

County Administrative Officer's Budget Message



**COUNTY ADMINISTRATIVE OFFICE
MANAGEMENT & BUDGET TEAM
COUNTY OF HUMBOLDT**

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June 5, 2012

Board of Supervisors
Residents of Humboldt County of Humboldt

Subject: FY 2012-13 County Budget

Dear Board Members and Residents:

I am pleased to present Humboldt County's proposed budget for Fiscal Year (FY) 2012-13. I'd like to start by thanking County departments for their adaptability, perseverance and hard work in the process of developing the budget proposal before you today. I am consistently amazed by how department heads, managers and staff throughout the organization continue to find new ways of doing business to fulfill the commitment of developing a stable budget. I would like to thank our union partners for their willingness to make sacrifices for the long term sustainability of the County. I also want to thank the community and specifically the people that attended the budget workshops for their input and priorities as they relate to the County budget.

This year's budget cover shows a simple field of flowers on a spring day in Humboldt County. This photo reminds me of the resilience and sustainability of nature, the re-growth that occurs in spring and the promise and

County Administrative Officer's Budget Message

opportunity of the summer to come. These are all concepts that are applicable to the financial outlook of the County as we head into FY 2012-13.

Resilience and Sustainability

The field of flowers on the cover is an example of the resilience and sustainability of nature. The flowers are able to grow each year in an ongoing cycle of flower to seed, seed to flower. Their survival is dependant on their ability to adapt to changing resource and environments. The County must also adapt to changing resources to continue to provide the needed services and programs to our Community.

For FY 2011-12, the County's strategy was to align expenditures with available ongoing revenues to create a sustainable budget by resetting the General Fund base to 92% of the previous year's budget. Departments receiving General Fund allocations once again made difficult choices and sacrifices in an effort to achieve financial stability for the County.

Simplicity

Like the photo on the cover of a simple field of flowers, this budget is based on simplicity; ongoing revenues are balanced to ongoing expenditures. In past years the budget has been balanced utilizing various one-time fixes such as deferred costs, transfers, temporary loans and the use of fund balance. The FY 2012-13 budget is simply stated a status quo budget; there are no reductions to General Fund allocations proposed and there are very few augmentations.

Budget Proposal

The proposal before you now represents a County spending plan for FY 2012-13 totaling \$280,701,188. This is an increase of \$15,029,991, or 6%, from last year. Two funding sources contributed most significantly to this \$15 million increase: the Department of Health and Human Services budget increased by \$11 million due to increases in State and federal funding; the General Fund budget increased by \$8.8 million due to increases in

County Administrative Officer's Budget Message

grant programs, such as Proposition 84 implementation in the Natural Resources budget and Public Safety Realignment. These increases are balanced against two major decreases; the Roads Fund budget decreased by \$2.4 million due to reductions in Proposition 1B, stimulus and bridge replacement/repair projects; and the Economic Development budget decreased by almost \$5 million due to reductions in grant funding.

The County General Fund budget is increasing for the first time in three years. The proposed budget includes \$94,959,332 in General Fund appropriations - an increase of \$8,793,898, or 9.2%, from FY 2011-12. The General Fund is the County's major source of local revenues available to be spent on your Board's priority programs and projects. Of the total General Fund budget less than half or \$45,924,967 is from discretionary funding sources.

The proposed number of allocated positions for FY 2012-13 is 2,148.54. Of these, 1,956.92 are proposed to be funded (an increase of 15.45 full-time equivalent (FTE) positions from FY 2011-12). This increased number of funded positions is offset by 15.5 FTE in previously frozen positions which are recommended to be disallocated.

Departments submitted over \$3 million in supplemental requests. Unfortunately resources are available to fund only a small portion of these requests. After consultation with your Board's Budget Subcommittee, I am recommending funding \$230,475 in requests based on their alignment with the priorities of the community and the Board. This represents three requests: backfilling lost revenue in the Coroner's Office to prevent a layoff, a recruitment and retention campaign for public safety employees and funding to support a facility improvement project for the Public Defender.

Re-Growing

The lupines in the cover photo show how wild flowers re-grow each year. Nature's growth is bound by available resources, as is the County's. The re-growth of wild flowers is dependent upon the amount of spring rain. The proposed budget demonstrates that we are ready to start re-growing our financial resources. Unfortunately, due to limited resources we are limited to slow growth for this budget year.

First and most importantly, this budget proposes to contribute \$500,000 to our General Reserve. We reduced our

County Administrative Officer's Budget Message

General Reserve from \$3 million to \$250,000 over two fiscal years starting in FY 2009-10. In FY 2011-12 we were able to stop reductions and as hoped we are now ready to start re-growing our General Reserves in FY 2012-13. In accordance with Board policy, I must disclose to you that this amount is just one-tenth of the amount that should be in our General Reserve. Per policy, this should be between \$7.47 million and \$9.34 million. Even with this contribution, however, the total will only be \$750,000.

Second, this budget starts re-growing contributions to other County funds by \$181,624. This represents one-half of the FY 2011-12 reductions and will support County programs and services provided by other funds. In some cases this will allow the County to claim additional funds from State and federal grants thus leveraging local dollars.

Third, this budget begins re-growing funding for facility related expenses and includes a contribution to the Deferred Maintenance trust fund of \$153,650, which represents an increase of \$77,321 from FY 2011-12. While this is still well below the policy level of \$1.4 million, it does represent movement in a positive direction.

Fourth, the General Fund Contingency Reserve is proposed at \$1 million, an increase of \$150,000 from the adopted FY 2011-12 budget. Again, this is far lower than the policy level of \$5.6 million.

I recognize departments' desire for more re-growth; it was apparent in many of the objectives and supplemental funding requests that were submitted as part of the budget process. I wish I could offer more resources to departments to allow for increased services but unfortunately that is not an option at this time. The economic recovery has been very limited and revenue growth is anticipated to continue at a slow rate.

Opportunity & Promise

Spring is all about opportunity and promise. As the photo on the cover shows, it is a time when there is a mixture of rain and sun. Spring is when we can take a break from the bad weather and look forward to the warmer weather of summer. We are currently at a similar point in the economic cycle; things are better but not good. I would say that our employees are the opportunity and promise for the future for the County. Their willingness to

County Administrative Officer's Budget Message

work diligently to serve this community is what has kept our programs and services going through these difficult times.

I would like to take this opportunity to extend my sincere appreciation to everyone that makes Humboldt County a special place to live. A special thank you, to your Board for your support, to our community for their interest and involvement and to department heads and staff for their extraordinary effort and sacrifices during these challenging financial times. I would also like to extend my thanks for the tireless effort spent in preparing this budget to the staff of the Auditor-Controller's Office, and the Management & Budget Team of the County Administrative Office – Assistant County Administrative Officer Cheryl Dillingham, Administrative Services Manager Karen Clower, Executive Assistant Nanci Bryant and Fiscal Assistant Jim Hussey. Without them, this budget proposal simply could not have been completed.

Here's to the promise of the future,



PHILLIP SMITH-HANES
County Administrative Officer

Reader's Guide

Overview of the Humboldt County Budget for FY 2012-13

The total amount of Humboldt County's budget reflective of all County funds is \$280,699,188.

Of this \$280,699,188 the County's primary operating fund, the General Fund, accounts for \$94,957,332. Since many grant programs are included in the General Fund, the budget over which the Board of Supervisors has true discretion totals only \$47,495,634. This includes \$1,570,667 of carry-forward revenue and \$45,924,967 in current-year revenue. Thus, the primary decision-makers in setting County policy have effective control over a mere 17% of the total financial resources flowing through the County coffers.

This is reflected in the pie charts in the Trends and Graphs section, beginning on page A-21. A comparison of Chart I on page A-21 with Chart II on page A-22 reveals that Health & Human Services and Public Works account for almost two-thirds of the County's total budget, but only 11.7% of the discretionary General Fund spending. Many of these programs are simply mandated by State and federal authorities.

Board Adopted

The Board adopted the County budget with an increase of \$420,692, or 0.15%, for a total budget of \$281,121,880.

General Fund expenditures are \$94,982,332, an increase of \$23,000, or 0.02%, from the Proposed Budget.

Organization of the Budget Document

This budget contains the following sections:

Table of Contents

The Table of Contents is a quick reference to the page on which you can find specific sections of the budget.

County Administrative Officer's Budget Message

The County Administrative Officer is the official charged with presenting the annual budget to the Board of Supervisors for their consideration and adoption. His budget message provides an executive summary overview of Humboldt County's budget for FY 2012-13 and the reasoning behind the recommendations he made to the Board.

Reader's Guide

This section attempts to explain the budget in an easy-to-understand manner.

Budget Planning Calendar

This calendar provides a timeline for all proposed and final budget preparation and planning activities in narrative format.

Summary of Financial Policies

This is a summary of entity-wide processes and policies

Reader's Guide

concerning financial actions taken within the County during a fiscal year.

Revenue and Expenditure Descriptions

This section provides revenue and expenditure descriptions, as well as an overall financial schedule for the County of Humboldt, with revenue by type and expense by function. Financial information for the past three years is included as well as current year department requests and budget recommendations.

Trends & Graphs

This section includes a number of tables and graphical representations that help explain where the County's money comes from, where it goes, how County resources relate to other governments, and how these figures are changing over time.

About Humboldt County

Information about the County's location, population, economy, and government structure is presented, together with an organizational chart for the entire County government.

Directory of County Officials

This is a quick reference guide to "Who's Who" in Humboldt County government.

Budget Details

Each of the County's budget units or logical groupings of budget units is detailed as to revenues, expenditures, staffing levels, purpose of the budget, major budget

changes, accomplishments and objectives. For ease of reference, the budgets have been separated into six functional groups, separated by quick-reference tabs. Please refer to the Table of Contents or Index to find a specific budget unit or grouping.

Budget units are also aggregated at the level of County departments, with summary tables, mission and performance information, and organizational charts presented.

Personnel Allocation by Budget Unit

The Personnel Allocation table is a comprehensive listing of the specific job classifications and number of full-time equivalent staff allocated to each budget unit.

Capital Expenditures

The Capital Expenditures table is a comprehensive listing by budget unit of capital projects and fixed assets contained in the budget.

Budget Schedules

Budget Schedules provide detailed information on the proposed budget in a format mandated by the State County Budget Guide.

Funds

Each of the County's various operating funds is presented in a summary table which shows the fund balance and total expenditures and revenues.

Reader's Guide

Glossary of Budget Terms

To further assist the reader in understanding the budget, the Glossary contains definitions for commonly used budgetary terms.

Indices

Finally, for ease of reference, the budget detail sections of the document are indexed in two ways: alphabetically by name, and numerically by budget unit number.

Understanding the Budget Details

Heading

The page header for a budget will give the name of the budget unit or grouping, the budget unit number (for a single budget unit), and the department head responsible for administration of the budget.

Table

Each budget unit detail begins with a table which presents summary budget information, as follows:

Revenues Down the left side of the table, you will see the types of revenues on which this budget relies for support, including any contribution from the General Fund or the general revenues of another fund.

Expenditures Below the revenues are the categories of expenditure for the budget. This budget document does not detail each individual

line item of expenditure. This information is entered into the County's financial accounting software, and a paper copy is available by contacting the Clerk of the Board, but category-level presentation of expenditures provides sufficient detail for most purposes.

Staffing

The total number of allocated positions for the budget is presented. Additionally, extra help funding has been converted to full-time equivalent staffing to present a comprehensive picture of the staffing resources devoted to the budget.

Past Actuals

Moving to the right, the next four columns present the actual dollar or staffing figures achieved in each category at the end of each of the last four fiscal years.

Request

The next column to the right indicates the funding/staffing request that the department submitted for FY 2012-13.

Adopted

The next column provides the budget for FY 2012-13 adopted by the Board of Supervisors.

Increase/ (Decrease)

Finally, you will see a depiction of the difference between the funding/staffing for the budget unit in FY 2011-12 and that adopted for FY 2012-13.

Reader's Guide

Purpose

Following the table of budgetary information, information is provided as to the reason each budget unit or grouping exists and the services it provides.

Mission

Some budgets and departmental summaries will also present a mission statement.

Recommendations

Next, information is presented as to the major recommended changes in the budget from FY 2011-12 to FY 2012-13. The changes shown are intended to convey only the most significant increases or decreases from the prior year's budget.

Program Discussion

Following the recommendations, each budget will have a narrative which discusses what types of services the department or program provides, provides additional detail on major budget changes, describes new programs or the elimination of existing programs, including legislative changes affecting the budget unit, the prospects for future funding, etc.

Budget groupings will also contain briefer discussions of the specific budget units contained within the grouping, including the proposed expenditures for each individual budget unit.

2011-12 Accomplishments

2012-13 Objectives

Finally, to show what is gained by investment of resources in a budget unit or grouping, each budget lists several accomplishments achieved during FY 2011-12 and objectives planned for attainment in FY 2012-13. Wherever possible, these are linked to the Strategic Framework adopted by the Board of Supervisors.

Goals

Some departments also have long-term strategic goals that are broader in scope than the objectives they hope to accomplish within a single fiscal year. These are listed where applicable.

Performance Measures

Presented at the department level, these are a listing of quantifiable measures of performance. Information is presented as to why each measure is important and what it tells about the department's overall performance, as well as how these relate to the Board of Supervisors-adopted Strategic Framework.

Organizational Chart

Finally, at the department level, organizational charts are presented so that the reader gains an understanding as to the structure of each department.

Budget Planning Calendar

The Budget Calendar

Humboldt County's finances operate on a fiscal year (FY) that begins on July 1 and ends the following June 30. The proposed budget for FY 2012-13 was presented on June 5, 2012, and was adopted by the Board of Supervisors on June 26, 2012, following nearly a year of planning and preparation. Here is a brief overview of this process:

Quarterly Financial Reviews: The County Administrative Office worked with departments to review financial progress at the end of each of the first three quarters of FY 2011-12 (September 30, 2011; December 31, 2011 and March 31, 2012). The first quarter's report was presented on November 8, 2011, mid-year was presented on February 14, 2012, at which time the Board also adopted a tentative schedule for the FY 2012-13 budget process, and the third quarter report was presented on May 1, 2012.

This series of quarterly reports formed the basis for many of the assumptions about income and spending patterns that are incorporated in the FY 2012-13 budget. At the first quarter's report, the Board of Supervisors received a review of the FY 2010-11 budget and initial projections for the FY 2012-13 budget conditions. While working on the mid-year quarterly report, the CAO worked with the Information Technology Team to prepare salary and benefit projections. Internal Service Fund units prepared centralized cost allocations. At mid-year the Board of Supervisors also adopted a Strategic Framework to guide decision making on

the FY 2012-13 budget.

Preparation of Proposed Budget: On March 5, 2012, the CAO presented to departments the parameters for development of their FY 2012-13 budget requests. Departments submitted their requests to the CAO by April 6, 2012. The CAO reviewed budget and supplemental requests in April 2012.

Community Meetings: During the month of March members of the Board and CAO staff participated in four community budget meetings around the County. These meetings, which were attended by interested community members, provided valuable feedback to the Board and CAO regarding community priorities.

Department Presentations: From late March through mid-May, County departments were given the opportunity to present to the Board of Supervisors a review of their services, associated challenges and future plans.

Presentation of Budget: The CAO met with the Board's Budget Subcommittee in May 2012, to receive feedback on its proposals. On June 5, 2012, the CAO presented the proposed Humboldt County budget for FY 2012-13 to the Board of Supervisors.

Adoption of Budget: Public hearings on the proposed budget were held on June 11, 2012. The final budget was adopted on June 26, 2012.

Summary of Financial Policies

Overview of Financial Policies

Budgetary decisions are guided by a number of policies and principles. Here are brief explanations of some of the more important ones.

County Budget Act

California Government Code Sections 29000 through 30200, as applied through rules issued by the Office of the State Controller, provide the legal requirements pertaining to the content of the budget, budget adoption procedures and dates by which action must be taken.

Administrative Manual

Adopted by the Board of Supervisors, the County's Administrative Manual provides overall direction for many facets of daily life in County government. Two sections of the Administrative Manual are particularly relevant to the budget process:

Section B-1-1, last revised on September 6, 2005, prescribes **Budget Adjustment Procedures**. These are the rules for budgetary level of control; for example, transferring budgeted funds from one expenditure line or category to another and for adopting supplemental budgets. This policy states:

1. Transfer within object accounts must be approved by the Auditor-Controller.

2. The County Administrative Officer and Auditor-Controller can approve transfers between object accounts.
3. The Board of Supervisors approves increases in a budget unit's total appropriations and transfers from one budget unit and/or fund to another.
4. The County Administrative Officer and Auditor-Controller can approve the establishment of a fixed asset account for purchases under \$10,000. The Board of Supervisors would approve the establishment of a fixed asset account for purchases over \$10,000.
5. "Fixed Asset" means a piece of furniture or equipment with a lifespan in excess of one year and a purchase cost in excess of \$1,200.
6. Transfer to/from Contingency Reserve must be approved by the Board of Supervisors by 4/5 vote.

Section E-2-7, last revised July 13, 2004, is the County's **Procedure for Grant Applications**. Many County departments rely heavily on grant revenues to support their operations.

Financial Policies

In addition to the Administrative Manual, many other Board actions have an impact on the budget. Examples of these include:

Summary of Financial Policies

Board Policy on a Balanced Budget

On October 7, 2008, the Board adopted a policy to control expenses in such a manner that department budgets are not expended above the levels that are appropriated in the annual budget or beyond that which the County has the funds to pay.

The following will guide how a balanced budget will occur:

- The annual budget is an operational, fiscal, and staffing plan for the provision of services to the residents of the County. Therefore, the County and its departments shall endeavor to annually adopt a balanced budget as a whole, where expenditures do not exceed current available revenue sources.
- In the event, due to unforeseen circumstances, a balanced budget cannot be adopted, a four-fifths vote of the Board of Supervisors is required to adopt an unbalanced budget.
- Recurring expenses may not exceed recurring revenues.
- The use of available fund balance shall be limited to one-time only expenditures and is generally earmarked to support capital projects, fixed asset purchases and the acquisition of communications and computer systems.
- New and/or expanded unrestricted revenue sources will first be applied to support or restore existing County programs prior to funding new or non-County programs.

Expansion of existing programs is possible, with the availability of sufficient funds to meet the needs of existing programs.

- One-time revenues will only be used for one-time expenditures.
- The County Administrative Officer shall coordinate the implementation of this policy. The CAO shall hold department heads responsible for over-expended budgets pursuant to Government Code Section 29121, “Except as otherwise provided by law, obligations incurred or paid in excess of the amounts authorized in the budget unit appropriations are not a liability of the county or dependent special district, but a personal liability of the official authorizing the obligation.” The CAO will work with all departments to establish balanced operating budgets.

Board Policy on Contingencies and Reserves

On October 7, 2008, the Board adopted a policy to hold funds in reserve for cash flow purposes, revenue shortfalls, unpredicted one-time expenditures, and capital expenditures. These cash reserves include but are not limited to: Library Contingency; Roads Contingency; General Fund Contingency; General Reserve; and Deferred Maintenance.

The General Fund Contingency will be budgeted at a minimum of six percent of the County’s total General Fund revenues on an annual basis. In the event that the General Fund Contingency is less than six percent of the County’s total General Fund revenues, at the time the budget is adopted, the County Administrative

Summary of Financial Policies

Officer must identify and report on the specific circumstances that have lead to less than six percent in the General Fund Contingency.

The below bullet points contain the allocation criteria for when the Contingency Reserve may be used to support one-time costs:

- When the County is impacted by an unanticipated reduction in State and/or federal grants and/or aid.
- When the County faces economic recession/depression and the County must take budget actions before the beginning of a fiscal year.
- When the County is impacted by a natural disaster.
- When the County is presented with an unanticipated or unbudgeted expense that is necessary for the delivery of local services.
- When the County is affected by known future events with unknown fiscal ramifications that require the allocation of funds.

The General Reserve shall target a balance of between eight and ten percent of the County's total General Fund revenues. Government Code Section 29085 gives the Board of Supervisors authority to determine reserve contributions. In the event that the General Reserve contribution has been decreased or increased from the prior year's contribution, at the time the budget is adopted, the County Administrative Officer must

identify and report on the specific circumstances that have lead to an increase or decrease in the General Reserve.

The General Reserve will be used to support the following:

- Essential cash flow for County operations during the first six months of the fiscal year until property tax payments are collected in December.
- Extraordinary expenditures due to unforeseen events that exceed the capacity of appropriated funds, including the Contingency Reserve.

Board Policy on Budget Responsibility

Adopted on September 9, 1997, this policy assigns responsibility for expenditure and revenue tracking to individual departments, with revenue projection support provided by the Auditor-Controller.

Board Policy on Deferred Maintenance Funding

Board Policy adopted on October 7, 2008, states the Deferred Maintenance Fund shall receive an annual contribution of five percent of the total deferred maintenance costs. The Deferred Maintenance Fund will be used to support costs for capital improvements to County owned facilities. The Deferred Maintenance Fund can be accessed for maintenance needs identified in the Facilities Master Plan, brought to the Board of Supervisors on July 8, 2008, and items identified and recommended by County Public Works staff.

In the event that the Deferred Maintenance contribution is less

Summary of Financial Policies

than five percent of the County's total deferred maintenance costs, at the time the budget is adopted, the County Administrative Officer must identify and report on the specific circumstances that have lead to a less than five percent contribution.

Debt Policy

The County has not adopted a formal policy on debt.

County Fee Schedule

Updated annually (last on August 28, 2012), the fee schedule provides a structure and methodology to support County departments in recovery of the full cost of services provided.

Strategic Framework

On February 14, 2012, the Board of Supervisors adopted the following Focus Statement, Core Roles and Strategic Priorities for use in future budget decisions.

OUR FOCUS:

To Promote a Safe, Healthy, Economically Vibrant Community

CORE ROLES:

- Enforce laws and regulations to protect residents

- Ensure proper operation of markets
- Create opportunities for improved safety and health
- Encourage new local enterprise and ensure proper operation of markets
- Support business and workforce development
- Protect vulnerable populations

STRATEGIC PRIORITIES:

Provide our core services in ways that:

Match service availability with residents' needs

- Provide community-appropriate levels of service
- Promote self reliance of citizens

Safeguard the public trust

- Manage our resources to ensure sustainability of services
- Invest in County employees
- Invite civic engagement and awareness of available services

Make proactive decisions to:

Partner to promote quality services

- Foster transparent, accessible, welcoming and user friendly structures
- Seek outside funding sources to benefit Humboldt County needs
- Facilitate public/private partnerships to solve problems
- Build interjurisdictional and regional cooperation

Be an effective voice for our community in areas outside traditional mandates

- Advance local interests in natural resource discussions

Summary of Financial Policies

- Engage in discussions of our regional economic future
- Engage new partners

In both core services and proactive decisions, seek to:

Engage and influence issues of statewide concern

Other Budget Principles

Beyond formal actions of the Board of Supervisors, County staff employs a series of principles to guide decision-making on budgetary matters. These include:

- Remain adaptive and ready to act with the changing economic and financial environment. This will require close monitoring of the State and federal budget(s).
- Follow reductions imposed by the State and federal governments to specific programs.
- Protect local sources of revenue.
- Commit to realistic financial planning and budgeting, and not use loans and inflated revenue figures.
- Focus and direct financial and human resources toward core purposes and services.
- Although strategies may be designed to address our financial challenges “across the board,” departments recognize that it is unlikely that equity can be achieved.

There will be winners and losers in the budget balancing process.

- Maintain a strong financial and core asset foundation.
- Continued focus on program restructuring as prudent and necessary given the instability of the County General Fund, declining revenues and increasing costs.

Specific Guidelines for FY 2012-13

These are the specific guidelines released to departments on March 5, 2012, to guide development of the FY 2012-13 budget:

- Departments which receive a General Fund contribution were required to submit a status quo budget for FY 2012-13. General Fund allocations were set at FY 2011-12 adopted net budgets plus increased benefit and insurance costs.
- Supplemental requests will be accepted and considered based on available funding and consistency with Board’s Strategic Framework.
- Non-General Fund Budget units that do not receive a General Fund allocation must submit budget requests that balance to their revenue estimates.

Description of Revenues

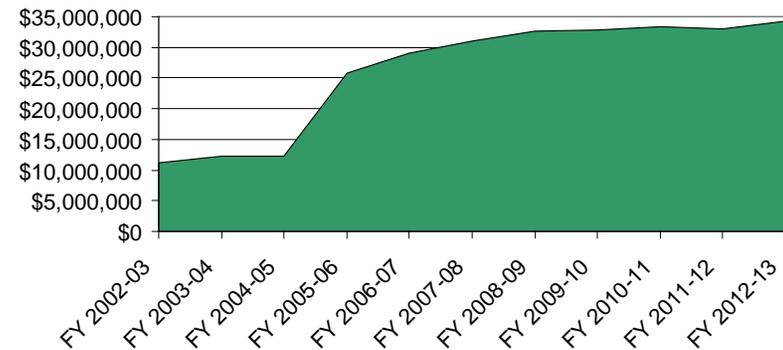
Major Revenues

Revenues that the County receives are generally broken into seven categories according to the source of the revenue. You will see these categories reflected in the chart on the first page of the detail for each budget unit or grouping in this budget book, as well as in the summary table of revenues for all funds on page A-19. The categories are: taxes; licenses and permits; fines, forfeitures and penalties; use of money and property; revenue from other governmental agencies; charges for current services; and other revenues.

Taxes are the County's portion of funds paid by the general populace for general support of governmental institutions. Examples include property taxes paid on a home or business, retail sales taxes paid when making purchases on most non-food goods, and franchise fees that utilities pay for use of public rights-of-way and pass along to consumers on their utility bills.

Taxes are the largest source of discretionary revenue to the General Fund. In particular, Property Taxes generate the most tax revenue. Property tax is imposed on real property and tangible personal property. Since the passage of California Proposition 13, the tax is based on either a 1% rate applied to the 1975-76 assessed value of the property, or on 1% of the sales price of the property on sales transactions and construction which occur after the 1975-76 assessment as inflated by the lesser of 2% or the Consumer Price Index (CPI). The County is the property tax administrator for local cities and special districts with taxing authority.

General Fund Property Tax

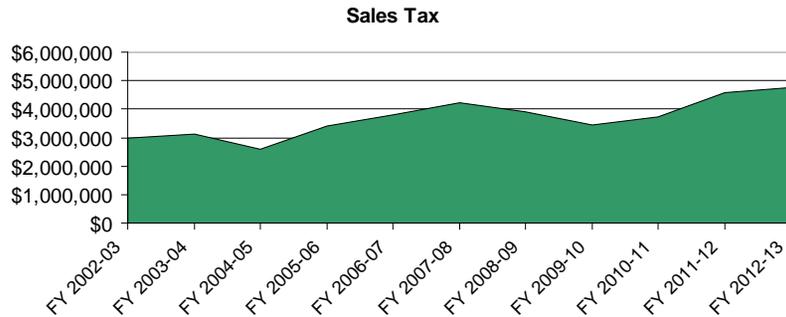


Due to Proposition 57, "Triple Flip" property tax in lieu of sales tax and vehicle license fee swap, property tax doubled in FY 2005-06. Overall, property tax revenues for FY 2012-13 are estimated to increase by 2% based on current trends and the CPI factor issued by the State Board of Equalization for current secured property tax.

The State wide sales tax rate is currently 7.25%. Of that amount 1% is considered the local sales tax. Each local entity receives 0.75% for general operations (for the County, this is only on sales in the unincorporated area) and 0.25% goes to the State's Fiscal Recovery Fund as part of the "Triple Flip". The remaining 6.25% is the State's portion. The State General Fund receives 3.9375% and 2.3125% is returned to counties for specified purposes: 0.50% for Proposition 172 local public safety; 0.50% for 1991 realignment; 0.25% for local transportation; and 1.0625% for 2011 realignment. Some local cities have an optional local sales tax rate above the 7.25%. The County does not have a local option tax and receives no

Description of Revenues

revenue from these city option taxes.



The Transient Occupancy Tax (TOT) (Hotel, Motel, or Bed Tax) is authorized under State Revenue and Taxation Code Section 7280, as an additional source of non-property tax revenue to local government. This tax is levied in Humboldt County at a rate of 10% for accommodations at lodging facilities in the unincorporated areas of the County.

TOT funds are discretionary, in that the Board of Supervisors may direct use of these funds for any legitimate county expense. The tax code does not require any specific use of the TOT Funds. The Humboldt County Board of Supervisors has established a policy that the funds raised from this tax will be used, in part, to finance advertising and promotional activities for Humboldt County.

Timber Yield Tax is a tax in lieu of ad valorem property taxes on timber paid by timber owners when they harvest their timber. The timber yield tax rate is currently 2.9 percent. The amount of tax is calculated according to the volume of timber harvested, the established value for the species harvested, and

the tax rate.

Overall taxes represent approximately 18% of total County revenues, while representing 92% of the County's discretionary resources for the General Fund.

Licenses and permits are fees paid for necessary governmental permission to take an action. Examples include licenses to keep a dog or operate a business, permits for encroaching on public property, and marriage licenses.

Fines, forfeitures and penalties are funds collected as punishment for taking an improper action. These include fees paid to undergo alcohol or drug counseling as a result of a conviction, impound fees for stray dogs, and various court fees.

Use of money and property is revenue derived from governmental assets, including interest on investments of County money prior to its expenditure and rentals derived from County real property.

Other governmental agencies revenue consists of transfers from State and federal programs. This includes both tax revenue passed through other governments to the County on a formula basis (such as the highway users tax on gasoline sales or the portion of state sales tax devoted to local law enforcement) and grants from other governments for the County to carry out a specific program (such as Temporary Assistance to Needy Families revenue to provide welfare payments to indigent County residents).

Description of Revenues

Charges for current services are fees levied for services provided by a particular department, whether to another County department, to another governmental entity, or to the public. Examples include elections fees to cities and special districts, land use project fees charged to developers, and laboratory fees to Public Health customers.

Other revenues consist of a variety of revenue sources not included in the above categories. These include outright sales of County property, transfers between County funds made by policy rather than as payment for a specific service, and private donations in support of particular County programs.

Summary of Revenue for All Funds

	2008-09 Actual	2009-10 Actual	2010-11 Actual	2011-12 Actual	2012-13 Adopted	Increase/ (Decrease)
Revenues by Type						
Taxes	\$47,652,379	\$49,144,721	\$48,532,136	\$49,390,312	\$49,922,177	\$1,358,390
Licenses & Permits	1,520,317	1,618,600	1,741,422	1,715,165	1,771,805	(75,562)
Fines, Forfeits & Penalties	2,800,601	2,132,924	2,169,841	2,051,195	2,283,027	174,248
Use of Money & Property	1,275,035	562,142	347,852	344,211	280,800	(26,500)
Other Gov't Agencies	143,720,192	149,759,220	159,512,248	147,157,504	184,975,773	14,598,283
Charges for Services	33,402,233	36,699,408	24,776,341	28,111,264	27,201,212	2,041,609
Other Revenues	9,645,711	12,456,600	7,147,926	6,824,335	8,246,287	(4,115,531)
Total Revenues	\$240,016,468	\$252,373,615	\$244,227,766	\$235,593,986	\$274,681,081	\$13,954,937

Description of Expenditures

Major Expenditures

Most budget units contain up to five categories of expenditures, which are also reflected on the chart for each budget unit detail. These categories are: salaries and employee benefits; services and supplies; other charges; fixed assets; and expense transfers.

Salaries and employee benefits are the costs for employing permanent and extra help workers to conduct County business.

Supplies and services include the bulk of non-salary expenses, ranging from insurance and utilities to office supplies to contracts with outside professionals.

Other charges consist of a number of different expenditures not included in the categories above, including support for persons (such as assistance payments), payments on County debt, contributions to non-County agencies, and payments from one County fund to another.

Fixed assets are expenditures for long-term capital outlays with an expected life in excess of one year and an initial value in excess of \$1,200.

Expense transfers are used to make payments from one budget unit to another within the same fund type.

Expenditures are classified by function as well as by category. The eight functions are general government; public protection; public ways and facilities; health and sanitation; public

assistance; education; recreation and cultural services; and debt service. These functions are defined by rules set by the State Controller and differ from the tabs used to organize this budget book for easy public reference, which are broken along County department lines.

According to the State Controller definitions, **General Government** consists of legislative and administrative, finance, counsel, personnel, elections, communication, property management, plant acquisition, promotion, and other general functions of government. **Public protection** consists of judicial, police protection, detention and correction, fire protection, flood control and soil and water conservation, protection inspection, and other protection functions. The **public ways and facilities** function includes public ways (roads), transportation terminals, transportation systems, and parking facilities. **Health and sanitation** consists of health, hospital care, California Children's Services, and sanitation. **Public assistance** includes administration, aid programs, general relief, care of court wards, veterans' services, and other assistance functions. **Education** functions in County government include libraries and agricultural education. **Recreation and cultural services** functions are recreation facilities, cultural services, veterans' memorial buildings, and small craft harbors. **Debt service** includes retirement of long-term debt, interest on long-term debt, and interest on notes and warrants.

The numbering system for County budget units generally follows this function classification, with 100 series budget units consisting of general government functions such as the Board of Supervisors, 200 series budget units being public

Description of Expenditures

protection functions such as Juvenile Hall, 300 series units including public ways and facilities functions such as Roads, 400 series budget units consisting of health and sanitation functions such as Solid Waste, 500 series units being public assistance functions such as Social Services, 600 series units

including education functions such as Cooperative Extension and 700 series budget units consisting of recreation and cultural services functions such as the Bicycle and Trail ways Program. The chart of countywide expenditures on below uses this functional breakdown.

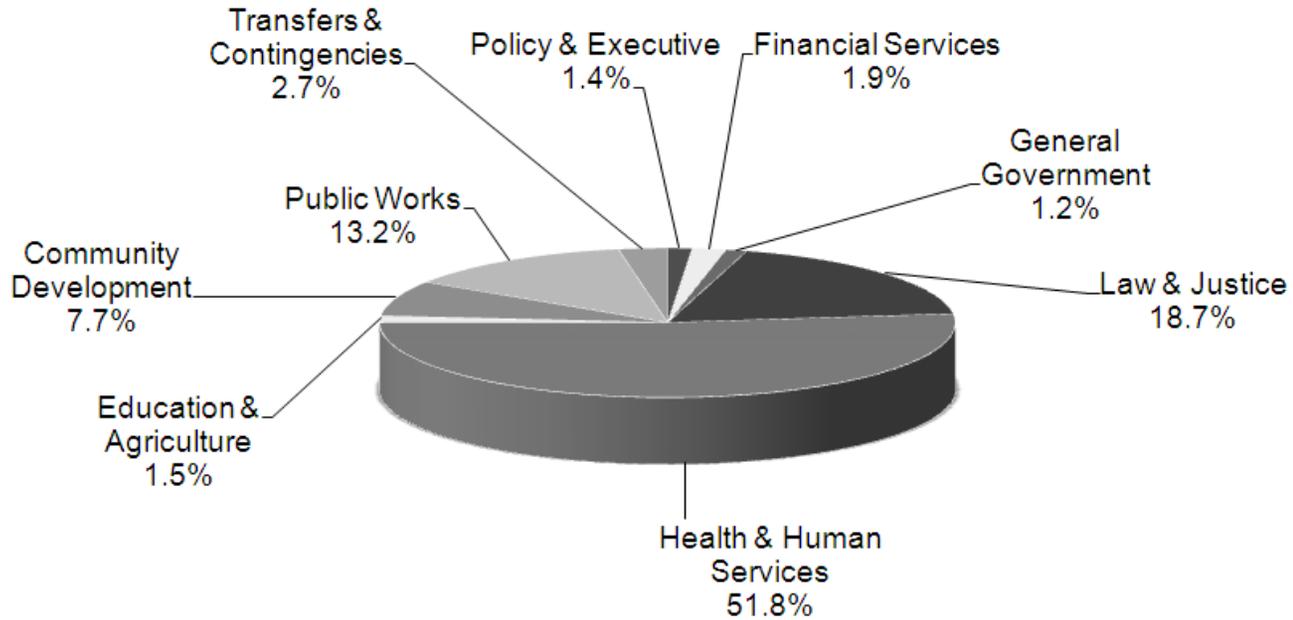
Expenditures by Function in All Funds

	2008-09 Actual	2009-10 Actual	2010-11 Actual	2011-12 Actual	2012-13 Adopted	Increase/ (Decrease)
Expenditures by Functions						
General Government	\$30,867,265	\$33,204,373	\$31,644,917	\$25,176,909	\$23,323,632	(\$2,912,302)
Public Protection	63,667,667	61,467,311	62,177,278	62,561,107	74,205,222	7,325,127
Public Ways & Facilities	22,735,726	20,601,338	17,027,285	23,301,971	28,962,832	(2,370,569)
Health and Sanitation	55,743,418	55,416,720	47,215,279	47,285,063	54,715,703	3,031,885
Public Assistance	74,219,027	78,253,855	71,942,855	71,963,001	91,367,889	9,468,139
Education	3,360,966	3,233,720	3,271,918	3,249,481	3,374,474	82,271
Recreation & Cultural Services	723,349	1,318,939	1,762,705	603,546	1,257,942	476,946
Transportation Services	1,447,733	1,672,107	2,049,310	2,146,258	2,134,186	34,186
Reserve & Contingencies	0	0	0	0	1,780,000	315,000
Total Expenditures	\$252,765,151	\$255,168,363	\$237,091,547	\$236,287,337	\$281,121,880	\$15,450,683

Trends and Graphs

Expenditure by Operational Grouping - All Funds

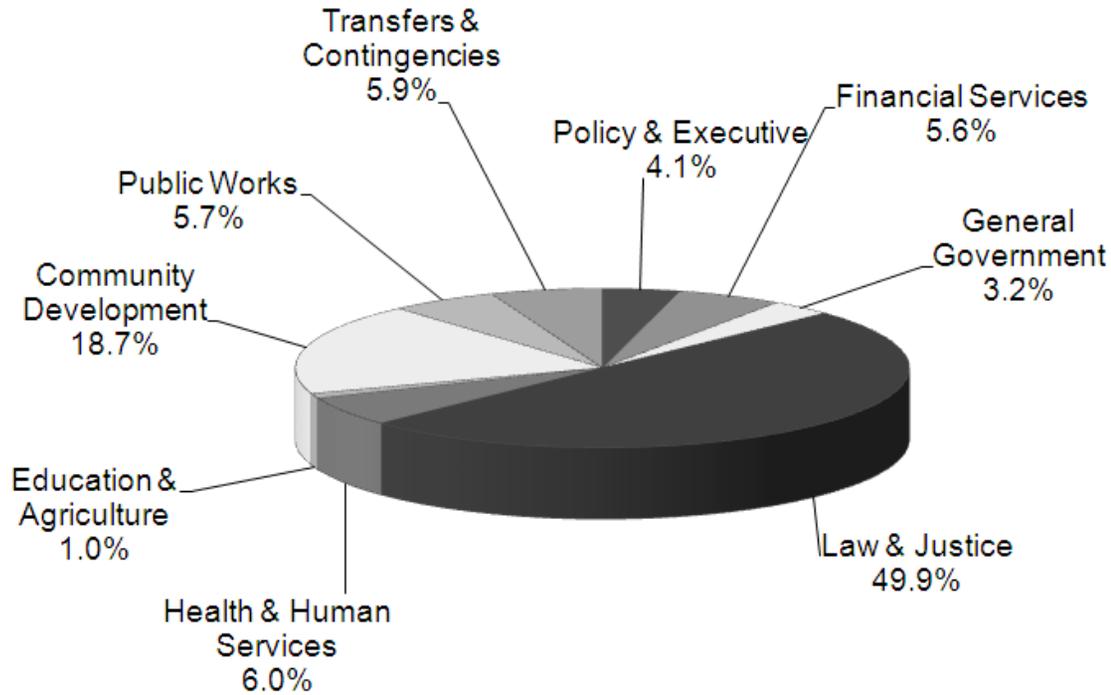
The adopted FY 2012-13 budget of \$281,121,880 is expended in the operational groupings shown on **Chart I**.



Trends and Graphs

County General Fund Breakdown by Operational Groupings

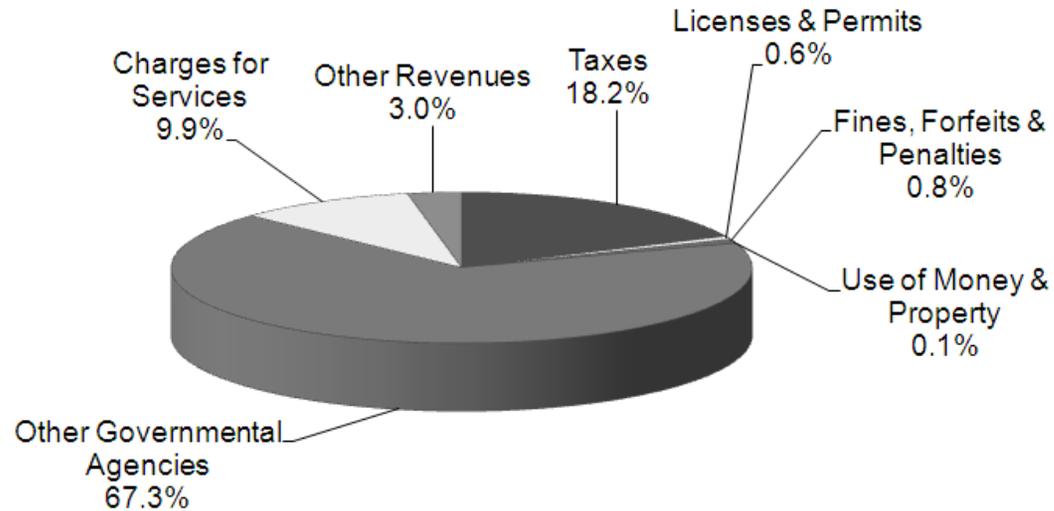
The total distribution of \$94,982,332 in County General Fund expenditures only is illustrated in **Chart II**.



Trends and Graphs

Revenue by Source - All Funds

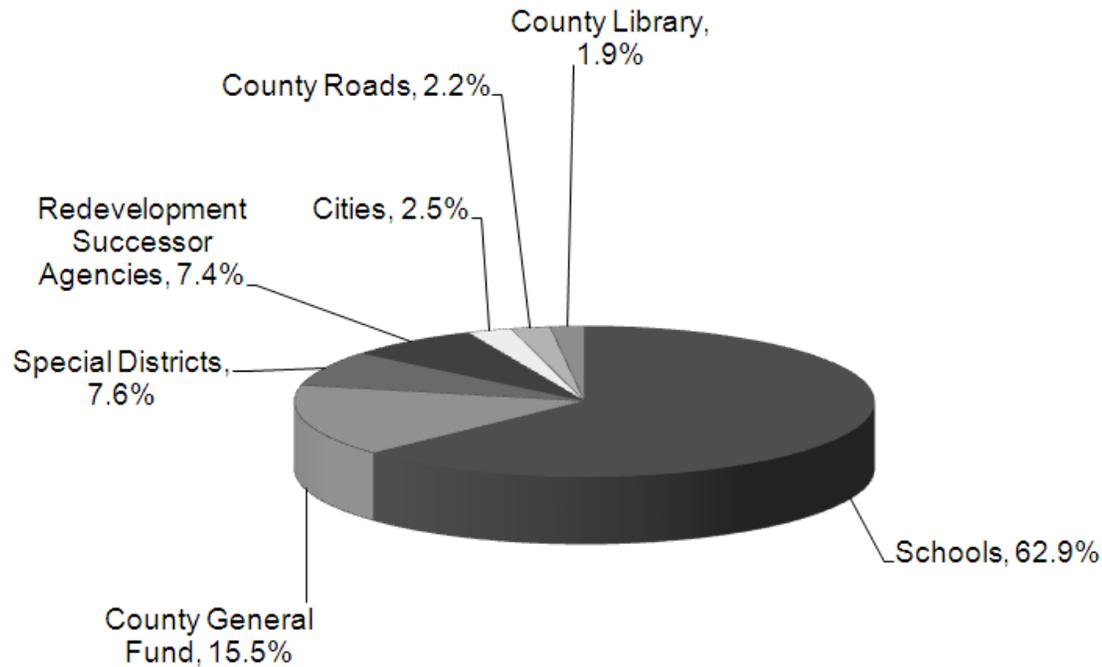
Humboldt County's total FY 2012-13 budget for current revenue is \$274,681,081 and is obtained from the revenue sources shown in **Chart III**. The balance of funds necessary to support expenditures, \$6,300,799 is derived from fund balances and prior year receivables.



Trends and Graphs

Property Tax Distribution

Although the County assesses, collects and administers property taxes, each dollar of property tax paid by a Humboldt County landowner is shared with various governmental jurisdictions. Almost two-thirds of every property tax dollar benefits school districts as illustrated in **Chart IV**.



Trends and Graphs

Geographical Distribution of Property Taxes and Services

Humboldt County has been divided into three sections for this discussion: **North** – McKinleyville, North and East; **Central** - Rio Dell up to Arcata and **South** - South of Rio Dell.

Property Taxes by Area

	<u>General Fund</u>	<u>Roads Fund</u>	<u>Library</u>	<u>Total County</u>	<u>Percentage Rev.</u>
North	\$3,653,557	\$521,937	\$450,763	\$4,626,257	21.1%
Central	\$11,855,788	\$1,693,684	\$1,462,727	\$15,012,199	68.4%
South	\$1,835,858	\$262,265	\$226,502	\$2,324,626	10.6%
Total	\$17,345,203	\$2,477,886	\$2,139,993	\$21,963,082	100%

Expenditures by Area

Sheriff patrol budget by area:

	<u>Sheriff</u>	<u>Percentage</u>
North	\$3,362,694	41%
Central	\$3,429,255	42%
South	<u>\$1,344,580</u>	<u>17%</u>
Total	\$8,136,529	100%

Road maintenance budget by area:

	<u>Roads</u>	<u>Percentage</u>
North	\$370,000	41%
Central	\$220,000	25%
South	<u>\$304,087</u>	<u>34%</u>
Total	\$894,087	100%

Trends and Graphs

Park maintenance and operation budget by area:

	<u>Parks</u>	<u>Percentage</u>
North	\$121,727	30%
Central	\$130,908	32%
South	\$151,963	38%
Total	\$404,598	100%

Hours of Library operation by area:

	<u>Library</u>	<u>Percentage</u>
North	111	39%
Central	140	49%
South	<u>35</u>	<u>12%</u>
Total	286	100%

Estimated budget for providing outstation and outreach services by area:

	Department of Health & Human Services			<u>Percentage</u>
	<u>Mental Health</u>	<u>Public Health</u>	<u>Social Services</u>	
North	\$343,194	\$260,840	\$209,554	33%
Central	\$311,624	\$110,566	\$240,591	38%
South	<u>\$500,121</u>	<u>\$185,018</u>	<u>\$185,018</u>	<u>29%</u>
Total	\$1,154,939	\$556,424	\$635,163	100%

About Humboldt County

History

Humboldt County, named to honor the German explorer and naturalist Baron Alexander von Humboldt, was incorporated from part of Trinity County in 1853 and enlarged in 1875 with the addition of the area formerly known as Klamath County.

Geography

Humboldt County is located on California's northern Pacific Coast. The southern border of the County is located 200 miles north of San Francisco, the closest major metropolitan city. The County is bordered on the north by Del Norte County, on the east by Siskiyou and Trinity counties, on the south by Mendocino County and on the west by the Pacific Ocean. The County encompasses 2.3 million acres, 80 percent of which is forestlands, protected redwoods and recreation areas. The region is primarily mountainous, except for a plain surrounding Humboldt Bay where the area's largest urban centers are located.

U.S. Highway 101 links the County to the rest of coastal California to the south and the Oregon Coast to the north. Highway 299 links the County to Interstate 5 to the east. The County's regional airport in McKinleyville has daily flights to San Francisco and Sacramento.

Climate

Humboldt County is an area of moderate temperatures and considerable precipitation. Temperatures along the coast vary only 10 degrees from summer to winter, although a greater range is found over inland areas. Temperatures of 32 degrees or lower are experienced nearly every winter throughout the area, and colder temperatures are common in the interior. Maximum readings for the year often do not exceed 80 on the coast, while 100 degree plus readings occur frequently in the mountain valleys.

In most years, rainfall is experienced each month of the year, although amounts are negligible from June through August. Seasonal totals average more than 40 inches in the driest area, and exceed 100 inches in the zones of heavy precipitation. Because of the moisture and moderate temperature the average relative humidity is high. Largely as a result of the proximity to the cool Pacific Ocean, the adjoining coastal area has one of the coolest, most stable temperature regimes to be found anywhere. With increasing distance from the ocean, the marine influence is less pronounced, and inland areas experience wider variations of temperature and lower humidity.

The climate has several impacts on local economic development. In the winter months when the rain is its heaviest, employment is at its lowest. Early morning and late afternoon fog is also present along the coastline for parts of the year, which can hamper air travel.

About Humboldt County

Scenery

The climate is ideal, however, for growth of the world’s tallest tree: the coastal redwood. Though these trees are found from southern Oregon to the Big Sur area of California, Humboldt County contains the most impressive collection of *Sequoia sempervirens*. The County is home to Redwood National and State Parks, Humboldt Redwoods State Park (The Avenue of the Giants), and a number of other groves of these magnificent trees.

Humboldt County also contains more than 40 parks, forests, reserves and recreation areas, numerous beaches, six wild and scenic rivers, and an impressive collection of Victorian structures from the early days of County history. The County has been judged “America’s Most Scenic Rural County” by the U.S. Department of Agriculture, and was named “One of the World’s Top Ten Great Places” by *National Geographic Traveler* magazine.

Population

The 2010 Census population of Humboldt County was 134,623. According to the California Department of Finance, the population as of January 1, 2011, was 135,263.

The County has seven incorporated cities ranging in size from 368 to 27,283 persons. Slightly less than half of the County’s residents live in incorporated communities, while 54 percent of County residents live in the area surrounding Humboldt Bay. This area includes the cities of Arcata,

Eureka, Ferndale, and Fortuna, and the unincorporated community of McKinleyville.

Education

Humboldt County is home to two major institutions of higher education. Humboldt State University, a campus of the California State University system, is located in Arcata. College of the Redwoods, the community college for California’s North Coast, has a campus south of Eureka and instructional sites in downtown Eureka, Arcata, McKinleyville, Hoopa and Garberville.

Employment

According to the Labor Market Information Division of California’s Economic Development Department, the largest employment sectors in Humboldt County as of January 2012 are:

Government	30.2%
Trade, Transportation & Utilities	19.3
Educational & Health Services	14.1
Leisure & Hospitality	10.9
Professional & Business Services	5.9
Manufacturing	4.3
Financial	3.5
Construction	3.7

About Humboldt County

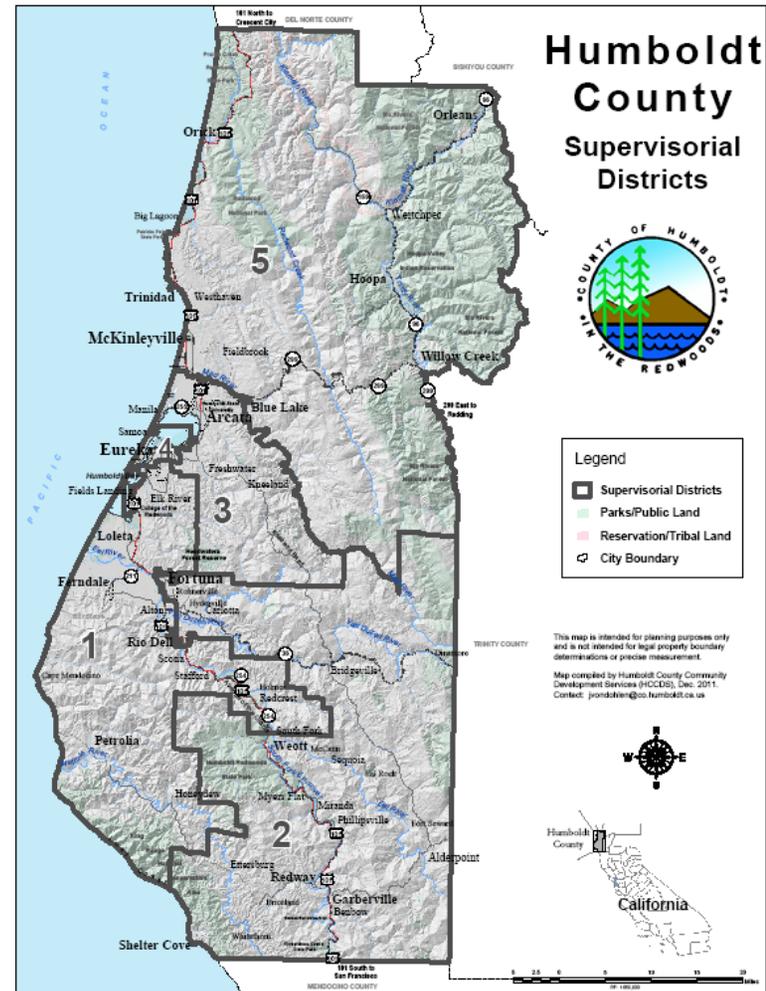
Government

The County is governed by a five-member Board of Supervisors, elected by district for four-year terms. The County Administrative Officer manages the activities of the County's departments and the County Counsel provides legal counsel to the Board of Supervisors and departments. Both officers are hired by and directly responsible to the Board of Supervisors. Other Elected Officials include the Assessor, Auditor-Controller, Clerk-Recorder, Coroner, District Attorney, Sheriff, and Treasurer-Tax Collector.

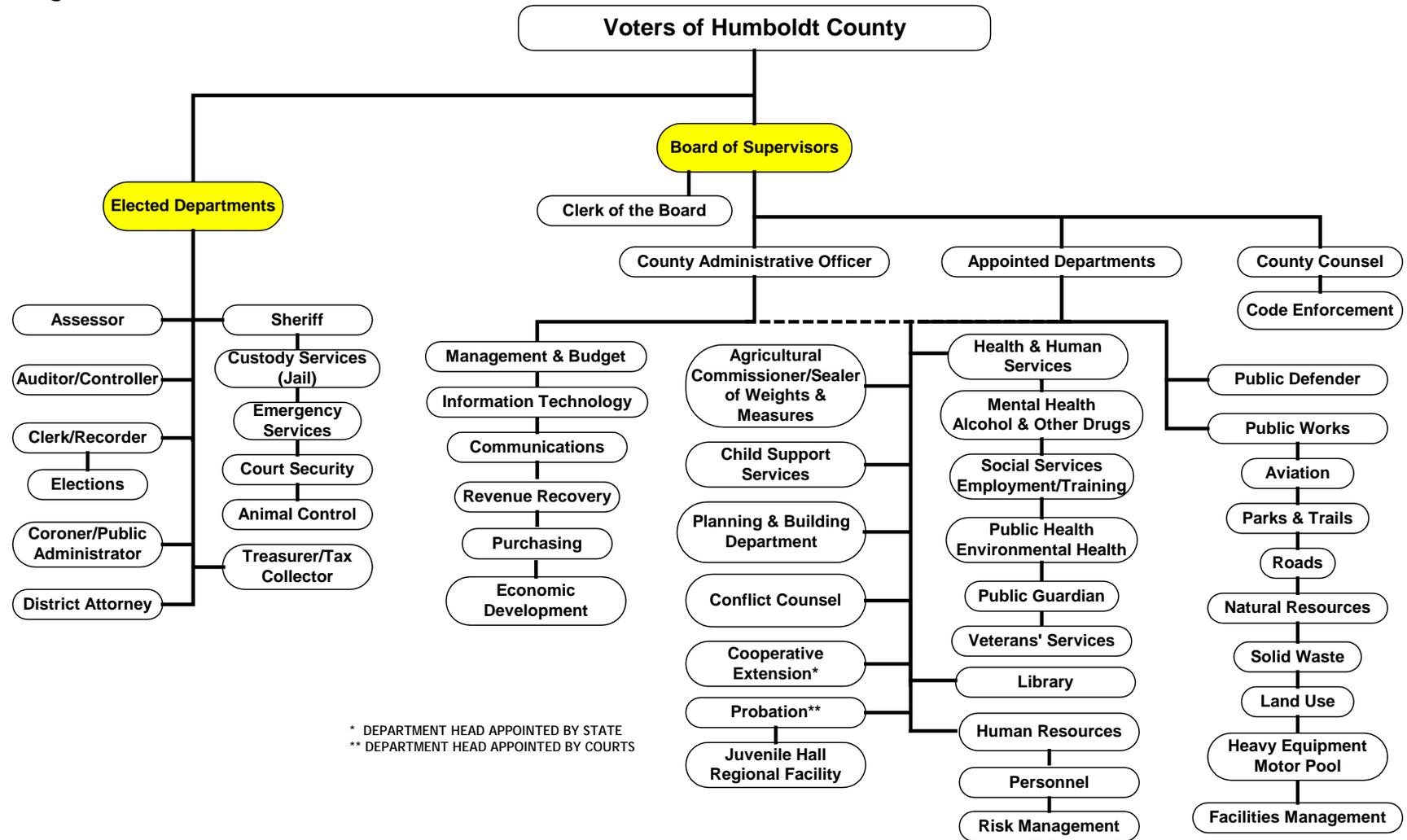
The County provides a wide range of services to its residents, including police protection, medical and health services, library services, judicial institutions and supporting programs, road maintenance, airport service, parks and a variety of public assistance programs. The County also operates recreation and cultural facilities in the unincorporated areas of the County.

Many of the County's functions are required under County ordinances, or by State or federal mandate. State and federally mandated programs, primarily in the social and health service areas, are required to be maintained at certain minimum levels, which limits the County's control.

County supervisorial districts are shown on the map below:



Organizational Chart:

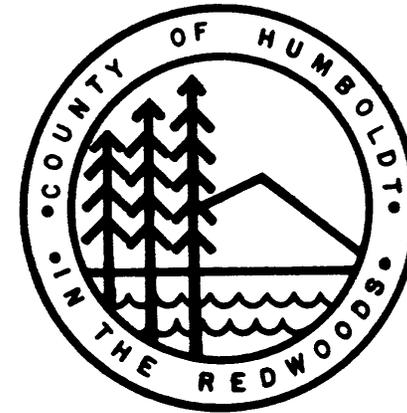


Directory of County Officials

Elected Officials

BOARD OF SUPERVISORS

First District Jimmy Smith
 Second District..... Clif Clendenen
 Third District..... Mark Lovelace
 Fourth District..... Virginia Bass, Chair
 Fifth District..... Ryan Sundberg, Vice Chair
 AUDITOR-CONTROLLER..... Joseph Mellett
 ASSESSOR..... Mari Wilson
 CLERK/RECORDER/REGISTRAR OF VOTERS
 Carolyn R. Crnich
 CORONER-PUBLIC ADMINISTRATOR..... Dave Parris
 DISTRICT ATTORNEY Paul V. Gallegos
 SHERIFF..... Michael Downey
 TREASURER-TAX COLLECTOR John Bartholomew



Appointed Officials

Agricultural Commissioner/Sealer of Weights & Measures
 Jeff M. Dolf
 Chief Probation Officer..... William Damiano
 Child Support Services Director Jim Kucharek
 Conflict Counsel..... Glenn L. Brown
 Cooperative Extension Director* Yana Valachovic
 County Administrative Officer..... Phillip Smith-Hanes
 County Counsel..... Wendy Chaitin
 Director of Health and Human Services Phillip R. Crandall
 Director of Library Services..... Victor Zazueta
 Director of Planning and Building, Interim Martha Spencer
 Human Resources Director Dan Fulks
 Public Defender..... Kevin Robinson
 Public Works Director..... Thomas K. Mattson

* Not a County employee

