

County Administrative Officer's Budget Message



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

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June 23, 2011

Board of Supervisors
Residents of Humboldt County of Humboldt

Subject: FY 2011-12 County Budget

Dear Board Members and Residents:

I am pleased to present this proposed budget to finance County Operations for Fiscal Year (FY) 2011-12. Your staff has faced many challenges this year in developing a budget proposal. Not only have we attempted to develop a budget that is sustainable and supports your Board's Strategic Priority Framework, we have done so amidst significant uncertainty regarding the County's largest source of revenue – State and federal government payments. I'd like to begin by thanking our County departments, who have once again demonstrated their adaptability, creativity, and tenacity in the process of developing these budget recommendations. Thanks to their cooperation, the budget proposal before you largely balances ongoing costs with ongoing revenues while using some one-time solutions to provide temporary funding for specific programs. I'd also like to thank the approximately 125 members of our community who attended budget workshops in early May and provided valuable feedback on their values and priorities in developing a County budget. You will see many of the ideas generated at those workshops reflected in this document.

County Administrative Officer's Budget Message

The photo on the cover of this year's budget depicts our County's namesake bay as well as stately Victorian homes, modern waterfront facilities, the Samoa Bridge and the harbor on Woodley Island. It captures a moment in time with dark clouds receding and light beginning to break through those clouds. This is certainly an appropriate image for the County's budget, as each of these elements has an analogy in the financial climate our County is experiencing as we look at a spending plan for FY 2011-12.

Light Beginning to Break Through

The budget for the year we are now completing (FY 2010-11) was adopted during a period of continued economic uncertainty. A year ago, my budget message to you referred to a down pour of bad financial news, continued fiscal storms, and the depletion of our rainy day funds. In looking toward the future, I proposed that we commit to a Strategic Understanding of Necessities (SUN) as a way to position Humboldt County to weather future storms. Over the past twelve months, a ray of SUN has indeed been introduced into our organization, as the Management & Budget Team has worked with departments to intensively monitor the budget, your Board has developed and adopted a Strategic Priority Framework to guide development of the FY 2011-12 budget, and we have reached out to the community through a series of community budget meetings.

In the weather shown on the budget cover, the storm is breaking up and a glimmer of light is visible but it is not yet a day of bright sunshine. Similarly, there is much yet to do to position the County for long-term financial strength. We must develop effective ways of delivering services within our sustainable level of funding, reset our employee costs for long-term sustainability, position the County to take maximum advantage of the opportunities presented by new developments such as the Governor's proposed public safety realignment, and begin to rebuild our rainy day reserves. Each of these efforts will require many difficult decisions, but in the end we will be rewarded with a brighter future.

Dark Clouds Receding?

Just as we cannot control the movement of clouds blocking the sun, there are external forces that may assist or hinder our best efforts at achieving a bright financial picture. During the first quarter of this fiscal year, locally-generated revenues appeared to hit bottom and a hint of recovery appeared. We have seen some revenues start to increase locally and exceed estimates for the current fiscal year. Perhaps the worst of the storm front has moved through.

County Administrative Officer's Budget Message

However, the system that brought us stormy economic weather lingers. Economic forecasters tell us to prepare for a slow economic recovery. Sales tax receipts, property taxes and other local discretionary revenues are projected to increase at a very modest pace for the foreseeable future. Balancing expenditures with available revenues while minimizing the impacts on community services will continue to challenge us.

Another rain squall could be headed our way in the form of the State budget. The State still does not appear to have a solid budget solution, which creates uncertainty for the many County programs that rely on State funding. A significant unknown for FY 2011-12 is funding for local public safety programs that are currently funded by an augmentation of the Vehicle License Fee (VLF). In 2009, the State temporarily increased the VLF by 0.5%, of which 0.15% went to cities and counties to fund public safety. This augmentation is set to end on June 30, 2011, and could mean a loss of over \$1 million for County public safety.

The Harbor

When facing a storm, a boater can choose to ride out the storm on the waves or return to a harbor that offers protection from winds, waves and currents. For the County budget, our safe place is fiscal sustainability – matching our ongoing service commitments with our ongoing ability to generate funds. Our FY 2010-11 budget was not constructed to achieve sustainability. It relied on \$5 million in one-time solutions to help us ride out the storm. For FY 2011-12, our budget is based on returning to a safe harbor.

In an effort to create a sustainable level of discretionary expenditures, the Board directed that departments that receive a General Fund contribution submit FY 2011-12 budget proposals at the level of 92% of their adopted FY 2010-11 General Fund costs. Departments also submitted supplemental budget requests for additional funding to restore services impacted by budget reductions, and those requests were evaluated in light of the Board's Strategic Priority Framework.

One deeply unfortunate effect of returning our budget to safe harbor is that not all current County employees will make the journey with us. The combined effects of local and State funding reductions meant that in May I recommended to the Board the elimination of 46 currently filled positions, resulting in a layoff process. Staff has worked diligently since that time to reduce this number, and with the budget proposal before you today only six current employees should lose County employment as of June 30. Despite our success in reducing the number of layoffs, I regret that any of our employees will lose their jobs as a result of this budget process.

County Administrative Officer's Budget Message

Budget Proposal

The proposal before you now represents a County spending plan for FY 2011-12 totaling \$263,683,663. This is a decrease of \$40,289,338, or 13%, from last year. Four funding sources contribute most significantly to this \$40 million decrease: the Department of Health and Human Services budget decreased by \$18 million due to cuts in State and federal funding and the elimination of programs funded through the American Reinvestment and Recovery Act (stimulus); the General Fund budget decreased by \$7 million due to required reductions to balance expenditures with actual revenues and reductions in State funding, such as the VLF; the Roads Fund budget decreased by \$7 million due to reductions in Proposition 1B, stimulus and bridge replacement/repair projects; and an accounting change resulted in Aviation Capital Projects being moved out of the budget total for a decrease of \$6 million.

The County General Fund budget is decreasing for the third consecutive year. The proposed budget includes \$84,347,666 in General Fund appropriations - a decrease of \$6,769,450, or 7.4%, from FY 2010-11. The General Fund is the County's major source of local revenues available to be spent on your Board's priority programs and projects.

The proposed number of allocated positions for FY 2011-12 is 2,130.59, which has decreased by 44.66 full-time equivalent (FTE) positions when compared to June of last year. This change is primarily the result of 39 full-time positions being disallocated because stimulus funding for a program to employ displaced workers ended. However, not all of the allocated positions are actually funded by this proposed budget, as detailed below.

Departments submitted almost \$7 million in supplemental requests. Unfortunately there are not sufficient resources to fund all of the requests. After consultation with your Board's Budget Subcommittee, I am recommending funding \$2.67 million in requests based on their alignment with the priorities of the community and the Board. Approval of these funding requests will result in the reduction in layoffs mentioned above.

The current estimated General Fund balance forward into FY 2011-12 is \$1.6 million. This is \$400,000 more than was estimated when the budget was adopted last year. This increase is due in part to departments' commitment to intensive budget monitoring. The proposed budget for FY 2011-12 uses \$1.35 million of fund balance forward to provide funding for one-time supplemental requests. This means that at the end of FY 2011-12 there will only be \$250,000 in fund balance.

County Administrative Officer's Budget Message

Bridges

The Samoa Bridge pictured in the cover photo is actually a series of bridges linking the Samoa Peninsula with two islands and the city of Eureka. Like that structure, this budget contains a series of inter-related bridges to move us from our current financial situation toward our destination of financial sustainability.

First and most importantly, this budget stops reductions to our General Reserve. After reducing our General Reserve from \$3 million to just \$250,000 over the course of two fiscal years, we are now poised to remain flat for FY 2011-12 so that we can hopefully begin to build again in FY 2012-13. In accordance with Board policy, I must disclose to you that our General Reserve should be between \$6.64 million and \$8.29 million.

Second, this budget includes a General Fund Contingency Reserve of \$1,108,842, an increase of \$215,057 from the FY 2010-11 budget proposal. While this is again far lower than the policy level of \$4.98 million, it represents movement in a positive direction.

Third, where this budget does use one-time funding to fund current operations (in a proposed amount of \$1.7 million), it does so only to bridge us to expected new revenue sources or cost decreases.

While our General Reserve should be 25 to 33 times higher than it is at present, our Contingency budget should increase by \$3.8 million and our use of one-time funding needs to decrease by another \$1.7 million, each of these figures represents a positive change from where we were just one year ago, bridging us toward sustainability.

New Developments

As the Adorni Center and Humboldt State Aquatic Center shown in the cover photo demonstrate, our communities are constantly experiencing change. So too must our budget adapt to new and different needs. There are two significant ways in which this budget presents information differently than past budgets: frozen positions and geographic distribution.

After three years of an ever-tightening freeze on hiring, department heads requested the Management & Budget Team to develop a new system to track unfunded positions. Historically, departments included salary savings in their budgets without specifically designating the source of the savings. To provide better tracking of which positions are funded and

County Administrative Officer's Budget Message

which should remain vacant, two new allocation types were created: FØ - Frozen/Unfunded and F1 - Frozen/Voluntary Separation Incentive Program (VSIP). These allocation types are being applied to specified positions beginning July 1, as detailed in the position allocation table included near the end of this budget book. These new allocation types will prevent the filling of an unfunded vacant position while allowing the position to remain within the allocation table. Designating positions as FØ will allow them to be utilized should funding become available in future budget years while insuring that only budgeted positions are filled. Positions designated as F1 will be held vacant for three years per the VSIP.

Of the 2,130.59 positions allocated in this budget for FY 2011-12, 229.12 are allocated to type FØ or F1. This means that 10.75 percent of all allocated positions in the County will remain vacant and unfunded. The FY 2010-11 budget held only 74.55 FTE positions vacant and unfunded.

The second new development in this budget is the addition of a geographical distribution of property tax and services section. This has been added to the Trends and Graphs pages within Section A, and is a direct outgrowth of feedback from the community budget meetings in outlying regions of the County.

Home

Finally, the lovely row of Victorian houses in our cover photo reminds me to extend my gratitude once again to all those who call Humboldt County their home. To your Board for your unending patience, to our community for their participatory spirit, to department heads and department staff for their on-going sacrifices during these difficult financial times, I say thank you. I would like to extend special thanks to the staff of the Auditor-Controller's Office for their assistance in preparing this budget, and especially to the Management & Budget Team of the County Administrative Office – Deputy County Administrative Officers Cheryl Dillingham and Amy Nilsen, Administrative Services Manager Karen Clower, and Executive Assistant Nanci Bryant. Without them, this proposed budget document would simply not be possible.

Here's to a New Year of financial sustainability!



PHILLIP SMITH-HANES
County Administrative Officer

Reader's Guide

Overview of the Humboldt County Budget for FY 2011-12

The total amount of Humboldt County's budget reflective of all County funds is \$265,671,197.

Of this \$265,671,197, the County's primary operating fund, the General Fund, accounts for \$86,165,434. Since many grant programs are included in the General Fund, the budget over which the Board of Supervisors has true discretion totals only \$45,521,060. This includes \$1,348,185 of carry-forward revenue and \$44,172,875 in current-year revenue. Thus, the primary decision-makers in setting County policy have effective control over a mere 17% of the total financial resources flowing through the County coffers.

This is reflected in the pie charts in the Trends and Graphs section, beginning on page A-22. A comparison of Chart I on page A-22 with Chart II on page A-23 reveals that Health & Human Services and Public Works account for almost two-thirds of the County's total budget, but only 12.7% 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. His budget message provides an executive summary overview of Humboldt County's budget for FY 2011-12 and the reasoning behind the recommendations he made to the Board.

Reader's Guide

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

Budget Planning Calendar

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

Summary of Financial Policies

This is a summary of entity-wide processes and policies 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

Reader's Guide

well as current year department requests and budget recommendations.

Trends & Graphs

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

About Humboldt County

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

Directory of County Officials

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

Budget Details

Each of the County's budget units or logical groupings of budget units is detailed as to revenues, expenditures, staffing levels, purpose of the budget, major budget changes, accomplishments and objectives. For ease of reference, the budgets have been separated into six functional groups, separated by quick-reference tabs. Please refer to the Table of Contents or Index to find a specific budget unit or grouping.

Budget units are also aggregated at the level of County departments, with summary tables, mission and

performance information, and organizational charts presented.

Personnel Allocation by Budget Unit

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

Glossary of Budget Terms

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

Indices

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

Understanding the Budget Details

Heading

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

Table

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

Revenues Down the left side of the table, you will see

Reader's Guide

the types of revenues on which this budget relies for support, including any contribution from the General Fund or the general revenues of another fund.

Expenditures Below the revenues are the categories of expenditure for the budget. This budget document does not detail each individual line item of expenditure. This information is entered into the County's financial accounting software, and a paper copy is available by contacting the Clerk of the Board, but category-level presentation of expenditures provides sufficient detail for most purposes.

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

Past Actuals Moving to the right, the next four 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 2011-12.

Adopted The next column in the table provides the budget for the budget unit or grouping for FY 2011-12 adopted by the Board of Supervisors.

Increase/ (Decrease) Finally, you will see a depiction of the difference between the funding/staffing for the budget unit in FY 2010-11 and that adopted for FY 2011-12.

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

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

Recommendations
Next, information is presented as to the major recommended changes in the budget from FY 2010-11 to FY 2011-12. The changes shown are intended to convey only the most significant increases or decreases from the prior year's budget.

Program Discussion
Following the recommendations, each budget will have a narrative which discusses what types of services the department or program provides, provides additional detail on major budget changes, describes new programs or the elimination of existing programs, including legislative

Reader's Guide

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.

2010-11 Accomplishments

2011-12 Objectives

Finally, to show what is gained by investment of resources in a budget unit or grouping, each budget lists several accomplishments achieved during FY 2010-11 and objectives planned for attainment in FY 2011-12.

Goals

Some departments also have long-term strategic goals that

are broader in scope than the objectives they hope to accomplish within a single fiscal year. These are listed where applicable.

Performance Measures

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

Organizational Chart

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



Budget Planning Calendar

The Budget Calendar

Humboldt County's finances operate on a fiscal year (FY) that begins on July 1 and ends the following June 30. The budget for FY 2011-12 was presented on June 28, 2011 and adopted by the Board of Supervisors on July 26, 2011, following nearly a year of planning and preparation. Here is a brief overview of this process:

July to April

Quarterly Financial Review: The County Administrative Office worked with departments to review financial progress at the end of each of the first three quarters of FY 2010-11 (September 30, 2010; December 31, 2010 and March 31, 2011). The first quarter's report was presented on November 9, 2010, mid-year was presented on February 15, 2011, at which time the Board also adopted a tentative schedule for the FY 2011-12 budget process, and the third quarter report was presented on May 3, 2011.

This series of quarterly reports formed the basis for many of the assumptions about income and spending patterns that are incorporated in the FY 2011-12 budget. At the time of the first quarter's report, the Board of Supervisors also adopted a strategic priority framework to guide decision making on the FY 2011-12 budget. While working on the mid-year quarterly report, the CAO also worked with the Information Technology Division to prepare salary and benefit projections. Internal Service Fund units prepared centralized cost allocations.

March to April

Preparation of Proposed Budget: On March 7, 2011, the CAO presented to departments the parameters for development of their FY 2011-12 budget requests. Departments submitted their requests to the CAO by April 13, 2011. The CAO reviewed budget and supplemental requests in April 2011.

May to June

Community Meetings: During the weeks of May 2-6 and May 9-13, members of the Board and CAO staff participated in seven community budget meetings around the County. These meetings, which were attended by approximately 125 community members, provided valuable feedback to the Board and CAO regarding community priorities.

Presentation of Budget: The CAO met with the Board's Budget Subcommittee in May and June 2011, to receive feedback on its proposals. On June 28, 2011, the CAO presented the proposed Humboldt County budget for FY 2011-12 to the Board of Supervisors and requested that it be adopted on an interim basis to allow departments to operate as of July 1.

July

Adoption of Budget: Public hearings on the proposed budget were held on July 11, 2011. The final budget was adopted on July 26, 2011.

Summary of Financial Policies

Overview of Financial Policies

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

County Budget Act

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

Administrative Manual

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

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

- 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

Summary of Financial Policies

expenses in such a manner that department budgets are not expended above the levels that are appropriated in the annual budget or beyond that which the County has the funds to pay.

The following will guide how a balanced budget will occur:

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

expenditures.

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

Board Policy on Contingencies and Reserves

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

The General Fund Contingency will be budgeted at a minimum of six percent of the County’s total General Fund revenues on an annual basis. In the event that the General Fund Contingency is less than six percent of the County’s total General Fund revenues, at the time the budget is adopted, the County Administrative Officer (CAO) must identify and report on the specific circumstances that have lead to less than six percent in the General Fund Contingency.

Summary of Financial Policies

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

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

The General Reserve shall target a balance of between eight and ten percent of the County's total General Fund revenues. Government Code Section 29085 gives the 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 led 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.

County Fee Schedule

Updated annually (last on August 23, 2011), the fee schedule provides a structure and methodology to support County departments in recovery of the full cost of services provided.

Summary of Financial Policies

Strategic Priority Framework

On November 9, 2010 the Board of Supervisors adopted the following Focus Statement, Core Roles and Strategic Framework for use in future budget decisions.

OUR FOCUS (Why We Exist):

To Promote a Safe, Healthy, Economically Vibrant Community

CORE ROLES (What We Do):

- Enforce laws and regulations to protect residents
- Ensure proper operation of markets
- Create opportunities for improved safety, health and enterprise
- Encourage new markets for local goods and services
- Ensure a well-trained workforce
- Protect economically vulnerable populations

STRATEGIC PRIORITY FRAMEWORK (How We Position Ourselves for the Future):

Provide our core services in ways that:

Match service availability with residents' needs

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

Manage our resources to maximize the availability of services

- Monitor revenues and expenditures regularly

- Invest in County employees
- Educate the public about County government and its functions

Make proactive decisions to:

Partner to promote quality services

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

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

- Advance local interests in natural resource discussions
- Engage in discussions of our regional economic future
- Explore community amenities
- Engage new partners

In both core services and proactive decisions, seek to:
Engage and influence issues of statewide concern

Other Budget Principles

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

Summary of Financial Policies

- 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 2011-12

These are the specific guidelines released to departments on March 7, 2011, to guide development of the FY 2011-12 budget:

- Departments which receive a General Fund contribution are required to submit a baseline request which relies on a level of General Fund support that is 92% of their current FY 2010-11 adopted General Fund contribution.
- General Fund allocations will be provided at the departmental level and may be used to fund any budget unit within the department.
- Supplemental requests will be accepted and considered based on available funding and consistency with Board’s strategic priority framework.
- Non-General Fund Budget units that do not receive a General Fund allocation must submit budget requests that balance to their revenue estimates.

Description of Revenues

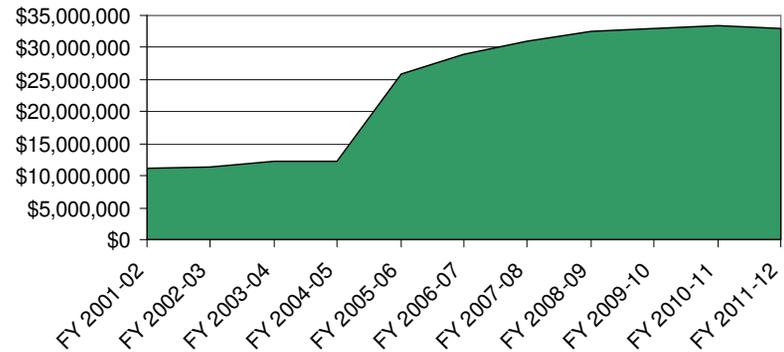
Major Revenues

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

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

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

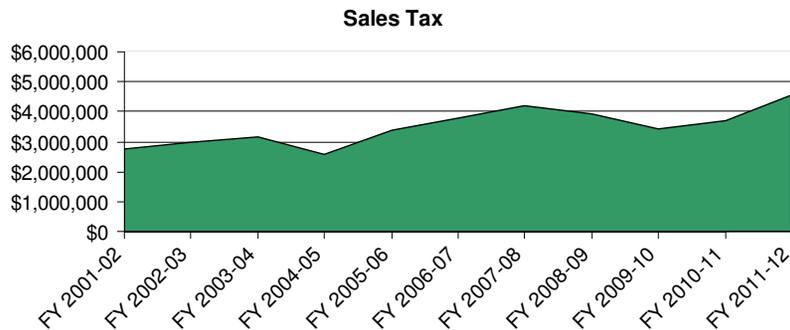
General Fund Property Tax



Due to Proposition 57, “Triple Flip” property tax in lieu of sales tax, property tax doubled in FY 2005-06. Overall, property tax revenues for FY 2011-12 are estimated to decrease by 1% based on last year’s decline in supplemental property taxes, despite the positive CPI factor of 1.01% issued by the State Board of Equalization for current secured property tax.

The Humboldt County Sales Tax rate is currently 7.25%. Of that amount the State General Fund receives 3.9375%, the County receives 0.75% for general operations, 0.50% for local public safety, 0.50% for health realignment, 0.25% for local transportation and 1.0625% for the new 2011 realignment.

Description of Revenues



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

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

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

the tax rate.

Overall taxes represent approximately 16% of the total County budget, while representing 85% of the County's discretionary resources for the General Fund.

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

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

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

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

Description of Revenues

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

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

Summary of Revenue for All Funds

	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Actual	2011-12 Adopted	Increase/ (Decrease)
Revenues by Type						
Taxes	\$46,568,436	\$47,652,379	\$49,144,721	\$48,532,136	\$48,563,787	\$31,651
Licenses & Permits	1,752,931	1,520,317	1,618,600	1,741,422	1,847,367	\$105,945
Fines, Forfeits & Penalties	2,951,675	2,800,601	2,132,924	2,169,841	2,108,779	(\$61,062)
Use of Money & Property	1,552,333	1,275,035	562,142	347,852	307,300	(\$40,552)
Other Govt'l Agencies	155,009,738	143,720,192	149,759,220	159,512,248	170,377,490	\$10,865,242
Charges for Services	25,155,932	33,402,233	36,699,408	24,776,341	25,159,603	\$383,262
Other Revenues	10,346,677	9,645,711	12,456,600	7,147,926	12,361,818	\$5,213,892
Total Revenues	\$243,337,722	\$240,016,468	\$252,373,615	\$244,227,766	\$260,726,144	\$16,498,378

Description of Expenditures

Major Expenditures

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

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

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

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

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

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

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

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

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

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

Description of Expenditures

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

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

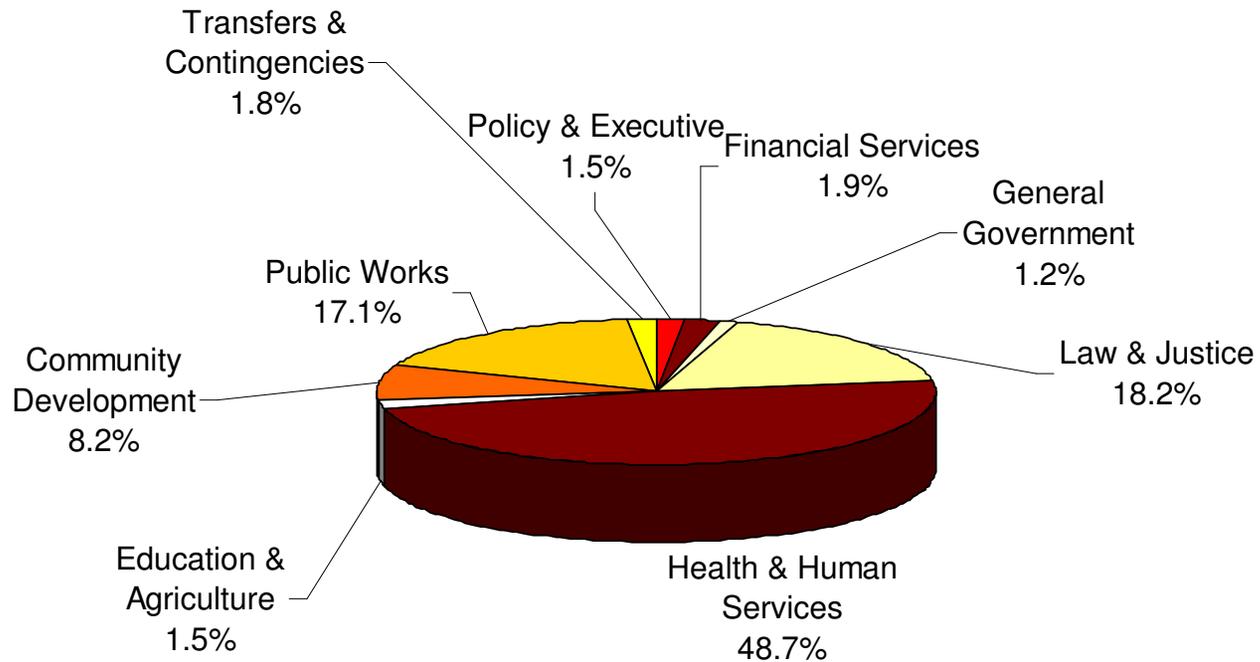
Expenditures by Function in All Funds

	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Actual	2011-12 Adopted	Increase/ (Decrease)
Expenditures by Functions						
General Government	\$28,546,626	\$30,867,265	\$33,204,373	\$31,644,917	\$26,235,934	(\$5,408,983)
Public Protection	61,092,758	63,667,667	61,467,311	62,177,278	66,880,095	\$4,702,817
Public Ways & Facilities	24,171,148	22,735,726	20,601,338	17,027,285	31,333,401	\$14,306,116
Health and Sanitation	50,639,815	55,743,418	55,416,720	47,215,279	51,683,818	\$4,468,539
Public Assistance	69,383,879	74,219,027	78,253,855	71,942,855	81,899,750	\$9,956,895
Education	3,174,508	3,360,966	3,233,720	3,271,918	3,292,203	\$20,285
Recreation & Cultural Services	785,600	723,349	1,318,939	1,762,705	780,996	(\$981,709)
Transportation Services	1,337,293	1,447,733	1,672,107	2,049,310	2,100,000	\$50,690
Reserve & Contingencies	0	0	0	0	1,465,000	\$1,465,000
Total Expenditures	\$239,131,627	\$252,765,151	\$255,168,363	\$237,091,547	\$265,671,197	\$28,579,650

Trends and Graphs

Expenditure by Function - All Funds

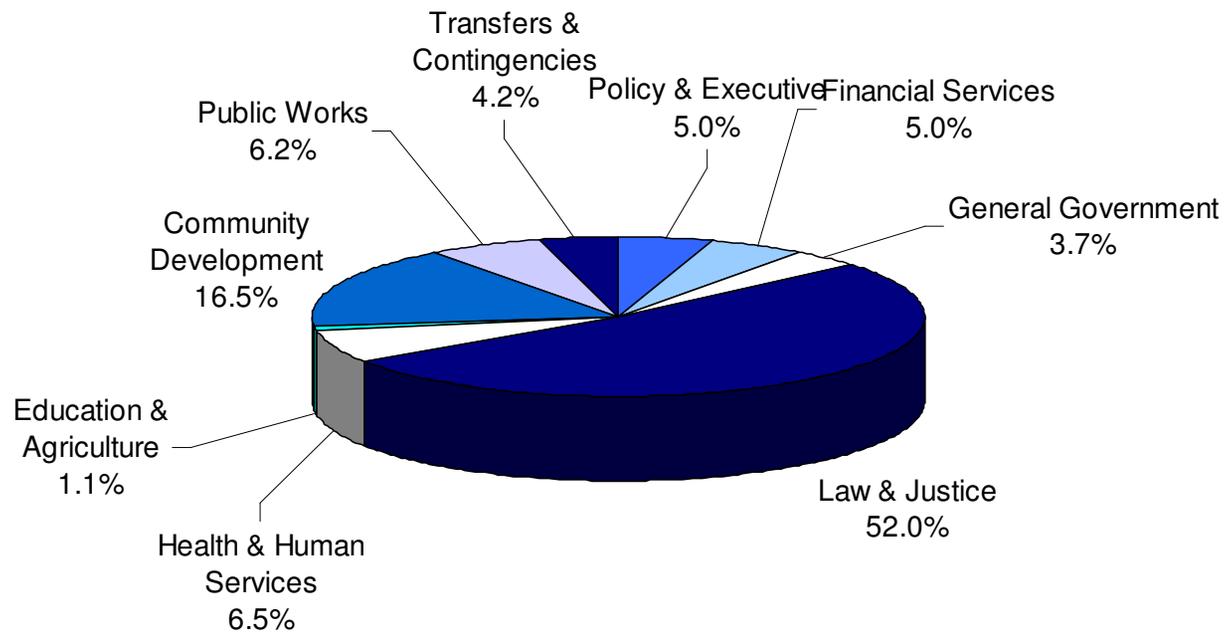
The adopted FY 2011-12 budget of \$265,671,197 is expended in the functional categories shown on **Chart I**.



Trends and Graphs

County General Fund Breakdown by Function

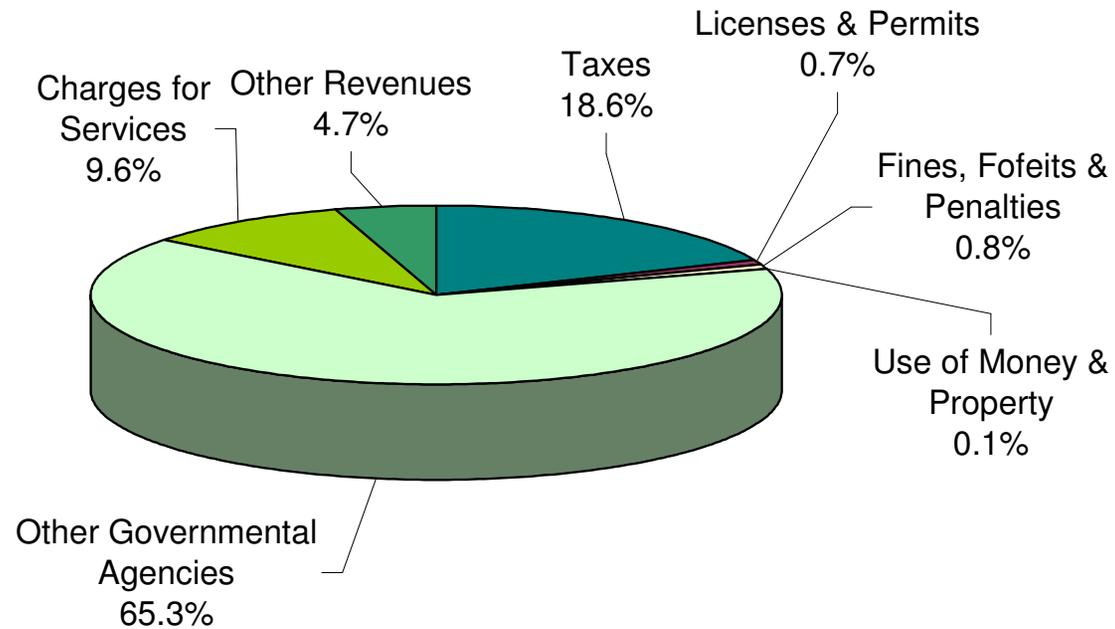
The total distribution of \$86,165,434 in County General Fund expenditures only is illustrated in **Chart II**.



Trends and Graphs

Revenue by Source - All Funds

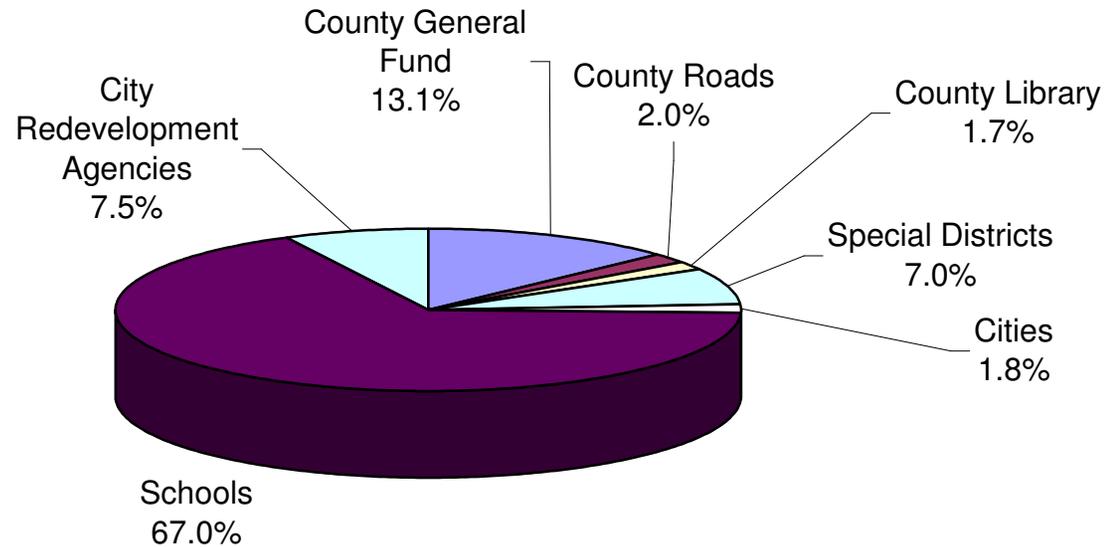
Humboldt County's total FY 2011-12 budget for current revenue is \$260,726,144 and is obtained from the revenue sources shown in **Chart III**. The balance of funds necessary to support expenditures, \$4,945,053 is derived from fund balances and prior year receivables.



Trends and Graphs

Property Tax Distribution

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



Trends and Graphs

Geographical Distribution of Property Taxes and Services

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

Property Taxes by Area

	<u>General Fund</u>	<u>Roads Fund</u>	<u>Library</u>	<u>Total County</u>	<u>Percentage Rev.</u>
North	\$3,599,819	\$514,260	\$444,134	\$4,558,213	21%
Central	\$11,563,061	\$1,651,866	\$1,426,611	\$14,641,538	68%
South	\$1,830,756	\$261,537	\$225,872	\$2,318,165	11%
Total	\$16,993,636	\$2,427,662	\$2,096,617	\$21,517,916	100%

Expenditures by Area

Sheriff patrol budget by area:

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

Road maintenance budget by area:

	<u>Roads</u>	<u>Percentage</u>
North	\$350,000	29%
Central	\$625,000	52%
South	\$225,000	19%
Total	\$1,200,000	100%

Trends and Graphs

Park maintenance and operation budget by area:

	<u>Parks</u>	<u>Percentage</u>
North	\$184,159	33%
Central	\$201,424	36%
South	\$178,403	32%
Total	\$563,986	100%

Hours of Library operation by area:

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

Estimated budget for providing outstation and outreach services by area:

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

About Humboldt County

History

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

Geography

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

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

Climate

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

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

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

About Humboldt County

Scenery

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

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

Population

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

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

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

Education

Humboldt County is home to two major institutions of higher education. Humboldt State University, a campus of the California State University system, is located in Arcata. College of the Redwoods, the community college for California’s North Coast, has a campus south of Eureka and instructional sites in downtown Eureka, Arcata, McKinleyville 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 2011 are:

Government	30.0%
Trade, Transportation & Utilities	19.8
Educational & Health Services	14.0
Leisure & Hospitality	10.8
Professional & Business Services	6.7
Manufacturing	4.3
Financial	3.4
Construction	3.0

About Humboldt County

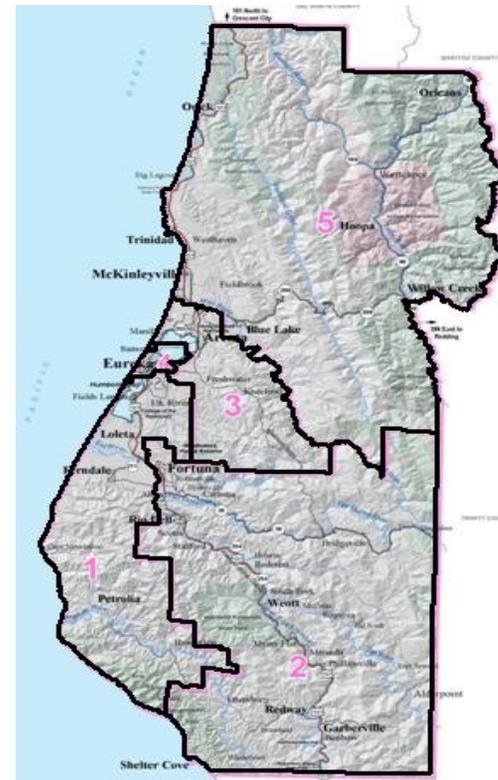
Government

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

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

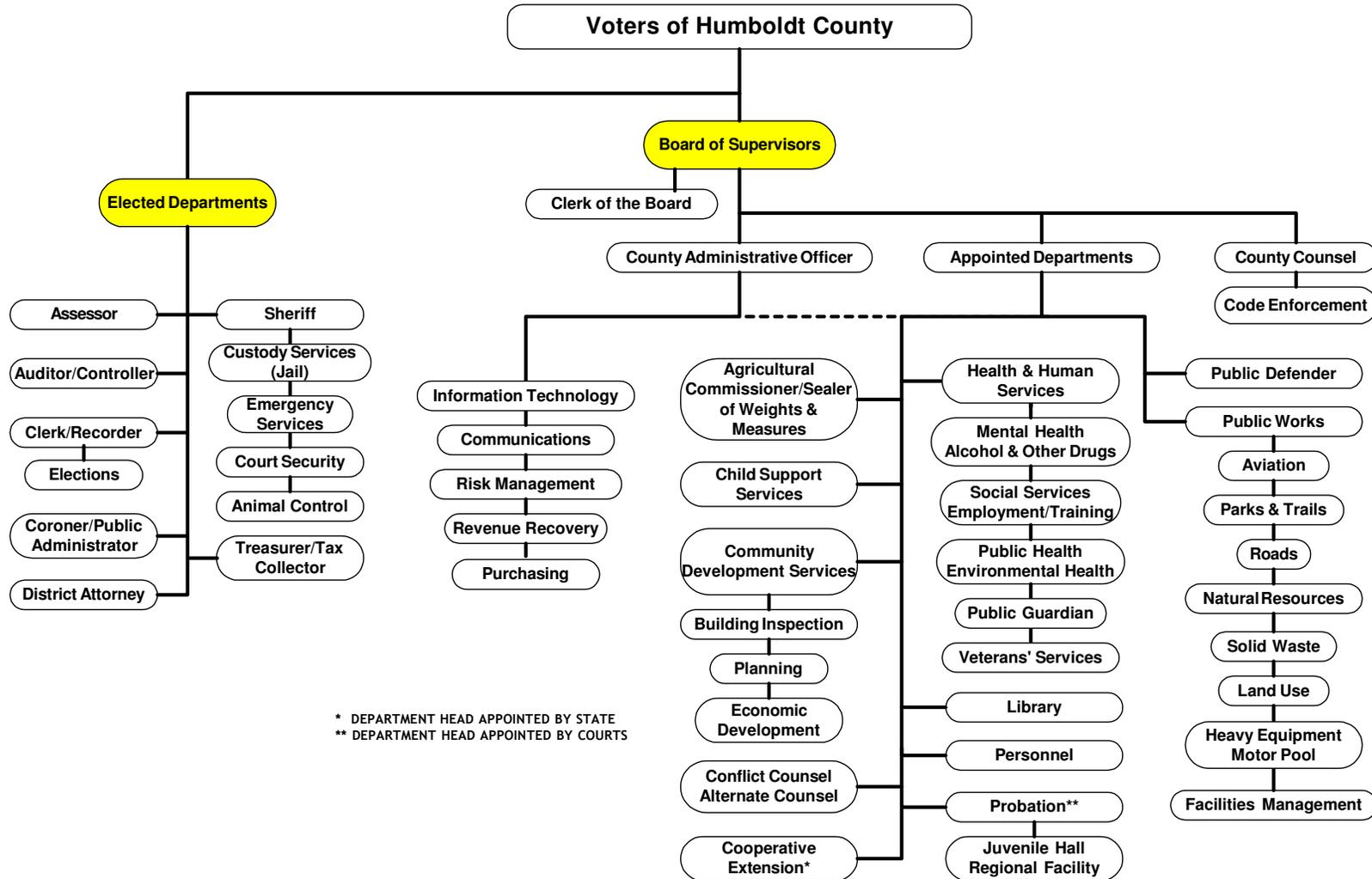
Many of the County’s functions are required under County ordinances, or by State or federal mandate. State and federally mandated programs, primarily in the social and health service areas, are required to be maintained at certain minimum levels, which limits the County’s control.

County supervisorial districts are shown on the map below:



County of Humboldt

Organizational Chart:



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

About the Budget

Elected Officials

BOARD OF SUPERVISORS

First District Jimmy Smith
 Second District..... Clif Clendenen
 Third District..... Mark Lovelace, Chair
 Fourth District..... Virginia Bass, Vice Chair
 Fifth District..... Ryan Sundberg

AUDITOR-CONTROLLER..... Joseph Mellett

ASSESSOR..... Mari Wilson

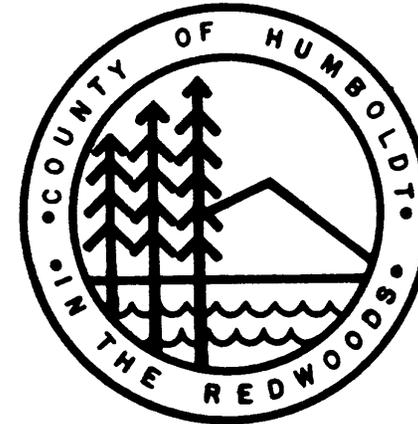
CLERK/RECORDER/REGISTRAR OF VOTERS
 Carolyn R. Crnich

CORONER-PUBLIC ADMINISTRATOR..... Dave Parris

DISTRICT ATTORNEY Paul V. Gallegos

SHERIFF..... Michael Downey

TREASURER-TAX COLLECTOR John Bartholomew



Appointed Officials

Agricultural Commissioner/Sealer of Weights & Measures
 Jeff M. Dolf
 Chief Probation Officer..... William Damiano
 Child Support Services Director Jim Kucharek
 Conflict Counsel Glenn L. Brown
 Cooperative Extension Director* Yana Valachovic
 County Administrative Officer Phillip Smith-Hanes
 County Counsel..... Wendy Chaitin
 Director of Community Development Services... Kirk A. Girard
 Director of Health and Human Services Phillip R. Crandall
 Director of Library Services Victor Zazueta
 Personnel Director Dan Fulks
 Public Defender Kevin Robinson

About the Budget

Public Works DirectorThomas K. Mattson
* Not a County employee