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**COUNTY ADMINISTRATIVE OFFICE
COUNTY OF HUMBOLDT**

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June 5, 2007

Board of Supervisors
Residents of Humboldt County

SUBJECT: FY 2007-08 County Budget

Dear Board Members and Residents:

I am pleased to present this proposed budget to finance County operations in Fiscal Year 2007-08. The cover of this year's budget depicts some of the beautiful and historic Victorian architecture for which our community is justly famous. Like those stately homes and businesses that have survived earthquakes, floods, fires and other perils for more than a century, the Humboldt County budget for 2007-08 is soundly constructed.

FY 2006-07: Laying the Foundation

When I submitted the budget for Fiscal Year 2006-07 to you one year ago, I noted that it would be a year of "rebuilding" after several years of tough budgetary times and one year of reprieve. One objective was to be able to stop digging our budgetary hole and begin to lay a foundation for a solid fiscal future. To that end, I announced a new strategy to guide us in making decisions about where to begin our construction: Centers for Advancement. The Centers for Advancement concept rested upon previous work in the areas of

County Administrative Officer's Budget Message

strategic planning, technology assessment, space and property management, and capital budget development. I am pleased to report to you now that Centers for Advancement has, in fact, allowed us to devote resources to long-overdue and pressing needs.

Highlights of projects that we've been able to fund through the Centers for Advancement include:

- ❖ Replacement of windows and screening at Juvenile Hall (a frequently-cited safety need for almost a decade)
- ❖ Repair of uneven and buckled flooring on the third floor of the Courthouse
- ❖ Replacement roofs for two veterans buildings
- ❖ Mobile data terminals for Sheriff's patrol
- ❖ Purchase of a human resources module for the County's financial management system, and
- ❖ Entering into contracts so to provide the opportunity for 200 County employees to train on customer service skills and for 200 County supervisors to train on writing better performance evaluations.

One of the advantages of the Centers for Advancement concept is that it represents one-time expenditures that result in long-term benefits to the organization and its infrastructure. As a result of its one-time nature, the size of the Centers for Advancement budget can be scaled up or down, depending upon the County's fiscal situation at the time the budget for any given year is being developed.

Another component of "rebuilding" was to take a critical look at our short- and long-term facilities needs. Last year, I proposed contracting with a consulting firm to develop a County Facilities Master Plan. The intent was to take a comprehensive approach to County building needs, prioritize deferred maintenance needs and look at long-term needs to fully utilize County-owned space, minimize the use of leased space, identify surplus or underused County-owned properties (that might be sold or leased out), plan for office space needs of the County's workforce over a 20-year period, and identify funding mechanisms that can be used to accomplish these goals. In January 2007, your Board approved a contract with Daniel C. Smith & Associates to undertake the project. The County Facilities Master Plan is currently well underway; a final report is expected in Summer 2007.

County Administrative Officer's Budget Message

Still, much work remains to be done.

FY 2007-08: Reinforcing the Structure and Cracks in the Foundation

Our fiscal construction project is progressing nicely. We ended FY 2005-06 with a higher General Fund balance than we had projected. We now have reserves totaling 2.8% of total expenditures and 8.3% of the General Fund – a much healthier situation than just three years ago, when reserves were nearly depleted. However, cost overruns (dipping into contingencies) have become a regular occurrence over the past year as departments have begun to rebuild their programs. The demands on the County's limited General Fund revenues continue to grow.

Last year, the FY 2006-07 budget was nearly balanced, with current-year projected revenues roughly equal to current-year expenditures. For FY 2007-08, we will need to dip into the year-end fund balance in order to meet necessary General Fund expenditures. Projected general purpose revenues in the General Fund are estimated at \$43.9 million. However, recommended net General Fund expenditures total \$46.2 million – a deficit of \$2.3 million.

Much of this deficit can be explained by \$1.65 million in one-time expenditures such as the \$497,000 carry-over in capital projects costs associated with Center for Facilities Advancement projects that could not be completed by the end of FY 2006-07 and needed to be re-budgeted. However, a "structural" deficit of approximately \$650,000 in ongoing expenditures remains. The entire structural deficit can be explained by an increase of \$1.0 million in overtime expenses for the Sheriff's Department that has been included in the Proposed Budget. Rather than hold overtime expenses to an artificially low level that the Sheriff's Office has never been able to meet – and then transfer monies from the Contingency Reserve to cover the cost overruns at the end of the year – the proposed budget has augmented funding for the Sheriff's Office to reflect realistic levels of funding.

If overtime expenses are now budgeted realistically, we can assume that the Sheriff's Office should not need to transfer funding from the Contingency Reserve in FY 2007-08. In that respect, the budget could be considered

County Administrative Officer's Budget Message

balanced. We are still concerned, however, as many pressures have been building on the General Fund. These issues are addressed in more detail later in this report.

The Blueprint: Highlights of the FY 2007-08 Operating Budget

The proposed spending plan totals \$263.2 million. This amount is \$20.9 million, or 8.6%, higher than the FY 2006-07 budget of \$242.3 million. The County General Fund comprises \$89.9 million, or 34.1%, of the total budget. The proposed budget includes 2,055.78 full-time equivalent positions.

The proposed budget includes approximately \$2.1 million of budget restorations, supplemental funding requests, and other increases. Some of the most notable items are:

- ❖ As mentioned earlier, the addition of \$1.0 million to the Sheriff's Operations and Jail budgets to realistically budget for overtime costs.
- ❖ An increase of approximately \$400,000 in the Elections Division budget due to recent legislation that mandates moving the Presidential Primary from June to February. The costs of the February primary will not be reimbursed by the State until FY 2008-09.
- ❖ An increase of \$282,000 in the County General Fund allocation to the Mental Health fund to pay for jail mental health services.
- ❖ Funding for Public Works to conduct a traffic impact fee analysis, \$150,000.
- ❖ Consulting expenses to assist Community Development in updating the General Plan, \$100,000.
- ❖ Restoration of funding for a vacant Assessment Technician position in the Assessor's Office.
- ❖ Restoration of a Building Custodian and a Building Maintenance Mechanic in the Public Works Facilities Maintenance Division.
- ❖ Restoration of a Probation Officer for juvenile intake and court transportation.
- ❖ The addition of a Parks Caretaker position for Clam Beach.
- ❖ The addition of a Legal Office Assistant to staff the Sheriff's substation in Garberville.

County Administrative Officer's Budget Message

A total of \$2.2 million in supplemental requests was not funded in the proposed budget. In addition, outside organizations submitted requests totaling \$225,000. Because of the "structural deficit" mentioned earlier, funding for Centers for Advancement is also not recommended for FY 2007-08.

The County's General Reserve funds County operations and provides critical cash flow during the first six months of the fiscal year until property tax payments are collected in December. Additionally, it acts as a contingency for the County in extreme emergencies. For FY 2007-08, it is recommended that the General Reserve be increased from \$2.5 million to \$3.0 million.

The Contingency Reserve covers day-to-day unforeseen budgetary needs. The proposed budget increases the Contingency Reserve from \$3.0 million to \$4.5 million. This amount includes a set-aside of \$500,000 for anticipated costs related to proposals to improve recruitment and retention of law enforcement personnel in the Sheriff's Office. An additional \$1.0 million is being set aside for first-year implementation of the County Facilities Master Plan. The remaining \$3.0 million retains last year's \$3.0 million Contingency Reserve for unanticipated expenses.

2008-09 & Beyond: Making Sure the Roof Doesn't Leak

As any homeowner knows, there's always another improvement project to be done or repair to be made. So it is with County government; Humboldt County's budget is never "done." We must remain constantly vigilant against the perils that threaten the services your Board and our departments have so carefully constructed. Some of the "construction contingencies" that our County will face in the near future include:

- ❖ The fiscal impact of implementing the recommendations of the County Facilities Master Plan. The County's buildings have suffered from deferred maintenance for years – and in some cases, decades. In addition, the County must be prepared to construct new buildings to house anticipated growth in County staffing that is likely to occur over the next 20 years. Although the Master Plan is expected to include recommendations for funding mechanisms that will cover the cost of any building projects, this is likely to take the form of long-term debt that will increase General Fund expenditures.

County Administrative Officer's Budget Message

- ❖ The U.S. Department of Justice has determined that the County needs to make significant improvements to its buildings for compliance with the Americans With Disabilities Act (ADA) of 1990. The costs associated with making ADA improvements are currently unknown, but are believed to be substantial.
- ❖ The County's three-year agreements with employee bargaining groups end on June 30, 2008. Negotiations for the next round of bargaining will take place during FY 2007-08. Because salaries and benefits represent approximately 85% of the cost of operating any organization, any increases in employee compensation will represent a significant fiscal impact on the County General Fund.
- ❖ The County's workforce has "uneven floors" related to both internal and external salary inequities. Internal inequities consist of similar positions within the County that are paid at differing rates, or compaction or expansion of the relationships of a supervisor's and a subordinate's salaries. External inequities result when a Humboldt County employee is paid far less than his/her counterparts in other counties, cities, and even state agencies. These inequities need to be addressed.
- ❖ The County's workforce suffers from recruitment and retention issues in a number of areas. On June 12, Personnel Director Rick Haeg will bring a report to your Board regarding County employee recruitment and retention issues.
- ❖ The final workforce issue facing the County is what one local government termed "the Silver Tsunami" – the tidal wave of retirements that has already begun and is likely to continue over the next five to ten years. As long-term employees retire, the County faces two challenges. The first is that decades of irreplaceable knowledge will disappear as experienced employees retire. The second, and equally difficult, challenge is finding a qualified person to replace the retiree. The number of public-sector professionals entering the profession in recent decades has not equaled the number of senior personnel who are retiring. This is creating a staffing crisis in government employment nationwide. The County will need to adopt innovative strategies to recruit and retain qualified employees in the near future.
- ❖ A change in governmental accounting standards now requires governmental agencies to calculate the accrued liability for post-employment benefits, such as health insurance, that are paid to retirees. Humboldt County is fortunate in this respect because we offer fairly modest post-employment benefits. We therefore escape the multi-million liabilities being faced by other counties. An actuarial study is currently underway to estimate the County's post-employment benefits liability; we expect to be able to present that report to your Board in late June or early July 2007.

County Administrative Officer's Budget Message

Conclusion: A Solid Home

The Victorian structures in our County were not built to house historic artifacts, but families and businesses. Likewise, the mission of our County government is ultimately not about building a balanced budget, but about the services that the budget allows us to provide. Humboldt County remains "under construction." The employees of this County work everyday to make progress on your behalf. Sometimes construction is stalled while we seek a new permit or wait for the correct part, but I believe that our crew will continue to forge ahead and ultimately create a showpiece for this community and the families and businesses that call it home. We will maintain the grounds, guard the doors, and reinforce the structures when necessary, to provide solid services to our community.

It is in that spirit that I submit to you this budget for Fiscal Year 2007-08. As always, thank you to the staff of my office – especially Stephanie Larsen, Assistant County Administrative Officer; Phillip Smith-Hanes, Deputy County Administrative Officer; and Amy Nilsen, Administrative Analyst – and to Auditor-Controller Michael Giacone for their tireless efforts in preparing this document; to each of the County departments for their patience, perseverance, and hard work; and to your Board for your wisdom and direction.

Let's make it a good year,

A handwritten signature in black ink that reads "Loretta Nickolaus". The signature is written in a cursive, flowing style.

LORETTA NICKOLAUS
County Administrative Officer

Reader's Guide

Overview of the Humboldt County Budget for FY 2007-08

The total amount of Humboldt County's budget reflective of all County funds is \$263,205,062.

Of this \$263,205,062, the County's primary operating fund, the General Fund, accounts for \$89,946,860. Since many grant programs are included in the General Fund, the budget over which the Board of Supervisors has true discretion totals only \$50,857,162. This includes \$6,904,108 of carry-forward revenue from the prior year, plus \$43,953,054 in current-year revenue. Thus, the primary decision-makers in setting County policy have effective control over a mere 19.3% 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-20. A comparison of Chart I on page 20 with Chart III on page A-22 reveals that Health & Human Services and Public Works (County Road funds) account for almost two-thirds of the County's total budget, but only 13% 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:

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 2007-08 and the reasoning behind the recommendations she makes 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.

Reader's Guide

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.

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.

Directory of County Officials

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 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.

Fund Summaries

Each of the County's various Funds is presented in a summary table which shows fund balance and trends.

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 account code.

Understanding the Budget Details

Heading

The page header for a budget will give the name of the budget unit or grouping, the account 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.

Reader's Guide

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 two columns present the actual dollar or staffing figures achieved in each category at the end of each of the last two fiscal years.

Adopted The next column in the table provides the budget for the budget unit or grouping for FY 2006-07 adopted by the Board of Supervisors on June 27, 2006.

As of 3/31 This column represents any adjustments made to the FY 2006-07 adopted budget through March 31, 2007.

Request The next column to the right indicates the funding/staffing request that the department submitted for FY 2007-08.

Proposed This column presents the County Administrative Officer's recommended funding/staffing for the budget.

Increase/ (Decrease) Finally, you will see a depiction of the difference between the adopted funding/staffing for the budget unit and that for FY 2007-08.

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.

Staffing and Revenue Charts

For budgets with associated staffing, a four-year trend line of total program staffing is presented in a graph. For budgets that derive their funding from multiple sources, a pie chart presents the proportion of total revenues from each of the major categories.

Major Budget Changes

Next, information is presented as to the major changes in the budget from FY 2006-07 to FY 2007-08. The changes shown are intended to convey only the most significant increases or

Reader's Guide

decreases from the prior year's budget. Therefore, totaling the major budget changes will in most cases yield a different number from the change at the expenditure category or revenue type level presented in the Increase/(Decrease) column of the budget unit summary table. A line item change is considered "major" if it represents an increase or decrease of at least 10 percent in an item not otherwise explained for all budgets (such as insurance cost changes).

However, the fixed assets section of Major Budget Changes is treated differently. Rather than showing the incremental increase or decrease from the prior year, the fixed assets section will detail each fixed asset purchase that is included in the 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, etc.

Budget groupings will also contain briefer discussions of the specific budget units contained within the grouping.

2006-07 Accomplishments

2007-08 Objectives

Finally, to show what is gained by investment of resources in a budget unit, each budget unit lists several accomplishments achieved during FY 2006-07 and objectives planned for attainment in FY 2007-08.

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 the 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 2007-08 was adopted by the Board of Supervisors on June 27, 2007.

December to Mid-February

Mid-Year Financial Review: Beginning in December 2006, the County Administrative Office (CAO) worked with departments to prepare a mid-year update covering the first six months of FY 2006-07 budget operations (July 1 - December 31, 2006). This was presented to the Board of Supervisors on February 13, 2007, and at that time the Board also adopted a tentative schedule for the FY 2007-08 budget process.

This mid-year update forms the basis for many of the assumptions about income and spending patterns that carried forward into FY 2007-08. While working on the mid-year update, the CAO also worked with the Information Technology

Division to prepare salary and benefit projections. Other departments prepared centralized cost allocations.

Late-February to April

Preparation of Proposed Budget: On February 26, 2007, the CAO presented to departments the parameters for development of their FY 2007-08 budget requests. A Budget Preparation Workshop was held on March 2, 2007, to assist departments with their budget questions. Departments submitted their requests to the CAO by March 27, 2007. The CAO reviewed budget and supplemental requests in April 2007 and developed the proposed budget.

May to June

Presentation & Adoption of Budget: The CAO met with the Board's Budget Subcommittee on May 16, 2007, to receive feedback on its proposals. On June 5, 2007, the CAO presented the proposed Humboldt County budget for FY 2007-08 to the Board of Supervisors. Public hearings on the proposed budget were held on June 11 and 19, 2007, and final adoption occurred on June 26, 2007.

Summary 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 transferring budgeted funds from one expenditure line or category to another and for adopting supplemental budgets.

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.

Board of Supervisors' 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 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.

County Fee Schedule: Updated annually (last on October 22, 2007), 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 2006-07 review took place on February 13, 2007, and included appropriate budget amendments and the budget outlook for FY 2007-08.

Summary of Financial Policies

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.

Specific Guidelines for FY 2007-08

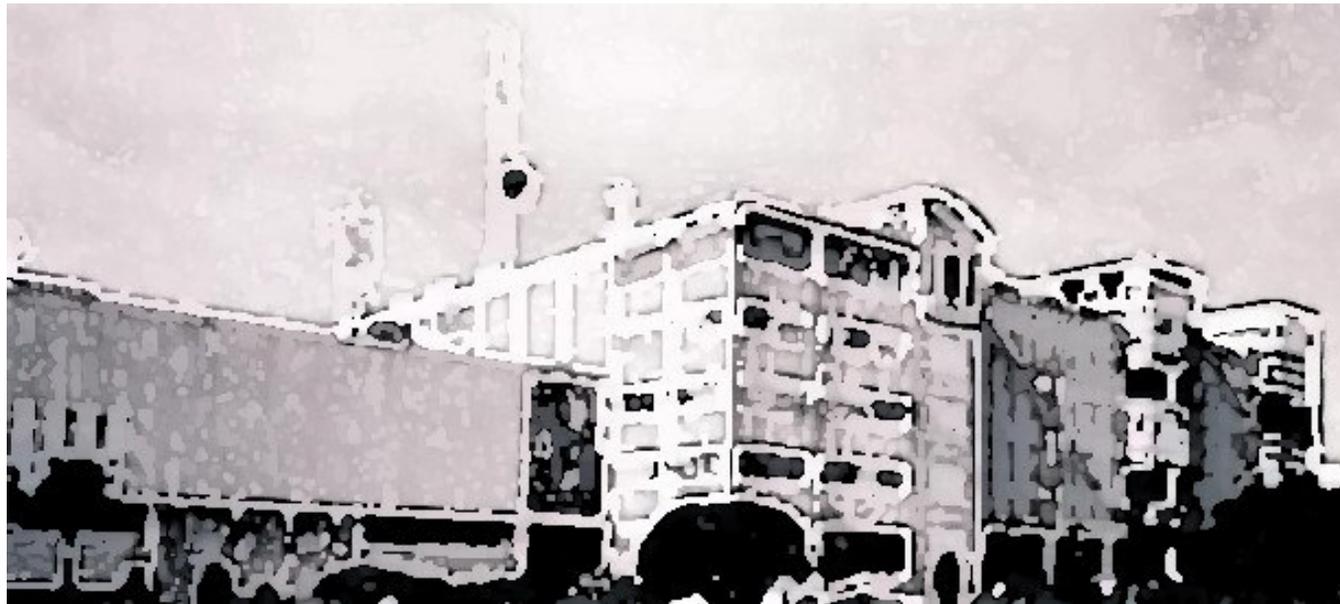
These are the specific guidelines released to departments on February 26, 2007, to guide development of the FY 2007-08 budget:

- Each General Fund-supported budget unit was assigned a target Net County Cost (NCC) allocation. For FY 2007-08, the NCC has been adjusted to include cost increases for salaries and benefits as well as changes in centrally allocated costs (insurance, Information Technology, etc.).
- General Fund supported departments must submit a budget request equal to or less than the NCC allocation. Any budget request amount over the NCC allocation must be submitted as a Supplemental Request.
- For departments with unfunded vacant positions in FY 2006-07, the NCC allocation continues to assume that these positions will be held vacant in FY 2007-08.
- Public safety budget units that customarily receive revenue from Proposition 172 were assigned a Proposition 172 revenue figure. The FY 2007-08 figures are built upon an assumption of 4% growth in revenue above FY 2006-07 estimated actuals.

Summary of Financial Policies

- Non-General Fund Budget units that do not receive a General Fund allocation must submit budget requests that balance to their revenue estimates.
- For FY 2007-08, the Fee Schedule update process began after budget adoption and concluded in time for

the new fees to become effective January 1, 2008. Fee revenue estimates were based on current rates through the first six months of FY 2007-08. Increases are effective for the second half of the year.



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 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 2000 Census population of Humboldt County was 126,518. According to the California Department of Finance, the population as of January 1, 2007, was 131,959.

The County has seven incorporated cities ranging in size from 311 to 27,208 persons. Slightly less than half of the County's residents live in incorporated communities, while 59 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 April 2007 are:

Government	28.8%
Trade, Transportation & Utilities	19.1
Educational & Health Services	12.0
Leisure & Hospitality	9.9
Manufacturing	6.5
Professional & Business Services	6.5
Construction	4.7
Financial	3.9

About Humboldt County

A 2005 report from Humboldt State University lists the largest employers in the County as:

County of Humboldt	1,972 FTE
Humboldt State University	1,454 FTE
St. Joseph Health System	947 FTE
The Pacific Lumber Company	914 FTE
Eureka City Schools	592 FTE

Government

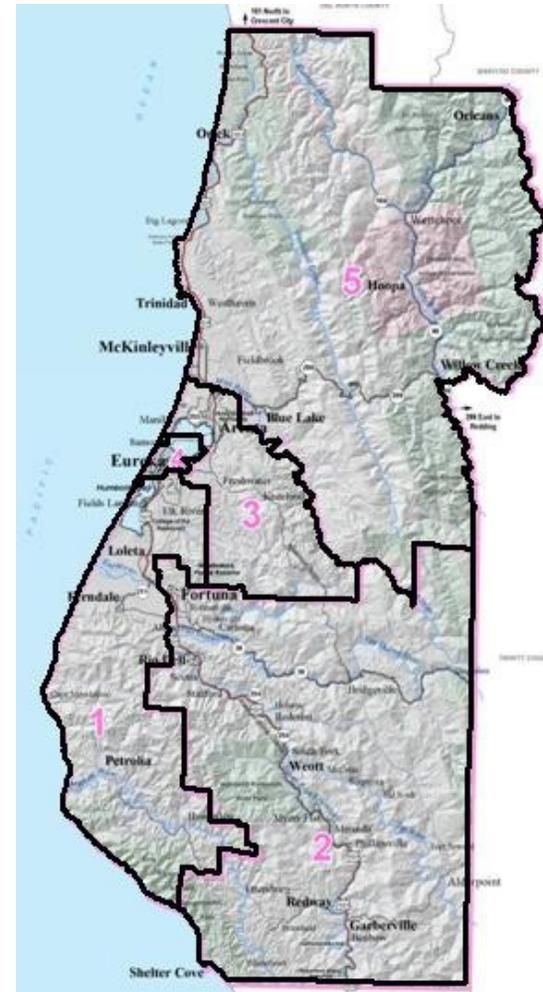
The County is governed by a five-member Board of Supervisors, elected by district for four-year terms. The County Administrative Officer manages the activities of the County's departments and the County Counsel provides legal counsel to the Board of Supervisors and departments. Both officers are hired 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

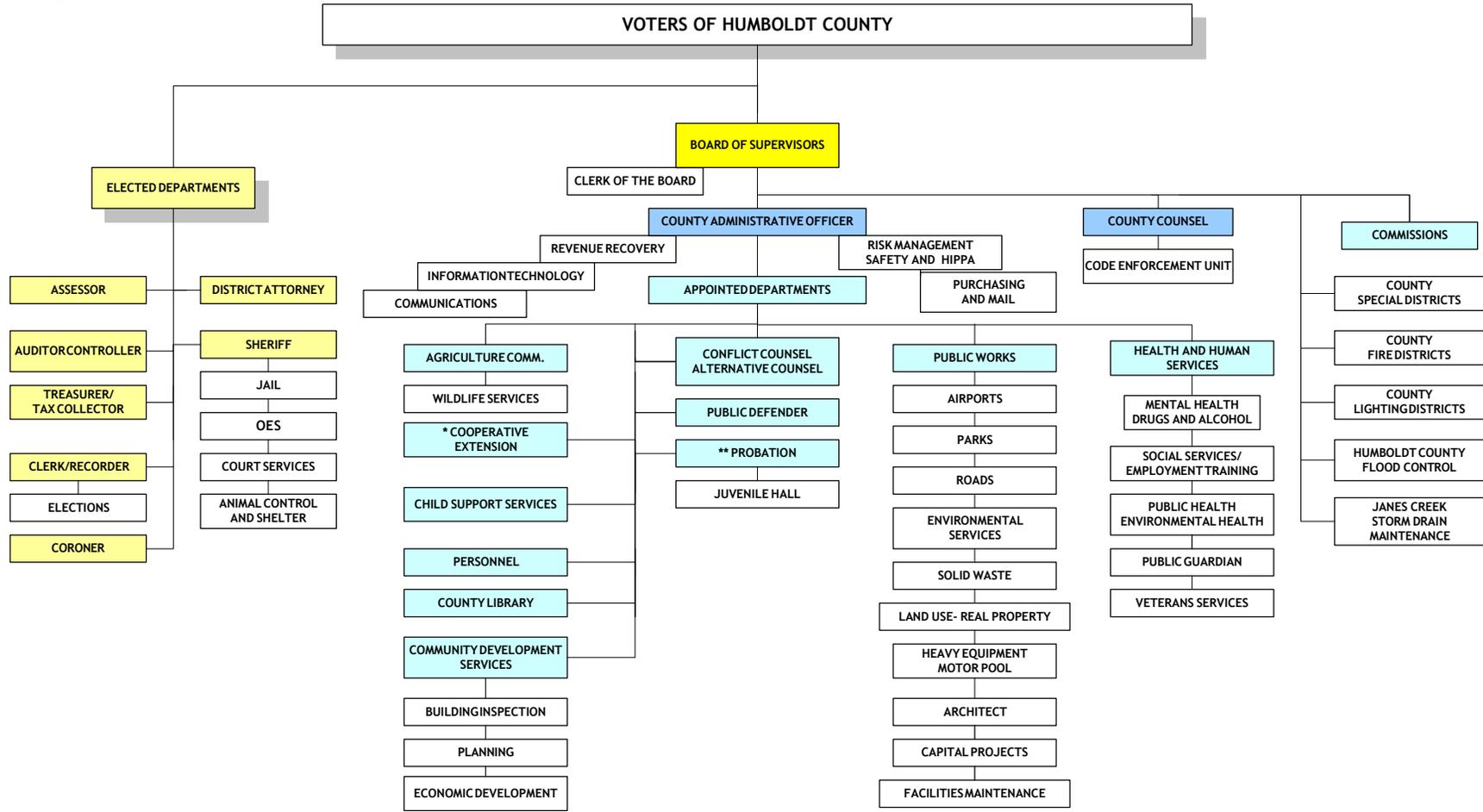
areas, are required to be maintained at certain minimum levels, which limits the County's control.

County supervisorial districts are shown on the map below:



About Humboldt County

Organizational Chart:

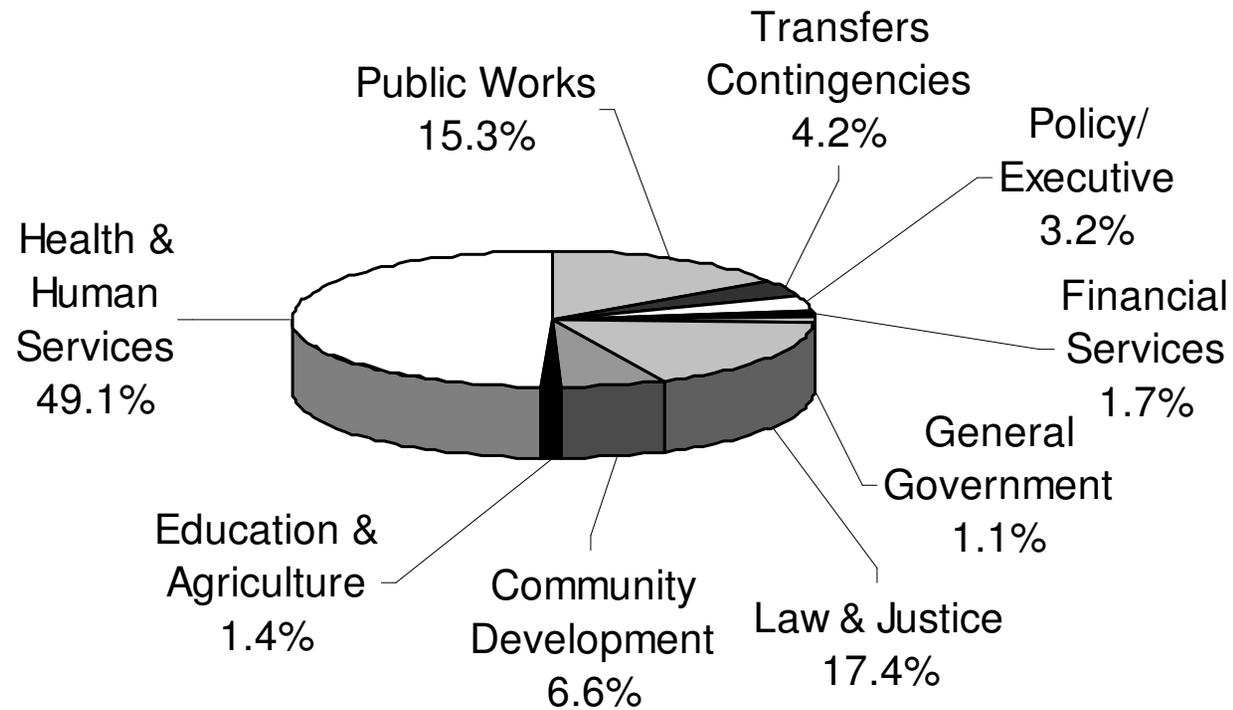


* DEPARTMENT HEAD APPOINTED BY STATE
 ** DEPARTMENT HEAD APPOINTED BY COURTS

Directory of Humboldt County Officials

Expenditure by Function - All Funds

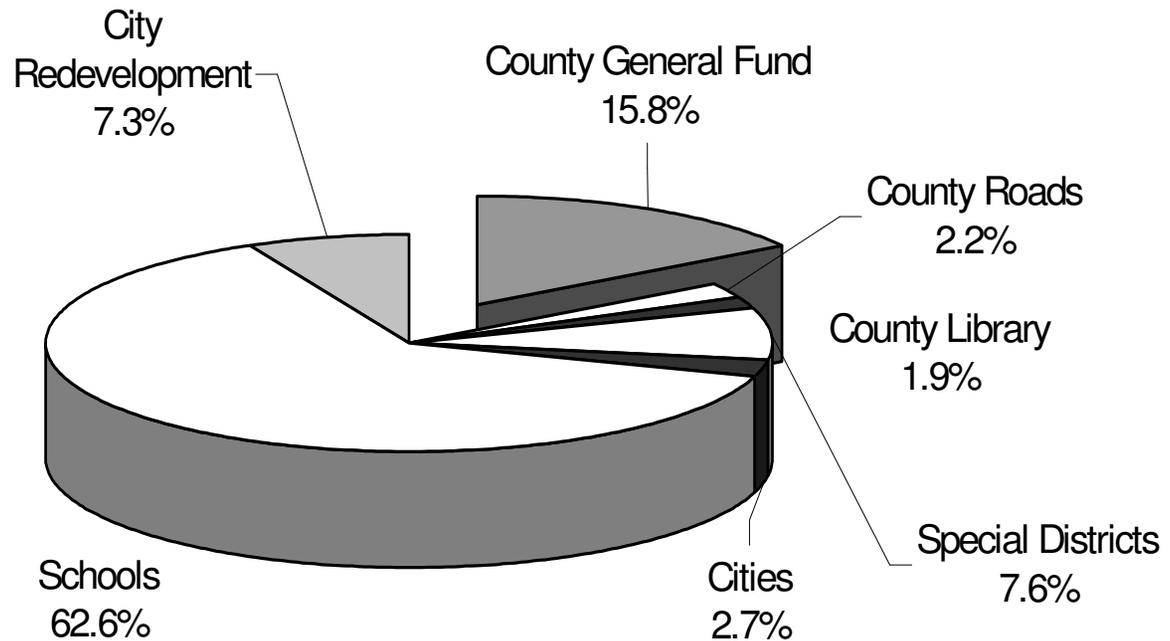
Humboldt County's total FY 2007-08 budget of \$263,205,062 is distributed in accordance with the expenditures categories listed on Chart I.



Directory of Humboldt County Officials

Property Tax Distribution

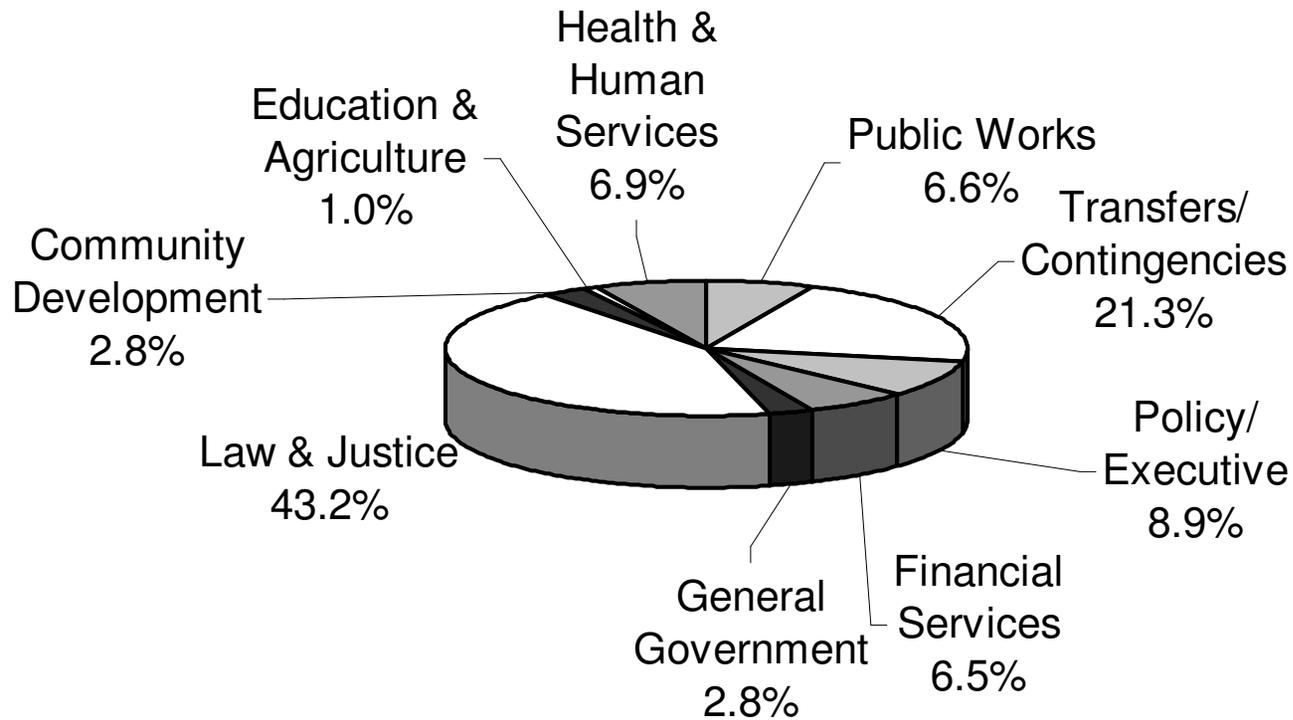
Although the County assesses, collects and administers property taxes, each dollar of property tax paid by a Humboldt County landowner is shared with various other governmental jurisdictions. Almost two-thirds of every property tax dollar benefits our school districts as illustrated in **Chart II**.



Directory of Humboldt County Officials

County General Fund Breakdown by Function

The distribution of County General Fund monies is illustrated in **Chart III**.

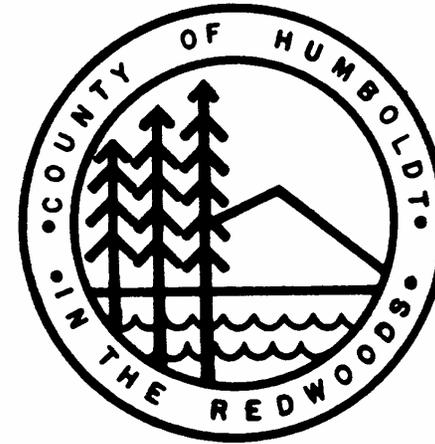


Directory of Humboldt County Officials

Elected Officials

BOARD OF SUPERVISORS

First District James R. Smith
 Second District..... Roger M. Rodoni
 Third District..... John S. Woolley
 Fourth District..... Bonnie J. Neely, Chair
 Fifth District..... Jill K. Geist, Vice-Chair
 AUDITOR-CONTROLLER..... Michael J. Giacone
 ASSESSOR..... Linda Hill
 CLERK/RECORDER/REGISTRAR OF VOTERS
 Carolyn R. Crnich
 CORONER-PUBLIC ADMINISTRATOR..... Frank J. Jäger
 DISTRICT ATTORNEY Paul V. Gallegos
 SHERIFF..... Gary Philp
 TREASURER-TAX COLLECTOR Stephen A. Strawn



Appointed Officials

Agricultural Commissioner..... John Falkenstrom
 Chief Probation Officer..... Douglas Rasines
 Child Support Services Director Jim Kucharek
 Conflict Counsel Glenn L. Brown
 Cooperative Extension Director* Alan Bower
 County Administrative Officer Loretta A. Nickolaus
 County Counsel..... Ralph Faust, Interim
 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 Richard A. Haeg
 Public Defender Kevin Robinson
 Public Works Director Thomas K. Mattson

* Not a County employee

Centers for Advancement (1100 991)

1100 - General Fund	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08 Request	2007-08 Adopted	Increase/ (Decrease)
Revenues						
General Fund Support	\$0	\$0	\$251,250	\$0	\$0	(\$251,250)
Total Revenues	\$0	\$0	\$251,250	\$0	\$0	(\$251,250)
Expenditures						
Other Charges	\$0	\$0	\$251,250	\$0	\$0	(\$251,250)
Total Expenditures	\$0	\$0	\$251,250	\$0	\$0	(\$251,250)

Purpose

The Centers for Advancement concept is Humboldt County's response to a budgetary situation in which legitimate needs for funding continue to outpace the ability of County government to provide resources to address those needs. Through Centers for Advancement, the Board of Supervisors as stewards of the County's budget allocates fixed amounts of funding for investment in three high-priority areas which impact the long-term ability of County government to provide high-quality services to Humboldt County residents: capital improvements to facilities, technology improvements, and employee development.

This budget is not being funded for FY 2007-08.

2006-07 Accomplishments

1. Set up steering committee structure.
2. Funded projects in targeted areas.

Certificates of Participation-Payments (1100 190)

1100 - General Fund	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08 Request	2007-08 Adopted	Increase/ (Decrease)
Revenues						
Other Gov't Agencies	\$323,282	\$320,500	\$290,359	\$353,138	\$353,138	\$62,779
General Fund Support	952,341	1,058,398	1,134,844	1,092,890	1,092,890	(41,954)
Total Revenues	\$1,275,623	\$1,378,898	\$1,425,203	\$1,446,028	\$1,446,028	\$20,825
Expenditures						
Other Charges	\$1,275,623	\$1,378,898	\$1,425,203	\$1,446,028	\$1,446,028	\$20,825
Expense Transfer	0	0	0	0	0	0
Total Expenditures	\$1,275,623	\$1,378,898	\$1,425,203	\$1,446,028	\$1,446,028	\$20,825

Purpose

This budget includes debt service payments on Certificates of Participation (COP) issued to finance the Library, Jail Phases I and II, the Regional Juvenile Facility, and the Animal Shelter.

Major Budget Changes

Other Charges

- \$5,136 Increase in COP payments as determined by the Auditor-Controller's office.

Revenues

- \$13,582 Anticipated revenue increase in Proposition 172 funds.

Program Discussion

This budget funds long-term debt payments on the County's capital improvement projects. The recommended budget of \$1,466,028 includes funding in the following amounts:

- \$375,838 1994 Jail Phase I Project

Certificates of Participation-Payments (1100 190)

- \$329,700 2004 Animal Shelter Project
- \$250,000 1996 Jail Phase II Public Safety Project
- \$183,862 1996 Jail Phase II Project
- \$150,797 1996 Jail Phase I Project
- \$94,957 1994 Library Project
- \$60,874 1996 Regional Juvenile Center Project

The 1994 COP financed the new Library and Jail Phase I. It also included remodeling the ground floor of the Courthouse after the Eureka Police Department moved out. The Library budget includes an additional \$80,661 paid toward the Library

debt service; the above amount represents that portion allocated to the General Fund.

The 1996 COP financed modifications to Jail Phase I resulting from the decision to construct the second phase of the Jail, the Jail Phase II project, and the Regional Juvenile Facility. A portion of this debt service payment, \$339,556, is paid from sales taxes dedicated to public safety purposes.

The entire debt was refinanced in FY 2002-03 to take advantage of lower interest rates, resulting in savings of approximately \$166,000 annually.

The 2004 COP financed construction of the Animal Care Shelter and Facility in McKinleyville.



Contingency Reserve (1100 990)

1100 - General Fund	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08 Request	2007-08 Adopted	Increase/ (Decrease)
Revenues						
General Fund Support	0	0	0	4,140,937	4,140,937	4,140,937
Total Revenues	\$0	\$0	\$0	\$4,140,937	\$4,140,937	\$4,140,937
Expenditures						
Supplies & Services	\$0	\$0	\$0	\$4,140,937	\$4,140,937	\$4,140,937
Total Expenditures	\$0	\$0	\$0	\$4,140,937	\$4,140,937	\$4,140,937

Purpose

This General Fund Contingency Reserve budget provides funds to meet unforeseen expenditures in countywide operating budgets.

Major Budget Changes

Services & Supplies

- \$1,433,038 Increase in County General Fund Contingency Reserve

Program Discussion

The Reserve for Contingencies budget is for unanticipated requirements occurring in all County operations during the fiscal year. While state statutes provide that up to 15% of the total of all other appropriations can be placed in reserve, the amount historically reserved for the County's budget has been at a much lower level.

The FY 2007-08 budget sets the contingency reserve at \$4,140,937, 4.6% of the General Fund, or 1.7%, of the County's operating budget.

Contingency Reserve (1100 990)

Fiscal Year	Adopted Budget	Contingency	As % of Budget
2001-02	\$ 196,334,106	\$ 2,453,091	1.2%
2002-03	\$ 208,647,694	\$ 1,870,543	0.9%
2003-04	\$ 212,670,073	\$ 854,871	0.4%
2004-05	\$ 201,255,779	\$ 1,209,798	0.6%
2005-06	\$ 219,926,414	\$ 2,922,847	1.3%
2006-07	\$ 242,316,988	\$ 3,066,962	1.3%
2007-08	\$ 263,205,062	\$ 4,140,937	1.5%

Approximately \$2.6 million of the recommended \$4.1 million contingency reserve is intended to provide the traditional hedge against unanticipated adverse state and federal budget actions, fund employee salary and benefits adjustments, and provide funds for unanticipated need that may occur during the course of the fiscal year. Another \$500,000 is being set aside for anticipated costs related to proposals to improve recruitment and retention of Sheriff's Deputies. Finally, \$1.0 million is being set aside for first-year implementation of the County Facilities Master Plan, which will be finalized in Summer 2007.

The zeroes shown in the "Actual" columns for FYs 2004-05 and 2005-06 can appear misleading. To avoid double-counting of expenditures, the Auditor-Controller's Office reduces the

budgeted amount in the Contingency Reserve and adds to the budgeted amount in the new budget unit when a transfer is made. A more illustrative history of transfers from the Contingency Reserve is shown below:

Fiscal Year	Original Contingency Reserve	Total Amount Transferred
2001-02	\$2,453,091	\$756,791
2002-03	\$1,870,543	\$928,767
2003-04	\$854,871	\$155,862
2004-05	\$1,209,798	\$250,029
2005-06*	\$2,922,847	\$788,099
2006-07	\$3,066,962	(est.) \$1,200,000

*The Contingency Reserve for FY 2005-06 was augmented at mid-year when the State repaid \$2,509,983 in vehicle license fee revenue that it borrowed from the County in FY 2003-04. Therefore, the adjusted Contingency Reserve for FY 2005-06 was \$5,432,830. However, to retain consistency, the amount shown in the chart above reflects the originally-adopted budget amount.

Contributions to Other Funds (1100 199)

1100 - General Fund	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08 Request	2007-08 Adopted	Increase/ (Decrease)
Revenues						
Other Gov't Agencies	\$0	\$0	\$105,037	\$141,237	\$141,237	\$36,200
Other Revenues	9,344	29,705	0	0	0	0
General Fund Support	3,530,604	5,275,912	7,874,253	5,549,267	5,529,267	(2,344,986)
Total Revenues	\$3,539,948	\$5,305,617	\$7,979,290	\$5,690,504	\$5,670,504	(\$2,308,786)
Expenditures						
Other Charges	\$3,539,948	\$5,305,617	\$7,979,290	\$5,690,504	\$5,670,504	(\$2,308,786)
Total Expenditures	\$3,539,948	\$5,305,617	\$7,979,290	\$5,690,504	\$5,670,504	(\$2,308,786)

Purpose

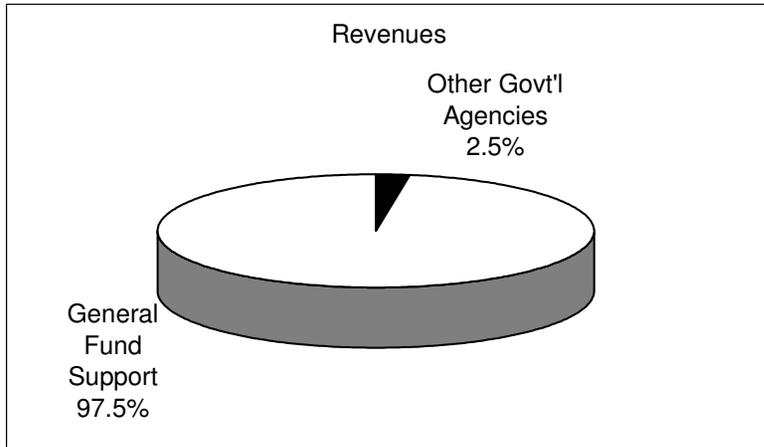
This budget unit is comprised of various allocations and required contributions of General Fund money to support specific programs that operate out of other funds.

Major Budget Changes

Other Charges

- (\$1,652,899) Completed repayment of Motor Pool Fund's 2003 loan to General Fund.
- \$500,000 Increase in transfer to General Reserve.
- \$282,149 Increase in contribution to Mental Health Fund.

Contributions to Other Funds (1100 199)



- \$36,252 New transfer for contribution to Local Agency Formation Commission (LAFCO).
- (\$30,000) Transfer of Child Abuse Prevention Coordinating Council (CAPCC) funding to Social Services budget #511.
- \$18,403 Increase in estimated contribution to Fire Districts.
- \$10,288 Increase in contribution to County Librarian.

Revenue

- (\$30,000) Transfer of CAPCC revenue to Social Services.

- \$18,403 Increase in estimated Proposition 172 revenue for contribution to Fire Districts.

Program Discussion

This budget unit is used to account for transfers from the County General Fund to other operating funds within the County, and to several veterans' organizations located throughout the County.

The allocations are as follows:

- \$35,000 Child Abuse Prevention Coordinating Council
- \$32,829 Contributions to Veterans' organizations located in Arcata, Eureka, Ferndale, Fortuna, Garberville, McKinleyville, and Rio Dell.
- \$3,710,305 Social Services, including Public Guardian and Veterans Services.
- \$591,439 Public Health
- \$325,952 Mental Health
- \$141,237 Independent Fire Protection Districts
- \$1,544 Special District Benefit Assessment

Contributions to Other Funds (1100 199)

- \$36,252 LAFCO
- \$330,946 County Library System, including \$8,000 for the Hoopa Library and the General Fund's contribution to the Librarian's position.
- \$500,000 General Reserve

This budget unit is used to account for the County General Fund's contributions to other funds.

Humboldt County's fiscal principles, in general, include that the County will provide the minimum local match required to provide the maximum benefits. Thus, the County's contributions to Public Health, Mental Health, and Social Services are generally at the minimum local match levels required by state and federal law.

Jail Mental Health

However, the Mental Health Fund is in a deficit situation, and can no longer subsidize the cost of providing mental health services to jail inmates. For FY 2007-08, the General Fund is contributing an additional \$282,149 to the Mental Health Fund for jail mental health services. This is in addition to the \$43,803 annual General Fund match that is required for the County to draw down Mental Health Realignment funds.

Fire Districts and Proposition 172 Public Safety Funding

Proposition 172 of 1992 enacted a one-half cent sales tax statewide, dedicated to public safety purposes. It was intended as partial compensation to counties and cities for property tax revenue that was shifted from local governments to the State Education Revenue Augmentation Fund (ERAF). The County's independent fire protection districts have long contended that they should receive a portion of the County's Proposition 172 Public Safety Sales Tax revenue. In October 2005, the Board voted to contribute funding to the recognized Fire Districts of Humboldt County.

At the direction of the Board's Proposition 172 subcommittee, CAO staff researched ERAF property tax losses, and determined that the fire districts' share of lost property taxes amounts to approximately 3% of county-fire losses. Working with the subcommittee and representatives of the Fire Chiefs' Association, the Fire Chiefs and the subcommittee reached an agreement which would increase the Fire Districts' share of Prop 172 revenue from 1.2% in FY 2005-06 to 1.8% in FY 2008-09, with the eventual goal of increasing the contribution to 3.0% of total Proposition 172 revenue. For FY 2007-08, the County's contribution is increased to an estimated \$141,237 for FY 2007-08, an amount equivalent to 1.6% of anticipated Proposition 172 receipts in FY 2007-08.

County Library System

Although the County Library System receives most of its revenues from a special allocation of County property taxes,

Contributions to Other Funds (1100 199)

state law requires the County General Fund to fund the cost of the County Librarian's position. This amounts to \$122,946 for FY 2007-08. An additional \$200,000 represents the General Fund's contribution to the operations of the County Library System, and \$8,000 is the County's contribution to the Hoopa Library.

Child Abuse Prevention Coordinating Council

Beginning with FY 2007-08, the County's contribution to the Child Abuse Prevention Coordinating Council has been transferred to Social Services budget #511. Social Services already provides staff support to the Council and tracks the funding; the associated budget would be more appropriately placed with Social Services.

County General Reserve

The County's General Reserve is used to provide cash flow for the County during the lean period between the beginning of the fiscal year and the first receipt of property tax payments in December. The General Reserve is also available as a contingency reserve for extreme emergencies. For FY 2007-08, the budget increases the General Reserve from \$2.5 million to \$3.0 million to increase the Reserve to more prudent levels.

Local Agency Formation Commission

Since its inception, the County has provided staffing, legal counsel, and office space to the independent Local Agency Formation Commission (LAFCO). LAFCO is made up of representatives from the County, the cities, and special districts. Development activity is expected to increase markedly in the County in upcoming years. In November 2006, to avoid the perception of conflicts of interest, the Board notified LAFCO that it would no longer be providing County staffing after the end of FY 2006-07. Per statute, the County must provide one-third of LAFCO's annual operating budget. For FY 2007-08, LAFCO's budget is \$108,756, so the County's contribution is \$36,252. Because LAFCO's budget is no longer a County budget, the prior budget unit #284 (shown in the Community Development section) has been eliminated beginning in FY 2007-08 and the County's annual contribution will now be shown in this budget unit.

Unfunded Supplemental/Restoration Funding Request

The Humboldt Literacy Project, a non-profit agency which helps adults learn to read, requested a \$20,000 contribution from the County towards its operational costs. Due to the County's structural deficit, this request was not funded.

Courthouse Construction

1420 - Courthouse Construction Fund	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08 Request	2007-08 Adopted	Increase/ (Decrease)
Revenues						
<i>Dept. 170 - Capital Projects</i>	\$373,375	\$0	\$0	\$0	\$0	\$0
<i>Dept. 242 - Courthouse Constr.</i>	226,815	228,023	256,592	244,406	244,406	16,383
(To)/From Non-GF Fund Balance	447,928	83,922	53,128	67,094	67,094	13,966
Total Revenues	\$1,048,118	\$311,945	\$309,720	\$311,500	\$311,500	\$30,349
Expenditures						
<i>Dept. 170 - Capital Projects</i>	\$739,094	\$0	\$0	\$0	\$0	\$0
<i>Dept. 190 - COP Payments</i>	309,024	311,945	309,720	311,500	311,500	1,780
<i>Dept. 242 - Courthouse Constr.</i>	0	0	0	0	0	0
Total Expenditures	\$1,048,118	\$311,945	\$309,720	\$311,500	\$311,500	\$1,780

Purpose

The Courthouse Construction Fund is used for the acquisition, rehabilitation, construction and financing of courtrooms or of a courtroom building containing facilities necessary or incidental to the operation of the justice system.

Major Budget Changes

Revenues

- \$16,183 Increase in estimated court revenue.

Courthouse Construction

Program Discussion

In 1982, pursuant to California Government Code § 76100, the Board of Supervisors established the Courthouse Construction Fund. The revenues in the Courthouse Construction fund come from a surcharge of \$2.50 that is added to every parking penalty imposed by Superior Court for violations occurring within Humboldt County. This amount is in addition to the \$2.50 surcharge that is dedicated to the Criminal Justice Facilities Construction Fund.

The Courthouse Construction Fund can be used for the acquisition, rehabilitation, construction, and financing of courtrooms or a courtroom building that contains facilities necessary or incidental to the operation of the justice system. The expenditures shown on the previous page represent the Certificates of Participation (COP) long-term debt financing

associated with the Courthouse Remodeling project that was completed in December 2004.

The fund is currently in a deficit position; this situation will need to be addressed as part of the County Facilities Master Plan.

Due to the Court Facilities Act of 2002, counties are expected to enter into negotiations with the State to determine which buildings will be transferred from county to state responsibility, and on what terms. Humboldt County's transition team has been in negotiations with the Administrative Office of the Courts regarding transfer of responsibility for the Eureka courthouse. The Board of Supervisors approved a transfer agreement in June 2007. The Hoopa and Garberville facilities were addressed through continuing-use MOU's.

Criminal Justice Construction

1410 - Criminal Justice Construction Fund	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08 Request	2007-08 Adopted	Increase/ (Decrease)
Revenues						
<i>Dept. 242 - Courthouse Constr.</i>	\$324,100	\$327,062	\$394,950	\$341,602	\$341,602	(\$53,348)
(To)/From Non-GF Fund Balance	1,813	(202,451)	(282,135)	(170,555)	(170,555)	111,580
Total Revenues	\$324,100	\$124,611	\$112,815	\$171,047	\$171,047	\$58,232
Expenditures						
<i>Dept. 170 - Capital Projects</i>	\$106,384	\$0	\$0	\$0	\$0	\$0
<i>Dept. 190 - COP Payments</i>	38,976	124,611	112,815	112,885	112,885	70
<i>Dept. 242 - Courthouse Constr.</i>	180,553	0	0	58,162	58,162	58,162
Total Expenditures	\$325,913	\$124,611	\$112,815	\$171,047	\$171,047	\$58,232

Purpose

The Criminal Justice Facility Construction Fund is used for construction and financing of various criminal justice facility projects.

Major Budget Changes

Other Charges

- \$58,162 Payment to Roads Fund 1200 for Courthouse Seismic Retrofit due to the Inspector General's disallowance of charges which occurred in 2002. Notice of official ruling on disallowance received recently.

Criminal Justice Construction

Revenues

- \$6,302 Increase in estimated revenue due to parking fines.

Program Discussion

In 1982, pursuant to Government Code § 76101, the Board of Supervisors established the Criminal Justice Facilities Construction Fund. The revenues in the Criminal Justice Facilities Construction fund come from a surcharge of \$2.50 that is added to every parking penalty imposed by Superior Court for violations occurring within Humboldt County.

The Criminal Justice Facilities Construction Fund can be used for the construction, reconstruction, expansion, improvement, operation, or maintenance of county criminal justice and court

facilities, and for improvement of criminal justice automated information systems.

Criminal justice facilities include buildings such as the County Jail, Juvenile Hall, the Juvenile Regional Facility, and courthouses. Any new jail, or additions to an existing jail that result in the provision of additional cells or beds, must be constructed in compliance with the “Minimum Standards for Local Detention Facilities” regulations promulgated by the California Board of Corrections.

The expenditures in this budget unit represent the Criminal Justice Facilities Construction Fund’s contribution to the 1994 and 1996 Certificates of Participation payments associated with the Jail and Regional Juvenile Facility Construction projects (see COP Payments budget #190 for more details).

General Purpose Revenues (1100 888)

1100 - General Fund	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08 Request	2007-08 Proposed	Increase/ (Decrease)
Revenues						
Taxes	\$28,619,233	\$32,981,051	\$36,670,841	\$38,817,142	\$38,817,142	\$2,146,301
Use of Money & Property	254,371	725,741	857,165	894,019	894,019	(444,805)
Other Gov't'l Agencies	3,511,288	1,691,541	1,338,824	1,430,370	1,430,370	91,546
Charges for Services	2,626,862	2,802,690	2,253,079	2,519,823	2,527,889	2,004,821
Other Revenues	2,558,989	1,091,958	523,068	291,700	291,700	(\$231,368)
Total Revenues	\$37,570,743	\$39,292,981	\$41,642,977	\$43,953,054	\$43,961,120	\$2,709,330
Expenditures						
Total Expenditures	\$0	\$0	\$0	\$0	\$0	\$0

Purpose

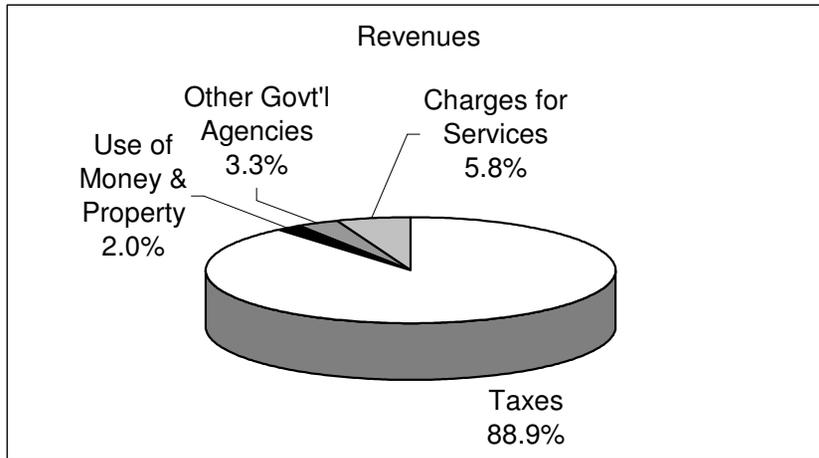
This budget unit is comprised of a variety of revenues that are deposited into the County's General Fund, the County's primary source of discretionary revenue.

Major Budget Changes

Revenues

- \$1,547,768 Increase in property tax revenues.
- \$770,170 Increase in SB90 state mandate reimbursements, based on recent experience.
- \$469,019 Increase in estimated interest earnings, based on recent experience.

General Purpose Revenues (1100 888)



- \$404,278 Increase in sales tax revenue.
- (\$210,000) Anticipated elimination of Williamson Act reimbursements from State.
- \$200,000 Increase in hotel and motel tax revenue.

Program Discussion

The majority of the County's revenues are program-specific; that is, the revenues received are dedicated for a specific purpose. In contrast, the County's General Purpose Revenues are the only discretionary revenues over which the Board of Supervisors has control. Even though General Purpose Revenues comprise less than 17.0% of the total County budget, they are the primary source for funding core County departments such as the Board of Supervisors itself, the

Assessor, the Treasurer-Tax Collector's Office, the Sheriff, the District Attorney, and the Agricultural Commissioner/Sealer of Weights and Measures. In addition, a significant portion of General Fund revenues are contributed to the Department of Health and Human Services, in accordance with maintenance-of-effort requirements for Health, Mental Health, and Social Services programs.

Because General Purpose Revenues are discretionary in nature, there are a wide variety of competing demands upon its use. In recent years, the County's General Fund has been strained almost to the breaking point due to State raids upon County property tax revenues, elimination of State cost reimbursements for State-mandated programs, and unpredictable shifts of funds to the State, such as the three-month gap in vehicle license fee revenue that occurred at the beginning of FY 2003-04. In addition to unilateral State actions that affected the County's treasury, other General Purpose Revenues were stagnant or even declined, due to federal actions and the County's general economic situation. However, FY 2005-06 and 2006-07 have seen improvements.

Total General Fund revenues are projected to be \$43,961,120 in FY 2007-08. This represents an increase of approximately \$3.5 million over the adopted budget for FY 2006-07.

The single-largest factor in that growth is an estimated \$1.5 million increase in property tax revenue, based upon an estimated 6% increase in the County's property tax roll. Although property valuation growth has slowed since its

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heights in Summer 2005, the total taxable property tax roll is still increasing.

During the budget crisis years of the first half of this decade, the State suspended payment of reimbursements for state-mandated programs. However, the State began paying local governments again beginning in FY 2005-06. State mandate reimbursements have risen markedly in FY 2006-07. The estimate for FY 2007-08 is more than \$770,000 above the FY 2006-07 budgeted amount, but was based on solid experience in 2006-07 receipts.

The budget crisis years also affected General Purpose Revenues in another way. The County was forced to deplete its General Reserve and minimally fund its Contingency Reserve. Because the County seldom had a positive cash balance in the General Fund, it did not earn interest. As the County's revenues have improved and its reserves have increased, so has the General Fund's interest earnings. The estimated earnings for FY 2007-08 represent an increase of approximately \$469,000 above the budgeted level for FY 2006-07. Again, this figure is based on 2006-07 experience.

The County enters into Williamson Act contracts with rural property owners to preserve agricultural land. If property owners agree to maintain their land in agricultural production

rather than develop it, the County taxes the property at the lower agricultural land rate. Due to the State's interest in maintaining adequate farmland to feed its citizens, the State for decades has reimbursed counties for their property tax losses related to Williamson Act contracts. However, the Governor's May Revise proposed elimination of Williamson Act reimbursements. This would have represented a loss of \$210,000 annually beginning in FY 2007-08. The budget for FY 2007-08 assumed that no Williamson Act reimbursements will be received.

The General Fund gets reimbursed when it provides centralized services (such as accounting, building maintenance, and personnel services) to other funds. These are typically referred to as "A-87 charges", after the number of the federal circular that regulates how the charges are computed. A-87 charges are usually charged two years in arrears, so FY 2007-08 revenues were based on actual expenditures in FY 2005-06. A-87 charges for FY 2007-08 had not been developed at the time of this writing, so the budget assumes a modest 3% interest in revenues totaling \$65,701.

Other revenue sources, such as the transient occupancy tax and sales tax, tend to be highly variable from year-to-year. The estimates for FY 2007-08 are based on trends in revenue receipts over the last five years.