



COUNTY OF INYO

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

MEMORANDUM

TO: BOARD OF SUPERVISORS

FROM: COUNTY ADMINISTRATIVE OFFICER

DATE: AUGUST 20, 2007

SUBJECT: CAO RECOMMENDED FY 2007-2008 COUNTY BUDGET

OVERVIEW

The CAO Recommended Budget for the County of Inyo for the Fiscal Year 2007-2008 totals \$81,012,882 in expenditures and \$75,514,170 in revenues. The General Fund portion of the Recommended Budget is \$46,659,305 in expenditures and \$43,524,703 in revenues. In contrast, the FY 2007-2008 Department Requested Budget seeks \$81,883,358 in expenditures against \$75,065,180 in revenues, with a General Fund component of \$47,586,130 in expenditures and \$43,264,270 in revenues. (Table 1.)

	Department Requested Budget			CAO Recommended Budget		
	Expense	Revenue	Shortfall	Expense	Revenue	Shortfall
General Fund	\$ 47,586,130	\$ 43,264,270	\$ (4,321,860)	\$ 46,659,305	\$ 43,524,703	\$ (3,134,602)
All Funds	\$ 81,883,358	\$ 75,065,180	\$ (6,818,178)	\$ 81,012,882	\$ 75,514,170	\$ (5,498,712)

Table 1.

As presented, the FY 2007-08 CAO Recommended Budget is sufficient to:

- Allow the County to maintain core programs in the face of rising costs, and avoid major reductions in other services and programs
- Fund debt service obligations

- Set-aside funds to pay for expenses stemming from the Inyo Complex Fire that may not be reimbursed.
- Fund increases in employee benefit costs, and pay for the recently-approved cost of living adjustments necessary to ensure that the gap in compensation between Inyo County employees and the employees of other public agencies in the region does not increase
- Provide General Fund Operating Transfers necessary to avoid reductions in service in key Non-General Fund budgets
- Maintain the funding for the County's Grants-In-Support Program at FY 2006-07 levels
- Provide for personnel actions recommended by the CAO, including endorsing several requests for new positions that will help to improve delivery of services without substantially increasing costs
- Budget \$26,303 for Contingencies

In addition, the CAO-Recommended Budget also provides funding for some of the un-met needs identified in last year's Budget, and during the Mid-Year and Third-Quarter Financial Review, including:

- Funding the costs of the essential electrical system upgrades absolutely necessary to ensure operation of the Network/Financial Systems Project (other recommended electrical system upgrades remain unfunded)
- Paying for a rate-setting consultant for the town water systems
- Increasing Advertising County Resources Program funding to near FY 2005-06 levels
- Restoring four (4) seasonal employees in the Parks & Recreation Department.
- Funding for the prescribed tree trimming and removal program at County parks and campgrounds

However, despite what it is able to accomplish, this Budget still leaves the County with many un-met needs, including:

- Only infusing \$50,000 into the Deferred Maintenance budget (the County's Deferred Maintenance Program that identifies over \$2 Million in critical projects at public buildings)
- Funding for new positions, facilities and equipment necessary to address compliance issues at County solid waste facilities
- Identifying funding for short and long-term office space needs
- Addressing over \$500,000 in Americans with Disabilities Act (ADA) upgrades at County facilities

- Restoring the Inyo County Free Library's book buying budget to FY 2003-2004 levels (exclusive of inflation)
- Setting aside funding to minimize the impact of anticipated increases in employee retirement costs
- Making provisions for beginning to address the unfunded retiree health liability charges the County will be mandated to recognize in the future
- Increasing the County's General Reserve and Economic Stabilization funds beyond the amount provided by interest accruals
- Dedicating sufficient staff or fiscal resources to aggressively pursue affinity projects not associated with core County services
- Beginning to address the myriad of department needs, identified in the Statements of Underfunding submitted with this year's budget narratives but not included in the Department Requested budgets
- Identifying funds that may be necessary to even consider demands that will arise during upcoming negotiations with the Deputy Sheriff's Association

STEPS TAKEN TO BALANCE THE CAO RECOMMENDED BUDGET

The FY 2007-08 CAO Recommended Budget is balanced by using a combination of Fund Balance, Operating Transfers from the Geothermal Royalties Fund and Criminal Justice Facilities Trust, and savings associated with personnel actions; including anticipated salary savings from currently vacant staff positions.

Fund Balance

The Auditor-Controller has certified the General Fund Balance for the Fiscal Year ending June 30, 2007, as \$3,134,602. The General Fund Balance is being used to fill the \$3,134,602 deficit that exists between projected income and projected expenses in the FY 2007-08 CAO Recommended General Fund Budget. This year's Fund Balance is \$509,847 lower than the \$3,644,449 used to balance the County's FY 2006-07 General Fund Budget.

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 Fund Balance can be primarily attributed to salary savings, lower-than-anticipated expenditures in other categories of expenses, and coming close to achieving budgeted revenues.

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 \$441,461 in General Fund salary savings to reduce the expense of the Department Requested Budget. This is a significant decrease from the amount of salary savings that was available to balance last year's Budget. The current Position Vacancy Report/Salary Savings Table is included as Attachment C to this report.)

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

However, because of the conservative approach taken when budgeting salary savings, there will usually 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, it will show up as part of the Fund Balance calculation at the end of the year.

Furthermore, there will always be vacancies that arise later in the year that simply cannot be anticipated at the time the Budget is prepared; this is simply a reality of the workforce in most organizations. While it is reasonable to anticipate that there will always be additional "unanticipated" or, perhaps more accurately, "unbudgeted" salary savings that accrue throughout the year, it is not easy to anticipate what the amount of that savings might be. It is neither practical nor prudent to attempt to guess which departments might experience vacancies after the Budget is adopted and then try to adjust their budgets accordingly in advance. Again, because of this phenomenon, there will always be unbudgeted salary savings in the County Budget at the end of the year – unless the savings is re-appropriated to other expense categories in departments' budgets (a practice that, in most cases, is actively discouraged by the CAO and Auditor-Controller). 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 that we are working with to balance this year's Budget benefits from approximately \$2,403,359 in salary and benefit savings during FY 2006-07. While the practices and realities described above explain how we arrive with salary savings at the end of a budget year, they do not necessarily explain why the dollar amount is so high. In contemplating the amount of money associated with salary savings, and all the variables at work, it is perhaps most useful to consider the amount of money associated with salary savings as a direct reflection of the fact that personnel costs account for 62% of the County's General Fund Budget (or, \$29,038,480).

Under-expenditures

In addition to savings from position vacancies that arise during the year, under-expenditures in other categories of expenses also contribute to Fund Balance. As previously reported to your Board, there is not a single budget, or a group of budgets that routinely budget far more than they actually spend (to the detriment of tighter, "more realistic" budgets). Rather, analysis reveals that under-expenditures can generally be segregated into two categories: (1) individual, high-priced expenditures – such as a capital improvement, consulting contract or large, one-time purchase – that, for any number of reasons, do not

materialize in the year in which they are budgeted; and, (2) many budgets with small savings, across expense object codes that, when taken together add up to significant savings.

Under-expenditures in the first category are likely to show up again in the following year's budget. For example, \$85,000 was budgeted in the FY 2006-07 Planning budget to update the General Plan and Zoning Ordinance. That project was not initiated and the money became available for Fund Balance. However, the same project is budgeted in this year's budget and the expectation is that it will be completed.

However, it is the second category of under-expenditure that is more prevalent, and usually accounts for greater savings. With very few exceptions, year-in and year-out, most departments manage their budgets effectively, and save money wherever they can. The savings may not be a lot, a couple hundred dollars here, a thousand dollars some place else. But, considering that the FY 2006-07 Budget included 140 budget units, even a savings of a thousand, or couple thousand dollars (in a budget of a few hundred thousand or even a million dollars) can quickly add-up to a large amount of money when the County Budget is considered as a whole.

These "small but mighty" efforts need to be acknowledged and appreciated, however, (outside of failing to fully realize revenues, or a series of large, unexpected and compulsory expenses) it is this category of under-expenditure that may have the greatest potential to shrink future years' fund balances. Unlike salary savings, it is far less certain that we can always count on a lot of little savings adding up to big savings at the end of the year. Departments continue to operate on very lean budgets, particularly in the services and supplies cost category. In general, there is not much, if anything left to cut, a conclusion evidenced by the fact that the CAO-Recommended Budget only reduces Department-Requested non-personnel expenditures in the General Fund by \$66,193. However, while services and supplies expenditures are not being substantially reduced, neither are the expenditures being significantly increased. The risk is that, without reasonable increases in services and supplies budgets, departments might simply find it difficult, if not impossible to continue generating the small savings that add up to such a significant portion of Fund Balance.

Revenue Realization

Realizing budgeted revenues is a critical factor in determining year-end Fund Balance that cannot be overemphasized. For every dollar of revenue that is budgeted, but not achieved, year-end Fund Balance is decreased by a dollar. In FY 2006-07, actual General Fund revenues were \$263,284 less than the Board-Approved Budget, and \$474,117 less than the Working Budget. While departments continued, by-and-large, to do a commendable job in achieving budgeted revenue, these figures benefit from the fact that under-realized revenues in some budgets were off-set by higher than anticipated revenues in other budgets; particularly certain tax revenues in the General Revenue and Expenditure budget. For example, Hotel Transient Occupancy Tax (TOT) revenue came in \$521,097 over the Board-Approved projection, and \$344,097 higher than the Working Budget that was amended to reflect the passage of Measure B (increasing the TOT from 9% to 12% effective January 1, 2007).

In other words, the General Fund Balance available to use in this year's budget could have been \$263,284 higher if revenue projections in the FY 2006-07 Board Approved Budget had been achieved, and \$474,117 higher if revenues projections were met in addition to the receipt of unanticipated General Fund revenue. These numbers decrease slightly when compared to the Working Budget, and 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 this decrease in revenues AND, pursuant to the County's Budget Control & Responsibility Policy, revenues need to be decreased accordingly. Failure to do both has the effect of doubling the impact the loss of revenue has on the bottom line. As in years past, a key factor to maintaining the integrity of the FY 2007-08 Budget, and not eroding the year-end Fund Balance available for the FY 2008-09 Budget, is that departments must meet their budgeted revenue projections, and decrease their expenditures by a corresponding amount when they cannot meet revenue projections.

Geothermal Royalties

As noted above, 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 Board direction, received during FY 2005-06 following a plummet in the receipt of new geothermal royalty payments, no new geothermal royalty revenues were included in the FY 2006-07 Budget, and no operating transfers were budgeted from the Geothermal Royalties Fund to off-set General Fund expenses. Instead, the Board chose to treat geothermal royalty payments as unanticipated revenue that would only be budgeted as needed, preferably for one-time expenditures pending the adoption of an official policy regarding the expenditure of unanticipated revenue.

The wisdom of the Board's decision to treat geothermal royalty payments as unanticipated revenue that should not be budgeted in advance is evidenced by the fact that, during FY 2006-07, the Geothermal Royalties Fund received \$813,905 in new royalty payments. Since this revenue was not already allocated in the FY 2006-07 Budget, it is now available in the form of Geothermal Royalties Fund Balance. The FY 2007-08 Recommended Budget, once again, does not anticipate or rely on the receipt of new Geothermal Royalties revenue. However, the FY 2007-08 Recommended Budget does rely on making Operating Transfers from the Geothermal Royalties Fund to specific General Fund and Non-General Fund budgets. As shown in Table 2, these Operating Transfers are for specific one-time purposes, consistent with the *Unanticipated Revenue Policy* being developed by your Board's Financial Advisory Committee, and comply with state and federal requirements concerning the expenditure of these funds.

The Operating Transfers out of the Geothermal Royalties Fund included in the CAO Recommended Budget total \$804,876. Of this amount, \$335,000 is recommended for transfer to General Fund budgets, and \$469,876 is recommended for transfer to Non-General Fund budgets. However, if not for the availability of the Geothermal Royalties money, the General Fund would have been required to fund most, if not all of these costs. In light of the shortfall that exists between General Fund revenues and expenses, and the General Fund Balance that is available to help balance the Budget, this would not be possible without making an additional \$800,000 in reductions to other General Fund services and programs.

**RECOMMENDED OPERATING TRANSFERS
FROM GEOTHERMAL ROYALITIES FUND**

Budget Receiving Transfer - Description	General Fund	Non-General Fund
Solid Waste - Landfill Fencing		\$41,000
Eastern Sierra Regional Airport - Fuel Truck & Fuel Tank Payment		\$27,376
Planning - General Plan Update	\$85,000	
Road (<i>reimbursement</i>)		\$55,000
Deferred Maintenance		\$50,000
Network Project - Electrical System Upgrade		\$284,000
Disaster Services - Inyo Complex Fire Recovery Costs	\$250,000	
Accumulated Capital Outlay - Mobile Home Purchase		\$12,500
SUB-TOTALS	\$335,000	\$469,876
TOTAL GEOTHERMAL OPERATING TRANSFER	\$804,876	

Table 2.

Based on the recommended Operating Transfers from the Geothermal Royalties Fund, Geothermal Fund Balance will be \$13,666. However, in keeping with Board direction, the Recommended Budget does not rely on budgeting geothermal royalty revenue that has yet to be received. As a result, any geothermal royalties received in FY 2007-08 will be placed directly in the Geothermal Fund, thereby increasing Geothermal Fund Balance that can be used for future expenditures in accordance with the *Unanticipated Revenue Policy*.

Criminal Justice Facilities Trust

This year's Budget recommends using \$262,950 in Operating Transfers from the County's Criminal Justice Facilities Trust to balance the FY 2007-08 County Budget. It is recommend that an Operating Transfer of \$16,000 be made from the Criminal Justice Facilities Trust into the Public Works Department's Building Maintenance & Grounds budget to pay for the cost of budgeted maintenance activities at the Jail (\$12,000) and Juvenile Hall (\$4,000). (The Juvenile Hall maintenance activities are exclusive of replacing the dirt floor.) It is also recommended that \$246,950 be transferred to the Lone Pine Sub-Station budget and be used to fund the entire cost of that project.

The recommendation that your Board use Criminal Justice Facilities Trust money to pay for the Lone Pine Sub-Station is linked to the recommendation, included as part of the CAO Recommended Budget, that your Board:

- (1) increase authorized staff in the Sheriff-General budget by one Administrative Analyst (Range 66) at a cost of \$61,824 (based on 9-months); and,
- (2) that the authorized strength in the Sheriff-Safety budget be changed to reduce one Deputy position and increase one Sergeant position, at a cost difference of approximately \$17,160 for nine-months.

If the County is able to use Criminal Justice Facilities Trust money to pay for the sub-station, the Sheriff has agreed to pay for the cost of these staff enhancements in FY 2007-08, from a one-time (FY 2007-08 only) use of AB 443 funding. (Based on current costs, beginning in FY 2008-09, the full-year cost to the General Fund for these positions will be \$88,705). The Department Requested Budget anticipated using AB 443 funding to pay for the cost of the Sheriff's Lone Pine Sub-Station. The use of Criminal Justice Facilities Trust money to fund the Lone Pine Sub-Station (instead of AB 443 funding) allows \$61,824 in AB 443 revenue to be added to the Sheriff-General budget to pay for the new Analyst position, and \$17,160 in AB 443 revenue to be added to the Sheriff-Safety budget to fund the cost differential associated with changing a Deputy position to a Sergeant position in the department's authorized strength.

Without the use of Criminal Justice Facilities Trust funding to pay for the Lone Pine Sub-Station, the AB 443 funding will be needed to pay for the facility, and the staff enhancements (analyst and Deputy-to-Sergeant) recommended for the Sheriff's budgets will need to be deleted unless funding can be located elsewhere in the CAO Recommended Budget. If the use of Criminal Justice Facilities funding is approved, the AB 443 funding not used for the staff enhancements (\$167,966) will be placed in the AB 443 Trust and could be used to supplement future costs in the Sheriff's budget. For example, if, in the future, your Board elects to change the Correctional Officers' contract to make Correctional Officer's sworn positions, this funding could be used to off-set the increased retirement costs that would be associated with the position.

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 \$1,009,009 and, in FY 2006-07 received about \$88,519 in new revenue. Current law (California Government Code Section 76103) permits the funds to be used for "county criminal justice facilities" which "includes, **but is not limited to**, jails, women's centers, detention facilities, juvenile halls, and courtrooms. (**Emphasis** added.) We believe that 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.

Personnel Actions

Personnel actions – salary savings, position adjustments, and new positions – being recommended (or not recommended) in the FY 2007-08 CAO Recommended Budget account for \$962,661 of the difference in expense between the Department Requested and CAO Recommended budgets.

The County of Inyo Manpower Report (Attachment D) identifies, by department, authorized staffing levels (full-time, C-PAR and B-PAR employees) as of July 1, 2007. Because the Health and Human Services Department has numerous employees spread across multiple budgets, a table showing the Department's Authorized full-time and B-PAR staff, and how they are allocated among programs, is also provided (Attachment E) to guide your Board in its review of the HHS budgets.

The FY 2007-08 CAO Recommended Budget is based on implementing a number of recommendations relative to personnel actions.

Salary Savings

Some departments have proposed some salary savings, associated with vacant staff positions, in their Department Requested budgets. Additionally, the CAO (in consultation with the departments) makes recommendations for additional salary savings in the Recommended Budget. Most of the savings being recommended by the CAO (\$441,461) occurs in the General Fund, while, Non-General Fund budgets recognize \$2,088 in salary savings. For comparison, the FY 2006-07 CAO Recommended Budget relied on \$723,114 in General Fund salary savings, and embraced \$227,618 in salary savings in Non-General Fund budgets. As noted above, the calculation of CAO Recommended salary savings is intentionally conservative. However, the decrease in anticipated salary savings from FY 2006-07 to FY 2007-08 is more reasonably attributed to the fact that there are currently simply less vacancies from which to draw salary savings; perhaps a testament to the positive effect that recently approved cost of living adjustments are having on the County's recruitment and retention efforts.

The Position Vacancy/Salary Savings Table (Attachment C) identifies salary savings by department and staff position, and includes the earliest date that the position can be filled to realize the anticipated salary savings. Similar to last year, we provide the caveat that, if viable candidates for certain critical positions, such as the vacant Assistant Civil Engineer position (with a salary savings fill date of January 2008), are identified prior to the fill date, your Board will be asked to consider appropriating the necessary additional funding.

Position Adjustments

Reclassification, career ladder and equity adjustment requests received during the "reclassification window" (last February 15th to March 15th) are identified in Attachment B: FY 2007-08 Reclass, Career Ladder And Equity Adjustment Requests. With the exception of equity adjustments requested for represented employees, almost all of the reclassification, career ladder and equity adjustment requests are being recommended for your Board's approval by the CAO. The FY 2007-08 CAO Recommended Budget includes funding for these position adjustments.

Equity adjustments for represented employees require the County to first meet and confer with ICEA, and therefore cannot be recommended at this time. The positions the CAO is precluded from recommending for equity adjustments account for \$33,969 in savings when compared to the Department Requested Budget.

New Positions

The New Position Request Report (Attachment F) shows that requests for 29 new positions were received during this year's budget process. The County Budget is unable to fulfill all of these requests at this time. However, some new positions are being recommended in recognition of their essential nature, associated funding sources, or ability to enhance services with little or no cost to the General Fund. The new positions being recommended include:

Sheriff

- As discussed above, the Recommended Budget endorses adding a new Administrative Analyst position in the Sheriff-General budget, and changing the authorized strength to convert a Deputy to Sergeant position in the Sheriff-Safety budget. Together, these new positions will

support the administration of the Emergency Services Program, the Work Release Alternative Program, and coordinating training needs within the department. As recommended, both positions are contingent on:

- Using the Criminal Justice Facilities Trust money to fund the Sheriff's Lone Pine Sub-Station and using \$78,984 in AB 443 money to fund the cost of the new positions in FY 2007-08.
 - Your Board approving the Work Release Alternative Program
 - The Sheriff's Office assuming responsibility for administering the Office of Emergency Services.
 - The positions being filled for not more than 9-months in FY 2007-08
 - AB 443 funding not being eliminated in the State Budget
- The CAO Recommended Budget endorses adding a new Dispatcher position in the Sheriff-General budget. The position is funded for 9-months and, combined with the career ladder actions recommended for the existing Dispatcher positions, is necessary to avoid a crisis situation relative to operation of the dispatch Center.
 - During the Budget Workshop, the Sheriff presented his three-year plan for addressing jail staffing and deputy recruitment and retention issues. The Recommended Budget endorses adding five (5) new Correctional Officer positions (budgeted at six-months) in the Jail-General budget consistent with the first year of the three-year plan. This recommendation is conditioned on:
 - Deleting two (2), currently vacant, Deputy Sheriff positions that are currently funded with AB 443 money in the Sheriff-Safety budget, and funding another deputy currently assigned to the Sheriff-Safety budget through the CalMmet budget.
 - Using AB 443 funding, less the General Fund savings (\$111,511) associated with moving the Deputy to the CalMmet budget, to fund the cost of the new Correctional Officers based on 9-months salary and benefits for FY 2007-08. The AB 443 contribution is reflected as \$155, 814 in the Recommended Jail-General budget.
 - In future years, as long as AB 443 or CalMmet funding is available, the Sheriff using the CalMmet grant to fund one Deputy position, and AB 443 money to fund the entire cost of the five Correctional Officers (less the General Fund savings associated with CalMmet funding the Deputy position). Based on current costs, this would result in dedicating \$356,955 in AB 443 funding to pay for the new Correctional Officers in FY 2008-09.
 - Understanding that approving these positions does not commit the County to approving, or funding the costs associated with the second or third year of the Sheriff's three-year plan. Each phase of the plan will need to be considered as part of the respective year's budget process.
 - AB 443 funding not being eliminated in the State Budget
 - No explicit or implicit endorsement or agreement to amend the current employment agreement to designate Correctional Officers as sworn personnel for purposes of retirement benefits.

Public Works

- The CAO Recommended Budget supports the request for a new Facilities Manager (Range 71) position conditioned on deleting the Building Supervisor position. This position is necessary to accurately reflect the level of responsibility and experience associated with overseeing the County's building maintenance and grounds programs

Museum

- The CAO Recommended Budget includes creating a new, part-time Account Clerk (Range 43) position for nine months in the Museum budget, and deleting an existing part-time Museum Specialist position (Range 44) upon filling the position. There is no increase in cost associated with this position.

Library

- The CAO Recommended Budget supports creating a new Central Librarian (Range 66) position for seven months, and a new full-time Library Specialist III (Range 50) position for nine months, and deleting a Library III position and a part-time Library Specialist position, respectively, upon filling the positions. As indicated in the Library's budget narrative, the Central Librarian position will not be recruited or filled until after the new Library Director is hired. Recommending these positions does not increase personnel costs, or the Net County Cost in the Library budget. The cost of paying for these positions is funded through savings associated with the retirement of the Library's Fiscal Supervisor and filling the vacancy with an Account Clerk III.

IMAAA

- The CAO Recommended Budget supports creating a new Senior Counselor (Range 67) position and, upon filling the position, deleting a part-time Counselor position. This change is necessary to handle casework associated with one of the current Senior Counselors serving as Acting Director when the current Director retires this December.

Health & Human Services

- A new Social Worker III is funded in the Recommended Budget. As discussed previously during a Board of Supervisors workshop, this new position is designed to provide services to contain or reduce caseload growth in the General Assistance and CMSP Programs. In addition, the Recommended budget includes dedicated funding for a new Tobacco Specialist (Range 60) position.
- Two new HHS positions (a Social Worker III for Child Welfare and a Social Worker IV for Mental Health) as well as a new Juvenile Probation Officer position are being recommended to support a new "wraparound" approach to preventing or reducing the need for out-of-home placement of Inyo County children. All three of these new positions will be paid for with existing Foster Care funding, and will be solely dedicated to providing these new services. Implementation of the wraparound approach is contingent on approval by the State of California and the Inyo County Board of Supervisors. HHS will seek Board approval to provide

this new approach to reducing the need for out-of-home placement between the Budget Hearings and adoption of the FY 2007-08 County Budget. If approved, changes will be made within the Recommended Social Services budget to provide the necessary personnel cost allocations. If the new services are not approved, the Social Services budget allocations will remain as currently recommended.

- Similarly, a new Social Worker III, and two un-benefited, part-time A-PAR positions (a Housing Specialist and a Family Partner) are being recommended to implement the Transitional Housing Program – Plus which will serve 18 to 25-year-old youth “aging out” of the Foster Care system. Funding for this program is currently a point of contention in the yet-to-be adopted State Budget. If this program is ultimately not funded in the State Budget, these positions will be deleted from the County Budget. If the program is funded in the State Budget, the Social Services budget will be amended to recognize the new funding necessary to fill these new positions.

Summary

As presented, this Budget document identifies differences between the Department Requested Budget and CAO Recommended Budget, and the steps taken to reduce the amount of the difference and ultimately submit a balanced Budget. It is important to recognize that, as part of the departmental budget meetings, many departments agreed to make reductions to their 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 the reductions necessary to balance the CAO Recommended Budget.

As described in greater detail above, several approaches have been used to reduce the size of the deficit from the \$4.3 million gap in the Department Requested General Fund Budget to the \$3.1 gap in the CAO Recommended General Fund Budget. In summary these include:

- Identifying \$441,461 in General Fund salary savings based on current vacancies
- Eliminating or adjusting requests for new positions in the General Fund for a total reduction of \$394,731
- Achieving \$33,969 in General Fund savings associated with equity adjustments the CAO is precluded from recommending due to meet and confer requirements
- Reducing services and supplies costs, and other non-personnel costs included in Department Requested General Fund budgets by \$92,496
- Using Operating Transfers from the Geothermal Royalties Fund and Criminal Justice Facilities Trust to off-set specific, one-time General Fund costs, and reduce the amount of General Fund Operating Transfers that would otherwise be necessary

As noted earlier, General Fund Balance of \$3,134,602 is being used to fund the deficit that exists between projected income and expense in the CAO Recommended General Fund Budget.

ECONOMIC FACTORS

The FY 2007-08 CAO Recommended Budget projects a total decrease in revenues of \$664,641, from \$76,178,811 in the FY 2006-07 Board Approved Budget to \$75,514,170 in this year's Recommended Budget. However, the Recommended General Fund Budget projects revenues of \$43,524,703, an increase of \$3,990,819, or 10% more than the \$39,533,884 in General Fund revenues projected in the FY 2006-07 Board Approved Budget. However, the increase in General Fund revenues is slightly deceiving due to the infusion into the General Fund of recommended Operating Transfers from the Geothermal Royalties Fund and Criminal Justice Facilities Trust totaling \$597,950. Without these Operating Transfers, the increase in General Fund revenue compared to FY 2006-07 is \$3,392,869; still a healthy increase of 8.5%.

The good news is that General Fund revenues are on the rise. This year, revenues are up (more than 5%) from this time last year when the increase in General Fund revenue from FY 2005-06 to FY 2006-07 was projected to be \$1,187,914, or an increase of 3%. Most of the increase in General Fund revenues can be attributed to projected increases in property taxes (8.85%), other taxes (13.81%) aid from other government agencies (7.1%). The following graph, *General Fund Revenues by Category*, Figure 1., illustrates the sources of General Fund revenues.

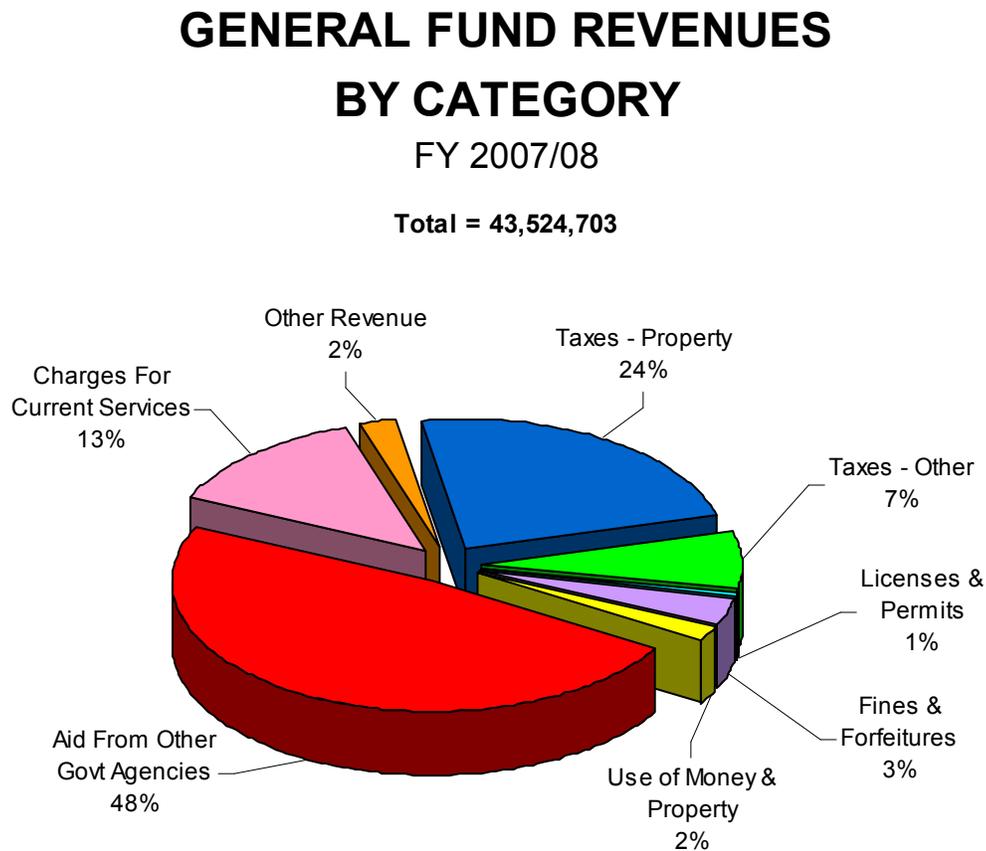


Figure 1.

For comparison, General Fund expenses, have increased by \$3,480,972, or 8.06% compared to FY 2006-07. However, although revenues are growing at a slightly higher rate than expenses (8.5%, exclusive of Operating Transfers to the General Fund, compared to 8.06%, respectively), the actual dollar cost of doing business is still rising slightly faster than the County's income. Excluding Operating Transfers to the General Fund, projected increases in FY 2007-08 expenditures exceed projected revenues by \$88,103.

This points to a slow down, but not elimination of the trend that has plagued the County in recent years whereby increases in costs continue to exceed increases in revenues. Nonetheless, the gap between income and expenses appears to be shrinking. (However, this could also be simply "forced-shrinkage" responding to a lower Fund Balance.) Changes in General Fund expense categories, from FY 2006-07 to FY 2007-08 are shown in Table 3.

**CHANGE IN GENERAL FUND EXPENDITURES
BY CATEGORY OF EXPENSE**

Expense Category	FY 2006-07 Board Approved	FY 2007-08 CAO Recommended	Difference	Percent Change
Salaries & Benefits	\$26,098,243	\$29,038,480	\$2,940,237	11.27%
Services & Supplies	\$7,935,694	\$8,929,741	\$994,047	12.53%
Internal Charges	\$2,425,578	\$2,517,742	\$92,164	3.80%
Other Charges	\$4,935,149	\$4,795,493	(\$139,656)	-2.83%
Fixed Assets	\$215,501	\$230,287	\$14,786	6.86%
Other Financing Uses	\$1,492,785	\$1,121,259	(\$371,526)	-24.89%
Reserves	\$75,383	\$26,303	(\$49,080)	-65.11%
TOTAL	\$43,178,333	\$46,659,305	\$3,480,972	8.06%

Table 3.

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

1. No revenue is anticipated from the sale of County-owned property to fund deferred maintenance activities
2. Appropriate use of realignment funds to provide maximum benefit to the County. To accomplish this, minor adjustments to the Health Realignment budgets (Health, Environmental Health, and Animal Services) may be presented to your Board as part of the Final Budget or during the Mid-Year Financial Review
3. A minimal increase of \$20,000 in sales tax receipts
4. A \$354,000 increase in the existing Hotel Transient Occupancy Tax. While higher than the FY 2006-07 Working Budget, the projection is \$167,097 less than FY 2006-07 actuals. This

projection seems reasonable given uncertainty surrounding fuels costs and the impact on discretionary travel

5. No new geothermal royalty payments have been projected in the Recommended Budget. Pursuant to Board direction, any geothermal royalty payments that may be received in FY 2007-08 will be treated as unanticipated revenue

CAO RECOMMENDED BUDGET

The total FY 2007-08 CAO Recommended Budget is \$81,012,882, and represents a \$1,027,008, or a 1.28% increase over the FY 2006-07 Board Approved Budget of \$79,985,874. (In FY 2006-07, the Board-Approved County Budget increased 13% compared to FY 2005-06.) The following graph, Total County Expenditures, Figure 2., demonstrates the categorical division of the Budget, as recommended.

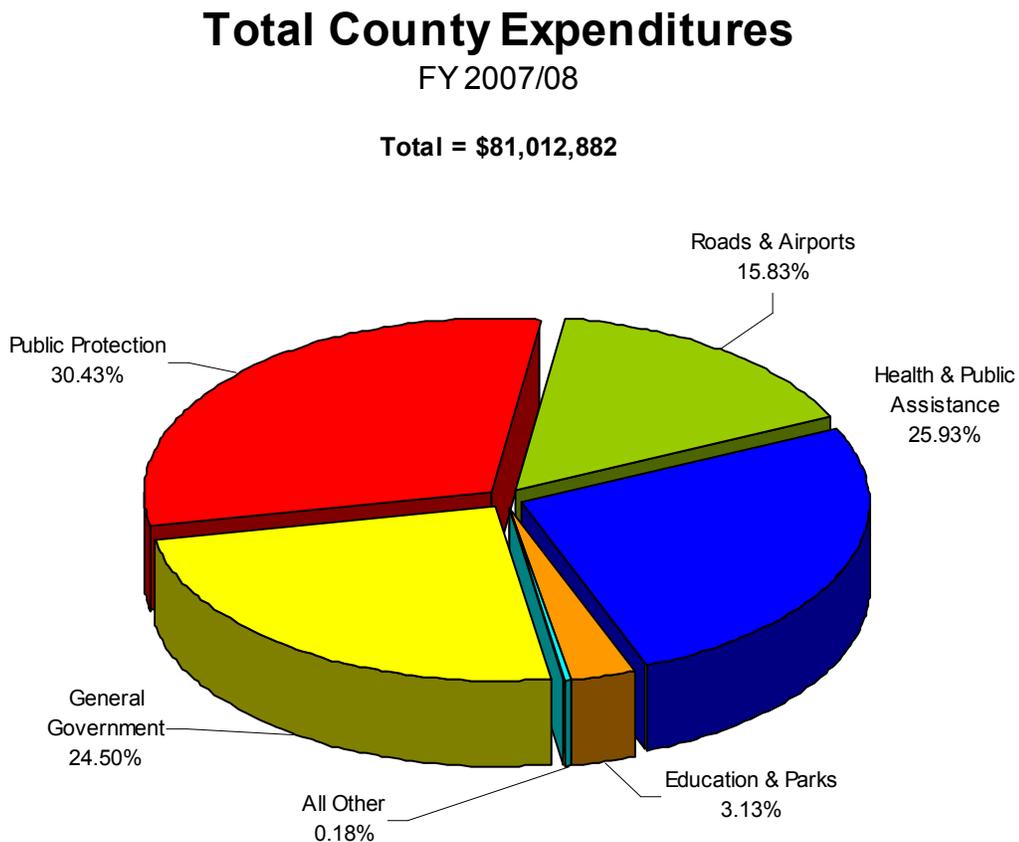


Figure 2.

Non-General Fund Budgets

The FY 2007-08 Recommended Non-General Fund Budgets totals \$34,353,577 in expenditures and \$31,989,467 in revenues. The deficit in Non-General Fund budgets is \$2,364,110. Including Operating Transfers, there is sufficient Fund Balance in these budgets to cover the gap between revenues and

expenditures. Table 4. shows the Operating Transfers being recommended for Non-General Fund budgets.

OPERATING TRANSFERS TO NON-GENERAL FUND BUDGETS

Transfer To	Source	Amount
Solid Waste Equipment (<i>debt service</i>)	General Fund	\$102,246
Solid Waste (<i>operating subsidy</i>)	General Fund	\$106,000
Solid Waste (<i>fencing</i>)	Geothermal Royalites	\$41,000
Network & Financial System Projects (<i>debt service</i>)	General Fund	\$415,645
Network Project (<i>electrical system upgrade</i>)	Geothermal Royalites	\$284,000
Senior Program (IMAAA) (<i>grant match</i>)	General Fund	\$70,148
Senior Program (IMAAA) (<i>operating subsidy</i>)	General Fund	\$104,367
Water Systems (<i>operating subsidy</i>)	General Fund	\$26,513
Water Systems (<i>rate setting consultant</i>)	General Fund	\$100,000
Road (<i>reimbursement</i>)	Geothermal Royalites	\$55,000
Deferred Maintenance	Geothermal Royalites	\$50,000
Accumulated Capital Outlay - Mobile Home Purchase	Geothermal Royalites	\$12,500
District Attorney -- Vertical Prosecution Grant (<i>operating subsidy</i>)	General Fund	\$2,214
Eastern Sierra Regional Airport (<i>fuel truck & fuel tank payment</i>)	Geothermal Royalites	\$27,376
Eastern Sierra Regional Airport (<i>operating subsidy</i>)	General Fund	\$22,000
TOTAL		\$1,419,009

Table 4.

General Fund Budget

The FY 2007-08 Recommended General Fund Budget totals \$46,659,305 in expenditures and \$43,524,703 in revenues. General Fund expenditures represent an increase of \$3,480,972, or 8.06% over the FY 2006-07 Board Approved General Fund Budget of \$43,178,333. (In FY 2006-07, the Board-Approved General Fund Budget increased 5.7% compared to FY 2005-06.)

The Auditor-Controller certifies the Fund Balance in the General Fund to be \$3,134,602, and this amount is used to balance the FY 2007-08 Recommended General Fund Budget.

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

General Fund Expenditures by Function

FY 2007/08

Total = \$46,659,305

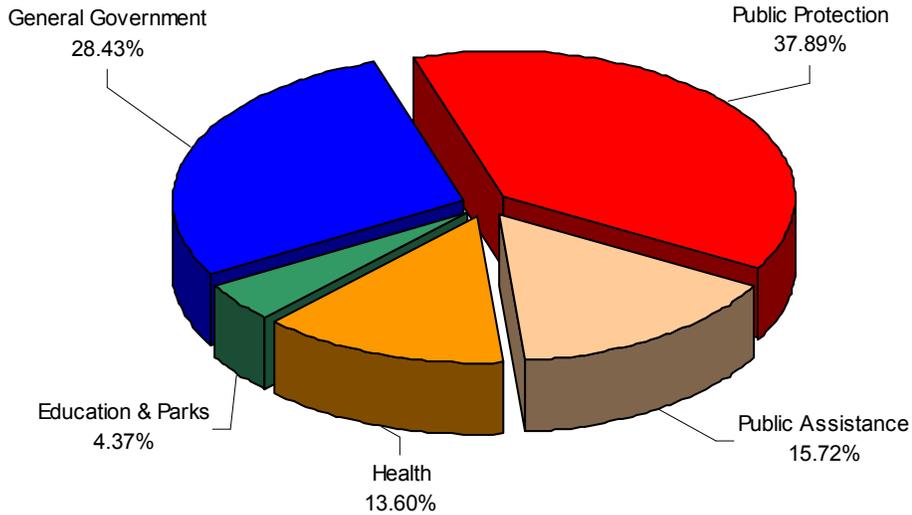


Figure 3.

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

RECOMMENDED GENERAL FUND OPERATING TRANSFERS

Transfer To	Amount
Solid Waste Equipment (<i>debt service</i>)	\$102,246
Solid Waste (<i>operating subsidy</i>)	\$106,000
Network & Financial System Projects (<i>debt service</i>)	\$415,645
Senior Program (IMAAA) (<i>grant match</i>)	\$70,148
Senior Program (IMAAA) (<i>operating subsidy</i>)	\$104,367
Water Systems (<i>operating subsidy</i>)	\$26,513
Water Systems Rate Setting Consultant	\$100,000
District Attorney -- Vertical Prosecution Grant (<i>operating subsidy</i>)	\$2,214
Eastern Sierra Regional Airport (<i>operating subsidy</i>)	\$22,000
TOTAL	\$949,133

Table 5.

Differences Between Department Requested Budget and CAO Recommended Budget

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

Medical insurance costs have been reduced in all budget units by 2.5%. When the Personnel Module was created last March, medical insurance costs were unknown. Based on last year's increase of 12.5%, a conservative estimate of 15% growth (for six-months) was built into the Personnel Module. The County recently received confirmation that medical insurance costs will increase on January 1, 2008, by a factor closer to 10%.

NON-GENERAL FUND

District Attorney – Drug Suppression Task Force (INET)

Last year, salary and benefit costs for the INET Investigator, who is assigned to the District Attorney's staff, were budgeted entirely in the Sheriff's new CalMMet Task Force Grant budget. The INET Investigator's position was created with the intent that it be funded with grant funds; something that has not been possible within the constraints of the INET grant in recent years.

As discussed with your Board during the Budget Workshop, the CAO is recommending that the INET Investigator be made a permanent part of the D.A.-Safety budget rather than remain a grant funded position. For all intents and purposes, the INET grant can no longer support this position, however, rather than eliminate the position – which appears to be needed more now than ever before – the CalMmet grant provides an opportunity (at least for the time being) to fund the position in the D.A.-Safety budget without negatively impacting the General Fund. The INET Investigator's time will be billed to the CalMmet budget as an intra-county charge, and the D.A.-Safety budget anticipates recouping 100% of the Investigator's salary and benefits costs as intra-county revenue.

D.A. – Vertical Prosecution

The Recommended Budget supports a \$2,214 General Fund Operating Transfer to this budget to offset a portion of the Program's cost plan charges.

Easter Sierra Regional Airport

The Eastern Sierra Regional Airport ended FY 2006-07 with a \$6,211 deficit and a \$5,500 loan from the General Fund. The requested budget for the facility projected a \$110,428 deficit. Although revenue projections include a 10% increase in rent from Hanger 1, no other fee increases are contemplated in the Requested Budget.

In the coming year, your Board is strongly encouraged to consider increasing parking fees, hanger rents, and rent for the National Weather Service building, in addition to other options for enhancing revenue or reducing costs (including contracting with a Fixed Base Operator).

To address the combined \$122,189 shortfall in the Requested ESRA budget, in the absence of reasonable fee increases, the CAO Recommended Budget is based on:

- Reducing the requested allocation for utility costs from \$38,000 to \$35,000
- Changing the assumptions used for projecting increases in the price of fuel that is purchased for resale from a 15% increase in the price of fuel to a 10% increase, resulting in a savings of \$27,500
- Changing the assumptions used for projecting Jet A Fuel revenue to reflect selling 120,000 gallons instead of the 110,000 gallons sold in FY 2006-07. The five-year average is 125,000 gallons of Jet A fuel sold. This increases revenues by \$42,000.
- Providing a \$27,376 Operating Transfer from Geothermal Royalties to fund the cost of fuel truck repairs (\$17,500) and fund the airport's fuel tank payment (\$9,876).
- Making a \$22,000 Operating Transfer from the General Fund.

The recommendations to decrease costs and increase revenues are largely dependent on factors (e.g., energy costs) beyond the County's control. If, later in the year, these assumptions prove overly optimistic, additional money to fund airport operations may need to be identified or service levels curtailed.

IMAAA

The Inyo Mono Area Agency on Aging is a Joint Powers Agency that contracts with Inyo County to provide staff and operate services and programs that serve the region's senior population. As has been widely reported, the IMAAA JPA can no longer afford to pay Inyo County what it costs the County to provide these services. In recent years, the County has provided IMAAA with General Fund Operating Transfers to maintain the level of services and programs being offered to seniors in Inyo and Mono counties.

This year, the IMAAA budget requires a \$174,515 Operating Transfer from the General Fund (compared to a \$97,584 Operating Transfer in FY 2006-07 that was increased to \$150,062 by year's end). Of this amount, \$70,148 provides matches required for various grants, however, some of these match requirements could easily be met with in-kind contributions if the County were not required to provide the General Fund Operating Transfer. Your Board is reminded that once it approves the IMAAA budget, the County is essentially agreeing to provide another year of contract services without any expectation that its General Fund contribution will be reimbursed by the JPA, or the local governments whose constituents benefit from IMAAA programs. In addition, should IMAAA fail to achieve all of its budgeted revenues, or over-spend in any expenditure category, your Board could be faced with the dilemma of providing additional General Fund money (providing it is available) to IMAAA with no expectation for reimbursement, or having to take swift action to curtail the delivery of services.

It is hoped that, prior to your Board approving the FY 2007-08 County Budget on September 11th, the IMAAA Governing Board will meet to approve the budget and, at that time, discuss the possibility of increasing Mono County's contribution to the Program and other means to reduce Inyo County's costs.

As Recommended, and as might be expected, the IMAAA budget is extremely tight. Staff hours have been reduced to the minimum levels possible to still maintain services. To maintain the integrity of this budget, it is absolutely essential that IMAAA managers ensure that staff work only the hours that have

been budgeted, and complete their duties effectively and efficiently. This will require monitoring on a payroll-by-payroll basis. This budget is also based on increasing the number of clients in the MSSP Program. Again, for the MSSP Program to be cost-effective, these caseload assumptions must be monitored and met. The IMAAA budget also relies heavily on anticipated savings from the recently approved food contract, and significantly curtails funding for use of personal and motor pool vehicles. IMAAA administration must also closely monitor vehicle use and ensure that it does not exceed what has been budgeted. Lastly, it is absolutely critical that IMAAA achieve all of its budgeted revenues. In order to achieve these revenues, IMAAA administration must ensure that billings are completed promptly and accurately reflect all client encounters.

To ensure that all of these income and expense assumptions are met, the CAO recommends that your Board, and the IMAAA Governing Board require IMAAA administrators to supply monthly reports detailing the status of all cost and revenue centers relative to the Program's approved budget. If the IMAAA Program is not managed to meet its budget objectives, the budget could easily require an additional \$125,000 in financial support to remain balanced by the end of FY 2007-08.

The County has engaged a consultant to conduct a management audit of all of IMAAA's operations. It is expected that this report will (1) identify what, if any measures can be implemented by the County to improve program and service efficiencies, and reduce costs, under the existing contract structure, and (2) identify options the JPA may need to consider for providing programs and services other than contracting with Inyo County.

Motor Pool

The Motor Pool budget is based on increasing the Motor Pool Rate to \$0.54 per mile based on 2 million miles traveled.

Network Project

The Recommended Budget provides a \$415,645 General Fund Operating Transfer to the Network System Project budget to pay debt service. In addition, a \$284,000 Operating Transfer from the Geothermal Royalties Fund is being recommended for electrical upgrades costs. Combined with the \$350,000 General Fund Operating Transfer included in the FY 2006-07 Budget for electrical system costs, the budget should have sufficient funds to complete at least the essential electrical upgrades necessary to ensure the new network and financial systems remain functional. Your Board is reminded that the electrical engineering estimate completed last year identified \$1.9 million dollars in necessary and recommended electrical upgrades at County facilities.

Solid Waste

The Solid Waste Program budget ended FY 2006-07 with a \$28,660 deficit. The department's current sources of revenue, primarily sales tax and disposal fees, are insufficient to fund essential operations much less new positions, equipment, and capital improvements.

The Department Requested budget seeks expenditures for a new Equipment Operator position (to operate a water truck to control dust at the Lone Pine Landfill) and a Litter Picker position to service all solid waste facility locations. In addition, the Solid Waste budget also seeks \$480,000 in funding for a new gate house and shop building at the Sunland Landfill, and a new tub grinder. The budget also

requires \$81,000 in expenditures for chemical treatments to control dust and new perimeter fencing at two facilities. As shared with your Board, all of these requested expenditures are associated with regulatory compliance issues.

As requested, the FY 2007-08 Solid Waste budget projects a \$721,289 deficit. While most of the requested expenditures are clearly necessary, there is not sufficient revenue in the Solid Waste Program to fund many of these items at this time, and the General Fund simply cannot afford to provide such a large Operating Transfer without making severe cuts to other programs and services. In the absence of increasing landfill fees, the CAO Recommended Budget is based on:

- Once again eliminating funding for the gate house and shop building although these facilities desperately need to be replaced thereby saving \$240,000
- Providing no funding to replace the tub grinder pending settlement of the insurance claim, again saving \$240,000
- Eliminating funding earmarked to purchase two of the three roll-off containers requested to implement a new treated wood recovery program thereby saving \$8,500
- Reducing the allocation for utilities cost, projected based on operating a new gate house and shop facility, by \$10,000
- Not recommending the requested new Litter Picker and Equipment Operator positions due to the lack of an identified and on-going source of funds for the position
- Increasing revenue by \$10,500 based on the expectation that the Solid Waste department will work with Health & Human Services to develop an MOU to utilize the services of Solid Waste staff in Tecopa to assist with HHS programming thereby offsetting some of the costs associated with this position
- Recommending an Operating Transfer of \$41,000 from the Geothermal Royalties Fund to pay for the cost of perimeter fencing
- Recommending a General Fund Operating Transfer of \$106,000 to fund the remaining budget shortfall.

If your Board approves and funds the Sheriff's proposed Work Release Alternative Program later this year, it may provide a viable alternative to funding a Litter Picker position to address litter problems surrounding solid waste facilities. In addition to the possibility of receiving insurance proceeds and fine money to help off-set the purchase of a new tub grinder, the Financial Advisory Committee has asked the Treasurer-Tax Collector to investigate possible options for financing the purchase of the tub grinder as well as construction of the gate house and shop building improvements. When your Board considers these financing options, it will also need to identify a source of revenue to fund associated debt service costs.

Water Systems

As discussed with your board during the Budget Workshop, each of the town water system budgets – Independence, Laws, Lone Pine – require General Fund Operating Transfers to fund operating costs. In addition, a \$100,000 General Fund Operating Transfer is recommended to fund the cost of a rate-setting study. The cost of the rate-setting study is being apportioned among the water systems based on dividing fixed costs (\$75,000) equally, and system specific costs (\$25,000) based on the number of accounts served by each system. The total General Fund Operating Transfers included in the CAO Recommended Budget for the town water systems are:

- Independence - \$42,231
- Laws - \$41,702
- Lone Pine - \$42,580

GENERAL FUND

Advertising County Resources

The Recommended Budget proposes increasing the Advertising County Resources Program allocation by \$102,920 more than the FY 2006-07 allocation, and is closer to historical funding levels. As discussed with your Board during the Budget Workshop, the Recommended Budget provides funding for the following programs and activities:

- Community Project Sponsorship Program - \$100,000
- Tourism Marketing Contract (selected through RFP process) - \$75,000
- Collaborative Regional Projects (match with Mono County) - \$25,000
- Public Relations contractor (shared with Mono County) - \$13,000
- Cultural Heritage Workshop - \$2,000
- Film Commissioner Contract - \$55,000
- Inter Agency Visitors Center - \$20,000

Agricultural Commissioner

The CAO Recommended Budget reduces the department's request for a \$25,000 increase in its allocation for office space and site rental by \$22,500. It is clear that the department could benefit greatly from additional office space, and its needs will be addressed as part of the comprehensive review of Bishop office space needs and options that will be completed in the near future.

The Recommended Budget also reduces the department's request for a \$4,075 increase in its travel expense allocation by \$2,000.

Animal Services

The Recommended Budget does not support adding a new Animal Control Officer in either a full-time or part-time (B-PAR) capacity.

Assessor

Although the Requested Assessor's budget reduces Net County Cost, this reduction is slightly misleading since the savings is associated with eliminating a vacant Appraiser position as agreed to last year when the extra Appraiser position was added to the budget to address a long-term absence in the office. This reduction was anticipated. Without it, the Requested Assessor's budget seeks an increase in Net County Cost of over \$23,000 (discounted for wage and benefit cost increases beyond the control of the department). To help mitigate this increase, much of which is attributed to increased contract costs in the professional and special services object code, reductions are recommended to the department's General Operating (\$3,000) and Travel (\$1,000) budget requests.

The Recommended Budget does support three career ladder requests, but is precluded from supporting three equity adjustment requests due to meet and confer issues.

D.A. - Safety

As noted above, the D.A.-Safety budget is being increased to reflect the salary and benefits costs of the INET Investigator. Most, if not all of these costs should be recovered through intra-county charges to the Sheriff's CalMmet budget.

Disaster Services

The CAO Recommended Budget includes a \$250,000 Operating Transfer from the Geothermal Royalties Fund to Disaster Services to fund any capital costs associated with recovery from the Inyo Complex Fire. Final costs estimates for repairing damage from the fire – most notably the destruction of the reservoir for the Independence water system are being obtained, and the amount that these costs will ultimately be reimbursed remains unknown. While we hope that a combination of insurance proceeds, and state and federal assistance to cover most, if not all of the County's cost, there is a chance that the County could be required to provide matches of 25% for any assistance that is received. The \$250,000 amount seems like a reasonable contingency for this purposes based on preliminary cost estimates. Hopefully, use of all these funds will not be necessary and the money can be returned to the Geothermal Royalties Fund for other one-time costs.

Jail – General

As discussed in detail above, the Recommended Budget does support the Sheriff's request to add five new Correctional Officer positions to the Jail-General budget. The new positions will result in a net increase in the number of deputies available for patrol activities and, as presented, is cost-neutral to the General Fund. However, this recommendation is conditioned on:

- Deleting two (2), currently vacant, Deputy Sheriff positions that are currently funded with AB 443 money in the Sheriff-Safety budget, and funding another deputy currently assigned to the Sheriff-Safety budget through the CalMmet budget.
- Using AB 443 funding, less the General Fund savings (\$111,511) associated with moving the Deputy to the CalMmet budget, to fund the cost of the new Correctional Officers based on 9-months salary and benefits for FY 2007-08. The AB 443 contribution is reflected as \$155, 814 in the Recommended Jail-General budget.
- In future years, as long as AB 443 or CalMmet funding is available, the Sheriff using the CalMmet grant to fund one Deputy position, and AB 443 money to fund the entire cost of the five Correctional Officers (less the General Fund savings associated with CalMmet funding the Deputy position). Based on current costs, this would result in dedicating \$356,955 in AB 443 funding to pay for the new Correctional Officers in FY 2008-09.
- Understanding that approving these positions does not commit the County to approving, or funding the costs associated with the second or third year of the Sheriff's three-year plan. Each phase of the plan will need to be considered as part of the respective year's budget process.
- AB 443 funding not being eliminated in the State Budget
- No explicit or implicit endorsement or agreement to amend the current employment agreement to designate Correctional Officers as sworn personnel for purposes of retirement benefits.

Juvenile Institutions

The Department Requested budget seeks an increase in Net County Cost of \$112,075 exclusive of increased personnel costs. The CAO Recommended budget is based on reducing costs in certain object codes based on historic expenditure levels and, in some instances, merit: personal safety equipment (\$2,000); inmate clothing (\$2,500); maintenance of equipment (\$6,000); maintenance of structures (\$1,500); employee physicals (\$2,000); and general operating expense \$6,500).

The Recommended Budget cannot support the requested reclassification of the Cook position as it is not justified, but has agreed to work with the department to identify a more appropriate classification for the position. As noted above, the budget does recommend adding a Deputy Probation Officer, that will be funded by and dedicated 100% to the Social Services budget, contingent on the “wraparound” approach to foster care services be adopted by your Board.

Library

The Recommended budget supports the new position requests contained in the budget noting that, overall, there is a minor reduction in Net County Cost.

Museum

The Recommended budget supports the department’s request to add new part-time Account Clerk and delete the existing part-time Museum Assistant position when it is filled. In addition, your Board is being asked to extend the provision of “one-time” funding granted to the Museum last year to help promote the Gulag Exhibit in order for the Museum to fund completion of the new Independence entry signs project, and purchase two exhibit cases that will facilitate curation of additional, temporary local history exhibits.

Planning

The CAO Recommended Budget provides an \$85,000 Operating Transfer from the Geothermal Royalties Fund to pay for the cost of the General Plan and Zoning Ordinance Update.

The Requested Planning budget seeks an allocation of \$16,000 for travel expense; a \$10,000 increase from FY 2006-07. The CAO Recommended Budget recognizes the unique opportunity that Las Vegas’ hosting American Planning Association National Conference this year affords Planning department staff, and supports an allocation of \$10,000 for travel expense; \$4,000 more than last year, but \$6,000 less than the department requested.

The Recommended Budget also supports the reclassification of an Administrative Secretary position to a Fiscal Supervisor since the staff member is already working in the requested title. The CAO also wishes to acknowledge that the Planning department disagrees with the recommendation that the vacant Planning Technician I position be left vacant for six months to achieve salary savings. The recommendation is based on the department’s recent history of significantly under-achieving revenues (which indicates a lack of development projects) and – increases in development applications notwithstanding – a recent survey which suggests that the Planning department’s authorized staffing level compares more than favorably to many planning departments in counties of similar size with similar or greater volumes of activity. Both of

these issues are beyond the control or influence of the new Planning Director. It is recommended that your Board re-evaluate the Planning Technician position as part of the Mid-year Financial Review.

Public Works

The Recommended Budget does not support the department's request to add a new Assistant Engineer (Range 73) position, even though the cost of the position is proposed be split with Local Transportation Commission Funds. While an additional engineer would help facilitate the completion of projects, the department already has a vacant Assistant Engineer position and the County is not in a position to be able to afford another one at this time. It is also recommended that, if a viable candidate for the Assistant Engineer position is identified, the department consider using LTC funds to off-set the cost of the position as has been proposed for the new position request.

Probation

The Department Requested budget seeks an increase in Net County Cost of \$78,649 exclusive of increased personnel costs. The CAO Recommended budget is based on reducing costs in certain object codes based on historic expenditure levels and, in some instances, merit: maintenance of equipment (\$600); maintenance of equipment – materials (\$600); office & other equipment < \$5,000 (\$2,400); professional & special services (\$8,011); and motor pool (\$3,000). In addition, the Recommended Budget reduces projected cost of probation revenue by \$10,000 based on current reimbursement rates. The CAO wishes to thank the department for its understanding in accepting these changes, as well as the changes recommended for the Juvenile Institutions budget.

The Recommended Budget cannot support the department's request to add a new Account Clerk (Range 43) position.

Sheriff – General & Safety

The Recommended Budget does not support the department's request for a new Account Clerk position due to the County's fiscal constraints.

As discussed in detail above, the Recommended Budget does support adding a new Administrative Analyst position in the Sheriff-General budget, and changing the authorized strength to convert a Deputy to Sergeant position in the Sheriff-Safety budget. As recommended, both positions are predicated on:

- Using the Criminal Justice Facilities Trust money to fund the Sheriff's Lone Pine Sub-Station and using \$78,984 in one-time AB 443 money to fund the cost of the new positions in FY 2007-08
- Your Board approving the Work Release Alternative Program
- The Sheriff's Office assuming responsibility for administering the Office of Emergency Services
- The positions being filled for not more than 9-months in FY 2007-08
- AB 443 funding not being eliminated in the State Budget

The CAO Recommended Budget also endorses adding a new Dispatcher position in the Sheriff-General budget. The position is funded for 9-months and, combined with the career ladder actions

recommended for the existing Dispatcher positions, is necessary to avoid a crisis situation relative to operation of the dispatch Center.

ASSUMPTIONS, KNOWN CHANGES, AND OUTSTANDING ISSUES

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

Assumptions

Balancing this Budget relied on the following assumptions:

- No requirement by the State Courts to build new facilities during the fiscal year
- Continued grants by the FAA for airport improvements
- Continuing to pay a disproportionate amount of undesignated court fee revenue to the State
- No further increase in Library funds from the State
- Receiving no new Geothermal royalty payments
- No costly litigation decisions adverse to Inyo County
- No homicide prosecutions requiring a change of venue
- No borrowing of County funds by the State
- No new revenue streams being created
- No loss of grant funding for existing projects
- No negative impacts associated with passage of the State Budget

Known Changes

Health & Human Services

As discussed above, HHS is expected to seek your Board's approval to provide a new approach to reducing the need for out-of-home foster care placement between the Budget Hearings and adoption of the FY 2007-08 County Budget. If approved, changes will be made within the Recommended Social Services budget to provide the necessary funding for the three new positions that will be required for this change in service. If the new services are not approved, the Social Services budget allocations will remain as currently recommended and the new positions excluded from the authorized staffing levels.

Similarly, a new Social Worker III, and two new, un-benefited, part-time A-PAR positions (a Housing Specialist and a Family Partner) for the Transitional Housing Program – Plus are contingent on the yet-to-be adopted State Budget. If this program is ultimately not funded in the State Budget, these positions

will be deleted from the County Budget. If the program is funded in the State Budget, the Social Services budget will be amended to recognize the new funding necessary to fill these new positions.

Outstanding Issues

- As of August 9th, the State of California has yet to adopt its Budget for FY 2007-08. As previously reported to your Board, further delays in adoption will result in cash flow issues for the County relative to the various Health & Human Services funding streams. The delay in adopting a State Budget could also result in future delays in receiving reimbursements for billings submitted to the State.

Of the various programs and State funds that are known to be the subject of negotiations aimed at passing the State Budget, the possibility of not receiving AB 443 funding looms as potentially the most damaging to Inyo County and disastrous for the recommendations contained in this budget as they pertain to the Sheriff's budgets. IF AB 443 funding is ultimately eliminated, these recommendations will have to be revisited. In addition, the Transitional Housing Program – Plus, for which three new positions are recommended, also appears to be the subject of State budget negotiations.

How the State proposes to ultimately address its prison crises must also be carefully monitored, as it could have numerous implications for Inyo County. The cost of providing medical treatment to the County's current inmate population already has the potential to wreak havoc on the County's realignment budgets (this will be the topic of a forthcoming workshop that HHS will present to your Board) and any attempt by the State to add to the County's inmate population could have exponential impacts on the budget. Again, this is just one of many impacts the County could experience depending on the direction the State takes on prison reform. The Sheriff, HHS and Probation departments are continuing to monitor this situation and will keep your Board apprised of new developments.

- The County needs to develop strategies to stabilize the amount of future General Fund monies that are required to support its Enterprise Funds and programs funded with categorical monies.
- No new funds are identified in this budget to begin addressing the County's need for new office space in the Bishop area. Your Board will be receiving short and long-term proposals to address the County's office needs in the next couple months and potential sources of funding will be among the issues that need to be considered.
- The County will begin contract negotiations with the Deputy Sheriff's Association later this year, and all indications are that the County will be asked to fund another significant wage increase.
- Although this Budget provides funding to pay for essential electrical system upgrades, the funding is insufficient to begin to address all of the electrical upgrade needs in County facilities. In addition, this Budget provides little funding to make significant headway in implementing the Deferred Maintenance Program.
- A plan must be developed to begin addressing unfunded retiree health liability charges the County will be mandated to recognize in the future

- As demonstrated throughout this report, although no future geothermal money is projected in this year's Budget, the FY 2007-08 Recommended Budget benefits significantly from geothermal royalty payments that were received during FY 2006-07. Over \$800,000 in Operating Transfers from the Geothermal Royalties Fund are used to off-set costs that would otherwise have to be absorbed by the General Fund – perhaps at the expense of other programs and services – or not funded. The recent sale of the Coso geothermal facility, combined with its on-going but, as yet, unsuccessful efforts to maintain and enhance production levels, points to an uncertain future for this economic asset. In addition to unanticipated revenue generated by geothermal royalty payments, the facility also represents \$2,718,022 of the County's unsecured tax roll, or \$288,227 in General Fund revenue.

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 Auditor-Controller, her staff, and staff in the County Administrator's Office. Thank you.

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

SUMMARY OF RECOMMENDATIONS

1. Adopt the FY 2007-08 Budget as Recommended by the County Administrator.
2. Set adoption of the Final Budget for September 11, 2007.
3. Authorize the County Administrator to sign all the Grants-in-Support Program contracts, contingent upon the appropriate county signatures being obtained, for the programs and amounts approved by your Board.

Submitted by:

Deputy CAO
Budget Supervisor

CAO
Budget Officer

ATTACHMENTS:

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

Attachment B – CAO/PERSONNEL DIRECTOR RECOMMENDED POSITION ADJUSTMENTS

Attachment C – POSITION VACANCY REPORT/SALARY SAVINGS TABLE

Attachment D - COUNTY OF INYO, MANPOWER REPORT (As of July 1, 2007) - The Manpower Report reflects the authorized full time equivalent positions by department and part-time (B-PAR) positions in the County.

Attachment E - HEALTH & HUMAN SERVICES STAFFING TABLE

Attachment F – NEW POSITION REQUEST REPORT