



COUNTY OF INYO

ADMINISTRATOR'S OFFICE
P. O. Drawer N
INDEPENDENCE, CALIFORNIA 93526

MEMORANDUM

TO: BOARD OF SUPERVISORS

FROM: COUNTY ADMINISTRATOR

DATE: SEPTEMBER 11, 2006

SUBJECT: CAO RECOMMENDED FY 2006/2007 BUDGET

OVERVIEW

The CAO Recommended Budget for the County of Inyo for the Fiscal Year 2006-2007 totals \$79,859,452 in expenditures and 76,068,479 in revenues. The General Fund portion of the Recommended Budget is \$43,114,333 in expenditures and \$39,469,884 in revenues. In contrast, the FY 2006-2007 Department Requested Budget sought \$81,349,564 in expenditures against \$75,357,099 in revenues, with a General Fund component of \$43,940,194 in expenditures and \$39,540,317 in revenues.

	Department Requested Budget			CAO Recommended Budget		
	Expense	Revenue	Shortfall	Expense	Revenue	Shortfall
General Fund	\$ 43,940,194	\$ 39,540,317	\$ (4,399,877)	\$ 43,114,333	\$ 39,469,884	\$ (3,644,449)
All Funds	\$ 81,349,564	\$ 75,357,099	\$ (5,992,465)	\$ 79,859,452	\$ 76,068,479	\$ (3,790,973)

The FY 2006-2007 Recommended Budget balances using a combination of Fund Balance and salary savings from vacant staff positions.

Although the Recommended Budget balances, thanks almost exclusively to a high Fund Balance in the General Fund, this is not a healthy budget. Fund Balance cannot be counted on year-in and year-out, and for this reason it should be treated as one-time revenue. Without Fund Balance, the CAO Recommended Budget has almost a \$3.8 Million Dollar structural deficit, of which more than \$3.6 Million is in the General Fund.

While the use of the Fund Balance allows the County to continue to shield its residents and businesses from the consequences of a structural deficit by continuing to budget the same level of essential and discretionary services, it is important to recognize what this Budget fails to provide.

Unmet Needs: Short-Term

Among its many deficiencies, the Recommended Budget fails to:

- Provide \$24,000 in funding for facility improvements at the Juvenile Hall recommended by staff and the Grand Jury. (The Budget does, however, provide funds for the Juvenile Hall drinking fountain and eyewash station).
- Adequately restore the Inyo County Free Library's book buying budget to FY 2003-2204 levels, much less keep up with the cost of inflation.
- Contribute more than token funding to the County's Deferred Maintenance Program that identifies over \$2.3 Million in critical projects at public buildings. This means another year of a myriad of sub-par conditions at senior centers, County offices, and public service centers. Among the County buildings in need of critical maintenance are: Statham Hall, Bishop Senior Center, the Bishop Library, the Bishop Services Center, the Big Pine Animal Shelter, Independence Town Hall, and the Lone Pine Library. There is not money in the Deferred Maintenance budget to make all of the repairs necessary to allow the Lone Pine Library to expand when the Sheriff's Sub-Station relocates (nor are there funds in the Library budget to purchase the shelving necessary for expansion).

The cost of the Deferred Maintenance Program will only increase the longer repairs are delayed and, as was demonstrated to your Board last year when the Annex Building chiller went out, multiple years of avoiding maintenance to facilities often "comes home to roost" with higher costs associated with emergency repairs. If several facility emergencies occur in one year, it is unlikely that there will be sufficient contingency money available to cover the costs of repairs.

- Address over \$500,000 in Americans with Disabilities Act (ADA) upgrades at County facilities.
- Fully fund the anticipated costs of an electrical upgrade critical to ensuring operation of the Network/Financial Systems Project. Preliminary cost estimates indicate that upgrades necessary for Network System operation will be over \$400,000, and the total cost of the electrical upgrade will be around \$1.8 Million.
- Maintain FY 2005-2006 funding levels in the Grants-In-Support and Advertising County Resources Program budgets.
- Retain the current cadre of four (4) seasonal employees in the Parks & Recreation Department. The Recommended Budget only provides funding for two (2) seasonal employees, similar to the FY 2004-2005 Budget.
- Include funding to fully complete the prescribed tree trimming and removal program at County parks and campgrounds.

- Dedicate sufficient staff or fiscal resources to aggressively pursue affinity projects not associated with core County services.

Unmet Needs: Medium Term

While the County’s short-term funding needs to maintain and enhance public services are staggering, the County also faces several medium-term liabilities for which this Budget makes no provision. Issues include:

- In recent discussions and under separate cover, your Board has been presented with information that shows the gap in compensation between Inyo County employees and the employees of other public agencies in the region. This disparity has and will continue to limit the County’s ability to attract and retain quality employees. While this helps generate Fund Balance, it also directly and negatively impacts the quality of services provided to the public.
- As a result of the modest MOU agreed to last year with ICEA, whereby employees began paying for their social security contribution instead of the County (thereby adding 7.5% to their salaries and reducing the County’s contribution proportionately), retirement costs will rise within two years to account for “paper” increase in salaries. No funding is being set aside to minimize the impact of this spike in costs.
- Similarly, the Recommended Budget makes no provision for beginning to address the unfunded retiree health liability charges the County will be mandated to recognize in the future.
- The County’s General Reserve, Economic Stabilization Fund And Long-Term Financing Management Policy requires the maintenance of an annual General Fund Reserve level of at least 3% of total current fiscal year General Fund expenditures. (Based on the FY 2006-2007 Recommended Budget, this would amount to \$1,293,430 and there is approximately \$1.8 in the General Reserve). However, a letter from Moody’s suggests that the rating agency is under the impression that the County has agreed to take steps to increase the level of the General Reserve to 15% of its General Fund expenditures. This budget does not allocate any additional funds to the General Reserve.

Unmet Needs: Statements of Underfunding

In addition to the unmet County needs described above, departments were once again provided the option, and encouraged to submit Statements of Underfunding as part of their budget requests. The Statements of Underfunding submitted by departments choosing to participate in this process are included in this budget document immediately following the department’s budget narrative.

The Statement of Underfunding is intended to help departments disclose the realistic cost of providing services. The County’s recent revenue shortfalls have resulted in departments having to defer funding some very basic needs to unspecified future years. The Statement of Underfunding provides one way to quantify the impacts of past and current budgetary constraints on department operations and the services they provide.

This exercise resulted in identifying \$6.8 Million in funding needs that are not included in the Department Requested Budget. When added to the shortfall of \$5,992,465 between revenues and expenditures in the FY 2006-2007 Department Requested Budget, the Statements of Underfunding indicate that County services could be under funded by as much as \$13 Million, and this figure does not include all of the medium-term needs described earlier.

This provides your Board with a challenging perspective from which to contemplate the CAO Recommended Budget. Adequately funding all of the needs identified by departments, plus other unmet liabilities could cost well over \$10 Million more than the County's current revenue projections (assuming that some of the costs could be spread out over several budget cycles). As presented, the Department Requested Budget seeks almost \$6 Million more in expenses than it projects in revenues. The CAO Recommend Budget reduces this deficit to \$3.7 Million. Using Fund Balance as the primary means of filling the budget deficit. In the case of General Fund, Fund Balance should be viewed as one-time revenue (since once it is budgeted it must be expected that it will be spent), however, without Fund Balance the County would be faced with reducing services and programs by an additional \$3.6 Million to balance the Budget.

APPROACH

This year, staff presented your Board with an overview of the initial Department Requested Budget on June 27, 2006. At that time, the Budget included \$82,034,827 in expenditures and \$76,615,742 in revenues and, based on the FY 2005-2006 Third Quarter Financial Review, Fund Balance was projected to be \$1.67 Million. Your Board scheduled a series of three Budget Workshops, and directed departments to return with modified budget requests based on the following eight (8) Preliminary Budget Policies:

1. No increase in Net County Cost from FY 2005/2006;
2. Maintain or eliminate vacancies as needed to comply with (1.) above;
3. Base revenue projections on FY 2005/2006 actuals unless justified at a higher level;
4. Utilize only verifiable internal charges/revenues;
5. Itemize appropriations in specific object codes;
6. No General Fund loans or subsidies to non-general fund departments;
7. No A87 cost waivers for non-general fund departments; and,
8. No General Fund contributions for new grants.

Most departments returned with Modified Requested Budgets that could not fully comply with the Board's policies without drastically eliminating programs, services and the lay-off of employees. During the Budget Workshops, your Board worked with department heads and staff to identify alternative means of modifying department budget requests to meet the Preliminary Budget Policy requirements. At the conclusion of the Budget Workshops, your Board determined that requiring departments to comply with all eight (8) Policies would force the County to reduce services to a level that would be unacceptable for the citizens of Inyo County.

Consequently, the Board's instructions to the CAO were to continue working with departments to construct a budget that would be more fiscally prudent than their initial Departmental Requested budgets, but less damaging to County operations than the budget modifications proposed during the workshops. Further, your Board directed that maximum use of the Fund Balance should be made to ameliorate the need for layoffs or service reductions.

Additionally, your Board indicated that if, after closing the budget gap, a larger than anticipated Fund Balance were to result in any unallocated funds, those funds should be used on the following priorities:

- Apply to the Deferred Maintenance program; and,
- Provide funds for other contingencies.

The CAO Recommended Budget accomplishes this to the extent that \$60,000 has been added to the **Deferred Maintenance** budget, and \$42,343 is budgeted for **Contingencies**. The Recommended Budget also accomplishes other Board priorities identified during the workshops, including: providing funding to restore **County Counsel** subscriptions for legal publications, dedicating one-time funding to market the upcoming Gulag Exhibit at the **Eastern California Museum**, reinstating the Budget Analyst position in the **CAO** budget, and increasing the **Maintenance – Building and Grounds** budget.

DEPARTMENT REQUESTED BUDGET

As presented, this budget document identifies differences between the Department Requested Budget and CAO Recommended Budget. However, it does not identify those changes that departments agreed to make to their requested budgets subsequent to the Budget Workshops and departmental budget meetings. These voluntary changes resulted in reducing the gap in the Department Requested Budget and, correspondingly, reduced the amount of the reductions necessary to balance the CAO Recommended Budget. While many departments voluntarily made minor adjustments to their requested budgets that added up to significant savings, two General Fund departments deserve to be acknowledged for making adjustments that resulted in the General Fund budget shortfall being reduced by \$122,495.

The Sheriff's Department reduced the increase in Net County Costs associated with its initial Department Requested budgets by \$100,495 by bringing in additional AB 442 Trust and COPS revenue and reducing expenditures. In addition, the Department has agreed to fund the D.A.'s INET Investigator from its new grant-funded CalMMet Task Force budget, thereby saving the General Fund a total of \$84,577.

Probation Department agreed to reduce its Department Requested Juvenile Institutions budget by \$22,000. This funding was requested for out-of-County placements and may be sought should the Court mandate additional out-of-County placements in FY 2006-2007.

REVENUES

The FY 2006-2007 Recommended Budget projects a total increase in revenues of \$8,879,897 million, from \$67,188,582 in the FY 2005/2006 Board Approved Budget to \$76,068,479 in this year's Recommended Budget. The Recommended General Fund Budget projects revenues of \$39,469,884, an increase of \$1,187,914 over the FY 2005-2006 Board Approved Budget.

The good news is that revenues are on the rise. The bad news is that the cost of doing business is rising faster. Total County expenditures in the Recommended Budget have increased by \$9,042,498,

and Recommended General Fund expenditures have increased \$2,352,732 above the FY 2005-2006 Board Approved Budget. This points to a continuation of the trend that has plagued the County in recent years whereby increases in costs continue to exceed increases in revenues.

Similar to last year, this Budget continues to take a conservative approach to revenue projection as a means to guard against significant revenue shortfalls at the end of the fiscal year. Some key assumptions associated with this year's revenue projections include:

1. The Public Safety Augmentation Fund (PSAF) is anticipated to increase by a total of \$115,518 when compared to the FY 2005-06 Board Approved Budget;
2. No revenue is anticipated from the sale of County-owned property to fund deferred maintenance activities.
3. Appropriate use of realignment funds to provide maximum benefit to the County. To accomplish this, minor adjustments to the Health Realignment budgets (Health, Environmental Health, and Animal Services) may be presented to your Board as part of the Final Budget or during the Mid-Year Financial Review.
4. A minimal increase of \$60,000 in sales tax receipts;
5. An increase of \$171,000 in the existing Hotel Transient Occupancy Tax. While higher than the FY 2005-2006 Board Approved Budget, the projection is \$118,369 less than FY 2005-2006 actuals. This projection seems reasonable given uncertainty surrounding fuels costs and the impact on discretionary travel. This Budget does not contemplate the passage of Measure B on this November's ballot. If the proposed TOT increase passes, the resulting increase in revenue will be treated as unanticipated revenue.
6. No new Geothermal Royalties have been projected in the Recommended Budget. Pursuant to Board direction, any Geothermal Royalties that may be received in FY 2006-2007 will be treated as unanticipated revenue.

Furthermore, during the Budget Workshops, your Board expressed interest in developing a policy regarding the use of unanticipated revenues. It is recommended that your Board consider such a policy before expending any unanticipated revenue that may be received in FY 2006-2007.

FUND BALANCE

Fund Balance in the General Fund is estimated at \$3,644,499. The Auditor-Controller will certify the Fund Balance prior to your Board's adoption of the Final Budget. Combined with projected General Fund Revenues of \$38,281,970, this is sufficient to balance the Recommended FY 2006-2007 Budget.

The estimated Fund Balance is substantially higher than the initial Fund Balance presented to your Board last June. The June estimate of \$1.6 Million was made solely on the basis of the Third Quarter Review. As the Auditor-Controller demonstrated in her August 15th analysis, unanticipated revenues totaling almost \$1 Million, and budget savings of over \$4 Million combined to result in a

net income for the Fiscal Year ending June 30, 2006, of \$649,182. This revenue and budget savings did not show up during the Third Quarter Review. The budget savings included salary and benefits savings from vacant staff positions totaling over \$1.4 Million (this is in addition to the salary savings incorporated into the FY 2005-2006 Board Approved Budget) and demonstrates the challenges the County is experiencing in filling vacant positions. The budgeted savings also reflected \$1.4 Million in savings in the services and supplies category. Much of this savings can be attributed to delays in developing the new Lone Pine Sheriff's Sub-Station that is on schedule to open this year. Similarly, many other of these unrealized expenditures have simply been deferred to FY 2006-2007.

Subsequently, adjustments made while closing the books following the end of the accrual period recognized revenues and expenditures that have resulted in further increased Fund Balance.

PERSONNEL ACTIONS

The County of Inyo Manpower Report (Attachment D) identifies, by department, authorized staffing levels (full-time, C-PAR and B-PAR employees) as of July 1, 2006. Because the Health and Human Services Department has numerous employees spread across multiple budgets, a table showing the Department's Authorized full-time and B-PAR staff, and how they are allocated among programs, is also provided (Attachment E) to guide your Board in its review of the HHS budgets.

The FY 2006-2007 Recommended Budget includes a number of recommendations relative to personnel actions.

Salary Savings

Salary savings associated with vacant staff positions has been proposed by departments in the Department Requested Budget and, additionally, by the CAO (in consultation with the departments) in the Recommended Budget. Most of this savings (\$723,114) occurs in the General Fund, however, Non-General Fund budgets also recognize \$227,618 in salary savings. The Position Vacancy/Salary Savings Table (Attachment C) identifies salary savings by staff position and includes the earliest date that the position can be filled to realize the anticipated salary savings. If viable candidates for certain critical positions, such as the vacant Associate Civil Engineer position, are identified prior to the fill date, your Board will be asked to consider appropriating the necessary additional funding.

Position Adjustments

Reclassification, career ladder and equity adjustment requests received during the "reclassification window" are identified in Attachment B: FY 2006-07 CAO/Personnel Director Recommended Position Adjustments. With the exception of equity adjustments requested for represented employees, all of the reclassification, career ladder and equity adjustment requests are being recommended by the CAO. The FY 2006-2007 Recommended Budget includes funding for these position adjustments. Equity adjustments for represented employees require the County to first meet and confer with ICEA, and therefore cannot be recommended at this time. Equity adjustments for these represented employees will be put forth as part of upcoming negotiations with ICEA.

New Positions

Several new position requests were received during this year's budget process. The eight (8) positions being recommended, and for which funding is provided in the CAO Recommended Budget, are identified in the New Position Request Report (Attachment F). Three of these positions – the Payroll Technician in the Auditor's Office, the Legal Assistant in the County Counsel's Office, and the Research Hydrologist in the Water Department – are new positions that will be filled from among existing staff with the incumbent's position being eliminated. As such, the positions will not increase the authorized staffing in these departments.

The new Library Director and Museum Administrator positions will replace the current Library/Museum Director position and provide for dedicated management at each of these institutions. This is consistent with the FY 2005-2006 Grand Jury's recommendations regarding the Inyo county Free Library, and will serve to enhance operations at both Library and Eastern California Museum. The Field Position shared between the Water Department and Mosquito Abatement Program rectifies an omission in last year's Budget and replace two (2) part-time B-PAR positions. Restoration of the CAO's Budget Analyst position, eliminated as part of the Separation Incentive Plan, is deemed critical to providing dedicated monitoring of the County budget and enhancing the budgeting process, as well as eliminating the need for CAO and Auditor-Controller staff to spend nights and weekends working on the County budget.

Several new position requests are not recommended for funding in the FY 2006-2007 Budget. There are not sufficient revenues in the Solid Waste budget to fund a Litter Checker position without a contribution from the General Fund. The Solid Waste Department will pursue other options for addressing litter issues at local solid waste facilities. Reinstating the Airport Manager position at the Eastern Sierra Regional Airport would require a General Fund contribution to this budget and was deemed premature given your Board's expressed interest in exploring the use of a FBO to operate the airport.

Based on discussions during the Budget Workshops, no funding to hire the Assistant Tax Collector and Assistant County Clerk prior to January 2007 is included in the Recommended Budget. This results in a savings of \$71,257 for the General Fund. There maybe an opportunity for the County Clerk to revisit this issue with your Board after adoption of the Final County Budget by using unbudgeted salary savings in the County Clerk budget to fill the Assistant position early. The Probation Department agreed not to vigorously pursue its request for a new Supervising Deputy Probation Officer position and a new part-time Account Clerk (B-PAR) if the cost-savings was needed to help balance the General Fund Budget, but requested that the positions be left in the Department's requested budget.

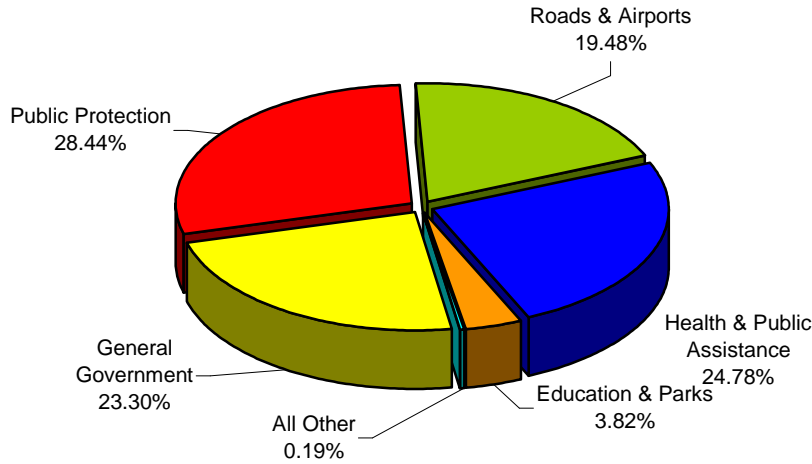
CAO RECOMMENDED BUDGET

The total FY 2006-2007 CAO Recommended Budget is \$79,859,452, and represents a \$9,042,498, or 13% increase over the FY 2005-2006 Board Approved Budget of \$70,816,954. The following graph, *Total County Expenditures*, demonstrates the categorical division of the budget, as recommended.

Total County Expenditures

FY 2006/07

Total = \$79,859,452



Non-General Fund Budgets

The FY 2006-2007 Recommended Non-General Fund Budgets totals \$36,745,119 in expenditures and \$36,598,595 in revenues. The gap in Non-General Fund budgets is only \$146,524. There is sufficient Fund Balance in these budgets to cover the gap between revenues and expenditures.

General Fund Budget

The FY 2006-2007 Recommended General Fund Budget totals \$43,114,333 in expenditures and \$39,469,884 in revenues. General Fund expenditures represent an increase of \$2,352,732, or 5.7% more than the FY 2005-2006 Board Approved General Fund Budget of \$40,761,601.

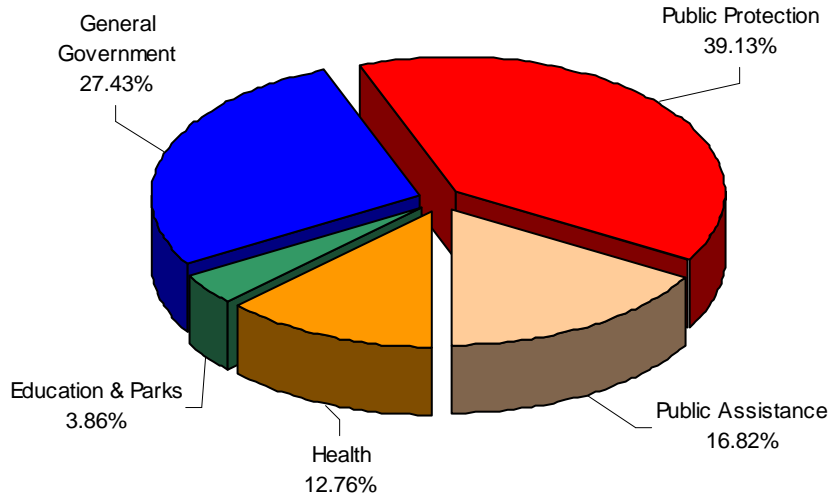
The Auditor-Controller estimates the Fund Balance in the General Fund to be \$3,644,449 and this amount is used to balance the FY 2006-2007 Recommended General Fund Budget. The Auditor-Controller will certify the Fund Balance prior to your Board adopting the FY 2006-2007 Final County Budget.

The following graph, General Fund Expenditures by Function, demonstrates the categorical division of the Budget, as recommended.

General Fund Expenditures by Function

FY 2006/07

Total = \$43,114,333



As recommended, the FY 2006-2007 General Fund Budget is sufficient to:

1. Maintain core County programs as costs rise;
2. Fund debt service on several projects including:
 - a. The Sheriff's radio system
 - b. Certificates of Participation (COP's)
 - c. Network and Financial Systems
 - d. Solid Waste Equipment
3. Fund the increases in wages and benefits, including a 12.5% increase in health insurance costs and a 1.5% COLA for employees;
4. Provide for personnel adjustments recommended by the CAO
5. Allow the County to avoid major reductions in services and programs.
6. Increase the Deferred Maintenance budget by \$60,000 over the Department Requested budget.
7. Add \$20,000 to the Maintenance – Buildings & Ground budget for operating repairs at County facilities.

8. Budget \$42,343 for Contingencies.
9. Make Operating Transfers from the General Fund to Non-General Fund Budgets, including:
 - IMAAA: \$97,584 (grant match of \$20,076, and Cost Plan subsidy)
 - D.A. INET: \$18,922 (\$18,532 Cost Plan subsidy, operating expense)
 - D.A. Victim Witness Program: \$5,864 (operating expense)
 - D.A. Vertical Prosecution Program: \$5,105 (Cost Plan subsidy)
 - Economic Development: \$12,000 (grant match)
 - Road: \$64,889 (reimbursement)

Steps Taken To Balance the Recommended General Fund Budget

As noted earlier, the Department Requested General Fund budget presented a \$4,399,887 gap between revenues and expenditures. By budgeting the entire estimated Fund Balance of \$3,644,449, a shortfall of \$755,438 remained in the CAO Recommended Budget.

To close this gap and balance the budget, the CAO Recommended Budget relies primarily on a combination of salary savings and the recommended personnel actions previously discussed. A total of \$723,114 in General Fund salary savings is used to balance the budget, however, some of this salary savings was already budgeted in the Department Requested budgets. Additional savings in personnel costs is realized by not recommending all of the new position, reclassification, career ladder, and equity adjustment requests included in the Department Requested budgets.

This heavy reliance on personnel savings to balance the Recommended Budget results in relatively minor reductions being made to other components of the departments' requested budgets. The need to rely on personnel savings also points to the fact that, after successive years of "belt tightening," there is very little left to reduce in the services and supplies, [discretionary] internal charges (e.g., motor pool), or fixed asset object categories of department budgets without making corresponding cuts in services and programs.

Significant differences between the Department Requested Budget and Recommended Budget, excepting the personnel actions already discussed, are described in the next section.

Differences Between Department Requested Budget and CAO Recommended Budget

In addition to the differences already discussed, the Recommended Budget differs from the Department Requested Budget as follows:

NON-GENERAL FUND

D.A. - Drug Suppression Task Force (INET)

Salary and benefit costs, totaling \$112,769, for the INET Investigator assigned to the District Attorney's staff have been budgeted in the Sheriff's new CalMMet Task Force Grant budget. The INET Investigator's position was created with the intent that it be funded with grant funds; something that has not been possible within the constraints of the INET grant in recent years. The new CalMMet funding allows this issue to be addressed. The Investigator will still be part of the

D.A.'s authorized staff, and the **D.A. – Safety** budget has been increased by \$28,192 to allow the D.A. to use up to 25% of the Investigator's time on non-INET/CalMMet activities in the D.A.'s Office. Despite the shifting of salary costs for the Investigator position, the INET budget still requires an Operating Transfer of \$18,922 from the General Fund. If funding for the INET Investigator position was not transferred to the CalMMet budget, the General Fund would have to provide an Operating Transfer to the INET budget of 133,846. Since the CalMMet grant represents a new grant for the County, subsequent adjustments may be necessary to the INET and CalMMet budgets to ensure compliance with state funding criteria. Any such adjustments will strive to maintain, if not further reduce the General Fund costs to the Program while enhancing drug enforcement efforts in Inyo County. In addition, the Recommended travel budget is reduced from \$4,350 to \$1,200 to help offset the amount of General Fund revenue required to support this budget.

D.A. – Vertical Prosecution

The Recommended Motor Pool budget has been decreased by \$1,475 from Department Requested to help offset the General Fund Operating Transfer necessary to support this budget.

IMAAA

In addition to the aforementioned Operating Transfer from the General Fund, the Department's revenues in have been increased by \$21,851 in the Recommended Budget based on information provided by Department staff.

Motor Pool

Staff allocated to the Motor Pool budget has been reduced in both the Requested and Recommended budgets, and the Motor Pool charges will increase from 37-cents to 39.5-cents per mile in order to balance this budget without completely eroding fund balance. Based on the historic trend that departments annually expend about 75% of their budgeted Motor Pool appropriations, there are currently sufficient funds budgeted in the Recommend Budget to fund the rate increases. In the coming year the Motor Pool Program is expected work to ensure that its charges adequately reflect the cost of fully staffing the Department, cover all operating expenses, and provide for sufficient reserves.

Network Project

The Recommended Budget provides \$350,000 of the \$450,000 requested to fund the electrical upgrades necessary to ensure the functionality of the Network Project. The county has only received a preliminary report regarding the required electrical upgrades. The final report is expected in mid to late September and will provide a more accurate estimate of the required costs.

Solid Waste

In addition to not funding the requested Litter Collector position, the requested Solid Waste Fixed Assets budget of \$222,000 has been eliminated. Funding was sought to relocate and rebuild the shop building, replace an ancient tub grinder, and purchase roll-off bins to bring waste hauling activities (between the Big Pine Transfer Station and Sunland Landfill) in-house. While these

improvements are clearly needed, there is not sufficient revenue in the Solid Waste Program to fund these items at this time.

GENERAL FUND

Advertising County Resources

Funding for the Advertising County Resources Program has been reduced by \$38,000. As recommended, this will result in each of the Chambers of Commerce receiving funding approximately equal to 85% of the funding provided in FY 2005-2006. This was a difficult decision to recommend but it is necessary given the number and cost of core County needs that remain unfunded in this Budget. The level of funding can be reconsidered during the Mid-Year or Third Quarter Financial Review if unanticipated revenue materializes.

Animal Services

The Recommended Budget increases State Motor Vehicle In-lieu revenue to reflect last year's actuals.

Assessor

The Recommended Budget reinstates almost \$70,000 in salary savings identified in the Department Requested Budget and associated with the Assistant Assessor position. Minor reductions are recommended to the Department's Motor Pool (\$1,000), General Operating (\$1,500) and Travel (\$1,000) budget requests.

Coroner

The Recommended Coroner budget adds \$2,770 to the requested Professional & Special Services budget in anticipation of increased autopsy costs. There is no increase in NCC when compared to the FY 2005-2006 Board Approved Budget.

D.A. - Safety

The Recommended Budget has been increased by \$28,192 to allow the D.A. to utilize up to 25% of the INET Investigator's time on non-INET/CalMMet related investigations.

General Assistance

The Recommended General Assistance budget reduces expenditures by \$12,000 compared to the Department request to reflect last year's actuals.

Juvenile Institutions

In addition to removing \$24,000 in funding requested for Juvenile Hall improvements and not supporting the request for a new Supervising DPO position, the Recommended Budget: increases revenues by \$10,000 reflecting restored STC funding, reduces the General Operating Expense by \$8,500, and reduces the requested Office and Other Equipment budget by \$17,000 to eliminate

installation of a LiveScan machine. These recommended reductions have been discussed with the Department.

Library

The Recommended book-buying budget has been reduced by \$5,000 from the Department request. This maintains funding to buy books and periodical subscriptions at the FY 2005-2006 level.

Museum

The Recommended Budget provides an additional \$6,000 in one-time advertising funding to help promote the Gulag Exhibit. The Travel budget is increased by \$400 to fund per diem expense associated with sending a staff member to a Gulag Conference this fall in preparation for hosting the exhibit. The Friends of the Eastern California Museum have agreed to pay for all travel and lodging costs for the conference, in addition to contributing over \$1,000 to help market the exhibit.

Parks & Recreation

The Parks & Recreation budget is reduced by \$37,467. This results in reducing the number of seasonal staff from four (4) to two (2) positions, and funding a little more than half of the cost necessary to complete needed tree trimming and removal at County parks and campgrounds.

Planning

The Recommended Budget reflects that the Planning Department is revising its forecast for developer applications in FY 2006/2007, and eliminating a vacant Associate Planner position to reflect the reduced business activity, thus avoiding \$127,000 in requested costs.

Probation

In addition to not recommending the requested part-time Account Clerk (for a General Fund savings of \$15,320), the Recommended Budget increases revenues by \$5,000 to reflect restoration of STC funding, and makes minor decreases in the Office & Other Equipment (\$1,400) and General Operating Expense (\$5,000) budgets as a result of subsequent meetings with Department staff.

Treasurer-Tax Collector

In relation to not funding the request to hire the Assistant Tax Collector early, revenues have been decreased by \$15,000 to reflect the corresponding adjustment in the Tax Collector's Administrative Fees. In addition, the Recommended Budget removes \$6,000 requested to buy new office furniture since money for this purpose was encumbered in the Department's FY 2005-2006 budget.

ASSUMPTIONS, KNOWN CHANGES, AND OUTSTANDING ISSUES

The Recommended Budget is based on certain assumptions and not without certain risks.

Assumptions

Balancing this budget relied on the following assumptions:

- No requirement by the State Courts to build new facilities during the budget year
- Continued grants by the FAA for airport improvements;
- Continuing to pay a disproportionate amount of undesignated court fee revenue to the State;
- No increase in Library funds from the State;
- Receiving no Geothermal royalty revenues;
- No costly litigation decisions adverse to Inyo County;
- No homicide prosecutions requiring a change of venue beyond the current case;
- No borrowing of County funds by the State;
- No new revenue streams being created; and,
- No loss of grant funding for existing projects.

Known Changes

Mosquito Abatement.

Program staff has indicated that additional grant revenues have been awarded. These revenues will be recognized as part of Final Budget or through a subsequent budget.

Social Services

Child Welfare Services is receiving an additional \$100,000, with no county share, to improve outcomes in its children's programs. This new funding will be on going, and the Department plans to request one additional HHS Specialist, Range 53, to utilize a portion of these funds. This change will be made to the Final Budget.

Outstanding Issues

- The FY 2006-2007 Recommended Budget includes \$500,000 of General Fund money in the Murder Trial Reimbursement budget. Any additional homicide case requiring special handling or a change of venue could have a major budget impact.
- As discussed earlier, a recent preliminary consultant report identified \$1.8 Million in electrical upgrades necessary to bring our facilities up to code and service requirements. Included in this estimate is approximately \$450,000 in upgrades required to support the Network/Financial System Project. Only \$350,000 is included in the Recommended

Network Project budget for this activity. The of final report is expected in mid to late September and should provide more fine-tuned cost estimates. The priority for implementing these projects requires an immediate response. Addressing the remaining \$1.4 Million was not considered and must be addressed in future budget years.

- Recently an inmate sustained serious self-inflicted injuries while in custody. This has resulted in treatment costs in excess of \$200,000. Once the final costs are known, the budget will need to be amended to cover this cost. At this point, staff believes that Health Realignment has sufficient reserves to cover these costs.
- Current contracting methods for public defenders does not limit County exposure. Judges can appoint attorneys from private practices when there is a conflict of interest or the contracted public defender lacks the requisite experience. When this is done, the County must pay the appointed attorney's normal and customary hourly rate, which may be substantially higher than the contract rate for public defenders. Such appointments are exclusively in the purview of the judges handling the matter.
- No reserves for litigation decisions have been placed in the FY 2006-2007 budget. Inyo County is a defendant in several lawsuits and a party in others where court decisions adverse to the County's interest could have significant financial impacts.

CONCLUSION

I want to close by encouraging the Board to adopt the CAO Recommended Budget, which is balanced, maintains all of the Board priorities, does not call for any layoffs and for the most part maintains existing service levels.

SUMMARY OF RECOMMENDATIONS

1. Adopt the FY 2006-2007 Budget as Recommended by the County Administrator.
2. Direct staff to bring back critical additions to the Budget if Fund Balance finishes higher than anticipated.
3. Set adoption of the Final Budget for September 26, 2006.
4. Authorize the County Administrator to sign all the Grants-in-Support and Advertising County Resources funding contracts, contingent upon the appropriate county signatures being obtained, for the programs and amounts approved by your Board.

Submitted by:

Deputy CAO
Budget Supervisor

CAO

ATTACHMENTS:

Attachment A – INYO COUNTY ORGANIZATIONAL CHART - The County organizational chart is provided for information purposes.

Attachment B – CAO/PERSONNEL DIRECTOR RECOMMENDED POSITION ADJUSTMENTS

Attachment C – POSITION VACANCY REPORT/SALARY SAVINGS TABLE

Attachment D - COUNTY OF INYO, MANPOWER REPORT (As of July 1, 2006) - The Manpower Report reflects the authorized full time equivalent positions by department and part-time (B-PAR) positions in the County.

Attachment E - HEALTH & HUMAN SERVICES STAFFING TABLE

Attachment F – NEW POSITION REQUEST REPORT