



COUNTY OF INYO

ADMINISTRATOR'S OFFICE
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INDEPENDENCE, CALIFORNIA 93526

FISCAL YEAR 2010-2011

RECOMMENDED BUDGET

BUDGET MESSAGE

Submitted to the
INYO COUNTY BOARD OF SUPERVISORS

From
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County Administrative Officer

August 27, 2010
For the Budget Hearings beginning September 7, 2010

***“As you ramble through your sorrow
Seems like everything come out wrong
I'm living in yesterday's tomorrows
I know something's helping me along”***

I'll Take a Melody
By Allen Toussaint

INTRODUCTION

This budget could easily be described as *a glass half-full / half-empty budget*.

For those so inclined, there is plenty in this Budget to find disappointment with. There are many needs that are only partially funded, and even more needs for which no funding is identified. County departments long ago ran out of belt holes, but the belt tightening continues as the County Administrator finds it necessary to recommend budget reductions so slight that, at times, they are almost laughable (unless, of course, your department is the one losing \$400). Once again, this Budget recommends no personnel actions, but does recommend deleting vacant positions. Oh, and the Budget is, once again, being prepared without any idea what the State of California is going to do with its Budget.

If the theme of last year's Budget was 'redemption almost being within reach' – a General Fund revenue windfall of over \$2.5 Million late in the 2008-2009 Fiscal Year being swallowed, almost whole, by the disappearance of other revenues and huge new costs centers in the Fiscal Year 2009-2010 Budget – the theme of this year's Budget *could* be 'where's the beef?' After budgeting \$1.5 Million to fund the State's 'one time' Proposition 1A property tax raid, and \$2 Million to invest in an Other Post Employment Benefits (OPEB) Trust, and recognizing there is only \$1 Million recommended for that OPEB Trust in Fiscal year 2010-2011, it seems reasonable to ask, in round numbers, where's that extra \$2.5 Million this year? Well, that cushion blew off the couch in the bed of the pick-up a ways back up the road.

For the first time since the 'crash,' the County is faced with decreases in its secured and unsecured property taxes. Not huge decreases, mind you, but decreases nonetheless. And, what has not been used to off-set lost property tax revenue is being spent in the name of justice. As two murder cases wind their way through the criminal justice system, anachronistic laws leave the County obligated to pay for many costs over which it has no control. This Budget includes \$500,000 to cover the cost of the decision to change the venue of, to date, just one of the murder trials, and the Public Defender

budget is increased by over \$170,000 to pay for costs associated with the decision to appoint out-of-contract attorneys to represent one of the accused, and take on other cases that some of the County's contract attorney's believe they are too busy to cover. Well, there's always next year.

In the meantime, however, I believe the true theme of this year's Budget is one of **gratitude**. The County is able to maintain core services at historic service levels. All filled staff positions are being retained. The County will be debt free this year, and money is continuing to be set-aside to move forward with several initiatives, including preparing to replace antiquated telephone and property tax software systems. And tax revenues, while down, have not decreased nearly as much as they have in other jurisdictions. In fact, as the Assessor will tell you, when compared to 2007 – before the economic meltdown – the 2010 tax roll is up 16.8%! That is thanks largely to the sale of the Coso geothermal plant, and several other high profile properties including a gold mine and a five star resort. And, that is what is, primarily, keeping County operations going . . . that, and the dedication of County staff. The dedication of County departments and their staffs must be recognized as the singular reason the County is able to keep functioning in year-after-year of perpetually tight budgets. Balancing the Budget is not as easy as it looks, and it is accomplished only through sacrifice on the part of County departments. There are not many Services and Supplies object categories in this year's Budget that are getting to spend more than last year, and the number of vacant positions that will not be filled for a while makes a long list.

So, there is much to be grateful for in this Budget. It's largely a status quo budget, but one that finds some funds to move forward with projects on several fronts. And, of course, this could all change once the State enacts its budget – but right now there's a little sun shining through a hole in the clouds.

SUMMARY

As required by law, the Fiscal Year 2010-2011 County Budget, as recommended by the County Administrative Officer, is balanced. The Recommended Budget totals \$78,991,463 in expenditures and \$72,987,405 in revenues. The General Fund portion of the Recommended Budget is \$49,667,480 in expenditures and \$45,890,035 in revenues, and utilizes \$3,777,445 in Fund Balance from Fiscal Year 2009-2010. In contrast, the Fiscal Year 2010-2011 Department Requested Budget, based on department budget requests, seeks \$76,468,811 in expenditures against \$70,630,764 in revenues, with a General Fund component of \$47,488,057 in expenditures and \$45,204,022 in revenues. (Table 1.)

	Department Requested Budget			CAO Recommended Budget		
	Expense	Revenue	Shortfall	Expense	Revenue	Shortfall
General Fund	\$47,488,057	\$45,204,022	\$(2,284,035)	\$49,667,480	\$45,890,035	\$(3,777,445)
All Funds	\$76,468,811	\$70,630,764	\$(5,838,047)	\$78,991,463	\$72,987,405	\$(6,044,058)

Table 1.

The Fiscal Year 2010-2011 CAO Recommended County Budget is sufficient to:

- Fully fund the County’s final debt service obligations. The last Certificate of Participation (COP) payment for the jail will be made in February, and the final payment for the Financial System Project will be made September 1st, before this budget is finalized.
- Maintain core County services and programs, and avoid major reductions in most other services and programs.
- Continue to address unfunded retiree healthcare liabilities by budgeting a \$1 Million contribution to the Other Post Employment Benefits (OPEB) Trust the County established (and funded with \$2 Million) last year. This GASB 45 contribution is in addition to the \$832,743 pay-as-you-go amount for retiree healthcare costs also included in this Recommended Budget.
- Fund increases in employee healthcare and retirement benefit costs that are beyond the County’s control.
- Provide a General Fund Operating Transfer necessary to avoid reductions in services to senior citizens.
- Provide General Fund Operating Transfers necessary to maintain services provided by key enterprise fund programs, such as the Eastern Sierra Regional Airport, the Integrated Waste Management Program, and the Laws Water System.
- Maintain funding for the County’s Grants-In-Support and Community Project Sponsorship programs at, or in the case of the Grants-In-Support Program, slightly above Fiscal Year 2009-2010 levels.
- Provide \$126,038 in General Fund Contingencies.

However, it is also important to recognize that this Budget leaves many County needs unfulfilled, and others only partially fulfilled. Initiatives that are only partially addressed in this Budget include:

- Providing \$165,000 for the more than \$2,500,000 in deferred maintenance projects that have been identified at County-owned facilities.
- Identifying \$100,000 that can be set aside to begin to address some (but not all) of the County's critical computer system needs including essential software upgrades, replacing the CREST property tax software system, replacing the County's telephone system, and providing seed money to establish a "tech refresh" program.
- Making only a \$50,000 contribution to the County Economic Stabilization Fund, and no contribution to the General Reserve Fund, which are relied on to help smooth-out unexpected decreases in revenues and/or increases in expenditures that cannot be absorbed with budgeted appropriations.

However, as presented, the Recommended Budget **does not**:

- Provide adequate General Fund Contingencies, especially in light of State Budget uncertainties.
- Maintain the size of the County workforce. As indicated below, some vacant positions are recommended for deletion from the County's Authorized Staff Report in an effort to continue the process begun last year to "right-size" the County workforce, when possible, through attrition rather than layoffs.
- Contemplate any requested Personnel Actions including requests for employee equity adjustments, career ladders, and reclassifications made by departments during the budget process.
- Funding any cost increases that may result from labor negotiations with the Inyo County Employees Association (ICEA), the Elected Officials Assistants Association (EOAA), and the Law Enforcement Administrators Association (LEAA), and the Deputy Sheriff's Association (DSA). (Nor, however, does this Budget anticipate or rely on cost decreases that may result from these negotiations.)
- Dedicate any additional funding to upgrade the electrical system in key County facilities. There is currently \$618,000 in dedicated funding available and budgeted for this project in this year's Budget. However, the actual cost of the project will not be known until the bid process is completed. In addition, to date, the State Administrative Office of the Court has yet to agree to fund it's share (estimated at \$132,000) of electrical system upgrade costs for the Superior Court's occupancy in the Historic Courthouse.

- Set-aside money to minimize the impact of anticipated employee retirement cost increases in future years.
- Identify sufficient staff or fiscal resources to aggressively pursue projects not associated with core County services.
- Begin to address the many 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 2010-2011, as well as the steps taken to ultimately submit a balanced Budget. However, before proceeding with this analysis, it is important to acknowledge County departments for their efforts to comply with this year's Budget Parameters that, in part, called for a 5% reduction in Net County Cost compared to last year's Board-Approved Budget. While not every department was able to achieve further reductions in expenses (the probable effects of recurring, consecutive years of budget belt-tightening), several departments were able to reduce the Net County Cost of their budget(s), and the sacrifices involved doing so should not be underestimated or overlooked when considering this year's Budget.

In addition, with very few exceptions, departments refrained from increasing expenses in their Department Requested budgets, and accepted most CAO Recommended changes to their budgets with grace and understanding. It is also 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 described in greater detail below, the Fiscal Year 2010-2011 CAO Recommended Budget is balanced by the combination of several actions that reduce or defer costs and, in some instances, identify alternative sources of revenue. As in past years, these actions include using a combination of Fund Balance, Operating Transfers from the Geothermal Royalties Fund and Criminal Justice Facilities Trust, and savings associated with recommending no personnel actions other than taking salary and benefit savings from currently vacant staff positions.

This year's Recommended Budget concurs with the Sheriff's request to use AB 443 funds for specific public safety initiatives, such as installing a new \$415,000 security system in the jail, as well as continuing the provision of AB 443 Funds for funding the five (5) additional Correctional Officer positions agreed to in the Fiscal Year 2007-2008 Budget. In addition, the Recommended Budget benefits greatly from the Sheriff's willingness to support the recommendation of a \$100,000 Operating Transfer from the AB 443 Trust to off-set a spike in travel and training costs associated with sending new deputies and correctional officers to the training academy. Otherwise, the Recommended Budget seeks, to every extent possible, to preserve the balances in the AB 443 and COPS Trusts. As the State's Budget continues to deteriorate, and the Governor and Legislature become more and more challenged to fill the budget gap, the possibility increases that future public safety funding from the State could be reduced or eliminated. If this happens, and public safety funds are reduced, the County's AB 443 Trust and, to a lesser extent, the COPS Trust will be critical in mitigating the resulting reductions to public safety services in Inyo County.

In summary, the actions taken to balance the Fiscal Year 2010-2011 Recommended Budget include:

- Using Operating Transfers from the Geothermal Royalties Fund and Criminal Justice Facilities Trust to off-set specific one-time General Fund costs, as well as certain ongoing costs, and to reduce the amount of General Fund Operating Transfers that would otherwise be necessary for Non-General Fund budgets.
- Identifying \$576,219 in General Fund salary savings based on current vacancies. This amounts to a \$354,589 decrease from the \$930,808 of General Fund salary savings used to balance last year's Budget. When the Health and Human Services salary savings applied in last year's budget is removed from the equation, this year's use of General Fund salary savings represents an increase of \$6,911.
- Realizing \$36,869 in General Fund savings associated with not considering any of the personnel actions included in Department Requested budgets.
- Reducing services and supplies costs, and other non-personnel costs included in Department Requested General Fund budgets by \$139,381.

As noted earlier, the Fiscal Year 2010-2011 Recommended Budget is balanced by using \$3,777,445 in projected Fiscal Year 2009-2010 General Fund Balance. (The Auditor-Controller will certify the actual Fiscal Year 2009-2010 General Fund Balance on September 14th.) This recommended use

of General Fund Balance eliminates the shortfall that remains between projected General Fund income and expense after the above actions are applied in the Fiscal Year 2010-2011 CAO Recommended General Fund Budget.

Fund Balance

As part of your Board's adoption of the Final County Budget for Fiscal Year 2010-2011, it is anticipated that the Auditor-Controller will certify the General Fund Balance for the Fiscal Year ending June 30, 2010, as being at least \$3,777,445. This amount of Fund Balance is being used to fill the shortfall between projected income and projected expenses in the Fiscal Year 2009-2010 CAO Recommended General Fund Budget, including providing \$126,038 for General Fund Contingencies.

As attentive readers of prior years' budget messages already know, it is not unusual, at least 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 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 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 Fund Balances from Non-General Fund budgets to balance those Non-General Fund budgets.

This year's estimated General Fund Balance is \$102,964 less than the \$3,880,409 Fund Balance used to balance the County's Fiscal Year 2009-2010 General Fund Budget, but \$267,099 higher than the \$3,510,346 used to balance the County's Fiscal Year 2008-2009 General Fund Budget (In Fiscal Year 2007-2008, \$3,134,602 in General Fund Balance was used to balance the budget.

Among the reasons that General Fund Balance remains relatively high rests with the fact that, even without Extraordinary Budget Control Policies previously employed by your Board in January 2009 remaining in effect, many departments simply continued to severely restrict spending. Also, the Authorized Position Review Process that was adopted by your Board as part

of the Extraordinary Budget Control Policies – but remains in effect – has resulted in slowing down the hiring process; thereby generating more salary savings than would have otherwise been realized. Another factor contributing to the high Fund Balance is the fact that, despite the poor economy, Hotel Transient Occupancy Tax revenue once again remained strong all year, exceeded projections by over \$417,752.

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 previous year's budget messages, for the benefit of the new or casual reader, it may be worth describing these elements of Fund Balance in detail again in this year's Budget Message. (Loyal readers and students of recent prior years' budget messages might, however, find their time and attention better served by skipping ahead to the *Geothermal Royalties* discussion on page 13.)

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 \$576,219 in General Fund salary savings to reduce the expense associated with the Department Requested Budget. This is an increase from prior years' use of salary savings. Last year, \$930,808 in General Fund salary savings was identified to balance the CAO Recommended Budget, however, this included the unusual inclusion of \$361,500 in salary savings associated with vacant HHS positions due to Health and Human Services' programs being targeted in last year's State's Budget Revision. (Without salary savings from the vacant HHS positions, last year's Budget relied on \$569,308 in General Fund salary savings). In Fiscal Year 2008-2009, \$392,164 in General Fund salary savings was used to balance the Recommended Budget and, in Fiscal Year 2007-2008, \$441,461 in salary savings was used to balance the Budget. The current *Position Vacancy Report/Salary Savings Table* is included as Attachment B to this report.

By design, determining the amount of salary savings to include in the CAO Recommended Budget is usually a relatively 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. This is especially true with respect to public safety positions, such as Deputy Sheriffs and Correctional Officers, for which the taking of salary savings is intentionally kept to a bare minimum. (Note: This year, the Sheriff – through his Department Requested Budget – has requested that one (1) deputy and (2) correctional officer positions be kept vacant all year.)

Because of the conservative approach usually 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 County Administrator 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. However, as was also the case last year, it is important to recognize that the more aggressive use of salary savings in this year's Budget, coupled with the elimination of some positions, may reduce the amount of salary savings that would otherwise be available at the end of the year.

Additionally, there will always be vacancies that arise later in the year that simply cannot be anticipated at the time the Budget is prepared; employee turnover 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 due to employee turnover throughout the year, it is not easy to anticipate what the amount of that savings might be, or in which department it might be realized. 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 \$2.69 Million in additional salary and benefit savings realized during Fiscal Year 2009-2010 (compared to \$2.37 Million in Fiscal Year 2008-2009, \$2.8 Million in Fiscal Year 2007-2008, and \$2.4 Million 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 general, when contemplating the amount of money associated with salary savings,

and all the variables at work, it is perhaps most useful to consider that the amount of money generated by salary savings is a direct reflection of the fact that personnel costs currently account for 61% of the County's General Fund Budget (or, \$30,207,029). Furthermore, with respect to the amount of salary savings generated in Fiscal Year 2009-2010, it is important to recall that your Board's continuation of the Authorized Position Review Process during the year continued to slow the County hiring process significantly. Without the Authorized Position Review Process, it is likely that the amount of additional salary savings contributing to Fund Balance would have been less.

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 continues to reveal that under-expenditures can generally be segregated into two categories: (1) singular, high-priced expenditures – such as a capital improvement project, 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 spread across many expense object codes that, when taken together, add up to significant savings. Under-expenditures in the first category, such as the Sunland Landfill Gatehouse project – budgeted in the Fiscal Year 2009-2010 Budget at a cost of \$100,000 but not completed – 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, and a thousand dollars some place else. But, considering that the Fiscal Year 2009-2010 Budget included 143 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.

As always, 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, in most years 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 once again evidenced by the fact that the CAO Recommended Budget only reduces Department-Requested non-personnel expenditures in the General Fund, which total \$16,757,151, by \$139,381, or .83%. (In comparison, and further evidence of how tight the departments' non-personnel budgets are, last year's CAO Recommended reductions in the General Fund Budget totaled just \$53,313.) While Services and Supplies expenditures are not being substantially reduced, neither are they being significantly increased; one result being that, without reasonable increases in Services and Supplies budgets, departments are finding it increasingly difficult, if not impossible to continue generating the small savings that add up to such a significant portion of 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. Although the accrual period will not close until August 31st, it appears that in Fiscal Year 2009-2010, actual General Fund revenues were approximately \$734,825 lower than the Board-Approved Budget, and approximately \$1,373,628 less than the Working Budget.

While departments continued, by-and-large, to do a commendable job in achieving budgeted revenue, the overall figures benefit from the fact that under-realized revenues in some budgets are off-set, or masked by higher than anticipated revenues in other budgets. For example, this year Hotel Transient Occupancy Tax (HTOT, or TOT) revenue came in \$417,752 higher than projected in the Board Approved Budget. Without this "extra" TOT revenue, revenue in the Fiscal Year 2009-2010 Board Approved Budget would be under-achieved by \$1,152,577, and by \$1,791,380 in the Working Budget.

In other words, the General Fund Balance available to use in this year's budget could have been even higher if all revenue projections in the Fiscal Year 2009-2010 Board Approved Budget had been fully achieved, and much higher if revenue projections were met in addition to the receipt of additional, unbudgeted 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.

Based on the data provided above, it appears that, collectively, not only are departments failing to report decreases in revenue projections during the Mid-Year and Third Quarter Financial Review processes, but departments are increasing revenues throughout the fiscal year even when original revenue projections cannot be met. While this may be more a collective phenomenon, and might have less to do with individual budgets increasing revenues when they should be decreasing revenues, the fact remains that revenue is being under-achieved in both the Board-Approved and Working budgets.

Therefore, as always, a key factor to maintaining the integrity of the Fiscal Year 2010-2011 Budget, and not eroding the year-end Fund Balance available for the Fiscal Year 2011-2012 Budget, is that departments must meet their budgeted revenue projections, and decrease their expenditures by a corresponding amount when they cannot meet revenue projections.

This continues to be particularly true again this year. Last year, some revenue projections that had been budgeted conservatively in the past, and often provided “extra” revenue at the end of the year that masked under-achieved revenues elsewhere in the budget, were increased to reflect recent trends. For example, HTOT revenue was adjusted (upward) by \$500,000 to reflect a closer approximation to recent years’ actual revenues. Similar adjustments occurred in certain property tax revenue estimates. Basically, there continue to be fewer sources of “extra” revenue to provide a cushion that can be counted upon to offset lower-than-budgeted revenue realization in other budgets at the end of the year. And, as a result, revenue attainment becomes even more critical.

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 royalty revenue that is expected, but has yet to be received this fiscal year. The Fiscal Year 2010-2011 CAO Recommended Budget includes a total of \$232,248 in Geothermal Royalties Fund Operating Transfers, which are used to off-set eligible expenses in the General Fund Budget. This is a notable decrease from the \$558,644 in Geothermal Royalties Operating Transfers used to balance last year’s budget. The Fiscal Year 2009-2010 Budget included use of Geothermal Royalties money to offset certain expenses in Non-General Fund budgets that would have otherwise required General Fund Operating Transfers, as well as

paying certain personnel and operating costs in the Planning and Parks budgets that would have otherwise been paid from the General Fund.

The Fiscal Year 2010-2011 Recommended Budget only contemplates use of Geothermal Royalties Operating Transfers to the Assessor and County Administrator budgets to once again pay for consultant expenses associated with the Coso Geothermal property tax assessment and appeals processes, and an existing Planning department encumbrance for the contract to complete the Zoning Ordinance Update. (See Table 2.)

RECOMMENDED OPERATING TRANSFERS FROM GEOTHERMAL ROYALTIES FUND		
Budget Receiving Transfer - Description	General Fund	Non General Fund
Assessor - Geothermal Consultant	\$50,745	
CAO-General - Geothermal Attorney & Consultant	\$163,251	
Planning - Zoning Code Update	\$18,252	
SUB-TOTALS	\$232,248	\$0
TOTAL GEOTHERMAL OPERATING TRANSFER	\$232,248	

(Last Year's Geothermal Operating Transfers \$558,644)

Table 2.

If not for the availability of the Geothermal Royalties money, the General Fund might have been required to fund all of these costs, something that might not be possible without reductions to other areas recommended for funding in this budget.

The wisdom of budgeting only Geothermal Royalties funds accrued in the Geothermal Royalties Fund – and not budgeting projected Geothermal Royalties revenues expected to be received in the current year – served the County very well in Fiscal Year 2009-2010. Last November, the County learned that an 11th hour legislative maneuver eliminated the payment of geothermal royalties to counties in the Federal Fiscal Year 2010 Department of Interior Appropriations Act. As a result, the County was notified that it would need to return over \$66,000 in federal disbursements already received, and no federal payments were received for the remainder of the County’s fiscal year. (The County did, however, continue to receive its share of the state federal geothermal royalties payments from the State of California.) Earlier this month, Congress passed and the President signed the 2010 Supplemental Appropriations Act that restored federal geothermal royalty revenue sharing with counties. As a result, the County will receive all back payments previously withheld, and going forward in Federal Fiscal Year 2010. However, as a result of the temporary suspension of these funds, there

is currently only \$409,088 in the Geothermal Royalties Fund. Using only \$232,248 in Geothermal Royalties Operating Transfers to balance FY 2010-2011 will leave over \$176,000 in the Fund, and this number is anticipated to grow once the back payments are received from the Federal Government. In addition, the Fund Balance should continue to grow as Federal Fiscal Year 2011 royalties payment are received (unless the revenue sharing provisions of Energy Policy Act of 2005 are again suspended as part of the new appropriations bill). As a result, there should be sufficient Geothermal Royalties to offset additional eligible General Fund expenses if necessary later in Fiscal Year 2010-2011.

Criminal Justice Facilities Trust

Similar to last year, this year's Budget recommends using \$262,765 in Operating Transfers from the County's Criminal Justice Facilities Trust to balance the Fiscal Year 2010-2011 County Budget. It is recommended that Operating Transfers totaling \$26,900 be made from the Criminal Justice Facilities Trust into the Public Works department's Maintenance of Building & Grounds budget to pay for the cost of budgeted maintenance activities at the Jail and Juvenile Hall, as well as a new storage container for criminal justice files that the County is required to retain. An Operating Transfer of \$17,125 to the Juvenile Institutions budget is recommended to fund new security cameras and the Siemens facility maintenance contract. And, an Operating Transfer of \$22,216 is recommended for the Jail—General budget to pay for the Siemen's facility maintenance contract.

It is also recommended that a Criminal Justice Facilities Trust Operating Transfer of \$196,524 be made to the Lone Pine Sub-Station budget, and used to complete that project. Recall that, in previous years' budgets the use of Criminal Justice Facilities Trust money to pay for the Lone Pine Sub-Station was linked to the recommendation to also recognize an additional \$100,000 in AB 443 Trust revenue in the Sheriff – Safety budget. These “trade-offs” stemmed from the reality that, 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. This year, the use of Criminal Justice Facility Trust money is once again being recommended (without requesting use of additional AB 443 funds as an offset) to fund the cost of completing the Lone Pine Sub-Station Project.

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

\$898,661, including \$75,690 in new revenue received in Fiscal Year 2009-2010. 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 2010-2011 Department Requested Budget and CAO Recommended Budget includes a \$415,000 Operating Transfer from the AB 443 Trust to the new Jail Security Project budget to fund the cost of security camera upgrades. In addition, both the Department Requested and CAO Recommended budgets identify the use of \$251,860 in AB 443 funds to facilitate the transitioning of five (5) Sheriff’s Deputies from the Jail to patrol duties in accordance with the Fiscal Year 2007-2008 agreement to add five (5) new Correctional Officer positions using funding from AB 443 to offset the added expense.

With the Sheriff’s endorsement, this year’s Recommended Budget also proposes using an additional \$100,000 in AB 443 funding to offset additional travel and training costs associated with the expectation that the department will be sending at least three new deputies and seven correctional officers to training academies this year.

AB 443 funding, like other State public safety subventions, is currently paid for through a temporary State Vehicle License Fee (VLF) increase that expires in June 2011. While most State Budget proposals have generally included provisions to extend this funding stream beyond the end of this fiscal year, there are no assurances this will indeed occur. In addition, because it is tied to vehicle registration, VLF funding can be very volatile. The conservative use of AB 443 funding in this year’s budget, in both the Requested and Recommended budgets, will leave a balance of over \$900,000 in the County’s AB 443 Trust available to offset potential reductions in public safety funding next year due to State budgets cuts or under-performing revenues.

COPS Trust

The Fiscal Year 2010-2011 Budget does not utilize any funds from the Sheriff's COPS Trust. Similar to the use of the AB 443 funds, every effort is being made to preserve the Sheriff's COPS Trust funds for future needs.

Personnel Actions

The lingering tenuous fiscal climate once again necessitates recommending no personnel adjustments – career ladders, equity adjustments, or reclassifications – and no new positions in the CAO Recommended Budget. Departments were apprised that no personnel adjustments would be considered in the CAO Recommended Budget during this year's Budget Kickoff Meeting. To the extent that some department heads have included personnel adjustments and new position requests in their Department Requested budgets, as they are permitted to do under the Budget Act, their budget narratives – and not this report – should be relied upon to identify the requested personnel adjustments and new position requests.

When the salary savings in the Fiscal Year 2010-2011 CAO Recommended Budget, and position adjustments not being recommended in the Fiscal Year 2010-2011 CAO Recommended Budget are combined, the resulting savings in General Fund expenses is \$613,088 compared to the Department Requested Budget.

The *County of Inyo Manpower Report* (Attachment C) identifies, by department, authorized staffing levels (full-time and B-PAR employees) as of July 1, 2010. (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 D) to guide your Board in its review of the Health and Human Services budgets.

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. All of the savings being recommended by the CAO, \$576,219, occurs in the General Fund; no salary savings is recognized in Non-General Fund budgets. For comparison, the Fiscal Year 2009-2010 CAO Recommended Budget relied on \$569,308 (excluding HHS vacancies) in

General Fund salary savings, and embraced \$6,711 in salary savings in Non-General Fund budgets (again, excluding HHS).

As noted above, the calculation of CAO Recommended salary savings is usually intentionally conservative. However, similar to last year's budget, the increase in anticipated salary savings from Fiscal Year 2009-2010 to Fiscal Year 2010-2011 is directly attributable to this year's fiscal challenges.

The *Position Vacancy/Salary Savings Table* (Attachment B) 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 January 2010. 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 2011), are identified prior to the fill date, your Board will be asked to consider appropriating the necessary additional funding.

Position Adjustments

As noted above, this year's CAO Recommended Budget includes no personnel adjustments. Please refer to department budget narratives for a discussion of any personnel adjustments that may have been made in individual Department Requested budgets.

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 County's funding constraints and the State's ongoing fiscal challenges preclude considering any personnel actions. Furthermore, considering personnel adjustments at this point would unduly deprive departments that complied with the requested budget parameters with the opportunity to seek personnel adjustments for their staff or new positions.

New Positions

Again, as noted above, this year's Budget includes no new positions being requested or recommended.

Deleted Positions

The CAO Recommended Budget once again recommends the deletion of vacant positions as a means of "right-sizing" the County's workforce through attrition rather than layoffs. Although difficult when departments endeavor to maintain historical levels of service, if it is necessary to eliminate a position, it is still preferable to do so when the position is vacant rather

than as part of a lay-off. This year's Budget recommends eliminating three positions. (See Attachment E).

In addition to eliminating a vacant librarian position, the Recommended Budget also allocates a vacant account technician position among several divisions within the Office of the County Administrator – Library, Museum, Purchasing – rather than filling multiple vacancies in these budgets. The Recommended Budget also eliminates two (2) long-vacant positions in the Public Works department; an associate engineer and assistant engineer. Besides being vacant for over three years, and receiving no requests from the department to initiate the recruitment process in almost two years, the decision to eliminate the positions also stems from the decline in billable revenue (and in corresponding increase in Net County Cost) in the Public Works department's Requested Budget. Also, last year, the department began sharing the newly created managing landfill engineer position (the equivalent of a senior engineer) with the Integrated Waste Management Program. Although currently vacant, when filled, this position might be able to take on additional in-house work in Public Works as well as Integrated Waste Management.

FISCAL OVERVIEW

The Fiscal Year 2010-2011 CAO Recommended Budget projects a decrease in revenues of \$1,427,285, from \$74,414,690 in the Fiscal Year 2009-2010 Board Approved Budget to \$72,987,405 in this year's Recommended Budget. Since the Fiscal Year 2008-2009 Board Approved Budget of \$77,880,299, overall revenues have decreased by \$4,892,894 or 6.3%.

The Recommended General Fund Budget projects a slight decrease in revenues of \$100,300 (0.2%); from \$45,990,335 in projected General Fund revenue in the Fiscal Year 2009-2010 Board Approved Budget to \$45,890,035 in projected General Fund revenue in the Fiscal Year 2010-2011 Budget. When Operating Transfers into the General Fund are subtracted from both years' revenue projections – there were \$743,349 in Operating Transfers to the General Fund in the Fiscal Year 2009-2010 Board Approved Budget and there are \$1,194,513 in Operating Transfers to the General Fund in this year's Recommended Budget – projected revenues have decreased from last year's Board Approved General Fund Budget by \$551,464.

This is in marked contrast to last year when the same analysis showed a \$712,000 increase in General Fund revenues (after Operating Transfers into the General Fund were backed out). And, the trend toward decreasing revenues becomes even more pronounced when reviewed in contrast to the Fiscal Year 2008-2009 Budget which saw \$2.3 Million in "new" revenue

added to the Economic Stabilization Fund as part of the Fiscal Year 2008-2009 Third Quarter Financial Review. This “new” revenue came primarily from the settlement of the Coso property tax appeal, following the sale of the power plant, which resulted in unsecured property tax revenue increasing \$1,257,538 over projections in the Fiscal Year 2008-2009 Budget. Similarly, the County received the first of five (5) years of full Payment In Lieu of Taxes (PILT) funding from the Federal Government, adding an additional \$600,000 annually to the County’s revenue stream. However, despite this significant inflow of “new” revenues in Fiscal Year 2008-2009, the overall increase in General Fund revenue in the Fiscal year 2009-2010 Board Approved was, as noted above, only \$712,000. As stated in last year’s Budget Message, “a lot more money has been brought into this year’s Budget, but it is almost swallowed-up by equally large decreases in revenue elsewhere in the budget.” The trend toward declines in revenue is continuing this year, although there are some indicators that revenue losses may be starting to level out.

As noted during this year’s Budget Workshop, the City of Los Angeles Department of Water and Power (LADWP) property tax payment – which is calculated using the constitutionally prescribed Phillips formula, and accounts for about 48% of the County’s secured property tax roll – is down 4.2%, or \$189,000. Overall, the County’s secured property tax roll is down 2.8%, which suggests housing values may have stabilized enough to help offset the reduction in LADWP property tax payments.

In addition, the unsecured property tax roll has decreased by \$325,000, or 7.92% due, primarily, to a decrease in the assessed value of the Coso Geothermal plant. It is important to remember that, similar to the 2009 assessed value (which also represented a decrease from the assessed value agreed to in Fiscal Year 2008-2009), Coso is likely to appeal this assessment, and the amount of the decrease in value could be substantially more. (The appeal of the 2009 assessment has yet to be resolved.)

Adding to these decreases in property tax revenue, Vehicle License Fee revenues are projected to decrease by another \$165,000 compared to last year’s Board Approved Budget which in retrospect, based on actuals, probably did not reduce VLF revenues low enough in Fiscal Year 2009-2010. (VLF revenues were decreased by \$257,000 in Fiscal Year 2009-2010.)

However, after a decrease of \$217,500 in Public Safety Augmentation Fund (Proposition 172) revenue, and a slight decrease in sales tax revenue in the Fiscal Year 2009-2010 Board Approved Budget, these revenues are up \$33,000 and \$40,000 respectively. In addition, Hotel Transient Occupancy Tax (HTOT, or TOT) revenues remain strong. Last year, based on actual growth in previous fiscal years, projected TOT revenue was increased by \$500,000, to \$2.2 Million. Actual TOT revenue topped \$2,546,666 in Fiscal Year 2009-2010; an increase of \$122,011, or 5.03% from Fiscal Year 2008-

2009 actuals. In keeping with our conservative approach to revenue forecasts, and in recognition of ongoing economic instability and a weaker euro, TOT revenue is again projected at \$2.2 Million in the Fiscal Year 2009-2010 Recommended Budget.

In light of increasing property tax contentions, the general economic malaise and uncertainty, and continued State Budget chaos, there is little reason to be anything but conservative in this year's approach to revenue projections. Some of the assumptions associated with this year's revenue projections include:

- No additional adverse property tax appeals or settlements.
- Hotel Transient Occupancy Tax revenue remaining strong.
- Vehicle License Fee revenue continuing to decline by \$165,000.
- Public Safety Augmentation Fund (PSAF, or Proposition 172) revenue increasing slightly.
- Sales tax revenue increasing slightly.
- No revenue being received from the sale of County-owned property.
- Continued strategic 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 current County policy, any geothermal royalty payments that may be received in Fiscal Year 2010-2011 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 2010-2011 Recommended Budget.

General Fund Revenues By Category FY 2010/11

Total = \$45,890,035

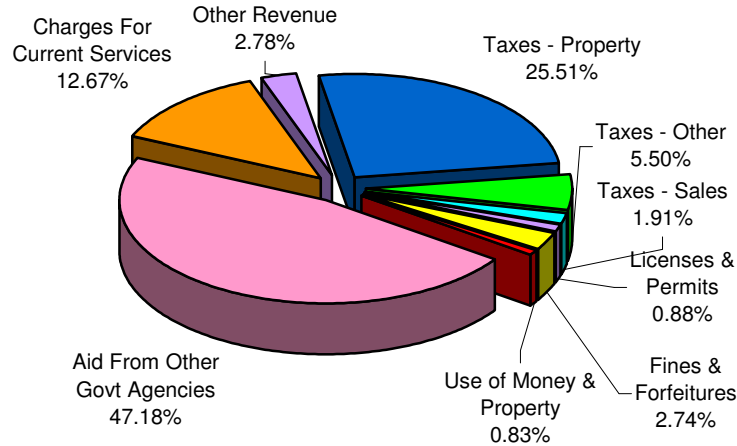


Figure 1.

The sheer number 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 decreases in revenues are being matched by decreases, or only slight increases in spending. However, the reality is that the County can not continue to rely on reductions in discretionary expenses to maintain fiscal solvency, and costs beyond the control of departments continue to rise.

When changes in Fiscal Year 2009-2010 Board Approved General Fund expenses are compared to this years Recommended General Fund expenses, the decrease in costs appears to be about 0.4% (inclusive of Operating Transfers out of the General Fund). 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 1.8% from Fiscal Year 2009-2010. However, even this figure is somewhat misleading since this year's General Revenues and Expenditures budget includes \$1 Million less in Other Agency Contributions expense due to the recommendation to put \$1 Million and instead of \$2 Million in the OPEB Trust.

Changes in General Fund expense categories between Fiscal Year 2009-2010 and costs in Fiscal Year 2010-2011, are shown in Table 3.

CHANGE IN GENERAL FUND EXPENDITURES BY CATEGORY OF EXPENSE				
Expense Category	FY 2009-10 Board Approved	FY 2010-11 CAO Recommended	Difference	Percent Change
Salaries & Benefits	30,085,223	30,207,029	\$121,806	0.40%
Services & Supplies	7,831,493	8,610,115	\$778,622	9.94%
Internal Charges	2,518,550	2,937,650	\$419,100	16.64%
Other Charges	5,938,132	4,898,586	(\$1,039,546)	-17.51%
Debt Service Principal	285,000	295,000	\$10,000	3.51%
Debt Service Interest	28,430	14,750	(\$13,680)	-48.12%
Fixed Assets	363,080	859,811	\$496,731	136.81%
Other Financing Uses	2,797,764	1,708,501	(\$1,089,263)	-38.93%
Reserves	23,072	136,038	\$112,966	489.62%
TOTAL	\$49,870,744	\$49,667,480	(\$203,264)	-0.41%

Table 3.

CAO Recommended Budget

The total Fiscal Year 2010-2011 CAO Recommended Budget is \$78,991,463, and represents a \$1,448,434 or a 1.8% decrease over the Fiscal Year 2009-2010 Board Approved Budget of \$80,439,897. Since Fiscal Year 2008-2009, when the Board Approved Budget was \$83,199,110, expenditures have decreased by \$4,207,647, or 5%.

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

Total County Expenditures by Function FY 2010/11

Total = \$78,991,463

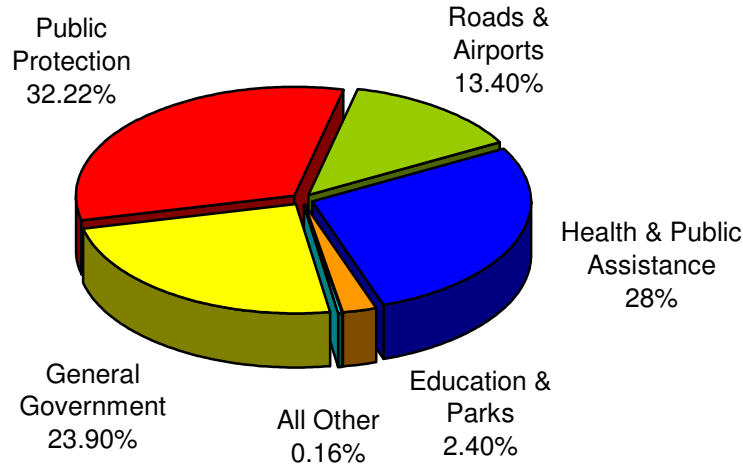


Figure 2.

Non-General Fund Budget

The Fiscal Year 2010-2011 Recommended Non-General Fund Budget totals \$29,323,983 in expenditures and \$27,097,370 in revenues. The deficit in Non-General Fund budgets is \$2,226,613; \$81,815 more than last year’s Non-General Fund funding gap. Including recommended Operating Transfers, there is sufficient Fund Balance in these budgets to cover the gap between revenues and expenditures, however, once again the increase in the size of the gap points to a greater reliance on Non-General Fund Balances and Operating Transfers from the General Fund to balance the Budget. Table 4 shows the Operating Transfers being recommended for Non-General Fund budgets.

OPERATING TRANSFERS TO NON-GENERAL FUND BUDGETS		
Transfer To	Source	Amount
Auditor Controller - Economic Stabilization	General Fund	\$50,000
CAO-ACO (solar rebate application)	General Fund	\$10,000
DA Victim Witness (grant shortfall)	General Fund	\$13,350
Deferred Maintenance (roofing and other projects)	General Fund	\$165,000
Eastern Sierra Regional Airport (negative Fund Balance, shortfall)	General Fund	\$144,016
Network & Financial System Projects (debt service)	General Fund	\$120,546
Senior Program (IMAAA contract shortfall)	General Fund	\$586,812
Solid Waste (operating subsidy)	General Fund	\$592,874
Laws Water System (negative Fund Balance, operating subsidy)	General Fund	\$3,630
TOTAL		\$1,686,228

Table 4.

General Fund Budget

The Fiscal Year 2010-2011 Recommended General Fund Budget totals \$49,667,480 in expenditures and \$45,890,035 in revenues. General Fund expenditures represent a decrease of \$203,264, or 0.4% over the Fiscal Year 2009-2010 Board Approved General Fund Budget of \$49,870,744. (In Fiscal Year 2009-2010, the Board Approved General Fund Budget increased 2.22% compared to Fiscal Year 2008-2009.)

The Auditor-Controller is expected to certify the Fund Balance in the General Fund for the year-ending June 30, 2010, on September 14th. For purposes of preparing the Recommended Budget, General Fund Balance is being estimated as \$3,777,445, and this amount is used to balance the Fiscal Year 2010-2011 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 2010/11

Total = \$49,667,480

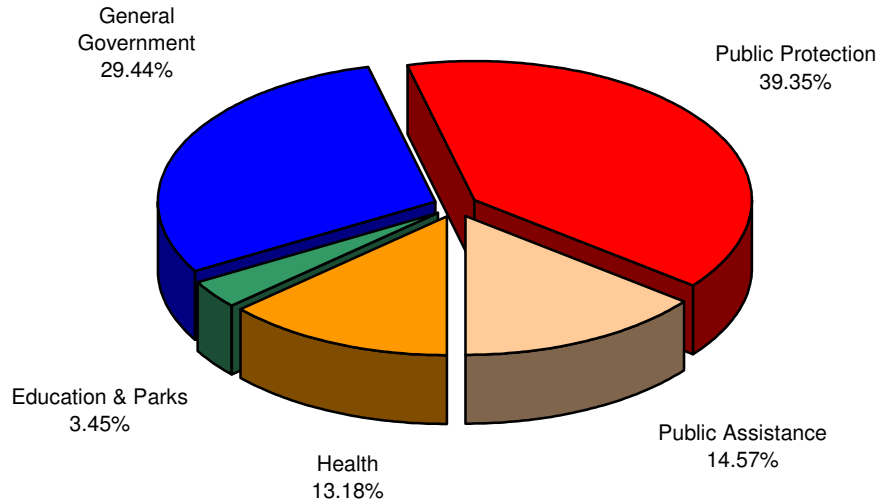


Figure 3.

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

RECOMMENDED GENERAL FUND OPERATING TRANSFERS	
Transfer To	Amount
Auditor Controller - Economic Stabilization	\$50,000
CAO-ACO	\$10,000
DA Victim Witness (operating subsidy)	\$13,350
Deferred Maintenance (roofing and other projects)	\$165,000
Eastern Sierra Regional Airport (negative Fund Balance, subsidy)	\$144,016
Network & Financial System Projects (debt service)	\$120,546
Senior Program (IMAAA contract shortfall)	\$586,812
Solid Waste (operating subsidy)	\$592,874
Laws Water System (negative Fund Balance, operating subsidy)	\$3,630
TOTAL	\$1,686,228

(Last Year's General Fund Operating Transfers Out	2748812)
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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.

When the Personnel Module was created last April, medical insurance costs were unknown. Based on previous years' increases an estimated increase of 6% (for six-months) was incorporated in the Personnel Module. However, the County recently received confirmation that there will be an increase averaging approximately 9% on January 1, 2011 that will affect medical insurance costs for non-safety employees and safety employees. It is expected that there will be sufficient funds in the Medical Insurance Trust to cover this increase.

Additionally, the County's contribution rates for CalPERS have increased effective July 1, 2010. Contributions for Miscellaneous employees increased from 12.123% to 12.367%, and the contribution for Safety employees increased from 27.658% to 28.03%. Salary and Benefits object codes have been revised accordingly in the Fiscal Year 2010-2011 Department Requested, as well as the Fiscal Year 2010-2011 CAO Recommended budgets.

Non-General Fund Budgets

CAO Accumulated Capital Outlay

The Recommended Budget includes a \$10,000 General Fund Operating Transfer to fund the cost of submitting a \$1.8 Million photovoltaic system rebate application to LADWP in support of the proposed photovoltaic project on the County's Independence campus.

Computer System Fund

No budget is being created to fund the CREST property tax software replacement, County telephone system replacement (voice over internet protocol, or VOIP), "tech-refresh" computer/hardware replacement initiative, Windows 7.0 upgrade, or any of the many other necessary and/or desirable computer system needs in the County. However, the Recommended Budget includes a \$100,000 General Fund Operating Transfer to the Computer System Fund. This is accomplished through budgeting an Operating Transfer to the Financial System Project budget, from which the County's last debt service payment for the financial software upgrade project is being funded,

and allowing the difference to fall through to Fund Balance. It is anticipated that, as VOIP and CREST costs are refined later this year, and your Board endorses moving forward with these projects, budget amendments drawing funds from the Computer System Fund will be proposed to create budgets for these projects.

Deferred Maintenance

The CAO Recommended Budget includes a \$165,000 General Fund Operating Transfer into the Deferred Maintenance budget. The Department Requested Budget identifies \$115,000 roofing project for the Annex Building in Independence In addition to funding the Annex roofing project, the Recommended Operating Transfer provides another \$50,000 toward funding any of the myriad of projects that have been identified by the Public Works department, or may be identified by your Board, or demand attention in the coming year, such as emergency HVAC repairs/replacement at County buildings.

In addition to deferred maintenance projects funded through this budget, it should be noted the Water department's Requested Budget includes \$60,000 in funding for window replacement and exterior paint for the Water Department Building. These are still public works projects that will need to be implemented by the Public Works department, however, the Water department's willingness to provide funding essentially allows limited Deferred Maintenance funds to be leveraged.

District Attorney Victim Witness Program

This grant funded budget requires a \$13,350 operating transfer to cover salary and benefits costs in excess of the amount of this year's grant amount. The District Attorney is pursuing another grant that, if received, may provide three-years of supplemental funding for this budget.

Eastern Sierra Regional Airport

The Eastern Sierra Regional Airport budget ended Fiscal Year 2008-2009 with a positive Fund Balance, and required no General Fund Operating Transfers to make up for budgeted shortfalls in the Fiscal Year 2009-2010 Board Approved Budget. And, to preserve this budget's available Fund Balance, a \$29,000 Geothermal Royalties Operating Transfer was budgeted to pay for the purchase of a fuel truck. However, this budget appears to ending Fiscal Year 2009-2010 with a deficit of around \$70,803 (the accrual period will not end until August 31st), and the Fiscal Year Department Requested Budget projected a \$95,594 deficit.

The CAO Recommended Budget provides a \$144,016 Operating Transfer into this budget unit to cover last year's budget shortfall (\$48,422)

and this year's projected deficit (\$95,594). The Recommended Budget does not seek additional reductions to the Department Request Budget, in part based on the Public Works department's intention to, this fall, present your Board with a proposal to modify the airport's fee and fuel charge structures which, if approved, should help to lessen to budget shortfall.

Economic Stabilization Fund

Unlike last year, the CAO Recommended Budget includes a \$50,000 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.”

If the State Budget situation and/or economy worsens this year, the County could very well find itself needing to use Economic Stabilization Fund monies for their intended purpose.

IMAAA

The IMAAA Governing Board has proposed a Fiscal Year 2010-2011 budget for its administrative and direct services contracts with Inyo County that results in a \$586,812 deficit. To ensure that senior services are maintained in Inyo County, the CAO Recommended Budget provides a \$586,812 Operating Transfer from the General Fund. This is a \$245,086 increase over the Operating Transfer required to maintain senior services in Fiscal Year 2009-2010, and is a direct manifestation of the ramifications of the State's elimination of the Linkages Program (\$186,636), CBSP Administration reimbursement (\$26,099), Respite Care (\$337), and Adult Day Care funding (\$26,099) late in last year's State Budget process. In addition to decreases in administrative funding (despite no reductions in the over-bearing administrative requirements associated with the IMAAA funding streams), the loss of this program funding also eliminated the ability of the Health and Human Services department to leverage these funds, and associated services, for additional reimbursed revenue.

Laws Water System

The Laws Water System budget requires a \$3,630 General Fund Operating Transfer to cover a projected operating shortfall in this year's budget. This is more than \$3,000 less than the \$6,772 Operating Transfer required to balance last year's budget.

Motor Pool

The Motor Pool budget is based on the Motor Pool Rate that was revised in the middle of last fiscal year, an average of \$0.5036 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 before the end of the fiscal year.

Road

As discussed with your Board during this year's Budget Workshop, the department's Recommended Budget reduces the Fund Balance to \$773,476. This is necessary to expend categorical monies the County must spend by then end of this fiscal year, however, it will reduce Road Fund Balance below the \$1 Million threshold your Board has favored in the past.

Solid Waste

As in recent years, the Integrated Waste Management Program requires an Operating Transfer to meet its operating expenses. The department's current sources of revenue, primarily sales tax and disposal fees, are simply insufficient to fund the current levels of service being provided, and maintain compliance with ever-changing and expanding regulatory requirements. This year, however, the amount of the Recommended Operating Transfer (\$592,874) is \$66,005 less than the \$658,879 Operating Transfer included in last year's Board Approved Budget.

The Recommended Operating Transfer includes \$89,397 intended to pay for the cost of the Bishop-Sunland Landfill Gatehouse. In addition to the gatehouse, the Recommended Budget is sufficient to:

- Maintain current hours of operation at County solid waste facilities;
- Fund the purchase and installation of one (1) diesel particulate filter necessary to comply with air quality mandates;
- Maintaining dust control treatments;
- Complete the patent process for the Tecopa and Shoshone landfills;
- Fund required upgrades to certain landfill gas monitoring systems, including the installation of gas probes at the Tecopa and Shoshone landfills and a gas extraction system at the Bishop-Sunland Landfill;
- Install a new gate house at the Bishop-Sunland Landfill; and,
- Consider financing the purchase of a new roll-off/dump truck.

However, the Recommended Budget is not sufficient to:

- Pay for all required retrofits and replacement of equipment necessary to comply with air quality mandates;
- Provide for capital improvements beyond installing the gatehouse in Bishop and some of the required landfill gas monitoring and management systems;
- Fund other potential regulatory compliance issues that are deferred year-after-year due to lack of funding, such as relocating the shop at the Bishop-Sunland Landfill;
- Fencing for the Bishop-Sunland Landfill and Darwin Transfer Station; and,
- Roll-off bins required for a treated wood waste program.

In addition, as the State Budget deliberations continue, there is discussion of and, by all accounts, a strong likelihood that new landfill-related fees will be imposed by State agencies. Regulatory fee costs will be one of the cost components analyzed during the workshop that the department will present this fall to discuss integrated waste management program operations, costs, and options.

Water Department

The only recommended changes to the Water Department budget are to (1) reduce the Department Requested Travel expense from \$13,000 to \$10,000, which is still almost twice the amount the department required last fiscal year, and (2) to reduce General Operating Expense by \$5,000 to \$18,000; almost \$3,000 more than last year's department actuals.

General Fund

Advertising County Resources

The Recommended Budget increases requested funding by \$2,000 for the County's State Fair exhibit consistent with last year's costs. In addition, \$1,500 is being added back into the Professional and Special Services expense to address uncertainties surrounding the status of the public relations contract, and \$1,000 is being added in General Operating expense to more closely fund last year's cost (\$2,500) of product fulfillment (e.g., mailing out visitor information).

Agricultural Commissioner

Although the Recommended Budget proposes no changes to the Department Requested Budget, it should be noted that there are differences in analyses regarding how much revenue can be expected from Mono County's contribution to the program. The Recommended Budget defers to

the department's analysis that \$158,631 will be forthcoming in the Aid from Mono County revenue code. However, if this amount of revenue does not materialize, up to \$24,897 may be needed from Contingencies as part of the Mid-Year Financial Review.

Animal Services

The Recommended Budget reduces Travel expense by \$2,000, from \$7,817 to \$5,817, to be more consistent with historical usage (\$1,428 to \$3,850) while providing additional funding for staff to obtain necessary credentials. This is viewed as a temporary increase in travel expense for re-certification purposes that will be reduced in next year's budget.

Auditor-Controller – General Revenues and Expenditures

The Recommended Budget incorporates a \$1 Million payment to the County's Other Post Employment Obligations (OPEB) Trust, established last year to begin funding liabilities associated with the County's retiree healthcare benefit costs. The Auditor-Controller and County Administrator will be developing an OPEB funding policy to guide future budgets in providing OPEB Trust contributions for consideration by your Board later this year.

Board of Supervisors

The Recommended Budget increases General Operating expense by \$1,300, from \$6,200 to \$7,500, to more closely approximate last year's actual costs. Similarly, \$500 is being added to Advertising expense based on historical costs. Travel expense has been increased by \$11,450 over the Department Requested budget based on the County Administrator's belief that travel by members of your Board will increase out of necessity, particularly to Sacramento and Washington D.C., to participate in discussions on issues of critical importance to Inyo County including, but not limited to Forest Travel Management, Forest Planning, wilderness legislation, renewable energy development, broadband funding, etc. In addition, the increase recognizes a change in Board membership may be accompanied by a change in travel patterns depending on committee assignments, association participation, etc.

Building & Safety

The Recommended Budget reduces Professional and Special Services expense, Travel expense, and Motor Pool expense by a total of \$2,100 to more closely match historical actual expenses in the object codes.

Contingencies

The Recommended Budget includes providing \$126,038 in the General Fund Contingencies Budget; significantly more than the \$21,444 included in last year's Recommended Budget.

CAO

The Recommended Budget includes a \$163,251 Geothermal Royalties Operating Transfer to fund Fiscal Year 2009-2010 encumbrances for the balance of the contracts for the tax attorney and geothermal appraisal consultant (separate from the consulting contract in the Assessor's Budget) – as well as a potential Fiscal Year 2010-2011 contract amendment for the tax attorney – hired to assist the Assessor and County Counsel in matters related to the Coso property tax assessment and appeals process. In addition, the recommended budget adds \$200 to Advertising expense to cover the cost of the surplus auction.

County Clerk – Recorder Elections

Election expense is being reduced by \$5,000, from \$70,000 to \$65,000, in the Recommended Budget in recognition that primary elections (for which \$70,000 was budgeted last year) are typically much more expensive to conduct than general elections.

County Counsel

The Recommended Budget reduces the Department Requested Travel expense by \$1,000 while still providing additional funding – compared to last year – for increased travel associated with increased meeting expenses.

D.A. - General

The District Attorney has been in frequent communication with Administration regarding the disposition of several important criminal cases currently being tried by his office. The complexities of two murder cases could result in the need to amend the department's budget later this year, however, most of the LePlatt murder trial expense is being provided for in the budget discussed below.

The Recommended Budget reduces the Department Requested budget in several object codes to more closely approximate last year's actual expenses. In addition, as discussed in the department's budget submittals, the District Attorney has implemented several initiatives that are expected to reduce expenses, including Motor Pool which is being reduced by \$3,000. Maintenance of Equipment and Maintenance of Equipment – Materials

expenses are being reduced by \$100 and \$250, respectively, based on last year's actuals. Professional & Special Services expense is being reduced by \$3,000, from \$17,800 to \$14,800 based on prior years' costs and in recognition that the embezzlement case is closed and the change-of-venue murder trial expenses will be paid primarily from a different budget unit. Utilities expense has been decreased by \$1,500 based on last year's actuals.

Eastern California Museum

The Recommended Budget increases Office Space and Site Rental expense by \$140 to reflect an increase in the facility lease costs after the Requested Budget was prepared.

Economic Development-CAO

The Recommend Budget proposes an additional \$50,000 be added to Professional and Special Services expense to help fund a study to guide the County in proactively positioning its communities to use the recently funded Digital 395 Project to create long-term economic wealth through business attraction, retention and expansion.

Environmental Health

The Recommended Budget increases several expense categories in the Environmental Health Requested Budget to restore reductions to the County Vector Program that the department made in an effort to comply with the Budget Parameters. Lab Supplies expense is being increased by \$1,500, \$500 is being added to Travel expense, and General Operating expense is being increased by \$200 to support a fully-funded Vector Program. Likewise, funding is being added to Salary and Benefits expense to allow full utilization (10%) of Mosquito Abatement Program staff in the Vector Program.

Farm Advisor

Motor Pool expense is being decreased by \$2,000 to more closely approximate historical use while accounting for the department's lower-than-average utilization last year.

Information Services

A \$72,000 Operating Transfer from the Computer System Fund, through the Financial System Project budget, is included in the Recommended Budget to fund the General Fund department's share of costs for the Office software upgrade.

Jail CAD/RMS

The Recommended Budget recognizes \$19,000 in Other State revenue, reimbursed for prior year's expenses associated with the 911 system, to offset the cost of the CAD/RMS software license agreement.

Jail – General

As discussed above, the Recommended Budget includes a \$22,216 Operating Transfer in from the Criminal Justice Facilities Trust to fund the Jail facility maintenance contract with Siemens included in the Department Requested Budget. The CAO Recommended Budget reduces Maintenance of Equipment expense by \$3,500, from \$7,000 to \$3,500, still almost \$3,000 more than actual expenses in last year's budget. Professional and Special Services expense is being decreased by \$6,000 to more closely approximate last year's expense while providing cost increase for certain contracts. The Recommended Budget decreases General Operating expense by \$2,000 in keeping with historical costs. Travel expense is reduced by \$15,000 from the Department Requested Budget, but still provides an increase of \$8,669 compared to last year's actuals in recognition of new correctional officer training needs.

Juvenile Institutions

The Recommended Budget includes a \$17,125 Operating Transfer in from the Criminal Justice Facilities Trust. In addition to funding the Juvenile Hall facility maintenance contract with Siemens (\$7,125) included in the Department Requested Budget, the CAO Recommended Budget also includes \$10,000 from the Criminal Justice Facilities Trust for new security cameras.

The Recommended Budget reduces Inmate Clothing expense by \$1,000 in keeping with the historical average expense. Travel expense is being reduced by \$9,400, from the Department Requested \$59,400 to \$50,000, which still provides more than \$32,000 in additional Travel expense (compared to last year's actuals) for new departmental initiatives.

Library

In addition to eliminating a vacant librarian position as discussed above, the Recommended Budget reinstates funding for an account technician position that will be shared, with costs also being shared between the Library, Museum and Purchasing.

Lone Pine Sub-Station

The Requested Budget again proposes using Criminal Justice Facilities Trust monies, in the form of a \$196,524 Operating Transfer, to complete the project this fiscal year.

Maintenance – Building & Grounds

In addition to Operating Transfers from the Criminal Justice Facilities Trust to fund maintenance of the Jail and Juvenile Hall, the Recommended Budget differs from the Department Requested Budget with respect to reducing Sick Leave expense by \$2,000 based on actual projections, reducing Maintenance of Structures – Materials expense by \$3,000 based on historical costs, reducing Professional and Special Services expense by \$2,000 (while still providing for a \$5,000 increase from last year's actuals), reducing General Operating expense by \$2,000, cutting Travel expense by \$400, and reducing Motor Pool expense by \$5,000. These reductions result in Recommended expenses more closely approximating actual expenses the past two years.

Parks

In an effort to reduce reliance on Geothermal Royalties Operating Transfer revenue, the CAO Recommended Budget includes no Operating Transfer (last year the budget benefitted from a Recommended \$90,500 Operating Transfer from the Geothermal Royalties Fund to fund eligible park operation and maintenance costs).

The Recommended Budget reduces Maintenance of Grounds by \$5,000 in recognition of last year's actuals, but increases Professional and Special Services expense by \$5,000 to provide additional winter fish planting similar to last year's initiative.

Planning

The CAO Recommended Budget provides a \$18,252 Operating Transfer from the Geothermal Royalties Fund to pay for a Fiscal Year 2009-2010 encumbrance for the Zoning Ordinance update contract.

Based on last year's actual expense, the Recommended Budget reduces Internal Charges expense by \$3,000 and Travel expense by \$1,000, while increasing General Operating expense by \$1,600 to fund County membership in the QuadState JPA.

The Recommended Budget acknowledges and concurs with the department's effort to reduce revenue liability associated with anticipated projects not materializing by reducing projected fee revenue to eliminate

inclusion of the department's overhead charges in most revenue estimates. This provides a safeguard that more closely ensures that for each dollar in revenue not received, a corresponding expense drops by a dollar.

Probation

The Recommended Budget reduces Personal and Safety Equipment expense by \$500 while still providing funding for identified purchases over and above last year's actuals. Office and Other Equipment expense is reduced by \$1,600 but still provides for the purchase of two computers. It is recommended that Professional and Special Services expense be reduced by \$2,500, to \$58,983, based on historical costs (\$46,840 last year) but still recognizes increased costs associated with new department initiatives. General Operating expense is reduced by \$1,000 and Travel expense by \$3,000, again to more closely approximate previous years' actual costs.

Public Works

As already discussed, the Recommended Budget proposes taking 12-months of salary savings and eliminating the long-vacant assistant engineer and associate engineer positions. In addition, it is recommended that Office and Other Equipment expense be reduced by \$3,000 to more closely reflect prior years' actual costs while still providing additional funding for two new computers. Based on the prior two years' costs, General Operating expense is being reduced by \$3,000, which still provides extra funding for new software programs. Internal Charges expense has been reduced \$10,000, from \$15,000 to \$5,000, due to lack of substantiation and to more closely approximate last historical costs.

Sheriff – General

In consultation with, and support from the department, the Recommended Budget includes a \$100,000 Operating Transfer from the County's AB 443 Trust to help off-set increased academy training and travel costs included in the department's budgets. This is viewed as a one-time funding augmentation to offset a one-time spike in travel costs.

In addition, the Recommended Budget proposes reducing Maintenance of Equipment expense by \$5,000, which still provides a significant increase over last year's actuals to fund new communications expenses. Maintenance of Equipment – Material expense is reduced by \$500 based on historical costs, and Office and Other Equipment expense is being reduced by \$7,500 while still providing for the purchase of five new computers. Office Space and Site Rental expense is being reduced by \$4,000, which recognizes both historical costs and recent increases. Similarly, General Operating expense is being reduced by \$3,000 based on prior years' actual costs.

The Department Requested Travel expense increased by \$36,492 compared to last year's actuals due, in part, to the anticipated need to send three new deputies to the training academy. To manage the increased Travel expense, the Recommended Budget reduces the Department Requested Travel expense by \$14,031 by reducing non-sworn administrative travel expense, and eliminating instances of more than one staff member planning to travel to discretionary or non-sworn trainings. As a result, Travel expense is still increased by over \$22,000 compared to last year's actuals and by \$30,663 compared to Fiscal Year 2008-2009 costs. As noted above, this increase in Travel expense is considered exceptional and, next year, Travel expense should be expected to be reduced to historical levels. Additionally, the Sheriff's agreement to use an additional \$100,000 in AB 443 Operating Transfers is helpful in absorbing this and other cost increases in the Sheriff's budgets.

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:

- (Albeit unlikely since the State has yet to adopt a State Budget that needs to address a projected \$20 Billion budget deficit) No "new" cuts in State funding as the result of adoption of the State Budget. Should cuts materialize, affected departments are expected to promptly bring budget amendments forward to your Board to ensure the County Budget remains balanced.
- No Highway Users Tax Account (HUTA) "takeaways" from the State.
- Several Public Works department budgets rely on receipt of State Special Aviation funding. State representatives have told the department to expect to receive the funds suspended last year and, possibly, this year's allocation of \$10,000 grants. In addition to supporting the four County airport operating budgets, this anticipated revenue (\$40,000) is being used to fund Internal Charges and Operating Transfers and is accounted for in the Public Works and Road budgets. If the State fails to provide this money, the County will need to identify \$24,809 in funding that is not available in the Fund Balance of the airport budgets.
- No reductions in public safety subventions.

- No litigation decisions, including payments of attorney's fees, adverse to Inyo County.
- Departments will meet or exceed their revenue projections, and manage their expenditures within the appropriation limits established by your Board.
- Receiving no new geothermal royalty payments.
- The Authorized Position Review Process will remain in effect, and vacant positions will not be filled prior to the identified fill date (Attachment B) to achieve the recommended savings.
- No change of venue for the second murder trial.
- Department heads will carefully monitor their Board Approved budgets, and the State budget, and promptly inform your Board and the County Administrator of reductions, or anticipated reductions in revenues, and propose implementing corresponding reductions in expenditures.
- 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

Following are possible changes that have been identified as possibly being made in the Final County Budget adopted by your Board or, more likely, shortly thereafter as amendments to the Fiscal year 2010-2011 Board Approved Budget.

Public Administrator-Public Guardian

Based on information provided by the Health and Human Services department, the Public Administrator-Public Guardian budget may need to refund \$1,505 based on a potential Targeted Case Management disallowance for Fiscal Year 2004-2005. If the department is required to make repayment, the cost can be funded from a combination of appropriation changes (due to potential reductions not being made in the Recommended Budget) and appropriations from Contingencies.

Telephone System and CREST Property Tax Software System Replacement Projects

As noted above, the CAO Recommended Budget adds \$100,000 to the Computer System Fund but does not create new budgets for any new technology initiatives. It is anticipated that new budgets will be proposed, as amendments to the Fiscal Year 2010-2011 Board Approved Budget, for the telephone system replacement and/or CREST property tax software system replacement projects later this year.

Parks and Recreation

As a result of the decision earlier this week to award a concessionaire contract for the operation of Diaz Lake, the Parks and Recreation budget will need to be amended to reflect cost savings associated with this action, as well as potential restructuring opportunities that will be explored in coming months.

Outstanding Issues

In addition to the lack of a State Budget, the uncertainty of how the State Budget – once it is adopted – will affect the County is of paramount concern. Other specific issues that could positively or negatively impact the County Budget in Fiscal Year 2010-2011, and not already discussed, include but are certainly not limited to:

- There is a possibility that Indian Gaming Special Distribution Funds will be included in the State Budget and available for grants to the County. In Fiscal year 2009-2010, the Sheriff's budget benefitted from a \$114,000 Indian Gaming grant. No SDF revenue is currently in the Recommended Budget.
- The Governor has included funds in his proposed State Budget to reimburse counties for the cost of the Special Election held in May 2009. Inyo County's full reimbursement would be \$56,000. This revenue is not currently included in the Recommended Budget.
- The County and Inyo County Superior Court are still negotiating a new Memorandum of Understanding (MOU) for the provision of various services, and reimbursements for various costs. In addition, the Court and the Public Works department are working on a new MOU for the provision of maintenance services for Court operations in the Historic Courthouse. Execution of one or both MOUs could result in the County realizing additional revenues consistent with the actual costs (including Bailiff costs) of providing services to the Courts. At

this time, the Recommended Budget is based on receiving revenues pursuant to the terms of the expired MOUs but no additional revenues have been factored into the Recommended Budget.

- The new, higher, baselines for certain revenue streams included in last year's Budget continue to mean there is less room for error in revenue projections and attainment. There could be less additional "unanticipated" revenue available at the end of the year to make up for shortfalls stemming from under-achieved revenue in other areas of the Budget. This could affect Fund Balance available to balance next year's Budget.
- Costs associated with the change of venue for the LePlat murder trial could exceed the \$500,000 included in the Recommended Budget. It is unlikely that any State funding to reimburse County costs will be available and no State reimbursements are included in the Recommended Budget.
- A second murder trial, the Keller trial, might create a need to amend the Public Defender and/or Murder Trial budgets. The Superior Court has already appointed a non-contract attorney to represent Mr. Keller – at additional expense to the County – and, similar to LePlat, could approve a change of venue for the trial.
- The County has four (4) contracts for public defender services that will need to be filled in the next 10-months. Filling the contracts could result in cost increases (or, possibly, decreases) not included in the Recommended Budget.
- Potential policy issues and impacts of suspended State mandates still need to be evaluated on a department-by-department basis and, if warranted, discussed with your Board.
- Employee benefits costs – particularly retirement costs and healthcare care expense – continue to rise and, in the case of the County's PERS contribution, could increase substantially in the next few years. To help ensure fiscal solvency in coming years, the County should identify some means to curtail or cap these costs.
- The County continues to work with local fire departments to identify and address issues related to ambulance services. Some of the options could require funding which is not included in the Recommended Budget.

- Departments continue to apply for various grants, many stemming from the Federal Stimulus package, which could off-set ongoing costs or reduce the cost of implementing one-time projects.
- 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, such as the Solid Waste Program, IMAAA, and the Eastern Sierra Regional Airport.
- The County is in labor contract negotiations with the Inyo County Employees Association (ICEA), Law Enforcement Administrators Association (LEAA), Elected Officials Assistants Association (EOAA), and will soon be beginning negotiations with the Deputy Sheriffs Association (DSA). The Recommended Budget makes no provisions for increases or decreases in the amounts associated with these contracts.
- 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.
- This Budget provides \$618,000 to pay for essential electrical system upgrades, but this may not be enough depending on the bids that will be received. Once the project costs are known, and the willingness of the Court to participate in funding its share of the costs is ascertained, it may be necessary to identify additional funds to implement the project.
- This Budget provides little funding to make significant headway in implementing the Deferred Maintenance Program.
- Ongoing issues related to the use of Inyo County's natural resources – ranging from Forest Travel Management Sub-Part A planning, to water export, to Forest Plan development, to wilderness and other federal land use designations, to renewable energy development – will continue to require a dedication of time and resources this Budget may or may not be able to fully support. No additional funding for the Natural Resources Development budget is included in the Recommended Budget.
- Uncertainty over fuel and utility costs, and the potential for ongoing economic instability, may affect revenues and expenses planned for in the Recommended Budget.

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, Randi Chegwiddden, and Leslie Chapman 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 of Supervisors' priorities, does not call for any layoffs, and maintains existing service levels.

SUMMARY OF RECOMMENDATIONS

1. Adopt the Fiscal Year 2010-2011 Budget as Recommended by the County Administrator.
2. Set adoption of the Final Budget for September 14, 2010

(Note: The September 14, 2010, date for approval of the County Budget is dependent on completion of the Budget Hearings by September 8th. If Budget Hearings last longer, or result in substantial changes that need to be implemented, the Fiscal Year 2010-2011 County Budget will need to be adopted at the Board of Supervisors meeting on September 21st or 28th.

Submitted by:



Budget Officer

ATTACHMENTS

- Attachment A – INYO COUNTY ORGANIZATIONAL CHART
The organizational chart is provided for information purposes.
- Attachment B – POSITION VACANCY REPORT/SALARY SAVINGS TABLE
- Attachment C – COUNTY OF INYO, MANPOWER REPORT
(As of July 1, 2010) The Manpower Report reflects the authorized full time equivalent positions by department and part-time (BPAR) positions in the County.
- Attachment D – HEALTH & HUMAN SERVICES STAFFING TABLE
- Attachment E – POSITIONS RECOMMENDED FOR ELIMINATION
- Attachment F – COUNTY OFFICE HOURS