



## COUNTY OF INYO

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

Fiscal Year 2008-2009

# CAO Recommended Budget

## Budget Message

Submitted to the  
Inyo County Board of Supervisors

August 28, 2008

For the Budget Hearing September 8, 2008

### INTRODUCTION

In the context of current economic conditions and the uncertainties that still surround the State Budget, I am pleased to be able to present the following County Budget for the Fiscal Year 2008-2009. As recommended, the Budget maintains the same level of County services provided last fiscal year, and does not require immediate new increases in County fees and charges, or reductions to employee compensation and benefits, such as furloughs. It is, however, a cautious budget, built on difficult decisions and many unknowns. The Recommended Budget leaves some very real and just needs unfulfilled, and could still be subject to substantial revisions later in the fiscal year. Prior to the end of the year, your Board of Supervisors may still need to consider changes to service levels and the County's fee and rate structures. The Budget is the County's spending plan for the coming year, and plans need to be revisited often and, sometimes, changed.

The risk posed to the County of Inyo by the State of California's current fiscal crisis extends far beyond what the State Budget – whenever it is adopted – may or may not ultimately include for this Fiscal Year. Once approved, the State Budget will be immediately subject to blue pencil cuts by the Governor that could further impact funding for County programs. And, if revenue assumptions in the State Budget do not materialize (the State Budget will almost certainly be predicated on a number of revenue measures requiring voter approval), the Governor could declare a Fiscal Emergency and propose budget cuts that could affect the County anytime during the fiscal year.

While most of the budget scenarios that have emerged from the State Capitol in recent months, including the Governor's "August Revise" (or "August *Surprise*"), generally limit County funds that are *in play* to Public Safety and Health and Human Services programs, much more severe measures have also been discussed. The suspension of voter-enacted Proposition 1A and/or Proposition 42 have been suggested and, if pursued, could result in the County losing over \$2 Million in General Fund revenue and/or \$1.42 Million in Road Department funding, respectively. In addition, as introduced, Assembly Constitutional Amendment 19 proposed to repeal the State's obligation to repay counties for all new state mandated programs; eliminate the need for the State to reimburse counties for previously unfunded state mandates; memorialize the State's \$1 Billion (and growing) underfunding of Health and Human Services programs; restrict local fee-setting authority; and, modify county appropriation limits to preclude the use of reserves funds as a bridge to balance budget shortfalls. Although ACA 19 was defeated in committee, an amended version – hoped to be less devastating to local governments – is likely to be re-considered. Until a State Budget is adopted, it would be unwise to assume that any of these or other, equally harsh measures are completely *off the table* in Sacramento. And, since it is not likely that the State will be able to fully resolve its fiscal crisis and structural budget deficit in Fiscal Year 2008-2009, the County must also begin looking ahead to next fiscal year, when the State's financial outlook could be even worse. It is likely that any of the measures not implemented as part of this year's State Budget will probably be revisited, along with additional cuts in funding to counties, making the budget decisions the County has to consider in Fiscal Year 2009-2010 even more challenging than those being contemplated in this year's County Budget.

The most often cited County Budget impacts associated with on-going State Budget deliberations center on Public Safety and Health and Human Services program funding. For example, based on prior year's use, the County could be required to pay up to \$42,628 in State Crime Lab fees, if a proposal to require counties to pay for these services is adopted as part of the State Budget. (The amount could increase if the County's use of the State Crime Lab increases over historical levels; likewise, it could decrease). This cost is

not currently included in the CAO Recommended Budget. If CalMMet funding is eliminated in the State Budget, the County will lose \$225,000 in methamphetamine suppression funding. Full CalMMet funding is currently included in both the Department Requested and CAO Recommended Budget. If AB 443 funding is eliminated, the County will lose \$500,000 in Small/Rural Sheriffs Funding. Elimination of the Citizens Option for Public Safety (COPS) grant program will reduce money available to the Sheriff and District Attorney by \$112,600. The Probation department budget already contemplates losing \$43,484 in Juvenile Probation and Camp Funding (JPCF, used to be TANF) funding. Reductions in Health and Human Services administrative funds are being absorbed through HHS realignment trusts. And, the Recommended Budget already absorbs the loss of over \$100,000 in grant funding associated with the suspension of the Indian Gaming Special Distribution fund in the State Budget.

In addition to uncertainties surrounding the State Budget, the CAO Recommended Budget has also been developed in the context of uncertainties about how changes in revenue recognition standards will impact the County Budget. The Auditor-Controller has become more aggressive about making sure departments record revenues and expenditures in the fiscal year in which they are incurred. Therefore, there is a possibility that the increase in the Fiscal Year 2007-2008 General Fund Balance comes at the expense of revenues projected to be realized in Fiscal Year 2008-2009. In other words, unless departments accounted for this shift in revenue from one fiscal year to the other when preparing and revising their budgets, General Fund revenues in the CAO-Recommended Budget could be overstated by as much as \$700,000. To compensate for this possibility, and prevent Fund Balance that may be needed to address specific revenue shortfalls that could materialize later this year from being spent prematurely, the CAO Recommended Budget requests your Board to place \$300,000 into the County's Economic Stabilization Fund.

The preceding Introduction has been intended to provide the reader an overview of the fiscal environment in which the County Budget has been prepared and is being recommended.

## **SUMMARY**

As required by law, the County Budget is balanced. The Fiscal Year 2008-2009 CAO Recommended Budget totals \$83,090,878 in expenditures and \$77,825,299 in revenues. The General Fund portion of the Recommended Budget is \$48,794,209 in expenditures and \$45,283,863 in revenues, and relies on \$3,510,346 in Fund Balance from Fiscal Year 2007-2008. In contrast, the Fiscal Year 2008-2009 Department Requested Budget seeks \$81,771,576 in expenditures against \$75,707,026 in revenues, with a General

Fund component of \$47,995,609 in expenditures and \$44,532,966 in revenues. (Table 1.)

	Department Requested Budget			CAO Recommended Budget		
	Expense	Revenue	Shortfall	Expense	Revenue	Shortfall
<b>General Fund</b>	\$ 47,995,609	\$ 44,532,966	\$ (3,462,643)	\$ 48,794,209	\$ 45,283,863	\$ (3,510,346)
<b>All Funds</b>	\$ 81,771,576	\$ 75,707,026	\$ (6,064,550)	\$ 83,090,878	\$ 77,825,299	\$ (5,265,579)

Table 1.

As noted above, the General Fund portion of the Budget is balanced using \$3,510,346 from the Fiscal Year 2007-2008 General Fund Balance. This use of Fund Balance is accompanied by an unequivocally strong recommendation that \$300,000 be placed in the County’s Economic Stabilization Fund to be used for addressing any unexpected decreases in revenue later in the fiscal year. The increase in the amount of the General Fund Budget shortfall from the Department Requested Budget to the CAO Recommended Budget is because the Department Requested Budget did not include all General Fund Operating Transfers, including allocating \$300,000 to the Economic Stabilization Fund, necessary to maintain key Non-General Fund programs and services and balance the overall Budget.

The Fiscal Year 2008-2009 CAO Recommended County Budget is sufficient to:

- Fully fund the County’s debt service obligations.
- Maintain core County services and programs, and avoid major reductions in other services and programs.
- Avoid employee furloughs or lay-offs.
- Fund increases in employee benefit costs, and pay for previously agreed to cost-of-living adjustments.
- Provide General Fund Operating Transfers necessary to avoid reductions in key Non-General Fund services, including services to senior citizens, integrated waste management programs and facilities, the District Attorney’s Vertical Prosecution and Victim Witness programs, and the operation of the Eastern Sierra Regional Airport.
- Partially consider personnel actions, including employee career ladders, sought as part of the budget process.
- Provide \$163,500 in funds for deferred maintenance projects adequate to:
  - Re-roof the Bishop Senior Center.
  - Upgrade kitchen exhaust hoods, in compliance with new regulations, at the Bishop and Lone Pine Senior Centers, the Eastern Sierra Regional Airport, and the County Jail.

- Remediate the fuel spill, which includes asbestos abatement and demolition of a small out-building, at the former Big Pine Care Center.
- Rebuild the septic system at the Big Pine Animal Shelter.
- Consider re-roofing and painting the County-owned building at 207 West South Street in Bishop.
- Consider targeted improvements to the Lone Pine Library and former Lone Pine Sheriff's Sub-Station building.
- Address minimal facility needs that may arise during the year, or be otherwise directed by your Board.
- Dedicate additional funding to upgrading the electrical system in key County facilities in an effort to avoid using debt-financing for this critical project.
- Maintain funding for the County's Grants-In-Support and Community Project Sponsorship programs at Fiscal Year 2007-2008 levels.
- Add \$300,000 to the County Economic Stabilization Fund for unexpected decreases in revenues and/or increases in expenditures that cannot be absorbed with budgeted appropriations.
- Budget \$128,363 for General Fund Contingencies, which could be used to pay for some, but not all of the following outstanding cost issues should they materialize:
  - State Crime Lab charges (\$42,628).
  - Loss of CalMMET funding (\$225,000).
  - Audit findings associated with prior years' emergency service grants requiring pay-back (up to \$70,000).
  - 25% County match for Oak Creek Mud Flow emergency response and recovery costs.

While the Recommended Budget is sufficient to maintain County operations at a status quo level, this Budget still leaves many County needs unfulfilled. In addition to the outstanding cost issues identified above, the Recommended Budget does not provide funding for:

- The outcome of ongoing negotiations with the Deputy Sheriff's Association (DSA) and Law Enforcement Administrators Association (LEAA).
- Setting aside money to minimize the impact of employee retirement cost increases that are expected for current employees.
- Making provisions to begin addressing unfunded retired employee health liability charges – currently estimated as requiring over \$3 Million a year – the County is mandated to recognize starting next year.
- Considering requests for employee equity adjustments, reclassifications, and new positions made by departments during the budget process.

- Beginning to address any but the most critical of the \$2 Million in deferred maintenance projects that have been identified at County-owned facilities.
- Dedicating sufficient staff or fiscal resources to aggressively pursue projects not associated with core County services.
- Addressing over \$500,000 in Americans with Disabilities Act (ADA) upgrades at County facilities.
- Beginning to address the myriad of department needs, identified in the Statements of Underfunding submitted with this year's budget narratives and not included in the Department Requested budgets.

## **ARRIVING AT THE RECOMMENDED BUDGET**

As presented, this Budget document identifies differences between the Department Requested Budget and CAO Recommended Budget for the Fiscal Year 2008-2009, as well as the steps taken to reduce the amount of the difference, and ultimately submit a balanced Budget. It is important to recognize that, as part of the departmental budget meetings, many elected and appointed department heads agreed to make reductions to their original Department Requested budgets. These voluntary changes resulted in reducing the gap between income and expense in the Department Requested Budget and, correspondingly, reduced the amount of additional cuts and or Operating Transfers necessary to balance the CAO Recommended Budget.

As depicted above (in Table 1.), Department Requested Budget results in a revenue shortfall of \$6,064,550 whereas the CAO Recommended Budget reduces the total shortfall to \$5,265,579; a difference of \$798,971. However, the Department Requested General Fund Budget results in a revenue shortfall of \$3,462,643; whereas the CAO Recommended General Fund Budget increases the General Fund shortfall to \$3,510,346; an increase of \$47,703. The increase in the General Fund shortfall is due to the fact that the CAO Recommended Budget includes \$1,369,237 in General Fund Operating Transfers to key Non-General Fund Budgets that were not reflected in the Department Requested Budget, including the recommendation to transfer \$300,000 to the Economic Stabilization Fund. Similarly, the overall difference between Department Requested expenses and CAO Recommended expenses is an increase of \$1,319,302; and \$798,600 in the General Fund. Again, this increase in expenses is due to the need for Operating Transfers not included in the Department Requested Budget, including the recommendation to transfer \$300,000 to the Economic Stabilization Fund.

As described in greater detail below, the Fiscal Year 2008-2009 CAO Recommended Budget is balanced by several actions that reduce the size of the overall budget deficit from the \$6.06 Million gap in the Department Requested Fund Budget to the \$5.27 Million gap in the CAO Recommended

Fund Budget. These actions include using a combination of Fund Balance, Operating Transfers from the Geothermal Royalties Fund, Criminal Justice Facilities Trust, AB 443 Trust, and COPS Trust, and savings associated with personnel actions; including anticipated salary savings from currently vacant staff positions. In summary these include:

- Using Operating Transfers from the Geothermal Royalties Fund and Criminal Justice Facilities Trust to off-set specific, one-time General Fund costs, and to reduce the amount of General Fund Operating Transfers that would otherwise be necessary for Non-General Fund budgets.
- Identifying \$392,164 in General Fund salary savings based on current vacancies.
- Realizing \$58,952 in General Fund savings associated with personnel actions – equity adjustments and reclassification requests – the CAO is not recommending at this time, or is precluded from recommending due to meet and confer requirements.
- Eliminating requests for new positions in the General Fund for a total reduction of \$125,400.
- Reducing services and supplies costs, and other non-personnel costs included in Department Requested General Fund budgets by \$161,603.

As noted earlier, \$3,510,346 in Fiscal Year 2007-2008 General Fund Balance is being used to eliminate the shortfall that remains between projected General Fund income and expense after the above actions are applied to the Fiscal Year 2008-2009 CAO Recommended General Fund Budget.

### ***Fund Balance***

The Auditor-Controller has certified the General Fund Balance for the Fiscal Year ending June 30, 2008, as \$3,510,346. The Fund Balance is being used to fill the shortfall between projected income and projected expenses in the Fiscal Year 2008-2009 CAO Recommended General Fund Budget, including the recommendation to place \$300,000 in the County's Economic Stabilization Fund.

It is not unusual, in recent years, for the County to rely on using the prior year's General Fund Balance to help balance the current year's budget, and the existence of a prior year's General Fund Balance is, on its own, not a cause for concern. The existence of a General Fund Balance is an indicator that, overall, the County is living within the limits of its spending plan for

that year (e.g., under-spending appropriations and/or over-achieving revenues). If a General Fund Balance did not exist at the end of a fiscal year, it would mean that departments matched their budget projections exactly. And, if a negative General Fund Balance exists, it indicates that, as a whole, departments either over-spent appropriations, under-achieved revenues, or both. Applying prior year's Fund Balance to the current year's budget is simply taking savings from one year's budget and applying it to the next. In Non-General Fund budgets, which reside in their own Funds (as opposed to the General Fund), it is common to have Fund Balance and use it to fund appropriations in that budget. So, in addition to using General Fund Balance to balance General Fund budgets, it is also not unusual to use Non-General Fund Fund Balances to balance Non-General Fund budgets.

This year's Fund Balance is \$375,744 higher than the \$3,134,602 Fund Balance used to balance the County's Fiscal Year 2007-2008 General Fund Budget. However, as discussed in the Introduction section of this report, this increase may be misleading, and could represent a one-time spike associated with more aggressive revenue recognition procedures. This year's *accounts receivable* increased by more than \$1.3 Million when compared to *accounts receivable* in Fiscal Year 2007-2008. During this same time period, *accounts payable* increased by over \$600,000. When the increase in *accounts receivable* (revenue) is compared to the increase in *accounts payable* (expenditures), there is almost \$700,000 in Fiscal Year 2007-2008 revenue contributing to the available Fund Balance that is not easily explained. It is possible that departments may not have fully accounted for the shift of revenue from one fiscal year to the other, and this could lead to revenue shortfalls in Fiscal Year 2008-2009. Although staff has reviewed Department Requested revenue projections relative to the Budget Parameters (e.g., basing revenues on prior year's actuals), there is a possibility that some departments' revenues are still over-stated as a result of departments not adjusting their revenue projections for year-end billings already accrued in Fiscal Year 2007-2008.

While many components, including accounts receivable, prior years' encumbrances, and claims on cash, factor into the Fund Balance calculation, a simplified analysis shows the County's General Fund Balance can usually be primarily attributed to salary savings, lower-than-anticipated expenditures in other categories of expenses, and achieving budgeted revenues. Although described in last year's Budget Message, for the benefit of the public it may be worth describing these elements of Fund Balance in detail again in this year's Budget Message.

### Salary Savings

Use of anticipated salary and benefit savings, tied to currently vacant staff positions, is routinely employed as part of the budget process to reduce the size of the shortfall that exists between the Department Requested and CAO Recommended budgets. This year, the CAO Recommended Budget relies on \$392,164 in General Fund salary savings to reduce the expense associated with the Department Requested Budget. (Last year, \$441,461 in anticipated General Fund salary savings was identified to balance the CAO Recommended Budget.) The current *Position Vacancy Report/Salary Savings Table* is included as Attachment C to this report.

By design, determining the amount of salary savings to include in the CAO Recommended Budget is a conservative process. In evaluating current vacancies, recruitment experience and trends are considered on a position-by-position basis to determine a reasonable period of time that the position is likely to remain vacant. Unless fiscal conditions dictate otherwise, positions are usually not required to be kept vacant for a longer period of time than is anticipated as being necessary to successfully recruit a well-qualified candidate.

However, because of the conservative approach taken when budgeting salary savings, there will almost always be additional salary savings in the Budget after it is adopted. For example, a position budgeted as providing three months of salary savings may actually take four or five, or even seven months to fill, thereby generating additional savings. Unless this savings is re-appropriated elsewhere in the department's budget during the fiscal year, a practice discouraged by the CAO and Auditor-Controller (since salary savings is associated with on-going expense), it will show up as part of the Fund Balance calculation at the end of the year.

Furthermore, there will always be vacancies that arise later in the year that simply cannot be anticipated at the time the Budget is prepared; this is simply a reality of the workforce in most organizations. While it is reasonable to anticipate that there will always be additional "unanticipated" or, perhaps more accurately, "unbudgeted" salary savings that accrue throughout the year, it is not easy to anticipate what the amount of that savings might be. It is neither practical nor prudent to attempt to guess which departments might experience vacancies after the Budget is adopted and then try to adjust their budgets accordingly in advance. Again, because of this phenomenon, there will always be unbudgeted salary savings in the County Budget at the end of the year – unless the savings is re-appropriated to other expense categories in departments' budgets. The matter of whether this unanticipated salary savings ultimately shows up as Fund Balance is largely dependent on whether departments avoid over-spending their budgets and achieve all of their budgeted revenues.

The General Fund Balance being used to balance this year's Budget benefits from approximately \$2.8 Million in salary and benefit savings realized during Fiscal Year 2007-2008 (compared to \$2,403,359 in Fiscal Year 2006-2007). While the practices and realities described above explain how we arrive with salary savings at the end of a budget year, they do not necessarily explain why the dollar amount is so high. In contemplating the amount of money associated with salary savings, and all the variables at work, it is perhaps most useful to consider the amount of money associated with salary savings as a direct reflection of the fact that personnel costs account for 62% of the County's General Fund Budget (or, \$30,156,912).

### Under-Expenditures

In addition to savings from position vacancies that arise during the year, under-expenditures in non-personnel categories of expenses also contribute to Fund Balance. Based on past analysis, there is rarely a single budget, or a group of budgets that routinely budget far more than they actually spend (to the detriment of tighter, "more realistic" budgets). Rather, analysis reveals that under-expenditures can generally be segregated into two categories: (1) singular, high-priced expenditures – such as a capital improvement, consulting contract or large, one-time purchase – that, for any number of reasons, do not materialize in the year in which they are budgeted; and, (2) many budgets with small savings, across expense object codes that, when taken together, add up to significant savings. Under-expenditures in the first category are likely to show up again in the following year's budget.

However, it is the second category of under-expenditure that is usually more prevalent, and usually accounts for greater savings. With very few exceptions, year-in and year-out, most departments manage their budgets effectively, and save money wherever they can. The savings may not be a lot, a couple hundred dollars here, a thousand dollars some place else. But, considering that the Fiscal Year 2007-2008 Budget included 134 budget units, even a savings of a thousand, or couple thousand dollars (in a budget of a few hundred thousand or even a million dollars) can quickly add-up to a large amount of money when the County Budget is considered as a whole.

These "small but mighty" efforts need to be acknowledged and appreciated, however, (outside of failing to fully realize revenues, or a series of large, unexpected and compulsory expenses) it is this category of under-expenditure that may have the greatest potential to shrink the size of Fund Balance in future years. Unlike salary savings, it is far less certain that the County can always count on a lot of little savings adding up to big savings at the end of the year. Departments continue to operate on very lean budgets, particularly in the Services and Supplies cost category. In general, there is not much, if anything left to cut, a conclusion evidenced by the fact that the CAO-Recommended Budget only reduces Department-Requested non-

personnel expenditures in the General Fund, which totals \$17,321,300, by \$161,603, or 0.9%. However, while Services and Supplies expenditures are not being substantially reduced, neither are these expenditures being significantly increased. The risk is that, without reasonable increases in Services and Supplies budgets, departments might simply find it difficult, if not impossible to continue generating the small savings that add up to such a significant portion of Fund Balance.

This year, another issue that may further affect the ability of departments to minimize expenditures and generate Fund Balance (for use in next year's budget process) is the fact that Road Department billings have, again, fallen behind. This means that Road Department bills that should have been paid in Fiscal Year 2007-2008 will not even be received by departments until sometime later this fiscal year, and it is uncertain whether departments are aware of, or budgeted for what their prior year's Road billings may be. There's a risk that some departments may not be able to pay these bills from their Fiscal Year 2008-2009 budgets, and that those departments that can pay their bills from Fiscal Year 2008-2009 Board Approved appropriations may have little money left at the end of the year to return to Fund Balance.

### Revenue Realization

Realizing budgeted revenues is a critical factor in determining year-end Fund Balance that cannot be overemphasized. For every dollar of revenue that is budgeted, but not achieved, year-end Fund Balance is decreased by a dollar. In Fiscal Year 2007-2008, actual General Fund revenues were \$232,898 less than the Board-Approved Budget, and \$2,502,368 less than the Working Budget. While the latter figure is staggering, it is largely the result of creating the budget for the Inyo Complex Fire during the Mid-Year Financial Review. The Inyo Complex Fire budget projected \$1,710,052 in revenue of which only \$492,035 was received by year's end, commensurate with expenses, due to delays in constructing the reservoir for the Independence Town Water System. While departments continued, by-and-large, to do a commendable job in achieving budgeted revenue, these overall figures benefit from the fact that under-realized revenues in some budgets are off-set by higher than anticipated revenues in other budgets.

In other words, the General Fund Balance available to use in this year's budget could have been higher if all revenue projections in the Fiscal Year 2007-2008 Board Approved Budget had been fully achieved, and much higher if revenue projections were met in addition to the receipt of unanticipated General Fund revenue. This raises an important issue. A primary purpose of the County's Mid-Year and Third Quarter Financial Review processes is to revise budget projections as necessary. When a

department reports that it will not, or it becomes apparent that a department might not achieve budgeted revenues, the Working Budget should be amended to reflect the decrease in revenues AND, pursuant to the County's Budget Control & Responsibility Policy, expenditures need to be decreased accordingly. Failure to do both has the effect of doubling the impact the loss of revenue has on the bottom line. As in years past, a key factor to maintaining the integrity of the Fiscal Year 2008-2009 Budget, and not eroding the year-end Fund Balance available for the Fiscal Year 2009-2010 Budget, is that departments must meet their budgeted revenue projections, and decrease their expenditures by a corresponding amount when they cannot meet revenue projections.

As noted above, a compounding factor in this year's Budget is that there is a possibility that some department revenues may be over-stated due to more aggressive revenue recognition procedures requiring that Fiscal Year 2007-2008 revenues be accrued in the year they were earned. If this scenario occurs on a large scale, it will not only require Mid-Year or Third Quarter adjustments to the Fiscal Year 2008-2009 Budget (either reductions in spending or a transfer of funds from Economic Stabilization Fund or General Reserves Trust), it will also impact the year-end Fund Balance because budgeted revenues may not be fully realized.

### ***Geothermal Royalties***

Besides Fund Balance, the CAO Recommended Budget also relies on use of Operating Transfers from the Geothermal Royalties Fund and Criminal Justice Facilities Trust to off-set General Fund, and some Non-General Fund expenses.

Pursuant to County Policy, Geothermal Royalties Operating Transfers are only made from revenue already received in the Geothermal Royalties Fund, and do not rely on geothermal royalties revenues that are projected, but have yet to be received this fiscal year. The CAO Recommended Budget includes a total of \$351,220 in Geothermal Royalties Fund Operating Transfers, and are used entirely to off-set eligible expenses in the General Fund Budget (see Table 2.).

<b>RECOMMENDED OPERATING TRANSFERS FROM GEOTHERMAL ROYALTIES FUND</b>	
<b>Budget Receiving Transfer - Description</b>	<b>General Fund</b>
Assessor - Geothermal Consultant	\$50,745
CAO - Geothermal Property Tax Attorney	\$95,283
Planning - Housing Element	\$40,000
Planning - General Plan/Zoning Ordinance Update	\$85,000
Parks - projects, fire rings, drinking fountain	\$80,192
<b>TOTAL</b>	<b>\$351,220</b>

Table 2.

If not for the availability of the Geothermal Royalties money, the General Fund would have been required to fund all of these costs, something that might not be possible without reductions to other County programs and services.

***Criminal Justice Facilities Trust***

Similar to last year, this year’s Budget recommends using \$259,600 in Operating Transfers from the County’s Criminal Justice Facilities Trust to balance the Fiscal Year 2008-2009 County Budget. It is recommend that an Operating Transfer of \$17,900 be made from the Criminal Justice Facilities Trust into the Public Works Department’s Building Maintenance & Grounds budget to pay for the cost of budgeted maintenance activities at the Jail and Juvenile Hall. An Operating Transfer of \$8,700 to the Juvenile Institutions budget is recommended to fund exterior signs, lights and fencing. And, an Operating Transfer of \$8,000 is recommended for the Deferred Maintenance budget to pay for the cost of a new kitchen exhaust hood system for the Jail kitchen.

It is also recommended that a Criminal Justice Facilities Trust Operating Transfer of \$225,000 be made to the Lone Pine Sub-Station budget, and be used to complete the cost of that project. The recommendation that your Board use Criminal Justice Facilities Trust money to pay for the Lone Pine Sub-Station is linked to the recommendation, included as part of the CAO Recommended Budget, that an additional \$100,000 in AB 443 Trust revenue be recognized in the Sheriff – Safety budget. Without the use of Criminal Justice Facilities Trust funding to pay for the Lone Pine Sub-Station, AB 443 funding would be required to pay for the facility or, unless other General Fund money could be identified, the project would need to be postponed.

The Inyo County Board of Supervisor’s created the Criminal Justice Facilities Trust, by resolution, in 1982 for the purpose of acquiring, rehabilitating, constructing, financing and leasing suitable criminal justice

facilities, including all facilities necessary or incidental to the operation of such criminal justice facilities. The Trust currently holds approximately \$920,000 and, in Fiscal Year 2007-2008 received about \$77,000 in new revenue. Current law (California Government Code Section 76103) permits the funds to be used for “county criminal justice facilities” which “includes, **but is not limited to**, jails, women’s centers, detention facilities, juvenile halls, and courtrooms. (**Emphasis** added.)” The Sheriff’s Lone Pine Sub-Station falls within this definition. The Criminal Justice Facilities Trust should not be confused with the Courthouse Construction Trust that exists to provide funding for the acquisition, rehabilitation, construction and financing of court facilities and, due to recent legislation, falls under the control of the State Administrative Office of the Court.

### ***AB 443 Trust***

The Fiscal Year 2008-2009 CAO Recommended Budget includes a \$100,000 Operating Transfer from the AB 443 Trust not included in the Sheriff’s Department Requested budgets. The Sheriff’s Department Requested Jail-General budget includes \$228,704 from the AB 443 Trust to provide funding to facilitate the transitioning of five (5) Sheriff’s Deputies from the Jail to patrol duties in accordance with last year’s agreement to add five (5) new Correctional Officer positions. The Recommended Budget proposes the use of an additional \$100,000 in AB 443 funding to provide the Sheriff’s Department with funding for surveillance activities in the Sheriff-Safety budget. This transfer will only be made as needed, and after expenses are incurred.

### ***COPS Trust***

The Fiscal Year 2008-2009 CAO Recommended Budget also includes a \$50,000 Operating Transfer from the COPS Trust not included in the Sheriff’s Department Requested budgets. This recommended funding is identified to pay for overtime and equipment costs in the Sheriff-General budget, in accordance with the use of funds identified in the grant application for the COPS funds. This transfer will only be made as needed, and after expenses are incurred.

### ***Personnel Actions***

Recommended personnel actions – salary savings being recommended in the Fiscal Year 2008-2009 CAO Recommended Budget, and position adjustments, and new positions not being recommended in the Fiscal Year 2008-2009 CAO Recommended Budget – reduce General Fund expenses by \$589,470 compared to the Department Requested Budget.

The *County of Inyo Manpower Report* (Attachment D) identifies, by department, authorized staffing levels (full-time and B-PAR employees) as of July 1, 2008. (Note: The *Manpower Report* identifies authorized staffing at the department-level, but not (yet) at the budget unit level.) 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 various programs, is also provided (Attachment E) to guide your Board in its review of the Health and Human Services budgets.

Because the Fiscal Year 2008-2009 CAO Recommended Budget is based on not implementing a significant number of requested personnel actions, your Board may want to consider directing staff to return with an evaluation of these outstanding personnel requests later in the year, after a State Budget is adopted and when, or if the County's fiscal circumstances become clearer.

### *Salary Savings*

Some departments have proposed some salary savings, associated with vacant staff positions, in their Department Requested budgets. Additionally, the CAO Recommended Budget includes recommendations for additional salary savings. Most of the savings being recommended by the CAO (\$392,164) occurs in the General Fund, while, Non-General Fund budgets recognize \$4,215 in salary savings. For comparison, the Fiscal Year 2007-2008 CAO Recommended Budget relied on \$441,461 in General Fund salary savings, and embraced \$2,088 in salary savings in Non-General Fund budgets. As noted above, the calculation of CAO Recommended salary savings is intentionally conservative. However, the slight decrease in anticipated salary savings from Fiscal Year 2007-2008 to Fiscal Year 2008-2009 is more reasonably attributed to the fact that there are currently simply less vacancies from which to draw salary savings. This decrease in vacancies is most likely related to a number of factors, including poor economic conditions, increased recruitment efforts, and the positive effect that recently approved cost of living adjustments are having on the County's recruitment and retention efforts.

The *Position Vacancy/Salary Savings Table* (Attachment C) identifies salary savings by department and staff position, and includes the earliest date that the position can be filled to realize the anticipated salary savings. Very few positions recommended for salary savings have a fill date beyond October. However, similar to last year, a caveat is offered that, if viable candidates for certain critical positions, such as the vacant Deputy County Administrator position (with a salary savings fill date of January 2009), 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, by department, in Attachment B, *FY 2008-09 Reclass, Career Ladder And Equity Adjustment Requests*. Attachment B also indicates the amount of funding associated with each request, whether it is a General Fund or Non-General Fund position, and whether the requested position adjustment is recommended in the CAO Recommended Budget.

As in any County budget, the availability of adequate revenue to fund requested personnel adjustments is always a factor in evaluating which adjustments to recommend to the Board for inclusion in the Approved Budget. This year, the availability and source of funding for the requested personnel adjustments has been, by necessity, a greater determining factor than in past years. Further, any personnel adjustments to merit system positions, other than Career Ladder advancements, will have impacts, some larger than others, on related classifications and positions within the system. This is another factor that must be evaluated in determining whether to recommend funding the requested personnel adjustments. Given these factors, the only personnel adjustments recommended for inclusion in the Fiscal Year 2008-2009 Budget are Career Ladder advancements.

#### Career Ladder Requests

As indicated in Attachment B, with the exception of all but one request for a career ladder adjustment, the Recommended Budget includes funding for all career ladder requests. There are several reasons for the decision to not recommend a position adjustment for the requested career ladder adjustment from an Integrated Case Worker II to an Integrated Case Worker III: the request is not endorsed by the department head; no funding is included in the Department Requested budget; and, recommending the request would result in the position receiving a higher level of compensation than the position’s supervisor (unless the Human Services Supervisor position was reclassified to an Integrated Case Worker Supervisor position, which would have to be created).

As also indicated on Attachment B, please note that several of the recommended Career Ladder position adjustments require the creation of the Career Ladder being recommended; in some cases the request and recommendation is only that the Career Ladder be created, and no position adjustment occur at this time; and, in some cases, the employee is already receiving out-of-class pay at the new career ladder position.

## Reclassification Requests

In light of the fiscal uncertainties surrounding this year's budget, as well as equity considerations, no Reclassification requests are recommended at this time. Of the eight (8) Reclassification requests sought by departments: three (3) could not be recommended regardless of the County's fiscal position; three (3) appear to possibly be warranted; one (1) would require the creation of a new job title; and, the recommendation for one (1) of the Reclassification requests would, to maintain equity, need to be predicated on the Reclassification of the position cited above as requiring the creation of a new job title.

The positions not being recommended for Reclassification at this time account for \$53,494 in overall savings when compared to the Department Requested Budget.

## Equity Adjustment Requests

Similar to the reasons stated for not recommending Reclassification requests, no Equity adjustment requests are recommended at this time. In addition, Equity adjustments for represented employees require the County to first meet and confer with ICEA, and therefore could not be recommended at this time regardless of other considerations. Two (2) of the three (3) Equity adjustment requests pertain to represented positions, the third position is the Chief Deputy Probation Officer; while an Equity adjustment might be warranted based on a comparison to other positions with similar scopes and breadths of responsibility, the responsibilities associated with this position could change with the hiring of a new Chief Probation Officer later this year. The positions not being recommended for Equity adjustments at this time account for \$14,197 in overall savings when compared to the Department Requested Budget.

## New Positions

The *New Position Request Report* (Attachment F) shows that requests for 9 new positions were received during this year's budget process. The County Budget is unable to fulfill all these requests at this time, and some of the requested positions would have to be created and evaluated relative to equity as well as funding issues. Some of the ranges associated with certain requests appear too high relative to the scope and breadth of responsibility associated with the position, and others do not appear warranted in light of current department structure or funding capacity. It should be noted that the request for a part-time Addictions Counselor II (BPAR) position is based on an APAR position currently performing the work. This position requires a special certificate, is funded with categorical money and, the Health and

Human Services department asserts, would – if it were changed from an APAR to a BPAR – pay for itself in increased billings.

## **FISCAL OVERVIEW**

The Fiscal Year 2008-2009 CAO Recommended Budget projects a total increase in revenues of \$2,373,723, from \$75,451,576 in the Fiscal Year 2007-2008 Board Approved Budget to \$77,825,299 in this year's Recommended Budget.

The Recommended General Fund Budget projects revenues of \$45,283,863, an increase of \$1,747,660, or 4% more than the \$43,536,203 in General Fund revenues projected in the Fiscal Year 2007-2008 Board Approved Budget. However, the increase in General Fund revenues is slightly deceiving due to the infusion into the General Fund of recommended Operating Transfers from the Geothermal Royalties Fund and Criminal Justice Facilities Trust, as well as other Trusts, totaling \$760,630. Without these Operating Transfers, the increase in General Fund revenue compared to Fiscal Year 2007-2008 is \$987,030, or just 3.21%. The projected increases in this year's General Fund revenues – the most notable being a projected increase in property taxes (up 5.57%, or \$571,993) – are off-set by projected decreases in certain revenue codes such as a 15.9%, or \$220,574 decrease in fines and forfeitures revenue.

In light of the still-declining housing market, increased fuel prices, and general economic uncertainty, 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. Assumptions associated with this year's revenue projections include:

- Minimal increases in tax revenues.
- No revenue being received from the sale of County-owned property.
- 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.)
- No future geothermal royalty payments have been projected in the Recommended Budget. Pursuant to County Policy, any geothermal royalty payments that may be received in Fiscal Year 2008-2009 will be treated as unanticipated revenue.

The following graph, *General Fund Revenues by Category*, Figure 1., illustrates the sources of General Fund revenues in the Fiscal Year 2008-2009 Recommended Budget.

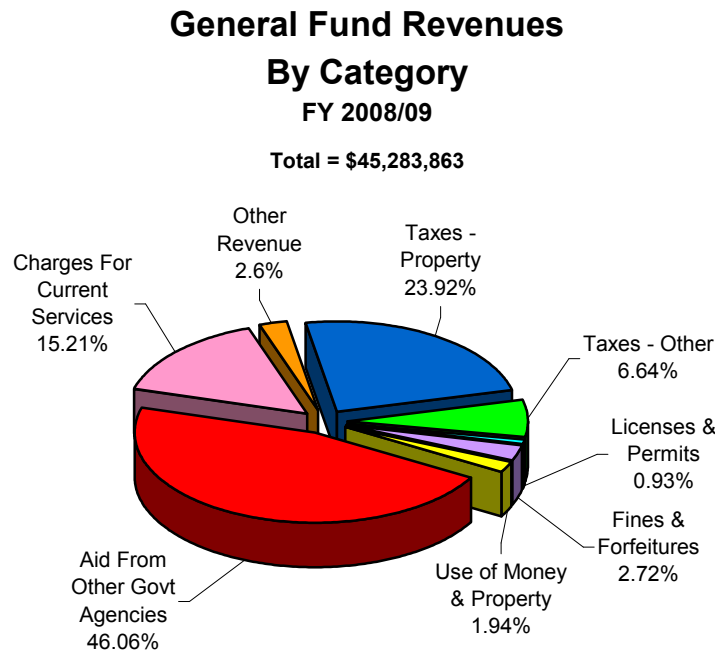


Figure 1.

The plethora of Operating Transfers that have been made in and out of the General Fund in recent years makes a comparison of changes in revenues and expenditures from one fiscal year to the next very difficult. A cursory review seems to indicate that increases in revenues are beginning to keep pace with, and maybe even surpassing increases in expenditures. However, this might be less an indication of strong revenue performance, and more a reality of forced reductions in expenditures due to funding limitations. None-the-less, costs beyond the control of departments continue to rise.

When changes in Board Approved General Fund expenses are compared between fiscal years 2007-2008 and 2008-2009, the increase in costs appears to be about 4.55% (inclusive of Operating Transfers out). When an effort is made to exclude Operating Transfers out from the calculation, it appears that expenses in this year's Recommended Budget have increased about 2.4% from Fiscal Year 2007-2008.

Changes in General Fund expense categories between Fiscal Year 2007-2008 to costs in Fiscal Year 2008-2009, are shown in Table 3.

<b>CHANGE IN GENERAL FUND EXPENDITURES BY CATEGORY OF EXPENSE</b>				
<b>Expense Category</b>	<b>FY 2007-08 Board Approved</b>	<b>FY 2008-09 CAO Recommended</b>	<b>Difference</b>	<b>Percent Change</b>
Salaries & Benefits	\$29,042,508	\$30,156,912	\$1,114,404	3.84%
Services & Supplies	\$8,937,213	\$8,646,308	-\$290,905	-3.25%
Internal Charges	\$2,517,742	\$2,478,486	-\$39,256	-1.56%
Other Charges	\$4,795,493	\$4,458,157	-\$337,336	-7.03%
Fixed Assets	\$230,287	\$655,665	\$425,378	184.72%
Other Financing Uses	\$1,121,259	\$2,260,318	\$1,139,059	101.59%
Reserves	\$26,303	\$138,363	\$112,060	426.04%
<b>TOTAL</b>	<b>\$46,670,805</b>	<b>\$48,794,209</b>	<b>\$2,123,404</b>	<b>4.55%</b>

Table 3.

**CAO Recommended Budget**

The total Fiscal Year 2008-2009 CAO Recommended Budget is \$83,090,878, and represents a \$2,066,496, or a 1.025% increase over the Fiscal Year 2007-2008 Board Approved Budget of \$81,024,382. (In Fiscal Year 2007-2008, the Board-Approved County Budget increased 1.28% compared to Fiscal Year 2006-2007.)

The following graph, *Total County Expenditures*, Figure 2., demonstrates the categorical division of the Budget, as recommended.

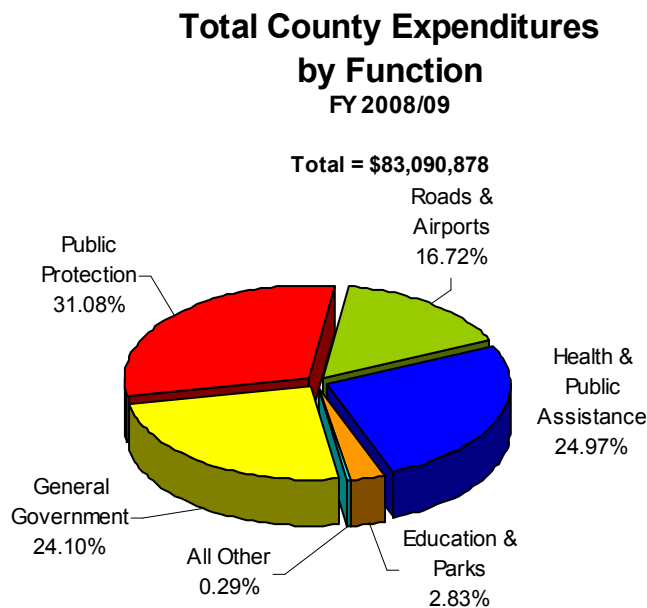


Figure 2.

***Non-General Fund Budget***

The Fiscal Year 2008-2009 Recommended Non-General Fund Budget totals \$34,269,669 in expenditures and \$32,541,436 in revenues. The deficit in Non-General Fund budgets is \$1,755,233. Including recommended Operating Transfers, there is sufficient Fund Balance in these budgets to cover the gap between revenues and expenditures. Table 4. shows the Operating Transfers being recommended for Non-General Fund budgets.

<b>OPERATING TRANSFERS TO NON-GENERAL FUND BUDGETS</b>		
<b>Transfer To</b>	<b>Source</b>	<b>Amount</b>
Deferred Maintenance	General Fund	\$155,500
Deferred Maintenance	Criminal Justice	\$8,000
District Attorney -- Vertical Prosecution ( <i>grant augmentation</i> )	General Fund	\$958
District Attorney -- Victim Witness ( <i>grant augmentation</i> )	General Fund	\$16,053
Eastern Sierra Regional Airport ( <i>budget augmentation</i> )	General Fund	\$140,609
Economic Stabilization	General Fund	\$300,000
Network & Financial System Projects ( <i>debt service</i> )	General Fund	\$462,080
Network Project ( <i>electrical system upgrade</i> )	General Fund	\$334,000
Senior Program (IMAAA) ( <i>grant match</i> )	General Fund	\$23,861
Senior Program (IMAAA) ( <i>contract shortfall</i> )	General Fund	\$307,054
Solid Waste ( <i>structural deficit requiring subsidy</i> )	General Fund	\$425,202
Water Systems ( <i>rate setting consultant</i> )	General Fund	\$49,299
<b>TOTAL</b>		<b>\$2,222,616</b>

Table 4.

***General Fund Budget***

The Fiscal Year 2008-2009 Recommended General Fund Budget totals \$48,794,209 in expenditures and \$45,283,863 in revenues. General Fund expenditures represent an increase of \$2,123,404, or 4.55% over the Fiscal Year 2007-2008 Board Approved General Fund Budget of \$46,670,805. (In Fiscal Year 2007-2008, the Board Approved General Fund Budget increased 8.06% compared to Fiscal Year 2006-2007.)

The Auditor-Controller certifies the Fund Balance in the General Fund to be \$3,510,346, and this amount is used to balance the Fiscal Year 2008-2009 Recommended General Fund Budget.

The following graph, *General Fund Expenditures by Function*, Figure 3., demonstrates the categorical division of the General Fund Budget, as recommended.

### General Fund Expenditures by Function FY 2008/09

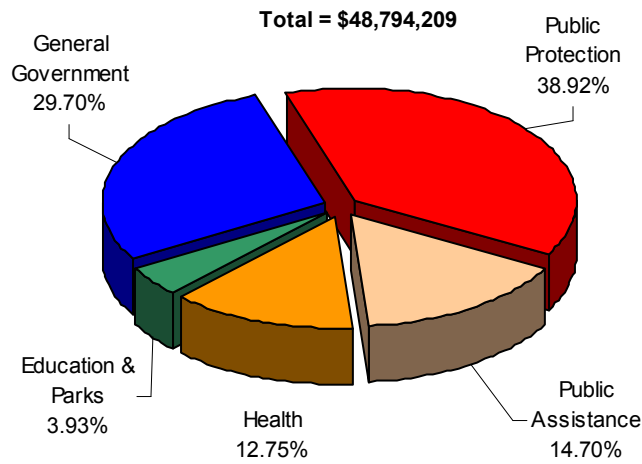


Figure 3.

The CAO Recommended Budget includes the following Operating Transfers from the General Fund (Table 5.)

<b>RECOMMENDED GENERAL FUND OPERATING TRANSFERS</b>	
Transfer To	Amount
Deferred Maintenance	\$155,500
District Attorney -- Vertical Prosecution ( <i>grant augmentation</i> )	\$958
District Attorney -- Victim Witness ( <i>grant augmentation</i> )	\$16,053
Eastern Sierra Regional Airport ( <i>budget augmentation</i> )	\$140,609
Economic Stabilization Fund	\$300,000
Network Project (electrical system upgrade)	\$334,000
Network & Financial System Projects ( <i>debt service</i> )	\$462,080
Senior Program (IMAAA) ( <i>grant match</i> )	\$23,861
Senior Program (IMAAA) ( <i>contract shortfall</i> )	\$307,054
Solid Waste ( <i>structural deficit requiring subsidy</i> )	\$425,202
Water Systems -- <i>rate setting consultant</i>	\$49,299
<b>TOTAL</b>	<b>\$2,214,616</b>

Table 5.

## RECOMMENDED CHANGES TO DEPARTMENT REQUESTED BUDGETS

In addition to the differences already discussed, the CAO Recommended Budget differs from the Department Requested Budget as follows. This section of the report will also be used to identify key issues in certain budgets that have not already been discussed.

Medical insurance costs have been reduced in all non-safety budget units by 12%, and in all safety budget units by 5%. When the Personnel Module was created last April, medical insurance costs were unknown. Based on last year's increase of 12%, a similar estimated increase of 12% (for six-months) was incorporated in the Personnel Module. The County recently received confirmation that there will be no increase in medical insurance costs for non-safety employees, but medical insurance costs for safety employees will increase on January 1, 2009, by a factor close to 7%.

Additionally, the County's contribution rates for CalPERS have increased effective July 1, 2008. Contributions for Miscellaneous employees increased from 10.862% to 11.755%, and the contribution for Safety employees increased from 26.888% to 27.144%. Salary and Benefits object codes have been revised accordingly in the Fiscal Year 2008-2009 Department Requested, as well as the Fiscal Year 2008-2009 CAO Recommended budgets.

### *Non-General Fund Budgets*

#### Acquisitions – ACO

The Recommended Budget adds \$74,000 for professional services expenditures that will be needed to pay contract expenses, approved by your Board last fiscal year but not encumbered, to appraise certain County-owned properties. There is sufficient Fund Balance to pay for this expense.

#### D.A. – Vertical Prosecution Program

The Recommended Budget supports a \$958 General Fund Operating Transfer to this budget to off-set a portion of the Program's Cost Plan charges not covered by the Program's grant.

#### D.A. – Victim Witness Program

The Recommended Budget reflects a reduction in the Program's grant allocation of \$4,610, based on information received from the State after the department submitted its budget request. The reduction in revenue, coupled

with an increase in this budget's County Cost Plan charges, increases the Program's budget deficit to \$16,053. The CAO Recommended Budget includes an Operating Transfer from the General Fund to balance this budget.

### *Deferred Maintenance*

The Deferred Maintenance budget sought a \$25,000 appropriation from Fund Balance to repair the roof at the County-owned building on South Street in Bishop, and replace one (1) of four (4) kitchen exhaust hoods in compliance with new regulations. Deemed inadequate to meet extremely urgent deferred maintenance needs at County facilities, the CAO Recommended Budget includes \$163,500 in Operating Transfers (\$155,500 from the General Fund and \$8,000 from the Criminal Justice Facilities Trust) and corresponding expenditures. The recommended appropriation should be sufficient to fund the following, or other repairs and improvements, should they be approved by your Board and providing that staff resources are available to pursue them:

- Re-roof the Bishop Senior Center.
- Upgrade kitchen exhaust hoods, in compliance with new regulations, at the Bishop and Lone Pine Senior Centers, the Eastern Sierra Regional Airport, and the County Jail.
- Remediate the fuel spill, which includes asbestos abatement and demolition of a small out-building, at the former Big Pine Care Center.
- Rebuild the septic system at the Big Pine Animal Shelter.
- Consider re-roofing and painting the County-owned building at 207 West South Street in Bishop.
- Consider targeted improvements to the Lone Pine Library and former Lone Pine Sheriff's Sub-Station building.
- Address minimal facility needs that may arise during the year, or be otherwise directed by your Board.

### *Eastern Sierra Regional Airport*

The Eastern Sierra Regional Airport budget ended Fiscal Year 2007-2008 with a \$2,559 deficit, however, the year-end inventory adjustment (not reflected in year-to-date actuals) increases the amount of the deficit to \$38,000 as the result of an end-of-the-year fuel purchase. The Requested ESRA budget for Fiscal Year 2008-2009 projects a \$102,609 deficit. As a result, the Airport budget requires a \$140,609 Operating Transfer from the General Fund if services are to remain at current levels. Although minor reductions, not reflected in the CAO Recommend Budget, could be made to the professional & special services (\$3,500) and general operating expense (\$3,550) object codes, the benefit of making these reductions at this time would have to be weighed against revenue uncertainties (associated with fluctuations of fuel costs and sales, number of airport users, and the status of

the airport restaurant lease) that could result in an even-higher budget deficit at the airport.

The airport budget for Fiscal Year 2007-2008 surpassed revenue projections by \$57,488 but still ended the year with an overall deficit. A preliminary analysis of the airport budget suggests that the year-end deficit resulted from expenditures exceeding budgeted appropriations in certain non-fuel object codes; fuel purchases exceeding budgeted appropriations by at least \$117,305; and, the fact that, as fuel costs increased, the airport's revenue from fuel sales did not increase proportionately. This last factor appears to be a by-product of the County Ordinance governing airport fuel sales, and similarly affects the facility's Fiscal Year 2008-2009 budget.

In anticipation of rising fuel costs, the department's requested fuel expenditures are \$449,578 higher than last year's Board Approved amount (a 74% increase), however, projected revenues from fuel and oil sales only increased by \$391,686 when compared to last year's Board Approved revenues; increases in fuel costs are projected to exceed increases in fuel revenues by \$57,892. If the fuel ordinance were amended to at least allow revenues to keep pace with expenditures, and if the airport would have not over-spent its appropriations in Fiscal Year 2007-2008, the General Fund Operating Transfer required for this budget this fiscal year would be closer to \$44,717 which is comparable to last year's Operating Transfer of \$49,376.

The Eastern Sierra Regional Airport is an extremely valuable County asset, however, it may not need to rely on County General Fund support to the degree currently required. Your Board is strongly encouraged to direct staff to prepare, for your consideration, a comprehensive revenue enhancement plan including, but not limited to proposals: to revise the County Ordinance governing fuel sales at the airport, and to increase fees and rents at the airport to market rates.

### *Economic Stabilization Fund*

The CAO Recommended Budget includes a \$300,000 General Fund Operating Transfer to the County's Economic Stabilization Fund. The County maintains the Economic Stabilization Fund

“to be used for unexpected decreases in revenues and/or increases in expenditures which cannot be absorbed with the existing County budget appropriated for that fiscal year, including any appropriation for contingency funds.”

This year's higher-than-expected General Fund Balance may be attributable to more stringent revenue recognition procedures, which might also impact projected revenues in the Fiscal Year 2008-2009 Budget.

Transferring “extra” Fund Balance to the Economic Stabilization Fund will provide means to, at least partially, address unexpected decreases in revenue associated with over-projected revenues in this year’s Budget. In addition, bolstering the County’s Economic Stabilization Fund this fiscal year is further warranted by:

- Uncertainties of how the State Budget will impact Inyo County in Fiscal Year 2008-2009; and,
- The possibility that prior year’s Road billings, currently many months in arrears, may require unexpected expenditures from the Fiscal Year 2008-2009 Budget.

### IMAAA

The IMAAA Governing Board has proposed a Fiscal Year 2008-2009 budget for its administrative and direct services contracts with Inyo County that has a \$204,735 deficit, and requires a \$23,861 grant match. The proposed budget is accompanied by a proposal from Mono County outlining the contribution it is willing to make toward the deficit, and its terms for doing so. Your Board will separately consider both the proposed contracts budget and the Mono County offer. Depending on the outcome of that deliberation, Inyo County’s cost for running the Inyo-Mono Senior Program could increase to \$307,054, plus the required grant match of \$23,861.

Because of the uncertainties surrounding the budget proposed by the IMAAA Governing Board, the Recommended Budget concurs with the Department Requested Budget, which is based on the most expensive scenario. This will ensure that there is adequate funding to continue Inyo County’s commitment to meeting the needs of its senior population. However, as a result, the budget requires a General Fund Operating Transfer totaling \$330,915.

It should be noted that the budget adopted by the IMAAA Governing Board does not include sufficient funding to pay for all of the administrative positions identified in Inyo County’s contract for administrative services, and recommended in California Department of Aging audit findings. (Like most Health and Human Services programs, one of the challenges that the Senior Program has faced in recent years is managing skyrocketing administrative expenses while the state’s reimbursement for administrative costs has remained virtually unchanged for the past 20 years.) IMAAA’s budget deficit resides in its administrative costs, where state funding only covers about \$130,000 of the Program’s \$383,000 in administrative expenses; which does not include all of the positions truly necessary to run the Program effectively.

In recent years – as budget challenges have mounted, administrative requirements increased, and working relationships have become more complex – the Senior Program’s need for strong administrative support has become even more evident. In addition to its goals to increase the Linkages Program caseload, and develop a new four-year Area Plan, one of the Program’s primary goals in Fiscal Year 2008-2009 must be to identify a framework for effectively and cost-efficiently meeting the Senior Program’s administrative needs so that Program staff can renew its focus on service delivery to our seniors.

In addition to the General Fund contribution being made to this budget unit, the Recommended Budget also supports approximately \$50,000 in deferred maintenance funding from the General Fund to make improvements to senior facilities; including a new roof at the Bishop Senior Center.

### Motor Pool

The Motor Pool budget is based on increasing the Motor Pool Rate by 11% (to an average of \$0.61 per mile), based on 2 million miles traveled. Since the cost of fuel continues to fluctuate, County departments have been apprised that the Motor Pool Rate could increase again before the end of the fiscal year.

### Solid Waste

The Solid Waste Program budget ended Fiscal Year 2007-2008 with an \$80,163 deficit. The department’s current sources of revenue, primarily sales tax and disposal fees, are insufficient to fund day-to-day operations, much less pay for the retrofit and replacement of equipment necessary to comply with air quality mandates, provide for capital improvements, and fund other regulatory compliance issues that are deferred year-after-year due to lack of funding. In the past three years, the department’s Requested Budget has repeatedly identified needs that outpaced program revenues and produced deficits of \$393,000, \$283,000, and \$761,000. While the County’s Board Approved Budgets have not been able to come close to fully meeting these funding requests, the use of some General Fund money has become increasingly necessary. At the same time, the price of implementing the deferred projects continues to increase, and is compounded by the fact that more-and-more projects remain unfunded.

The initial Department Requested budget for Fiscal Year 2008-2009, and described in the following Budget Narrative, identified expenses that surpassed revenues by over \$750,000. The initial budget request sought expenditures for a new Equipment Operator position (to improve dust control efforts as well as reduce overtime), and three (3) Litter Picker positions to service all solid waste facility locations. In addition, the Solid Waste budget

also requested \$100,000 in funding for gatehouse and restroom rehabilitation at the Bishop-Sunland Landfill, and \$90,000 in expenditures for chemical treatments for dust control, and new perimeter fencing at two facilities. Costs associated with engine retrofitting, as well as complete replacement of designated equipment totaled \$145,000 for this fiscal year alone. Almost all of the requested expenditures are associated with regulatory compliance issues. However, while most of the originally requested expenditures are clearly necessary, there is not sufficient revenue in the Solid Waste Program to fund any of these items at this time, and the General Fund simply cannot afford to provide such a large Operating Transfer without making severe cuts to other programs and services.

After a series of workshops with your Board, the department restructured expenditures based on priorities and Board direction, and reduced the Department Requested Solid Waste Program budget to a \$425,202 a deficit. This budget is represented in the Department Requested and CAO Recommended columns of the associated budget report.

As recommended, the budget eliminates:

- The replacement roll-off/dump truck necessary to begin complying with new emissions requirements.
- Fencing for the Bishop-Sunland Landfill
- All new position requests.
- Roll-off bins required for a treated wood waste program.

However, the Recommended Budget maintains funding for increases in day-to-day operating expenses (\$146,000), as well as:

- One (1) engine retrofit (\$30,000).
- Installing the gatehouse and restroom (\$100,000)
- Maintaining dust control treatments (\$30,000)
- Litter fencing in Darwin (\$20,000)
- One-time consulting contract increases (\$118,000)

As recommended, the budget requires a General Fund Operating Transfer of \$425,202. This is an expense the General Fund can hardly afford. It is strongly recommended that, as part of considering this budget, your Board direct Solid Waste Program staff to begin preparing a series of public meetings and hearings where your Board can consider what combination of fee increases and/or facility closures would be most acceptable for resolving the Solid Waste Program's structural deficit.

### Water Department

The Department Requested budget seeks an equity adjustment that is not being recommended at this time. Thus, the Recommended Budget reflects a reduction of \$3,601 in salary and benefits costs. In the department's Requested Budget, revenues exceed expenditures by \$37,048, and in the Recommended Budget the difference is a positive \$40,649.

Based on previous Board Approved budgets, and the prior two (2) years' actuals, it appears that this budget could easily generate additional savings (while maintaining comfortable appropriation levels) by making reductions to the office and other equipment (\$6,000), general operating expense (\$2,000), and travel expense (\$10,000) object codes. Further savings would allow the department to build a Fund Balance for use in future years when, as demonstrated in previous financial forecasts made by department staff, the Water department will begin encountering a structural deficit. However, in light of the positive bottom line, and affirmations by department staff that the requested expenditures are necessary, there is no recommendation to make these reductions at this time.

### Water Systems

As discussed with your board during the Budget Workshop, each of the town water system budgets – Independence, Laws, Lone Pine – require General Fund Operating Transfers to fund the remaining costs associated with the rate-setting study. The original cost of the rate-setting study was apportioned among the water systems based on dividing fixed costs (\$75,000) equally, and system specific costs (\$25,000) based on the number of accounts served by each system. The total General Fund Operating Transfers included in the CAO Recommended Budget for the town water systems are:

- Independence - \$17,008
- Laws - \$12,571
- Lone Pine - \$19,720

### **General Fund**

#### Advertising County Resources

The Recommended Budget proposes decreasing the Advertising County Resources budget appropriation by \$10,000 from the Department Requested budget. The Recommended Budget makes the same total appropriation provided in the Fiscal Year 2007-2008 Board Approved Budget, but provides a specific \$10,000 appropriation for the County's exhibit at the California State Fair, and decreases funding for the Lone Pine Interagency Visitor Center and Film Commissioner contract by \$5,000 each. The decreased

appropriation for the Film Commissioner contract will still provide funding on par with last year's contract amount. No reductions are proposed to the Community Project Sponsorship Program or other tourism marketing expenses. The Recommended Budget provides funding for the following programs and activities:

- Community Project Sponsorship Program - \$100,000
- Tourism Marketing Contract - \$75,000
- Collaborative Regional Projects - \$25,000
- Public Relations Contractor - \$13,000
- Cultural Heritage Workshop - \$2,000
- Film Commissioner Contract - \$50,000
- Inter Agency Visitors Center - \$15,000
- Cal Expo Exhibit - \$10,000

### *Agricultural Commissioner*

The CAO recommended budget proposes a reduction of \$3,782 in the Salary and Benefits object category. As discussed previously, the CAO Recommended Budget does not support any Reclassification or Equity adjustment requests submitted with the Fiscal Year 2008-2009 Department Requested Budget.

### *Assessor*

The CAO Recommended Budget includes a \$50,745 Operating Transfer from the Geothermal Royalties Fund to pay for the portion of the mineral appraisal consulting contract cost associated with the assessment of geothermal properties.

The Recommended Budget does endorse two (2) Career Ladder requests but, as stated above, Reclassification and Equity adjustment requests are not funded in the Recommended Budget. As a result, the Salary and Benefits object category is reduced by \$6,648. Other minor reductions are recommended to the department's maintenance of equipment (\$300), general operating (\$1,395) and internal copy (\$1,000) object codes based on necessity and prior years' actuals.

### *CAO*

The Recommended Budget includes a \$95,283 in Geothermal Royalties Operating Transfer to fund a Fiscal Year 2007-2008 encumbrance for the balance of the contract for the tax attorney hired to assist the Assessor and County Council in matters related to the Coso property tax assessment.

The Recommended budget also provides \$5,000 for the support and care of persons. This funding is recommended to ensure that Inyo County

seniors transitioned from MSSP to Linkages in the Senior Program still have access to “purchase of service funds.” The loss of “purchase of service” funds (paid through Medical for items such as ramps, toilet seats, and wheelchairs) is the only difference in service levels between the MSSP to Linkages programs. While most of the clients being transitioned from MSSP to Linkages have probably already had their “purchase of service” needs met, this funding will be available, upon request by the IMAAA Executive Director, should a former MSSP client living in Inyo County have a “purchase of service” need that cannot be met through the IMAAA budget, or by our generous community organizations.

It is also necessary to increase the Department Requested budget by \$5,000 in case the scholarship the CAO was awarded to attend the University of Virginia leadership program needs to be repaid due to the CAO not attending the course because of the Oak Creek Mud Flow disaster. Staff is working with the University of Virginia to determine if all, or a portion of the tuition can be applied to next year’s program instead of refunding the scholarship money.

#### County Clerk - Recorder

The Recommended Budget does not include funding for new positions requested by the department. The Salary and Benefits object category in the department’s Requested Budget has been reduced by \$12,540.

The Recommended Budget also increases the recording fees revenue code by \$2,000 based on the prior two (2) years’ actuals.

#### D.A. - General

The Recommended Budget results in a decrease of \$19,731 in Net County of Cost when compared to the Department Requested budget. The Recommended budget is based on reducing costs in certain object codes based on past expenditure levels and, in some instances, merit: maintenance of equipment (\$500); employee physicals (\$500); advertising (\$500); office, space & site (\$870); general operating expense (\$5,111); utilities (\$3,500); internal charges (\$500); travel (\$5,250); and motor pool (\$3,000).

#### Grants-in-Support

Based on funding requests received through this year’s grant application process, the Requested GIS Program budget is \$124,385. In light of the elimination of Indian Gaming Special Distribution Fund grant money to help fund this Program, the CAO Recommended Budget provides \$105,000 which is sufficient to award applicants the same amount of County grant funding they received in Fiscal Year 2007-2008.

### Jail – General

When compared to the Department Requested budget, the Recommended Budget reduces Net County Cost by \$113,002. The majority of this savings comes from recommending approximately \$71,000 in salary savings associated with vacant Correctional Officer positions by acknowledging realistic fill dates in September and October. The Recommended Budget makes reductions totaling \$6,500 in the maintenance of equipment and maintenance of equipment – materials object codes based on the prior two (2) years' actuals. While the Recommended Budget reduces travel appropriations requested by the department by \$36,000 (to \$100,371), the Recommended Budget still supports travel expenditures \$19,443 above last year's actuals.

The Recommended budget supports the new Career Ladder requests contained in department's budget request.

### Juvenile Institutions

In addition to the above mentioned Operating Transfer from the Criminal Justice Facilities Trust, the Recommended Budget reduces salary and benefit costs in the amount of \$73,212. This reduction is a result of recommended salary savings, and other personnel actions that are not recommended in the budget. This Recommended Budget does, however, support the requested Career Ladder advancement for the Cook position.

Other reductions include: personal & safety equipment (\$2,900) and office & other equipment (\$10,000). Both of these object codes were reduced by 50% of the original amount requested based on past expenditure levels and demonstrated need.

### Library

The CAO Recommended Budget reflects \$80,583 in salary savings associated with current vacancies in the Library; most notably postponing the hiring of the Central Librarian position by one-year. However, the recent retirement of a senior staff member may provide the Library Director some flexibility in how to achieve this savings and still fill the Central Librarian position before the end of the fiscal year. Although the department has fully justified the need for a new microfilm printer in its Requested Budget, due to fiscal constraints, this purchase is not being recommended. As a result, expenses are decreased by an additional \$10,042.

### Lone Pine Sub-Station

The Requested Budget seeks a \$225,000 General Fund appropriation to purchase a modular extension and make parking lot improvements

necessary to complete the Lone Pine Sub-Station project. In the past, the department budget has requested using AB 443 Fund monies for the Project, but last year the Recommended Budget replaced the use of AB 443 monies with funds from the Criminal Justice Facilities Trust. Rather than generate General Fund savings by postponing the Project, or use AB 443 funds, the Recommended Budget again proposes using Criminal Justice Facilities Trust monies to complete the Project this fiscal year.

### Parks

In an effort to reduce General Fund expenditures, the CAO Recommended Budget proposes an \$80,192 Operating Transfer from the Geothermal Royalties Fund to fund eligible park improvement projects and the purchase of fire rings and a drinking fountain replacement identified in the department's budget request.

### Planning

The CAO Recommended Budget provides a \$125,000 Operating Transfer from the Geothermal Royalties Fund to pay for eligible expenses associated with the update of the General Plan and Zoning Ordinance (\$85,000), and preparation of the Housing Element (\$40,000). The Recommended Budget also identifies \$54,326 in savings associated with the recommendation, similar to last year, to leave Planning Technician I position vacant – the department disagrees with this recommendation.

### Probation

The Recommended Budget recognizes \$69,500 in salary and benefit reductions associated with recommended salary savings and not recommending personnel adjustments. Additional reductions recommended in certain object codes are based on past expenditure levels and department necessity: office & other equipment (\$3,000); utilities (\$5,700); and travel (\$1,500).

### Public Defender

The Recommended Budget reflects a slight reduction in revenue of \$277 based on the prior year's receipts. Along with this reduction, the Recommended Budget includes adding \$10,000 to contingencies, the future use of which would need to be approved by your Board, associated with escalating professional services costs the County has no control over but is required to fund relative to providing indigent defense services, and uncertainties regarding the outcome of the Request For Qualifications that will be initiated prior to executing new Contract Public Defender agreements in December.

### Public Works

The Recommended Budget supports the department's budget request to add a new career ladder for both the Building Inspector and Engineering Assistant classifications. In addition, the Recommended Budget recognizes \$48,186 of salary savings from existing vacancies, but only through October.

Although the Department Requested Budget reduces Net County Cost when compared to the Fiscal Year 2007-2008 Board Approved Budget, the CAO Recommended Budget generates additional savings in several object codes for which the department could not substantiate the essentiality of the requested increase in appropriations. As a result, the department's Net County Cost is further reduced. Reductions are recommended to the following object codes: office & other equipment (\$10,000); general operating expense (\$6,450); travel expense (\$3,000); motor pool (\$3,000). A request to purchase a new truck (\$18,000) is also eliminated in the Recommended Budget.

### Sheriff – General

The Recommended Budget supports the Career Ladder adjustments requested by the department. In addition, it is recommended that a \$50,000 Operating Transfer be made from the COPS Trust to help fund overtime and equipment costs. This was one of the proposed uses the department identified, and requested for the COPS funds during the public hearing held last February, and leaves over \$37,000 in the COPS Trust for other purposes. The transfer will only occur as needed, and as actual expenses are incurred.

In addition, the Recommended Budget reduces requested expenditures in the maintenance of equipment-materials (\$1,000), maintenance of equipment-fuel (\$700), and advertising (\$2,000) object codes based on the prior two (2) years' actuals for this budget. A \$20,000 reduction in travel expense is also recommended. This will still provide travel funding for training expenses in an amount just below last year's actuals and slightly above last year's Board Approved Budget.

### Treasure-Tax Collector

The department budget for this year includes appropriations to conduct a Hotel Transient Occupancy Tax audit, if approved by the Financial Advisory Committee and your Board, funded from additional revenues associated with the department's planned tax-defaulted land auction. The proceeds from this auction are anticipated as being higher than might otherwise be realized thanks to the department's innovation in holding the auction on-line.

## 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 suspension of Proposition 1A or Proposition 42.
- No “new” takeaways in the State Budget.
- Departments will meet or exceed their revenue projections and manage their expenditures within the appropriation limits established by your Board.
- Some budgets may have over-stated their projected revenues, or will incur unbudgeted Road billings.
- Receiving no new Geothermal royalty payments.
- Only minimal increases in tax revenues.
- No costly litigation decisions adverse to Inyo County.
- No homicide prosecutions requiring a change of venue.
- Continuing to pay a disproportionate amount of undesignated court fee revenue to the State.
- No new revenue streams being created.
- No loss of grant funding for existing projects.

### *Known Changes*

#### Parks

The Parks Department has informed the CAO that it needs to create, and have a budget approved for the Tecopa Sewage Lagoon Project. This may be a “walk on” budget during the Budget Hearings.

### *Oak Creek Mud Flow*

Once preliminary damage assessments are complete, and cost estimates known, a budget unit will need to be created and approved by your Board to manage disaster response and recovery costs related to the Oak Creek Mud Flow disaster.

### *Motor Pool*

The CAO, in consultation with the Auditor Controller and Motor Pool staff, will evaluate the capacity of the Motor Pool Replacement budget to fund one or two additional vehicles to replace high-mileage Sheriff's vehicles in this year's budget, and recommend a budget amendment to your Board to accomplish this if it is deemed to be feasible.

### ***Outstanding Issues***

- As of August 28<sup>th</sup>, the State of California has yet to adopt its Budget for FY 2008-2009, and the State Budget that is ultimately adopted could significantly impact funding to the County.
- The County needs to develop strategies to reduce the amount of future General Fund monies that are required to support its Enterprise Funds and programs funded with categorical monies, including the Solid Waste Program and Eastern Sierra Regional Airport.
- The County is in contract negotiations with the Deputy Sheriff's Association and Law Enforcement Administrators Association, and funds will need to be identified to pay the cost of any new labor agreements.
- A plan must be developed to begin addressing unfunded retiree health liability charges the County will be mandated to recognize in the future.
- As State and Federal funding becomes more scarce, and costs continue to increase, the County needs to revisit its own schedule of fees to ensure that they cover a reasonable portion of the cost of providing services.
- Although this Budget provides funding to pay for essential electrical system upgrades, the funding is insufficient to begin to address all of the electrical upgrade needs in County facilities. In addition, this Budget provides little funding to make significant headway in implementing the Deferred Maintenance Program.

- Rising fuel costs and a downturn in the economy may impact visitation to the county, or boost it (if the Eastern Sierra is seen as a near-by vacation).
- The recent sale of the Coso geothermal facility, combined with its ongoing but, as yet, unsuccessful efforts to maintain and enhance production levels, leaves uncertainties regarding the level of its future economic contributions to the regional economy.

## CONCLUSION

Preparing the County Budget is a long and, sometimes, arduous process. Challenging decisions have to be made. Submitting a balanced County Budget could not be accomplished without the support, cooperation, and understanding of all County departments, and especially not without the untiring and dedicated support of the CAO's Budget Analyst, the Auditor-Controller, her staff, and staff in the County Administrator's Office. Thank you.

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 maintains existing service levels.

## SUMMARY OF RECOMMENDATIONS

1. Adopt the Fiscal Year 2008-2009 Budget as Recommended by the County Administrator.
2. Set adoption of the Final Budget for September 16, 2008.
3. Authorize the County Administrator to sign all the Grants-in-Support Program contracts, contingent upon the appropriate county signatures being obtained, for the programs and amounts approved by your Board.

Submitted by:

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Budget Officer

**ATTACHMENTS**

- Attachment A – INYO COUNTY ORGANIZATIONAL CHART  
The organizational chart is provided for information purposes.
- Attachment B – RECOMMENDED POSITION ADJUSTMENTS
- Attachment C – POSITION VACANCY REPORT/SALARY SAVINGS TABLE
- Attachment D – COUNTY OF INYO, MANPOWER REPORT  
(As of July 1, 2008) The Manpower Report reflects the authorized full time equivalent positions by department and part-time (BPAR) positions in the County.
- Attachment E – HEALTH & HUMAN SERVICES STAFFING TABLE
- Attachment F – NEW POSITION REQUEST REPORT
- Attachment G – COUNTY OFFICE HOURS