



## **Section A1: About the Budget Financial Information**



# County Governmental Structure

## Introduction

The annual budget book serves as the County of Humboldt's primary policy and budget document. It also communicates the Board of Supervisors' strategic framework and how the Board's priorities are met through county programs, services and activities that are aligned at the department level. The annual budget provides a general overview along with line-item detail on the county's operations and service to the community.

## Local Governance

The County of Humboldt is a general law county established in 1853 by the state legislature and is a political subdivision, or unit, of the state. Pursuant to the California Government Code, the Board of Supervisors, which serves as the legislative and executive body of county government and many special districts, is comprised of five full-time members elected by their respective districts. As the governing body of Humboldt County, the Board of Supervisors enacts legislation and determines policies for county departments and various special districts, adopts the annual budget, and fixes salaries. The Board also hears appeals of Planning Commission decisions and considers General Plan amendments.

The county is responsible for providing municipal programs and services in the unincorporated areas of the county, and its powers are limited to those granted by the state. The county budget includes many programs in the areas of health, welfare and law enforcement that are mandated, regulated and primarily funded by the state and federal governments. The Board of Supervisors has limited authority over the policy and administration of these programs.

The county budget also includes funding to provide local services not affected by state laws, such as libraries, land-use planning, county road construction and maintenance and police protection.

There are seven incorporated cities within Humboldt County that provide services to their residents, including the county seat of Eureka. The majority of general government services along with the Sheriff's Office and correctional facility are provided at the Humboldt County Courthouse, 825 Fifth Street in Eureka.

## Board of Supervisors Meetings

The Board generally meets every Tuesday in the Board Chambers at 825 Fifth Street in Eureka to discuss and vote on policy items. The Board's meeting schedule and agendas are posted on the Board of Supervisors' website at [humboldt.gov.org](http://humboldt.gov.org). Video broadcasts of meetings (live and archived) are also available online.

# County Governmental Structure



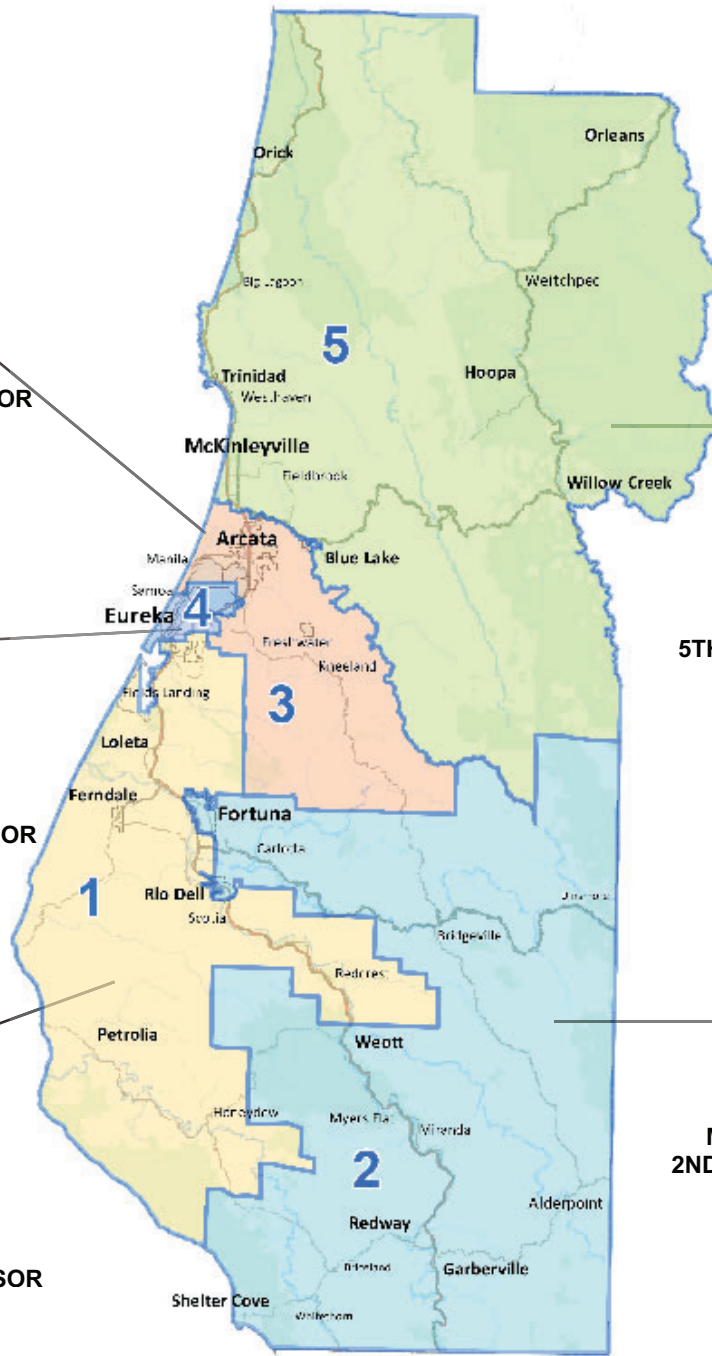
**MIKE WILSON**  
3RD DISTRICT SUPERVISOR



**NATALIE ARROYO**  
4TH DISTRICT SUPERVISOR



**REX BOHN**  
1ST DISTRICT SUPERVISOR  
VICE CHAIR



**STEVE MADRONE**  
5TH DISTRICT SUPERVISOR  
CHAIR

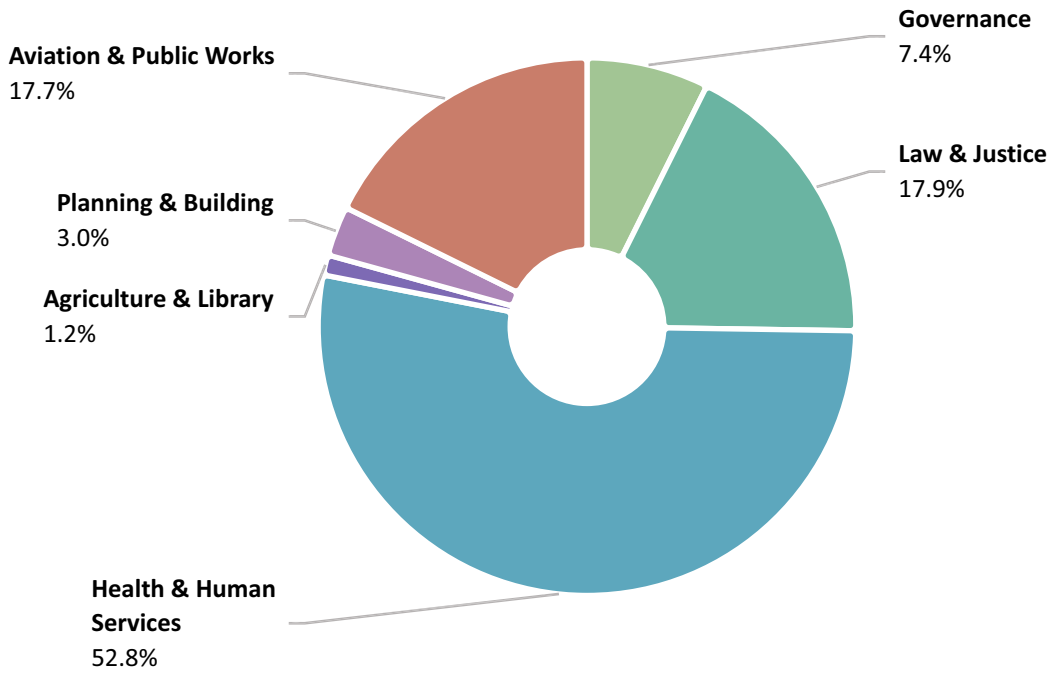


**MICHELLE BUSHNELL**  
2ND DISTRICT SUPERVISOR

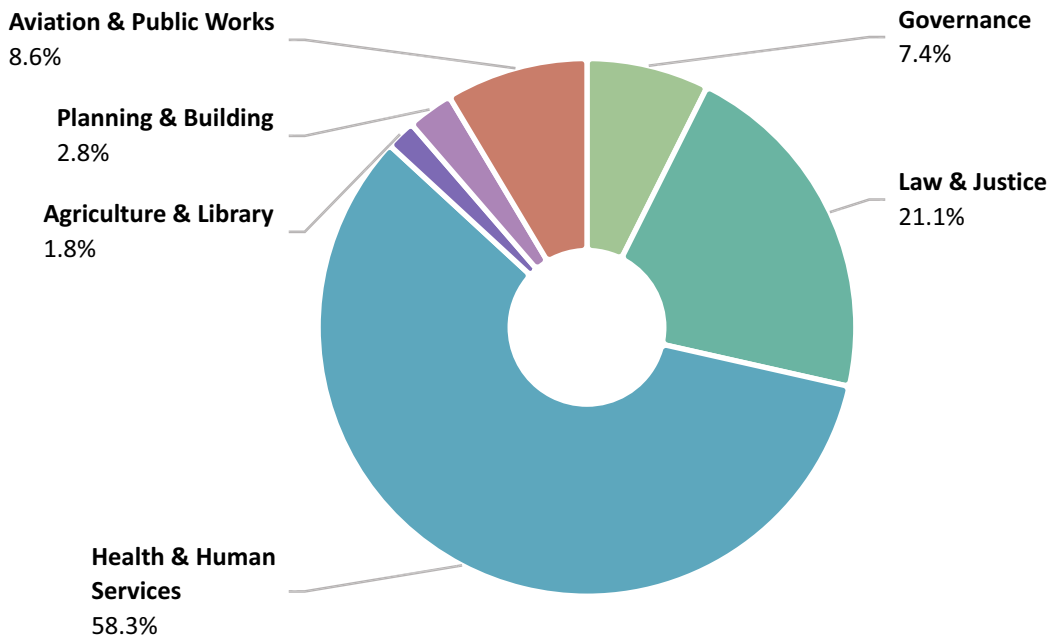


# County Governmental Structure

FY 2024-25 Expenditures by Functional Area: \$606,746,529



FY 2024-25 Full-Time Equivalent Funded Employees by Functional Area: 2,344.73



# County Governmental Structure

## Governance Departments

**Assessor:** Provides assessment and recording of real property in the county and annually prepares the tax roll and delivers it to the Auditor-Controller.

**Auditor-Controller:** Exercises general supervision over the accounting of all organizations and administers the county's major financial, payroll, and property tax apportionment systems; prescribes and exercises general supervision over the accounting forms and the method of keeping the accounts of all offices and institutions under the control of the Board of Supervisors and for those entities who maintain their funds in the County Treasury, including special districts and school districts.

**Board of Supervisors:** Responsible for exercising its legislative and quasi-judicial authority, within budgetary constraints, to provide for the health, welfare, and safety of the residents of the County of Humboldt.

**Clerk-Recorder:** Records or files various authorized documents and maps, collects transfer tax and other fees, and registers all births, deaths, and public marriages occurring within Humboldt County. Once recorded or filed, the documents and certificates are made available for examination within the office for interested parties.

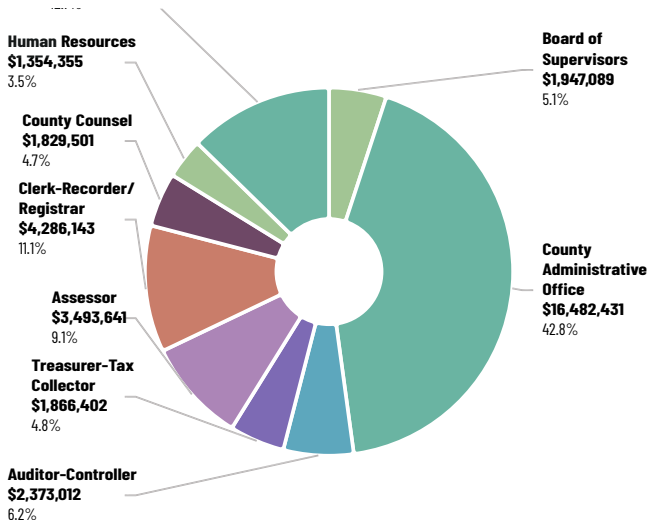
**County Administrative Office:** Provides a supportive framework for Board policies and decisions. This department oversees the Americans with Disabilities Act Compliance, Information Technology, Economic Development, Purchasing, and Communications.

**County Counsel:** Required to provide legal advice to all county officers and departments, boards and commissions, municipal advisory commissions, Grand Jury and special districts governed by the Board of Supervisors.

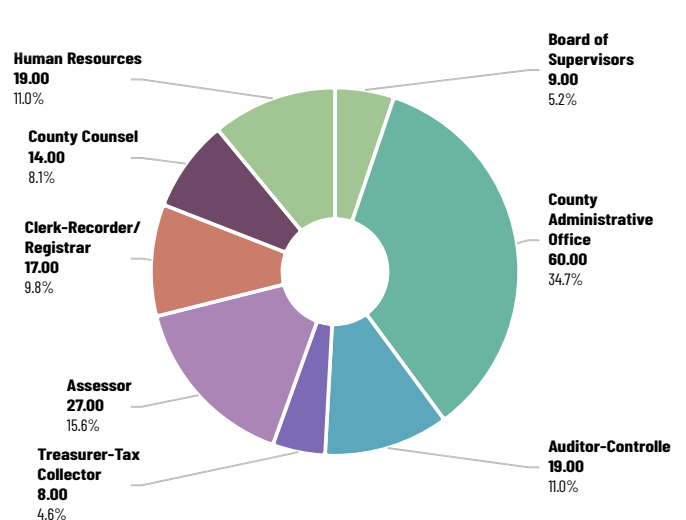
**Human Resources:** Provides guidance and assistance to the public, the County Administrative Office, the Board of Supervisors, county employees, and all county departments related to Human Resources management, talent acquisition, employee development, and retention of its workforce. This department oversees Human Resources and Risk Management.

**Treasurer-Tax Collector:** Responsible for the collection, custody, investment, and disbursements of the funds of the county, school districts, special districts, and trust funds; maintains oversight of revenue recovery operations for Court Collections-AB233 (Public Protection Function) and collections for other county departments.

**Expenditures \$38,522,153**



**Full-Time Equivalent Employees 173.00**



# County Governmental Structure

## Law & Justice Departments

**Child Support Services:** The North Coast Regional Department of Child Support Services provides professional services to locate parents, establish paternity, establish and enforce sustainable child support orders for financial and medical support, and remove barriers to regular and consistent support payments.

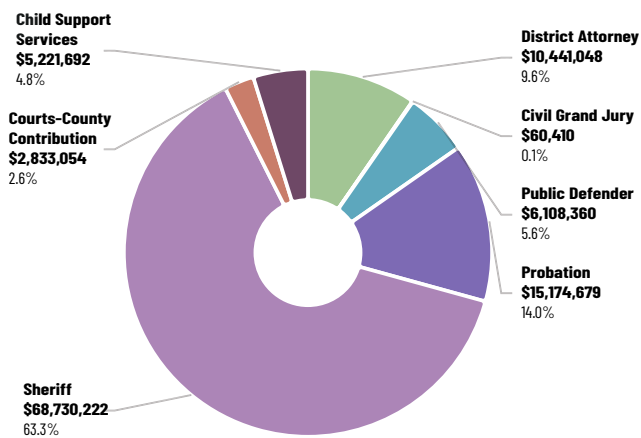
**District Attorney:** The public prosecutor of the county whose authority extends throughout the county, including the incorporated cities, and state and federal lands. The department also oversees Victim Witness and Child Abuse Services Team.

**Probation:** The Probation Department is an integral part of the criminal justice system and its primary function is to promote public safety by reducing criminal behavior and its impact upon the community. The department oversees the Regional Facility and Juvenile Hall.

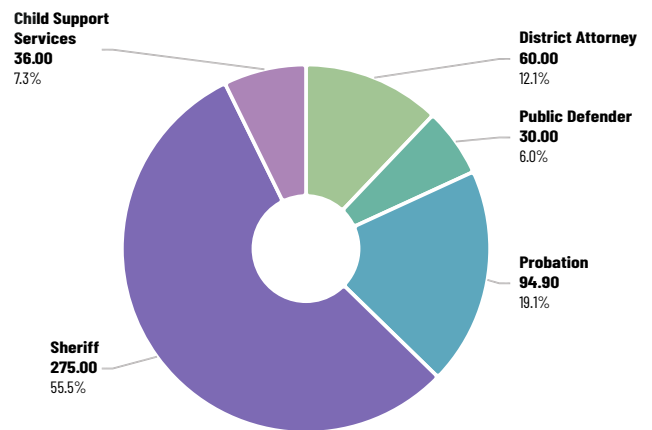
**Public Defender:** The Public Defender is responsible for representing any person financially unable to employ counsel and who is charged with the commission of any contempt or criminal offense within the jurisdiction of the Superior Court of Humboldt County.

**Sheriff-Coroner:** The offices of Sheriff and Coroner are combined. The Sheriff is the Chief Law Enforcement Officer of the county, whose authority extends throughout the county. The department oversees Animal Control, CoronerPublic Administrator, Custody Services, Operations, and Emergency Services.

**Expenditures \$108,569,465**



**Full-Time Equivalent Employees 495.90**



# County Governmental Structure

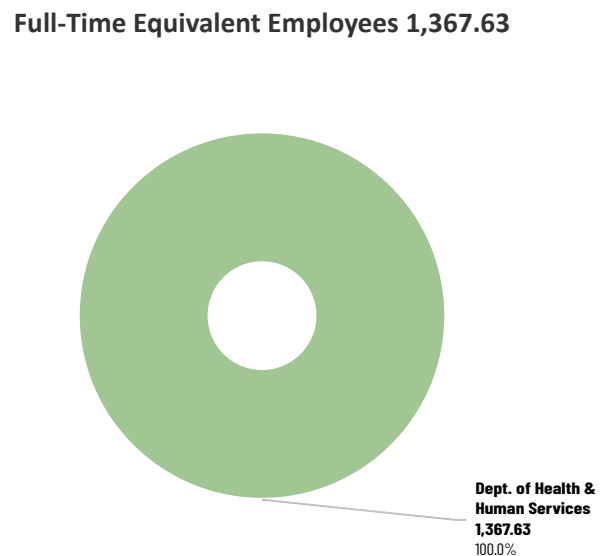
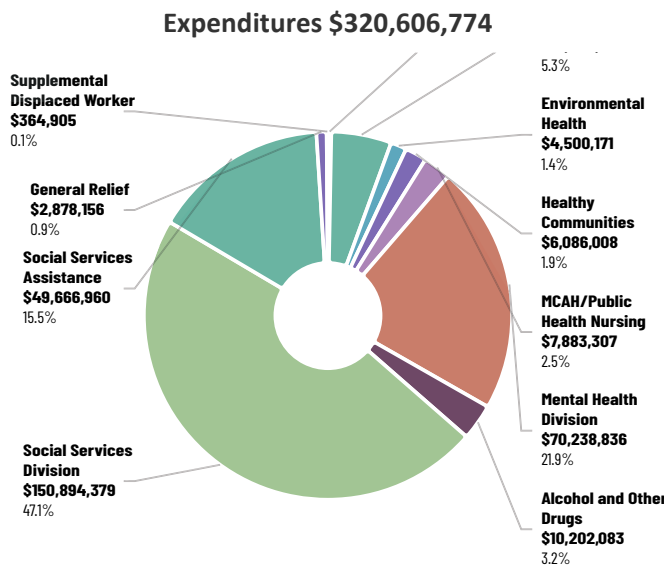
## Health & Human Services

The Department of Health & Human Services serves the community through coordinated, multi-disciplinary services. The department administers and oversees through the Administration budget unit three core functions, which include Public Health, Social Services and Behavioral Health.

**Public Health:** Public Health works closely with the public to promote and safeguard the health and wellness of the people of the County of Humboldt. Public Health oversees the divisions of Administration; Environmental Health; Healthy Communities; Maternal, Child & Adolescent Health; Public Health Nursing; and the Public Health Clinic.

**Social Services:** Social Services programs focus on the safety of vulnerable children, youth and adults, and assist families and individuals in their journey toward self-sufficiency. State and federal laws that differentiate client populations according to factors such as age, condition, types of services, and various risk factors mandate the majority of the services. Social Services is comprised of the key service areas of the Employment Training Division, Social Services Assistance Division and the Social Services Division.

**Behavioral Health:** Behavioral Health programs and services are committed to the principles of recovery, wellness, and discovery. Behavioral Health includes two primary programs, Alcohol and Other Drugs Division, which assists individuals who have substance use disorders to create and maintain a healthy and balanced lifestyle free of alcohol and other drug abuse, and Behavioral Health Division that serves the people of Humboldt County whose lives are affected by serious and chronic mental illness.



# County Governmental Structure

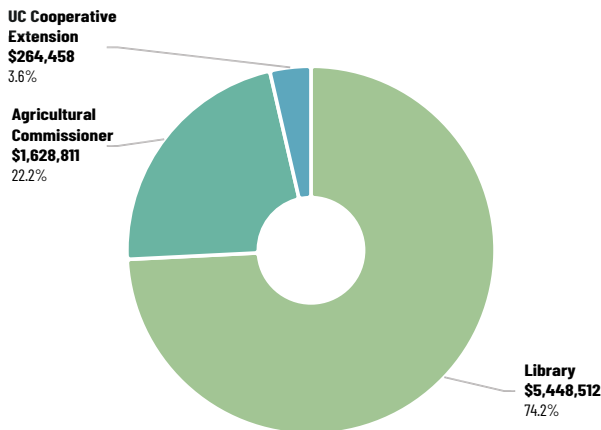
## Library & Agriculture

**Agriculture:** The Agricultural Commissioner provides environmental protection through agricultural pest exclusion, detection, pesticide use enforcement, and support of US Department of Agriculture animal damage control program; protects consumers by inspecting/testing all commercial weighing devices and enforcing package label laws.

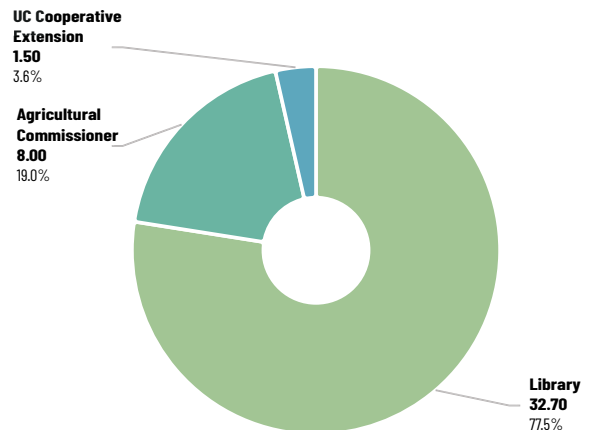
**Library:** The Humboldt County Library System is a vital community resource that provides service to all county residents and visitors through the Main Library in Eureka, 10 branch libraries, and the Bookmobile. Everyone is welcome to visit and use the Humboldt County Library.

**University of California Cooperative Extension (UCCE):** The UCCE has worked in partnership with the County of Humboldt and served the local community since it was founded in 1913. The UCCE in Humboldt County is part of a statewide system that serves as the primary public outreach and off-campus delivery vehicle for the UC. This system is designed to provide UC research-based information to landowners, public agencies, private industries, various organizations and the general public.

**Expenditures \$7,341,781**



**Full-Time Equivalent Employees 42.20**



# County Governmental Structure

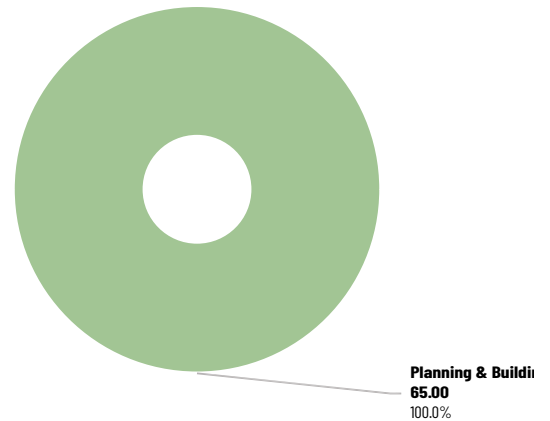
## Planning & Building

The Humboldt County Planning and Building Department is responsible for protecting public health, safety, and welfare of the local community through building permit review and inspections consistent with California model codes as well as planning and development review and approval consistent with the county's General Plan. The department oversees Advance Planning, Building Inspections, Cannabis Planning, Code Enforcement and Current Planning.

Expenditures \$18,212,035



Full-Time Equivalent Employees 65.00



# County Governmental Structure

## Public Works & Aviation

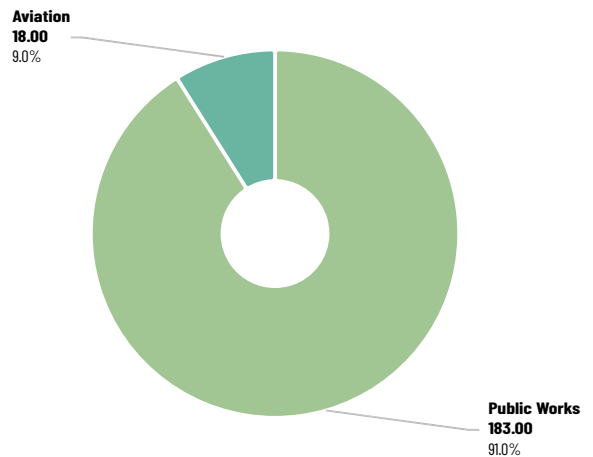
**Public Works:** The responsibilities of the Public Works Department include preparing plans and specifications, inspecting construction projects, maintaining county roads and bridges, managing county properties and right-of-way, preparing environmental documents, obtaining regulatory permits, administering solid waste franchises and facilities, and maintaining three county levee systems, county facilities, ten county parks, county trail systems and community forests, six county airport systems, and fleet services.

**Aviation:** The Aviation Division is responsible for managing six county airports in a manner that ensures aeronautical safety, safety of the traveling public, continued air service, and complies with federal, state and/or local aviation rules, regulations and advisories.

**Expenditures \$107,407,059**



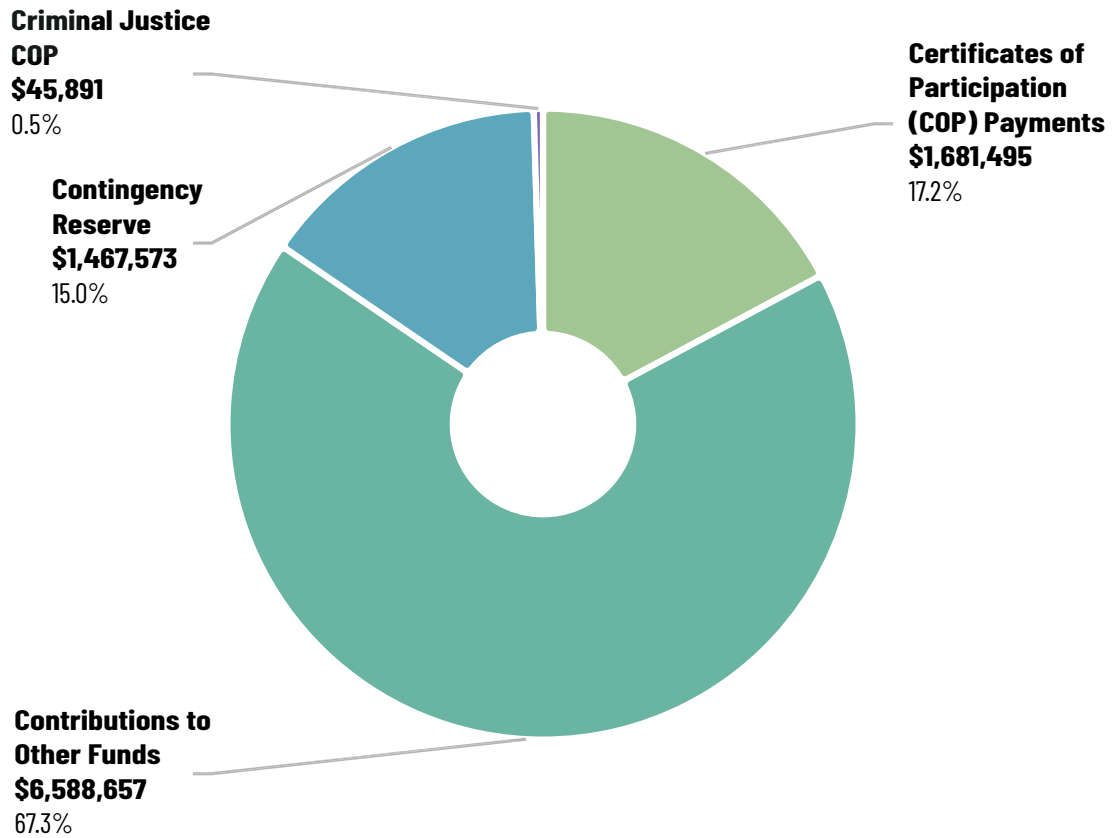
**Full-Time Equivalent Employees 201.00**



# County Governmental Structure

## Transfers & Contingencies

Transfers and Contingencies are composed of transfers from the county General Fund to other operating funds within the county and funds held in contingency and reserve. The chart below depicts where the remaining balance of proposed expenditures reside.



# Budget Schedule

## Budget Calendar

The County of Humboldt operates on a fiscal year that begins on July 1st and ends on June 30th. For budgeting purposes, the fiscal year is divided into four quarters. Following is a description of budgetary reports provided to the Board after first quarter, at mid-year, and after third quarter:

**After 1st Quarter:** In November, the County Administrative Office presents the first quarter report on the annual budget to the Board of Supervisors. The first quarter report includes the year-end closeout adjustments and any state and federal allocation adjustments. In general, this period is used to refine estimates and to incorporate those changes into the FY 2023-24 Adopted Budget with the first quarter report. Also at this time, the Management and Budget Team staff start preparing the Financial Forecast and the second Mid-Year quarter report in preparation for the next year's budget.

**Mid-year:** In late January or early February, a calendar is presented to the Board of Supervisors outlining the timeline for budget development and implementation for the next fiscal year. In February, the Mid-Year Budget Report (second quarter) is presented to the Board. The Mid-Year Report typically represents the last opportunity during the fiscal year to address budgetary concerns on the road to producing a balanced budget. In addition, the Financial Forecast is also presented to the Board to provide economic trends, future years' revenue projections and to highlight possible concerns or issues that may affect county government. The County Administrative Office distributes guidelines and forms to departments for development of their proposed budgets for the upcoming fiscal year and conducts an annual budget meeting. Additionally, departments representing service areas participate in community budget forums to listen to public concerns and suggestions for budgetary and project consideration.

**After 3rd Quarter:** The County Administrative Office conducts departmental budget discussions prior to departmental presentation to the Board of Supervisors. The County Administrative Office presents the FY 2023-24 Proposed Budget for the upcoming fiscal year in June. The Proposed Budget Hearings are typically held in the third week of June and formal adoption of the FY 2023-24 Budget occurs prior to June 30th. A third quarter report is presented to the Board in early May if budgetary constraints require.

## BUDGET & FEE SCHEDULE DEVELOPMENT CALENDAR FOR FY 2024-25

Friday, Jan. 5	Mid-Year Budget Estimates from Departments due to County Administrative Office
Monday, Jan. 12	Effective date for 2024 updated county fees (except Planning & Building)
Thursday, Jan. 25	Measure Z Citizens' Advisory Committee Meeting to distribute applications
Tuesday, Feb. 6	Present 2023-24 Mid-Year Budget Report to Board of Supervisors
Monday, Feb. 12	Effective date for 2024 updated Planning & Building Fees
Wednesday, Feb. 21	Budget Kickoff: County Administrative Office presents 2024-25 budget instructions to County Departments
<b>Thursday, Feb. 29</b>	<b>Measure Z Citizens' Advisory Committee Meeting to distribute applications</b>
March, 2024	CAO Liaisons meet with Departments
<b>Thursday, Mar. 7</b>	<b>Measure Z Citizens' Advisory Committee Meeting to review applications</b>
<b>Thursday, Mar. 14</b>	<b>Measure Z Citizens' Advisory Committee Meeting to review applications (if needed)</b>
<b>Thursday, Mar. 21</b>	<b>Measure Z Citizens' Advisory Committee Meeting to review applications (if needed)</b>
Tuesday, Apr. 2	2024-25 Budget Requests Completed by county departments and due to County Administrative Office
<b>Tuesday, Apr. 23</b>	<b>Measure Z Citizens' Advisory Committee recommendations presented to Board of Supervisors</b>
Monday, Apr. 29	Department Budget Presentations

# Budget Schedule

Monday, May 6	Department Budget Presentations
Monday, May 20	Department Budget Presentations Continued (if needed)
Tuesday, June 4	County Administrative Office presents 2024-25 Proposed County Budget to Board of Supervisors for adoption
Monday, June 10	Public hearings on 2024-25 Proposed County Budget; 1:30 & 5:30 p.m.: Clerk of the Board required to publish notice
Tuesday, June 25	FY 2023-24 County Budget adopted by Board of Supervisors
<b>Thursday, Oct. 24</b>	<b>Measure Z Citizens' Advisory Committee year-end meeting: review with funding recipients</b>
Friday, Oct. 18	2025 County Fee Schedule updates completed by departments and due to County Administrative Office
Friday, Nov. 22	2025 County Fee Schedule Public Hearing noticed and fees publicly available (Board Date: November 22)
Tuesday, Dec. 3	2025 County Fee Schedule adopted by Board of Supervisors
Monday, Jan. 6, 2025	Effective date for 2025 updated county fees (except Planning & Building)
Monday, Feb. 3, 2025	Effective date for 2025 updated Planning & Building Fees

## Budget Schedules

The budget schedules in the budget book contain numerical information included in the County Budget. Each schedule is presented in the format prescribed by the California State Controller. The schedules are obtained through the County's financial system, where budget information was entered by County departments under the direction of the County Administrative Office.

## Master Fee Schedule

Annually, county departments review fees and charges to determine whether such fees and charges are sufficient to ensure cost recovery of services. County staff present proposed fees at a public hearing to the Board of Supervisors. A comparison of the existing fees and charges to those proposed are presented outlining proposed changes to existing and/or new fees with calculations supporting the new charge and documentation detailing why the fee is being recommended by the affected department. The purpose and intent of the Master Fee Schedule is to establish a comprehensive consolidated guideline related to the County of Humboldt's fees for services.

# Fund Types & Structure

## Fund Types & Structure

The total county budget includes funding for many programs in the areas of health, welfare, and public safety. Many of these programs are mandated, regulated, and funded by the state and federal governments. The Board of Supervisors has limited authority over the policy and administration of these programs. The county budget also includes funding to provide local services not affected by state laws, such as libraries, land-use planning, and county road construction and maintenance. The county accounts for expenditures and revenues according to generally accepted accounting principles as defined by the Governmental Accounting Standards Board (GASB). The accounts of the county are organized based on funds. A fund is an independent fiscal and accounting entity with a self-balanced set of accounts. The county's budget is allocated across multiple operating funds to allow for proper accounting of all expenditures and revenues. The fund balance is the difference between assets and liabilities of a governmental fund. A portion of this balance may be available to finance the next year's budget.

### GENERAL FUND

General Fund includes all resources that are not required to be accounted for in a separate fund. The largest portion of General Fund revenue is derived from local property and sales taxes. The General Fund is allocated to fund core services provided by the county such as general government, planning and building services, public safety, and public assistance.

### SPECIAL REVENUE FUNDS

Restricted revenue sources, many by statute, may only be allocated for specific purposes. Services that are funded with Special Revenue Funds include mental health services and roads.

### CAPITAL PROJECTS FUNDS

Revenue used for the acquisition or construction of major capital projects.

### DEBT SERVICE FUNDS

Includes the county retirement contribution related to pension obligation, Certificates of Participation (COP) annual payments and payments related to short-term financing plans using county-pooled funds.

### INTERNAL SERVICE FUNDS

Funds used for the activities associated with various insurance programs, such as Workers Compensation and General Liability, and centralized services, such as Purchasing, that are included in the county's annual cost allocation plan.

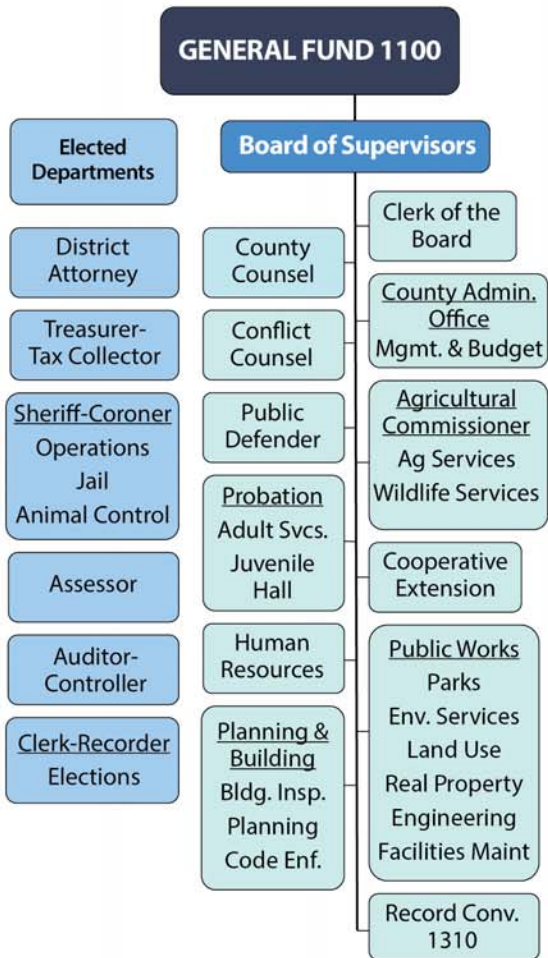
### SPECIAL DISTRICT FUNDS

There are two types of special districts: dependent and independent. Dependent districts are those overseen by the Board of Supervisors as District Directors. Independent Special District Funds are not included in the county budget or this budget book, although their cash balances are included in the county's audited financial statements since the majority maintain accounts within the County Treasury.

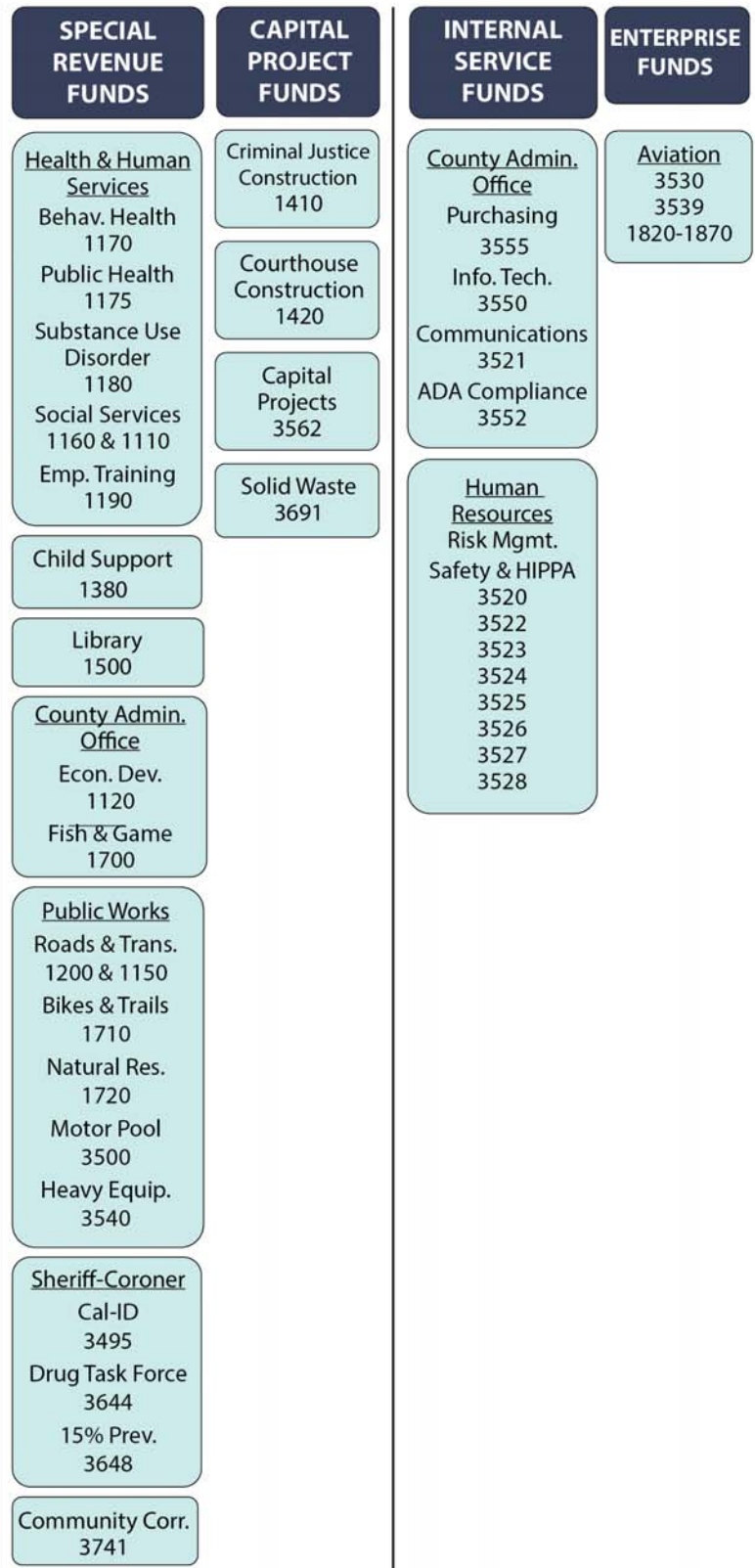
# Fund Types & Structure

The county's budget is comprised of the following types of County Operating Funds:

## GOVERNMENTAL FUNDS



## PROPRIETARY FUNDS



# Budget/Financial Policies

Preparation of the annual budget is built upon policy direction provided by the Board of Supervisors that the County Administrative Officer (CAO) uses to formulate fiscal strategies to address immediate needs and long-term sustainability of the organization. The following guidelines and policies represent the basic fiscal principles and general governmental accounting standards used in the development of the annual budget.

The County of Humboldt is committed to establishing achievable and sustainable fiscal policies. Best practices, as recommended by the Government Finance Officers Association (GFOA), state that the county should maintain a prudent level of financial resources to safeguard against reducing service levels, incurring debt or raising taxes or fees due to temporary revenue shortfalls or unpredicted one-time expenditures. By adopting and implementing GFOA's guidance on establishing minimum limits on identified fund balances, the county will have the fiscal tools in place to adapt to economic, social and political changes.

The GFOA recommends that local governments establish policies regarding how and when a government builds up stabilization funds such as the General Fund Reserve and the General Fund Contingency Reserve. Such policies not only allow the county to respond more quickly and effectively to financial emergencies, but it may also be viewed positively by credit rating agencies, such as Fitch and Moody's, when evaluating a government's credit.

(Policies in their entirety may be found on the county's website at: <https://humboldt.gov>).

## County Budget Act

California Government Code Sections 29000 through 30200, as applied through rules issued by the Office of the State Controller, provide the legal requirements pertaining to the content of the budget, budget adoption procedures and dates by which action must be taken.

## Balanced Budget

On October 7, 2008, the Board adopted a policy to control expenses in such a manner that department budgets are not expended above the levels that are appropriated in the annual budget or beyond that which the county has the funds to pay. The following guidelines establish how a balanced budget will occur:

- a. The annual budget is an operational, fiscal, and staffing plan for the provision of services to the residents of the county. Therefore, the county and its departments shall endeavor to annually adopt a balanced budget as a whole, where expenditures do not exceed current available revenue sources.
- b. In the event, due to unforeseen circumstances, a balanced budget cannot be adopted, a four-fifths vote of the Board of Supervisors is required to adopt an unbalanced budget.
- c. Recurring expenses may not exceed recurring revenues.
- d. The use of available fund balance shall be limited to one-time only expenditures and is generally earmarked to support capital projects, fixed asset purchases and the acquisition of communications and computer systems.
- e. New and/or expanded unrestricted revenue sources will first be applied to support or restore existing county programs prior to funding new or non-county programs. Expansion of existing programs is possible, with the availability of sufficient funds to meet the needs of existing programs.
- f. One-time revenues will only be used for one-time expenditures.
- g. The CAO shall coordinate the implementation of this policy.

## Basis of Accounting

Budgets are adopted for the General Fund and most special revenue funds. Accounting principles applied for purposes of developing data on a budgetary basis are materially the same as those used to present financial statements in conformance with generally accepted accounting methods. The County of Humboldt adopts the budget government-wide

# Budget/Financial Policies

financial statements, which comprise both the governmental and proprietary fund-basis financial activities, are prepared and reported using the economic resources measurement focus and the accrual basis of accounting pursuant to the Governmental Accounting Standards Board (GASB) Statement number 34.

The government-wide financial statements should report all of the assets, liabilities, revenues, expenses, and gains and losses of the county. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the county gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year that the taxes are levied. Revenues from sales taxes are recognized when the underlying transactions take place. Revenues from grants, entitlements, and donations are recognized in the fiscal year that all eligibility requirements have been satisfied.

Prior to the end of year worksheet adjustment conversion into the whole of the government-wide financial statements, the governmental activities are prepared and reported using the flow of financial resources measurement focus and the modified accrual basis of accounting, pursuant to GASB Statement number 11.

## Budget Amendment Process

The State of California County Budget Act, Article 6 – Appropriations and Transfers authorizes amendments to the adopted budget through the budget adjustment process. Revisions enable departments to move or adjust budgeted appropriations or adjust estimated revenues. Pursuant to revised county policy, dated May 7, 2019, departments may request budget amendments at any time during the fiscal year. Budget amendments may include requests to add revenue and appropriations, to transfer appropriations or revenues between budget units, transfer between funds, or add a fixed asset to the fixed assets list requiring Board of Supervisors approval. Transfers within the same budget unit, however, may be accomplished via approval of the Auditor-Controller and County Administrative Office.

## General Fund Contingency Reserve Policy

On February 6, 2018, the Board adopted a Contingency Reserve Policy to hold funds in reserve for cash flow purposes, revenue shortfalls, unanticipated one-time expenditures, and capital expenditures. This policy states that the General Fund Contingency Reserve shall be budgeted for each year and contributions to the reserve may be made when the county receives unexpected one-time revenues. It should be noted that at year-end, the balance of the Contingency Reserve may be used for other funds, such as the General Reserve. Accordingly, the Contingency Reserve must be replenished each fiscal year. The county shall hold funds in reserve for cash flow purposes, revenue shortfalls, unanticipated one-time expenditures, and capital expenditures. These cash reserves include but are not limited to: Library Contingency; Roads Contingency; General Fund Contingency Reserve; General Reserve; and Deferred Maintenance.

- a. The General Fund Contingency will be budgeted at a minimum of 2% of the county's total General Fund revenues on an annual basis.
- b. When the General Fund receives unbudgeted one-time revenues, consideration shall be given to contributing a portion of those revenues to the General Fund Contingency Reserve.
- c. All other contingencies will be budgeted in amounts necessary to preserve the financial stability of the individual fund.
- d. Allocation criteria for using the Contingency Reserve to support one-time costs:
  - i. When the county is impacted by an unanticipated reduction in state and/or federal funding and/or aid;
  - ii. When the county faces economic recession/depression and the county must take budget action before the beginning of a fiscal year;
  - iii. When the county is impacted by a natural disaster;

# Budget/Financial Policies

- iv. When the county is presented with an unanticipated or unbudgeted expense that is necessary for the delivery of local services; and,
- v. When the county is affected by known future events with unknown fiscal ramifications that require the allocation of funds.
- e. The Contingency Reserve may also be used to support ongoing costs or as a financing mechanism when presented with critical program initiatives that have a time requirement that cannot be deferred. The program initiatives would become part of the next year's operating budget and be subject to review by the BOS at that time.
- f. In each case when a request for Contingency Reserve funding is made, the department requesting the funds must provide an analysis demonstrating that funds do not exist within their current modified budget.
- g. When possible, the allocation of the Contingency Reserve funding should occur at a quarterly budget review.
- h. No expenditure shall be made directly from the Contingency Reserve. Funds for expenditure shall be transferred to a budget unit.
- i. A four-fifths vote of the BOS is required to authorize Contingency Reserve expenditures.
- j. The CAO shall coordinate the implementation of this policy. The CAO will work with all necessary departments and the BOS to make appropriate contributions to the General Fund Contingency Reserve in an effort to ensure a solid financial foundation for the county.

## General Fund Reserve Policy

On February 6, 2018, the Board adopted a Reserve Policy to hold funds in reserve for cash flow purposes, revenue shortfalls, unanticipated one-time expenditures, and capital expenditures. Policies regarding the use of these funds are often tied to an adverse change in economic indicators (such as declining employment or personal income) to ensure that the funds are not depleted before an emergency arises. Such is the case for the County of Humboldt's policy, which depends on locally generated revenue. In short, this policy aims to contribute to the county's general reserve during times of economic prosperity so that funds are available during times of budgetary stress.

This policy identifies the county's cannabis excise tax as the main source of revenue by which to determine contribution amounts. As a new local tax approved by voters in 2016, the cannabis excise tax has the potential to generate significant revenue, but is also potentially volatile due to recent changes in regulations in California. Until this new, unestablished revenue source can gain a stronger standing in the eyes of credit rating agencies such as Fitch and Moody's, the county's credit could be negatively affected if it is heavily relied upon to fund many ongoing expenses.

The county shall hold funds in reserve for cash flow purposes, revenue shortfalls, unpredicted one-time expenditures, and capital expenditures. These cash reserves include but are not limited to: Library Contingency; Roads Contingency; General Fund Contingency; General Reserve; and Deferred Maintenance.

- a. The General Reserve shall target a balance of 10 percent of the county's total General Fund expenditures, as averaged by the current and prior year adopted budgets. While the county aims to eventually reach the GFOA recommended balance of no less than two months of regular general fund operating revenues or 16 percent, it will first build up reserves to 10 percent. Government Code § 29085 gives the Board of Supervisors (BOS) authority to determine reserve contributions.
- b. The General Reserve will be used to support the following:
  - i. Essential cash flow for county operations during the first six months of the fiscal year until property tax payments are collected in December; and
  - ii. Extraordinary expenditures due to unforeseen events that exceed the capacity of appropriated funds, including the Contingency Reserve.

# Budget/Financial Policies

- c. No expenditure shall be made directly from the General Reserve. Funds for expenditure shall be transferred to a budget unit. The General Reserve fund shall be the last resort in balancing the county budget.
- d. A four-fifths vote of the BOS is required to authorize General Reserve expenditures.
- e. Until the General Reserve balance has reached target levels, the county shall include an allocation to the General Reserve equaling no less than 10 percent of the annual tax revenue derived from the county's Cannabis Excise Tax.
- f. Transfers detailed in Section E shall be made unless financial constraints, as determined by the BOS and County Administrative Officer (CAO), prohibit such a transfer.
- g. In the event that the General Reserve contribution has been decreased or increased from the prior year's contribution, at the time the budget is adopted, the CAO must identify and report to the BOS on the specific circumstances that have led to an increase or decrease in the General Reserve.
- h. The CAO shall coordinate the implementation of this policy. The CAO will work with all necessary departments and the BOS to make appropriate contributions to the General Reserve Fund in an effort to ensure a solid financial foundation for the county.
- i. The CAO shall report annually to the BOS on the progress of meeting said General Reserve policy and provide year-to-date General Reserve balances.

## Deferred Maintenance

On November 13, 2018, the Board of Supervisors adopted a revised policy to outline the policies and procedures regarding provisions for budgetary reserves and to adequately fund deferred maintenance to ensure capital assets are properly maintained to maximize useful life of those assets. This policy is necessary to plan for large expenditures and to minimize deferred maintenance, and to ensure that facility maintenance receives appropriate consideration in the budget process.

- a. The county shall target an annual contribution to the Deferred Maintenance Fund of an amount that is no less than 2% of the total deferred maintenance costs of \$28.7 million as noted in the Facilities Master Plan brought before the BOS on July 8, 2008 (Agenda Item E-1). Beginning FY 2019-20, the total deferred maintenance cost shall be adjusted annually by a factor equivalent to the Consumer Price Index.
- b. The Deferred Maintenance Fund will be used to support the following:
  - i. Costs for maintenance and improvements to county-owned facilities, including personnel necessary to carry out and manage deferred maintenance projects.
  - ii. Maintenance needs identified in the Facilities Master Plan and items identified and recommended by Public Works staff, upon Board approval.
- c. The allocation of Deferred Maintenance funding should occur at the time of bid award.
  - i. No expenditure shall be made directly from the Deferred Maintenance Fund. Funds for expenditure shall be transferred to the associated Capital Project in Budget Unit 170 (Capital Projects) and be listed on the capital improvement program adopted by the Board.
- d. Each fiscal year, the county shall deposit an amount equaling no less than 2 percent of Total Deferred Maintenance Costs to the Deferred Maintenance Fund.
  - i. Funding for this annual contribution shall be made from local, unrestricted revenue sources, such as property taxes, sales taxes and local revenue measures.
- e. In the event that the Deferred Maintenance contribution is less than 2 percent of the county's Total Deferred Maintenance Costs at the time the budget is adopted, the CAO must identify and report to the Board on the specific
- f. The CAO shall coordinate the implementation of this policy. The CAO will work with all necessary departments and the Board to make appropriate contributions to the Deferred Maintenance Fund in an effort to ensure sound stew-

# Budget/Financial Policies

ardship practices of public assets and a solid financial foundation for the county, identify circumstances that have led to a less than 2 percent contribution, and will report to the Board the strategy to ensure the policy level contribution will occur in the following fiscal year.

## Debt Limits

According to California Government Code Section 29909, the bonded debt limit for general law counties is 5 percent of the “taxable property of the county as shown in the equalized assessment roll.” The County of Humboldt 2018 assessed valuation Secured and Unsecured Net Roll Value is \$13,950,356,606. The 5 percent limit of this total is \$697,517,830. As of June 30, 2019, the County of Humboldt’s total debt amount is \$326,638,648 (or 46 percent of the assessed valuation), which is well below the 5 percent limit allowed. Total outstanding county debt includes Certificates of Participation in the amount of \$8,616,628, and pension obligations in the amount of \$318,022,020.

## Debt Management Policy

The Board of Supervisors adopted a revised policy on June 27, 2017. The purpose of this policy is to promote fiscal responsibility and long-term planning efforts to establish guidelines addressing capital improvement costs, short-term and long-term cash management and to create policies and procedures that minimize the county’s debt service and issuance cost. The primary objective is to ensure prudent debt management practices to maintain financial stability, preserve public trust and minimize costs to taxpayers. In addition, the county shall observe the following goals:

- Provide benefits to the public by identifying benefits, cost savings and contribution to prudent use of debt financing;
- Long-term debt shall not be used to finance ongoing operational costs;
- Whenever possible, the county shall pursue alternative sources of funding, such as pay-as-you-go or grant funding, in order to minimize the level of direct debt;
- Whenever possible, the county shall use special assessment, revenue or other self-supporting debt instead of General Fund obligated debt;
- Any debt issued shall not have a maturity date beyond the useful life of the asset being acquired or constructed by the debt proceeds;
- The county shall establish an affordable debt level in order to preserve credit quality and ensure sufficient revenue is available to pay annual debt service.

The county’s overriding goal in incurring long-term financial obligations is to respond to the evolving needs of its citizens while maintaining its fiscal responsibilities. This policy documents the county’s goals for the use of debt instruments and provides guidelines for the use of debt for financing county needs.

Although long-term financing sometimes requires higher total expenditures rather than a cash purchase, it has the benefit of allowing immediate completion of the project so that those paying for the project are also those utilizing the project. Additionally, during times of rapidly increasing construction costs, the costs related to financing a project are sometimes less than construction cost increases caused by delaying the project until adequate cash is available.

The county’s Debt Management Policy is designed to:

- Establish guidelines for the use of debt financing;
- Provide guidance to decision makers related to debt affordability standards;
- Promote objectivity in the decision-making process;
- Facilitate the actual financing process by establishing important policy decisions in advance.

The debt policies and practices of the county are, in every case, subject to and limited by applicable provisions of state and federal law. The county will adhere to the following legal requirements for the issuance of public debt:

- State law, which authorizes the issuance of the debt;

# Budget/Financial Policies

- Federal and state tax laws, which govern the eligibility of the debt for tax-exempt status;
- Federal and state securities laws governing disclosure, sale and trading of the debt.

The County Administrative Office plans to prepare a five-year capital program for consideration, prioritization and adoption by the Board of Supervisors as part of the county's budget process. It is proposed that on an annual basis, the capital budget shall identify revenue sources and expenditures for the coming current year and the next succeeding four fiscal years and that the plan be updated annually.

The County Administrative Office has recently prepared an Americans With Disabilities Act (ADA) 5-year capital improvement plan to bring county facilities that provide a program, service or activity to the public into compliance with the ADA over an extended period of time.

Additionally, a comprehensive Facilities Master Plan was adopted by the Board in October 2020 to guide short- and long-term facilities planning and improvements, and is expected to be presented to the Board in the summer of 2020. Facilities assessment, space planning, facilities management, survey design and analysis, conceptual design, preliminary cost estimating, and cost/benefit analysis of options will be included in the Facilities Master Plan.

## Pension Funding Policy

### GUIDING PRINCIPLES

**Intergenerational Equity:** Pension benefits are offered as part of a compensation package for employees as a benefit of the County of Humboldt for a career of public service. The employee accumulates (or earns) the benefit through accrual of years of service with the agency over their service life (or career).

1. The County as a matter of principle strives to comply with maintaining intergenerational equity.
2. As this relates to pension benefits, the objective is to ensure that adequate employee and employer contributions are made to the pension system during the service life of employees to avoid shifting the cost or burden to future generations of employees and taxpayers

**Financial Sustainability:** Financial Sustainability is the overarching principle in Humboldt County Financial Operations.

1. Within the context of pension funding, this principle expresses that the County provides and fund benefits to its employees within available means while proactively taking measures to build and preserve its ability to continue providing these benefits in the long run.

### FUNDING AND FUNDING GOAL

It is always the County's intention to pay all benefits promised.

**Long-Term Funding Target:** As such, over the long-term, the target Funded Status is 100% (full funding) of the Accrued Liability related to the County's pension plans. The County's goal is to accumulate sufficient assets to fund all projected benefit payments.

**Long-Term Perspective:** As such, over the long-term, the target Funded Status is 100% (full funding) of the Accrued Liability related to the County's pension plans. The County's goal is to accumulate sufficient assets to fund all projected benefit payments.

**Target Contribution:** The CAO shall set Target Contribution Rates for the Miscellaneous and Safety Plans at a percentage of pay that is projected to fully fund the County's UAL over a period of no more than 20 years, unless otherwise allowed by CalPERS. These targets will also be updated periodically to reflect expected changes in CalPERS assumptions, actuarial valuations or market conditions. Such amounts may be in excess of the ADC.

# Budget/Financial Policies

To achieve the Target Contribution Rate, the CAO may recommend funding the costs through employer and employee contributions, contributions from the Pension Trust, other funding sources, or a combination thereof.

Use of Target Contribution: The Target Contribution will first be used to make the Actuarially Determined Contribution (ADC) required by CalPERS for that fiscal year. Any remaining amounts of the Target Contribution will be allocated by the Board between:

- Additional discretionary contributions to CalPERS – These contributions may be used to lower the projected contribution rate down to the Target Contribution Rate for future years, or to lower long-term contribution requirements.
- Additional payments to the Pension Trust – These contributions will first be used to bring the Pension Trust to the Minimum Balance. After that has been done, additional contributions can be sent to the Pension Trust in order to pre-fund future contributions.

Prepayment Savings: During the annual budget process, the CAO shall provide a recommendation to the Board of Supervisors on the amount to transfer from savings generated by prepayment of the annual contribution to the Pension Funding Stabilization Program.

Additional Contributions: In years when there are budget surpluses or other one-time revenues, the CAO will also recommend what portion of these revenues, if any, should be used to further speed up the payment of UAL. Priority should be given to those items that relieve budget or financial operating pressure in future periods.

Additional discretionary contributions to CalPERS: These contributions may be used to lower the projected contribution rate down to the Target Contribution Rate for future years, or to lower long-term contribution requirements.

## EXTERNAL PENSION TRUST (SECTION 115 PENSION TRUST)

The County established an external irrevocable post-employment benefits trust program, also known as a Section 115 trust, which was adopted via Resolution 15-98 by the Board of Supervisors on Sept. 15, 2015. This trust, which is exempt from federal income taxes, will be a vehicle to accumulate assets for the purpose of meeting future pension obligations, along with other post-employment benefit obligations, as authorized by the Board.

Objective of Trust: The purpose of the External Pension Trust is to set aside funds for the pre-funding of the County's CalPERS pension contributions. A similar Section 115 OPEB Trust will be used to set aside funds to pre-fund Other Post-Employment Benefits obligations.

Section 115 Pension Trust Administrator: The Board of Supervisors delegates the Section 115 Pension Trust Administrator function to the CAO and Treasurer-Tax Collector, who may contract with third party providers.

Minimum Balance Target (MBT):

- The recommended Minimum Balance Target of the pension funding stabilization program will be an amount equivalent to 1/6th of the County's Actuarially Determined Contribution (ADC).
- The MBT will be determined annually by the Section 115 Pension Trust Administrator.
- After the MBT is achieved, it shall be maintained every year unless the County is in the Restoration of Trust Balance process after drawn down, and shall be used to ensure sufficient funding for the Actuarially Determined Contribution or Target Contribution Rate.
- Balances accumulated above the MBT may be utilized for the purpose of stabilizing future contribution rates, to help achieve the Target Contribution Rate, or to further reduce the County's UAL, upon Board approval.

# Budget/Financial Policies

## Funding Trust:

- To provide a dedicated on-going source for the External Pension Trust, a supplemental pension charge will be applied to all departments as a percentage of salary. This provision does not prohibit additional contributions to the External Pension Trust, as authorized by the Board.
- The charge (described in the County's financial statements as Section 115 Pension Trust) will be set annually as part of the County budget process, or anytime during the year, as authorized by Board. Typically this charge will be between 0.25% and 2% of salaries.
- Charges will be transferred to the County's Internal Pension Management Trust Fund prior to transfer to the Section 115 Pension Trust.

Investments: The purpose of investing funds is to accumulate sufficient assets to implement this pension funding policy. Assets that are in the irrevocable External Pension Trust are not subject to the County Investment Policy for internal reserves and laws governing County treasury investments. A primary advantage of placing funds into the trust account rather than holding them in fund balances for subsequent contribution to the California Public Employees Retirement System (CalPERS) is that investments in the trust can be made under the more flexible rules of California Government Code Section 53216.1 rather than the more restrictive rules of Government Code Section 53601. An investment in the Section 115 Pension Trust has the potential of yielding a larger rate of return than those funds held in the County's pooled investments.

- At least annually the Section 115 Pension Trust Administrators shall assess the investment strategies for the Trust. The Section 115 Pension Trust Administrators shall have authority to adjust investment strategies at any time. Any adjustment to the investment strategy shall be reported to the Board of Supervisors.
- Pension trust assets should be invested to achieve an objective of capital preservation prior to the Minimum Balance Target being achieved.
- After the MBT target balance has been achieved, the trust asset allocation should be reviewed with the additional goal of achieving a return that more closely matches or exceeds the discount rate used by CalPERS actuaries to determine the actuarial liability while maintaining a reasonable level of capital preservation.
- The Section 115 Pension Trust Administrators should regularly review and monitor the investment results.

Withdrawing Assets: Assets contributed to the Section 115 Pension Trust can only be withdrawn to pay pension costs, or OPEB costs for the corresponding Section 115 OPEB Trust. The County's stated intention is to specifically reserve these assets to:

- Support the funding of the ADC. This might occur when the Actuarially Determined Contribution required by CalPERS is greater than the Target Contribution Rate, or when the County is under significant fiscal distress and finds it difficult to pay the Actuarially Determined Contribution from that year's revenues.
- Support funding of the Target Contribution Rate.
- Reduce the Unfunded Accrued Liability. This might be done to lower the peak projected contribution rate down toward the Target Contribution Rate, or to achieve future budget savings in excess of the contributions being made.

The steps for making such a withdrawal will be as follows:

1. The CAO shall request Board approval prior to the withdrawal of assets from the trust.
2. The CAO shall evaluate the withdrawals needed to maintain the stated Target Contribution Rate.
3. If assets are being withdrawn due to fiscal distress, some of the factors that should be considered in determining whether the County is in a period of fiscal distress are as follows:
  - Uncertainty regarding ability to pay short-term obligations on time.
  - Ability to meet long-term obligations including those from debt issuances, pension plans or other post-employment benefits is uncertain given the extent of obligations in comparison to available resources.

# Budget/Financial Policies

- Ability to maintain financial stability is impaired including reductions to credit rating, reliance on declining or unstable sources of revenue, and inability to raise revenues to support commitments.
- Ability to maintain services is not possible based on fiscal condition and the County is required to layoff personnel.

Restoration of Trust Balance: If withdrawals cause the External Pension Trust to fall below the Minimum Balance Target (MBT), the External Pension Trust shall be funded or replenished to the MBT within 5 fiscal years.

## Funding of the Capital Improvement Program

Whenever possible, the county will first attempt to fund capital projects with grants or state/federal funding, as part of its broader capital improvement plan. When such funds are insufficient, the county will use dedicated revenues to fund projects. If these are not available, the county will use excess surplus from the General Reserve debt financing, and general revenues.

The county shall be guided by three principles in selecting a funding source for capital improvements:

1. Equity
2. Effectiveness
3. Efficiency

## Maintenance, Replacement and Renewal/ FLIP

The county intends to set aside sufficient current revenues pursuant to the Board adopted policy outlining contributions to the Deferred Maintenance Fund, which establishes support costs for capital improvements to county owned facilities. Adopted on November 13, 2018, this policy states the Deferred Maintenance Fund shall receive an annual contribution of no less than 2% of the total deferred maintenance costs.

The Deferred Maintenance Fund will be used to support costs for capital improvements to county owned facilities for the financing of ongoing maintenance needs and to provide periodic replacement and renewal consistent with its philosophy of keeping capital facilities and infrastructure systems in good repair and to maximize a capital asset's useful life.

No county debt issued for the purpose of funding capital projects may be authorized by the Board of Supervisors unless an appropriation has been included in the budget.

## DEBT ADVISORY COMMITTEE

All proposed debt financings shall be presented to the Debt Advisory Committee ("the Committee") for review and recommendation and must be approved by the Board of Supervisors.

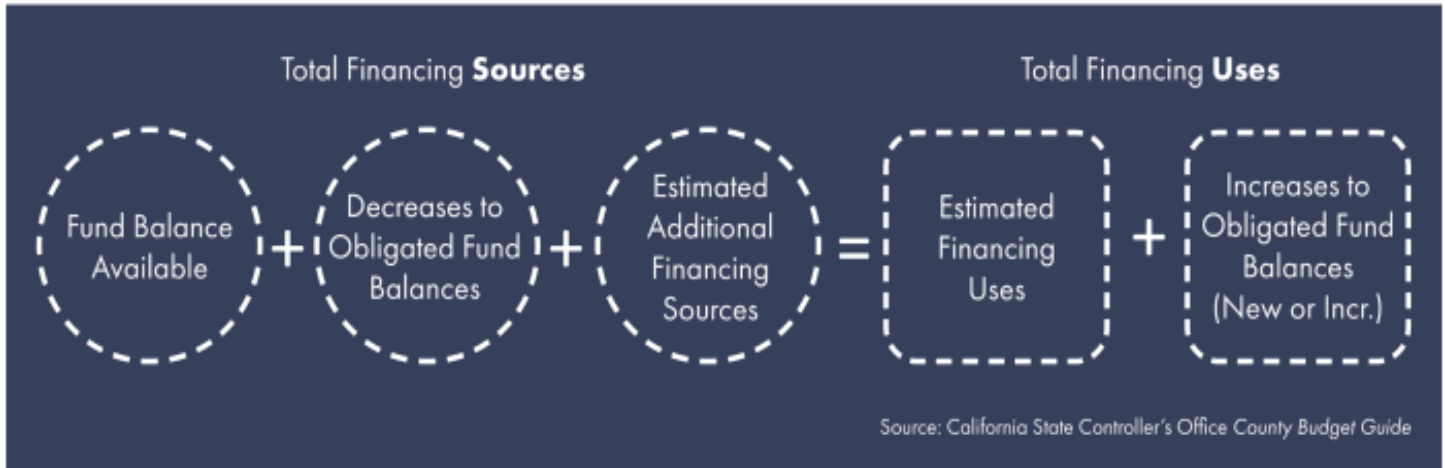
The Committee shall:

- Oversee the issuance of all county debt;
- Periodically review and evaluate existing county debt;
- Periodically review, revise and/or amend the existing county Debt Management Policy as needed (revisions must be approved by the Board of Supervisors);
- Review all internal financing requests and unsolicited financing proposals to ensure they comply with the Policy; document and justify any recommended exceptions;
- Make appropriate recommendations to the Board of Supervisors;
- Ensure all covenants and continuing disclosure requirements are met on each existing debt issue.

# County Budget Formula

## County Budget Formula

The basic budget formula is applicable to counties, dependent special districts and other agencies under the supervision and control of the Board of Supervisors. Government Code Section 29009 requires the adopted budget to be in balance; therefore, Total Financing Sources shall equal Total Financing Uses.

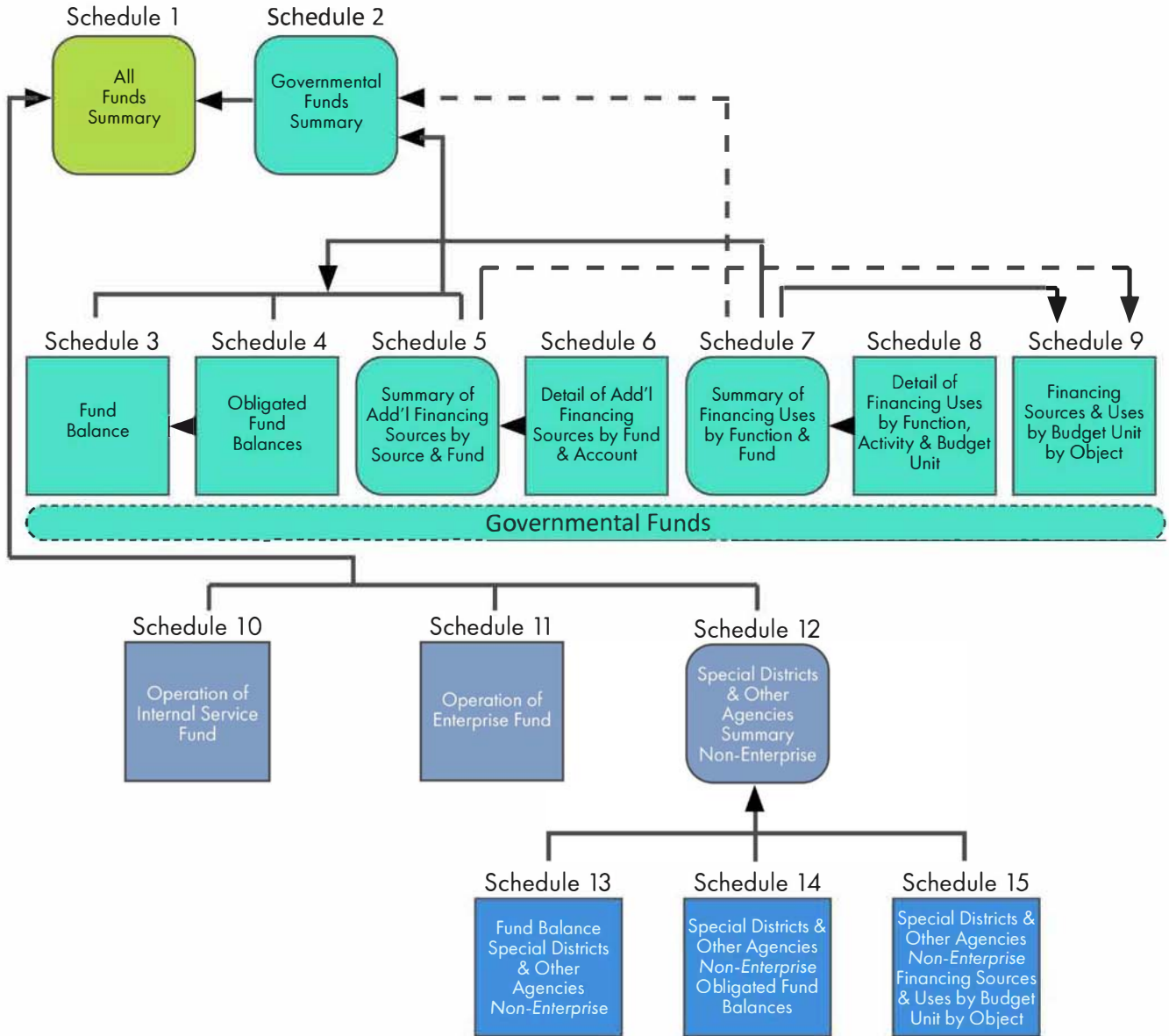


Each type of schedule is identified numerically and contains a heading to describe the information contained within. Schedule numbers are located in the upper right, and the schedule title is located at the top of each schedule. For example, Schedule 9 (each governmental budget unit has its own Schedule 9) is titled "Budget Unit Detail."

The State Controller requires that 15 different schedules be presented within the budget book. Schedules 1 through 15 can be found in this budget book under the section titled "Appendices". Below is a list of each of the budget schedules required upon adoption of the final budget:

1. All Funds Summary
2. Governmental Funds Summary
3. Fund Balance – Governmental Funds
4. Reserves/Designations – By Governmental Funds
5. Summary of Additional Financing Sources by Source and Fund
6. Detail of Additional Financing Sources by Fund and Account
7. Summary of Financing Uses by Function and Fund
8. Detail of Financing Uses by Function, Activity and Budget Unit
9. Financing Sources and Uses by Budget Unit by Object (Most Common Schedule)
10. Operation of Internal Service Funds
11. Operation of Enterprise Funds (The County of Humboldt does not utilize this schedule.)
12. Special Districts and Other Agencies Summary
13. Fund Balance – Special Districts and Other Agencies
14. Special Districts and Other Agencies – Reserves/Designations
15. Special Districts and Other Agencies – Financing Sources and Uses by Budget Unit by Object

# Budget Schedule Flowchart



Source: California State Controller's Office County Budget Guide