



COUNTY OF HUMBOLDT

AGENDA ITEM NO.

For the meeting of: May 7, 2013

Date: April 19, 2013
To: Board of Supervisors
From: Phillip Smith-Hanes, County Administrative Officer psh
Subject: Third Quarter Budget Review for Fiscal Year 2012-13, Updated Outlook for Fiscal Year 2013-14, and Recommendations for Budget Adjustments (4/5 Vote Required)

RECOMMENDATION(S):

That the Board of Supervisors:

- 1. Receive and file a review of the third quarter budget results for Fiscal Year (FY) 2012-13 and outlook for the FY 2013-14 budget;
2. Approve the list of budget adjustments and supplemental budgets as shown on Attachment 1 and authorize County Administrative Office (CAO) staff to make any technical corrections necessary to effectuate the Board's direction (four-fifths vote required);
3. Direct staff, in developing the FY 2013-14 budget proposal, to use available resources according to the following priority:
a. Allocate a minimum \$250,000 contribution to General Reserve;
b. Restore contributions to other County Funds;
4. Authorize department heads to approve voluntary unpaid furloughs for employees under their appointing authority and authorize the County Administrative Officer to approve voluntary

Prepared by Amy S. Nilsen CAO Approval
REVIEW: Auditor County Counsel Human Resources 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:

unpaid furloughs for other appointed department heads for FY 2013-14, utilizing the attached form (Attachment 2 and Exhibit A);

5. Approve a sunset date for the voluntary unpaid furlough program for June 30, 2014;
6. Designate 2.00 full time equivalent (FTE) currently filled Airport Services Worker II (class 0303/0323), 1.0 FTE vacant Building Maintenance Custodian (class 0289), 1.00 FTE currently filled Program Coordinator (MC) (class 0414), and 1.0 FTE currently filled Airport Groundskeeper (class 0271) positions in budget unit 381 as allocation type FØ, effective June 30, 2013;
7. Authorize the Human Resources Department to work with the Public Works Department to immediately begin the layoff process for the affected positions; and
8. Take other action as appropriate.

SOURCE OF FUNDING: All County Funds

DISCUSSION:

The County Administrative Office (CAO) provides quarterly budget reviews to your Board. The purpose of these budget reports is to provide information to, and seek guidance from, the Board as the County's budget evolves throughout the year. 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 2012-13 and projection for FY 2013-14.

This report has been divided into three sections: review of the County financial condition as of March 31, 2013; a brief overview of factors which may impact FY 2013-14 and a list of policy items 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 2012-13

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, 2013, 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 the Board on February 26, 2013, reported that expenditures and revenues were primarily on track for FY 2012-13. Reports from departments for the third quarter indicate that this trend has continued and even improved.

Revised departmental projections since mid-year indicate that General Fund revenues through June 30 are estimated to be \$1,096,935 more than budgeted. This represents .39% of the total budget. The FY 2012-13 budget was adopted with a planned fund balance spend-down of \$1.57 million, for one-time expenditures, meaning that current-year revenues were not sufficient to cover total expenditures. In the first quarter and mid-year budget reports an additional \$830,754 in one-time expenditures were added to the budget increasing the planned fund balance spend-down to \$2.4 million. The majority of

the \$830,754 in additional one-time expenditures was a \$670,323 contribution to the Liability Fund for outside counsel costs.

As of March 31, 2013, it appears that the General Fund will reduce its \$5.7 million fund balance by \$1.1 million and is anticipated to end this fiscal year with a fund balance of approximately \$4.6 million. The CAO 2013 Five Year Financial Forecast (Forecast) estimated a \$4.18 million year end fund balance. The difference in estimated fund balance between the Forecast and third quarter is roughly \$436,181 which is the difference between adjusted revenue – a positive \$1,096,935, and adjusted expenditures – a negative (\$660,000). The table to the right is illustrative of the current year’s financial status.

FY 2011-12 Year End Fund Balance	5,752,463
Adopted Revenue	93,409,345
Property Tax Current - Secured	290,000
RDA (53% of \$1.7 million)	901,000
Property Tax - Unsecured	(38,000)
Supplemental Property Tax - Secured	(107,000)
Timber Yield Tax	(170,000)
Property Taxes in Lieu of Vehicle License Fees	(97,000)
Interest	(10,000)
State SB 90 Reimbursement	(70,000)
Property Tax Current Unsecured Aircraft	(17,000)
Prior Year Elections Equipment Reimbursement	357,000
PTAF	(151,000)
Public Works Land Use Fees	(109,000)
Tobacco Settlement	587,935
General Relief	(270,000)
	<u>1,096,935</u>
Adopted Expenditures	(94,982,332)
Board approved expenditure adjustments	(830,754)
Unused Contingencies	300,000
Expenditure Overruns	(130,000)
	<u>(660,754)</u>
Estimated FY 2012-13 Year End Fund Balance	<u>4,615,657</u>

As mentioned in the mid-year report the County General Fund has seen one-time funding from the dissolution of redevelopment agencies (RDA) in the amount of \$1,725,560¹. The State has questioned the County’s redistribution methodology and could request up to 47% of the total be returned to the State. The County may want to set these funds aside in reserve until this is definitively resolved.

Also previously mentioned in the mid-year report, counties are responsible for the administration of local property taxes by assessing and collecting them and then disbursing the revenue to the various cities, special districts, schools, and other entities within a county. In order to cover county costs in administering the property tax system, a county is statutorily authorized to impose a property tax administration fee on each city or other non-school entity within its borders. The property tax administration fee (PTAF) is based on an apportionment of the amount of property tax revenue allocated to the city or other entity.

¹ The estimated FY 2012-13 year end fund balance includes \$901,000, or 53% of this \$1.7 million.

In 2004, the State Legislature took two actions, the "Triple Flip" and "vehicle license fee (VLF) Swap" which significantly affected the allocation of property taxes among local taxing entities. The effect of these actions is that cities receive more revenue in the form of property tax than they did prior to 2004, but substantial portions of this revenue are property tax in lieu of another revenue source. The Legislature stipulated that counties could not charge additional PTAF to cities for the first two years of the Triple Flip and VLF Swap implementation, and that thereafter charges to cities could not exceed the actual cost of providing the services. In FY 2006-07 and following guidelines developed by the County Auditors Association, nearly all counties altered PTAF charges by counting the Triple Flip and VLF Swap amounts as increased base property tax revenue to cities. The California Supreme Court recently determined that counties were using an incorrect methodology and had thereby charged excessive PTAF to cities. The County is currently in negotiations with the cities for a one-time payment for at least \$689,000 in excessive PTAF to the cities. It is anticipated that payments to the cities would come from General Fund Contingencies, and this is why only \$300,000 is estimated to roll forward to next fiscal year.

Another item to note for the future health of the General Fund is that the California Public Employees Retirement System (CalPERS) approved in April an employer rate hike of roughly 50% beginning in FY 2015-16. This 50 percent rate hike would be spread across six years. This rate hike replaces a policy that kept rates low during the recession with a plan to reach full funding in 30 years. The CalPERS funding level has not recovered from a \$100 billion loss during the deep economic recession and, under the current rate policy, is not projected to reach full funding in 30 years. The CalPERS investment fund, expected to provide about two-thirds of future pension payments, peaked at \$260 billion in the fall of 2007, dropped to \$160 billion in March 2009 and was back up to \$256 billion in March 2013. The CalPERS employer contribution rate for Humboldt County is currently 26.88% for safety employees and 21.572% for non-safety employees. This increase would add a projected 2.24% to safety employees for six consecutive years, ending with an estimated employer contribution rate of 40.332%. For non-safety employees this increase would add a projected 1.798% for six consecutive years, ending with an estimated employer contribution rate of 32.358%. Presently, this increase for one year is estimated to cost the General Fund an additional \$789,207, or \$4,735,243 over six years. These estimates are likely to increase due to any negotiated salary increases and/or any future contribution rate adjustments as a result of the CalPERS annual valuation for the County. Although these increases are not set to occur for two more years, they point to the need for long-term financial planning and increased reserve levels.

1120 – Economic Development Fund

The Economic Development Fund ended FY 2011-12 with a negative fund balance of (\$127,697), due to delayed reimbursement of grant expenditures. Revenue and expenditures for the current year continue to be on track for FY 2012-13.

3530 – Aviation Enterprise Fund

As reported in both the first quarter and mid-year budget reports for FY 2012-13 the Aviation Enterprise Fund ended FY 2011-12 with a negative fund balance. The Aviation Fund is estimated to be at negative (\$269,454) at the end of Fiscal Year 2012-13, resulting from a positive cash balance adjustment of \$55,082 from its July 1, 2012 beginning fund balance of negative (\$324,536). This reduction in the negative fund balance is being achieved through the transfer of a 1.0 FTE Building Maintenance Custodian to the Facility Management Division (162) in April 2013.

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 cash balance in the Aviation

Enterprise Fund is a 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. In order to address the negative fund balance the Aviation Division has proposed a series of budget reductions for FY 2013-14 to help resolve the revenue shortfall that has occurred over the last several years. These cuts are discussed in more detail on page 9 of this report.

Library Fund

The Library ended FY 2011-12 with a fund balance of \$538,408. The Library anticipates that revenues will exceed expenditures by \$12,097 for the current fiscal year. This is an improvement over the estimated use of \$219,602 in fund balance to cover operating expenditures that was included in the adopted Library budget.

Risk Management Funds

The Risk Management Division administers eight funds that are utilized to account for employee benefit and insurance programs. Risk Management is working to reduce and eliminate the negative fund balances and rates for FY 2013-14 have been set with this as a goal.

3520 - County Insurance Fund

The County Insurance Fund (more commonly referred to as the Risk Management Fund) ended FY 2011-12 with a negative fund balance of (\$124,096). Expenditures are on track for FY 2012-13. Third Quarter estimates show that the fund will receive a positive influx of \$58,651 in the current fiscal year, which will help reduce the negative fund balance.

3522 - Employee Benefits Fund

The Employee Benefits Fund ended FY 2011-12 with zero fund balance. This fund covers expenses for vision coverage, life insurance, and the employee assistance program. Expenses should equal revenues for the current fiscal year.

3523 - Workers Compensation

The Workers Compensation Fund ended FY 2011-12 with a fund balance of \$824,245. There are no significant variances for FY 2012-13. The fund balance for the current fiscal year is estimated to be reduced by \$250,000, as budgeted. Charges to departments for FY 2013-14 will be increased as these charges were set below actual costs to provide budgetary relief.

3524 - Liability Insurance Fund

The Liability Insurance Fund ended FY 2011-12 with a negative fund balance of (\$1,597,964). Third Quarter estimates show that revenues will exceed expenditures by \$67,211. This estimate will reduce the negative fund balance from (\$1,597,964) to (\$1,530,753) by June 30, 2013. Liability insurance charges for FY 2013-14 will be increased based on premium estimates. In addition, the General Fund may need to contribute additional funds during FY 2013-14 should outside counsel costs require.

3525 - Medical Plan Fund

The Medical Plan Fund ended FY 2011-12 with a negative fund balance of (\$168,809). Third Quarter estimates show that the fund will maintain a negative fund balance in the current fiscal year. Charges to departments for FY 2013-14 will be increased in order to reduce the negative fund balance.

3526 - Dental Plan Fund

The Dental Plan Fund ended FY 2012-12 with a negative fund balance of (\$918,132). For FY 2012-13, revenues are anticipated to exceed expenditures by \$311,264, and thereby contribute positively to the fund balance. Dental charges in FY 2013-14 will increase to further reduce the negative fund balance.

3527 - Unemployment Insurance

The Unemployment Insurance Fund ended FY 2011-12 with a negative fund balance of (\$700,179). Revenues are anticipated to exceed expenditures by \$116,762 resulting in a decline in the negative fund balance. Rates for FY 2013-14 will be adjusted to replenish the fund.

3528 - Purchased Insurance

The Purchased Insurance Fund ended FY 2011-12 with a fund balance of \$1,248,791. There are no significant variances for FY 2012-13. The fund balance is estimated to be reduced by \$346,714, which is less than the budgeted amount of \$497,623.

Section 2: Budget Outlook for Fiscal Year 2013-14

As your Board directs County staff to prepare the proposed budget for next fiscal year, consideration will be paid both to the financial position of the County and the potential effects of other factors. The primary factors to consider will be the recovery of the economy and State and federal budgets.

The County Budget

On February 26, 2013, your Board directed General Fund departments to prepare status quo budgets for FY 2013-14. This included General Fund allocations to be set at current year adopted net budgets plus increased benefit and insurance costs.

The estimate to fund General Fund departments at current year adopted net budgets plus increased salary, benefits and insurance costs in FY 2013-14 is \$107,134,335.

Estimated year end fund balance for FY 2012-13	4,615,657
Estimated Revenue for FY 2013-14	104,213,947
Estimated Expenditures for FY 2013-14	(107,134,335)
Estimated year end fund balance for FY 2013-14	<u>1,695,269</u>

Revenue estimates for FY 2013-14 are \$104,213,947. Based on current projections, there is no additional discretionary revenue available to cover ongoing supplemental funding requests, as expenditures exceed revenues by approximately \$2.9 million. Departments submitted over \$3.8 million in supplemental requests for FY 2013-14, to restore funding for services. Unfortunately based on current financial information it does not appear likely that the County will have the ability to fund supplemental requests to restore ongoing funding for services in FY 2013-14.

In the Forecast the estimated shortfall for FY 2013-14 was (\$645,275). The Forecast's estimate did not include \$912,887 in salary increases for the General Fund. In addition, since the time of the Forecast

staff is now anticipating a reduction in sales tax revenue by an estimated (\$94,827) and a reduction in timber yield tax of (\$100,000). Also for FY 2013-14, departments identified additional costs and staff has determined these are State mandated and must be provided: \$300,000 for the California Law Enforcement Telecommunications System upgrade as required by the Department of Justice and the Federal Bureau of Investigations; \$236,212 for Elections (1100-140) for two elections; \$248,172 for General Relief (1100-525) due to reduced revenue from client collections; \$85,091 for Inmate/Medical (1100-490) due to reduced Tobacco Lawsuit Settlement revenue; and \$280,000 for Contributions to Other Funds (1100-199) for restoration of General Fund contributions to support required mandates and specific programs in the Library and Health and Human Services. Expenditures for Elections, General Relief, Inmate/Medical, the Library, and Health and Human Services are State mandated services that the County must provide.

Reducing the fund balance by \$2.9 million over FY 2013-14 will leave an estimated fund balance of \$1.6 million for financing in FY 2014-15. This is very concerning. Over the course of the last twelve fiscal years, the General Fund at its lowest point in FY 2003-04 had a fund balance of \$2,510,048. The Forecast estimated a shortfall of at least (\$210,574) in FY 2014-15 but this did not include the 2 percent salary increase. At the present time, the estimated shortfall for FY 2014-15 is \$1.1 million, which would leave little remaining fund balance. In addition, any reduction in fund balance will reduce interest income to the General Fund and provides little to no cushion for FY 2014-15. Although the County's revenue picture often brightens between third quarter and the introduction of the proposed budget, departments will need to remain frugal in their use of resources through the remainder of FY 2012-13 and throughout FY 2013-14.

The Economy

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 is 1.5% higher in March 2013 than in March 2012 indicating an improved local economy over that period. However, the Composite Index has contracted significantly in March by 3.3%, mostly due to the Home Sales Index coming down from large gains in February 2013. In addition, Retail, Employment and Manufacturing indexes declined as well. The Index still remains 2.6% lower than it was five years ago demonstrating slow economic recovery.

State and Federal Budgets

The mid-year report provided to the Board in February contained a discussion of the Governor's proposed budget. The proposed State budget is likely to have minimal impact on the County General Fund as it currently stands. Of interest the Governor received a decision from three federal judges to reduce the State prison population by 9,500 inmates by the end of the calendar year. The State prison system is under court oversight because of overcrowding. The release of additional State prisoners will no doubt have a social and economic impact on Humboldt County.

State Controller John Chiang's March, 2013 report covering California's cash balance, receipts and disbursements states total revenues for the month were \$395.5 million above (7.2 percent) estimates found in the Governor's proposed 2013-14 State budget. Total revenues for the fiscal year through the end of March were \$4.7 billion ahead of the Governor's estimates.

The Legislative Analyst's Office April 2013 report on personal income tax shows that collections, net of refunds, are approaching the \$9 billion mark. California has surpassed the \$8.5 billion total for the month that was necessary to remain on track with Governor's most recent revenue estimates for the current state fiscal year. As noted in the report, to the extent that 2012-13 State revenues end up

greater than expected, much, if not all, of the additional revenues may be required to be allocated to school districts pursuant to the State's Proposition 98 minimum guarantee. As a result, any additional revenues may not accrue to the benefit of any portion of the State's budget other than public education.

On the federal level the United States Forest Service recently announced that Secure Rural Schools (SRS) would be subject to a 5.1% sequester cut. This announcement has drawn a fair amount of criticism, especially since the program expired at the end of fiscal year 2012 and most of the payments have already been distributed. Letters have already gone out to inform states of their options. California basically has two options: (1) the total sequestered amount of \$1,988,837.21 can be deducted from Title II funds - which have not gone out yet; or (2) the counties will have to pay back some of their Title I and Title III payments. The estimated amount for Humboldt County to pay back is \$4,031 from Title III funds. The estimated amount for Title I funds to be paid back is \$47,000.

Section 3: Policy Considerations

Approve Various Budget Adjustments

The CAO during quarterly reports frequently brings forward budget adjustments on behalf of departments in order to decrease the number of individual items coming to the Board, and provide time savings to departments. Most of the changes are related to increased expenditures which are offset by dedicated funding sources, special revenues or grant funding that are not available for other activities. The recommended budget adjustments are detailed in Attachment I. These include:

- \$197,206 (General Purpose Revenue 1100-888) – Reimbursement for prior year lost revenue as a result of the implementation of Assembly Bill 109 from the Community Corrections Partnership Executive Committee. This revenue will be utilized to replace outdated computers to facilitate the migration to a new server and provide improved standardization of operating systems. This supplemental budget supports the Board's Strategic Framework, Core Roles by providing for and maintaining infrastructure.
- \$2,000 (Treasurer-Tax Collector 1100-112) – The County had to reissue property tax bills as a result of incorrect tax bills being sent out to property owners. In the mid-year report the Board supplemented the Treasurer-Tax Collector for \$40,475 to mail out corrected tax bills. This \$40,475 did not include funds for extra-help utilized to assist with the re-mailing. Additional one-time collection of fees from delinquent property owners is proposed to be utilized to cover this cost. This supplemental budget supports the Board's Strategic Framework, Priorities for New Initiatives by fostering transparent, accessible, welcoming and user friendly services.
- \$24,285 (Revenue Recovery 1100-114) - Revenue Recovery collects court ordered debt with assistance from the Franchise Tax Board (FTB). FTB withholds 15 percent of all funds collected and distributes the remaining 85 percent to the County. Revenue Recovery is able to re-coup the 15 percent withheld by the FTB through the cost of collections. Therefore, a supplemental budget is necessary to recognize this additional revenue and separate FTB expense. This supplemental budget supports the Board's Strategic Framework, Priorities for New Initiatives by managing resources to ensure sustainability of services.
- \$62,479 (Social Services 1160-511) – Social Services is in need of an upgraded telephone system in order to expand the Service Center. An expanded Service Center will meet the needs of Humboldt County and the multi-county region Humboldt will service as a result of the implementation of the national health care reform initiative known as the Affordable Care Act.

This budget adjustment transfers funds from 8998 Building Modification and establishes a fixed asset line 8174 Telephone System. There is no net increase. This adjustment supports the Board's Strategic Framework, Core Roles by providing for and maintaining infrastructure and protecting vulnerable populations.

Direction for FY 2013-14 Budget Development

Now that budget submittals and revised year end estimates have been received from departments, the CAO believes there is no additional funding available for use in development of the FY 2013-14 General Fund budget. The General Fund is facing an estimated \$2.9 million structural imbalance for FY 2013-14.

Preliminary review of the FY 2013-14 budget indicates that there are not sufficient ongoing General Fund revenues - \$104,213,947 to cover ongoing expenses - \$107,134,335. As a result of this information the CAO requests that no additional resources be made available for preparation of the FY 2013-14 budget proposal except for the policy priorities discussed below.

Reserves

The County General Fund utilized \$2,750,000 in General Reserves from July 1, 2009 through June 30, 2011. In FY 2012-13 the budget was adopted with a \$500,000 contribution to the General Reserve leaving a current balance of only \$750,000. Per Board adopted policy the County's General Reserve should be 26 to 33 times higher than the present level. Despite information that ongoing revenues are insufficient to meet ongoing expenditures staff recommends that the Board commit to contributing at least \$250,000 to the General Reserves in FY 2013-14. This is \$250,000 less than the contribution made in FY 2012-13. This would support the Board's Strategic Framework by managing County resources to ensure sustainability of services.

The adopted budget included a General Fund Contingency Reserve of \$1,000,000 which is also much lower than the policy level of \$5.6 million. At this time staff does not anticipate that there will be sufficient funding available next fiscal year to increase Contingencies but does recommend that Contingencies be set at \$1,000,000 for FY 2013-14.

Contributions to Other Funds

The General Fund contributes monies to other County funds to support required mandates and specific programs. Contributions have been reduced in order to help the General Fund through difficult financial times. These allocations go to the following County funds: Social Services, Public Health, Mental Health, Library, Deferred Maintenance and Communications. Increasing allocations will support County programs and services provided by other funds. In some cases the increased funding will allow the County to claim additional funds from State and federal grants thus leveraging local dollars. Restoring allocations to other funds will support the Board's Strategic Framework by protecting vulnerable populations, providing community-appropriate levels of service and creating opportunities for improved safety and health.

Authorize Voluntary Furloughs

Employees have continued to furlough during FY 2012-13. The CAO again recommends that your Board recognize and thank the employees who have committed to taking voluntary furloughs. This program provides an opportunity for budget savings. CAO staff has consulted with departments and there is an ongoing interest to continue the program for one more year. In addition, departments have also expressed a desire for the program to reach a sunset date, as furloughing can create staffing and workload issues if continued for a significant period of time. Based on this CAO staff recommends

that the Board reaffirm the voluntary unpaid furlough program for next fiscal year with a sunset date of June 30, 2014.

Layoffs

On May 3, 2011, the Board of Supervisors approved designating positions as frozen and unfunded (FØ) in order to track which positions are not funded and therefore cannot be filled. Public Works Aviation Division (3530-381) has submitted a budget proposal for FY 2013-14 that has identified the need to freeze 4.0 currently filled full time equivalent (FTE) positions in order to address negative cash flow in the Aviation Fund. These positions include 2.00 FTE currently filled Airport Services Worker II (class 0303/0323), 1.00 FTE currently filled Program Coordinator (MC) (class 0414), and 1.0 FTE currently filled Airport Groundskeeper (class 0271) positions, and a 1.0 FTE vacant Building Maintenance Custodian (class 0289). In addition, in order to help balance the Aviation Division's budget a 1.0 FTE currently filled Building Maintenance Custodian was transferred to budget unit 162 in FY 2012-13.

The above actions will begin to resolve the operating shortfall for FY 2013-14 and will generate estimated net revenue of \$88,990. The estimated year end fund balance for the current year is (\$269,454) and after these changes the estimated fund balance for the end of FY 2013-14 (June 30, 2014) is a negative (\$180,464). The Aviation Division will need to continue to seek out increased revenue options in order to sustain airport operations until such time that the negative cash balance is eliminated and fund balance is in the positive with reserves.

It is recommended that Human Resources 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 American Federation of State, County and Municipal Employees (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.

FINANCIAL IMPACT:

The acceptance of today's report has no net financial impact.

OTHER AGENCY INVOLVEMENT: None.

ALTERNATIVES TO STAFF RECOMMENDATIONS:

1. As for the budget adjustments, the Board could choose not to approve some or all of the budget adjustments and require individual departments to return to the Board with separate supplemental budgets.
2. As for the development of the FY 2013-14 Budget, the Board could choose to:
 - a. Increase the planned spend-down of fund balance in order to fund for one-time supplemental requests that support the Board's Strategic Framework and input received from the February 28, 2013 Community Meetings;
 - b. Reduce the contribution to the General Reserve in order to maintain a healthy fund balance;

- c. Choose not to restore contributions to other County Funds in order to maintain a healthy fund balance.

These alternatives are not recommended because additional staff time would be required for departments to return with separate budget adjustments, and maintaining a fund balance, restoring reserves, and providing State mandated services are consistent with County policy and support the Board's Strategic Framework, Core Roles, Priorities for New Initiatives by managing resources to ensure sustainability of services.

ATTACHMENTS:

1. Budget Adjustments
2. Voluntary Furlough Agreement (and Exhibit A – Furlough Calendar)

RECOMMENDED BUDGET ADJUSTMENTS

Fund	Budget	Acct #	Budget Name	Account Name	Adjustment
Budget Adjustments					
Revenue					
1100	114	615102	Revenue Recovery	PC 1463.007 Offset Coll Costs	\$ 24,285 Adjust to Actual
1100	888	101101	General Purpose Revenue	RDA Dissolution Increment	\$ 2,000 Adjust to Actual
1100	888	504410	General Purpose Revenue	Public Safety Realignment	\$ 197,206
				Total General Fund	\$ 223,491
				Total Revenue	\$ 223,491
Expenditures					
1100	101	2148	Board of Supervisors	Software	\$ 1,750 7 Software Upgrades
1100	101	2317	Board of Supervisors	Office Equipment	\$ 3,060 3 Computer Replacements
1100	103	2148	County Administrative Office	Software	\$ 1,086 4 Software Upgrades
1100	103	2317	County Administrative Office	Office Equipment	\$ 4,080 4 Computer Replacements
1100	112	2117	Treasurer-Tax Collector	Office Supplies	\$ 2,000 Adjust for Secured Tax Re-bill
1100	113	2148	Assessor	Software	\$ 5,750 23 Software Upgrades
1100	114	2476	Revenue Recovery	FTB Service	\$ 24,285 Adjust for actual expenses
1100	121	2148	County Counsel	Software	\$ 5,900 22 Software Upgrades
1100	140	2317	Elections	Office Equipment	\$ 5,100 5 Computer Replacements
1100	162	2148	Facilities	Software	\$ 500 2 Software Upgrades
1100	162	2317	Facilities	Office Equipment	\$ 2,040 2 Computer Replacements
1100	166	2148	Land Use	Software	\$ 1,000 4 Software Upgrades
1100	166	2317	Land Use	Office Equipment	\$ 2,040 2 Computer Replacements
1100	205	2148	District Attorney	Software	\$ 7,750 31 Software Upgrades
1100	205	2317	District Attorney	Office Equipment	\$ 11,220 11 Computer Replacements

RECOMMENDED BUDGET ADJUSTMENTS

Fund	Budget	Acct #	Budget Name	Account Name	Adjustment
1100	219	2148	Public Defender	Software	\$ 7,750 31 Software Upgrades
1100	219	2317	Public Defender	Office Equipment	\$ 15,300 15 Computer Replacements
1100	221	2148	Sheriff	Software	\$ 6,500 26 Software Upgrades
1100	221	2317	Sheriff	Office Equipment	\$ 22,440 22 Computer Replacements
1100	235	2148	Probation	Software	\$ 6,250 25 Software Upgrades
1100	235	2317	Probation	Office Equipment	\$ 25,500 25 Computer Replacements
1100	243	2148	Jail	Software	\$ 5,500 22 Software Upgrades
1100	243	2317	Jail	Office Equipment	\$ 20,400 20 Computer Replacements
1100	271	2317	Recorder	Office Equipment	\$ 3,060 3 Computer Replacements
1100	272	2148	Coroner	Software	\$ 1,250 5 Software Upgrades
1100	272	2317	Coroner	Office Equipment	\$ 4,080 4 Computer Replacements
1100	277	2148	Planning	Software	\$ 7,500 30 Software Upgrades
1100	277	2317	Planning	Office Equipment	\$ 20,400 20 Computer Replacements
				Total General Fund	\$ 223,491
				Total Expenditures	\$ 223,491

Appropriation Transfers

From:	1160	511	8998	Social Services	Building Modifications	\$ 62,479	Budget adjustment for telephone system
To:	1160	511	8174	Social Services	Telephone system	\$ 62,479	Budget adjustment for telephone system

FY 2013-14

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 26 pay periods paid in fiscal year 2013-14; namely, June 23, 2013, through June 21, 2014.
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 23, 2013 – June 21, 2014 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 2

Employee Signature

Date

Supervisor Approval

Date

Appointing Authority

Date

Attached: Exhibit A - Furlough Calendar

EXHIBIT A

June 2013

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22 end of pay period
23	24	25	26	27	28	29
Start of FY 2013-14						
30	TOTAL JUNE FURLOUGH HOURS					_____

July 2013

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
	1	2	3	4 COUNTY HOLIDAY	5	6 end of pay period
7	8	9	10	11	12	13
14	15	16	17	18	19	20 end of pay period
21	22	23	24	25	26	27
28	29	30	31			
				TOTAL JULY FURLOUGH HOURS		

August 2013

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
			1	2	3	end of pay period
4	5	6	7	8	9	10
11	12	13	14	15	16	17 end of pay period
18	19	20	21	22	23	24
25	26	27	28	29	30	31 end of pay period
TOTAL AUGUST FURLOUGH HOURS						

September 2013

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
1	2 COUNTY HOLIDAY	3	4	5	6	7
8	9	10	11	12	13	14 end of pay period
15	16	17	18	19	20	21
22	23	24	25	26	27	28 end of pay period
29	30					
TOTAL SEPTEMBER FURLOUGH HOURS						_____

October 2013

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
		1	2	3	4	5
6	7	8	9	10	11	12 end of pay period
13	14 COUNTY HOLIDAY	15	16	17	18	19
20	21	22	23	24	25	26 end of pay period
27	28	29	30	31		
TOTAL OCTOBER FURLOUGH HOURS				_____		

November 2013

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
					1	2
3	4	5	6	7	8	9 end of pay period
10	11 COUNTY HOLIDAY	12	13	14	15	16
17	18	19	20	21	22	23 end of pay period
24	25	26	27	28 COUNTY HOLIDAY	29 COUNTY HOLIDAY	30
TOTAL NOVEMBER FURLOUGH HOURS						

December 2013

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
1	2	3	4	5	6	7 end of pay period
8	9	10	11	12	13	14
15	16	17	18	19	20	21 end of pay period
22	23	24	25 COUNTY HOLIDAY	26	27	28
29	30	31				
TOTAL DECEMBER FURLOUGH HOURS						

January 2014

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
			1 COUNTY HOLIDAY	2	3	4 end of pay period
5	6	7	8	9	10	11
12	13	14	15	16	17	18 end of pay period
19	20	21	22	23	24	25
26	27	28	29	30	31	
TOTAL JANUARY FURLOUGH HOURS				_____		

February 2014

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
						1 end of pay period
2	3	4	5	6	7	8
9	10	11	12 COUNTY HOLIDAY	13	14	15 end of pay period
16	17 COUNTY HOLIDAY	18	19	20	21	22
23	24	25	26	27	28	
TOTAL FEBRUARY FURLOUGH HOURS						

March 2014

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	
						1 end of pay period	
2	3	4	5	6	7	8	
9	10	11	12	13	14	15 end of pay period	
16	17	18	19	20	21	22	
23	24	25	26	27	28	29 end of pay period	
30	31	TOTAL MARCH FURLOUGH HOURS				_____	

April 2014

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
		1	2	3	4	5
6	7	8	9	10	11	12 end of pay period
13	14	15	16	17	18	19
20	21	22	23	24	25	26 end of pay period
27	28	29	30			
TOTAL APRIL FURLOUGH HOURS						

May 2014

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
			1	2	3	
4	5	6	7	8	9	10 end of pay period
11	12	13	14	15	16	17
18	19	20	21	22	23	24 end of pay period
25	26	27	28	29	30	31
TOTAL MAY FURLOUGH HOURS						

June 2014

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
1	2	3	4	5	6	7 end of pay period
8	9	10	11	12	13	14
15	16	17	18	19	20	21 end of pay period
22	23	24	25	26	27	28
Start of FY 2014-15						
29	30					
TOTAL JUNE FURLOUGH HOURS						_____