



COUNTY OF MENDOCINO  
BOARD OF SUPERVISORS  
501 Low Gap Road • Room 1090  
Ukiah, California 95482

September 21, 2004

To: The Citizens of the County of Mendocino

On September 21, 2004, the Mendocino County Board of Supervisors adopted its final budget for fiscal year 2004-2005. That budget, presented herein, will govern the financing of the county's services through June 30, 2005. Although the budget does contain continued funding and program reductions from the prior year that are worrisome to the Board members, it is the general belief of the Board of Supervisors that the budget represents the best allocation of funds and services for this difficult upcoming year.

This document identifies expenditure limits for county budget units and the special districts that are under the purview of the Board of Supervisors. It also includes revenue estimates for fiscal year 2004-2005 and other fiscal and narrative information relative to county operations. In the interest of clarity and comprehensiveness, organizational charts, graphics, and details on special purpose grants are included in this report.

This year the Board continued to face a number of significant financial challenges resulting from reduced levels of economic activity. Of particular notes were reduction in anticipated revenues generated from sales tax and State Motor Vehicle License fee subvention funds. While Mendocino County's financial condition continues to be affected by the local economy, it was further impacted by developments at the state level. While the County was pleasantly surprised to learn of the reinstatement of the Rural and Small County Law Enforcement Block Grant funds in the amount of \$500,000, funding from the State general fund to replace TANF funding for public safety operations of some \$250,000 and approximately \$500,000 in federal funding for the In Home Supportive Services Residual Program, overall we experienced an approximate loss of \$2.7 million in state funding for other local programs and services. Those most impacted were health and human services and transportation.

Of on-going concern to the Board of Supervisors is the action of the State Government to use Mendocino County, and other counties, as sources for "loans" from which to take sufficient money to balance its own budget. Each "loan" that the state extracted from Mendocino County will result in a reduction of local services until it is repaid. The combined total of un-reimbursed mandated program costs and funds borrowed by the state from Mendocino County equates to about \$2.4 million for this year. Despite strong language in the budget bills, and Constitutional Amendment 1A that will appear on the November 2004 statewide ballot, intended to ensure that counties will be made whole in the future, there are doubts about the state's ability to follow through on its promise and obligation to repay these loans. This concern is reinforced by the state's budget balancing through approximately \$17 billion in internal loans, bonds financing and accounting adjustments to support operational costs. The Board of Supervisors believes this presents a high risk factor to the state in future years and Mendocino County by extension.

Given the precarious nature of the local, state and federal economies, and the unpredictability of future state actions and their local impact, Mendocino County will take only a brief budgetary pause, and then begin planning for fiscal year 2005-2006. The Board of Supervisors has provided its staff with direction pertaining to its program priorities for next year. The greatest agreement among the Board members and their preferred strategies for balancing the County's budget is to review the organizational structure along with the practices and procedures of

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the County to evaluate options for creating financial savings while reasonably maintaining our customer services and the internal programs necessary to support those customer service activities. In addition, the Board intends to inventory the short-term budget balancing decisions over the past four years and set about re-establishing expenditures and reserves with sustainable financing sources.

Most importantly, the Board of Supervisors thanks all of those who have provided us with advice, consent, and criticism during the budget process and throughout the year. Public input is crucial to our efforts to make informed and responsible policy, planning, and program decisions. We value your interest and support as we endeavor to protect and advance the public interest with the backdrop of an uncertain local, state, and national economy.

Respectfully Submitted,

Hal Wagenet, Chairman  
Mendocino County Board of Supervisors