



COUNTY OF HUMBOLDT

AGENDA ITEM NO.
H-1

For the meeting of: May 6, 2014

Date: April 21, 2014
To: Board of Supervisors
From: Phillip Smith-Hanes, County Administrative Officer *PSH*
Subject: Third Quarter Budget Review for Fiscal Year 2013-14, Updated Outlook for Fiscal Year 2014-15, 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) 2013-14 and outlook for the FY 2014-15 budget;
2. Authorize department heads to approve voluntary unpaid furloughs, that provide a bridge to long-term savings, for employees under their appointing authority and authorize the County Administrative Officer to approve voluntary unpaid furloughs for other appointed department heads for FY 2014-15, utilizing the attached form (Attachment 1 and Exhibit A);
3. Authorize a voluntary unpaid furlough for the County Administrative Officer of up to ten percent of his time for FY 2014-15;
4. Approve the County Administrative Officer to take appropriate action, as to be determined by the County Medical Services Program (CMSP) board, to apply for a hardship waiver from the CMSP annual participation fee in FY 2014-15;

Prepared by Amy S. Nilsen CAO Approval *[Signature]*

REVIEW: Auditor *[Signature]* County Counsel _____ Human Resources _____ Other _____

TYPE OF ITEM:
 Consent
 Departmental
 Public Hearing
 Other _____

BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT
Upon motion of Supervisor *Sundberg*
Seconded by Supervisor *Fennell*
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: *May 6, 2014*
Kathy Hayes, Clerk of the Board

Meeting of: _____

By: *[Signature]*

5. Approve funding only additional General Fund appropriations requests in the FY 2014-15 budget that are one-time in nature and demonstrate future costs savings;
6. Approve the budget adjustment shown on Attachment 3, and authorize the County Administrative Office (CAO) staff to make any technical corrections necessary to effectuate the Board's direction;
7. Approve an addition to the position allocation table as shown on Attachment 4; and
8. Take other action as appropriate.

SOURCE OF FUNDING: All County Funds

DISCUSSION:

The 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 2013-14 and projection for FY 2014-15.

This report has been divided into three sections: review of the County financial condition as of March 31, 2014; a brief overview of factors which may impact FY 2014-15; 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 2013-14

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, 2014, 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 is available to be spent on local needs. The mid-year budget review presented to the Board on February 11, 2014, reported that expenditures and revenues were primarily on track for FY 2013-14. Reports from departments for the third quarter indicate that this trend has continued.

The FY 2013-14 began the year with a \$6.8 million fund balance and the budget was adopted with a \$2.9 million planned spend-down of this balance, meaning that current-year revenues were not sufficient to cover total expenditures. Contained in the First Quarter budget report were \$1.49 million in additional expenditures, partly offset by almost \$200,000 in revenue for the General Fund. These additional expenditures increased the use of the General Fund's fund balance to finance expenditures in FY 2013-14 from \$2.9 million to \$4.2 million. As identified by departmental third-quarter reviews, General Fund net costs through June 30, 2014 are estimated to be \$2.3 million instead of \$4.2 million due to decreased Contingencies usage and increased revenue. Therefore, it is estimated that the General Fund will reduce its \$6.8 million fund balance by \$2.3 million, leaving \$4.5 million to finance FY 2014-15, as shown in the chart page 3.

FY 2012-13 Year End Fund Balance		6,860,958
FY 2013-14 Adopted Revenue		103,983,362
Property Tax Current - Secured		370,928
Supplemental Property Tax - Secured		149,678
Redevelopment Dissolution		117,962
Timber Yield Tax		56,730
Sales Tax		112,464
A-87		118,001
Federal Payment in Lieu of Taxes		187,428
Recorder Fees		158,193
Subtotal Additional Revenues		1,271,384
	Adjusted FY 2013-14 Revenue	<u>105,254,746</u>
FY 2013-14 Adopted Expenditures		(106,923,261)
Board approved expenditure adjustments		(1,498,382)
Unused Contingencies		841,984
Subtotal Additional Expenditures		(656,398)
	Adjusted FY 2013-14 Expenditures	<u>(107,579,659)</u>
	Estimated FY 2013-14 Year End Fund Balance	<u>4,536,045</u>
	Net Change in Fund Balance	(2,324,913)

The CAO 2014 Five Year Financial Forecast (Forecast) estimated a \$3.92 million year end fund balance. The difference in estimated fund balance between the Forecast and third quarter is roughly \$614,986 which is attributable to adjusted revenue.

As mentioned in the FY 2013-14 Mid-Year budget report, the Probation Department (1100-235) anticipates utilizing trust fund revenue due to a decision by the federal Department of Health and Human Services-Administration for Families and Children (AFC) which stopped allowing California's Probation systems to claim for Title IV-E dollars. California is working to gain compliance with the AFC. This decision results in an estimated annual loss of \$350,000 for the County's Probation Department. The Probation Department is utilizing their trust fund to replace the loss of Title IV-E dollars for FY 2013-14, and anticipates doing so for FY 2014-15. The Probation Department is anticipating an overall 50 percent loss, or roughly \$350,000, in revenue on an annual basis. The Probation Trust Fund is anticipated to reach a zero balance at the end of FY 2014-15.

The CAO in conjunction with public safety departments is keeping an eye on Proposition (Prop.) 172 funding. Prop. 172 is a half-cent sales tax that is dedicated to public safety. Prop. 172 funding is allocated to counties based on a county's proportional share of all State sales tax. This means in the economic downturn Humboldt County did receive a greater share of Prop. 172 funding since sales tax was not as drastically affected as in more urban parts of the State. However, now that more urban counties are recovering economically, Humboldt County's proportional share of Prop. 172 funding is

reduced. This equates to estimated funding of \$383,933 in FY 2013-14 and \$230,637 in FY 2014-15 being shifted out of Humboldt County's Prop. 172 allocation. However, the Prop. 172 allocation continues to grow, just not as significantly as in previous years. The CAO has worked with public safety departments to address this funding shift in order for departments to maintain their balanced budgets.

1500 - Library Fund

The Library ended FY 2012-13 with a fund balance of \$625,620. The Library anticipates that revenues will exceed expenditures by \$36,389 for the current fiscal year due to unanticipated revenues in property tax and redevelopment dissolution, as well as salary savings. This is an improvement over the adopted budget which used \$198,661 in fund balance to cover operating expenditures that was included in the adopted Library budget.

1120 – Economic Development Fund

The Economic Development Fund ended FY 2012-13 with a negative fund balance of (\$173,128), due to delayed reimbursement of grant expenditures. Grants awarded to Economic Development reimburse for County expenses. The negative fund balance is largely associated with Community Development Block Grant (CDBG) reimbursement activity. The CDBG related programs have been transferred to the Planning and Building Department. The Economic Development Fund is estimated to have a zero fund balance at the end of FY 2013-14.

3530 – Aviation Enterprise Fund

The Aviation Enterprise Fund ended FY 2012-13 with a negative fund balance of (\$314,039). The Aviation Fund is estimated to be at negative (\$303,025) at the end of Fiscal Year 2013-14, resulting from a positive cash balance adjustment of \$11,014.

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. There is sufficient cash-balance in other funds within the enterprise system to cover the deficit.

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 departmental charges have been set with this as a goal.

3520 - County Insurance Fund

This fund ended FY 2012-13 with a negative fund balance of (\$113,288). Third Quarter estimates show that the fund will receive a positive influx of \$137,153 in the current fiscal year, which should eliminate the negative fund balance.

3522 - Employee Benefits Fund

The Employee Benefits Fund ended FY 2012-13 with a negative fund balance of (\$23,220). Third Quarter estimates show that the fund will increase its negative fund balance in the current fiscal year by (\$11,838). This fund covers expenses for vision coverage, life insurance, and the employee assistance program. Rates for these expenses in FY 2014-15 have been set higher to maintain efficient cost recovery.

3523 - Workers Compensation

The Workers' Compensation Fund ended FY 2012-13 with a fund balance of \$982,584. The fund balance is estimated to increase by \$562,929 due to a reimbursement from a Workers Compensation payroll audit. Estimated year end fund balance for the Workers Compensation fund is \$1,545,513. As approved by your Board in the Mid-Year budget report on February 11, \$532,414 of this positive fund balance will be used to offset charges to County departments in FY 2014-15.

3524 - Liability Insurance Fund

The Liability Insurance Fund ended FY 2012-13 with a negative fund balance of (\$904,695). Third Quarter estimates show that revenues will exceed expenditures by \$211,052. This estimate will reduce the negative fund balance from (\$904,695) to (\$693,643) by June 30, 2014. Liability charges for FY 2014-15 were increased in order to continue to reduce the negative fund balance.

3525 - Medical Plan Fund

The Medical Plan Fund ended FY 2012-13 with a negative fund balance of (\$285,510). Third Quarter estimates show that the fund will reduce its negative fund balance by \$108,767 in the current fiscal year. Estimated fund balance for year end is (\$176,743).

3526 - Dental Plan Fund

The Dental Plan Fund ended FY 2012-13 with a negative fund balance of (\$672,467). For FY 2013-14, revenues are anticipated to exceed expenditures, and as budgeted, by \$263,278, and thereby contribute positively to the fund balance.

3527 - Unemployment Insurance

The Unemployment Insurance Fund ended FY 2012-13 with a negative fund balance of (\$688,624). Revenues are anticipated to exceed expenditures by \$316,142 resulting in a reduction to the negative fund balance.

3528 - Purchased Insurance

The Purchased Insurance Fund ended FY 2012-13 with a fund balance of \$918,459. Revenues are anticipated to exceed expenditures by \$38,193 thereby increasing the positive fund balance. As approved in the FY 2013-14 Mid-Year budget report \$601,438 will be returned to funds that contributed to the accumulated balance.

Section 2: Budget Outlook for Fiscal Year 2014-15

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 County Budget

On February 11, 2014, your Board directed General Fund departments to prepare status quo budgets for FY 2014-15. This included General Fund allocations to be set at current year adopted net plus increased salary, benefit, internal service and insurance costs with the understanding that the rate of growth in discretionary General Fund spending needs to be reduced by \$2,000,000 to provide a healthy fund balance for long-term fiscal stability of future budget years.

At the present time, the County is slightly more than half-way towards reaching the \$2,000,000 target. \$1,443,518 in on-going expenditure reductions and revenue increases have been identified for FY 2014-15. This includes:

- \$159,050 in Prop. 172 funding utilization to offset increased insurance costs in public safety departments;
- \$200,000 transfer due to County Counsel shifting portions of the A-87 cost allocation process to direct billing Health and Human Services;
- \$45,000 in reduced salary costs from the County Administrative Office;
- \$20,000 reduction in the Agricultural Commissioner's General Fund allocation due to new revenues and shifting reduced allocation portion to the Wildlife Services budget unit (1100-271) for the discretionary predatory animal contract; and
- \$1,019,468 in additional discretionary revenue primarily due to the County's A-87 cost allocation charges.

In addition, the CAO met with Department Heads to discuss options for shared services. As a result of this Department Head meeting, the CAO met with individual departments to mull ideas generated during the original meeting and included:

- Agricultural Commissioner and University of California Cooperative Extension to discuss shared clerical services.
- Treasurer-Tax Collector, Assessor, Auditor-Controller, and Clerk-Recorder to discuss a shared telephone answering system.
- Department of Health and Human Services (DHHS) and the CAO to discuss the possibility of contracting with DHHS to provide information technology help-desk services to all County departments.
- The CAO to explore the possibility of conversion to "thin client" technology.
- Sheriff, District Attorney, and the Chief of Police for the City of Eureka to discuss shared vehicle storage.
- County Counsel to research: vehicle use tax on heavy vehicles; reduction in indigent support; special marijuana tax; and cost recovery for recording fees on Code Enforcement Unit cases
- Sheriff, District Attorney, Probation, and Public Defender to discuss a shared electronic case management system.

The above meetings did not yield immediate action but the CAO will continue to explore the concept of shared services among County departments, as well as shared services with other local governments, and technology improvements that may produce long-term efficiencies and cost-savings.

The estimate to fund General Fund departments at current year adopted net budgets plus increased salary, benefits and insurance costs in FY 2014-15 is \$111,612,990. Revenue estimates for FY 2014-15 are \$109,358,569. Therefore, expenditures exceed revenues by approximately \$2.25 million. Staff will continue to work on further reducing this amount in advance of the proposed budget, but your Board should be prepared to see a budget with a higher-than-hoped-for structural deficit.

As a result of the dissolution of redevelopment agencies in three local cities the County has seen some one-time funding in FY 2012-13 and FY 2013-14. However, what was unknown was how the dissolution of the redevelopment agencies would affect on-going revenues. It is now estimated that the County's property tax will increase by a little over \$400,000 to the General Fund in FY 2014-15. What is unfortunate about this revenue increase is that this is being utilized to offset increased

expenses and is not available to enhance services such as housing and economic development programs formerly provided by the redevelopment agencies.

On February 11th, your Board directed the CAO to accept and consider additional General Fund appropriation requests that demonstrate a potential to generate future savings in the General Fund. Departments submitted over \$5.3 million in supplemental requests for FY 2014-15. One-time additional General Fund appropriation requests total \$4.6 million. Based on current financial information it does not appear likely that the County will have the ability to fund additional General Fund appropriation requests to restore ongoing funding for services in FY 2014-15. Moreover, it is likely that less than \$1 million of the \$4.6 million in one-time costs will be recommended for funding based on available resources.

In the Five-Year Financial Forecast the estimated shortfall for FY 2014-15 was \$3.6 million. This estimate was based on a \$1.2 million prior-year structural deficit, \$1.8 million increase in health insurance and retirement costs, \$281,437 increase in Worker's Compensation and liability insurances, \$1,000,000 for Contingencies, \$156,935 increase in state-mandated services, however these increased expenses were estimated to be offset by \$791,902 in increased revenue. This estimate has now changed. The Forecast's estimate did not include the Mid-Year direction to reduce the rate of growth in General Fund spending by \$2,000,000. Currently estimated expenditures for FY 2014-15 exceed revenues by \$2.25 million for FY 2014-15, as seen in the chart below.

General Fund (1100)	
Mid-Year Report's Estimated Shortfall for FY 2014-15	(3,697,939)
Identified Reductions in General Fund Spending	
Prop. 172	159,050
County Counsel	200,000
County Administrative Office	45,000
Agricultural Commissioner	20,000
Discretionary Revenue (Property taxes and A-87)	1,019,468
Subtotal Revenue and Expenditure Changes	1,443,518
3rd Quarter Estimated Shortfall for FY 2014-15	<u>(2,254,421)</u>

Reducing the fund balance by \$2.25 million during FY 2014-15 will leave an estimated fund balance of \$2.28 million for financing in FY 2015-16. This is again concerning. The County's General Fund structural deficit is still not remedied. The structural deficit is still \$2.3 million for the current fiscal year and the estimated structural deficit for FY 2014-15 is \$2.2 million. The structural deficit is estimated to only be reduced by \$100,000 between the current and next fiscal year. 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. This shortfall and the estimated year-end fund balance for FY 2014-15 of \$2.28 million (as seen on the chart on page 8) does not leave much cushion for FY 2015-16. 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 2013-14 and throughout FY 2014-15.

General Fund (1100)	
Estimated year end fund balance for FY 2013-14	4,536,045
Estimated Revenue for FY 2014-15	109,356,569
Estimated Expenditures for FY 2014-15	(111,610,990)
Estimated year end fund balance for FY 2014-15	<u>2,281,624</u>
Estimated Net Change in Fund Balance	(2,254,421)

Community Budget Meeting

On March 6, 2014 the CAO and your Board held the annual Community Budget Meeting. During this meeting the community provided feedback on the County's budget and service levels. Below are some the things that staff heard and how staff plans to address community feedback in the FY 2014-15 budget.

- Feedback: Lack of Law Enforcement in Remote Areas of County
Response: The Sheriff's Department is committed to providing community-appropriate levels of service that fit within the Sheriff's operating budget.
- Feedback: Combine Kitchen Staff at Jail and Juvenile Hall
Response: The kitchen in the Jail has provided meal service to the Juvenile Hall in the past. While this option may save money in some areas, it also requires an increased cost due to the transportation of three meals per day, as well as increased logistics. In addition, food preparation at the Jail would still require the Juvenile Hall to reimburse the Jail for staff and food costs.
- Feedback: Disclose Total Amount of Property Taxes Processed by County Treasurer
Response: Total property taxes collected as of April 17, 2014 is \$126,872,350.
- Feedback: Bring County Up to Current Technology
Response: On February 11, 2014 your Board approved the concept of one-time supplemental requests for FY 2014-15 that would provide future costs savings such as technology improvements.
- Feedback: Examine Unassessed Improvements
Response: The Assessor's Office continues to pick up unassessed improvements by a number of discovery methods, e.g. fieldwork, Google Earth, and property statements.
- Feedback: Implement a Local Gas Tax
Response: The County does not have the authority to implement a local gas tax at the pumps. However, staff and your Board are exploring other revenue generating options.

- Feedback: Focus on Aging Services
Response: The Department of Health and Human Services currently does provide aging services through the In-Home Supportive Services program. Other community-based organizations such as the Senior Resource Center and the Area Center on Aging also provide related services (and receive County funding via contract).
- Feedback: Implement Zero-Based Budgeting
Response: The County encourages departments to fully analyze their budget and service levels that are affordable based on current financial resources on an annual basis. In addition, the County will evaluate additional strategies for FY 2015-16.
- Feedback: Reduce Use of Paid Administrative Leave
Response: Permanent employees in classified service have a property interest, by law, in their jobs. That property interest can only be withheld (reduction in pay/rank, suspension, dismissal) for just cause. Additionally, permanent employees are entitled to due process before their property interest in their job can be withheld. Typically, a department head will only place an individual on Paid Administrative Leave if it is felt that the employee's continued presence could have a detrimental impact on the department while investigation and due process proceedings occur. Department heads actively pursue other courses of action before placing an employee on Paid Administrative Leave as a last resort.
- Feedback: Have Better Insurance for Lawsuits
Response: On February 11, 2014 your Board approved reducing the County's self-insured retention (also known as a deductible) from \$500,000 to \$100,000. This should reduce the County's financial exposure from lawsuits.
- Feedback: Address Pension Costs
Response: On May 15, 2012 your Board approved a second tier to the County's retirement plan: 2 percent at 55 (non-safety). In addition, the California Public Employees' Pension Reform Act of 2013 created a third tier: 2 percent at 62, or 2.5 percent at 67 (non-safety); and 2.7 percent at 57 (safety).
- Feedback: Utilize Outside Budget Oversight
Response: Use of a citizen committee for budget oversight would require significant staff resources that currently do not exist. The County does continue to make citizen engagement a priority through the Community Budget meeting and public hearing processes, and will continue to explore additional engagement activities in the future.
- Feedback: Shared Law Enforcement Services During the Day to Utilize More County Coverage at Night
Response: Shared law enforcement services would require the utilization of officers from other jurisdictions to police the County's area of responsibility. These type of services would require a contractual agreement and would include compensation, therefore not generating any budget savings. Historically the larger volume of reported crime is during daytime hours and this is usually in regards to petty crimes and crimes of opportunity when people are more active.
- Feedback: Cut the Planning Budget

Response: The Planning and Building Department is proposing to dis-allocate 10 frozen full-time equivalent positions in the FY 2014-15 budget. The Planning and Building Department recognizes that these positions will not be funded and filled in the near future.

Feedback: Address Costs of Health Care in Jail

Response: Jail medical services are mandated by law through Welfare and Institutions Code Section 17000. The County contracts out jail medical services to the California Forensic Medical Group. This contract expires on June 30, 2015. The County will be issuing a Request for Proposals.

Feedback: Partner with Non-profits for Service Delivery

Response: The County when feasible does partner with non-profits particularly in the area of Health and Human Services.

Feedback: Earmark Money for Small Businesses in Outlying Areas

Response: The North Coast Small Business Development Center provides high-quality technical support, training and in-depth financial analysis for start-up and existing companies through annual and on-line workshops. The County contracts with SBDC to provide these services to all areas of the County.

Feedback: Reduce the Department of Health and Human Services Share of the Budget

Response: The County General Fund provides roughly six percent of the DHHS total operating budget which for FY 2013-14 was adopted at \$150,987,141. DHHS funds are stringently prescribed by the state and federal governments for specific purposes.

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 businesses and organizations. The composite Index is a weighted combination of seven individual sectors (home sales, retail sales, hospitality, electricity, employment, lumber, and manufacturing) of the local economy. The Composite Index for March 2014 decreased 2.2 percent from February's value of 102.5 to the current value of 100.3, and decreased 0.2 percent from this time last year. The indexes for Home Sales, Employment, Retail, and Hospitality decreased this month, and Lumber increased. Median home prices in Humboldt County fell from \$280,000 to \$210,500. Humboldt County manufacturing production increased by 30.1% from 2012 to 2013. Overall manufacturing employment in the County rose from 2,000 to 2,100 jobs from January to February of this year according to the Employment Development Department. These indicators are mixed and do not provide clear indication on the state of the local economy.

State and Federal Budgets

State Controller John Chiang's March, 2014 report covering California's cash balance, receipts and disbursements states total revenues for the month were \$6.4 billion, surpassing estimates in the 2014-15 Governor's Budget by \$470.9 million, or 7.9 percent. "As employment in California nears its pre-recession peak, the State is seeing positive gains in many of its primary revenue sources," said Chiang. "As we enter the important month of April, all eyes will be on the State's income tax receipts – and whether they size up against budget estimates."

There is some movement at the State level to fund Williamson Act subventions and Fish & Wildlife Payments In Lieu of Taxes (State PILT). Funding for Williamson Act subventions may come from an

\$100 million allocation of the cap and trade funds for “sustainable communities.” This funding may be able to partially fund Williamson Act payments to counties. Should the County see a return in Williamson Act subvention funds this would be an estimated \$213,000 annually to the General Fund. State PILT legislation Senate Bill 1410 (Wolk and Nielsen) is working its way through the State legislative process. The County is currently owed \$437,381 in State PILT payments. Should SB 1410 be approved by the Legislature and the Governor the County could anticipate receiving approximately \$44,778 annually.

On the federal level, at the end of March, 51 members of Congress sent a letter to the House Appropriations Committee urging the committee to fully support federal Payments-in-Lieu-of-Taxes (PILT) funding in its fiscal year 2015 Interior spending bill. A total of 51 members signed on, including 11 members of the California delegation. In federal fiscal year 2013, Humboldt County received a little over \$600,000 in federal PILT funding, and the County should expect a similar payment this year.

Section 3: Policy Considerations

Additional General Fund Appropriations Requests for FY 2014-15

Now that budget submittals and revised year end estimates have been received from departments, the CAO believes there is no additional funding available for on-going funding requests for FY 2014-15 General Fund budget. However, the CAO believes there are one-time funds, due to your Board’s action in the Mid-Year budget report to refund \$601,438 of excess fund balance in the Purchased Insurance Fund to participating funds. The General Fund’s portion of this refund is \$248,816. Therefore, the CAO is recommending the use of this one-time funding for one-time General Fund appropriations requests that demonstrate future cost savings. A list of additional General Fund appropriations requests can be found in Attachment 2.

County Medical Services Program (CMSP)

CMSP provides limited-term health coverage for uninsured low-income, indigent adults that are not otherwise eligible for other publicly funded health programs. Thirty-five, primarily rural California counties participate in CMSP. The CMSP Governing Board, established by California law in 1995, is charged with overall program and fiscal responsibility for the program. Humboldt County pays an annual participation fee in the amount of \$430,851 as determined by Welfare and Institutions Code 16809.3 to CMSP. Since the establishment of CMSP in 1995, the Affordable Care Act has become law. As a result, California has expanded its eligibility into the Medi-Cal program. This means there is a reduction in the CMSP caseload. Humboldt County’s current CMSP caseload is eight individuals.

Through the County’s legislative advocate, Peterson Consulting, the County has begun discussions to receive relief from the \$430,851 annual CMSP participation fee. There is potential for the County to apply for a hardship waiver for one year. CAO staff recommends applying for this hardship waiver and utilizing this savings for a contribution to the General Reserve of \$250,000 with the remaining \$180,851 to be used for one-time additional appropriation requests in FY 2014-15.

Reserves

The County General Fund utilized \$2,750,000 in General Reserves from July 1, 2009 through June 30, 2011. In FY 2013-14 the budget was adopted with a \$250,000 contribution to the General Reserve leaving a current balance of only \$1,000,000. Per Board adopted policy the County’s General Reserve should be between 8 and 10 percent of total General Fund revenues, or roughly \$8.7 million. The County’s current General Reserve balance is \$1 million. Ongoing revenues are insufficient to meet ongoing expenditures, and therefore staff recommends that the Board does not commit to contributing

to the General Reserves in FY 2014-15, unless your Board approves and receives a hardship waiver from CMSP, then one-time funds would be available to contribute to the General Reserve.

The adopted budget included a General Fund Contingency Reserve of \$1,000,000 which is also much lower than the policy level of \$6.5 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 2014-15.

Authorize Voluntary Furloughs

Fourteen County employees have continued to voluntarily furlough during FY 2013-14. 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. Previous budget reports contained language about ending the voluntary unpaid furlough program as of June 30, 2014. In light of the current financial constraints of the County it does not appear judicious to end a program that continues to yield budget savings. However, the voluntary furlough program was only intended as a temporary solution. Therefore, the CAO recommends the continuation of the voluntary unpaid furlough program as long as participation in the program leads to permanent savings. Guidelines for approval of voluntary furloughs that will transition to permanent savings include: future personnel savings due to a retirement and/or other known personnel actions that will generate permanent salary savings; and technological efficiencies that will generate improved departmental efficiencies or reorganizations that will result in permanent savings. If workload permits, permanent full-time equivalency (FTE) changes should occur, such as reducing a 1.0 FTE to a .80 FTE, instead of utilizing the voluntary furlough program.

Budget Adjustment

The CAO during quarterly budget reports frequently brings forward budget adjustments on behalf of departments. There are only two budget adjustments before your Board today which can be offset by increased revenues.

- \$3,000 (County Administrative Office 1100-103) – Per your Board’s contract with federal advocates Waterman and Associates (WA), the County is responsible for WA travel costs upon approval by the County. WA will be visiting other California clients the week of June 9, 2014 and have offered to cost-share. WA is requesting reimbursement for the cost of two plane tickets from the Bay Area to Humboldt, plus hotel rooms for one night. The CAO does not have the funds to cover this expense. This supplemental budget supports the Board’s Strategic Framework, Priorities for New Initiatives by seeking outside funding sources to benefit Humboldt County needs and advance local interests in natural resource discussions.
- \$11,339 (Public Safety Realignment 1100-294) – The Probation Department recently received funding from the Community Corrections Partnership to hire a 1.0 full-time equivalent (FTE) Deputy Probation Officer for the Pretrial Program to augment supervision services. This supplemental budget supports the Board’s Strategic Framework, Core Roles by seeking creating opportunities for improved health and safety.

Position Allocation Adjustments

As part of the Third Quarter report there is a position allocation adjustment requested by a department. This is being brought forward at this time in order to decrease the number of individual items coming to the Board, and provide time savings to a department.

The Probation Department (1100-294) is requesting a 1.0 FTE Deputy Probation Officer for the Pretrial Program to augment supervision services as approved recently by the Community Corrections

Partnership. Funding for this position will be provided by Public Safety Realignment. This supports your Board's Strategic Framework by creating opportunities for improved safety and health.

FINANCIAL IMPACT:

The acceptance of today's report has no net financial impact, as the two budget adjustments recommended for approval are offset by additional revenues.

OTHER AGENCY INVOLVEMENT: None.

ALTERNATIVES TO STAFF RECOMMENDATIONS:

As for the development of the FY 2014-15 Budget, the Board could choose to:

- a. Increase the planned spend-down of fund balance in order to fund on-going supplemental requests that support the Board's Strategic Framework and input received from the March 6, 2014 Community Meetings;
- b. Increase the contribution to the General Reserve in order to grow reserves; and
- c. Not approve the voluntary furlough program.

These alternatives are not recommended because maintaining a fund balance, and restoring reserves 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. Voluntary Furlough Agreement (and Exhibit A – Furlough Calendar)
2. Additional General Fund Appropriations Requests
3. Budget Adjustment
4. Position Allocation Table

FY 2014-15

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 2014-15; namely, June 22, 2014, through June 20, 2015.
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 22, 2014, through June 20, 2015, 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 1

Employee Signature

Date

Supervisor Approval

Date

As the Appointing Authority, I recognize that approval of this furlough agreement indicates this is a bridge to permanent cost savings for the County, and will result in permanent cost savings of \$ _____ in Fiscal Year _____.

Appointing Authority

Date

Attached: Exhibit A - Furlough Calendar

June

EXHIBIT A

Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7 <i>end of pay period</i>
8	9	10	11	12	13	14
15	16	17	18	19	20	21 <i>end of pay period</i>
22 Start of FY 2014-15	23	24	25	26	27	28
29	30					
TOTAL JUNE FURLOUGH HOURS _____						

2014

July

<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 <i>end of pay period</i>
6	7	8	9	10	11	12
13	14	15	16	17	18	19 <i>end of pay period</i>
20	21	22	23	24	25	26
27	28	29	30	31		
TOTAL JULY FURLOUGH HOURS _____						

2014

August

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

2014

September

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

2014

October

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

2014

November

2014

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

December

2014

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

January

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

2015

February

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

2015

March

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	31				
TOTAL MARCH FURLOUGH HOURS _____						

2015

April

Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1	2	3	4
5	6	7	8	9	10	11 <i>end of pay period</i>
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		
TOTAL APRIL FURLOUGH HOURS _____						

2015

May

Sun	Mon	Tue	Wed	Thu	Fri	Sat
					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 COUNTY HOLIDAY	26	27	28	29	30
31	TOTAL MAY FURLOUGH HOURS _____					

2015

June

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

2015

ATTACHMENT 3

RECOMMENDED BUDGET ADJUSTMENTS

Fund	Budget	Acct #	Budget Name	Account Name	Adjustment
Budget Adjustments					
Revenue					
1100	888	101101	General Purpose Revenue	RDA Dissolution Increment	\$ 3,000
1100	294	504410	Public Safety Realignment	2011 Public Safety Realignment	\$ 11,339
			Total General Fund		\$ 11,339
Expenditures					
1100	103	2118	County Administrative Office	Professional and Special Services	\$ 3,000
1100	294	1100	Public Safety Realignment	Salaries	\$ 7,171
1100	294	1470	Public Safety Realignment	Health Insurance	\$ 1,778
1100	294	1471	Public Safety Realignment	Life Insurance	\$ 2
1100	294	1472	Public Safety Realignment	Dental Insurance	\$ 143
1100	294	1450	Public Safety Realignment	Unemployment Insurance	\$ 54
1100	294	1500	Public Safety Realignment	Retirement	\$ 2,087
1100	294	1600	Public Safety Realignment	FICA	\$ 104
			Total General Fund		\$ 11,339
			Total Expenditures		\$ 11,339

Position Allocation by Budget Unit for FY 2013-14

BUDGET UNIT	TYPE CLASSIFICATION NO./TITLE	SALARY RANGE	7/6/2013	FY 2012-13 YEAR-END AUTHORIZE	BOARD ADOPTED	FISCAL YEAR 2013-14	
						MID-YEAR ADJUSTED	YEAR-END AUTHORIZED
294	PUBLIC SAFETY REALIGNMENT						
GT	168 SENIOR LEGAL OFFICE ASSISTANT	331		1.00	1.00	0.00	1.00
GT	473 PROBATION OFFICER /III	350/382		8.00	8.00	1.00	9.00
GT	470 SUPERVISING PROBATION OFFICER	423		1.00	1.00	0.00	1.00
GT	469 SENIOR PROBATION OFFICER	399		1.00	1.00	0.00	1.00
	FUNDED POSITIONS			11.00	11.00	1.00	12.00
	POSITIONS FROZEN THROUGH 6/30/2014						
	POSITIONS FROZEN INDEFINITELY						
	TOTAL POSITIONS ALLOCATED			11.00	11.00	1.00	12.00

**Master List of Departmental Additional General Fund Appropriation Requests
for FY 2014-15**

Fund	Budget #	Department	Priority	Description	ONE TIME		ONGOING		Detail	Department
					Net County Cost Requested	Net County Cost Requested	Net County Cost Requested	Net County Cost Requested		
1100	101	Board of Supervisors	1	Travel Expense Increase (\$2000 per Supervisor); CSAC Leadership trainings & New Supervisors Institute (if new Suprs are elected)	\$10,000		unknown			
1100	101	Board of Supervisors	2	Two New Computers	\$2,738		unknown			
1100	101	Board of Supervisors	3	Granicus Boards & Commissions Software Application service charges (\$750/month)	\$9,000		unknown			
1100	101	Board of Supervisors	4	File Room & File System (cabinets, materials, extra help)	\$16,123		unknown			
				Total for BOS	\$37,861		\$0			
1100	111	Auditor Controller	1	Year-end close consultant (as recommended by External Auditor)		\$5,000	unknown			
			2	Total Auditor Controller		\$5,000	\$0			
1100	162	Facilities	1	On-Call Mechanic for off hours Monday-Friday. Equipment failures, leaks, broken windows and doors, electrical outages and other emergencies occur at all hours of the day and night currently there is no staff on-call to respond to these issues.		\$20,000	unknown		Saving from not needing to utilize outside vendor for off hours emergency repairs at 24 hour facilities.	
1100	162	Facilities	2	One Maintenance Mechanic for the Correctional Facility. With the daily work load attending to maintenance needs in the dormitories and cells there is not currently sufficient staffing to maintain the many air handlers, boilers, pumps, and a myriad of other infrastructure needs.		\$55,000	unknown		Reduced deferred maintenance costs due to better ongoing maintenance of equipment.	
1100	162	Facilities	3	Correctional Facility Building Management System Upgrade. The existing system for the Correctional Facility is based on a computer operating system that will no longer be supported. In order to provide for the efficient energy use and function of the heating, ventilation, water supply, dining facility, and other needs the system needs to be brought up to date with new hardware and software infrastructure.	\$52,000		unknown		System failure could be very expensive. Long term savings will be realized in energy use, record keeping and efficient use of equipment and building systems.	
1100	170	Capital Projects	4	Regional Facility Heating Ventilation and Air conditioning (HVAC) replacement	\$160,000		unknown		Long-term savings will be achieved by limiting the County's liability for accessibility issues.	
1100	170	Capital Projects	5	Review, enhance, and consolidate existing ADA lists into one master list encompassing all county owned buildings and provide a strategic framework for planning and building all necessary remaining accessibility upgrades.	\$250,000		unknown		Eliminate expensive emergency repairs if the existing unit ceases to function properly. Long-term savings will be wrought through reduced energy consumption and decreased maintenance costs.	
1100	170	Capital Projects	6	Replacement of Backup Cooling System in the IT Facility. Currently, there are 2 cooling units in the County IS facility for the server room, but only one is functional. The existing unit has no backup, and if it fails the server room will not have any cooling capacity. The IT facility is critical to the daily operation of many departments in the County, and having a redundant backup cooling unit is vital.	\$65,000		unknown		Eliminate costs to repair a building that will need replacement in the near future. Unplanned downtime due to emergency repairs or failure could require expenditures to rent space and impact both County consumers and businesses.	
1100	170	Capital Projects	7	Update the 2008 Facilities Master Plan for the County and examine opportunities to take strategic action on various recommendations. The existing Plan is somewhat outdated, with changes in leased and owned facilities having happened since the report was released.	\$1,250,000		unknown		Long term savings from making decisions regarding facilities in a strategic manner.	
1200	325	Road Maintenance	8	Preventative road maintenance to keep County roads at their current condition level.	\$1,800,000		unknown		Maintain integrity of the roads resulting in reduced maintenance and reconstruction costs.	
				Total for Public Works	\$3,752,000		\$0			

**Master List of Departmental Additional General Fund Appropriation Requests
for FY 2014-15**

Fund	Budget #	Department	Priority	Description	ONE TIME		ONGOING		Detail	Department Endorsement
					Net County Cost Requested	Net County Cost Requested	Net County Cost Requested	Net County Cost Requested		
1100	199	Contributions Other Funds	1	Upgrades to the County's Financial Accounting Software to include paperless personnel action forms, employee online functions for W-2s, paycheck information, and updating federal and state tax status. This is a 3-year process. Year 1 would include upgrades to Human Resources and Payroll functions and equipment related to upgrade. Year 2 would include upgrades for Purchasing and budget report writing. Year 3 would include contracts and grant management functions as well as documents online. The estimated cost to the General Fund in Year 1 is \$177,951, Year 2 is \$113,973, and Year 3 is \$36,527.	\$185,451		\$63,425		The estimated cost savings is for the Auditor-Controller's Office only. Savings would be realized due to improved functionality for new employee entry, W-2 replacements, and improved timecard process. Savings will be realized across all County departments due to this improved functionality.	Auditor-Controller, County Administrative Office, Human Resources, and Health and Human Services
Total for Contributions Other Funds					\$185,451					
1100	253	Alternate Counsel		One new investigator position to replace current part time extra help staffing. To adequately and competently represent the clients appointed to any of the Public Defender Offices, investigation is often required, for example, to interview and subpoena witnesses, interview clients, review evidence, and research experts for defense, among other necessary duties. The Alternate Counsel Office has found an increasing responsibility in handling adult criminal cases and conservatorship appointments is placing large demands on the limited investigation resources available.	\$32,963		unknown		Savings from not needing to utilize court ordered outside investigator services. Currently those services are not being utilized but if workload increases without increased staffing they will be required	
Total for Public Defender					\$32,963					
1100	221	Sheriff		Current staffing levels are insufficient to meet the needs of the community. Existing staff is currently required to work overtime hours to provide basic law enforcement services. This practice not only impacts the budget but also the deputies by leading to burn-out and work related injuries.	\$221,912		\$75,000		Estimated reduced overtime costs	
1100	243	Jail		Correctional facility staffing needs to be a priority to ensure the safety of the officers and the inmates. To ensure safety with reduced staffing levels, overtime is required to meet minimum staffing levels. This has been the situation for a number of years and is increasingly hard on staff, leads to morale problems, increased incidents of work related injuries and a very high turnover rate.	\$182,664		\$100,000		Estimated reduced overtime costs	
1101	243	Jail		The security cameras throughout the facility need to be replaced and/or repaired. Due to budgetary shortfalls over the past years, many of the cameras in less than critical areas have not been replaced or repaired. Many of these repairs can no longer be put off and need to occur.	\$25,000		unknown		System failure could be very expensive	
1100	243	Jail		The battery back-up is a redundant failsafe in the event of power failure and generator malfunction. This is required to be in place in the facility but due to lack of funding for deferred maintenance, has not been replaced. In a facility that houses inmates, where there is no natural lighting and is operational/staff 24/7, this is an important issue.	\$30,000		unknown		System failure could be very expensive	
Total for Sheriff					\$459,576					

**Master List of Departmental Additional General Fund Appropriation Requests
for FY 2014-15**

Fund	Budget #	Department	Priority	Description	ONE TIME		ON GOING		Recommended	Detail	Department Endorsement
					Net County Cost Requested	Net County Cost Requested	Net County Cost Requested	Net County Cost Requested			
				<p>The District Attorney and Public Defender Offices are requesting one time supplemental funding to purchase a paperless case management system as well as the necessary hardware/software for implementation in all offices. The requested system will replace paper documentation and provide all justice partners the easy access to statistical data needed to more efficiently enforce laws and regulations to protect residents. This newly acquired information will be utilized to refocus departmental resources to provide community-appropriate levels of service.</p>							
				<p>Total for District Attorney</p>	\$656,896						
				<p>COUNTYWIDE TOTALS:</p>	\$5,129,747	\$4,612,208	\$517,539	\$238,425			
1100	205	District Attorney			\$656,896				unknown	<p>Cost savings will come in the form of newly discovered efficiencies. The system will allow the Public Defender and District Attorney Offices to use technology to increase capacity, redistribute staff time, save office supply costs, reduce workers' compensation insurance claims, eliminate offsite case file storage costs, and save court time and money through earlier resolution of cases. Redundant clerical tasks such as copying and recopying files to be distributed to other agencies and attorneys will be eliminated.</p>	Public Defender