

## *County Administrative Officer's Budget Message*

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### COUNTY ADMINISTRATIVE OFFICE **COUNTY OF HUMBOLDT**

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June 23, 2009

Board of Supervisors  
Residents of Humboldt County

**Subject: 2009-10 Budget**

Dear Board Members and Residents:

One of my principal tasks as County Administrative Officer is to present a budget proposal for you to consider and discuss, ultimately resulting in adoption of a spending plan which will guide the operation of County services for the next twelve months. This year's development of the budget proposal, for Fiscal Year (FY) 2009-10, has been a difficult and frustrating process as we face an unprecedented external environment. Nevertheless, I am proud of the sacrifices made by departments and the dedication exhibited by employees in producing this plan, and I respectfully submit it for your consideration.

#### **Budgets present tough choices**

In our personal lives, we are familiar with the phenomenon that reasonable expenses always seem to outstrip available funds. Sure, the family really could use a new car, more money in the kids' college plans, and a

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termite inspection on the house. None of these are luxuries – failing to take care of them this year may well lead to substantially higher costs down the road. But devoting money to all of these while still paying the utilities, buying gas and groceries, and taking care of other ongoing expenses would require that we get a 20% raise at work, and the reality is that we are more likely to get a 2% raise. This means choosing only the one most critical expenditure and hoping that the other items on the list don't come back to haunt us.

County government faces similar cost pressures. County residents would love to see (and staff would love to provide) emergency calls that receive quick responses, roads where potholes get fixed, and libraries with current books. There are buildings that need better care, paperwork that needs to be streamlined through technology investment, and employees that need training to keep up with current standards in their fields. None of these are luxuries; they represent the basic cost of doing business. Yet, just like the family example above, Humboldt County's income has not kept pace with our needs. County government has for many years been forced to pick and choose only the most critical expenditures.

Your Board has made those tough choices. County departments have raised attention to real needs (more staffing for Sheriff's patrol, more funding for road maintenance, a new Juvenile Hall, permit streamlining) and staff has worked hard to make sure that some funding flowed to these areas. But it has not been enough, and to provide even what we have has required constraining spending. During the ten fiscal years from 1999-2000 to 2008-09, appropriations for expenditure in the County General Fund grew from \$73,657,967 to \$93,872,955. While those may seem like big numbers to the average household, the annual rate of growth for that period is only 2.74 percent (lower than the rate of inflation by 0.2 percent a year).

### **This year is different**

These spending constraints have felt like a "cut" to many County departments, which have been unable to maintain services at levels they know the public expects and deserves. But as bad as the past decade has seemed, the future we are confronting today is worse. For FY 2009-10, there will be less money coming in the doors to pay for County programs. This does not mean fewer "inflation-adjusted" dollars. This does not mean

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that expenditure growth is outpacing revenue growth. This is a real dollar reduction. The County budget is shrinking, in absolute terms.

Of course, county government is not unique in this respect. Humboldt County residents are experiencing increased unemployment and cutbacks in hours. The State of California is predicting that personal income in the State will shrink during 2009, for the first time since 1938. Neither is the problem confined to California. The Associated Press publishes an Economic Stress Index, a national county-level measure of the combined effects of unemployment, foreclosures and bankruptcy. For April 2009, all but 23 of the 3,141 counties throughout the United States had higher rates of unemployment compared to April 2008.

One year ago, I presented you with a budget that contained some cutbacks but also some enhancements. While I noted the "dire financial straits" of State government, my overall message was positive because Humboldt County's local revenues were projected to remain stable. However, the new realities of daily life for Humboldt County families have a direct impact on the County's operations. People need more services from their county government at the same time they are contributing less in tax and fee revenues to support the provision of those services.

During the past year, the condition of Humboldt County's General Fund (our principal discretionary account to pay for core local services) has deteriorated far more rapidly than staff anticipated at the time of budget adoption in June 2008. Sales tax is now projected to yield 13.6% less revenue than last year, Proposition 172 receipts for public safety are down 9.5% through May compared to the same period last year, timber yield tax is off by more than a third, interest income through May has been cut in half, document transfer tax and recording fees in the Recorder's Office are down by 21.7%, construction permits are down by 26% and the State has stopped reimbursing counties for mandates. At the same time, overtime costs have reached an all-time high as positions have been held vacant.

No one can say for sure what these facts mean for the future of Humboldt County, but I believe it is my responsibility to present you with a budget proposal that recognizes the world we live in at this moment. That means recommendations that will be decidedly uncomfortable – for me to make, for you to accept, and for

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departments to live with.

### **Budget proposals**

Staff has chosen red as the color scheme for this year's budget. Red is the color of warning. Of stopping to see what's coming and proceeding with extreme caution. Those themes have been in our minds as we have put together the proposal before you today.

The total proposed spending plan for FY 2009-10 is \$293,273,893. This is a decrease of 1.2% from last year and includes \$91,417,926 in General Fund spending (a decrease of 2.6%). This proposal includes an allocation of 2,123.95 positions, which is 16 positions more than in June of last year but 9 fewer than are currently allocated county-wide. It should also be noted that many of these positions are proposed to be held vacant, with the resulting salary savings counted toward departmental budget reductions.

As part of this proposal, I am recommending the cancellation of \$2 million 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 2009-10, that target would range between \$7.17 million and \$8.96 million – nearly triple the current reserve level of \$3 million. While the adopted policy is based on sound financial principles, I cannot recommend devoting an additional \$4 – 5 million toward reserves at a time when your Board has already approved a number of extraordinary measures such as accelerating payments from the Timber Yield Tax Loss Fund and borrowing against trust funds. To the contrary, I believe that we find ourselves today in extraordinary circumstances which warrant the cancellation of a portion of our General Reserve. While I make this recommendation cautiously and reluctantly, I am also mindful of these historic reserve levels:

Balance as of June 30,	General Reserve
2005	\$100,000
2006	\$1,000,000
2007	\$2,500,000

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Balance as of June 30,	General Reserve
2008	\$3,000,000
2009	\$3,000,000
(proposed) 2010	\$1,000,000

The General Fund budget recommended today also contains a Contingency Reserve of \$1,000,000. This is 1.1% of General Fund revenues – again, far less than the policy target of 6%. In fact, this is the lowest contingency amount recommended to your Board since FY 2003-04. As with cancellation of reserves, this is a recommendation I make very reluctantly. However, I cannot in good conscience recommend the alternative of deeper cuts to departmental budgets – especially in view of the fact that I may be forced to return to you with exactly that recommendation should some of the most drastic State takeaways be adopted.

The budget proposal before you today will not allow us to provide all we want for our community. In many cases, departmental reductions will leave us unable to provide for some of the basic needs of the community. It simply represents the best that we have the ability to provide under the current circumstances. I remain confident, though, that Humboldt County employees will continue to work diligently to serve this community even beyond the level of funding we are able to provide today.

### **A light in the darkness**

Indeed, it is the dedication of our employees that allows me to end this dismal picture with a brief glimmer of hope. The central picture on our budget cover for FY 2009-10 is of the historic Trinidad lighthouse. Lighthouses were used to guide ships through treacherous waters, to keep commerce moving and protect valuable cargo from ending up stranded or destroyed. The budget guidelines your Board has provided and the hard work by staff have similarly allowed Humboldt County to avoid the most treacherous of economic waters.

I would like to take this opportunity to extend my sincere appreciation to just a few examples of the tireless effort staff expends in support of county programs: the staff of my office, especially Assistant County

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Administrative Officer Phillip Smith-Hanes and Senior Administrative Analyst Amy Nilsen, and Auditor-Controller Michael Giacone and his staff, for their tireless efforts in preparing this document. I would also like to thank each of the County departments for their patience, perseverance, and hard work; and the Board of Supervisors for your support and direction. Finally, I must mention the work of two interns in our office, Kyle Knopp and Katie Taylor, without whose efforts this budget proposal simply could not have been completed.

Here's to a brighter future,

A handwritten signature in black ink that reads "Loretta Nickolaus". The script is cursive and fluid, with the first name "Loretta" written in a larger, more prominent hand than the last name "Nickolaus".

LORETTA NICKOLAUS  
County Administrative Officer

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### **Overview of the Humboldt County Budget for FY 2009-10**

The total amount of Humboldt County's budget reflective of all County funds is \$293,404,101.

At the conclusion of the final budget hearing the following items were included in the adopted budget:

- \$20,415 to correct a clerical error in the calculation of Board Members' salaries.
- \$109,793 in changes to health insurance expenses per PERS.
- Increased secured property tax revenue estimate by \$330,208.
- Decreased Timber Yield Tax revenue estimate by \$200,000.

These items account for the difference between the proposed budget of \$293,273,893 and the adopted budget of \$293,404,101.

Of this \$293,404,101, the County's primary operating fund, the General Fund, accounts for \$91,548,134. Since many grant programs are included in the General Fund, the budget over which the Board of Supervisors has true discretion totals only \$49,006,313. This includes \$1,653,455 of carry-forward revenue from the prior year,

plus \$47,352,858 in current-year revenue. Thus, the primary decision-makers in setting County policy have effective control over a mere 16% 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-24. A comparison of Chart I on page A-24 with Chart II on page A-25 reveals that Health & Human Services and Public Works account for almost two-thirds of the County's total budget, but only 11.5% of the discretionary General Fund spending. Many of these programs are simply mandated by State and Federal authorities.

### **Capital Improvements**

The total dollar amount budgeted for capital expenditures is \$10,400,574. This includes:

- \$237,157 in Fund 1170, Budget Unit 424 Mental Health, for Clark Complex building modifications.
- \$825,000 in Fund 1160, Budget Unit 511 for building modifications to Social Services buildings.
- \$200,000 in Fund 1490, Budget Unit 170 Aviation Capital Projects, for the Arcata/Eureka Airport terminal remodel.
- \$9,128,417 in Fund 1490, Budget Unit 170 Aviation Capital Projects, for Runway Safety Area Improvements to the Arcata/Eureka Airport.

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- \$5,000 in Fund 1100, Budget Unit 234 Juvenile Hall, for building modifications.
- \$5,000 in Fund 1100, Budget Unit 254 Regional Facility, for building modifications.

### **Fund Summaries**

As displayed in the Fund Summaries located in the Appendix beginning on page M-30, and as described in the individual departmental narratives, the following funds have increases/decreases in budgeted expenditures for FY 2009-10 as compared to actual expenditures for 2008-09:

- 5% increase in the General Fund (1100).
- 10% increase in the Social Services Assistance Fund (1110).
- 127% increase in the Economic Development Fund (1120).
- 16% increase in the Transportation Services Fund (1150).
- 15% increase in the Social Services Administration Fund (1160).
- 13% increase in the Mental Health Fund (1170).
- 13% increase in the Public Health Fund (1175).

- 4% increase in the Alcohol & Other Drugs Fund (1180).
- 18% increase in the Employment & Training Fund (1190).
- 24% increase in the Roads Fund (1200).
- 4% increase in the Child Support Fund (1380).
- 17% increase in the Criminal Justice Construction Fund (1410).
- (31%) decrease in the Fish & Game Fund (1700).

## **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 2009-10 and the reasoning behind the recommendations she made to the Board.



## ***Reader's Guide***

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### **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 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 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 operating 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

## Reader's Guide

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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:

<i>Revenues</i>	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.
<i>Expenditures</i>	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 2009-10.

### *Adopted*

The next column in the table provides the budget for the budget unit or grouping for FY 2009-10 adopted by the Board of Supervisors on July 28, 2009.

### *Increase/ (Decrease)*

Finally, you will see a depiction of the difference between the adopted funding/staffing for the budget unit in FY 2008-09 and that adopted for FY 2009-10.

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### **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.

### **Major Budget Changes**

Next, information is presented as to the major changes in the budget from FY 2008-09 to FY 2009-10. 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, 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.

### **2008-09 Accomplishments**

### **2009-10 Objectives**

Finally, to show what is gained by investment of resources in a budget unit, each budget unit lists several accomplishments achieved during FY 2008-09 and objectives planned for attainment in FY 2009-10.

### **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*

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### **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 2009-10 was adopted by the Board of Supervisors on July 28, 2009, following more than six months of planning and preparation. Here is a brief overview of this process:

#### **December to Late February**

**Mid-Year Financial Review:** Beginning in December 2008, the County Administrative Office (CAO) worked with departments to prepare a mid-year update covering the first six months of FY 2008-09 budget operations (July 1 - December 31, 2008). This was presented to the Board of Supervisors on February 10, 2009, and at that time the Board also adopted a tentative schedule for the FY 2009-10 budget process.

This mid-year update formed the basis for many of the assumptions about income and spending patterns that carried forward into FY 2009-10. While working on the mid-year

update, 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 February 23, 2009, the CAO presented to departments the parameters for development of their FY 2009-10 budget requests. Departments submitted their requests to the CAO by March 30, 2009. The CAO reviewed budget and supplemental requests in April 2009 and developed the proposed budget.

#### **May to June**

**Presentation & Adoption of Budget:** The CAO met with the Board's Budget Subcommittee in May 2009, to receive feedback on its proposals. On June 23, 2009, the CAO presented the proposed Humboldt County budget for FY 2009-10 to the Board of Supervisors. Public hearings on the proposed budget were held on July 13 and 15, 2009. The final budget was adopted on July 28, 2009.

## *Summary of Financial Policies*

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### 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*

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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*

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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.

## *Summary of Financial Policies*

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The County does not intend to issue debt in the foreseeable 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 2008-09 review took place on February 26, 2009, and included appropriate budget amendments and the budget outlook for FY 2009-10.

### **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*

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### **Specific Guidelines for FY 2009-10**

These are the specific guidelines released to departments on March 3, 2009, to guide development of the FY 2009-10 budget:

- General Fund supported departments must submit a budget request equal to or less than the Net County Cost (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 2008-09, the NCC allocation continues to assume that these positions will be held vacant in FY 2009-10.
- 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

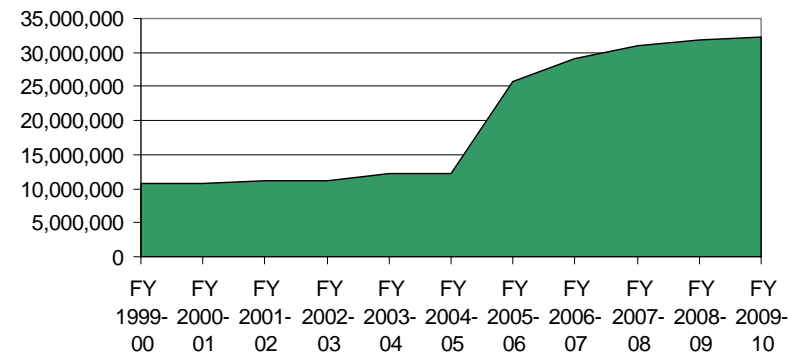
### Major Revenues

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-20. 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

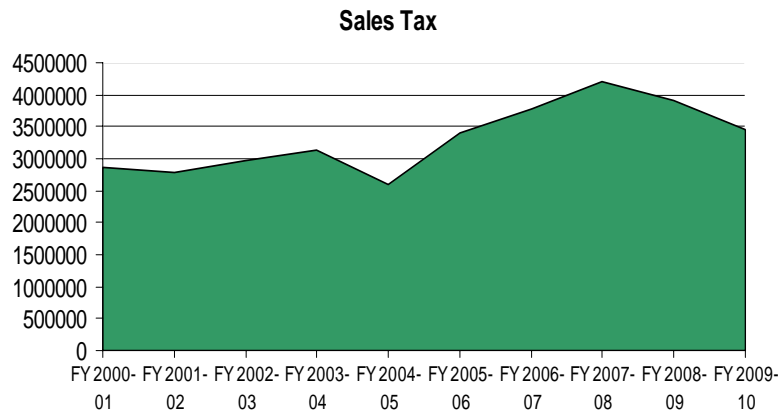


Due to Proposition 57, "Triple Flip" Property tax in lieu of sales tax, Property Tax doubled in FY 2005-06. Property taxes continue to see a steady increase. Property tax revenues for FY 2009-10 are estimated to increase by 3% based on past year's trends.

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%. Sales Tax for FY 2009-10 is estimated to decrease by 6% based on the slow down in the economy.

## Description of Revenues

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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 9% 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 17% of the total County budget, while representing 90% 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

## Description of Revenues

Assistance to Needy Families revenue to provide welfare payments to indigent County residents).

**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

	2005-06 Actual	2006-07 Actual	2007-08 Actual	2008-09 Actual	2009-10 Request	2009-10 Adopted	Increase/ (Decrease)
<b>Revenues by Type</b>							
Taxes	\$39,790,363	\$44,263,515	\$46,568,436	\$47,652,379	\$47,515,923	\$49,246,339	\$1,593,960
Operating Rev & Contribution	0	0	0	0	93,818	52,012	\$52,012
Licenses & Permits	1,641,876	1,859,901	1,752,931	1,520,317	1,418,732	1,418,732	(\$101,585)
Fines, Forfeits & Penalties	2,761,907	2,975,117	2,951,675	2,800,601	2,645,633	2,645,633	(\$154,968)
Use of Money & Property	835,300	1,091,573	1,552,333	1,275,035	645,500	645,500	(\$629,535)
Other Govt'l Agencies	131,044,708	139,283,679	155,009,738	143,720,192	183,131,571	183,957,725	\$40,237,533
Charges for Services	23,435,572	28,617,192	25,155,932	33,402,233	38,414,585	37,622,478	\$4,220,245
Other Revenues	10,048,386	9,065,331	10,086,227	9,645,711	10,046,928	13,390,357	\$3,744,646
Trust Fund Revenue	0	0	260,450	0	0	0	\$0
Total Revenues	\$209,558,112	\$227,156,308	\$243,337,722	\$240,016,468	\$283,912,690	\$288,978,776	\$48,962,308

## *Description of Expenditures*

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### **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

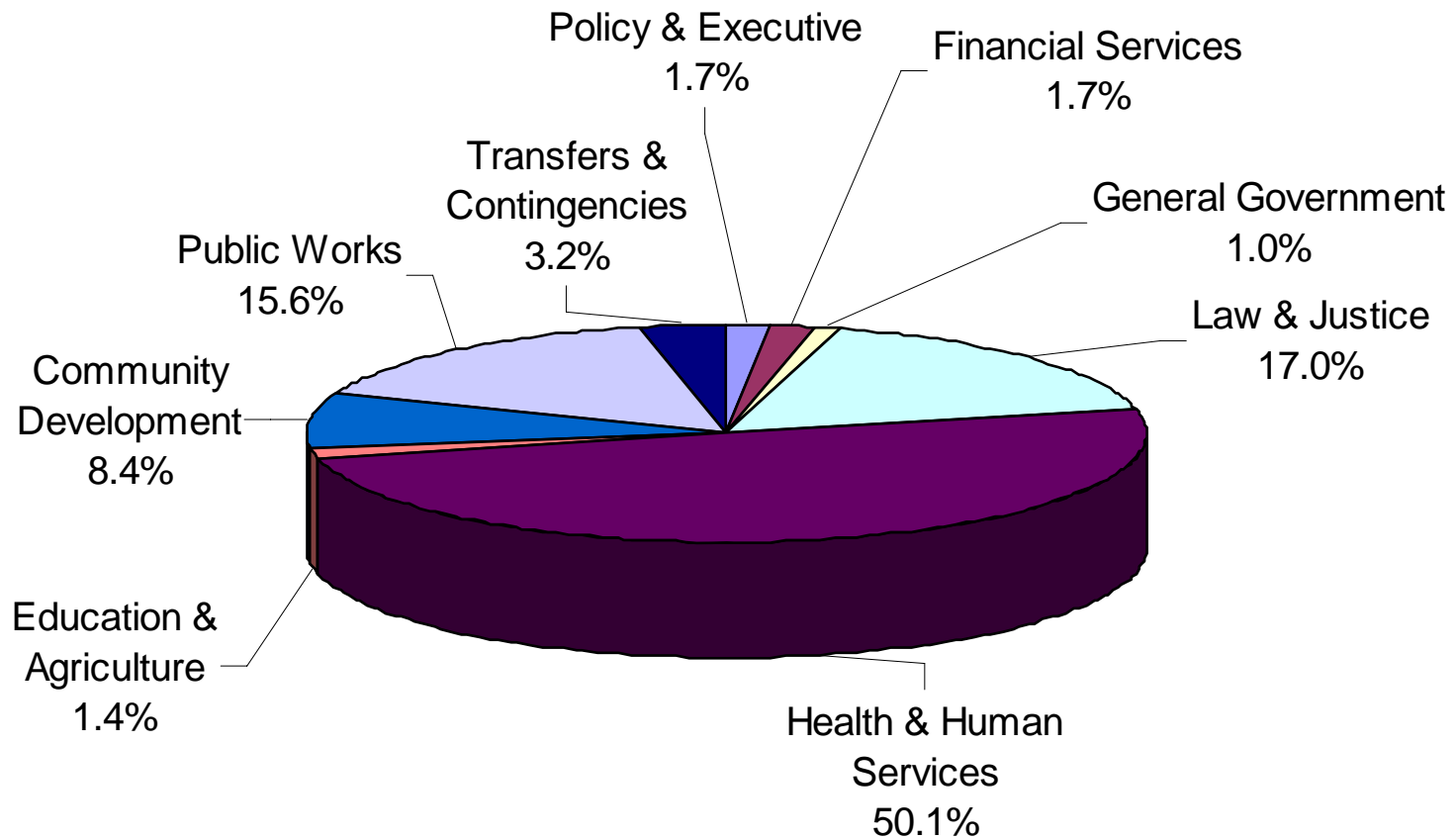
	2005-06 Actual	2006-07 Actual	2007-08 Actual	2008-09 Actual	2009-10 Request	2009-10 Adopted	Increase/ (Decrease)
<b>Expenditures by Functions</b>							
General Government	\$20,410,243	\$27,012,544	\$28,546,626	\$26,145,940	\$35,882,964	\$32,279,595	\$6,133,655
Public Protection	54,161,859	58,118,071	61,092,758	68,170,015	81,889,895	78,469,498	\$10,299,483
Public Ways & Facilities	17,708,162	12,326,551	24,171,148	22,735,726	28,162,788	27,432,627	\$4,696,901
Health and Sanitation	47,617,552	49,712,428	50,639,815	55,743,418	65,502,755	62,492,603	\$6,749,185
Public Assistance	63,504,932	67,623,945	69,383,879	74,186,797	84,825,279	84,346,255	\$10,159,458
Education	2,686,632	2,979,005	3,174,508	3,360,966	3,388,140	3,300,862	(\$60,104)
Recreation & Cultural Services	576,694	734,429	785,600	723,349	1,583,923	1,499,313	\$775,964
Transportation Services	1,080,312	1,184,721	1,337,293	1,447,733	1,660,120	1,660,120	\$212,387
Reserve & Contingencies	0	251,250	0	0	1,700,000	1,923,228	\$1,923,228
Total Expenditures	\$207,746,386	\$219,942,944	\$239,131,627	\$252,513,942	\$304,595,864	\$293,404,101	\$40,890,159

## *Trends and Graphs*

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### Expenditure by Function - All Funds

Humboldt County's total adopted FY 2009-10 budget of \$293,404,101 is distributed in accordance with the expenditure by County functional categories on **Chart I**.

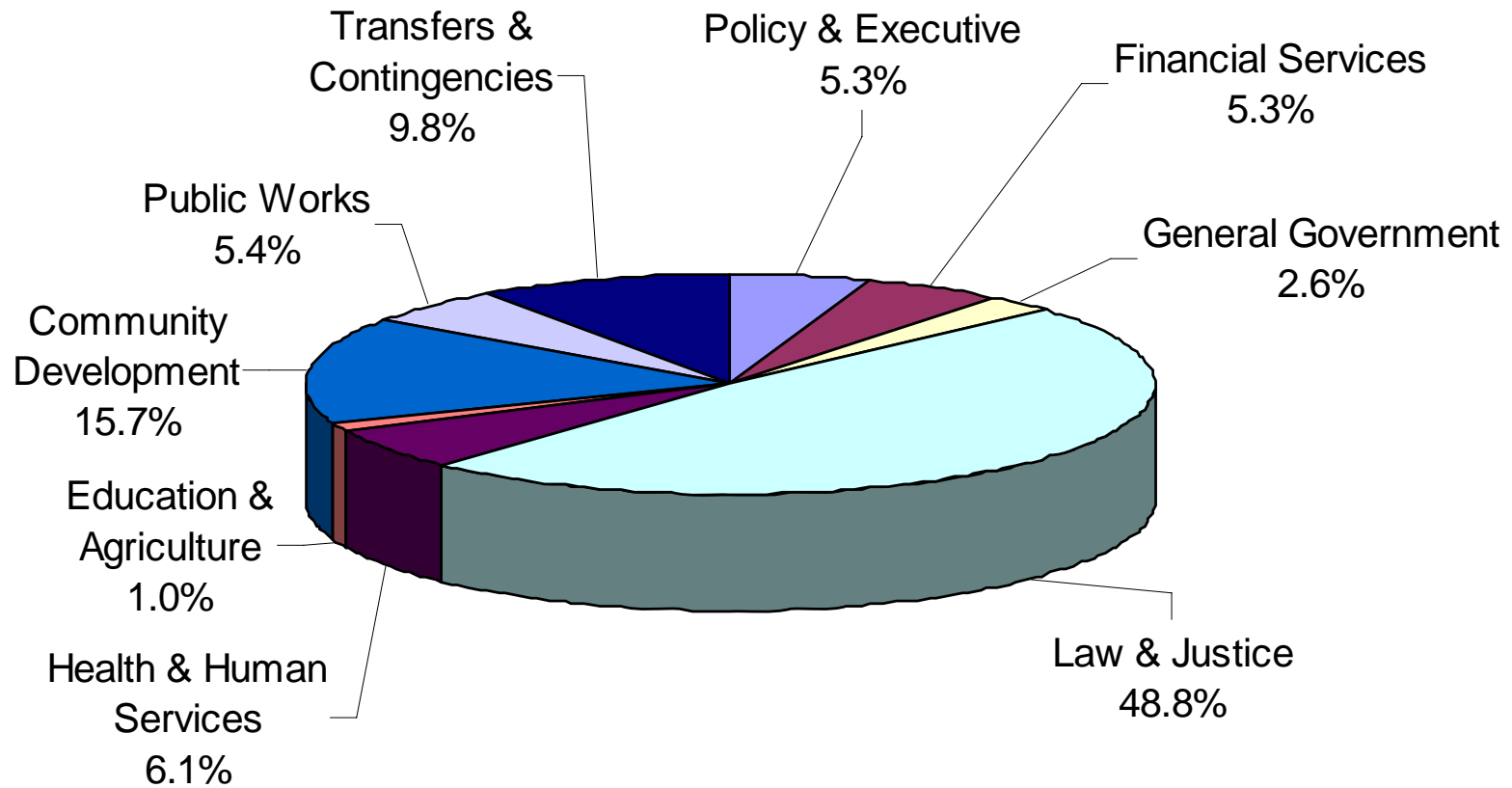


## *Trends and Graphs*

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### County General Fund Breakdown by Function

The total distribution of \$91,548,134 in County General Fund revenues only is illustrated in **Chart II**.



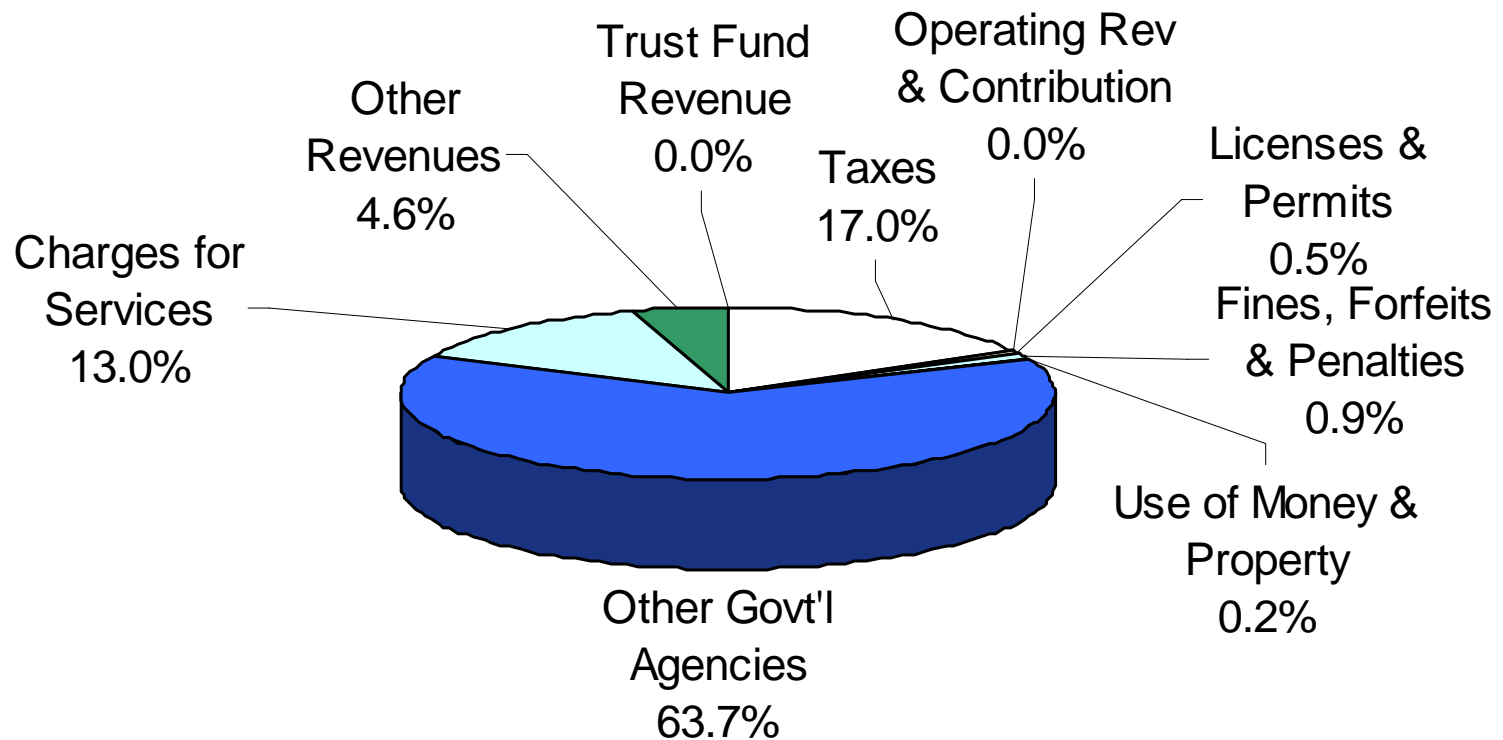


## *Trends and Graphs*

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### Revenue by Source - All Funds

Humboldt County's total FY 2009-10 budget for current revenue is \$288,978,776 and is obtained from the revenue sources shown in **Chart III**. The balance of funds necessary to support expenditures, \$4,425,325 is derived from fund balances.

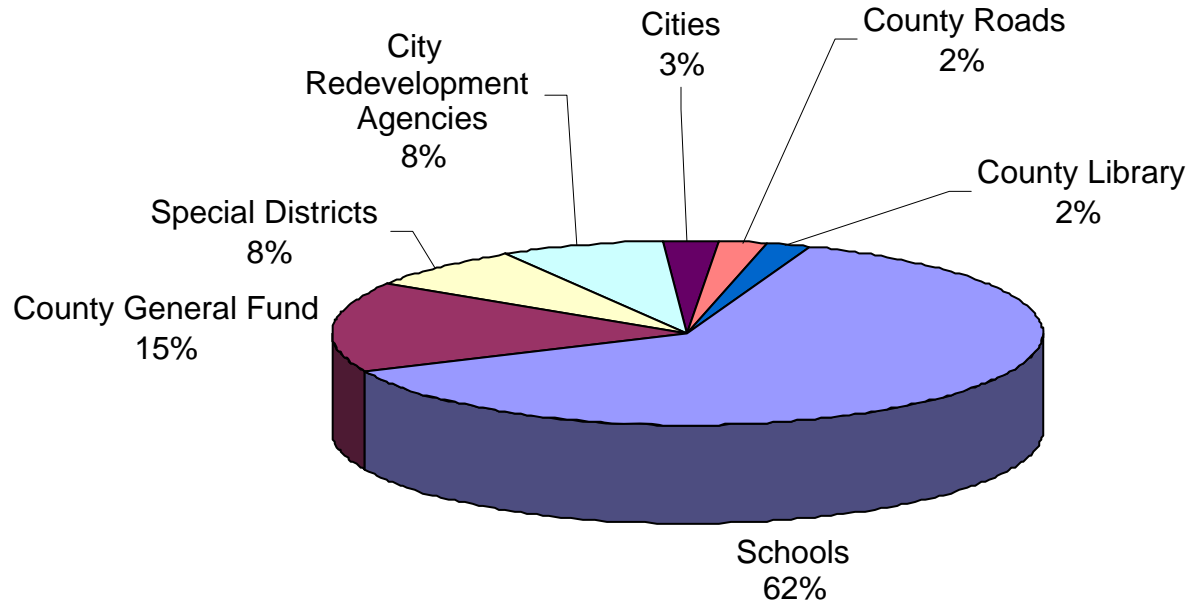


## *Trends and Graphs*

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### 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*

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### 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

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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 July 1, 2009, was 133,269.

The County has seven incorporated cities ranging in size from 314 to 26,157 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

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

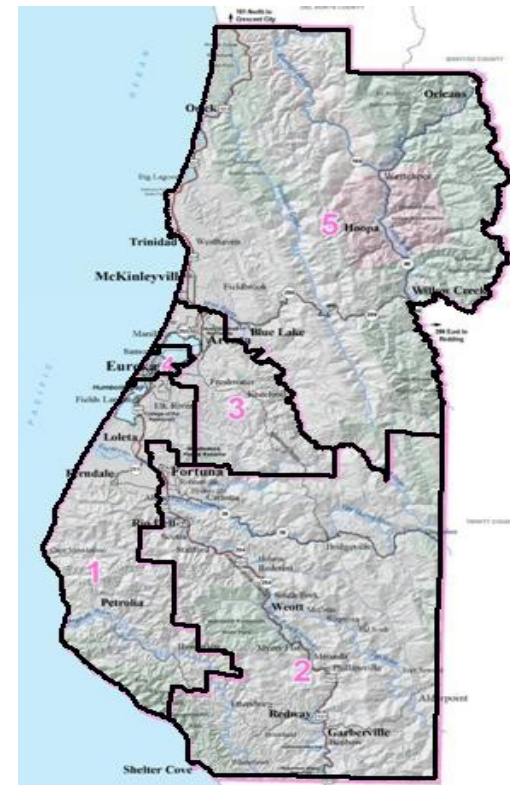
## Government

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.

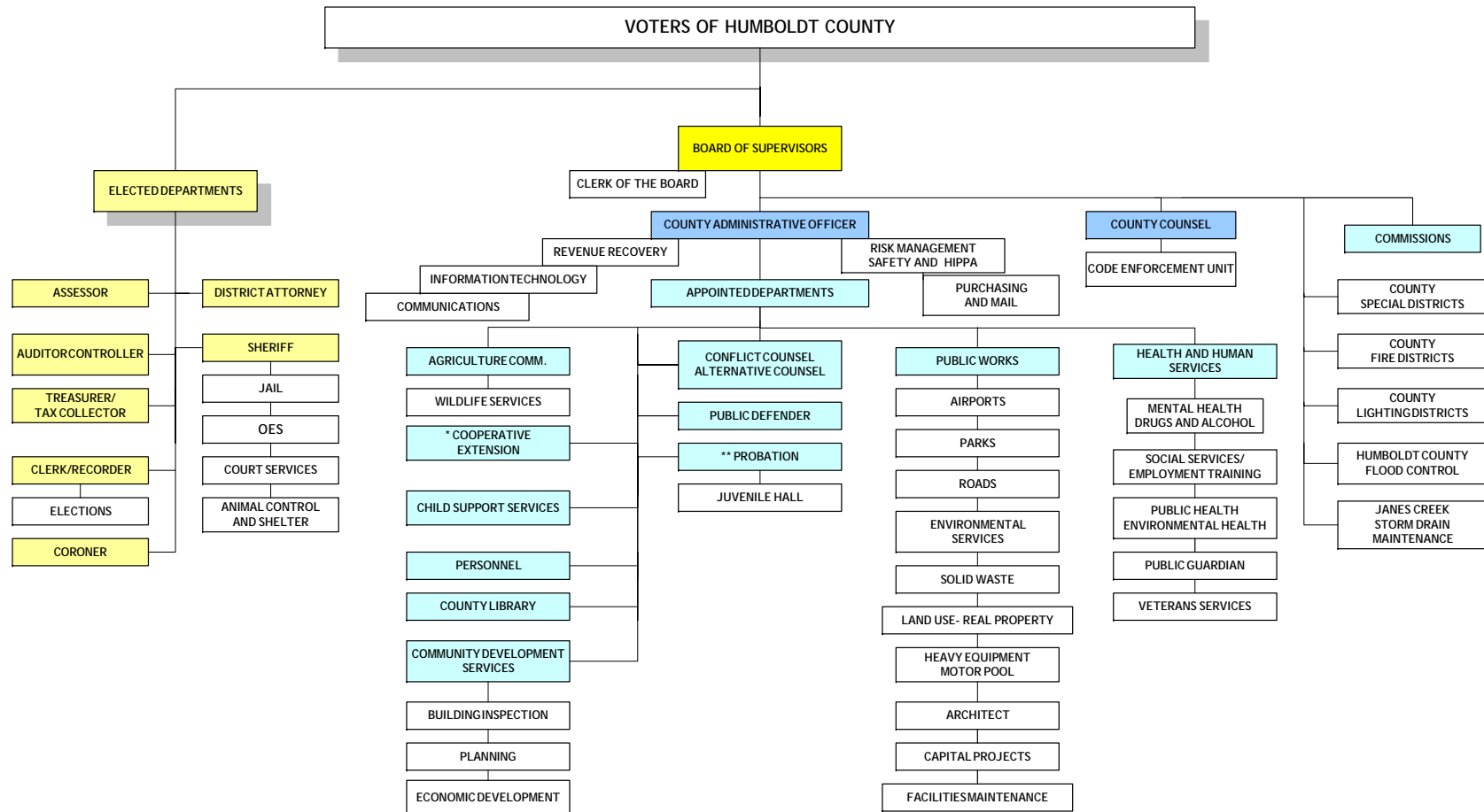
The County provides a wide range of services to its residents, including police protection, medical and health services, library services, judicial institutions and supporting programs, road maintenance, airport service, parks and a variety of public assistance programs. The County also operates recreation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



Organizational Chart:



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

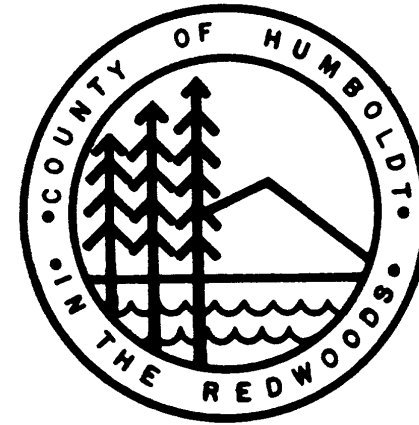
## Directory of County Officials

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### Elected Officials

#### BOARD OF SUPERVISORS

First District ..... Jimmy Smith, Chair  
Second District..... Clif Clendenen, Vice-Chair  
Third District..... Mark Lovelace  
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 ..... Stephen A. Strawn



### 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\*..... Alan Bower  
County Administrative Officer .....Loretta A. Nickolaus  
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 .....Richard A. Haeg  
Public Defender ..... Kevin Robinson  
Public Works Director .....Thomas K. Mattson

\* Not a County employee

## *About the Budget*

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