

MEMORANDUM

TO: COMMISSIONERS

FROM: ADMINISTRATOR

DATE: March 22, 2012

SUBJECT: Budget Message

It is that time of year when we once again look at how we will operate in the following fiscal year and what expenditures we wish to approve and what resources we have to apply to those requests.

In developing this tentative budget we have followed the process that was implemented several years ago. That is the Elected and Appointed Officials develop their requests based on the direction we have received from you during the retreat and through out the year. Once those are received the Comptroller enters them into the format we are reviewing today while also doing the revenue projections for the coming year. I then review each of the requests along with the revenue projections and begin to develop recommendations for the budget. I also meet with several of the Elected and/or Appointed Officials to discuss their budget request specifically. Based on these meetings I develop the recommendations you will be reviewing later today.

Do to sound policy and guidance developed several years ago we are still on a sound financial footing. I strongly believe we must continue to achieve financial stability. We ended the last fiscal year with healthy fund balances in the General Fund and several others and we must work to ensure we do not overly rely on those fund balances to get us through this next year. I understand that we will utilize some of that balance as we move forward but we must also protect it should there be a down turn such as much of the rest of the State and Nation have seen.

Looking at the economy there are some areas which give me some concern. As this is an election year we are unable to predict what may occur on the national level. While some indicator would lead you to believe that we may be improving on the National level, there are also factors which give me concern at the local level.

At the local level our CTX has been below last year for the last two months. As of the end of December 2011, the latest data we have, Humboldt County was the only county in the state below the prior year for the first six months. I believe that some of this is a result of the impact Ruby Pipeline made in the prior year, however I am anxious to look at the January data and see what that may tell us. A second area that gives me concern is the raising cost of fuel. This not only impacts our cost of doing business, it also has the potential to impact many of the events which come to town whether at the Events Complex or elsewhere in the Community. As you are all aware the

income generated by the tourism industry is very beneficial to Humboldt County. The last area I have been watching is the price of gold. It has been down from the previous highs since the first of this month. As we are aware from past experience as the economy improves elsewhere we are more acceptable to a down turn. I have spoken to people in the industry and at this time they are not concerned or are they planning cut backs. I hope they are correct and they do move forward with the proposals as it will only be beneficial to the community.

As we are all aware last year the State of Nevada was required to reduce certain programs they had historically provided and some of those programs or part there of were transferred to counties as part of the "shared sacrifice". We are now beginning to see community programs which also saw State support erode, turning to you to pick up those costs. This trend gives me concern as we move into areas of social service we have not been a part of in the past and how long will it be before we also are no longer able to fund these projects. We must look at cost containment in any manner we possible can.

As is normally the case the requested expense are not equal to the projected revenues as we move into the process. History tells us that by the end of the fiscal year we will be much closer than we are at this time. In the General Fund the difference is between \$5 million and \$6 million dollars. I will be making recommendation which if you agree will lower that amount by a little over \$1.2 million. As I have noted more than once we need to be aware of fund balance protection. We are proposing one major project for this fiscal year and that is the construction of a new dispatch center. We are proposing that this project be funded from the Building Reserve Fund. We are continuing to refine the cost and should be very close by the time we file the final budget.

One area of concern is the Indigent Funds. As you are aware we were given a number for our share of the "shared sacrifice" and we budget for that amount. In reality the amount has been considerably higher. We have been working with NACO and with Health and Human Services to address this issue. We will discuss this more when we discuss these specific funds.

At this time I would like Sondra to take a few minutes and review with you the revenue projections and any comments or issues she has identified with this side of the budget.

Mr. Chairman I would recommend that we know begin to review each of the Department requests. If I do not make a recommendation regarding a request I am in support of the request as submitted.

BUILDINGS AND GROUNDS

This budget is similar to past years. The areas where reductions or transfers can be made are in either capital outlay or special projects. My recommendations are as follows for the Capital requests.

1. Cut the 25kw emergency generator at the Road Department - \$44,200.
2. I support the request for the new pickup. The justification which was submitted with this request is the manner in which these types of requests should be made.

3. Transfer the sidewalk between 4th and 5th to the Capital Projects fund - \$46,145.
4. Cut the fair grounds exhibit hall restroom heaters - \$10,650
5. Cut the DA's office carpet request - \$8,915.50
6. Demolition of 421 Melarky increase by \$1,500 for an asbestos review
7. Reduce the relamp project at the main Library from \$47,158 to \$20,000 saving \$27,158

My recommendations for the Special Projects line item are as follows:

1. Cut the sally port door from Buildings and Grounds request - \$3,500
2. Cut new officer report writing station from the SO request - \$1,600
3. Cut the counter cabinet between the Commander and Office Manager - \$500
4. Cut the Jail visitation and attorney room carpet in detention - \$1,891
5. Cut the material for the storage shed - \$2,081
6. Cut the window blinds in the DA request - \$2,100
7. Transfer the roll up door at the road department to the Capital Project fund - \$23,480
8. Cut all special projects requested by the Library except the duct cleaning - \$11,400.

SHERIFF PATROL

After review with the Sheriff and based on what I see with this budget I would make the following recommendations:

1. Cut request for three new patrol deputies - \$232,333. I do not see the justification for this request and the authorized level is 26 and this would take it to 29 or 9 more employees than were authorized as of July 1, 1999. With out further justification I can not support the request.
2. Reduce the capital from \$19,500 to \$12,180.
3. Move the Animal Control to Intergovernmental as it is a part of the cost share agreement.
4. Once again we see a request for \$150,000 for vehicles. I have added a report on the Sheriff's fleet prepared by the Road Department. The proposal is to purchase two units to replace units 417 and 432 which both would become spare vehicles (417 is already listed as a spare in the report). Units 405 and 415 would then become surplus. Unit 403 will be moved to search and rescue and a used vehicle would be purchased to replace 403. I do not believe that we need to continue to spend \$150,000 on vehicles ever year. At most I would ask that you hold this request until adoption of the final budget.

SHERIFF DENTION

1. Cut the \$123,610 capital request and wait until next year to see where we are at.
2. Cut the \$6,650 for the stove as it is also in Buildings and Grounds request.

SHERIFF DISPATCH

1. We may be able to reduce the personal services cost as we are not sure the projection is correct. We will continue to review this and reach a decision prior to final budget.
2. Add \$135,200 for the phone line item. This is \$103,000 for enhanced 9-1-1 and \$32,200 for the remainder of the phone costs.
3. Cut the \$6,000 for c-soft in capital as it is also in communications.

ROAD DEPARTMENT

The suggested changes here are on the revenue side. These include;

1. Increase the fuel sales to \$300,000 as looking at the history other departments pay a larger share than anticipated.
2. Increase vehicle repair reimbursement to \$80,000. The expense item for this has increased and the vehicle owner will be billed for the increase.
3. Transfer \$1,151,320 from PILT to this fund. This is consistent with the direction that the majority of PILT go to the Road Department.

I have asked Ben to hold off on any special projects and on capital expenditures for the roller and crack sealer until later in the budget year so we have a better feel for what fuel costs will be.

INDIGENT/INDIGENT MEDICAL

These budgets are impacted not only by the “shared sacrifice” but also by statute which requires that we increase certain line items by 4.5% each year. When we prepared the amended budget for this year we included the amount provided by the State for the match portion. The actual billing has been considerably more than what we were told and is evidenced by the amount the Clerk has projected for next year related to this program. In addition, Inmate Medical, one of the line items we must increase by 4.5%, is going up dramatically. I will be working with the Clerk, Sheriff, and District Attorney to address this issue.

The bottom line is that if cost reductions can not be found prior to adoption of the final budget the revenue enhancements must be found. With the direction regarding taxes our only option is to move rate from other areas to this one. Another reason to protect fund balance.

PUBLIC DEFENDER

Reduce the line item for investigations from \$10,000 to \$5,000, the same amount as the District Attorney's Office.

COMMUNITY SUPPORT

We have add to new items and returned on old item in this fund. Those items are:

1. Sonoma Industries - \$50,000
2. Paradise Valley Weed District for a new building - \$50,000
3. We have added back in the \$20,000 for Humboldt Development Authority. You can give the entire \$20,000 to them or you can give \$15,000 and use the other \$5,000 for your dues in the Western Nevada Development District. If you choose the former then you will need to identify where the other \$5,000 will come from.

OTHER GENERAL GOVERNMENT

1. Reduce the insurance deductible line item from \$1,000,000 to \$500,000. I increased this line item after discussion with the independent auditor, out side counsel, and others. With the items out there that we may not have insurance coverage for I believe we need to budget to cover that possibility. If we do not spend it then it remains with us, however if we have a claim we have a resource to cover that claim.

COMMUNICATIONS

1. Cut the Trident fire repeater - \$18,000. I have asked Paul to approach those fire districts that would benefit from this repeater. Those who are receiving the benefit should pay for the equipment.

LIBRARY

1. Cut the request for a new book mobile - \$225,000. I have not seen the proposed payment method for this purchase; however I presume it the use of fund balance. At June 30, 2011 they had a fund balance of approximately two years of operating cost. I have given my feelings regarding the use of fund balance through out this message. I also pointed out the potential need to transfer tax rate for the Indigent/Indigent Medical fund if we can not find cost containment. If that was to occur then we would need to look at ever fund which receives revenue from the tax rate. As a result I can not support the purchase of this vehicle.

WINNEMUCCA EVENTS COMPLEX

1. They have requested a new employee for this fund. I support this request for two reasons; 1) with the number and size of events and the associated work load I believe it is justified, 2) In making the request they looked at other areas of their budget where they could propose savings to off set the cost of the position. As a result they identified savings of \$22,000 which makes the overall cost of the employee an additional \$32,838 instead of the total cost of \$54,838. I appreciate the fact that they knew an additional employee would be a hard sell and were able to show saving to offset the cost.
2. Cut the fork lift for \$30,000 and buy a set of forks for the tractor. We will also move the surplus front end loader from the Road Department to the Events Complex which will give them another piece of equipment that forks can be placed on.
3. They had requested that we set aside \$50,000 in the Building Reserve fund for future expansion of the event center. With the proposal to build the Dispatch Center in the next year we are not proposing to include any other expense other than the one directed by you.

S IXTH JUDICIAL DISTRICT

My only recommendation here is to reduce the salary and benefit costs in Drug Court to 0 as these costs are also in the District Court Fund. This will make the Drug Court fund \$80,000 instead of what is shown.

These are my recommendations and comments related to the 2012-2013 budgets. I am looking

forward to working with you to adopt a tentative budget.