

County Administrative Officer's Budget Message



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

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Board of Supervisors
Residents of Humboldt County of Humboldt

Subject: 2010-11 Budget

Dear Board Members and Residents:

The development of the Fiscal Year (FY) 2010-11 budget has been a test of our knowledge and strength. Despite the challenges we face, I continue to be proud of the on-going sacrifices made by departments and employees. I am continually amazed and proud of department heads and their unfailing efforts to help bring a budget before your Board. I wish the FY 2010-11 budget was able to give the departments all they need to do their jobs such as more staff and technology upgrades. Unfortunately, this is not the reality we currently face. Despite this, departments continue to do a great job as our financial resource base shrinks and costs continue to rise. With their support and in recognition of the current economics the County faces, today I am submitting a proposal that uses a mix of General Fund reductions and one-time solutions to achieve a balanced budget.

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Budget Proposal

The total proposed spending plan for FY 2010-11 is \$303,117,345. This is an increase of \$9,713,244, or 3%, from last year. Two funding sources contribute most significantly to the \$9.7 million increase in the County's budget and therefore offset other revenue decreases. The Department of Health and Human Services (DHHS) anticipates receiving \$10,654,369 during FY 2010-11 from the American Reinvestment and Recovery Act (ARRA) for a subsidized employment program. Similarly, the Public Works Department anticipates an added \$5,926,805 of Proposition 1B funding.

While these two programs contribute to an increase in the overall County budget, the General Fund – the County's major source of local revenues available to be spent on your Board's priority projects – is decreasing for the second consecutive year. The proposed budget includes \$91,011,460 in General Fund spending, a decrease of \$536,674, or 0.5%, from FY 2009-10.

The proposed number of allocated positions for FY 2010-11 has increased by 50.8 full-time equivalent positions (FTE) when compared to June of last year. However, this increase is misleading. In October 2009 your Board allocated 148 new positions in response to receiving ARRA funding through DHHS for a program specifically designed to employ displaced workers. For FY 2010-11, DHHS is disallocating 109 of these positions, leaving 39 full-time positions.

General Fund positions for FY 2010-11 are proposed at 696.92, a decrease of 5.9 FTE from FY 2009-10. This reduction is a result of: -1.8 Victim Witness Specialists in State Board of Control due to loss of State grant funding; -1.0 Legal Office Assistant in Sheriff's Operations due changes in organizational structure; -2.0 Victim Witness Specialists in DA Grant to Encourage Arrests due to a reduced grant amount for FY 2010-11; -0.1 Investigator in Alternate Counsel in order to meet reductions; -1.0 Legal Office Assistant and -1.0 Probation Officer positions due to reduced Substance Abuse Crime Prevention Act funds for FY 2010-11; and the addition of a 1.0 Revenue Recovery Officer, offset by revenue generated through increased collection efforts. This budget also proposes to hold 74.55 FTE vacant and unfunded across all funds for FY 2010-11, with 35.1 of those positions in the General Fund.

Also as part of this budget proposal, I am reluctantly recommending the cancellation of \$750,000 from our General Reserve. On October 7, 2008, your Board adopted a policy calling for a General Reserve level of 8-10 percent of General Fund revenues. For FY 2010-11, that target would range between \$7.2 million and \$9.1 million. I cannot recommend devoting an additional \$6.2 – 8.1 million toward reserves at a time when your Board has is being asked to cut General

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Fund departments between 2.5% and 15%, while also providing a series of one-time budgetary solutions to close the gap in the General Fund. This cancellation of reserves will leave a balance of only \$250,000. The anticipated General Fund balance forward from FY 2009-10 to FY 2010-11 is \$2.3 million. The proposed budget for FY 2010-11 uses \$1.6 million of the fund balance forward and \$700,000 in Elections receivables from the prior year to close the budget gap. As your Board can see from these numbers, despite making a real dollar reduction based on current revenues the General Fund is nearing exhaustion of General Reserve and fund balance.

The Down Pour

Does this state of affairs indicate that the County has not adequately planned for financial downturns? Not at all. The ability to dedicate one-time solutions to ease current fiscal distress is in fact an indication of that very foresight. Throughout local, state and the federal government, you hear about rainy day funds. A rainy day fund allows governments to set aside excess revenue for use in times of revenue shortfalls or budget deficits. We have often heard Governor Arnold Schwarzenegger complain about the Legislature's lack of understanding of the importance of rainy day funds. If only the State of California had a rainy day fund, so we are told, California would not be facing a multi-billion-dollar deficit. After all, Humboldt County prepared for a rainy day by setting aside funds into the General Reserve and establishing prudent financial policies such as target General Reserve and Contingency levels. However, it turns out our economic troubles – both locally and statewide – were not just a rainy day's worth. They have turned into a full fledged month of rainy days, with little hope for clear skies ahead. Your Board kept expenditures in check by only expanding services which had dedicated funding sources attached to them. However, what no one could have predicted was the continual downpour on our local resources.

We have seen losses in sales tax, timber yield tax, and interest revenue due to economic conditions. We will weather yet more revenue losses as a result of the economy. For FY 2010-11, current secured property tax revenue is estimated to decrease by approximately \$43,000 due to the State Board of Equalization issuing a negative "growth" factor of -0.245% for changes in assessed value for existing properties. Not only have we seen local economic ramifications, we have also been greatly affected by State action. The State has refused to fund the Williamson Act, a State and County partnership to preserve and prevent the loss of farmland, and the State is also unable to reimburse counties for State mandated services, known as SB 90 claims. It becomes increasingly difficult to prepare for the rainy days, when there is no predictable weather forecast in sight.

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Storms on the Horizon

Is a rainy day our new normal? Economists are not predicting record revenue rebounds. In fact, analysts are extremely cautious and advise minimal growth estimates over the next several years for several reasons. The three factors that led the nation into the worst recession since the Great Depression – housing, the national asset/credit bubble, and consumer spending/confidence – have not been completely fixed. Currently, the economy is being driven by federal government policy (ARRA) and with this comes increased public debt and the high potential for inflation. Once federal assistance is withdrawn from the economy in 2011, economists suggest a weak recovery and a possible double dip recession.

In California, the Governor releases a proposed budget for the upcoming fiscal year in January. The State's proposed budget is updated after income taxes are paid, in a major revision known as the May Revise. This year's May Revise confirmed that the State is again facing a deficit, to the tune of \$19.1 billion. This consists of \$7.7 billion for the 2009-10 fiscal year, \$10.2 billion for the 2010-11 fiscal year, and a modest reserve of \$1.2 billion. The May Revise proposes to close this deficit through a little over \$3 billion in federal funds, \$12.4 billion in spending reductions, and various fund shifts, alternative funding, and other revenues, including a \$650 million loan of excise taxes on gasoline. There are several spending reductions and funding shifts that would soak counties.

We see the deluge of the proposed spending cuts with the elimination of the CalWORKs program. The elimination of CalWORKs would result in loss of federal funds and transfer the cost to counties' General Funds through General Assistance programs, with an estimated cost to counties of \$2 billion. A conservative estimate of the impact to Humboldt County would be a rise in General Relief spending from the current level of \$2 million to approximately \$9 million annually.

The May Revise also proposes to sweep \$600 million in mental health realignment funding and to cut \$750 million from In Home Supportive Services. Public Safety takes the next proposed hit by shifting 15,000 nonviolent felons from state prisons to county jails; the State would pay counties just under \$12,000 per inmate. The May Revise also proposes to transfer responsibilities for State Division of Juvenile Justice parolees to County probation. The Governor has proposed to allocate \$15,000 per parolee per year.

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Rainy Day Options Exhausted

These mounting State proposals to shift costs from the State to counties come at a particular bad time. Locally, Humboldt County has seen sharp decreases in local discretionary funding sources such as sales tax and timber yield tax. As a result, the proposed budget for FY 2010-11 relies heavily on one-time solutions that we have been saving for the rainiest of days.

A baseline budget for General Fund departments, no increases or decreases, would have required \$50,238,872 in discretionary revenue. Available discretionary revenue for FY 2010-11 is projected to be \$44,317,519. Through reductions, departments were able to curb expenditures by \$3,621,354, or 7%, for a discretionary spending total of \$46,617,519. To close the remainder of the budget gap, I am proposing using one-time solutions¹ totaling \$5,053,094 for FY 2010-11. These one-time solutions will not be available for FY 2011-12. Simply put, if the Board adopts the budget before you today, we will have exhausted our rainy day funding options.

General Fund Balance Forward	\$1,600,000
Transfer from Probation Trust Funds	\$ 871,229
Cancellation of Reserves	\$ 750,000
Elections Receivables from Prior Year	\$ 700,000
Risk Management Fund Balance Forward	\$ 414,283 ²
Transfer from Timber Tax Loss Fund	\$ 308,000
Defer Motor Pool Depreciation for half a year	\$ 225,000 ²
Transfer from Elections Trust Fund	\$ 124,000
ARRA Revenue for Personnel	\$ 32,291
Purchasing Fund Balance Forward	<u>\$ 28,291²</u>
	\$5,053,094

¹ Transfers from trust funds are considered one-time solutions if the trust fund has been exhausted or has minimal funds available for future fiscal years.

² This represents the amount attributable to the General Fund.

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This means that for FY 2011-12 we will face a \$5 million dollar deficit, unless financial fine tuning is made during the course of FY 2010-11. As your County Administrative Officer, I am committing to **Strategic Understanding of Necessities (SUN)**, a project of intensive budgetary monitoring and prioritization with your Board and department heads over the next year. I will be working with staff and department heads to identify areas of consolidation, restructuring and other long-term budgetary solutions that will close the gap before us. In addition, I will ask your Board to set priorities for making some very difficult choices. Through continued quarterly budget reports to keep your Board and the public aware of the County's fiscal condition, we will position Humboldt County to weather future storms.

When the Rain Ends

Rain is necessary for the growth and rejuvenation of our environment and ecosystems. However, rain is cyclical and eventually comes to an end. The same is true of economic downturns. That is why local governments prepare for recurring cycles with rainy day funds. We need to be looking towards the future and begin to work on improving and strengthening our organization. We need to continue our work to improve the structural integrity of our agency and develop new and different ways to deliver services to the residents of Humboldt County. This will take a great deal of dedication and commitment from staff. However, we are up for the challenge!

In closing, I would like to extend my gratitude to all department heads and department staff who continue to make significant sacrifices during these difficult financial times. County staff continues to show great dedication and commitment to getting the job done and this office, and your Board, appreciates their efforts. I would also like to thank my rain coat clad staff, especially Deputy County Administrative Officers Amy Nilsen and Cheryl Dillingham, as well as Auditor-Controller Michael Giacone for their efforts and help in preparing the proposed budget document.

Here's to sunnier days ahead!

PHILLIP SMITH-HANES
County Administrative Officer

Reader's Guide

Overview of the Humboldt County Budget for FY 2010-11

The total amount of Humboldt County's budget reflective of all County funds is \$303,117,345.

Of this \$303,117,345 the County's primary operating fund, the General Fund, accounts for \$91,011,460. Since many grant programs are included in the General Fund, the budget over which the Board of Supervisors has true discretion totals only \$46,617,519. This includes \$1,600,000 of carry-forward revenue and \$700,000 from Elections receivables from the prior year, plus \$44,317,519 in current-year revenue. Thus, the primary decision-makers in setting County policy have effective control over a mere 15% 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-22. A comparison of Chart I on page A-22 with Chart II on page A-23 reveals that Health & Human Services and Public Works account for almost two-thirds of the County's total budget, but only 12.6% of the discretionary General Fund spending. Many of these programs are simply mandated by State and Federal authorities.

Organization of the Budget Document

This budget contains the following sections:

2010-11 Budget

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. Her budget message provides an executive summary overview of Humboldt County's budget for FY 2009-10 and the reasoning behind the recommendations she 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 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

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well as current year department request and adopted budget.

Trends & Graphs

This section includes a number of graphical representations that help explain where our money comes from, where it's going, 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 eleven 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

2010-11 Budget

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.

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

Reader's Guide

- 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 three columns present the actual dollar or staffing figures achieved in each category at the end of each of the last three fiscal years.
- Request* The next column to the right indicates the funding/staffing request that the department submitted for FY 2010-11.

Adopted The next column in the table provides the budget for the budget unit or grouping for FY 2010-11 recommended by the County Administrative Office.

Increase/ (Decrease) Finally, you will see a depiction of the difference between the funding/staffing for the adjusted budget unit in FY 2009-10 and that proposed for FY 2010-11.

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.

FY 2010-11 Recommendations

Next, information is presented as to the major changes in the budget from FY 2009-10 to FY 2010-11. The changes shown are intended to convey only the most significant increases or decreases from the prior year's budget.

Program Discussion

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

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etc.

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

2009-10 Accomplishments 2010-11 Objectives

Finally, to show what is gained by investment of resources in a budget unit, each budget unit lists several accomplishments achieved during FY 2009-10 and objectives planned for attainment in FY 2010-11.

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.

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 budget for FY 2010-11 is proposed on June 1, 2010 and is scheduled for adoption by the Board of Supervisors on June 22, 2010, following more than six months of planning and preparation. Here is a brief overview of this process:

July to April

Quarterly Financial Review: Traditionally, the County Administrative Office (CAO) has provided your Board with a mid-year review of the County's budget performance. Due to the ongoing financial challenges being experienced by local governments this year, for FY 2009-10 the CAO is undertaking quarterly budget reviews. As discussed at the time of budget adoption in July, the purpose of these more frequent reports is to provide information to, and seek guidance from, the Board in light of the dynamic economic climate affecting the County's budget. The first quarter's report was presented on November 10, 2009, mid-year was presented on February 9, 2010, at which time the Board also adopted a tentative schedule for the FY 2010-11 budget process, and the third quarter report was presented on April 27, 2010.

This series of quarterly reports formed the basis for many of the assumptions about income and spending patterns that are proposed for in FY 2010-11. While working on the mid-year

quarterly report, the CAO also worked with the Information Technology Division to prepare salary and benefit projections. Internal Service Fund units prepared centralized cost allocations.

March to April

Preparation of Proposed Budget: On March 8, 2010 the CAO presented to departments the parameters for development of their FY 2010-11 budget requests. Departments submitted their requests to the CAO by April 7, 2010. The CAO reviewed budget and supplemental requests in April 2010 and developed the proposed budget.

May to June

Presentation & Adoption of Budget: The CAO met with the Board's Budget Subcommittee in April and May 2010, to receive feedback on its proposals. On June 1, 2010, the CAO will present the proposed Humboldt County budget for FY 2009-10 to the Board of Supervisors. Public hearings on the proposed budget will be held on June 7, 2010. The final budget is scheduled for adoption on June 22, 2010.

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 §§ 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:

- Transfer within object accounts must be approved by the Auditor-Controller.
- Transfer to/from Contingency Reserve must be approved

by the Board of Supervisors.

- 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.
- The County Administrative Officer and Auditor-Controller can approve transfers between object accounts.
- The Board of Supervisors approves increases in a budget unit's total appropriations and transfers from one budget unit and/or fund to another.
- "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.

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:

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

Summary of Financial Policies

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 (CAO) shall coordinate the implementation of this policy. The CAO shall hold department heads responsible for over-expended budgets pursuant to Government Code § 29121, “Except as otherwise provided by law, obligations incurred or paid in excess of the unencumbered balance of the amounts authorized in the budget appropriations are not a liability of the county or special district, but the official authorizing the obligation in an amount known by him to be in excess of the unencumbered balance of the appropriation against which it is drawn is liable therefore personally and upon his official bond.” 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

Summary of Financial Policies

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 Officer (CAO) 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 § 29085 gives the BOS 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 CAO 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.

Debt Policy

The County has not adopted a formal policy on debt.

The County has not recently calculated its debt limits since the County has not issued debt for a significant period of time.

The County does not intend to issue debt in the foreseeable

Summary of Financial Policies

future.

County Fee Schedule

Updated annually (last on July 28, 2009), the fee schedule provides a structure and methodology to support County departments in recovery of the full cost of services provided.

Mid-Year Budget Review

As discussed in the Budget Planning Calendar section, the County Administrative Office presents an annual review of the adopted budget through the first six months of operations. The FY 2009-10 review took place on February 9, 2010, and included appropriate budget amendments and the budget outlook for FY 2010-11.

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:

- Maintain core services.
- 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.

Summary of Financial Policies

Specific Guidelines for FY 2010-11

These are the specific guidelines released to departments on March 8, 2010, to guide development of the FY 2010-11 budget:

- General Fund supported departments must submit three budget scenarios. These scenarios include a 2.5%, 7.5% and 15% reduction to their General Fund contribution net salary and benefit cost

increases. Supplemental requests were not excepted for FY 2010-11

- For departments with unfunded vacant positions in FY 2009-10, the NCC allocation continues to assume that these positions will be held vacant in FY 2010-11.
- 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

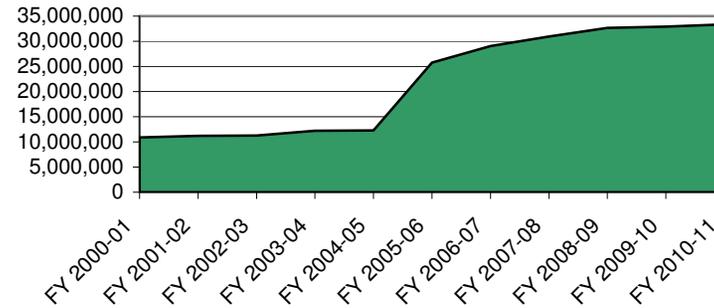
Major Revenues

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. The County is the property tax administrator for local cities and special districts with taxing authority.

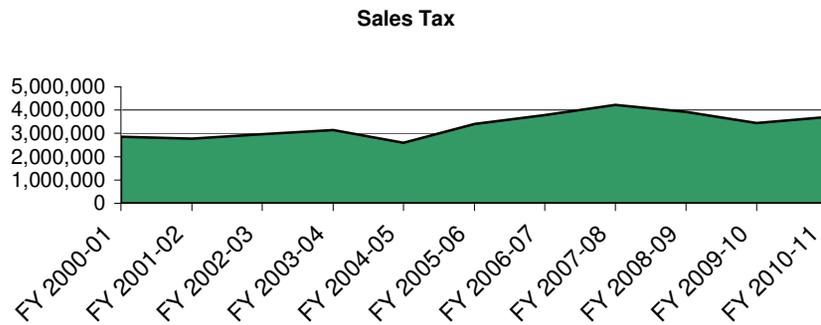
General Fund Property Tax



Due to Proposition 57, “Triple Flip” Property tax in lieu of sales tax, Property Tax doubled in FY 2005-06. Overall, property tax revenues for FY 2010-11 are estimated to increase by 1% based on past year’s trends in property tax penalties, despite the negative growth factor of -0.245% issued by the State Board of Control for current secured property tax.

In accordance with the State Revenue and Taxation Code and the Bradley-Burns Uniform Local Sales and Use Tax Law of 1955, the State imposes a 7.25% Sales and Use Tax on taxable sales in the County. The Humboldt County Sales Tax rate is currently 8.25%.

Description of Revenues



The Transient Occupancy Tax (TOT) (Hotel, Motel, Campground 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 and camping 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 16% of the total County budget, while representing 85% 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, laboratory fees to Public Health customers, and charges from the County mailroom to departments using mail services.

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

	2006-07 Actual	2007-08 Actual	2008-09 Actual	2009-10 Adopted	2010-11 Proposed	Increase/ (Decrease)
Revenues by Type						
Taxes	\$44,263,515	\$46,568,436	\$47,652,379	\$49,246,339	\$47,122,136	(\$2,124,203)
Operating Rev & Contribution	0	0	0	52,012	185,652	133,640
Licenses & Permits	1,859,901	1,752,931	1,520,317	1,418,732	1,767,436	348,704
Fines, Forfeits & Penalties	2,975,117	2,951,675	2,800,601	2,645,633	2,108,568	(537,065)
Use of Money & Property	1,091,573	1,552,333	1,275,035	645,500	564,850	(80,650)
Other Gov't Agencies	139,283,679	155,009,738	143,720,192	183,957,725	199,880,375	15,922,650
Charges for Services	28,617,192	25,155,932	33,402,233	37,622,478	33,823,673	(3,798,805)
Other Revenues	9,065,331	10,086,227	9,645,711	13,390,357	9,637,434	(3,752,923)
Trust Fund Revenue	0	260,450	0	0	0	0
Total Revenues	\$227,156,308	\$243,337,722	\$240,016,468	\$288,978,776	\$295,090,124	\$6,111,348

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.

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 Trailways Program. The chart of countywide expenditures on below uses this functional breakdown.

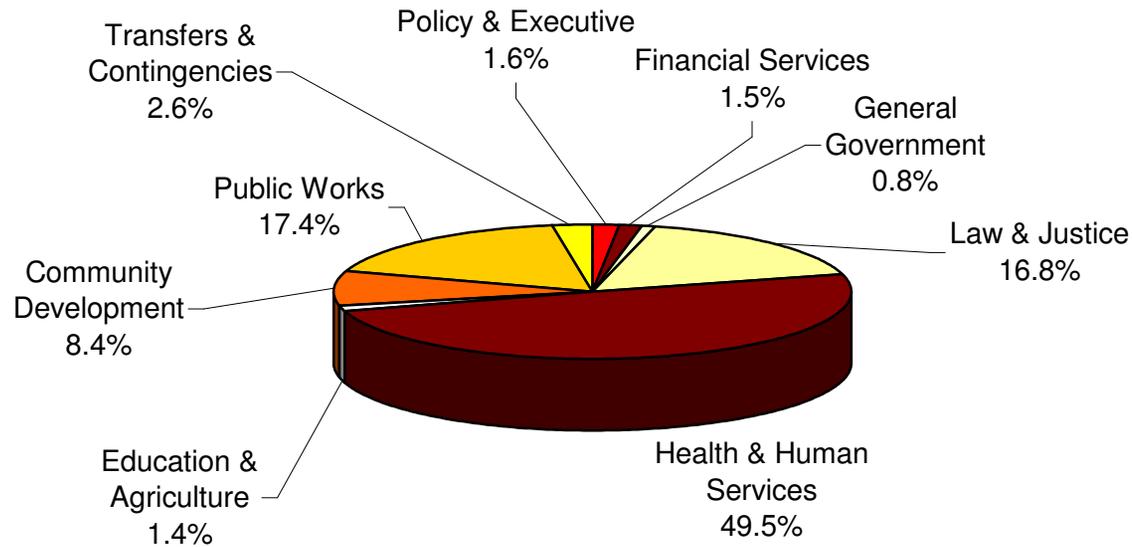
Expenditures by Function in All Funds

	2006-07 Actual	2007-08 Actual	2008-09 Actual	2009-10 Adopted	2010-11 Proposed	Increase/ (Decrease)
Expenditures by Functions						
General Government	\$27,012,544	\$28,546,626	\$30,867,265	\$42,532,074	\$38,467,741	(\$4,064,333)
Public Protection	58,118,071	61,092,758	63,667,667	68,217,019	67,654,696	(562,323)
Public Ways & Facilities	12,326,551	24,171,148	22,735,726	27,432,627	38,541,596	11,108,969
Health and Sanitation	49,712,428	50,639,815	55,743,418	62,492,603	57,065,188	(5,427,415)
Public Assistance	67,623,945	69,383,879	74,219,027	84,346,255	92,967,405	8,621,150
Education	2,979,005	3,174,508	3,360,966	3,300,862	3,294,194	(6,668)
Recreation & Cultural Services	734,429	785,600	723,349	1,499,313	1,789,636	290,323
Transportation Services	1,184,721	1,337,293	1,447,733	1,660,120	1,836,889	176,769
Reserve & Contingencies	251,250	0	0	1,923,228	1,500,000	(423,228)
Total Expenditures	\$219,942,944	\$239,131,627	\$252,765,151	\$293,404,101	\$303,117,345	\$9,713,244

Trends and Graphs

Expenditure by Function - All Funds

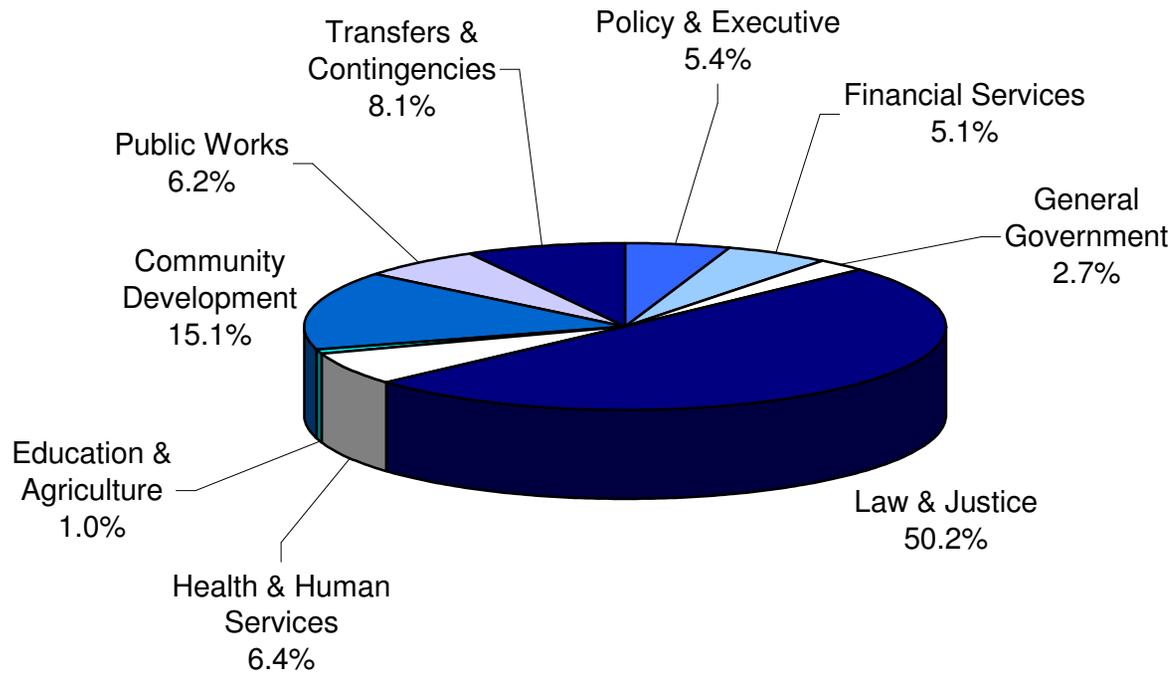
Humboldt County's total proposed budget for FY 2010-11 budget of \$303,117,345 is distributed in accordance with the expenditure by County functional categories on **Chart I**.



Trends and Graphs

County General Fund Breakdown by Function

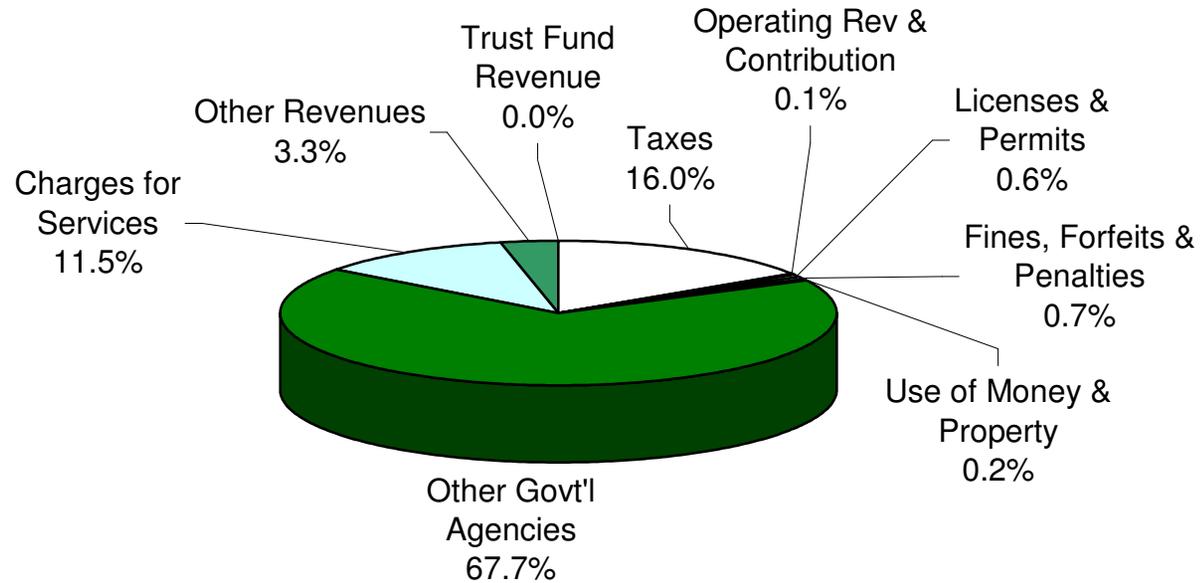
The total distribution of \$91,011,460 in County General Fund revenues only is illustrated in **Chart II**.



Trends and Graphs

Revenue by Source - All Funds

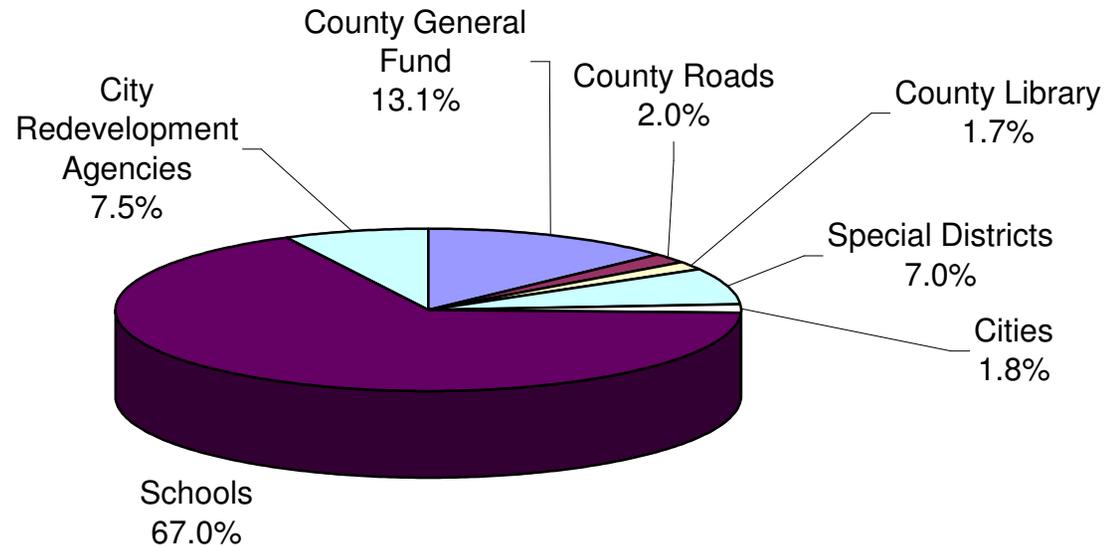
Humboldt County's total FY 2010-11 budget for current revenue is \$295,090,124 and is obtained from the revenue sources shown in **Chart III**. The balance of funds necessary to support expenditures, \$8,027,221 is derived from fund balances and prior year receivables.



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**.



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 Redding, San Francisco, Sacramento and Los Angeles.

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

About Humboldt County

late afternoon fog is also present along the coastline for parts of the year, which can hamper air travel.

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 2000 Census population of Humboldt County was 126,518. According to the California Department of Finance, the population as of January 1, 2010, was 133,400.

The County has seven incorporated cities ranging in size from 310 to 26,066 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 and Hoopa.

Employment

According to the Labor Market Information Division of California's Economic Development Department, the largest employment sectors in Humboldt County as of August 2008 are:

Government	26.5%
Trade, Transportation & Utilities	19.6
Educational & Health Services	12.2
Leisure & Hospitality	11.6
Manufacturing	6.5
Professional & Business Services	6.3

About Humboldt County

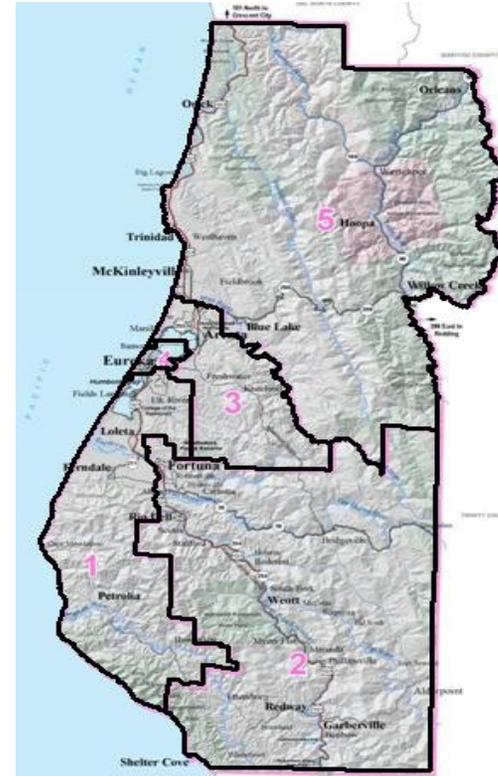
Construction	4.5
Financial	2.8

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.

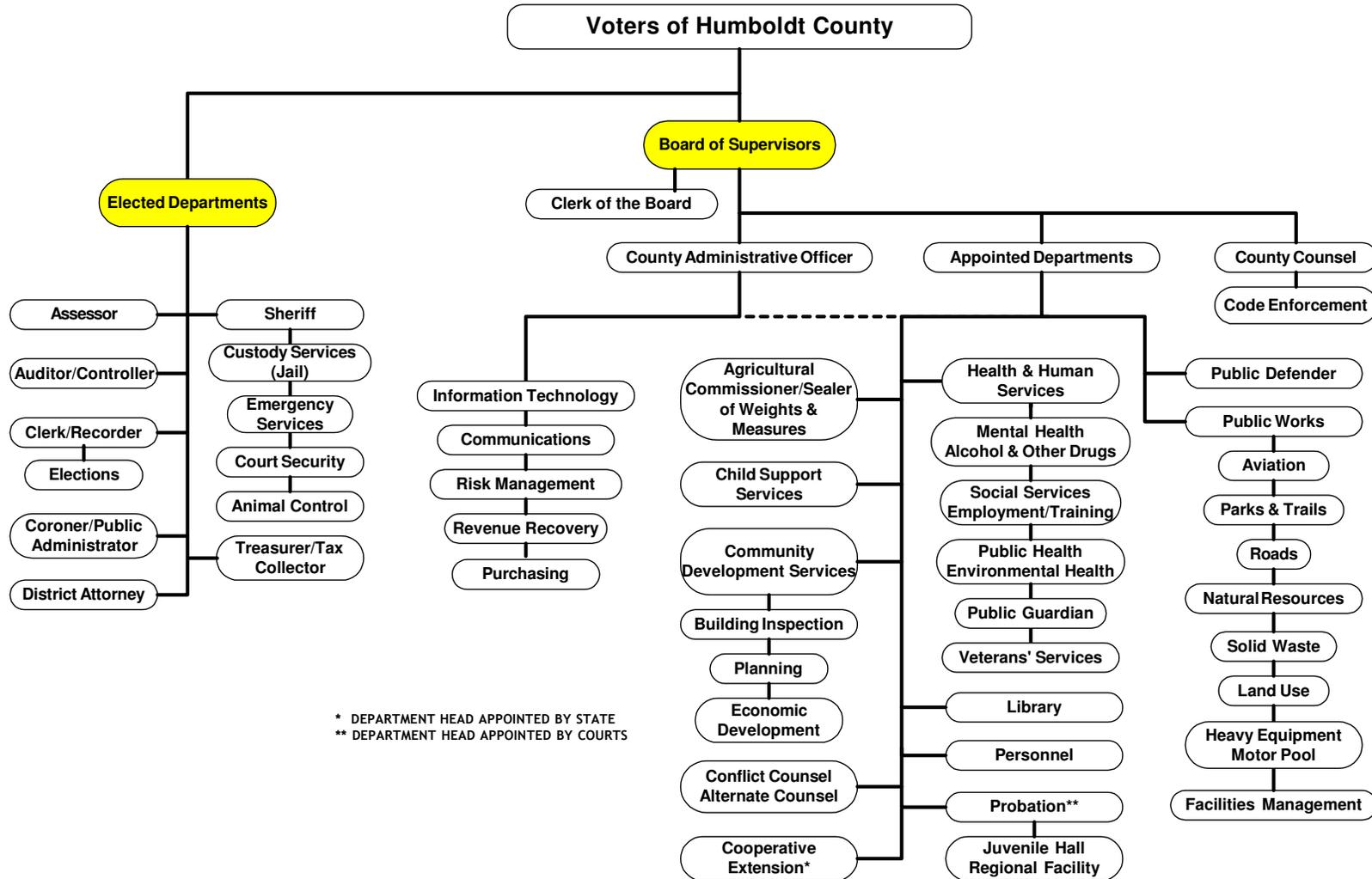
The County provides a wide range of services to its residents, including police protection, medical and health services, library services, judicial institutions and supporting programs, road maintenance, airport service, parks and a variety of public assistance programs. The County also operates recreation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



County of Humboldt

Organizational Chart:



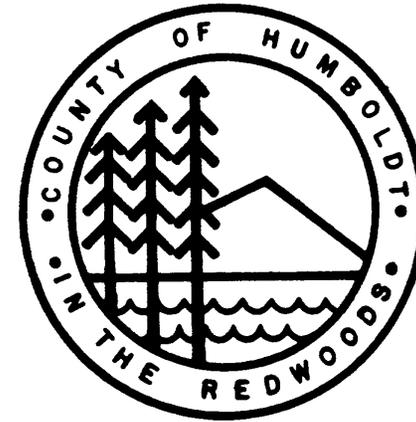
* DEPARTMENT HEAD APPOINTED BY STATE
 ** DEPARTMENT HEAD APPOINTED BY COURTS

About the Budget

Elected Officials

BOARD OF SUPERVISORS

First District Jimmy Smith
 Second District..... Clif Clendenen, Chair
 Third District..... Mark Lovelace, Vice-Chair
 Fourth District..... Bonnie J. Neely
 Fifth District..... Jill K. Duffy
 AUDITOR-CONTROLLER.....Michael J. Giacone
 ASSESSOR..... Linda Hill
 CLERK/RECORDER/REGISTRAR OF VOTERS
 Carolyn R. Crnich
 CORONER-PUBLIC ADMINISTRATOR.....Dave Parris
 DISTRICT ATTORNEY Paul V. Gallegos
 SHERIFF..... Gary Philp
 TREASURER-TAX COLLECTOR John Bartholomew



Appointed Officials

Agricultural Commissioner.....Jeff M. Dolf
 Chief Probation Officer.....Douglas Rasines
 Child Support Services Director Jim Kucharek
 Conflict Counsel Glenn L. Brown
 Cooperative Extension Director* Sandy Sathrum
 County Administrative Officer Phillip Smith-Hanes
 County Counsel..... Wendy Chaitin
 Director of Community Development Services... Kirk A. Girard
 Director of Health and Human Services Phillip R. Crandall
 Director of Library Services Victor Zazueta
 Personnel Director Dan Fulks
 Public Defender Kevin Robinson
 Public Works Director Thomas K. Mattson

* Not a County employee