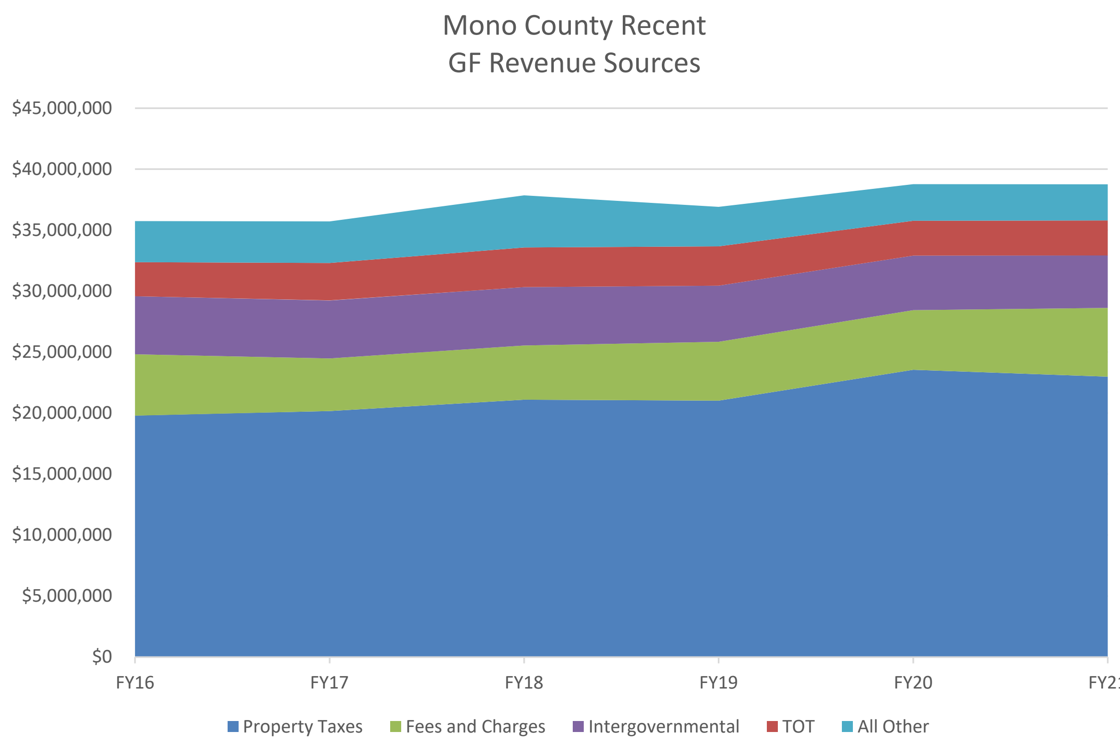
- The County relies on a limited set of revenues in its General Fund
  - **Property taxes = 59%**
  - **Fees and Charges = 15%**
  - **Intergovernmental = 11%**
  - **TOT = 7%**
  - **All Other = 8%**
- This revenue base provides stability for the County **BUT** also limits growth in General Fund revenues



Mono County Revenue | GF Growth

- Growth of County revenues since FY16 has averaged **1.6% per year**
  - Growth FY16-FY20 (actuals) was a slightly higher 2.1%/yr
- This growth has lagged inflation in both California urban locations and national averages

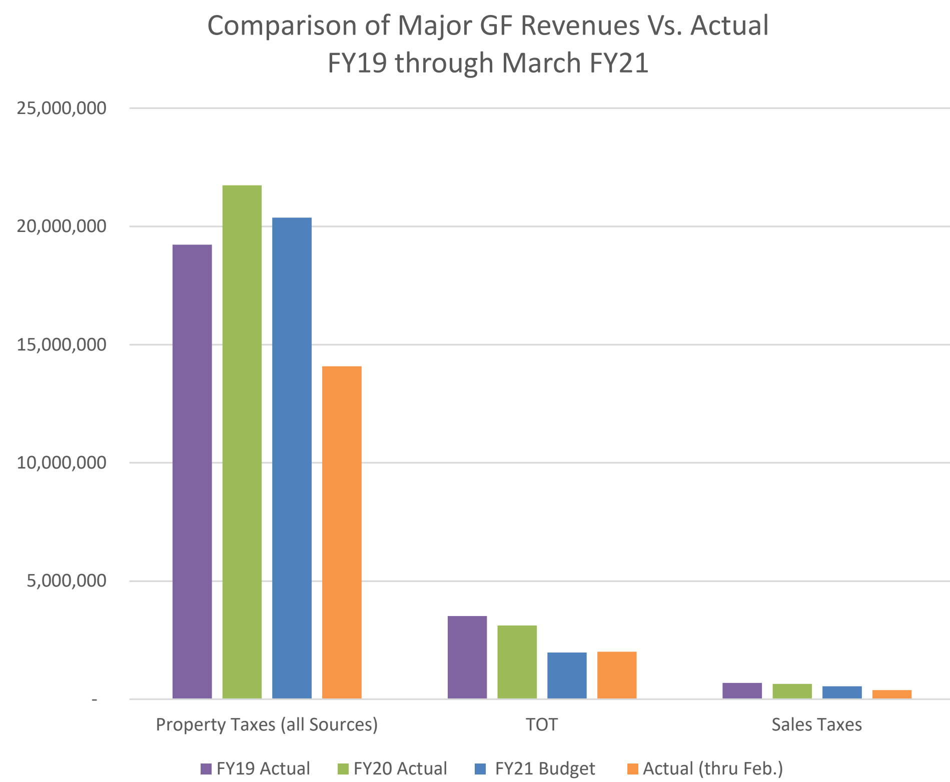
CPI
(June 2016 – Dec 2020)
SF Bay Area 2.23%/yr
CPI-W= 1.72%/yr



Impact of the Pandemic | GF Revenue

- As of March 4th, 2021 the County was showing strong revenues in Property Taxes
  - Should exceed FY21 budget
- TOT is over the current budget, and could reach FY20 levels
- Sales taxes should hit budget levels

Expected flat revenue in the FY21 budget has not materialized



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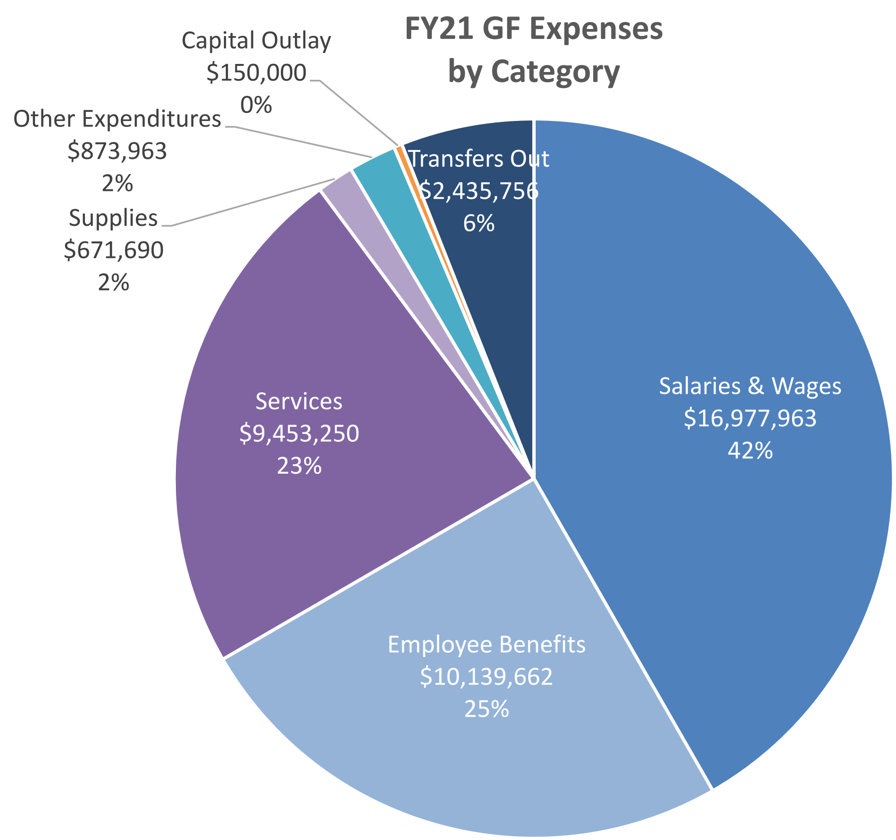
Expenses

Mono County GF Expenses | Categories

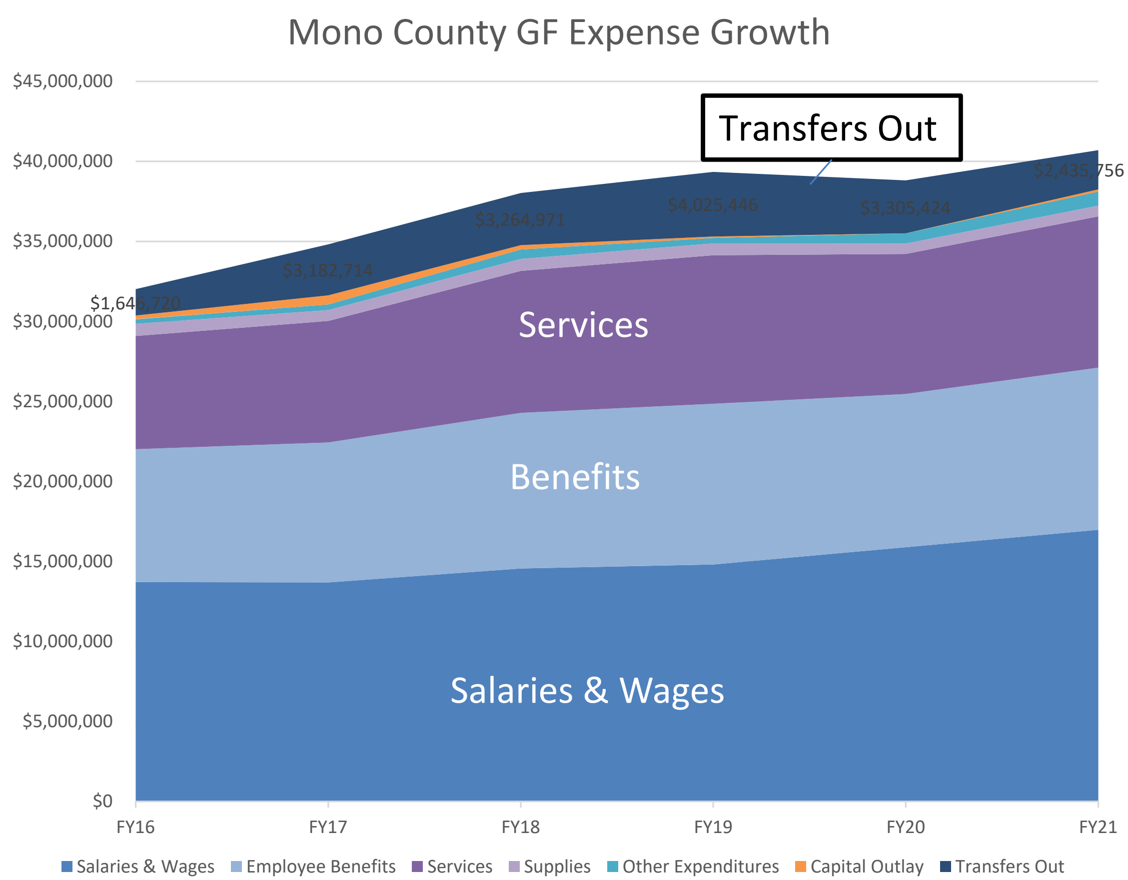
- **67% of County expenses are for direct personnel costs**
- Services are a broad category
  - Contract Services
  - Insurance
  - Maintenance & Repair
  - Rents & Leases
  - Technology
- There is very little "fat" in the County's budget



Mono County GF Expenses | Growth

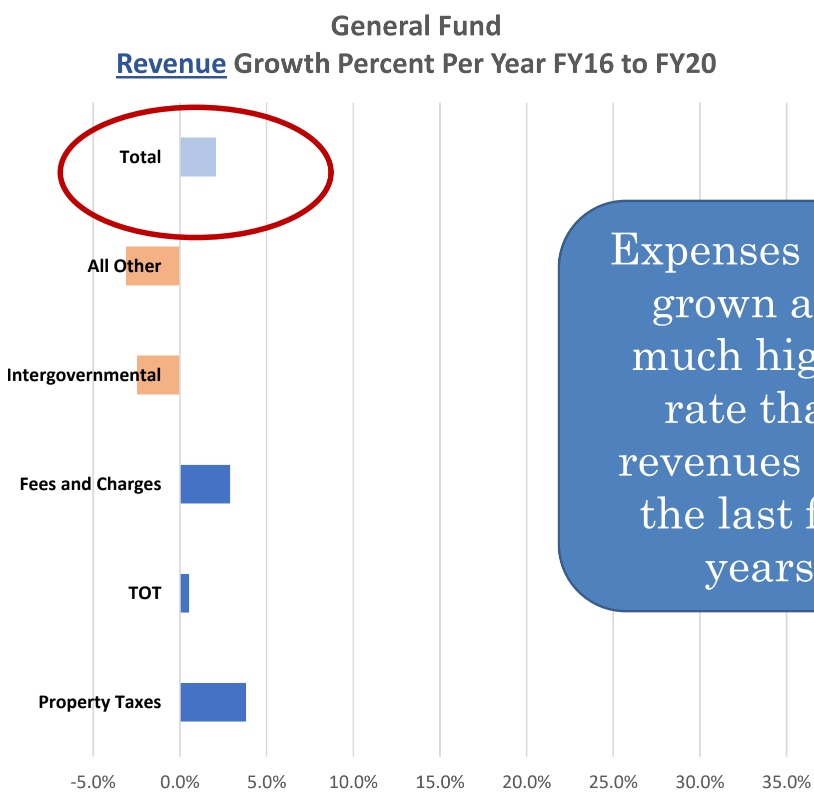
- Expenses are driven by market forces that outpace revenue in the County
  - Salaries 4.4%/year
  - Benefits 5.5%/year

General Fund expenses grew 4.9%/year since FY16

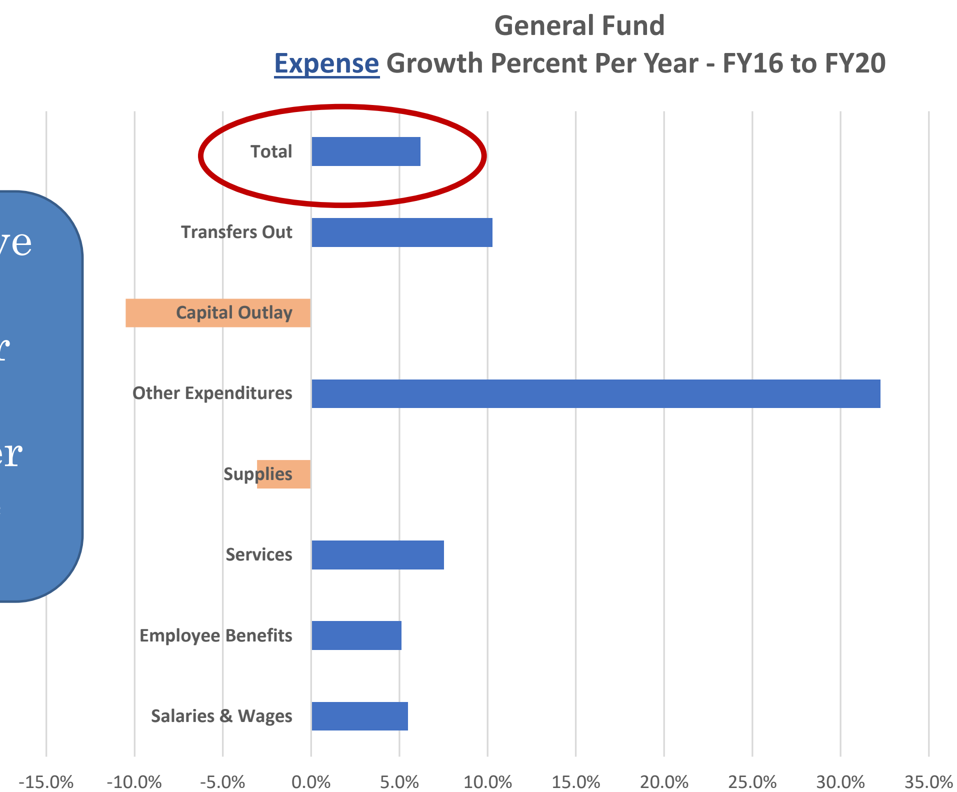


Financial Health

Growth Rates | General Fund



Expenses have grown at a much higher rate than revenues over the last five years



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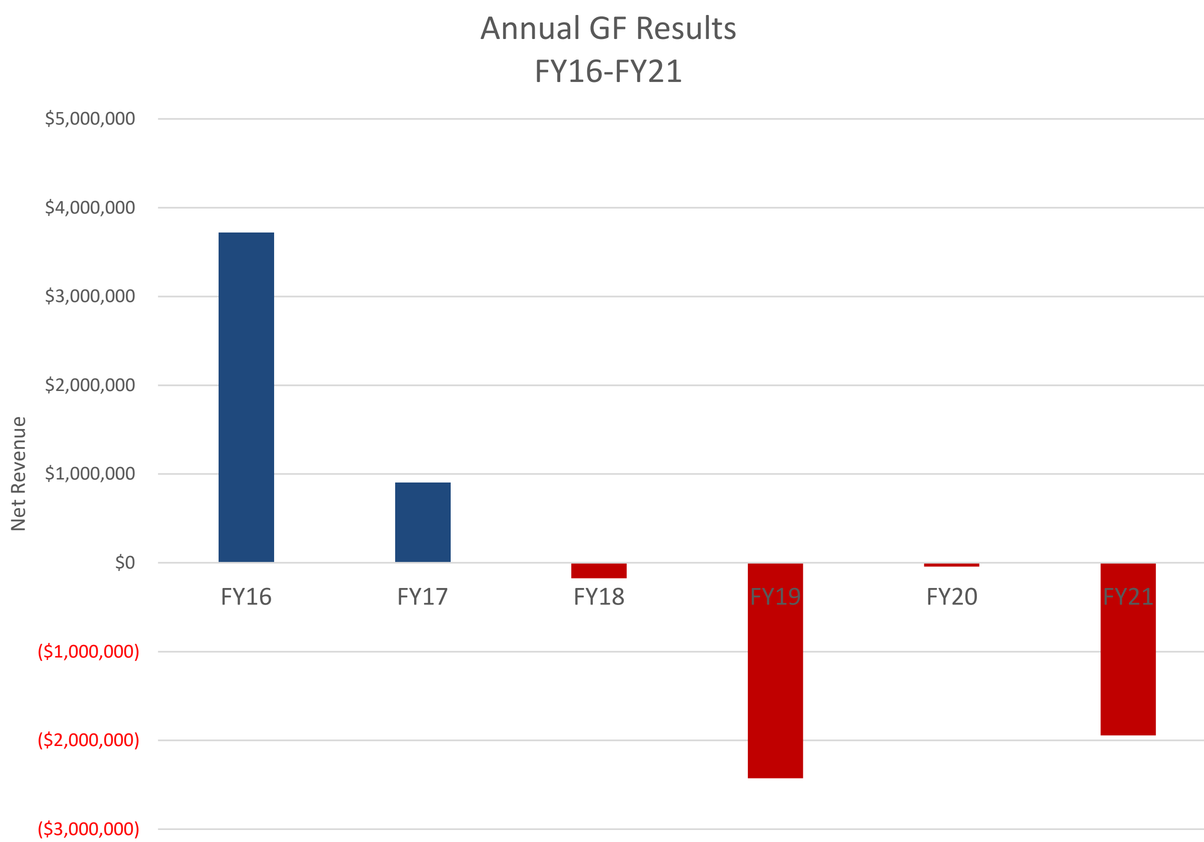
Net Revenue | History

- The difference in revenue and expense growth rates has led to a change from a healthy budget balance (in actual net revenue) to actual reductions in fund balance



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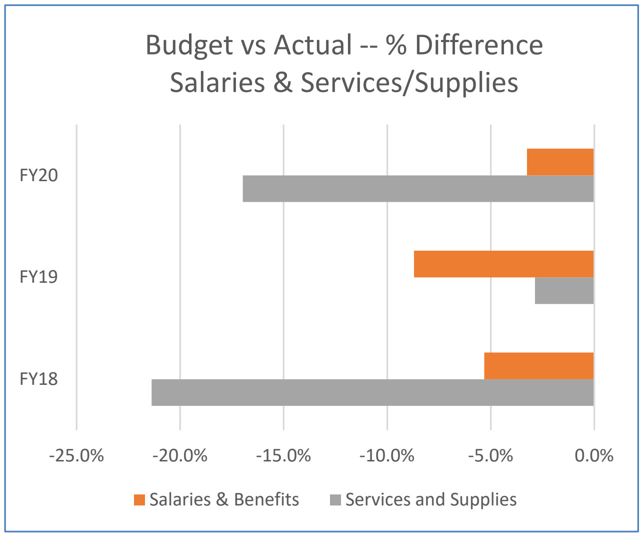
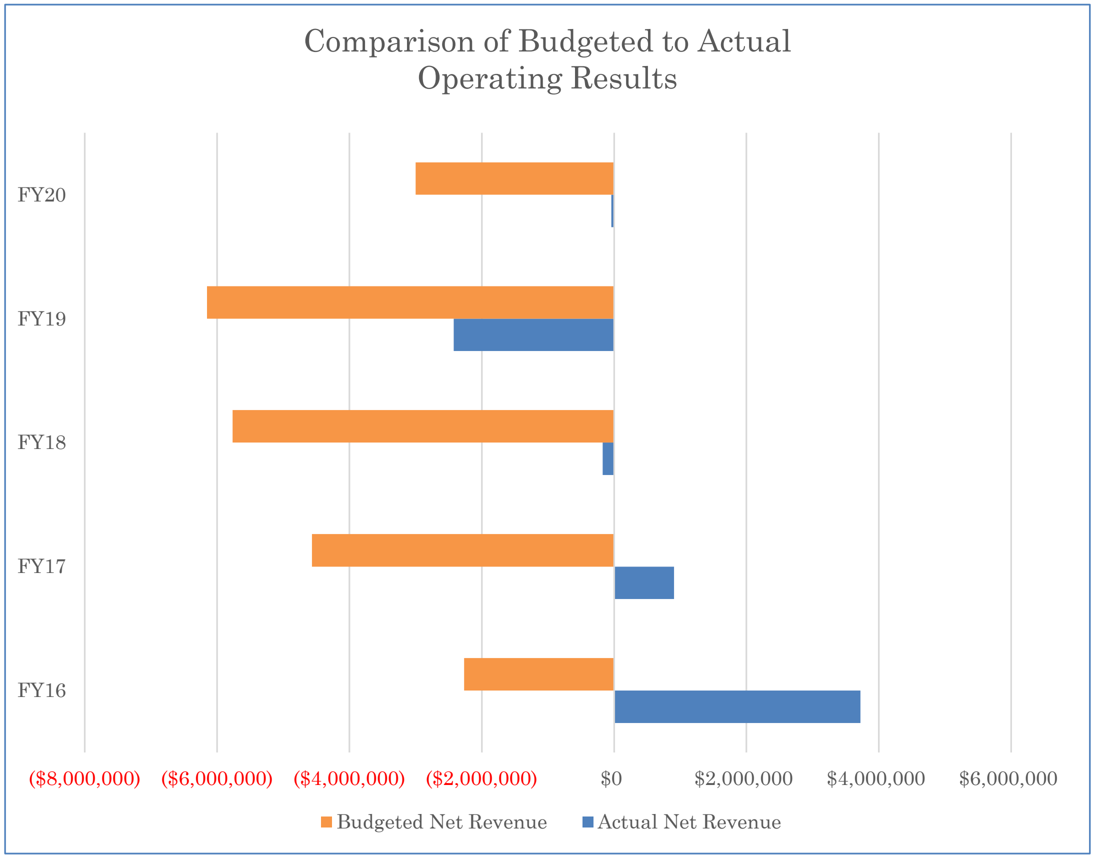
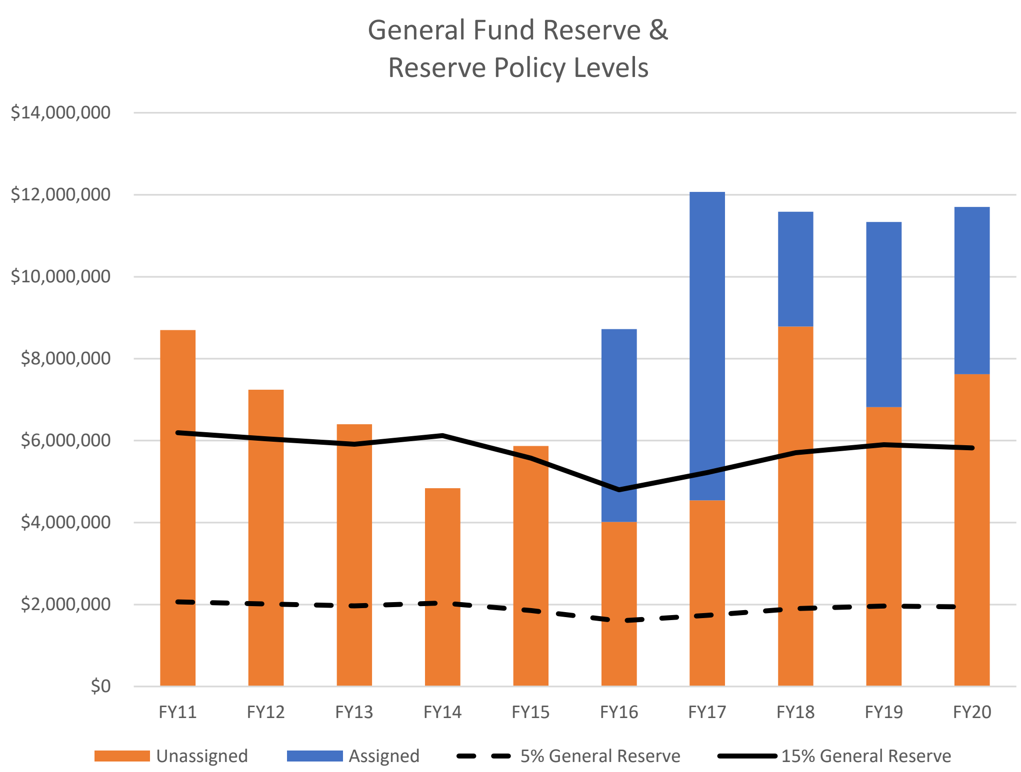
Net Revenue | Actual vs Budgeted

- County budget projections have been more negative than actual budget results
- This has been due to position vacancies and under-spending on services and supplies





Available GF Fund Balance | CAFRs



Source: County CAFRs

- The County has maintained a strong fund balance position, exceeding the County's goal fund balance in 7 of the last 10 years
- Continued disconnect between revenue and expense growth threatens this measure of financial health

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Budget Forecast

Budget Forecast | Assumptions FY21-FY26

Major Revenues – FY21 to FY26 Compound Annual Growth Rate (CAGR)

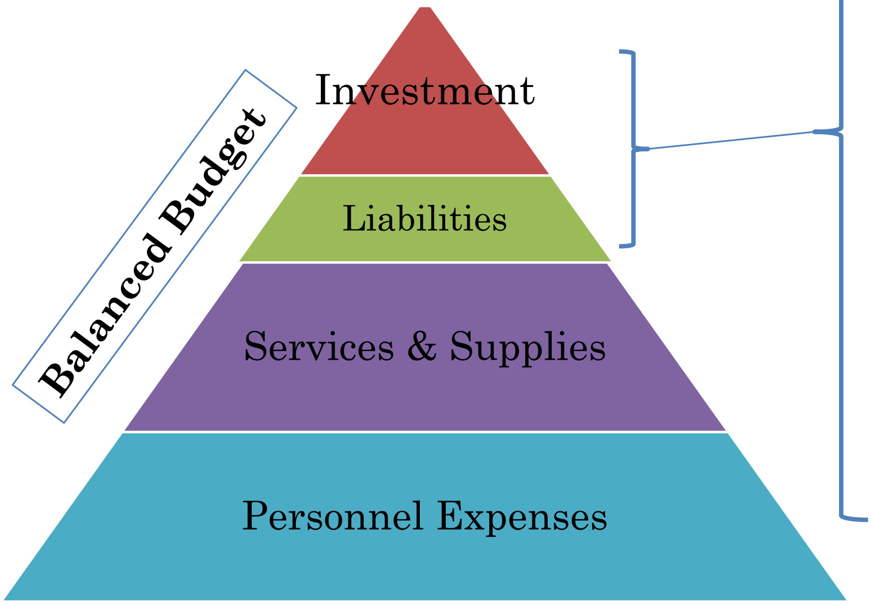
Total Rev. Growth
FY16 - FY21 = 1.6%/yr
FY21 – FY26 = 2.4%/yr

Major Expenses – FY21 to FY26 Compound Annual Growth Rate (CAGR)

Total Exp. Growth
FY16 - FY21 = 4.9%/yr
FY21 – FY26 = 2.2%/yr

What a Balanced Budget Is

- **Balance** means the ability to fund all agency needs over time



Deferred Maintenance

- Streets & Buildings
- Parks & Playgrounds
- Technology

Retiree Benefits

- Buffer pension increases
- OPEB & Retiree Payoffs

Community Investments

- Pools/Recreation/Youth Programs
- Community Centers/Libraries

Baseline Budget Forecast | General Fund

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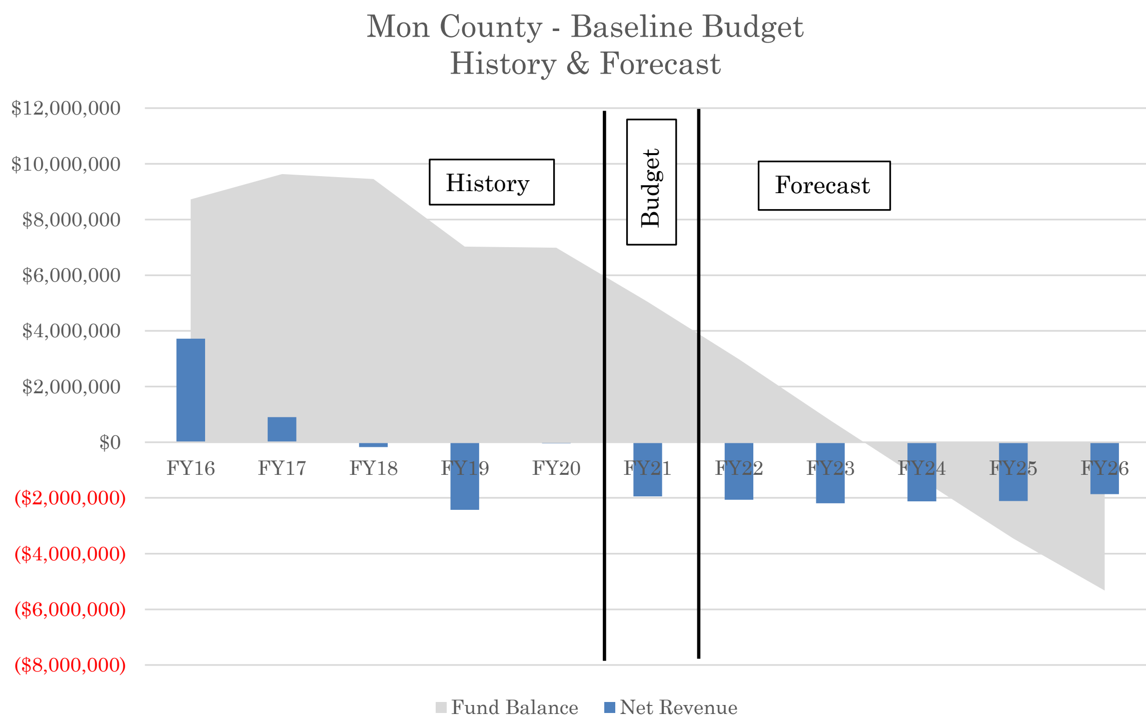
- Without action, the County is heading towards a negative fund balance

- **No economic reserves**
- **No stabilization reserves**
- **Need to reduced spending**



Alternative Forecasts

- Four alternative forecasts
  1. Adjustment for historic under-spending
  2. Higher property tax (plus 1% per year) and TOT (plus 2% per year)
  3. Cost of living adjustments (COLA) – 2% is used to match expected inflation
  4. Fund capital investment – Estimated at $1.5 million per year
  5. The combination of the above alternatives

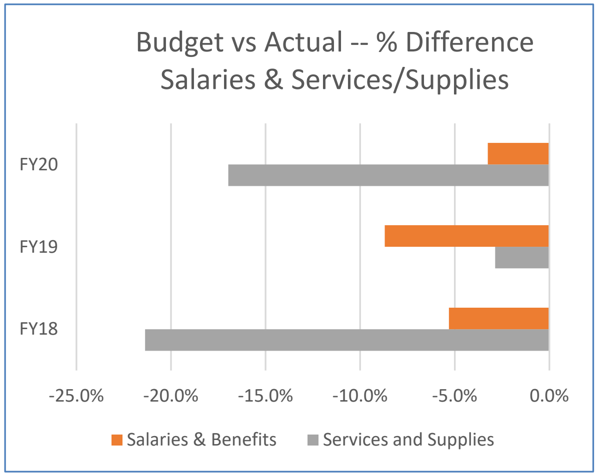
Alternative #1 is included in all other alternative forecasts

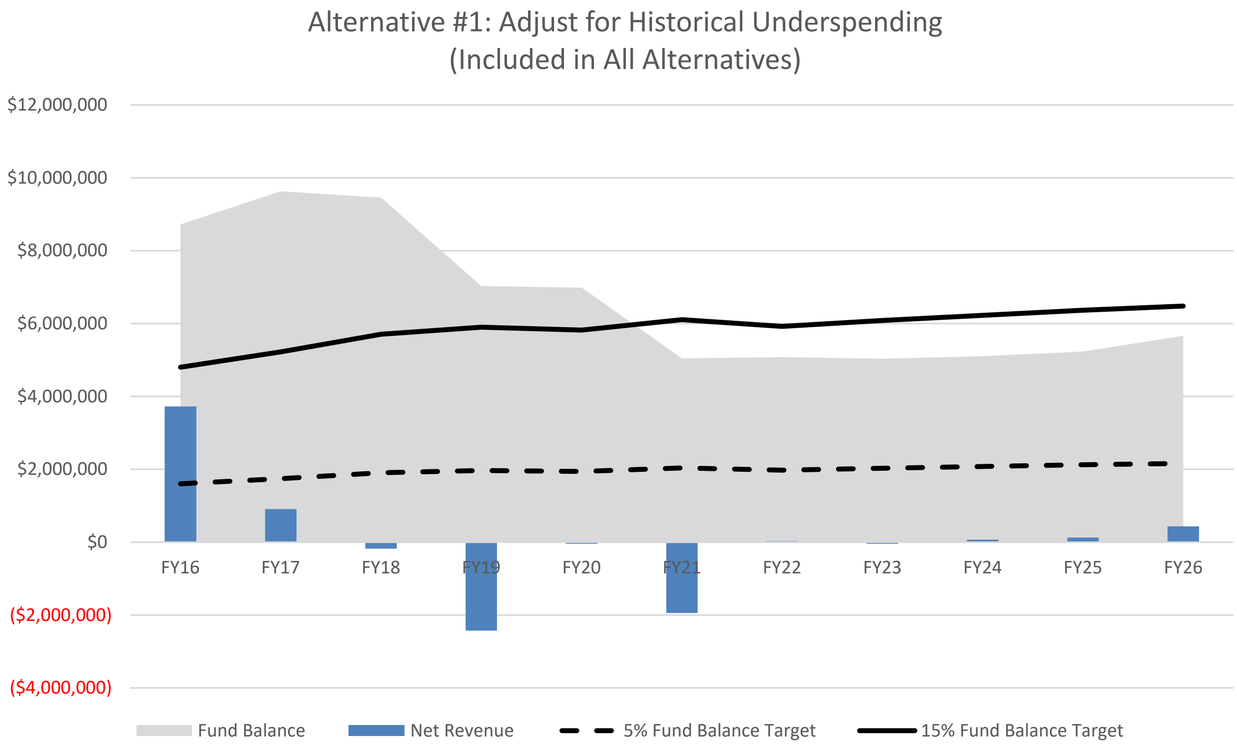
Alts #2-#4 are independent of each other

Alternative #5 shows all previous alternatives

Alt. Forecast #1 | Historical Underspending

- Underspending used to "balance" budget
  - 6.8% for salaries
  - > 10% for services)





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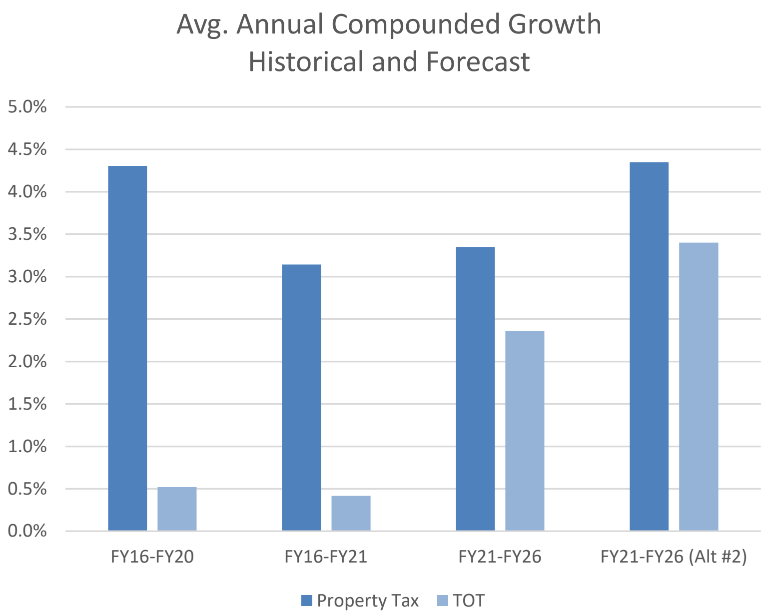
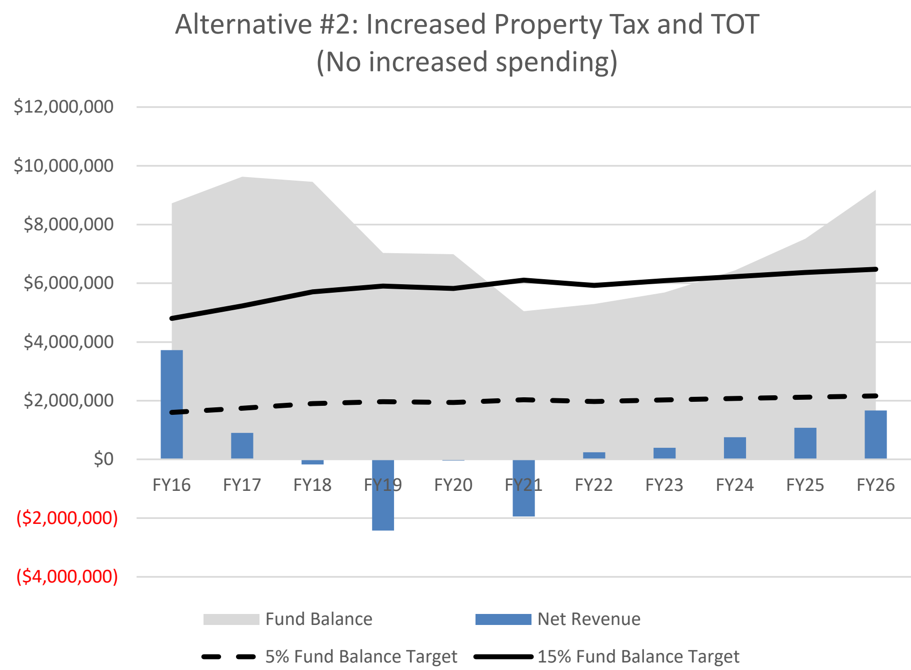
Alt. #2 Forecast | Tax Revenue

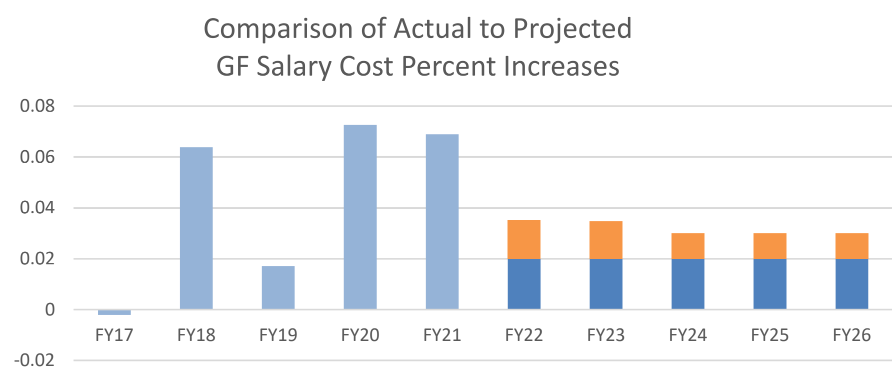
- If the County is able to grow revenue—Property tax at FY16-F20 levels, and TOT higher than historical—the County can improve its financial condition
- **ASSUMPTION**: Prop. Tax +1% / TOT +2% / No change in expenses from Baseline Forecast *(Alt. #1 but no other changes)*

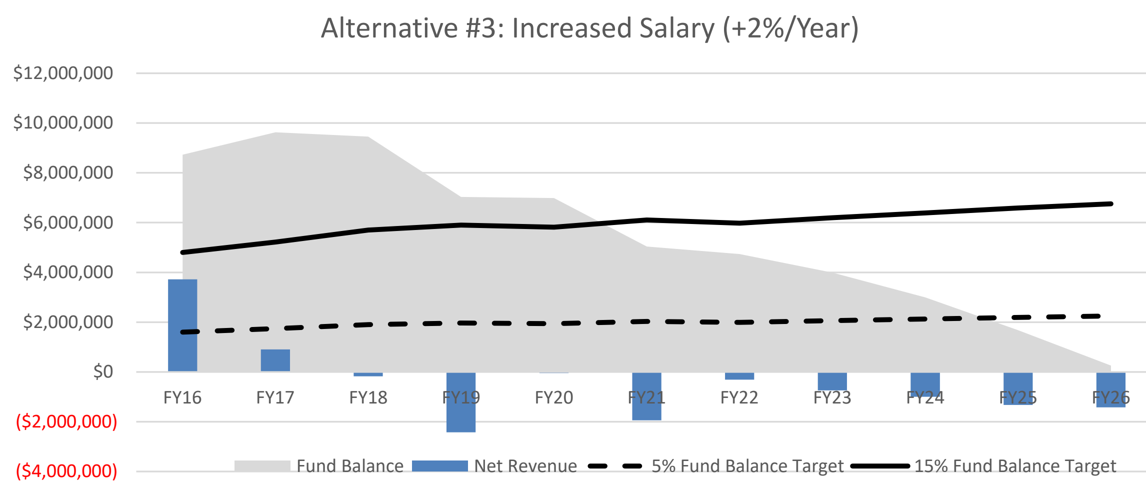




Alt. Forecast #3 | 2% COLA Adjustments

- Wages increased significantly FY18 & FY20
- Baseline salary increases do not assume increased COLAs
- **ASSUMPTION:** Plus 2% per year in salary Cost of Living Adjustment (COLA) *(Alt #1 but no other changes)*





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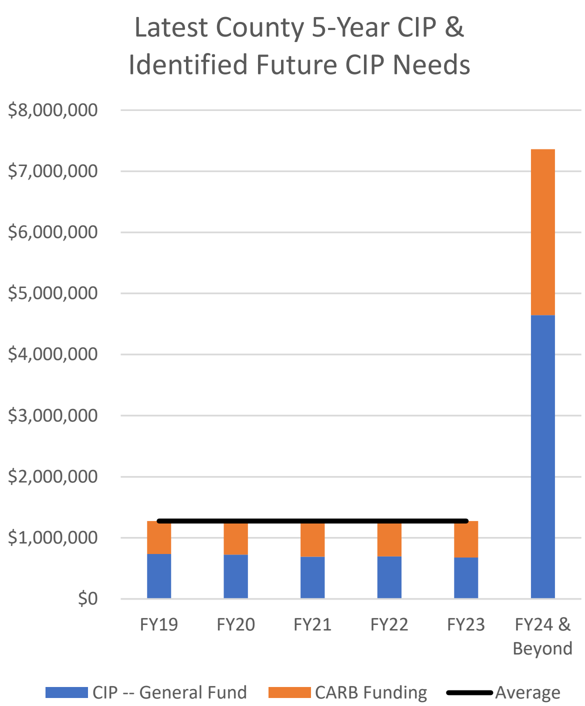
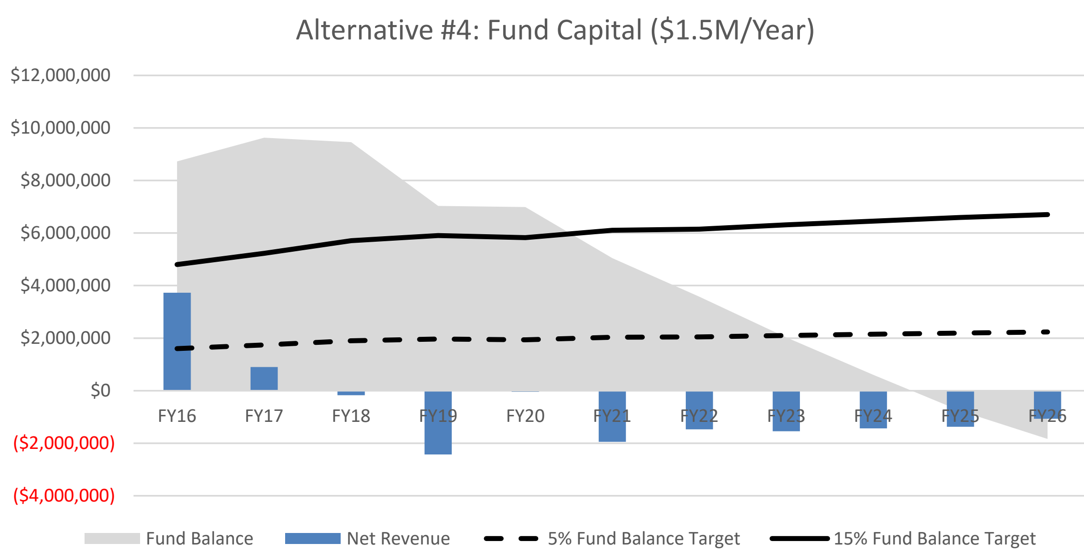
Alt. Forecast #4 | Fund Capital

- The County has significant and ongoing capital needs
- If funded by the General Fund (no grants or other sources), will cost the County over $1.5 Million per year. **ASSUMPTION**: Add $1.3 Million per year *(Alt. #1 but no other changes)*



Back down to $1M per year



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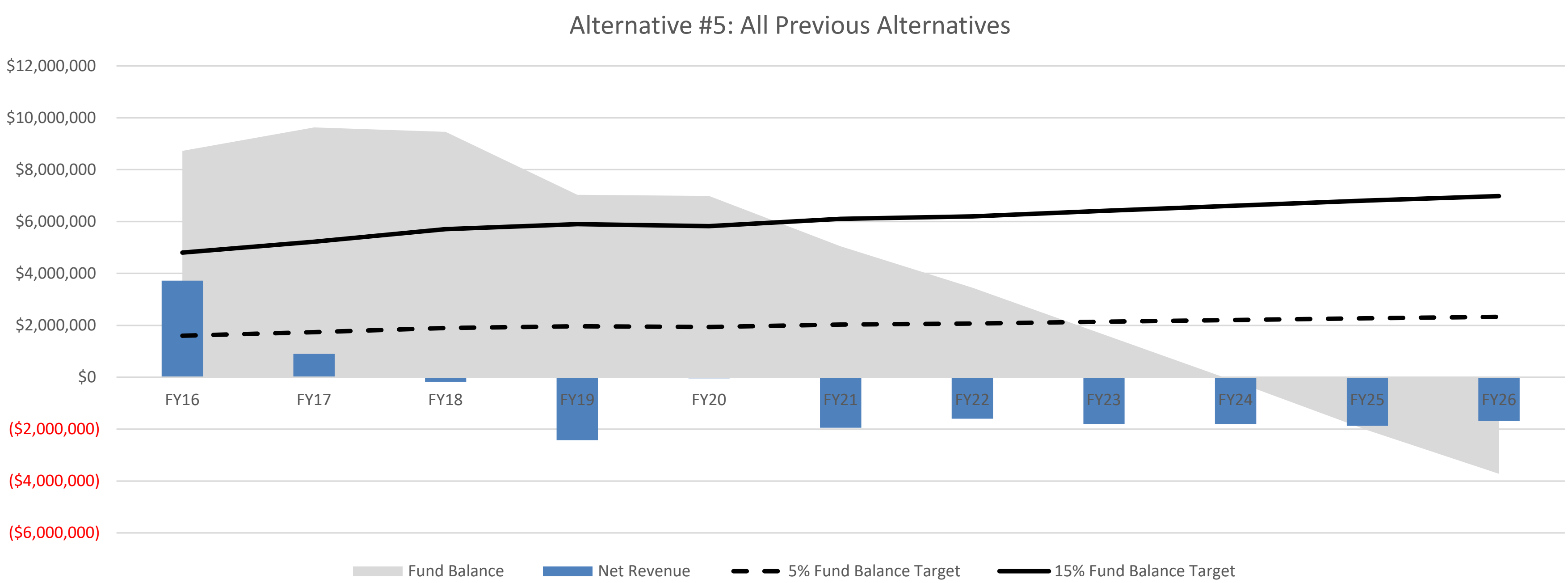
Alt. Forecast #5 | Alts #1 Through #4

- Even with better than forecast property tax and TOT, the County cannot both provided employee COLAs and fund capital needs over the next five years
- **ASSUMPTIONS:** Combine Alts. #1 - #4)



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Implications of Forecast

- County needs to ensure:
  - Employee compensation is affordable and competitive
  - Capital expenses/deferred maintenance is included in annual budget
  - Set-asides for other County investments are recognized and planned for
- Budget should be balanced each year between expected revenues and expenses
- Board should have policy on where to spend remaining revenues over expenses at the end of each fiscal year (e.g., deferred maintenance, increased reserves, etc.)
- Increased staffing or employee compensation expense should be evaluated on a multi-year basis

Long-term financial decisions should be made with a long-term budget forecast view