



COUNTY OF HUMBOLDT

AGENDA ITEM NO.

For the meeting of: May 3, 2011

Date: April 26, 2011
To: Board of Supervisors
From: Phillip Smith-Hanes, County Administrative Officer PH
Subject: Third Quarter Budget Review for Fiscal Year 2010-11 and Updated Outlook for Fiscal Year 2011-12

RECOMMENDATION(S):

That the Board of Supervisors:

- 1. Receive and file a review of the third quarter budget results for Fiscal Year (FY) 2010-11 and outlook for the FY 2011-12 budget;
2. Approve the revised FY 2011-12 Budget & Fee Schedule Development Calendar as shown on Attachment 1 and direct the Clerk of the Board to schedule public hearings and provide notice;
3. Approve the list of budget adjustments and supplemental budgets as shown on Attachment 2 and authorize County Administrative Office (CAO) staff to make any technical corrections necessary to effectuate the Board's direction;
4. Approve the consolidation of the remaining Alternate Counsel and Conflict Counsel staff thereby dissolving the three office indigent defense structure into a two office structure;
5. Create allocation type F0 - Frozen/Unfunded, to apply to specified positions beginning June 30, 2011, that will prevent the filling of an unfunded vacant position while allowing the position to remain within the allocation table;

Prepared by Cheryl Dillingham CAO Approval Amy Olsen
REVIEW: Auditor County Counsel Personnel Risk Manager Other

TYPE OF ITEM:
Consent
[X] Departmental
Public Hearing
Other

BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT
Upon motion of Supervisor
Seconded by Supervisor
And unanimously carried by those members present,
The Board hereby adopts the recommended action
contained in this report.

PREVIOUS ACTION/REFERRAL:

Board Order No. _____

Dated: _____
Kathy Hayes, Clerk of the Board

Meeting of: _____

By: _____

6. Create allocation type F1 - Frozen/Voluntary Separation Incentive Program(VSIP), to apply to specified positions beginning upon the departure of individuals under VSIP, that will prevent the filling of a frozen position for three years while allowing the position to remain within the allocation table;
7. Designate 1.00 Full Time Equivalent (FTE) currently filled Administrative Assistant to Board of Supervisors (class 0111) position in budget unit 101 as allocation type FØ, effective June 30, 2011;
8. Designate 1.00 FTE currently filled Legal Office Assistant I/II (class 0178), 1.00 FTE currently filled Investigator (District Attorney) (class 0412), 1.00 FTE currently filled Deputy District Attorney I/II/III/IV (class 0602), and 1.00 FTE currently filled Victim Witness Specialist (class 0689) positions in budget unit 211 as allocation type FØ, effective June 30, 2011;
9. Designate 3.00 FTE currently filled Deputy Public Defender I/II/III/IV (class 0604) positions in budget unit 219 as allocation type FØ, effective June 30, 2011;
10. Designate 1.00 FTE currently filled Administrative Secretary (MC) (class 0166), 3.00 FTE currently filled Legal Office Assistant I/II (class 0178), 1.00 FTE currently filled Community Services Officer (class 0415), and 19.00 FTE currently filled Deputy Sheriff I/II (class 0416) positions in budget unit 221 as allocation type FØ, effective June 30, 2011;
11. Designate 3.00 FTE currently filled Probation Officer I/II (class 0473) positions in budget unit 235 as allocation type FØ, effective June 30, 2011;
12. Designate 1.00 FTE currently filled Correctional Programs Coordinator (class 0430) position in budget unit 243 as allocation type FØ, effective June 30, 2011;
13. Designate 1.00 FTE Supervising Attorney (class 0610) position in budget unit 253 and 1.00 FTE currently filled Legal Secretary I/II – 40 Hour (class 1144) position in budget unit 246 as allocation type FØ, effective June 30, 2011;
14. Designate 1.00 FTE currently filled Administrative Secretary (MC) (class 0166) and 1.00 FTE currently filled Vocational Counselor I/II (class 0768) positions in budget unit 275 as allocation type FØ, effective June 30, 2011;
15. Designate 1.00 FTE currently filled Office Assistant I/II (class 0179), 1.00 FTE currently filled Program Coordinator (class 0425) and 3.00 FTE currently filled Animal Shelter/Care Attendant I/II (class 0440) positions in budget unit 278 as allocation type FØ, effective June 30, 2011;
16. Designate 1.00 FTE currently filled Library Assistant I/II (class 0157) position in budget unit 621 as allocation type FØ, effective June 30, 2011;
17. Reallocate a 1.00 FTE Supervising Legal Secretary (class 0114, position 01) position to a 0.95 FTE, reallocate a 1.00 FTE Senior Legal Secretary (class 0140, position 01) position to a 0.95 FTE, and four (4) 1.00 FTE Deputy Public Defender I/II/III/IV (class 0604, positions 01,02,03,04) positions to a 0.95 FTE in budget unit 246, effective June 25, 2011;
18. Authorize the Personnel Department to work with departments to immediately begin the layoff process for the affected positions;

19. Designate the list of currently vacant positions identified to be unfunded in FY 2011-12 (Attachment 3) as allocation type FØ - Frozen/Unfunded;
20. Authorize the Personnel Department after consultation with the CAO and departments to designate positions identified as part of the VSIP program as allocation type F1 - Frozen VSIP and to make substitutions as may be required by needs of the departments over the three year period;
21. Authorize the CAO to utilize fund balance available in the Risk Management and Purchasing Internal Service funds to reduce rates charged to departments for FY 2011-12;
22. Authorize department heads to approve voluntary unpaid furloughs for employees under their appointing authority for FY 2011-12, utilizing the attached form (Attachment 4 and Exhibit A);
23. Provide direction to CAO regarding the transferring of Headwaters Sale Economic Division Administration Fund monies to the Economic Development Fund for cash flow purposes; and
24. Take other action as appropriate.

SOURCE OF FUNDING: All County Funds

DISCUSSION:

Due to ongoing financial challenges, for FY 2010-11 the County Administrative Office (CAO) has undertaken quarterly budget reviews. The purpose of these budget reports is to provide information to, and seek guidance from, the Board in light of the economic climate affecting the County's budget. The CAO has provided your Board with first quarter and mid-year reviews of the County's budget performance. Before your Board today is the third quarter budget review for FY 2010-11 and projection for FY 2011-12.

This report has been divided into three sections: review of the County financial condition as of March 31, 2011; a brief overview of factors which may impact FY 2011-12 and a list of policy responses staff recommends that your Board consider in light of the County's current or projected financial condition.

Section 1: Review of Third Quarter for Fiscal Year 2010-11

This review covers the General Fund and funds with negative balances. Other funds not mentioned have had no significant changes since the report to your Board at mid-year and appear to be on track, as of March 31, 2011, to end this fiscal year substantially as budgeted.

1100 – General Fund

The General Fund contains the majority of County programs. This fund receives discretionary money derived from local revenue sources such as property tax and available to be spent on local needs. The mid-year budget review presented to your Board on February 15, 2011, reported that expenditures and revenues were primarily on track for FY 2010-11. This trend has continued during the third quarter. The General Fund is still projected to require the draw down of \$2.6 million in fund balance and end this fiscal year with a balance of approximately \$1.3 million.

1120 – Economic Development Fund

The Economic Development Fund (EDF) began FY 2010-11 with a negative fund balance of (\$1.3 million). At the time of the mid-year report the CAO committed to work with Community Development

Services (CDS) staff to identify issues that have contributed to the negative balance and ascertain options for addressing it. Since that time CDS staff audited all EDF account receivables and implemented new policies for reimbursement billing. CDS staff should be recognized for the extraordinary effort they put into this project. The fund currently has a negative balance of (\$141,474).

The EDF is primarily funded through State grant programs. Typically, grant revenue is not received until after expenditures have been incurred by the County and billed to the State. Reimbursement from the State can take up to three months and therefore often does not coincide with the close of a fiscal year. Because of this delay in reimbursement the EDF almost always has a negative balance. A possible option for addressing the ongoing negative balance is transferring funds from the Headwaters Sale Economic Division Administration Fund; this is discussed further in Section 3.

3530 – Aviation Enterprise Fund

The Aviation Enterprise Fund began FY 2010-11 with a fund balance of \$146,582, which was down \$134,170 from the previous year. The approved budget anticipated that the fund would draw down \$54,059 in fund balance; current estimates now indicate that the fund will have a negative balance at the end of the fiscal year. The fund balance as of March 31, 2011, was negative (\$174,289). A reduction in revenue as a result of Horizon Air discontinuing service at the Arcata/Eureka Airport could worsen the situation. CAO staff is working with Public Works staff to develop options for addressing the negative fund balance.

While the County has a practice of allowing individual funds within its governmental fund series to remain in a negative balance position for short periods of time, a negative fund balance in the Aviation Enterprise Fund raises significant concern. This is because enterprise funds are classified by accounting standards as “business-type activities” and are supposed to stand on their own without the sort of short-term borrowing typical of the County’s governmental funds. Currently there are sufficient monies in the Aviation Jet Fuel and Hangar trust funds, which are considered part of the Aviation Enterprise system, to cover the negative balance. If these funds were not available proper procedure would call for another fund to loan money to Aviation pursuant to a written repayment schedule.

Risk Management Funds

The Risk Management Division administers seven funds that began the year with a combined balance of \$1.6 million. Estimated expenditures for FY 2010-11 will require a draw from fund balance of approximately \$800,000, leaving an estimated \$800,000 combined fund balance for FY 2011-12. Four of the seven funds have negative balances, County Insurance, Medical Plan, Dental Plan and Unemployment Insurance. Risk Management is working to reduce and eliminate the negative fund balances. However, as discussed further in Section 3, the CAO is again requesting to use fund balance in FY 2011-12.

Section 2: Budget Outlook for Fiscal Year 2011-12

Although County funds appear to be mostly on track for the third quarter, the budget outlook into FY 2011-12 remains uncertain due to the Federal and State budgets as well as the availability of locally generated revenues. Over two thirds of the County’s expenditures are financed with Federal and State funding. Because of this fact the County needs to monitor these budgets closely.

The Federal Budget

The United States is facing daunting economic and budgetary challenges. The economy is still struggling to recover from the recent recession. The pace of growth in the nation’s output has been extremely slow compared to most other recoveries since World War II. The federal government has experienced sharply lower revenues and increased spending as a result of the financial turmoil and reduced economic activity.

This, combined with increased costs related to policies implemented in response to the economic downturn, has caused budget deficits to surge in the past two years. The deficit measured as a share of gross domestic product is the largest it has been since 1945.

The large deficit has resulted in increased political pressure at the federal level for budget cuts. The President's proposed 2012 budget includes more than \$1 trillion in deficit reduction with two-thirds of it coming from cuts. It is very likely that federal spending cuts will have impacts on local programs for FY 2011-12.

The State Budget

The mid-year report provided to your Board in February contained a discussion of the Governor's proposed budget. The two significant elements of the budget discussed were voter-approved tax increases which were anticipated to go to the voters in a June 2011 special election and realignment. At that time there was also hope that the State would actually adopt a budget on time. Now it is May and the State is back to budget stalemate, there is an unresolved realignment proposal, no prospect for a June election and a \$12 billion budget hole.

The State 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 is the extension of the Vehicle License Fee (VLF) currently used to fund local public Safety. 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 funding is currently set to end on June 30, 2011 and could mean a loss of over \$1 million for the County.

The County Budget

The Humboldt Economic Index is produced by the Economics Department at Humboldt State University. It measures changes in the local economy using data from local business and organizations. The composite Index is a weighted combination of six individual sectors of the local economy. The composite Index was 1.5% higher in February 2011 than in February 2010 indicating an improved local economy over that period. However, according to their report February was a difficult month for Humboldt's economy; local unemployment rose due to a decline in retail and government employment and home sales declined substantially. It should also be noted that the index is 6.0% lower than it was five years ago.

For the past five years, expenditures have exceeded revenues in the County's General Fund. Local governments typically lag in recovery because impacts to local revenues take longer to occur. It takes time for local property assessments to adjust to current values. Most likely local property tax revenue will see little or no increase for FY 2011-12. Looking forward to next fiscal year a funding shortfall of almost \$6 million from the elimination of one-time fixes and increased employee costs is anticipated. Local revenues are not keeping up with expenditures.

Against this backdrop, your Board on February 15, 2011, directed General Fund departments to prepare budgets for FY 2011-12 that contained General Fund supported expenditures at 92% of current levels. This was done to adjust spending to available discretionary funding with the goal of creating a sustainable budget.

Departments were requested to submit their budget proposals to the CAO on April 13th. As a result of the combination of the 92% funding level and State uncertainty, these submittals include significant impacts to services valued by the public (particularly in the area of public safety, which stands to lose in excess of \$1 million in State funds if the VLF is not extended). These impacts include:

- Reduced number of deputies on patrol and longer response times

- Closure of Sheriff substations and no rural deputies (Shelter Cove, Hoopa, Eel River Valley)
- Reduced hours at the Animal Shelter
- Reduction or elimination of special service areas (i.e. boating, livestock, beach patrol)
- Less emergency preparation and resources
- Reduced security staffing at Courthouse entrances
- Adult moderate to high-risk felony offenders will be un-supervised
- Delays in adult criminal court process and late investigative reports
- Reduced efforts to minimize juvenile out-of-county placements
- Loss of the Child Abuse Services Team (CAST)

Because of the potential for these drastic reductions in services to the community, the CAO recommends a combination of preparing for the worst (beginning the layoff process) plus a wait-and-see approach of extending the County budget schedule by approximately one month to allow time for additional State decision-making. These responses and options for increased public engagement will be discussed further in Section 3, below.

Section 3: Policy Considerations

Revenue options

In anticipation of budget reduction impacts for FY 2011-12, at mid-year your Board directed CAO staff to look at new and expanded revenue options available to the County. Below is a discussion of revenue enhancement options that could be pursued by the County.

There are three primary types of revenue available to counties: taxes, assessments and fees. *Tax* revenues can fund public facilities or services regardless of whether the taxpayer actually uses those facilities or services. *Assessments* must be levied in proportion to the benefit that each parcel or business receives from the improvements or services funded by the assessment. *Fees* are a charge for a specific government service or product and cannot exceed the reasonable cost of providing the service or product. All local taxes are either general taxes, which need majority-voter approval, or special taxes, which must receive 2/3-voter approval. A county may only impose taxes that it is specifically authorized to impose under California statutes.

The County currently receives discretionary tax revenue from property tax, sales tax (1% through the State), transient occupancy tax, and timber yield tax. Taxing options available to the County that are not currently being utilized are a local sales tax (transaction and use tax) and utility user tax. The County does not have the ability to increase property or timber yield tax rates for general purposes. However, property taxes can be increased for the acquisition or improvement of real property when approved with 2/3-voter approval. The transient occupancy tax has the potential to be increased.

California law gives counties the authority to impose a countywide general purpose Transaction and Use Tax (TUT), in 0.25% increments up to 2% above the State sales tax rate. A TUT can be imposed as a special tax, earmarked for a specific purpose, or a general tax. A TUT would increase the existing retail sales tax rate and would only be applied to tangible personal property which is presently taxed under California sales and use tax laws. It would not tax goods, merchandise or property not already subject to the State imposed sales and use tax. For example, such things as real estate transactions, services, doctor visits and/or labor would not be taxed. Many local governments have imposed additional local sales, use and transaction taxes to provide for services within their community, such as law enforcement, roads and general government. The local optional statewide average TUT is 0.85%. Currently the cities of Arcata, Eureka and Trinidad have a 0.75% TUT. If the County were to levy a 0.25% tax it would generate slightly over \$1 million in revenue. This would fund approximately fourteen public safety positions.

The County put a 1% TUT before the voters of Humboldt County in 2004, the measure failed with a yes vote of 29.9%.

A Utility User Tax (UUT) may be imposed by a county on the consumption of utility services including (but not limited to) electricity, gas, water, sewer, telephone and cable television. A UUT can be imposed as a special tax, earmarked for a specific purpose or a general tax. The tax would be levied by the County and collected by the utility provider as part of its regular billing procedure and then remitted to the County. Statewide, city and county utility user taxes generate about \$2 billion per year. Currently 149 cities and 4 counties have a UUT. The most common rate is 5%, applied broadly across the many types of utilities. Rates range from 1% to 11% with the average being 5.5%. The cities of Arcata and Eureka currently levy a 3% UUT across most utilities; Eureka's does not cover wireless phones. If the County were to levy a UUT it is estimated that it would generate \$1 - \$2 million depending on the rate and utilities and customers (commercial and/or residential) taxed. The latest census shows 56,031 households in the unincorporated area of Humboldt. Using an average utility bill of \$50/month a 3% UUT would generate slightly over \$1 million.

The Transient Occupancy Tax is authorized under State Revenue and Taxation Code, as an additional source of non-property tax revenue to local government. This tax is currently levied in Humboldt County at a rate of 10% on accommodations at lodging facilities in the unincorporated areas of the County. This tax could be amended to include private campgrounds and RV Parks, it is estimated that this would generate \$150,000 in additional revenue. The TOT could also be increased; an increase to 12% would generate \$225,000. These changes would both require majority-voter approval.

There is legislation pending that would dramatically increase local taxing authority. Senate Bill (SB) 653 would authorize a board of supervisors of any county to propose to the voters a tax which could include such things as: local personal income, local corporate income, local sales transactions and use, vehicle licenses, and alcoholic beverages, cigarettes and tobacco, sweetened beverages and oil severance. The measure is keyed as a majority vote and is scheduled to be heard on May 4 in the Senate Governance and Finance Committee.

Passage of this bill would certainly expand options available to the County regarding taxing authority. However, any new tax would still require local voter approval which could be difficult to obtain. Another concern is that the State would push services off on to the counties predicated on their new ability to increase revenues. Other issues are that this could result in different types of taxes in the 58 counties creating accounting challenges and negatively impacting business.

Layoffs

Budget proposals received from departments have identified the need to eliminate funding for 46 full time equivalent (FTE) positions in order to meet Board directed reductions. The impacted departments are the Board of Supervisors (1.00 FTE), District Attorney-CAST (4.00 FTE), Public Defender (3.00), Sheriff-Operations (24.00 FTE), Probation (3.00 FTE), Jail (1.00 FTE), Economic Development (2.00 FTE), Alternate Counsel (2.00), Animal Shelter (5.00 FTE) and Library (1.00 FTE). The bulk of these positions are in public safety and the result of the anticipated elimination of VLF funding from the State combined with local budget reductions.

Grant funds for the Economic Development Division are anticipated to decrease significantly after June 30, 2011. There are currently ten grants and programs (mostly American Recovery and Reinvestment Act funded) that will be ending this fiscal year. Cuts in Federal and State funding have reduced or eliminated the remaining programs. In addition, new funding has proven much more difficult to secure than in past

years. For these reasons four positions are being unfunded in the Economic Development Division for FY 2011-12, two have been identified as layoffs.

It is recommended that Personnel begin the layoff process immediately to insure that it occurs at the beginning of next fiscal year. Humboldt County Merit System Rules require that written notice be delivered at least twenty-one calendar days prior to the effective date of the action for AFSCME employees and at least fourteen days for all other employees. The notice is required to include among other things the employee seniority score and classes to which the employee may demote within the department. Because of the staff time needed to prepare the information and the number of impacted positions this early start is warranted. If additional funding is identified or becomes available for the positions the layoff process can be stopped.

Frozen Positions

Many departments have vacant positions that will not be funded in FY 2011-12. Staff recommends that these positions be designated as frozen and unfunded (FØ) immediately to facilitate position tracking for the layoff process and budget. This will make it clear that the vacant positions are not funded and that they cannot be filled. 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.

The VSIP program required that for every position that separated an identified position must be held vacant for three years to provide salary savings. Staff recommends that your Board authorize the Personnel Department after consultation with the CAO and departments to designate positions identified as part of the VSIP program as allocation type F1 - Frozen VSIP. In addition, staff recommends that your Board delegate the authority to substitute vacant positions for F1 positions as needed to achieve maximum flexibility for departments. This will prevent these positions from being filled while keeping them in the allocation table for use at the end of the three year period.

Dissolution of Alternate Counsel

The County currently has a three office indigent defense structure. These offices include the Public Defender, Conflict Counsel and Alternate Counsel. Despite the cost of a three office structure, the County established this structure to help alleviate the financial burden that comes with the appointment of private counsel for indigent criminal defense at the County's expense and, originally, because of the need to provide representation in juvenile dependency proceedings. On January 25, 2011, your Board directed staff not to respond to the Superior Court of California, Humboldt County's (Court) Request for Proposals (RFP) for Juvenile Dependency Services. This once symbiotic relationship between the Court and the County for Juvenile Dependency Services served both the Court's need for juvenile representation and supported the County's ability to provide a three office Public Defender structure.

Since the initial presentation of this matter, the Court continues to weigh their options in regards to awarding an RFP.

As mentioned in the January 25th agenda item, the loss of dependency legal representation which supports positions and expenses in the General Fund, would pose the need for new solutions to address the loss of funding. Before your Board today is one of those solutions.

The loss of these services, coupled with the budget parameters for Fiscal Year 2011-12 has resulted in the recommendation to dissolve Alternate Counsel by disallocating certain positions and consolidating the remaining positions with Conflict Counsel. Alternate Counsel currently has 5.90 full-time equivalent positions: 1.00 FTE Legal Secretary; 0.90 FTE Investigator; 2.00 FTE Deputy Public Defenders; 1.00 FTE Sr. Legal Secretary; and 1.00 FTE Supervising Attorney. The January 25th agenda item disallocated 1.00

FTE Deputy Public Defender effective the beginning of FY 2011-12. The recommendation before your Board includes disallocating the 1.00 FTE Supervising Attorney. However, until a suitable location can be found, former Alternate Counsel staff and Conflict Counsel staff will remain in their separate locations. The physical consolidation will come at a later point.

Dissolving Alternate Counsel may lead to increased expenditures for conflict public defender services in budget unit 250, which provides funding for conflict indigent defense. The County Administrative Office will monitor the situation closely and if costs increase will pursue other options for conflict public defender services.

Approve Various Transfers

Adjustments need to be made to Risk Management's Workers' Compensation, Unemployment and Liability budgets to increase appropriations to reflect actual insurance costs. Costs are higher than originally budgeted and a combination of increased revenues and fund balance will be utilized to cover the overage.

On March 15, 2011, your Board approved a supplemental budget for \$275,859 in Elections for the anticipated June special election. Since that time it has been determined that no special election will occur. The requested transfer reverses \$170,500 of this transfer and moves the funds to contingencies. The adjustment is based on the estimated FY 2011-12 expenditures submitted by the department as part of their budget request. Moving the funds to contingencies will hopefully allow them to roll over and provide funding for elections next fiscal year.

A supplemental budget of \$37,401 is needed to provide for repayment of funds to County Service Area #4 for County dispatch services in FY 2009-10 that were mistakenly charged to the wrong account. This appropriation will be offset by Timber Yield Tax revenue that exceeded originally budgeted amounts.

Internal Service Funds

For the last two years departmental charges from the County Internal Service (ISF) Funds have been reduced to assist with budget reductions. For FY 2011-12 staff again recommends that fund balance be utilized to reduce purchasing and insurance charges.

Risk Management provides insurance services to all County departments. For FY 2009-10 your Board authorized the utilization of fund balance to reduce Workers' Compensations charges by approximately \$2 million. Last year fund balance was also utilized to artificially reduce rates. If Workers' Compensation rates were adjusted to reflect actual costs for FY 2011-12 the impact would be significant to departments. For this reason the CAO proposes to hold all Risk Management insurance rates flat for next fiscal year by utilizing fund balance again. To minimize the impacts to departments starting in FY 2012-13 insurance rates will be gradually increased (approximately 10%) over a three to five year period until charges equal actual costs. This will be accomplished by utilizing fund balance and insurance rebates.

Purchasing reduced rates by 8% for FY 2011-12. This reduction is proposed to be accomplished through a reorganization process that is expected to span more than one fiscal year. For next fiscal year fund balance will be utilized as a temporary cost cutting measure.

Authorize Voluntary Furloughs

Employees have continued to furlough during FY 2010-11. Anticipated furlough savings through the end of the fiscal year for all funds are \$398,340. The CAO again recommends that your Board recognize and thank the employees who have committed to taking voluntary furloughs. This program continues to provide an opportunity for budget savings and departments have indicated that they would like to utilize the

program in FY 2011-12. CAO staff recommends that the Board reaffirm the voluntary unpaid furlough program for next fiscal year.

Transfer to Economic Development Fund

The Headwaters Sale Economic Division Administration Fund was established as an interest bearing trust to provide funding for the County's economic development program. Per the Headwaters Fund Charter these funds are restricted to the County's economic development program and the Board of Supervisors approves expenditures from this fund through standard County budgeting procedures.

Originally \$1.8 million was deducted from the Headwaters Fund and deposited into this interest bearing trust fund. This amount was calculated as \$90,000 per year for 20 years. The fund currently has a balance of \$1,131,617. The Board could loan or transfer the balance of this fund into the EDF for cash flow purposes. The advantages of transferring the funds are that it would consolidate the monies in one fund which would reduce duplicative accounting, create a clearer budget, clarify Board control over the funds and help eliminate the negative EDF balance. It would also clarify interest earnings and interest costs; currently the Headwaters Sale Economic Division Administration Fund is earning interest while the EDF is generating negative interest. Because EDF almost always has a negative balance, negative interest is accumulating and not being paid back.

Revise Budget Development Calendar

The CAO recommends revising the budget calendar to extend the budget proposal, hearings, adoption and fee update by four weeks. The reason for this extension is the uncertainty of the State budget and the potentially severe impacts on local services. The revised calendar for County budget development (Attachment 1) provides for approval of the proposed budget on June 28, 2011 which will give departments the authority to spend until the final adoption on July 26, 2011. Legally the County has until October 2 to adopt the final budget. However, it should be known by the end of June whether the VLF will be extended.

As approved by your Board at mid-year, the CAO will still be providing community outreach meetings during the first two weeks of May. These meetings will allow increased interaction with the public on the budget and potential impacts to services and provide an opportunity to gather community input.

FINANCIAL IMPACT:

The acceptance of today's report has no financial impact. The proposed employee reductions equate to approximately \$3.8 million annually.

OTHER AGENCY INVOLVEMENT: None.

ALTERNATIVES TO STAFF RECOMMENDATIONS:

The Board could decline to authorize the Personnel Department to begin the layoff process for mentioned departments. This is not recommended as the General Fund does not have enough projected revenue to fund current expenditure levels, including staffing for next fiscal year.

ATTACHMENTS:

1. Revised Budget & Fee Schedule Development Calendar for FY 2011-12
2. Budget Adjustments
3. Vacant Positions to Reallocated as Frozen and Unfunded in FY 2011-12
4. Voluntary Furlough Agreement (and Exhibit A – Furlough Calendar)

Attachment 1

REVISED BUDGET & FEE SCHEDULE DEVELOPMENT CALENDAR FOR 2011-12

- Monday, March 7:** **Budget Workshops: County Administrative Office Presents Budget Instructions to County Departments**
- Thursday, April 21: Fee Workshop: County Administrative Office Presents Fee Instructions to County Departments and Fee Update Spreadsheets Released to Departments
- Wednesday, April 13:** **Budget Requests Completed by County Departments and Due to County Administrative Office**
- Monday, May 2
- Friday, May 13** **Community Outreach Meetings on County Budget**
- Tuesday, May 31: Fee Update Requests Completed by County Departments and Due to County Administrative Office
- Tuesday, June 28:** **County Administrative Office Presents Proposed County Budget to Board of Supervisors**
- Monday, July 11:** **Public Hearings on Proposed County Budget; 1:30 & 6:00 p.m.: Clerk of the Board required to publish notice**
- Tuesday, July 26:** **FY 2011-12 County Budget Adopted by Board of Supervisors**
FY 2011-12 County Fee Schedule Public Hearing Noticed and Fees Publicly Available
- Tuesday, August 16: FY 2011-12 County Fee Schedule Adopted by Board of Supervisors
- Tuesday, August 23: Public Hearing for Special District Budgets
- Monday, September 19: Effective Date for Updated County Fees (except Planning & Building)
- Tuesday, October 18: Effective Date for Updated Planning & Building Fees

Attachment 2

Third Quarter Budget Adjustments

Appropriation Transfer

From:

<u>Org Key</u>	<u>Object</u>	<u>Description</u>	<u>Amount</u>
1100140	1400	Extra Help	5,000
1100140	1460	Overtime	6,500
1100140	2102	Pollworker Stipend	40,000
1100140	2116	Postage	45,000
1100140	2117	Office Supplies	36,000
1100140	2366	Certified Printing	38,000
			<u>170,500</u>

To:

<u>Org Key</u>	<u>Object</u>	<u>Amount</u>
1100990	2010 Contingencies	170,500

Supplemental Budget

Revenue:

<u>Org Key</u>	<u>Object</u>	<u>Amount</u>
1100888	113100 Timber Yield Tax	37,401
3523353	682111 Revenue-Affiliates	15,000
3523353	682150 Revenue-4850	33,000
3523353	710050 Fund Balance Transfer	<u>173,570</u>
		221,570
3524354	682105 Revenue	380,000
3527357	710050 Fund Balance Transfer	320,000

Expenditures:

<u>Org Key</u>	<u>Object</u>	<u>Amount</u>
1100199	3523 Cooperative Dispatch	37,401
3523353	3344 Interest Exp	20,000
3523353	3940 Central Service	2,070
3523353	6105 Workers Comp	185,000
3523353	6441 Emergency Safety	<u>14,500</u>
		221,570
3524354	6210 Legal Expenses	300,000
3524354	6442 Training	<u>80,000</u>
		380,000
3527357	6100 Claim Payments	320,000

ATTACHMENT 3
Frozen and Unfunded Vacant Positions
FY 2011-12

BU	Department	Total	FTE	Class #	Position
111	Auditor-Controller	2.10	0.50	0123	SR FISCAL ASSISTANT 40 HR M-C
			0.60	0124	SR FISCAL ASSISTANT 40 HR
			1.00	0618	DEPUTY AUDITOR-CONTROLLER
113	Assessor	7.00	3.00	0172	ASSESSMENT TECHNICIAN I
			3.00	0628	APPRAISER I
			1.00	0642	APPRAISAL TECHNICIAN
118	Information Technology	3.00	1.00	0164	ADMINISTRATIVE SECRETARY 40 HR
			1.00	0189	IT TECHNICIAN II
			1.00	0622	IT APPLICATIONS ANALYST II
121	County Counsel	3.00	1.00	0138	SR LEGAL SECRETARY (M-C)
			1.00	0413	INVESTIGATOR - CODE ENFORCMNT
			1.00	0417	INVESTIGATOR - M/C
162	Facility Maintenance	3.00	1.00	0206	CONSTRUCTION PROJECTS MANAGER
			2.00	0251	FACILITY MAINT MECH I - 40
166	Land Use	1.00	1.00	0164	ADMINISTRATIVE SECRETARY 40 HR
140	Elections	1.00	1.00	0109	ASST COUNTY CLERK
205	District Attorney	8.00	1.00	0412	INVESTIGATOR (DIST ATTORNEY)
			2.00	0602	DPTY DIST ATTORNEY I
			1.00	1150	LEGAL OFFICE SERVICES SPRVSR
			3.00	0179	OFFICE ASSISTANT I 40 HRS
			1.00	0178	LEGAL OFFICE ASSISTANT I
206	Child Support	1.00	1.00	0366	CHILD SUPPORT ASSISTANT I/II
219	Public Defender	1.00	1.00	0144	LEGAL SECRETARY II
221	Sheriff	20.54	2.00	0145	SR LEGAL OFFICE ASSISTANT
			1.00	0167	EXECUTIVE SECRETARY (MC)
			1.00	0168	SENIOR LEGAL OFFICE ASST 40HR
			0.54	0177	FISCAL ASSISTANT I/II 40 HR
			1.00	0406	SHERIFF'S LIEUTENANT
			1.00	0407	EVIDENCE TECHNICIAN
			2.00	0414	SHERIFF'S SERGEANT
			1.00	0415	COMMUNITY SERVICES OFFICER 40H
11.00	0416	DEPUTY SHERIFF I/II			
234	Juvenile Hall	1.00	1.00	0486	JUVENILE CORRECTIONS OFCR I/II
235	Probation	15.00	1.00	0178	LEGAL OFFICE ASSISTANT I
			1.00	0469	SR PROBATION OFFICER (40 HR)
			1.00	0470	SUPERVISING PROBATION OFFICER
			7.00	0473	PROBATION OFFICER I/II (40 HR)
			1.00	0474	ASST CHIEF PROBATION OFFICER
			1.00	0626	ADMIN ANALYST I/II (40 HR.)
			1.00	0916	SUPERVISING M H CLINICIAN
2.00	1144	LEGAL SECRETARY I/II - 40 HOUR			
243	Jail	19.00	2.00	0420	CORRECTIONAL SUPERVISOR
			1.00	0421	SR CORRECTIONAL OFFICER
			16.00	0424	CORRECTIONAL OFFICER I/II

**ATTACHMENT 3
Frozen and Unfunded Vacant Positions
FY 2011-12**

BU	Department	Total	FTE	Class #	Position
254	Regional Facility	2.00	1.00	0178	LEGAL OFFICE ASSISTANT I/II
			1.00	0486	JUVENILE CORRECTIONS OFCR I/II
262	Building Inspector	4.00	1.00	0317	PLAN CHECKER I
			2.00	0335	PERMIT SPECIALIST I
			1.00	0340	SR BUILDING INSPECTOR
271	Recorder	2.00	1.00	0180	OFFICE ASSISTANT I/II
			1.00	0155	RECORDABLE DOCMTS EXAMINR I
277	Planning	5.00	1.00	0130	SR OFFICE ASSISTANT
			1.00	0315	DEPUTY PLANNING DIRECTOR
			1.00	0630	SR PLANNER
			2.00	0631	PLANNER I/II
278	Animal Control	4.00	1.00	0135	SR OFFICE ASSISTANT 40 HRS
			1.00	0179	OFFICE ASSISTANT I/II 40 HRS
			1.00	0406	SHERIFF'S LIEUTENANT
			1.00	0416	DEPUTY SHERIFF I/II
322	Roads-Land Use	1.00	1.00	0314	ASSOCIATE LAND SURVEYOR
381	Aviation	1.00	1.00	0268	BUILDING MAINTENANCE CUSTODIAN
400	Public Health Administration	3.00	1.00	0122	OFFICE SERVICES SUPRVSR 40 HR
			1.00	0177	FISCAL ASSISTANT I 40 HR
			1.00	0179	OFFICE ASSISTANT I 40 HRS
406	Consumer Protection	4.00	3.00	0535	ENVIRON HEALTH SPECIALIST I
			1.00	0552	VECTOR CONTROL OFFICER
414	Health Education	11.10	1.00	0517	HHS PROGRAM SERVICES COORDINTR
			2.00	0626	ADMIN ANALYST I (40 HR.)
			1.00	0907	M H CASE MANAGER I (40 HRS)
			1.50	0909	M H CLINICIAN I 40 HR
			1.80	1594	PUBLIC HEALTH NUTRITIONIST
			2.80	1595	HEALTH ED SPECIALIST I
			1.00	1596	PUBLIC HEALTH NUTRITNST SUPVSR
416	Public Health Field Nursing	11.90	2.20	0511	COMM HEALTH OUTREACH WKR I
			2.00	0514	SUPERVISING PUB HEALTH NURSE
			2.00	0527	SR PUBLIC HEALTH NURSE
			4.50	0528	PUBLIC HEALTH NURSE
			0.20	0547	ASST CNTY PHYSICIAN
			1.00	0574	MEDICAL OFFICE ASSISTANT I
424	Mental Health Administration	37.10	3.00	0177	FISCAL ASSISTANT I 40 HR
			1.00	0491	SUBSTANCE ABUSE COUNSELOR I
			1.00	0626	ADMIN ANALYST I (40 HR.)
			2.00	0768	VOCATIONAL COUNSELOR I 40HR
			0.80	0900	CRISIS SPECIALIST
			1.00	0903	DISCHARGE PLANNER
			3.00	0904	LIC CLINICAL PSYCHOLOGIST I
			1.50	0907	M H CASE MANAGER I (40 HRS)
			2.00	0909	M H CLINICIAN I 40 HR
			0.80	0911	M H WORKER I (40 HRS)

ATTACHMENT 3
Frozen and Unfunded Vacant Positions
FY 2011-12

BU	Department	Total	FTE	Class #	Position
			2.00	0912	PSYCHIATRIC MID-LEVEL PRACT
			7.00	0913	PSYCHIATRIC NURSE
			2.00	0914	PSYCHIATRIC TECH I
			1.00	0916	SUPERVISING M H CLINICIAN
			1.00	0922	ASST DIR PSYCHIATRIC NURSING
			2.00	0933	SENIOR PROGRAM MANAGER
			1.00	0934	PROGRAM MANAGER
			4.00	0937	PHYSICIAN/PSYCHIATRIST
			1.00	0939	ACTIVITY THERAPIST
425	Alcohol & Other Drugs	1.00	1.00	1595	HEALTH ED SPECIALIST I/II
429	Substance Abuse	1.00	1.00	0491	SUBSTANCE ABUSE COUNSELOR I
431	Healthy Moms	1.00	1.00	0492	SR SUBSTANCE ABUSE COUNSELOR
435	Public Health Lab	1.00	1.00	1571	LABORATORY ASSISTANT I
460	Maternal Health	11.45	0.60	0179	OFFICE ASSISTANT I 40 HRS
			1.00	0527	SR PUBLIC HEALTH NURSE
			0.50	0528	PUBLIC HEALTH NURSE
			1.00	0533	OCCUPATIONAL THERAPIST
			1.75	0534	PHYSICAL THERAPIST
			1.00	0540	HEALTH PROGRAM COORDINATOR
			0.50	0556	REGISTERED NURSE (PUB HEALTH)
			0.50	0570	MEDICAL OFFICE ASSISTANT I
			0.80	0626	ADMIN ANALYST I (40 HR.)
			1.00	0934	PROGRAM MANAGER
			2.00	1573	HEALTH CLIENT SERVICES WORKER
			0.80	1594	PUB HEALTH NUTRITIONIST
511	Social Services	77.00	2.00	0135	SR OFFICE ASSISTANT 40 HRS
			1.00	0137	DATA ENTRY OPERATOR I
			1.00	0179	OFFICE ASSISTANT I/II 40 HRS
			4.00	0626	ADMIN ANALYST I (40 HR.)
			13.00	0707	SOCIAL WORKER IV A-C 40 HRS
			2.00	0708	SOCIAL SERVICE AIDE
			2.00	0714	SOCIAL WORKER SPRVSR II 40 HRS
			5.00	0719	INTEGRATED CASEWORKER I/II
			6.00	0722	EMPLOYMENT TRAINING WRKR I
			1.00	0724	EMPLOYMENT TRAINING SUPERVISOR
			3.00	0727	SOCIAL WORKER II/III 40 HRS
			1.00	0738	WELFARE INVESTIGATOR I/II
			11.00	0742	VOCATIONAL ASSISTANT 40 HRS
			1.00	0768	VOCATIONAL COUNSELOR I/II 40HR
			1.00	0938	PAYROLL/PERSONNEL SPECIALIST
			2.00	1137	DATA ENTRY OPERATOR I/II
			1.00	1708	SOCIAL WORKER SUPERVISOR I
			20.00	1731	ELIGIBILITY WORKER I/II/III
621	Library	0.54	0.54	0157	LIBRARY ASSISTANT I/II
632	Cooperative Extension	0.54	0.54	0165	SECRETARY
		265.27	265.27	TOTAL	

FY 2011-12

VOLUNTARY FURLOUGH AGREEMENT

PRINT YOUR NAME

The County permits employees to participate in a voluntary unpaid furlough program and I am seeking to participate in the furlough agreement under the following terms:

1. My decision to enter into this program is entirely voluntary and I understand that it requires the approval of the appointing authority.
2. The voluntary furlough period covered by this agreement is the 27 pay periods paid in fiscal year 2011-12; namely, June 12, 2011, through June 23, 2012.
3. I understand that the voluntary furlough program is being offered because of budgetary constraints and that once I elect to enter the voluntary furlough program I must remain in that status until the end of the agreement.
4. I have carefully reviewed the attached furlough calendar (Exhibit A) for the June 12, 2011 – June 23, 2012 period, and I am asking that I be permitted to take an unpaid furlough for the days or hours that I have designated on that form.
5. I understand that if my requested furlough time is in the form of a block of time that encompasses a full pay period, or more, that I must contact the County's payroll office so that they may calculate how much benefit time must be incorporated into my time card to cover any regularly scheduled deductions.
6. I understand that I may request a review of my voluntary furlough status if I am demoted in position because of budget cuts.
7. I understand that if I am promoted into a different position the Department will review my furlough and, depending upon staffing and financial considerations, may elect to terminate or continue my furlough depending on the best interests of the Department.
8. If the County elects to reduce employee hours or implement an involuntary furlough, I understand that I will be permitted to exchange my voluntary furlough hours for any mandatory reduction in hours imposed by the County on an hour-for-hour basis if that reduction occurs during the period I have requested a furlough.
9. I understand that even if my furlough is approved, it may be amended or cancelled at any time during this agreement if it is determined by the appointing authority to be in the best interests of the Department.
10. I understand that credits toward sick leave, vacation, and holiday eligibility will accrue as if I were in a paid status.
11. I understand that furlough time shall count toward time in service for step advancement, completion of probation, and seniority for purposes of layoff.
12. I understand that if my employment status changes during the course of this agreement and I am placed on some other type of leave without pay then my furlough will be suspended or terminated at the discretion of the appointing authority.

Attachment 4

Employee Signature

Date

Supervisor Approval

Date

Appointing Authority

Date

Attached: Furlough Calendar

EXHIBIT A

June

2011

<i>Sun</i>	<i>Mon</i>	<i>Tue</i>	<i>Wed</i>	<i>Thu</i>	<i>Fri</i>	<i>Sat</i>
			1	2	3	4
5	6	7	8	9	10	11 <i>end of pay period</i>
12 Start of FY 2011-12	13	14	15	16	17	18
19	20	21	22	23	24	25 <i>end of pay period</i>
26	27	28	29	30		

July

2011

<i>Sun</i>	<i>Mon</i>	<i>Tue</i>	<i>Wed</i>	<i>Thu</i>	<i>Fri</i>	<i>Sat</i>
					1	2
3	4 COUNTY HOLIDAY	5	6	7	8	9 <i>end of pay period</i>
10	11	12	13	14	15	16
17	18	19	20	21	22	23 <i>end of pay period</i>
24	25	26	27	28	29	30
31						

August

Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2	3	4	5	6 <i>end of pay period</i>
7	8	9	10	11	■	13
14	15	16	17	18	19	20 <i>end of pay period</i>
21	22	23	24	25	■	27
28	29	30	31			

2011

September

2011

<i>Sun</i>	<i>Mon</i>	<i>Tue</i>	<i>Wed</i>	<i>Thu</i>	<i>Fri</i>	<i>Sat</i>
				1	2	3 <i>end of pay period</i>
4	5 COUNTY HOLIDAY	6	7	8	■	10
11	12	13	14	15	16	17 <i>end of pay period</i>
18	19	20	21	22	■	24
25	26	27	28	29	30	

October

2011

Sun	Mon	Tue	Wed	Thu	Fri	Sat
						1 <i>end of pay period</i>
2	3	4	5	6	7	8
9	10 COUNTY HOLIDAY	11	12	13	14	15 <i>end of pay period</i>
16	17	18	19	20	21	22
23	24	25	26	27	28	29 <i>end of pay period</i>
30	31					

November

2011

<i>Sun</i>	<i>Mon</i>	<i>Tue</i>	<i>Wed</i>	<i>Thu</i>	<i>Fri</i>	<i>Sat</i>
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

COUNTY
HOLIDAY

COUNTY
HOLIDAY

COUNTY
HOLIDAY

end of pay period

end of pay period

December

2011

<i>Sun</i>	<i>Mon</i>	<i>Tue</i>	<i>Wed</i>	<i>Thu</i>	<i>Fri</i>	<i>Sat</i>
				1	■	3
4	5	6	7	8	9	10 <i>end of pay period</i>
11	12	13	14	15	■	17
18	19	20	21	22	23	24 <i>end of pay period</i>
25	26 COUNTY HOLIDAY	27	28	29	■	31

January

2012

Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2 COUNTY HOLIDAY	3	4	5	6	7 <i>end of pay period</i>
8	9	10	11	12	■	14
15	16 COUNTY HOLIDAY	17	18	19	20	21 <i>end of pay period</i>
22	23	24	25	26	■	28
29	30	31				

February

2012

Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1	2	3	4 <i>end of pay period</i>
5	6	7	8	9	■	11
12	13 COUNTY HOLIDAY	14	15	16	17	18 <i>end of pay period</i>
19	20 COUNTY HOLIDAY	21	22	23	■	25
26	27	28	29			

March

2012

<i>Sun</i>	<i>Mon</i>	<i>Tue</i>	<i>Wed</i>	<i>Thu</i>	<i>Fri</i>	<i>Sat</i>
				1	2	3 <i>end of pay period</i>
4	5	6	7	8		10
11	12	13	14	15	16	17 <i>end of pay period</i>
18	19	20	21	22		24
25	26	27	28	29	30	31 <i>end of pay period</i>

April

2012

Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7
8	9	10	11	12	13	14 <i>end of pay period</i>
15	16	17	18	19	20	21
22	23	24	25	26	27	28 <i>end of pay period</i>
29	30					

May

2012

<i>Sun</i>	<i>Mon</i>	<i>Tue</i>	<i>Wed</i>	<i>Thu</i>	<i>Fri</i>	<i>Sat</i>
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28 COUNTY HOLIDAY	29	30	31		<i>end of pay period</i>

June

2012

<i>Sun</i>	<i>Mon</i>	<i>Tue</i>	<i>Wed</i>	<i>Thu</i>	<i>Fri</i>	<i>Sat</i>
					1	2
3	4	5	6	7	8	9 <i>end of pay period</i>
10	11	12	13	14	15	16
17	18	19	20	21	22	23 <i>end of pay period</i>
24	25	26	27	28	29	30