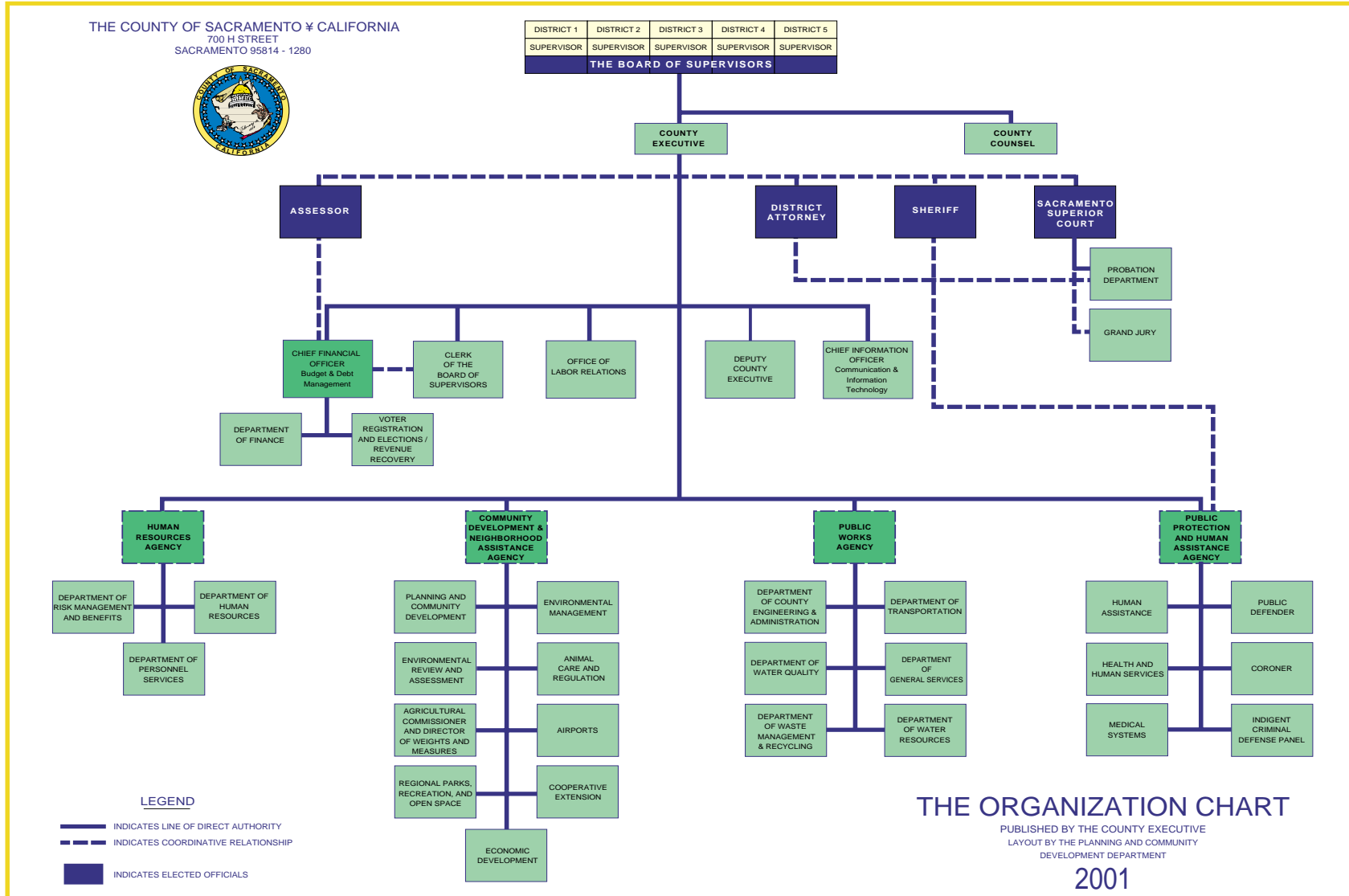


GENERAL BUDGET INFORMATION

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ORGANIZATION CHART



SACRAMENTO COUNTY BUDGET COMPLIANCE WITH APPROPRIATION LIMIT

In 1979, California voters passed Proposition 4 which imposed constitutional limits on certain kinds of appropriations made from tax revenues (Article XIII B). Proposition 4 established a limit on the growth of certain appropriations based on changes in population and cost of living. In 1990, voters passed Proposition 111, which changed some of the provisions of Article XIII B.

Sacramento County's appropriation limit is established as required by Article XIII B of the State Constitution. The table below sets forth the appropriation limit and the appropriations subject to limitation.

With the approval of the proposed budget, the Board of Supervisors also approves publication of the annual appropriation limit set by Article XIII B of the State Constitution. With the adoption of the final budget, the appropriation limit is formally established by the Board of Supervisors. During the period between publication and adoption of the appropriation limit, related documentation is available for public review at the Office of the County Executive.

SACRAMENTO COUNTY APPROPRIATION LIMIT			
	Appropriation Limit	Appropriations Subject to Limitation	Amount Under Limit
1996-97	787,420,715	190,733,320	596,687,395
1997-98	837,545,193	191,739,742	645,805,451
1998-99	896,029,961	205,482,205	690,547,764
1999-00	951,699,711	218,266,806	733,432,905
2000-01	1,022,875,485	251,407,634	771,467,851
2001-02 (Budget)	1,149,956,656	254,018,801	895,937,855

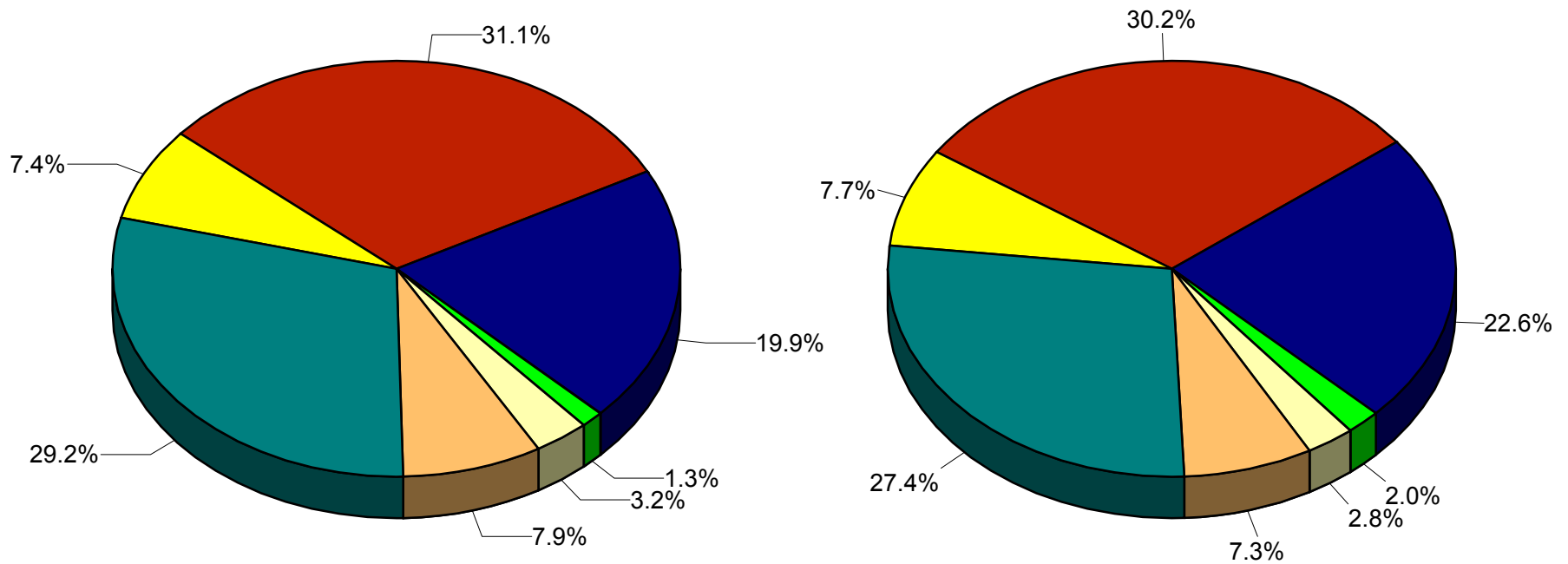
THE COUNTY BUDGET (REQUIREMENTS)

THE COUNTY BUDGET

(REQUIREMENTS)

2000-01 BUDGET TOTAL..... \$1,943,629,734

2001-02 BUDGET TOTAL..... \$2,157,386,391



- Health & Sanitation
- Public Assistance
- Roads
- Public Protection
- General Government
- Debts, Reserves, Contingencies
- Library, Cultural & Recreational

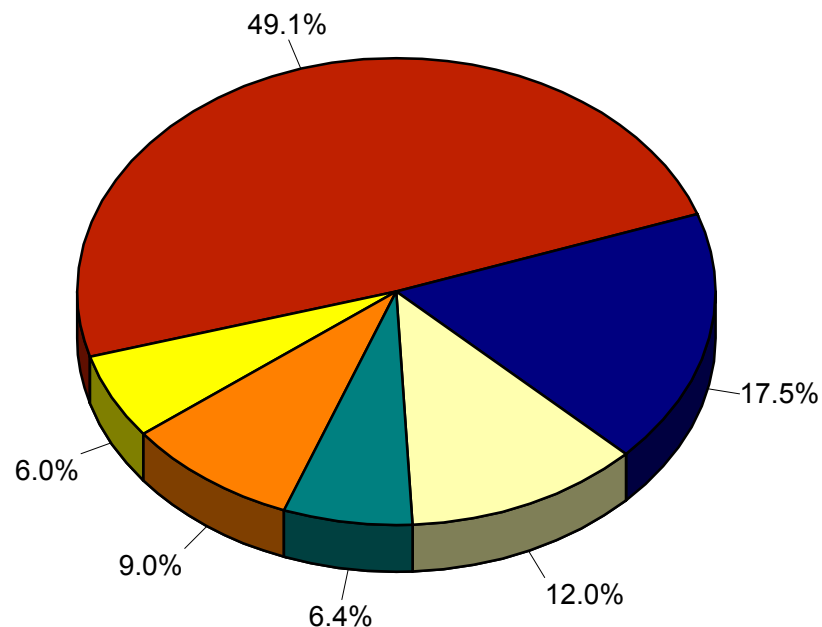
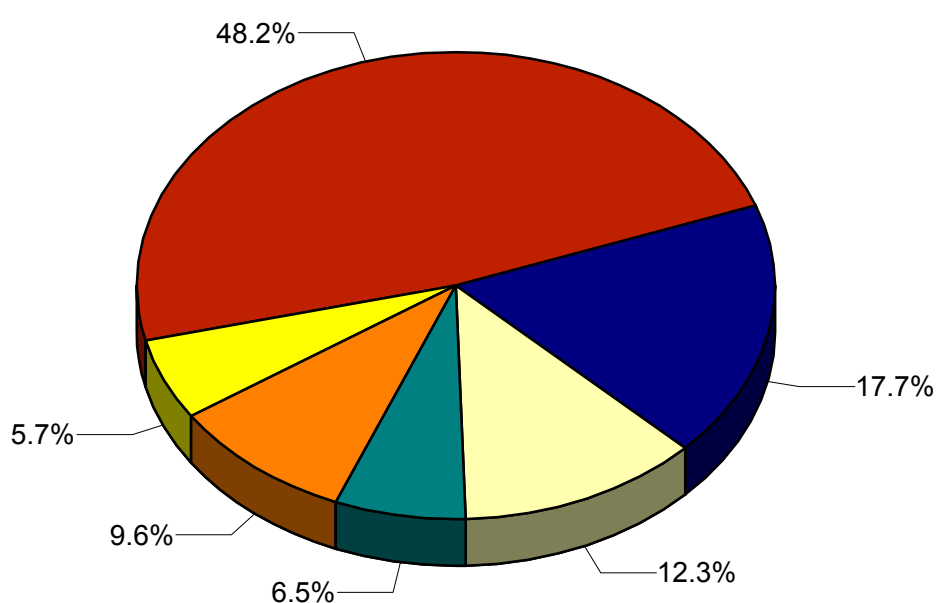
THE COUNTY BUDGET (FINANCING)

THE COUNTY BUDGET

(FINANCING)

2000-01 BUDGET TOTAL..... \$1,943,629,734

2001-02 BUDGET TOTAL..... \$2,157,386,391



- Aid From Other Agencies-Federal
 Aid From Other Agencies-State
 Year-End Balance
- Other Taxes
 Property Taxes
 Other Revenues

DESCRIPTION OF COUNTY FUNDS

General Fund 001 - is the principal fund of the County, and is used to account for all activities of the County not included in other specified funds. It also accounts for most general government activities.

SPECIAL REVENUE FUNDS

Fish and Game Propagation Fund 002 – Accounts for activities related to fish and game, including education.

Road Fund 005 - Accounts for Sacramento County road activities in the unincorporated area, including design, construction, and maintenance of roads, traffic signals, other right-of-way, safety-related road improvement projects, and the Radar/Speed Control Program.

Roadways Fund 025 – Accounts for public road improvements with several geographical districts in response to land use development decisions.

Children and Families Commission Fund 013 - Accounts for funds received from State of California from Proposition 10.

Citrus Heights Road Maintenance and Operations Fund 027 – Per contract agreement, effective October 1, 1997 through June 30, 2002, this accounts for all maintenance and operational costs incurred within the boundaries of the City of Citrus Heights due to contract with the City of Citrus Heights.

Community Services Fund 012 - Accounts for several programs related to children, to retired and senior citizens, the elderly, independent living, senior nutrition services, homeless, and homeless employment services.

Economic Development Fund 020 – Accounts for assistance to employers and to help attract and retain jobs in the county and region.

Health Care/Uninsured Fund 004 – Accounts for addressing health care problems of the uninsured county residents.

Library Fund 011 - Accounts for the County's share of revenue and operating transfer to Library Joint Powers Authority (JPA).

Transportation Sales Tax Fund 026 - Accounts for the public road improvements in the unincorporated area of the County, which are funded from the Measure A Transportation Sales Tax.

Transient-Occupancy Tax Fund 015 - Accounts for the revenues generated from a transient-occupancy tax of 12 percent of the rent charged at hotels, motels, and similar structures for short-term lodging. Expenditures from this fund are for artistic, musical, cultural, civic, and other activities, which enhance the image of the community.

Tobacco Litigation Settlement Fund 008 – Accounts for the Tobacco Litigation Settlement revenues for programs related to health, youth and tobacco prevention.

Building Inspection Fund 021 - Accounts for building inspection and code enforcement services to the unincorporated area of the County.

Public Facilities Fixed Asset Financing Program Fund 030 - Accounts for a comprehensive approach to providing for and financing public facilities and major infrastructure assets within the County.

Lighting Maintenance District (County Service Area No. 1) Fund 253 - Formed to provide all street and highway safety lighting services in the unincorporated area of the County.

Park Districts and Park Service Areas Funds 351, 560, 561, and 562 - Accounts for the operation of three Board of Supervisors-governed park districts, and for administrative and program assistance provided by the Department of Parks and Recreation to four County service areas.

Natomas Fire District Fund 229 – Accounts for fire protection services to approximately 40 square miles of the unincorporated area in the northwestern portion of the County.

Water Agencies Funds 315, 316, 317, 324, 642, and 643 - Various zones created to provide specialized services within specific geographic areas.

Stormwater Utility Fund 322 - Accounts for revenues and expenditures relating to collection and discharge of stormwater runoff in the region.

Other - Accounts for miscellaneous Special Revenue Funds of the County.

DEBT SERVICE FUNDS

Pension Obligation Bonds Fund 313 - Services the debt related to Pension Bonds issued to pay off the unfunded pension liability the County owed the Sacramento County Employee Retirement System.

Teeter Plan Fund 016 - Services the debt associated with the County purchases of delinquent recurrent property taxes receivables under the Alternative Method of Tax Apportionment, the "Teeter Plan."

Main Jail Fund 292 - Services the Main Jail Adjustable Convertible Extendible Securities.

1999 Refunding (Capital Projects) Fund 287 – Refunding of the Parking Facility and Cherry Island Golf Course Certificates of Participation.

Fixed Asset Financing Program Fund 278 - Services all debt associated with the acquisition of fixed assets for the Public Facilities Financing Corporation.

Mental Health Facility Fund 296 - Services all debt associated with the 1989 borrowing which financed the County Mental Health Facility.

1997 Public Building Facilities Fund 308 – Services all debt associated with the 1997 borrowing which financed an additional dormitory-style jail at the Rio Cosumnes Correctional Center, and acquisition of the Bank of America building (currently leased to the City of Sacramento) in downtown Sacramento.

CAPITAL PROJECTS FUNDS

Capital Construction Fund 007 - Accounts for general capital outlay expenditures of the County.

Park Construction Fund 006 – Accounts for the acquisition, development and improvement of county park properties.

Improvement Bond Act of 1911 - Accounts for construction activity in various special assessment districts where monies have been received under the 1911 Improvement Bond Act from special assessment district property owners.

Improvement Bond Act of 1915 - Accounts for construction activity in various special assessment districts where monies have been received from special assessment district property owners under the 1915 Improvement Bond Act.

Community Fee Districts - Established by property owners to account for construction of public projects financed by various developer fees and other miscellaneous revenues.

Metro Air Park Community Facilities District - Accounts for construction activity in the Metro Air Park Community Facilities District.

Laguna Stonelake Community Facilities District - Accounts for construction activity in the Laguna Stonelake Community Facilities District.

Laguna Community Facilities District Fund 107 - Accounts for construction activity in the Laguna Community Facilities District.

Laguna Creek Ranch/Elliott Ranch Community Facilities District Number One Fund 105 - Accounts for construction activity in the Laguna Creek Ranch/Elliott Ranch Community Facilities District.

1997 Public Building Facilities Fund 309 - Accounts for construction of an additional dormitory-style jail at the Rio Cosumnes Correctional Center, acquisition of the Bank of America building (leased to the City of Sacramento) in downtown Sacramento and various other approved construction projects.

ENTERPRISE FUNDS

Airport Funds 041 - Accounts for the facilities of the Airport Department, including the Metro, Executive, and Franklin Airports, and Mather Airfield.

Regional Sanitation District Funds 261, 262, and 263 - Accounts for the operations of the Regional Sanitation Utility System.

Citrus Heights Refuse Services Fund 049 - Accounts for a seven-year contract between the County and City of Citrus Heights for refuse collection services.

Refuse Funds 051 and 052 - Accounts for the costs of the refuse collection business, including the refuse disposal site and transfer stations.

Parking Fund 055 - Accounts for all downtown-parking facilities, which generate revenues from user fees from both the public and county employees.

Sanitation District Number One Fund 267 - Accounts for the operations of the Sanitation District Number One utility system.

Other - Accounts for the Sacramento County Water Maintenance District and the South County transit program.

Governmental Funds

Governmental Funds record expenditures for compensated absences as they are taken by employees. Each year's budget includes a provision for the estimated expenditure for the current year. A year-end accrual for compensated absences has not been made in the Governmental Funds as of June 30, 2000, because the County does not believe any of the available year-end resources will be required to fund the year-end compensated absences liability. Accordingly, this liability is recorded in the General Long-Term Obligations Account Group.

INTERNAL SERVICE FUNDS

Public Works Fund 033 - Accounts for special services provided by the Department of Public Works to other County departments and special districts. These services include Water Resources; Special District Formation; Water Quality; Highways and Bridges; Real Estate; Surveyor, Information and Permits; Technical Services and Construction Equipment.

General Services Fund 035 - Created to centralize many of the activities providing services to County departments. These activities include Automobile Fleet Operations; Purchasing; Printing; Mail; Central Stores; Surplus Property Disposal; Building Maintenance & Operations; and Telecommunications.

Liability/Property Self-Insurance Fund 037 - Accounts for the County's program of self-insurance for liability/property perils.

Workers' Compensation Self-Insurance Fund 039 - Accounts for the County's self-insurance of all workers' compensation claims.

Dental Self-Insurance Fund 038 - Accounts for the County's self-insurance of all dental claims.

Unemployment Self-Insurance Fund 040 - Accounts for the County's self-insurance of all unemployment claims

Regional Communications Fund 059 - Accounts for the operations of the County's emergency communications function.

Board of Retirement Fund 060 - Accounts for activities related to the management of the Sacramento County Employees' Retirement System.

PROPRIETARY FUNDS

Proprietary Funds accrue a liability for unused compensated absences earned through year-end. An expense is recognized for the increase in liability from the prior year.

TRUST AND AGENCY FUNDS

Trust Funds

Investment Trust Fund - Accounts for assets held for external investment pool participants.

Expendable Trusts:

Inmates' Welfare - Accounts for profits from the jails' commissaries, which are used solely for the benefit of the inmates.

Jail Industry - Accounts for operations of the County's "inmate industry" program.

Law Library - Accounts for an apportionment of civil case filing fees received solely for maintenance of the County's Law Library.

Local Improvement Pre-Assessment District - Accounts for funds collected from developers/property owners for preliminary work prior to issuing special assessment debt to finance infrastructure projects.

Agency Funds

Law Enforcement - Accounts for law enforcement revenues collected pending disbursement, reimbursement, or apportionment to the appropriate County law enforcement department or other local police agency.

Federal Program Transfer - Accounts for receipts for governmental programs administered by the County. Funds are held by the County in the Agency Fund until earned by the appropriate department, at which time they are transferred.

Unapportioned Tax Collection - Accounts for property taxes received but not yet apportioned by the County.

Public Safety - Accounts for receipts from the ½ percent sales tax approved by voters for law enforcement functions. These receipts are held pending apportionment to the appropriate county law enforcement department or local police agency.

Pooled Treasury Income - Accounts for interest earned and received by the County Treasury and allocated to appropriate funds.

Court Operations Fund 003 - Accounts for the State block grants for all judicial positions, the Sheriff's court security services, and the interfund reimbursement from the General Fund required for court operations.

Other - Accounts for other agency funds where the County holds money in a custodial capacity.

DESCRIPTION OF MAJOR COUNTY REVENUE SOURCES AND TRENDS

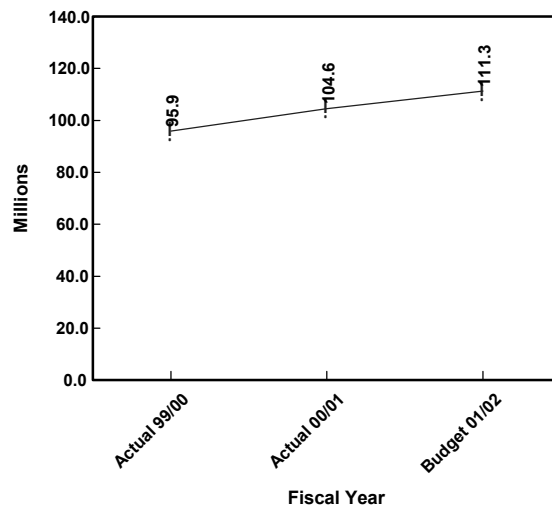
Revenue Source: Secured Property Tax

Trend		Percent Change	Comments
1999-00 actual	\$ 95,851,379	0.14%	One percent tax on real property under acquisition value basis of California's Proposition 13.
2000-01 actual	\$ 104,560,766	9.09%	
2001-02 budget	\$ 111,250,000	6.40%	

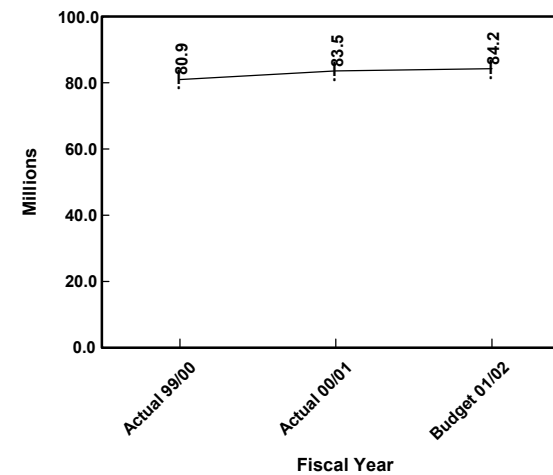
Revenue Source: Sales Tax

Trend		Percent Change	Comments
1999-00 actual	\$ 80,923,002	12.36%	One percent share of state-collected sales tax rate of 7.5 percent. Collected from the Unincorporated Area only. For Fiscal Year 2001-02, the trend is effected by the incorporation of the City of Elk Grove, reflecting a reduction in the Unincorporated Area collections.
2000-01 actual	\$ 83,546,750	3.24%	
2001-02 budget	\$ 84,211,000	0.80%	

Secured Property Tax



Sales Tax



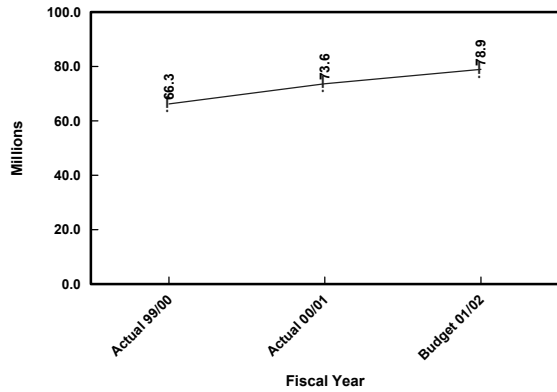
Revenue Source: Vehicle License Fees

Trend		Percent Change	Comments
1999-00 actual	\$ 66,303,795	14.39%	State-collected fee as part of vehicle registration process. 65 percent of revenue is state backfill of fee reduction.
2000-01 actual	\$ 73,634,500	11.06%	
2001-02 budget	\$ 78,945,479	7.21%	

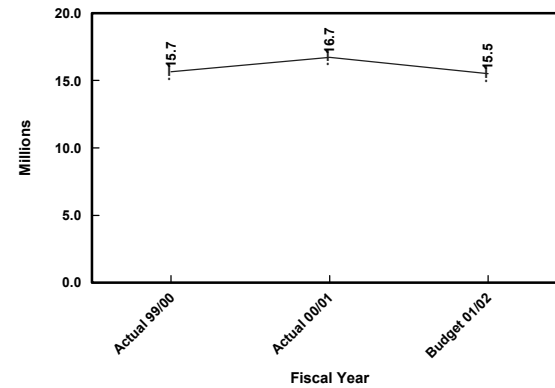
Revenue Source: Utility Tax

Trend		Percent Change	Comments
1999-00 actual	\$ 15,652,811	0.33%	2.5 percent tax on electricity, gas, sewer, phone (not cellular), and cable TV use in Unincorporated Area. For Fiscal Year 2001-02, the trend is effected by the incorporation of the City of Elk Grove, reflecting a reduction in Unincorporated Area collections.
2000-01 actual	\$ 16,712,075	6.77%	
2001-02 budget	\$ 15,508,000	(7.20%)	

Vehicle License Fees



Utility Tax



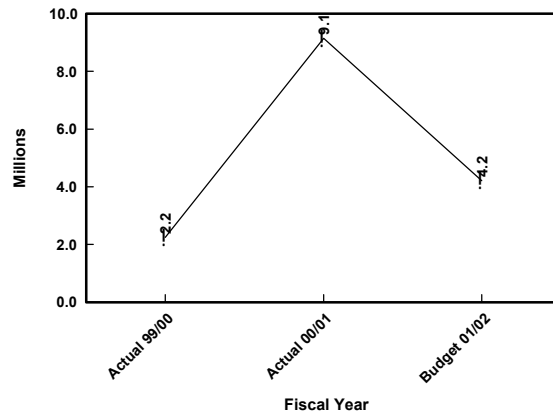
Revenue Source: Net Interest

Trend	Percent Change	Comments
1999-00 actual \$ 2,244,944	(107.05%)	Net interest gain from tax revenue anticipation notes and interest on cash balances in Treasury Pool.
2000-01 actual \$ 9,142,129	307.23%	
2001-02 budget \$ 4,211,000	(20.23%)	

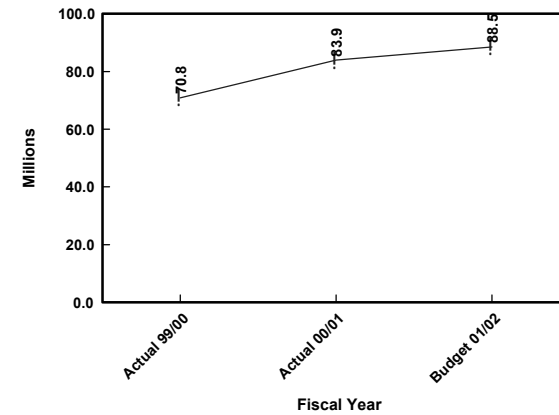
Revenue Source: Proposition 172 – Public Safety

Trend	Percent Change	Comments
1999-00 actual \$ 70,834,000	7.32%	County share of statewide ½ cent sales tax. Allocated to counties and cities by formula in state law.
2000-01 actual \$ 83,929,000	18.49%	
2001-02 budget \$ 88,533,000	5.49%	

Net Interest

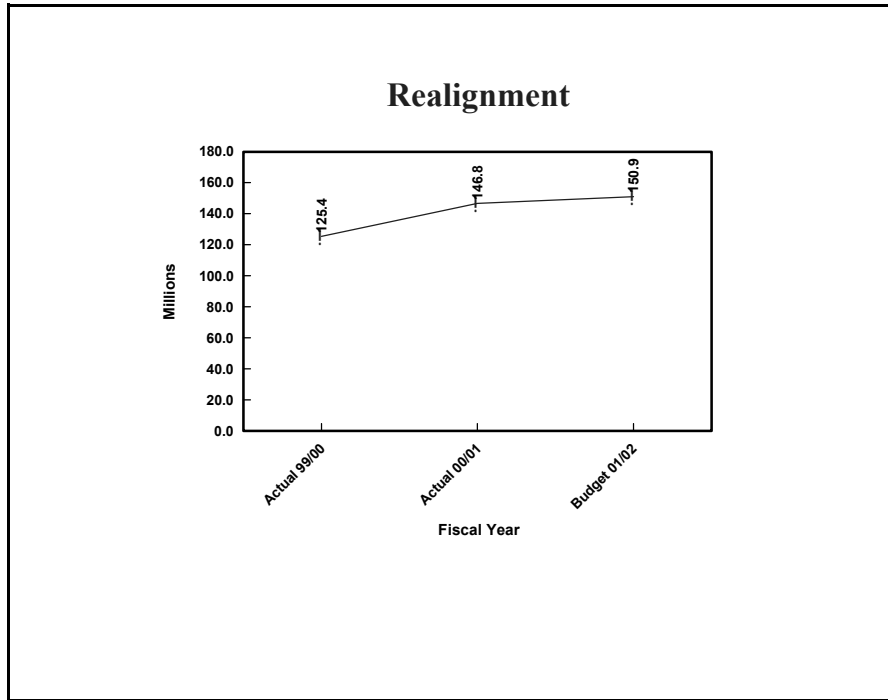


Public Safety



Revenue Source: Realignment

Trend	Percent Change	Comments
1999-00 actual \$ 125,412,900		Share of ½ cent statewide sales tax and a portion of vehicle license fees. Allocated to health, mental health, and social service programs.
2000-01 actual \$ 146,781,659	16.24%	
2001-02 budget \$ 150,934,000	2.83%	



SACRAMENTO COUNTY FINANCIAL, ECONOMIC & DEMOGRAPHIC OVERVIEW

SACRAMENTO COUNTY FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION

COUNTY INFORMATION

General

Sacramento County was incorporated in 1850 as one of the original 27 counties of the State of California. The County's largest city, the City of Sacramento, is the seat of government for the State of California and also serves as the county seat. Sacramento became the State Capital in 1854. The County is the major component of the Sacramento Metropolitan Statistical Area ("SMSA") which includes Sacramento, El Dorado, and Placer Counties.

Sacramento County encompasses approximately 994 square miles in the middle of the 400-mile long Central Valley, which is California's prime agricultural region. The County is bordered by Contra Costa and San Joaquin Counties to the south, Amador and El Dorado Counties to the east, Placer and Sutter Counties to the north, and Yolo and Solano Counties to the west. Sacramento County extends from the low delta lands between the Sacramento and San Joaquin rivers north to about ten miles beyond the State Capitol and east to the foothills of the Sierra Nevada Mountains. The southernmost portion of Sacramento County has direct access to the San Francisco Bay.

Sacramento County is a long-established center of commerce for the surrounding area. Trade and services, federal, state and local government, and food processing are important economic sectors. Visitors are attracted to the County by the State Capitol and other historical attractions such as Sutter's Fort, as well as natural amenities. The County's location at the intersection of four major highways brings additional visitors destined for the San Francisco Bay Area, the Gold Country, the Central Valley and the Sierra Nevada Mountains.

County Government

The County has a charter form of government. It is governed by a five-member Board of Supervisors elected to serve four-year terms. Other elected officials include the Assessor, District Attorney and Sheriff. A County Executive appointed by the Board of Supervisors is responsible for the day-to-day business of the County.

Services

The County is responsible, pursuant to the County Charter, county ordinances or by state or federal mandate to provide social, health, justice, recreational, governmental and other services to county residents.

Health and Welfare. Under state law, the County is required to administer federal and state health and welfare programs, and to satisfy a portion of their costs with local revenues, such as sales and property taxes. Health services are dispensed through a network of comprehensive health centers and neighborhood clinics. Under state law, counties have the responsibility to provide and help pay for community mental health, drug and alcohol prevention and treatment programs. In addition, the County provides public health, immunization and environmental services. These services are located in both county facilities and a network of private providers under contract. However, the County does not own or operate a county hospital. The County sold its former County Hospital to the University of California in 1973. The University of California, Davis operates the hospital today as a teaching facility, and is under contract with the County for indigent health care services.

Disaster Services. The County coordinates an entire network of disaster services to handle floods, fires, storms, earthquakes, and other major emergencies. Command centers can be established centrally or in mobile trailers.

Criminal Justice. Primarily local county revenues support the County criminal justice network. The Sheriff provides law enforcement services to the unincorporated area of the County, including narcotics/gangs and vice enforcement, investigation of arson, and homicides. In addition to general prosecution, the District Attorney provides consumer fraud, and assistance through the crime lab in locating and analyzing evidence from crime scenes. The County also operates various correctional facilities. State law requires that the County make an annual payment to the State, approximately \$26.6 million in Fiscal Year 2001/02, for statewide trial court costs. The amount has been determined by the State and does not represent a fixed share of local court costs. In addition the County is responsible for providing and maintaining court facilities.

Property Tax System. The County is responsible for the administration of the property tax system, including property assessment, assessment appeals, collection of taxes, and distribution of taxes to cities, community redevelopment agencies, special districts, local school districts, and the County.

County Employees; Collective Bargaining

A summary of county employment levels follows

SACRAMENTO COUNTY Permanent Employees 1996 through 2001

As of December 31	Permanent (1)
1996	9,916
1997	10,068
1998	10,756
1999	10,958
2000	11,946
2001 (2)	12,183

(1) Excludes temporary, limited-term, intermittent, and seasonal employees, which on April 17, 2001, totaled 1,699

(2) As of April 17, 2001.

For the 2001/02 Fiscal Year the County is budgeting for approximately 14,400 permanent, full time positions. Approximately 12,750 of the positions are in classifications represented by one of 25 recognized employee labor organizations.

The following table summarized the number of budgeted positions included in the larger labor organizations:

Employee Representation Organization	Budgeted Positions
United Public Employees, Local 1	5,002
Deputy Sheriffs Association	1,760
Local 39	1,521
Probation Association	609
Health Services AFSCME	585
Total	9,447

These five organizations cover 74 percent of the represented budgeted positions.

For much of the 1990s employee compensation increases were limited to deal with the county's severe budget problems. All employees went at least two years without raises or cost-of-living-increases (COLAs). Entry level salaries were reduced and cash back medical insurance payments were eliminated for newly hired employees. However, as the county's budget situation has improved, greater compensation increases are being provided for county employees. Recent contracts have included COLAs, market driven equity increases, and health insurance subsidy increases.

During the last two years, the County has had to react to a booming local economy and a very tight job market. The Sacramento Metropolitan Area now has record low unemployment rates and record high employment. At the same time the County has added over 3,000 positions to the budget. County employee turnover rates and the number of vacant positions have increased dramatically. The number of vacant positions has increased from 400 to 500 in the mid 1990s to the current level of approximately 2,000.

The 1998, the voters of Sacramento County amended the County Charter to provide for binding arbitration with the Sacramento County Deputy Sheriff's Association. In the same election, the voters of the County also approved another Charter Amendment allowing either the Board of Supervisors or the Sheriff to submit the results

of arbitration to the voters for ratification. The Deputy's Sheriff's Association declared impasse in contract negotiations in 1999 triggering the arbitration process. At the conclusion of which the County and the Union reopened negotiations where a three-year agreement was reached.

State legislation approved in the 2000 provides binding arbitration to the other law enforcement bargaining units. The county's contract with the Probation Association expires on June 30, 2001 and it is anticipated the Probation Association will trigger the arbitration process.

For the 2001/02 Fiscal Year the County Budget includes compensation increases for all represented and unrepresented employees and vacant budgeted positions. All contractual obligations are fully funded, and for those units, whose contracts expire on June 30, 2001, compensation increases have been assumed in the budget process and development of salary and benefit estimates.

Retirement and Deferred Compensation Plans

The County has a defined benefit pension plan which covers substantially all of its employees. The total pension expense for the fiscal year ending June 30, 2000 was approximately \$42.0 million. The plan provides "basic" death, disability and service retirement benefits based on specified percentages of final average salary and, in addition, provides annual cost-of-living adjustments after retirement. As of June 30, 2000, there were 10,217 active general members and 2,018 active safety members (police, fire and probation) in the pension plan. Retired members totaled 7,316. The county's 2000 contribution amounted to approximately \$39.20 million. The plan is funded based on an actuarial study that assumes future salary increases will be 5.55% and interest rates will be 8.0%.

As of July 1, 2000, the net assets available for benefits were approximately \$3,679,912,856.

On October 1, 1997, the California Supreme Court decision in *Ventura County Deputy Sheriff's Association et al. v. Board of Retirement of Ventura County Employees' Retirement Association, and County of Ventura (Ventura)* became final. This decision, in effect, reverses *Guelfi v. Marin County Employees' Retirement Assn.* 145 Cal. App. 3d 297 (*Guelfi*), thereby changing the existing law regarding the definition of the term "compensation earnable." Compensation earnable is used in the County Employees' Retirement Law of 1937 (CERL) as a basis for the pension of a retiree. Since 1983, retirement systems have relied on the decision in *Guelfi* for its definition of compensation earnable.

In 1984, following *Guelfi* and Government Code section 31461, the Board of Retirement of Sacramento County Employees' Retirement System (SCERS) adopted regulations (found in Section 20 of SCERS Bylaws) which define compensation earnable. To the extent that the previously adopted SCERS regulations conflict with *Ventura*, they are void and must be amended. The SCERS Board met in December 1997, adopted the needed changes to the Bylaws and policies and directed SCERS staff to implement the changes as of September 28, 1997, the beginning of the first pay period which includes the effective date of *Ventura*.

The SCERS actuary preliminarily concluded that an unfunded liability of approximately \$90 million will be created by the *Ventura* decision (owed by the County to SCERS) for the approximate value of increased future retirement benefits for current active county employees above and beyond the contributions that will be made in the future on newly defined compensable earnings made previously (represents actuarial liability for contributions not made when earnings were previously defined as non compensable earnings). However, this new unfunded liability has been offset by excess earnings earned by the SCERS portfolio during the Fiscal Years 1995/96 1996/97 and 1997/98.

The extent to which the *Ventura* decision will be imposed on a retroactive basis (i.e. for [current and] retired employees for pay periods prior to September 28, 1997) is still unclear. Since December 1997, three class action lawsuits have been filed against the County seeking retroactive application and the inclusion of "terminal pay" in the *Ventura* decision. "Terminal pay" includes payoffs to employees at retirement for unused vacation, sick leave, and compensatory time off. These cases were consolidated in 1998 and in December 1998 the Court coordinated all of the statewide cases before a single judge who was appointed in January 1999. It is possible that the coordinated case will be decided by the trial court within Fiscal Year 2000/01, but appeal by either party is likely. In the event the plaintiffs are successful in their attempt to apply *Ventura* retroactively for three years to every county retiree and employee, the County would suffer an additional \$90 million unfunded liability. If it is decided that *Ventura* requires that additional items be included in "final compensation," the County would also be

subject to an additional unfunded liability which the County currently estimates could range from \$200 million to \$1 billion. In addition, an adverse outcome in one or more of the consolidated cases file against another county could have an adverse impact on the County's financial position.

In addition to the defined benefit plan described above, the County has established a voluntary deferred compensation plan available to all regular county employees under which participants may elect to defer up to the lower of \$8,500 or one-third of includable compensation in any calendar year to provide for retirement, disability, or death benefits. The County has established an investment fund for employee deferred compensation contributions and entered into a custodial agreement for this fund. Under the terms of the plan, the assets of the fund are managed by the County. Employees can direct investments into 25 different options provided by Fidelity Mutual Funds and Great Western Bank. None of these monies are invested in the Sacramento County Pooled Investment Fund. At December 31, 2000, approximately 10,615 employees participated in the deferred compensation plan. Assets held in the investment fund on behalf of these employees aggregate approximately \$509,050,245.

Retirement Benefits Enhancements

Effective January 1, 2000, the State of California increased retirement benefits for both active employees and retirees. Retirees received a permanent increase in pension benefits of from 1 percent to 6 percent, with the level of increase depending on how long an individual had been retired--one percent per year of retirement up to 6 percent. For active employees the benefit formulae setting retirement benefits at a certain percentage of ending salary per year of service were amended to:

- 3 % at 50 for Highway Patrol
- 3 % at 55 for other safety personnel
- 2 % at 55 for miscellaneous, non-safety employees

Funding for this increase for the foreseeable future was projected to come from excess earnings, which had accumulated in the state's retirement systems, and only to the extent necessary from potential increases in employer contributions. The state's employee contribution rates are fixed by law.

The state's action has placed enormous pressure of Sacramento County to match this benefit increase. Until the State acted to increase retirement benefits there were virtually no demands from county employee bargaining units to increase benefits. New demands on the County have come in reaction to the state's action.

The funding status of the Sacramento County Employee Retirement System (SCERS) is different from the state's retirement systems. In recent years, as SCERS achieved excess earnings, both employee and employer retirement contribution rates were reduced to use up the excess earnings. As such, a large surplus of excess earnings has not built up.

The County has begun bargaining with employee organizations on the issue of enhancing retirement benefits. The county's costs are uncertain. The state law governing the county's retirement system provides for different retirement benefit formulae. Employer and employee contribution rates also differ. At this point the county's ultimate costs are unknown as the level of benefit and contribution rates are unknown. In addition the amount of excess earnings being held by SCERS, which would be available to partially fund a benefit enhancement, is uncertain and will remain so until the *Ventura* issues are resolved. Before consideration of any offsets from SCERS retained earnings estimate, county expenditure increases range from \$21 million to \$46 million annually.

In-Home Support Services (IHSS) Workers

Pursuant to state law, Sacramento County has formed an IHSS Public Authority, an independent agency for which the Board of Supervisors serves as the Board of Directors. The Public Authority and the IHSS workers union, SEIU, have reached agreement on a two-year labor agreement. The agreement calls for wage increase in both the 2001/02 and 2002/03 Fiscal Years and provides for health insurance coverage. Implementation of the agreement will increase county costs by \$8.1 million in Fiscal Year 2001/02 and an additional \$3.3 million in Fiscal Year 2002/03. These new costs are included in the 2001-02 Proposed Budget.

COUNTY FINANCIAL INFORMATION

Budgeting Procedures

The County is required by state law to adopt a final balanced budget by August 31st of each year. The Board of Supervisors may, by adoption of a resolution, extend this deadline. For the 2001/02 Fiscal Year, in order to make budget decisions earlier, the County will hold budget hearings on June 19, 2001 through June 22, 2001. At the conclusion of this session of budget hearings, the Board of Supervisors will adopt a balanced Proposed Budget. Final budget hearings will be held September 4, 2001 through September 7, 2001 to adjust budgets based on actual, rather than estimated year-end fund balances and any significant state budget actions. At the conclusion of the final budget hearings, the Board will adopt a balanced Final Budget.

Beginning with the 1997/98 Fiscal Year, the Board of Supervisors approved significant changes in the County's budget process. The goals of the new process were to make and implement major budget decisions at the start of the fiscal year, to focus the decision-making process on those portions of the budget over which the Board of Supervisors has the most discretion, and to make the process more open and collaborative.

During the 1997/98 Fiscal Year budget process, the County segregated all county programs into one of two broad categories: (1) mandated or self-supporting programs, and (2) discretionary programs [those programs funded partially or entirely with general purpose revenues and over which the Board has some degree of discretion]. The intent was to determine funding levels for the mandated and self-supporting programs early in the budget process and then focus attention on the discretionary programs over which the Board and community have significant funding flexibility.

Furthermore, in order to ensure that the budget remains in balance throughout the fiscal year, periodic reviews of actual receipts and expenditures are made. In the event of any shortfall in projected revenue, immediate steps are taken to reduce appropriations. Appropriation reductions would be achieved through a combination of hiring freezes, employee furloughs and/or layoffs, and freezes on the purchase of equipment, services, and supplies. California counties are not permitted by state law to impose fees to raise general revenue, but only to recover the costs of regulation or provision of services.

Shown in the following table are summaries of the County's 2000/01 Adopted Final Budget and 2001/02 Estimated Proposed Budget.

**COUNTY OF SACRAMENTO
General Fund
2000/01 Adopted Final Budget and 2001/02 Estimated Proposed Budget**
(Amounts Expressed in Thousands)

	2000/01 Adopted <u>Final Budget</u>	2001/02 Estimated <u>Proposed Budget</u>
<u>APPROPRIATIONS</u>		
General Government	\$ 144,673	\$ 97,664
Public Protection	448,244	476,029
Health and Human Services	386,700	433,286
Public Assistance	591,806	618,761
Education, Cultural and Recreation	9,766	10,323
Contingencies	<u>4,900</u>	<u>5,000</u>
Total Appropriations	\$1,586,089	\$1,641,063
<u>AVAILABLE FUNDS</u>		
Fund Balance Available	\$ 60,288	\$ 43,317
Property Taxes	119,985	128,189
Sales Taxes	80,096	84,905
Other Taxes	24,457	24,921
Licenses and Permits	12,665	14,360
Fines, Forfeitures and Penalties	16,788	17,294
Use of Money and Property	22,490	19,965
Aid from Other Governmental		
Agencies (state and federal)	1,131,051	1,194,053
Charges for Current Services	67,792	66,275
Other Revenue	<u>50,477</u>	<u>47,784</u>
Total Available Funds	\$1,586,089	\$1,641,063

Source: Sacramento County Office of Budget and Debt Management.

Summary Financial Statements

The following financial statements were taken from the County Audit Reports for the fiscal years ended June 30, 1996 through 2000.

COUNTY OF SACRAMENTO
General Fund Revenues, Expenditures and
Changes in Fund Balance 1995/96 Through 1999/00
 (Amounts Expressed in Thousands)

	1995/96	1996/97	1997/98	1998/99	1999/00
BEGINNING FUND BALANCE	\$ 91,452	\$ 92,082	\$93,502	\$ 91,008	\$ 117,419
REVENUE					
Taxes	186,393	183,807	183,364	198,042	215,878
Licenses, permits and franchises	11,153	11,488	12,038	13,540	12,908
Fines, forfeitures and penalties	5,497	6,536	12,380	15,392	33,764
Revenues from use of money and property	24,707	28,829	21,684	32,713	30,733
Aid from other governmental agencies	735,533	744,824	779,367	889,163	985,754
Charges for current services	54,190	62,364	78,498	77,001	69,914
Other revenue	<u>32,648</u>	<u>27,669</u>	<u>26,045</u>	<u>28,154</u>	<u>52,362</u>
Total Revenues	\$1,050,121	\$1,068,517	\$1,113,376	\$1,254,005	\$1,401,313
Operating and equity transfers from other funds	<u>17,401</u>	<u>9,837</u>	<u>14,085</u>	<u>15,232</u>	<u>8,932</u>
Total Revenues and Transfers	\$1,067,522	\$1,078,354	\$1,127,461	\$1,269,237	\$1,410,245
EXPENDITURES					
General government	\$ 55,956	\$ 59,710	\$ 63,891	\$ 74,290	\$ 82,660
Public protection	259,192	275,344	327,541	368,848	427,436
Health and sanitation	130,589	142,997	157,837	175,492	213,168
Public assistance	553,682	530,523	520,921	572,677	599,046
Public Ways and Facilities	67	0	67	67	67
Education	294	309	273	328	337
Recreation and cultural	<u>9,091</u>	<u>8,064</u>	<u>6,085</u>	<u>6,153</u>	<u>7,433</u>
Total Expenditures	\$1,008,871	\$1,016,947	\$1,076,615	\$1,197,855	\$1,330,147
Operating and equity transfers to other funds	<u>58,021</u>	<u>59,987</u>	<u>53,340</u>	<u>44,971</u>	<u>52,495</u>
Total Expenditures and Transfers	\$1,066,892	\$1,076,934	\$1,129,955	\$1,242,826	\$1,382,642
Excess/deficiency of revenue over/under expenditures and transfers	<u>\$ 630</u>	<u>\$ 1,420</u>	<u>\$ -2,494</u>	<u>\$ 6,411</u>	<u>\$ 27,603</u>
ENDING FUND BALANCE	\$ 92,082	\$ 93,502	\$ 91,008	\$ 117,419	\$ 145,022

Financial Statements; GAAP Basis

The county's accounting policies conform to generally accepted accounting principles for the audited statements. The county's Governmental Fund types and Fiduciary Fund types use the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become available and measurable. Expenditures are recognized in the accounting period in which the fund liability is incurred except for unmatured interest on general long-term debt which is recognized when due. The following exceptions apply: (1) certain fines and forfeitures are recorded when received as they are not susceptible to accrual; and (2) vacation and sick leave benefits are recorded as paid. Proprietary Fund types uses the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized in the period incurred.

Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for governmental entities. The annual audit report is generally available about seven months after the June 30 close of each fiscal year. The county's independent auditor for 1989/90 through 1995/96 was Ernst & Young. Beginning in 1996/97 to the present, the County's independent auditor is Macias, Gini & Company LLP. The Government Finance Officers Association (GFOA) has awarded Sacramento County the "Certificate of Achievement for Excellence in Financial Reporting" for its financial reports for Fiscal Years 1988/89 through 1998/99. The County's 1999/00 financial report continues to conform to the Certificate of Achievement requirements and it was submitted to the GFOA to determine its eligibility for another certificate.

Investment of County Funds; County Pool

State law requires that all monies of the County, school districts, and certain special districts located within the County be held by the Treasurer, (Director of Finance). Pursuant to the County Charter and subject to annual review and renewal by the Board of Supervisors, the Director of Finance is authorized to invest and reinvest the funds. The County's General Fund, among other funds, is invested in the Sacramento County Pooled Investment Fund (the "County Pool"), which is managed by the Director of Finance. The County Pool is governed by the Sacramento County Annual Investment Policy for the Pooled Investment Fund (the "Investment Policy") as authorized by the Sections 53601 et seq. and 53635 et seq. of the Government Code of California (the "California Government Code") which the Director of Finance annually renders to the Board of Supervisors. The Board of Supervisors review and approve the Investment Policy at a public meeting. This policy defines investible funds, authorized instruments, credit quality required, maximum maturities and concentrations, collateral requirements, and provides the approved credit standards, investment objectives and specific constraints of the portfolios managed. The Investment Policy also authorizes the establishment and periodic review of investment guidelines which provide specific guidance to the portfolio managers. These investment guidelines are fully consistent with and subordinate to the Investment Policy.

Authorized investments are required to match the general categories established by Sections 53601 et seq., 53635 et seq., and 16429.1 et seq. of the California Government Code; including the specific categories of financial futures and financial options contracts established by California Government Code Section 53601.1. No investments are authorized having the possibility of returning a zero or negative investment yield.

As of March 31, 2001, the County Pool was invested in a diversified portfolio of high-quality securities, including but not limited to U. S. Treasury notes and bills, U. S. agency securities, commercial paper, negotiable certificates of deposit, money market funds, repurchase agreements, and time deposits. Additionally, up to \$30 million of the assets of the County Pool may be invested in the Local Agency Investment Fund (LAIF), the California State investment pool. Approximately 2% of pool assets are invested in the County's Teeter Plan note program, which has a final maturity of five years. LAIF is a diversified investment pool, with an average maturity of approximately one year, offering participants daily liquidity. The County's Pool is rated AAA for credit quality and V-1+ for volatility by Fitch for variable net asset pools.

The 2001 Investment Policy currently provides the following: (1) the maximum maturity of any investment will be five years and the dollar weighted average maturity of all securities will be equal to or less than three years; (2) no more than 80% of the portfolio may be invested in issues other than U. S. Treasuries and Government Agencies, and no more than 10% of the portfolio, except U. S. Treasuries and Government Agencies, may be invested in the securities of a single issuer including its related entities; (3) repurchase agreements are authorized in a maximum maturity not exceeding one year; (4) reverse repurchase agreements are authorized in connection with securities owned and fully paid for by the local agency for a minimum of 30 days prior to sale and

in a maximum maturity of 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement and the final maturity date of the same security, and the proceeds of a reverse repurchase agreement may not be invested beyond the expiration of the agreement; and (5) repurchase agreements must be collateralized with either (a) U. S. Treasuries and Government Agencies with a market value of 102% for collateral maturing between one day to five years, marked to market daily and (b) money market instruments which are on the approved list for the County and which meet the qualifications of the Investment Policy, with a market value of 102%. Use of mortgage-backed securities for collateral is not permitted, for the purpose of investing the daily excess bank balance, the collateral provided by the County's depository bank can be U. S. Treasuries, Government Agencies valued at 110% or mortgaged backed securities valued at 150%.

Investments within the County Pool are reviewed on a monthly basis by an internal Investment Review Group, which consists of the Director of Finance and his designees. The Investment Review Group reviews the investments to ensure compliance with government code and the Investment Policy. Additionally, an internal Investment Group, consisting of the Director of Finance and his designees, reviews the strategies and investment guidelines in relation to the changing financial markets and maintains certain approved lists under the Investment Policy. In both the cases of the Investment Review Group and the Investment Group, the role of the designees is advisory except where specifically authorized by the Director of Finance. Each quarter, a ten-member Treasury Oversight Committee monitors the investment activities by reviewing the portfolio report produced by Fitch. This report validates the compliance of all investment activities to the established investment parameters and monitoring guidelines.

The Investment Policy may be changed at any time at the discretion of the Board of Supervisors (subject to the state law provisions relating to authorized investments) and as the California Government Code is amended. There can be no assurance, therefore, that state law and/or the Investment Policy will not be amended in the future to allow for investments which are currently not permitted under such state law or the Investment Policy, or that the objectives of the County with respect to investments will not change.

The following table reflects certain limited information with respect to the County Pool for the quarter ending on March 31, 2001. As described above, a wide range of investments is authorized under state law. The value of the various investments in the County Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Therefore, there can be no assurance that the values of the various investments in the County Pool will not vary significantly from the values described below. In addition, the values specified in the following tables were based upon estimates of market values provided to the County by a third party. Accordingly, there can be no assurance that if these securities had been sold on the date indicated, the County Pool necessarily would have received the values specified.

SACRAMENTO COUNTY INVESTMENT POOL INFORMATION

Quarter Ending on March 31, 2001

Average Daily Balance	\$1,632,403,085
Period -End Balance	\$1,690,829,665
Yield	6.131%
Weighted Average Maturity	212 Days
Duration in Years	.541 Years
Historical Cost	\$1,691,932,547
Market Value	\$1,707,437,908
Percent of Market to Cost	100.92%

The market value, which is the last price of a security bought or sold, is above 100% as a result of the Federal Open Market Committee's decisions to decrease the Federal Funds rates. There is an inverse relationship where the decrease in interest rates causes the portfolio's value or prices of the individual securities to increase. Due to our two-year laddered purchase strategy, the Pooled Investment Fund is experiencing the yield decrease/market value increase relationship.

SOURCES OF COUNTY REVENUES

The County derives its revenues from a variety of sources including ad valorem property taxes, sales and use taxes, licenses, permits and franchises issued by the County, use of county property and money, aid from other governmental agencies, charges for services provided by the County and other miscellaneous revenues. For Fiscal Year 2001/02, the approximate percentages of the County's estimated total revenues, are allocated as follows:

**COUNTY OF SACRAMENTO
BREAKDOWN OF ESTIMATED REVENUE SOURCES FOR FISCAL YEAR 2001/02**

Property Taxes	8.0 %
Sales Taxes	5.3
Other Taxes	1.6
Licenses & Permits	0.9
Fines, Forfeitures and Penalties	1.1
Use of Money and Property	1.2
Aid From Other Governmental Agencies	74.8
Charges for Current Services	4.1
Other Revenue	3.0
Total	100.0%

Source: Sacramento County Office of Budget and Debt Management

Following is a description of various significant revenue sources.

Property Taxes

Assessed Valuation

Sacramento County assesses property values and collects and distributes secured and unsecured property taxes to the county, cities, school districts and other special districts within the county area. California law exempts \$7,000 of the full cash value of an owner-occupied dwelling, but this exemption does not result in any loss of revenue to local agencies, since an amount equivalent to the taxes which would have been payable on such exempt values is paid by the State.

During Fiscal Years 1992/93 and 1993/94, Sacramento County lost over half of its property tax base as a result of state budget actions, which required the shift of property taxes to schools to relieve the State's burden in funding education. Had the shifts not occurred, the County would have received \$115.9 million more in property taxes in 2000/01 than will be the case. Sacramento County's share of property taxes has declined from 37% of total collections to 17.4% of collections due to tax shifts and the incorporation of Citrus Heights and Elk Grove.

Assessed valuation in Sacramento County has begun to grow after years of being relatively stagnant. For Fiscal Year 1996/97 there was virtually no growth in assessed values. For the 1999/00 Fiscal Year, the growth was 5.75% and for the 2000/01 Fiscal Year, the growth in assessed values increased to 8.25%. For the 2001/02 Fiscal Year, the Assessor's Office estimates a 9.0% growth in the secured roll.

Following are shown the 2001/02 (Estimated) and 2000/01 assessed valuations in the County. A seven-year history of assessed valuation in the County is also provided.

**COUNTY OF SACRAMENTO
Assessed Valuations
2001/02 (Estimated) and 2000/01
(Amounts Expressed in Thousands)**

	Net Assessed <u>Valuation</u>	Reimbursed <u>Exemptions</u>	Assessed Valuation For Revenue <u>Purposes (1)</u>
<u>2001/02 (Est.)</u>			
Local Secured	\$58,618,080	\$1,554,762	\$57,063,318
Utility--Nonunitary	70,442	--	70,442
Utility--Unitary	1,848,967	--	1,848,967
Unsecured	<u>3,669,272</u>	<u>502</u>	<u>3,668,770</u>
Total	\$64,206,761	\$1,555,264	\$60,651,497
<u>2000/01</u>			
Local Secured	\$58,235,631	\$1,559,577	\$59,795,208
Utility--Nonunitary	67,964	--	67,964
Utility--Unitary	1,681,486	--	1,681,486
Unsecured	<u>3,683,741</u>	<u>358</u>	<u>3,684,099</u>
Total	\$63,668,822	\$1,559,935	\$65,228,757

(1) Net Assessed Valuation plus State-Reimbursed Exemptions. Includes redevelopment increment of \$2,705,322 in 2000/01 and an estimated \$2,840,000 in 2001/02. Property taxes on this incremental assessed valuation are allocated for redevelopment projects, net of property tax shift to schools.

Source: Sacramento County Department of Finance.

**COUNTY OF SACRAMENTO
History of Assessed Valuations
(Amounts Expressed in Thousands)**

Fiscal Year	Total Assessed Valuation (1)
1994/95	53,355,817
1995/96	54,056,086
1996/97	54,158,275
1997/98	54,810,113
1998/99	57,181,929
1999/00	60,640,474
2000/01	65,228,757

(1) Valuations include secured and unsecured and utility roll property, reimbursable exemptions and redevelopment agency increments the taxes on which are payable to such agencies having project areas within the County.

Source: Sacramento County Department of Finance.

Tax Levies, Collections and Delinquencies

Taxes are levied for each fiscal year on taxable real property and personal property which is situated in the County as of the preceding January 1. Real property which changes ownership or is newly constructed is revalued

at the time the change occurs or the construction is completed. The current year property tax rate is applied to the reassessed value, and the taxes are then adjusted by a proration factor that reflects the portion of the remaining tax year for which taxes are due.

For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing state-assessed property and real property having a tax lien which is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll".

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year, and if unpaid, become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to all delinquent payments. Property on the secured roll with respect to which taxes are delinquent is declared tax-defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the penalty of 1.5% per month to the time of redemption, together with the defaulted taxes, delinquent penalties, costs and a redemption fee. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to auction sale by the County Director of Finance.

Property taxes on the unsecured roll are due as of the January 1 lien dates and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent unsecured taxes.

If unsecured taxes are unpaid at 5 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured personal payment taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Beginning in 1978/79, Article XIII A of the California Constitution and its implementing legislation shifted the function of property taxation primarily to the counties, except for levies to support prior voted debt, and prescribed how levies on countywide property values are to be shared with local taxing entities within each county.

The County is responsible for determining the amount of the tax levy on each parcel which is entered onto the secured real property tax roll. Upon completion of the secured real property tax roll, the County's Director of Finance (Auditor--Controller) determines the total amount of taxes and assessments actually extended on the roll for each fund/agency for which a tax levy has been included. The Board of Supervisors of the County, in 1993, adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 et seq. of the State Revenue and Taxation Code. Generally, the Teeter Plan provides for a tax distribution procedure in which secured roll taxes are distributed to taxing agencies within the County on the basis of the tax levy, rather than on the basis of actual tax collections. The County then receives all future delinquent tax payments, penalties and interest; therefore, a complex tax redemption distribution system for all taxing agencies is avoided. During the fiscal year, actual collections of current-year taxes are apportioned to each fund/agency pursuant to their pro-rata share of the total property tax roll. At the conclusion of the fiscal year, the Auditor reconciles actual collections versus the total taxes and assessments due each fund/agency. The County subsequently arranges a Teeter Plan financing to purchase the outstanding delinquencies to fund the remaining apportionment due each fund/agency. This financing transaction is usually completed in August each year. The subsequent collections of delinquent taxes and penalties/interest are used as the source of repayment for the Teeter Plan financing. The County realizes its on going benefit from the Teeter Plan from the net penalties/interest collected in excess of the interest owed on the Teeter Plan financing.

Pursuant to California State Law, the County is required in connection with its Teeter Plan to establish a tax losses reserve fund to cover losses which may occur in the amount of tax liens as a result of special sales of tax-defaulted property (i.e., if the sale price of the property is less than the amount owed). The amount required to be on deposit in the tax losses reserve fund is, at the election of the County, one of the following amounts: (1) an amount not less than 1% of the total amount of taxes and assessments levied on the secured roll for a particular year for entities participating in the Teeter Plan, or (2) an amount not less than 25% of the total delinquent secured taxes and assessments calculated as of the end of the fiscal year for entities participating in the Teeter Plan. The County's tax losses reserve fund is fully funded, in accordance with the county's election to be governed by the second alternative at \$3.7 million as of June 30, 2001. Accordingly, any additional penalties and interest that otherwise

would be credited to the tax losses reserve fund are credited to the County's General Fund. The County has elected to fund the tax losses reserve fund at an amount not less than the 25% of the total delinquent taxes and assessments calculated at the end of the fiscal year.

California State law has authorized the Teeter Plan for over 40 years; however, until 1993, it had been implemented in only five counties. Legislation signed by the Governor on July 19, 1993 provided a financial inducement to utilize this simplified accounting method. In connection with its adoption of the Teeter Plan, the County was required to advance to each participating tax entity a portion of the outstanding delinquent secured property taxes outstanding. For Fiscal Year 1993/94, delinquent secured property taxes amounts advanced to school districts in excess of the amount they would have received under the prior method of distribution were used as a credit against the county's property tax transfer obligation. The county's tax transfer obligation to its school districts was reduced as a result of the adoption of the Teeter Plan. The County continued implementation of the Teeter Plan for Fiscal Years 1994/95 through 2000/01 and plans to continue with the Teeter Plan indefinitely.

There have been a large number of property tax assessment rollbacks due to the real estate market of the last few years in the Sacramento area and in California generally. These rollbacks have contributed to a net smaller growth in assessed valuation in Sacramento County than has been historically experienced. If after receiving notice of an assessment roll back, a property owner believes that their property tax assessment has not been reduced appropriately, they may file for an assessment appeal. Currently, there are approximately 729 outstanding assessment appeals. This number of pending appeals represents an insignificant number when compared to the County's total number of parcels of 395,843.

Shown in the following table are the countywide secured roll tax levies, and corresponding current levy delinquencies and total collections, since 1994/95.

**COUNTY OF SACRAMENTO
Secured Tax Levies, Delinquencies and Collections
1994/95 through 2001/02 (Estimated)
(Amounts Expressed in Thousands)**

Fiscal Year	Secured Tax Levies (1)	Current Levy Delinquent June 30	Percent Current Levy Delinquent June 30	Total Collections June 30 (2)	Total Collection Current Levy
1994/95	485,265	13,853	2.85	471,412	97.15
1995/96	491,167	11,599	2.36	479,568	97.64
1996/97	492,473	10,145	2.06	482,328	97.94
1997/98	500,035	9,404	1.88	490,631	98.12
1998/99	523,535	8,846	1.69	514,689	98.31
1999/00	558,022	9,276	1.66	548,746	98.34
2000/01 (3)	609,859	N/A	N/A	N/A	N/A
2001/02 (3)	650,000	N/A	N/A	N/A	N/A

- (1) Excludes bond service levies.
- (2) Includes prior-years' redemption, penalties and interest.
- (3) Estimate as of April 24, 2001.

Source: Sacramento County Department of Finance.

Largest Taxpayers

The ten largest taxpayers in the County, as shown on the 2000/01 secured tax roll, and the amounts of their property tax payments for all taxing jurisdictions within the County are listed in the following table. These taxpayers are expected to pay a total of \$27,228,167 in property taxes or about 3.65% of the County's \$745,780,271 secured roll tax levy, including levies for bond debt service and special assessments.

**SACRAMENTO COUNTY
Largest Taxpayers
2000/01**

	<u>Total Taxes</u>
Pacific Bell & Subsidiaries	\$ 6,176,743
Intel Corporation	4,311,505
Elliot Homes, Inc.	3,150,041
Pacific Gas and Electric Co.	2,533,162
BGP Russell Ranch LLC	2,430,229
Lennar Renaissance, Inc.	2,234,368
Spieker Properties	1,844,442
Aerojet General	1,743,036
AT & T Communications	1,428,482
400 Capital Mall Venture	<u>1,376,159</u>
Total	\$27,228,167

Source: Sacramento County Department of Finance.

Sales Taxes

The State collects a tax on retail transactions within unincorporated areas of the County and rebates 1% to the County. The allocation is in addition to the half-cent sales tax allocated for public safety purposes pursuant to Proposition 172 and the half-cent going into the realignment pool. The County also receives sales tax from countywide and statewide pools. The sales tax revenue from these pools amounts to approximately 12% of total sales tax revenue, exclusive of Proposition 172 and Realignment revenues.

Other Taxes

In 1991, the County enacted a utility user tax, which should provide the County with revenue of approximately \$16,800,000 in 2001/02. The County also imposes a transient-occupancy tax which provides approximately \$8.3 million for Fiscal Year 2000/01. (The transient occupancy tax was initially set at 10.0% and was increased to 12.0% in 1994. The portion of the transient-occupancy tax attributable to the increase is approximately \$1,700,000.) There can be no assurances either or both of the utility tax or the transient-occupancy tax would be upheld if challenged pursuant to Proposition 62 or other provisions of law. While the County Counsel believes that any legal attack upon the utility tax at this time may be barred by the statute of limitations and any claim for refund would, most likely, be unsuccessful, Proposition 62 further provided that if any jurisdiction imposed any tax without complying with the provisions of the proposition, the amount of property tax revenue allocated to that jurisdiction shall be reduced by one dollar for each dollar of revenue attributable to such tax for each year the tax has been collected. Actions have been filed against at least four California cities demanding this offset. In two of those cases, the trial court has determined that a statute of limitation applied to challengers under Proposition 62, and has upheld the local entity's nonvoter approved taxes. Both the utility user tax and a portion of the transient occupancy tax are under local legal threat. The Sacramento County Taxpayers League and the Howard Jarvis Taxpayers Association has brought suit against the County challenging the legality of the utility user tax and 2% of the 12% transient occupancy tax. (See "Proposition 62" herein.)

Intergovernmental Revenues TO BE UPDATED

Approximately 53.5% of the total financing of the County's 2001/02 General Fund Budget consists of payments from the State of California. In addition, the federal government provides approximately 19.3% of the county's General Fund financing. The majority of both the state and federal revenues support human assistance aid payments and other human services programs including social services, public health, and mental health programs. The financial condition of the State, statewide economic conditions, and local caseloads have an impact on these revenues. The information presented regarding the County, including the information set forth in "COUNTY FINANCIAL INFORMATION" summarizes the County's expected Aid from Other Governmental Agencies for the current year. However, the amount of state and federal aid may vary from year to year. For Fiscal Year 2001/02 increases in state and federal revenues have allowed for significant augmentation of service levels and staffing levels.

CERTAIN FACTORS AFFECTING REVENUES AND EXPENDITURES

Following is a description of various significant factors affecting the revenues of the County. The following is not intended to constitute a complete list of the various factors that could materially effect the revenues and therefore the financial condition of the County, and there can be no assurances that other such factors do not currently exist or will not arise in the future.

State Budget:

As the provider of many state-mandated services, the County is greatly effected with state budget decisions. For the past several years the County has not been harmed in the state budget process; there have been significant increases in categorical funding for human service programs and minimal Educational Revenue Augmentation Fund (ERAF) returns (\$3.0 million in 1999/2000 and \$5.1 million in 2000/01).

The statewide energy crisis has injected a great deal of uncertainty into the State-County relationship. The Governor will not release his May budget revisions until May 14th. It appears that the state's surpluses have been expended on energy purchases and that the state's plan to reimburse itself through a bond issue may be difficult to fully achieve. The State has demonstrated that it is willing to involve local government funding in solving state-level budget problems. The property tax shifts of 1992 and 1993 resulting in the creation of ERAF is the best example, but the "realignment" of human service programs in the early 1990s also involved cost and risk shifts from the State to counties.

The Governor's proposed state budget released in January 2001 contained \$250 million of local government aid (ERAF relief). Sacramento County would have realized about \$5.6 million if previous county/city/special district sharing ratios were applied. The Senate Budget Committee removed this funding from the draft state budget, and Sacramento County now assumes there will be no supplemental state aid in the 2001/02 Fiscal Year.

The County has two other major concerns regarding the state budget: (1) changing of state-local cost sharing ratios, and (2) the Vehicle License Fee (VLF or "the car tax") backfill (see below). Many human service program carry specified cost sharing ratios or required county matches to receive state and federal funding. For example the County pays 2.5 percent of CalWORKS aid payments and 20 percent of In Home Support Services provider wages and benefits. The State could change the sharing ratios in programs resulting in higher county costs to maintain current service levels.

California Energy Shortage:

The State of California has recently experienced power shortages and significant increases in the wholesale cost of power caused primarily by a failed attempt at deregulation in 1996. As part of California's 1996 deregulation plan, private investor-owned utilities in California, Pacific Gas & Electric ("PG&E"), Southern California Edison ("Edison") and San Diego Gas & Electric ("SDG&E") (collectively, "IOUs") were prohibited from increasing retail rates and did not enter into long-term contracts to purchase power. IOUs had to buy power at fluctuating short-term and spot wholesale prices while retail prices charged to end-use customers have been capped. Subsequently, as a result of various factors, wholesale prices surged from \$30 per megawatt-hour last May to \$1,400 in December 2000. It has been reported recently that IOUs have accumulated approximately \$14 billion in debt as a result of these increased prices in the wholesale spot market.

The IOUs have attempted to resolve their financial difficulties through various actions. On April 6, 2001, PG&E filed for voluntary protection under Chapter 11 of the Federal Bankruptcy Code, reporting that it had accumulated an \$8.9 billion deficit as of February 28, 2001. PG&E or other parties to the PG&E bankruptcy may seek to have the Bankruptcy Court take actions which affect prices charged to end use customers for electricity or affect existing contracts for purchase or sale of electricity. It is unknown at this time what effect PG&E's bankruptcy filing will have on the current California energy situation. On April 9, 2001, the State and Edison entered into a Memorandum of Understanding ("MOU") pursuant to which the State will purchase the power transmission lines of Edison for \$2.76 billion in order to assist the utility in paying its debts and to avoid bankruptcy. The MOU is subject to the enactment of authorizing legislation and approval by the California Public Utilities Commission ("CPUC"). In addition, the State is currently negotiating with SDG&E for the purchase of its power transmission lines. It is unknown at this time what effect the State's purchase of IOU transmission lines will have on property taxes or utility taxes due or allocable to counties or local agencies.

Retail rates for electricity have also increased significantly. In January 2001, PG&E and Edison implemented a temporary 9% increase in electricity rates pursuant to the CPUC and an additional 10% increase was implemented in March 2002 when the prior deregulation rate reduction statute expired. On March 27, 2001, the CPUC unanimously approved an increase of \$0.03 per kilowatt-hour ("kWh") for PG&E and Edison. The increase will likely be based on a tiered system that would charge higher rates based on the amount of electricity used. The CPUC decision will increase rates by 42% for some Edison customers and up to 46% for certain PG&E customers. The average overall utility bill will increase by approximately 24%. The rate increases take effect immediately but will not be reflected on utility bills until at least May 2001. SDG&E is governed by AB 265 which imposed a rate ceiling of 6.5¢ per kWh on the cost of electricity that SDG&E may charge its small-usage customers. This rate ceiling extends through December 31, 2002. However, SDG&E has filed an application with the CPUC for a temporary rate surcharge effective immediately. Additional retail rate increases may be necessary to recover the State's power expenditures, the purchase of the IOUs' transmission lines (resulting in an increase in the current retail transmission line fee) and to fund a State rescue plan for IOU debt. Continued retail rate increases will increase the costs of power for the Sacramento County and may have an adverse effect on the State's general economy.

The State has taken several actions to mitigate the short-term and long-term effects of the power shortages on the State's economy. On February 1, 2001, Governor Davis signed Chapter 4, Statutes of 2001 ("AB 1X"), which authorized the State Department of Water Resources (the "DWR") to enter into long-term contracts to purchase electricity for resale to customers of California's IOUs. Pursuant to AB 1X, the DWR has recently entered into long-term energy contracts that are intended to reduce the DWR's future procurement costs. The DWR's authority to enter into such contracts under AB 1X expires in January 2003. Electricity purchases by the DWR and other efforts of the State to stabilize the wholesale power market are intended to ultimately lower the wholesale cost of electricity in California. However, given current market conditions, the costs of power are expected to remain significantly in excess of current-regulated customer rates during 2001.

AB 1X also authorizes the DWR to issue bonds for the purposes of paying the cost of electrical power and transmission. Under the terms of AB 1X, all General Fund outlays for DWR electricity purchases including interest costs since January 17, 2001, are to be reimbursed from bond proceeds. Total General Fund appropriations to date for State power purchases are approximately \$4.7 billion since January 2001. The DWR expects to issue approximately \$12.4 billion in revenue bonds in June 2001, including approximately \$4.1 billion in interim financings. Under AB 1X, the CPUC will set retail rates at amounts necessary to meet all of the DWR's obligations, including the costs of power purchases and debt service; however, it may not increase rates for residential customers on existing baseline quantities or on usage by those customers of up to 130% of existing baseline quantities. While in the near term bond proceeds will be used to protect ratepayers from the full magnitude of high electricity costs and State General Fund appropriations, these funds are not inexhaustible. In addition, there can be no assurance that the DWR will issue bonds or enter into an interim financing.

California is the second most energy efficient state in the nation, 47th in per capita energy use and 49th in per capita electricity use, according to the U.S. Department of Energy's statistics. Although the State has a very energy efficient economy which mitigates the effects of the current energy problem, there can be no assurance that there will not be future disruptions in energy supplies or related developments that could affect the State's revenues. Further, power purchases by the State from General Fund appropriations have significantly reduced the State's cash reserves. In addition, slower than expected economic growth could adversely affect projected revenues for 2001-2002 and subsequent years.

These developments at the State level may, in turn, affect local governments. California counties/cities receive approximately 10%-15% of their general fund revenues from property taxes and substantially all of the balance of their revenues is provided by the State. The State's revenue transfers to local governments could be reduced or the State could decide to shift certain of its financial obligations to local governments to compensate for large expenditures for power. The weakened financial situation of the IOUs could cause a failure or delay by the IOUs to pay real property taxes or other payments due or allocable to the County of Sacramento. On April 10, 2001, the County of Sacramento received only 50%, or \$600,000, of the total due from PG&E for their 2nd installment of 2000-01 property taxes. Approximately 30% of this amount was allocated to the County of Sacramento and the balance is for local public agencies within the County. PG&E has notified the counties that it will pay the remainder of its tax bill before June 30, 2001 when the payments have been approved by the Bankruptcy Court. Such payments represent super-priority liens and are to be paid prior to any other creditor payments.

A number of lawsuits have been filed concerning various aspects of the current energy situation. These include disputes over rates set by the CPUC, responsibility for electricity and natural gas purchases made by the investor-owned utilities and the California Independent System Operator (which continues to purchase some electricity), and antitrust and fraud claims against various parties. In addition, the President of the United States has convened a special task force chaired by the Vice-President, to review the appropriate federal response to the issues faced by California and other western states. It is uncertain which, if any, additional state legislative proposals will be enacted or the form of federal intervention, if any. It is not certain whether the enacted legislation or future legislation will be challenged by voter initiatives or affected by current or future litigation.

The County of Sacramento is supplied with gas by an IOU, PG&E. The County of Sacramento cannot guarantee there will not be an interruption in electric or gas service in the future or that prices for electricity and/or gas will not materially increase. The County of Sacramento has estimated its energy costs and prepared its budget for Fiscal Year 2001/02 accordingly.

The County of Sacramento received franchise fees of approximately \$800,000 from PG&E in 2001, which represents approximately 45% of the County's 2000-01 Fiscal Year franchise fees expected revenues. In addition, approximately 0.6% or \$800,000, of the County of Sacramento General Fund property taxes of \$129 million are derived from PG&E unitary property taxes. This portion represents less than 0.02% of the County's total General Fund revenues of \$1.5 billion. On April 10, 2001, the County of Sacramento received approximately 25%, or \$600,000 of the \$2.4 million unitary property taxes from PG&E. Approximately 30% of this amount was allocated to the County and the balance is for local public agencies with the County of Sacramento. Under the Teeter Plan, adopted by the County, secured roll taxes are distributed to taxing agencies within the County of Sacramento included in the Teeter Plan on the basis of the tax levy, rather than on the basis of actual tax collections. The County of Sacramento expects to use amounts in its tax losses reserve account to make-up for these delinquent amounts due to such local public agencies. See "County Financial Information – The Teeter Plan" herein. PG&E has stated that it intends to pay the balance of its total property taxes during the current fiscal year. However, such payment will be subject to approval by the bankruptcy court. Should delinquencies continue, the shortfalls could result in substantive financial problems for the County. Ad valorem property taxes are secured by the respective real property prior to all other obligations that may also be secured by such real property. Accordingly, it is not likely that financial difficulties of PG&E would materially affect the property tax revenues received by the County of Sacramento.

Repeal of Vehicle License Fees:

The County is greatly concerned over the State's continuing backfill of the Vehicle License Fee (VLF) reductions in recent years. From 1998 into the 2001/02 Fiscal Year there has been a 65 percent reduction in the actual VLF charged to vehicle owners. The VLF collected by the State is allocated to cities and counties as general purpose financing, so when the State acted to reduce the fees, the potential impact would be felt by counties and cities and not the State. However, since the VLF reductions were first enacted, VLF allocations to counties and cities have been made as if there was not reduction; the State made up the difference with state revenues.

The County is budgeting \$78.4 million in VLF revenue in the 2001/02 Fiscal Year. This includes \$27.4 million in actual VLF and \$51 million in state backfill of the VLF reductions. Counties and cities have a constitutional guarantee of receiving all VLF revenue, but there is no guarantee that the backfill will continue. The VLF backfill is an increasing line item in the state's budget. In addition, due to the impacts of term limits, many of those in the Legislature approving the VLF reductions and full backfill are not in the Legislature dealing with the current problems resulting from the energy crisis and slowing economy. The County fears that the State may address its budget problems through reducing the VLF backfill

Trial Court Funding

On October 10, 1997, the Governor signed Assembly Bill 233, the Lockyer-Isenberg Trial Court Funding Act of 1997. This legislation establishes California's trial courts as a co-equal, independent branch of government. Effective January 1, 1998, counties are no longer responsible for trial court budget management. The County does, however, remain fiscally responsible for court facilities, including new facilities, and fine revenue collection.

The Task Force on Court Employees has recommended that a new personnel system be created for Court Employees, separate from both the State and County. Legislation has been signed to enact that recommendation.

The Task Force on Court Facilities recently released its Second Interim Report with recommendations resulting from site visits to trial courts throughout the State of California. The Task Force is recommending that the State accept the responsibility for court facilities with the counties responsible for an annual payment to the State equal to a base year cost for facility maintenance and operations. The base year has not yet been established. Recommendation is for a three-year process that will include negotiations with each county regarding facility ownership, deferred maintenance, on-going facility projects, and financial responsibility.

Return of Property Taxes

In 1992 and 1993, the State shifted over one-half of the County's current property tax revenue to schools. Each year the amount is adjusted proportional to overall growth in county property tax revenue. In 2000/01 terms, this shift represents a revenue loss of \$115.9 million. The lost revenue was partially replaced by the Proposition 172 Public Safety revenue (\$77.6 million estimate for 2000/01 Fiscal Year).

There were partial ERAF returns in Fiscal Year 1999/2000 (\$3.0 million) and in fiscal Year 2000/01 (\$5.1 million). The County is not including an ERAF return in the 2001/02 Fiscal Year revenue estimates.

Subsistence Medical Care

On November 22, 1999, the Supreme Court, in *Hunt v. Guimbellot* held that a county's obligation to provide medical care to its residents extends beyond the class of residents financially eligible for General Assistance. Thus, in accordance with the *Hunt* Court, in determining eligibility for subsistence medical care, counties must consider broad eligibility standards, such as providing to all adult medically indigent residents at least those services necessary for acute life and limb-threatening conditions and emergency services. In 1992 the court had previously issued an injunction requiring the County to provide certain increased medical services, with which the County has complied. A final decision clarifying the exact nature of the County's obligations is not expected in the near future. A final determination which simply makes final the current preliminary injunction, with which the County complies, should result in little financial impact. If modifications are made, the County may be required to reformulate the methodology by which eligibility of adult medically indigent persons in the County is calculated, in order to comply with the decision. The potential fiscal and administrative impact on the County therefore cannot yet be determined. Longer-term impacts which may result from the language of *Hunt* cannot be determined at this time and likely will not be determined absent further litigation.

Limitations on Taxes and Appropriations

Various provisions of state law limit the ability of the county to impose or raise taxes and other revenues. Following is a discussion of certain of these provisions.

Article XIII A

Article XIII A of the California Constitution limits the amount of *ad valorem* taxes on real property to 1% of "full cash value" as determined by the County Assessor. Article XIII A defines "full cash value" to mean "the County Assessor's valuation of real property as shown on the 1975/76 tax roll under "full cash value", or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment period." The "full cash value" is subject to annual adjustment to reflect increases, not to exceed 2% per year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIII A exempts from the 1% tax limitation any taxes to repay indebtedness approved by the voters prior to July 1, 1978, and allows local governments and school districts to raise their property tax rates above the constitutionally mandated 1% ceiling for the purpose of paying off certain new general obligation debt issued for the acquisition or improvement of real property and approved by two-thirds of the votes cast by the qualified electorate. Article XIII A requires a vote of two-thirds of the qualified electorate to impose special taxes, the imposition of any additional ad valorem, sales or transaction tax on real property. In addition, Article XIII A requires the approval of two-thirds of all members of the State Legislature to change any state laws resulting in increased tax revenues.

Article XIII B

Article XIII B of the California Constitution (the "Gann Limit" provision) limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the governmental entity. The "base year" for establishing such appropriation limit is the 1978/79 fiscal year and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies. Increases in appropriations by a governmental entity are also permitted (i) if financial responsibility for providing services is transferred to the governmental entity, or (ii) for emergencies so long as the appropriations limits for the three years following the emergency are reduced to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity. In June of 1990, the voters passed Proposition 111 which revised the provisions for calculating the appropriation limitations. As amended in June 1990, the appropriations limit for the County in each year is based on the limit for the prior year, adjusted annually for changes in the cost of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the County's option, either (i) the percentage change in California per capita personal income, or (ii) the percentage change in the local assessment roll for the jurisdiction due to the addition of nonresidential new construction. The measurement of change in population is a blended average of statewide overall population growth, and change in attendance at local school and community college ("K-14") districts. The appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate "proceeds of taxes" received by the County over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years.

Appropriations subject to Article XIII B generally include the proceeds of taxes levied by the State or other entity of local government, exclusive of certain state subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified out lay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to an entity of government from (i) regulatory licenses, user charges, and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), and (ii) the investment of tax revenues. Article XIII B includes a requirement that if an entity's revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

On or about September 25, 2001, the Board of Supervisors is expected to approve publication of the annual appropriation limit for the Fiscal Year 2001/02 (currently estimated in the amount of \$1,149,956,656). The limitation applies only to proceeds of taxes and therefore does not apply to service fees and charges, investment earnings on nonproceeds of taxes, fines, revenue from the sale of property and taxes received from the state and federal governments that are tied to special programs. Based on the 2001/02 Estimated Proposed Budget, the funds subject to limitation (total General Operating Budget minus nonproceeds of taxes, debt service, and 2000/01 carry over) are estimated to be approximately \$888,007,316 below the Gann Limit.

Article XIII B permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years.

Following is a comparison of the County's appropriation limit and appropriation subject to limitation for the year's 1994/95 through 2001/02 Estimated:

COUNTY OF SACRAMENTO

	Appropriation Limit	Appropriation Subject to Limit	Margin
1994/95	715,386,309	172,896,931	542,489,378
1995/96	764,210,511	187,046,174	577,164,337
1996/97	787,420,715	190,733,320	596,687,395
1997/98	837,545,193	191,739,742	645,805,451
1998/99	896,029,961	205,482,205	690,547,764
1999/00	951,699,711	218,266,806	733,432,905
2000/01 Budget	1,022,875,485	237,640,836	785,234,649
2001/02 Estimated	1,149,956,656	261,949,340	888,007,316

Proposition 46

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIII A. Under this amendment to Article XIII A, local governments and school districts may increase the property tax rate above 1% for the period necessary to retire new general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Proposition 62

Proposition 62 was adopted by the voters at the November 4, 1986, general election which (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities, such as the County, be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local government entity be approved by an entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIII A of the California Constitution, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

In September 1995, the California Supreme Court invalidated a one-half cent sales tax imposed in 1986 by 54% of Santa Clara County's voters to fund local transportation projects (*Santa Clara County Local Transportation Authority v. Gardino*). The Court determined that the tax was a "special tax", one whose proceeds are dedicated to a special purpose (in this case, transportation). Consequently, the California Constitution required a two-thirds voter approval. The Court relied in part upon the provisions of Proposition 62, even though the California Appellate Courts had previously ruled Proposition 62 unconstitutional in most respects.

Proposition 62 further provided that if any jurisdiction imposed any tax proposition, the amount of property tax revenue allocated to that jurisdiction shall be reduced by one dollar for each dollar of revenue attributable to such tax for each year the tax has been allocated. Actions have been filed for at least four California cities demanding this offset. In two of those cases, the trial court has determined that a statute of limitation applied to challenges under Proposition 62, and has upheld the local entity's non-voter approved taxes.

The County was sued by the Sacramento County Taxpayers League and Howard Jarvis Taxpayers' Association challenging the County's 1991 adoption of a utility user tax and its 1994 increase in the County's Transient Occupancy tax. The basis of this action is the plaintiffs' contention that the adoption of these tax measures without voter approval violated applicable provisions of Proposition 62. The complaint seeks not only to invalidate these actions on a prospective basis, but also to obtain a refund of the challenged taxes on a retroactive basis.

The potential outcome of this litigation is highly uncertain. There are two published appellate decisions that have reached opposite results with respect to the same issues presented in the County's case. *McBrearty v. City of Brawley* from the Fourth District Court of Appeals directly supports the plaintiff's position. However, a different division of the same court of appeals reached a contrary conclusion in *Howard Jarvis Taxpayers Association v. City of La Habra*. The plaintiff in the latter case has filed a Petition for Review with the California Supreme Court in an effort to resolve the conflict between these two appellate decisions. The County and the plaintiffs in the County's case have agreed to stay any proceedings pending a decision by the California Supreme Court on the Petition for Review. If the Petition is granted, the stay would remain in effect until such time as the matter is heard and decided on the merits by the California Supreme Court. Should the Petition be denied, The County's litigation would proceed forward toward a trial on the merits.

The utility tax and the incremental increase in the Transient-Occupancy tax are both General Fund taxes that annually provide approximately \$16.8 million and \$1.7 million, respectively, to the General Fund. If the County were ordered to refund previously collected taxes, the total obligation would approach \$138 million without factoring in prejudgment interest. Should the plaintiffs prevail at the trial court level, there is a substantial probability that the County would be required to impound the disputed tax revenue pending any final resolution of the litigation on appeal.

The ultimate outcome of the challenge to the underlying validity of the disputed taxes cannot be predicted with any degree of certainty. It is nevertheless clear that the County faces a substantial risk of losing these two sources of General Fund revenue on a prospective basis. With respect to the plaintiffs' claim for a retroactive refund of the disputed taxes that have been collected and expended by the County, the mere existence of the claim carries with it some degree of risk should the Court ultimately find the disputed taxes to be invalid. However, given the underlying circumstances, the County believes that a judgment requiring the County to make a retroactive refund of previously collected taxes is unlikely. The County also believes it is unlikely this case will be resolved in Fiscal Year 2000/01. However, in the event the case were resolved against the County in Fiscal Year 2000/01, there can be no assurances that such decision would not have an adverse impact on the financial position of the County.

Proposition 218

On November 5, 1996, the voters of the State of California approved Proposition 218, known as the "Right to Vote on Taxes Act". Proposition 218 added Articles XIII C and XIII D to the California Constitution and contained a number of interrelated provisions affecting the ability of the County to levy and collect both existing and future taxes, assessments, fees and charges.

Proposition 218 (Article XIII C) requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the County require a majority vote and taxes for specific purposes, even if deposited in the County's General Fund, require a two-thirds vote. Further, any general purpose tax which the County imposed, extended, or increased, without voter approval, after December 31, 1994, may continue to be imposed only if approved by a majority vote in an election which must be held within two years of November 5, 1996. The County has not imposed any new taxes or increased any such taxes after December 31, 1994. (The County has extended the utility tax, as described below.) The voter approval requirements of Proposition 218 reduce the flexibility of the County to raise revenues through General Fund taxes and may affect the ability of the County to continue to impose the utility tax, and no assurance can be given that the County will be able to raise such taxes in the future to meet increased expenditure requirements.

Proposition 218 (Article XIII C) also expressly extends the initiative power to matters of local taxes, assessments, fees and charges. This means that the voters of the County could, by future initiative, reduce or repeal existing local taxes, assessments, fees and charges. While this power could be limited in the case of levies directly pledged to bonded indebtedness, the 1997 Certificates are not secured by any pledge of or security interest in any particular revenue source of the County. The initiative power granted under Proposition 218, by its terms, applies to all local fees and charges and is not necessarily limited to those that are property related fees and charges. No assurance can be given that the voters of the County will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges, such as the transient-occupancy tax and the utility tax which support the County's General Fund. In Fiscal Year 2001/02, the County expects to receive approximately \$16.8 million in transient-occupancy tax revenue and approximately \$1.7 million in utility user tax revenue (approximately 5% of general-purpose revenues). The transient-occupancy tax has historically been allocated by the Board of Supervisors to arts, cultural, and recreational programs. During the difficult budget years in the 1990s, up to \$4 million of the transient occupancy tax revenue had been transferred to the General Fund for basic county

services. The County has begun to reduce the transfer to the General Fund. The 1999/00 Adopted Final Budget included a transfer of \$3.2 million for basic county services. Both of these taxes, and other local taxes, assessments, fees and charges could be subject to reduction or repeal by initiative under Proposition 218.

Proposition 218 (Article XIII D) also adds several new requirements making it generally more difficult for local agencies to levy and maintain assessments for municipal services and programs such as landscape and lighting in specific areas. The County is unable to predict whether it will be able to continue to collect assessment revenues for these programs under Proposition 218. If such assessment revenues cannot be collected, the County presently intends to curtail such services rather than use amounts in the General Fund to support them.

In addition, Proposition 218 (Article XIII D) adds several provisions affecting property related fees and charges. All new and existing property related fees and charges must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) area for a service not actually used by, or immediately available to, the owner of the property in question, or (iv) are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The County must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the County may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services, no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area.

The County operates a solid waste management system, which is funded by solid waste revenues deposited in the County Refuse Enterprise Fund. A significant portion of the revenues of the solid waste system consist of solid waste collection and disposal charges imposed by the County on a majority of the waste generators in the unincorporated area of the County. These solid waste collection and disposal charges are likely subject to the provisions of Proposition 218.

The County has several enterprise funds which are self supporting, in addition to the Refuse Enterprise Fund. In addition, several bodies corporate and politic of the State of California which are legally distinct and separate from the County operate in an area generally coterminous with the County, including but not limited to the Sacramento Regional County Sanitation District. These funds and special districts are supported by fees and charges for services, including providing solid waste collection and disposal service and sewer and wastewater services. The initiative power granted under Proposition 218 may apply to such fees and charges, as may the majority protest provisions relating to new or increased property related fees or charges. In the event that fees and charges cannot be appropriately increased or are reduced pursuant to the initiative power, the County may have to decide whether to support any deficiencies in these enterprise funds with monies from the General Fund or to curtail service, or both. In the case of an operating deficiency within a special district within the County, the County may likewise elect to support any deficiencies with monies from the General Fund or, in the case of special districts operated by the County official as *ex officio* directors of such district, elect to curtail service, or both. The County is unable to predict whether the courts will interpret any of the county's service charges to be property-related fees or charges under Proposition 218.

Incorporation Proceedings

On November 5, 1996, the qualified voters approved the incorporation of the City of Citrus Heights, the first new City within the County in 52 years. The incorporation became effective January 1, 1997, and removed approximately 88,000 people from the unincorporated territory of the County. By the terms and conditions of the incorporation, the City of Citrus Heights was required to pay the County approximately \$5.6 million per year, increased annually by inflation, for the first twenty-five years of incorporation. The payments were to commence with the 1997/98 Fiscal Year and payable quarterly. The payments were intended to make the County whole for lost revenues as the result of the incorporation.

The City and the County subsequently entered into long-term agreements for the County to furnish animal control, drainage and flood control, law enforcement, road maintenance and utility tax collection services to the

City. Zoning code enforcement and vehicle abatement services continue to be provided by the County to the City under an interim agreement pending further discussions regarding a long-term agreement.

Solid Waste collection and disposal services are being provided by the County to the City under an agreement with the City. The City issued a Request for Proposal (RFP) for these services and awarded the contract to the County on February 25, 1998. The current agreement runs through December 31, 2006 with three one-year extension options.

State incorporation law required the Citrus Heights incorporation to be revenue neutral; i.e., to have no significant negative fiscal impact on the County. Based on this revenue neutrality requirement embodied in state law, Citrus Heights is required, as a condition of its incorporation, to pay the County approximately \$5.6 million annually (adjusted annually for inflation and population growth) for 25 years to compensate the County for the net revenue impact resulting from the incorporation. These payments were to commence on October 1, 1997.

After several negotiation efforts were undertaken, the County and City of Citrus Heights reached a mutually acceptable compromise for the revenue neutrality payments. The County agreed to accept the city's property tax revenue for the next 25 years as the city's revenue neutrality payments. For the 1997/98 Fiscal Year, the city property taxes being allocated to the County amounted to approximately \$2.3 million, less than the \$5.6 million required by the terms and conditions of the incorporation proceeding and ballot measure.

An election on Elk Grove incorporation was held on March 7, 2000 and the qualified voters of the community approved the incorporation ballot measure. Effective July 1, 2000, Elk Grove, a community of approximately 59,370 citizens officially became a city. For the first fiscal year after the incorporation, the 2000/01 Fiscal Year, the County continues to provide services to the new city while certain revenues will begin to accrue to the City of Elk Grove. This initial revenue shift of approximately \$5.0 million was accounted for in the 2000/01 general-purpose financing estimates. The costs of providing services to Elk Grove were also included in that fiscal year's county budget. The City of Elk Grove will be responsible for repaying the County the net costs of providing these services over a five-year period beginning in the 2001/02 Fiscal Year.

On July 1, 2001, the City of Elk Grove will become fully responsible for providing services and will be responsible for making revenue neutrality payments to Sacramento County. In negotiations with the incorporation proponents, an agreement for the term and structure of the revenue neutrality payments was reached. Under this agreement, the revenue neutrality obligation of a City of Elk Grove will be a share of the city property taxes and all transient-occupancy taxes from establishments currently in operation over a period of 25 years. For the first five years after the incorporation, the County will receive 90% of the city's property tax revenue. This percentage will gradually decrease over time. The revenue neutrality payments are thus "secured" from any future refusal of the City of Elk Grove to make the payments since the county collects and holds Elk Grove's property tax revenue. It appears Elk Grove will contract with the County for Sheriff's and some Public Works services.

On October 1, 1999 residents of Rancho Cordova, another community in the unincorporated area of the County, submitted a petition to incorporate, which initiated the incorporation process, to the Local Agency Formation Commission. As of October 28, 1999, the residents of the Rancho Cordova community have qualified their incorporation petition by obtaining the required number of signatures of registered voters of the community. It appears that the earliest potential ballot date for a Rancho Cordova incorporation election per the Local Agency Formation Commission staff would be November 2002.

Solid Waste Enterprise Fund

The County of Sacramento presently operates a solid waste management system (the "Solid Waste System"), which is funded by solid waste revenues deposited in the County Refuse Enterprise Fund. The County has pledged these revenues (less operating and certain other costs of the County related to the Solid Waste System) for the repayment of amounts owed by the County pursuant to installment sale agreements entered into by the County in connection with the execution of \$22,285,000 initial principal amount of its Certificates of Participation 1997 Public Facilities Project (Solid Waste Facilities) and \$12,565,000 initial principal amount of its 1998 Public Facilities Project (Gas to Energy Facilities) (together, the "Solid Waste COPs"). These amounts so owed by the County are payable solely from the revenues of the Solid Waste System pledged therefor, and the County is not obligated to utilize any General Fund moneys for this purpose. In the last two years, the amount of solid waste disposed at the Solid Waste System has declined significantly placing significant financial stress on the Solid Waste System. As part of its plan to stabilize the Solid Waste System, the County has raised rates for services provided

through the Solid Waste System (including a total increase of \$3 per month for households receiving collection services planned as of the conclusion of rate hearings in August 2000). In addition, the County anticipates imposing additional rate increases in Fiscal Year 2001/02, and making a one-time transfer of \$15 million of available moneys determined not to make the contemplated transfer, additional rate increases may be required in the General Fund to the Refuse Enterprise Fund to fund certain capital expenses. In the event that the County

COUNTY DEBT SUMMARY

General Fund and General Obligation Debt

Short-Term Obligations

The County implemented a cash management program in 1982 to finance General Fund cash flow shortages occurring during its fiscal year. Since the program's inception, the County has sold tax and revenue anticipation notes in amounts in each year ranging up to \$285 million. On July 5, 2000, the County issued \$215 million in tax and revenue anticipation notes for Fiscal Year 2000/01. The notes will mature on October 4, 2001. On July 2, 2001, the County will issue \$240 million in tax and revenue anticipation notes for Fiscal Year 2001/02. The notes will mature on October 1, 2002.

General Obligation Debt

There is no knowledge that the County has never defaulted on the payment of principal or interest on any of its indebtedness. Since July 1, 1996, the County of Sacramento has had no direct general obligation bonded indebtedness.

The County's outstanding General Fund and General Obligation debt are summarized in the following chart.

SHORT-TERM OBLIGATIONS OF THE SACRAMENTO COUNTY GENERAL FUND

PROJECT	ISSUED DATE	AMOUNT OF BORROWING	BORROWING RATE(S)	DUE DATE
2000 Tax and Revenue Anticipation Notes (TRANS)	July 5, 2000	\$215 million	From 5.00% to 5.25%	October 4, 2001

OUTSTANDING PENSION OBLIGATION BONDS

PROJECT	ANNUAL PAYMENT STARTING DATE	AMOUNT OF BORROWING/ REMAINING BALANCE	BORROWING RATE(S)	ANNUAL LEASE PAYMENT	FINAL PAYMENT DATE
County Taxable Pension Funding Bonds, Series 1995A, Fixed Rate Bonds/	August 1998	\$404.1 million/ \$389.160 million	From 6.19% to 7.68%	Maximum of \$22.7 million/	August 2021
Series 1995B Variable Rate Bonds		\$67 million/ \$67 million	Variable	\$67 million*	July 2020
Series 1995C Variable Rate Bonds		\$67 million/ \$67 million	Variable	\$67 million*	July 2022

*Term Bonds due in their entirety.

General Fund Lease Obligations

Sacramento County has made use of various lease arrangements to finance capital projects.

The County, on September 1, 1990, entered into a long-term financing transaction with the Sacramento County Public Facilities Financing Corporation in which Certificates of Participation in an aggregate principal amount of \$105,750,000 were sold. In this financing, the County became obligated to make rental payments in an amount not to exceed \$18,075,000 annually. The proceeds of the financing are used by the County to acquire fixed assets such as buildings, machinery, equipment and computers.

The County of Sacramento issued bonds in 1988 to fund the acquisition, construction, and installation of a new 18-hole, championship-caliber, municipal golf course, referred to as Cherry Island. That issue was refunded in 1991. These certificates are being refunded by the proceeds of the 1999 Refunding Certificates of Participation (Capital Projects). The County anticipates that revenues from the Golf Fund will be sufficient to make all payments in connection with this financing.

The County converted the variable rate financing of the Main Jail Detention Facility to a fixed rate financing. The size of the fixed rate issue was \$61,565,000 and it was closed on May 27, 1993. While the previous financing had a maximum interest rate cap of 15%, the average coupon rate of the new fixed issue is approximately 5.8%, providing the County security against interest rate increases over the remaining term of the issue.

The County entered into a long-term, fixed-rate financing transaction with the Sacramento County Public Facilities Financing Corporation in which \$89,500,000 of Certificates of Participation were sold. This issue closed on October 25, 1994. The proceeds of the financing were used by the County to construct two new facilities. A new Coroner/Crime Laboratory facility to house all the Coroner functions and the District Attorney's Office Forensic Science Laboratory, and a new Data Center building to house systems and data processing and general services activities. On January 1, 1998, the County entered into a crossover refunding transaction, which reduced the annual debt service payment. The 1997 Refunding Certificates of Participation will remain self-supporting to the call date of the 1994 Certificates of Participation (October 1, 2004). Through October 1, 2004, the County will continue to pay debt service on the outstanding 1994 Certificates. On October 1, 2004, (the "crossover" date), the escrow supporting the refunding bonds will be released and the proceeds will be used to redeem the outstanding 1994 Certificates. After October 1, 2004, the 1994 Certificates will no longer be outstanding, and the County will begin paying debt service on the Refunding Certificates.

Additionally, the County entered into a long-term fixed rate-financing transaction with the Sacramento Public Facilities Financing Corporation in which \$58,020,000 of Certificates of Participation were sold. The Public Building Facilities issue closed on January 28, 1997.

Proceeds from the Public Building Facilities certificates are being used to finance the following: (i) the purchase of and renovation and furnishing of the existing 109,925 gross square foot office building and surface parking, previously owned and operated by the Bank of America; (ii) the construction of and equipment and furnishings for a 60,912 square foot Dormitory Jail, consisting of a 448 bed facility and other improvements which will be built adjacent to existing correctional housing at the Rio Cosumnes Correctional Center of the County; and (iii) establish irrevocable escrows to refund and defease the prior 1986 and 1990 Certificates. The County of Sacramento has entered into an "Intergovernmental Cooperative Agreement" with the United States Marshal's Service in 1995. This agreement guarantees housing and related services for 200 federal prisoners in Sacramento County detention facilities for fifteen (15) years. As partial compensation for these services, the Federal Government has committed \$5.5 million in federal grant funding for the construction of bed space within the Sacramento County detention system. Once this facility is completed it is anticipated that the county will close an old outdated facility at our Rio Cosumnes Correctional Center facility and transfer the inmates from that facility to the new structure.

On August 30, 1999, the River City Regional Stadium Financing Authority issued its \$39,990,000 Taxable Lease Revenue Bonds, Series 1999, to finance the costs of an approximately 10,700 seat privately owned and operated baseball stadium and related improvements located in the City of West Sacramento. The Authority is a joint powers authority formed May 15, 1999, among Sacramento County, the City of West Sacramento, Yolo County, and the Redevelopment Agency of the City of West Sacramento, pursuant to the California Government Code. In connection with the issuance of the Stadium Bonds, the County of Sacramento entered into a Sublease Agreement, dated as of August 1, 1999, among Yolo County, the City of West Sacramento, and Sacramento County, pursuant to which the County agreed to make certain sublease payments in an amount not to exceed \$2.3 million per year. Sacramento County expects that revenues available from the operation of the Stadium will be sufficient to fund the sublease payments payable by the County. However, in the event Stadium revenues are insufficient, the County of Sacramento would be obligated to make sublease payments from any legally available sources, including amounts available in the General Fund.

The Parking Authority for the County of Sacramento Parking Enterprise Fund issued bonds in 1987 to fund the construction of an employees' parking facility. That issue was refunded in 1991. These certificates were refunded by the proceeds of the 1999 Refunding Certificates of Participation (Capital Projects). The County

anticipates that revenues from the Parking Enterprise Fund will be sufficient to make all payments in connection with this financing.

The County has entered into multiyear contracts with nonprofit entities, obligating the County to pay rentals sufficient to cover debt service and related costs on borrowings (Certificates of Participation) to finance the projects outlined on the following chart.

OUTSTANDING LONG-TERM OBLIGATIONS OF THE SACRAMENTO COUNTY GENERAL FUND

LEASES WITH PUBLIC FACILITIES FINANCING CORPORATION

PROJECT	RENTAL PAYMENT STARTING DATE	AMOUNT OF BORROWING/ REMAINING BALANCE	BORROWING RATE(S)	ANNUAL LEASE PAYMENT	FINAL PAYMENT DATE
Administration Center/ Courthouse (Fixed Asset Acquisition Program)	October 1990	\$105.75 million/ \$92.425 million	Variable	Maximum of \$18,075,000	June 2020
1999 Refunding Certificates of Participation, (Capital Projects)	July 2000	\$15,960 million/ \$15,960 million	From 3.95% to 5.125%	Maximum of \$1,505,636	July 2018
Cherry Island Golf Course		\$ 6.885 million/ \$ 6.650 million \$ 9.075 million		Maximum of \$ 770,578	July 2018
Employees Parking Facility		\$ 8.815 million		Maximum of \$ 735,059	July 2012
Refunding of New Main Jail	December 1993	\$61.6 million/ \$49.305 million	From 2.8% to 6.00%	Maximum of \$5,431,800	June 2015
1997 Refunding Certificates of Participation (1994 Public Facilities Project—Coroner/Crime Lab and Data Center)	April 1998	\$88.36 million/ \$88.36 million	From 4.30% to 5.00%	Maximum of \$6,320,535	October 2027
1997 Public Facilities Project (Public Buildings Facilities)	August 1997	\$58.02 million/ \$48.535 million	From 4.000% to 5.725%	Maximum of \$4,326,925	February 2019

LEASE WITH CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

PROJECT	RENTAL PAYMENT STARTING DATE	AMOUNT OF BORROWING/ REMAINING BALANCE	BORROWING RATE(S)	ANNUAL LEASE PAYMENT	FINAL PAYMENT DATE
Mental Health Center	November 1991	\$5.00 million/ \$1.04 million	Variable	Maximum of \$788,051	November 2003

Non-General Fund Revenue Obligations

On January 29, 1997, the County entered into a long-term, fixed-rate financing with the Sacramento Public Facilities Financing Corporation in which \$22,285,000 of Certificates of Participation (Solid Waste Facilities) were sold. The county's obligation with respect to the Solid Waste Facilities issue is payable solely from the revenues of the county's solid waste management system.

Proceeds from the Solid Waste Facilities certificates were used to finance the following: (i) the current acquisition of approximately 1,100 acres surrounding the County's Kiefer Landfill as a buffer zone; (ii) the construction and equipping of an approximately 18,500 square foot equipment maintenance building to be located adjacent to the Kiefer Landfill, and (iii) the construction and equipping of the Kiefer Area Recovery Station.

Additionally, the County entered into a long-term, fixed-rate financing transaction with the Sacramento County Public Facilities Financing Corporation in which \$12,565,000 of Certificates of Participation were sold. The 1998 Public Facilities Project (Gas to Energy) issue closed on October 5, 1998. The proceeds of the financing were used by the County to pay certain costs incurred in connection with the acquisition and construction of certain electrical generating and related equipment and improvements to the County's Solid Waste collection, transfer,

disposal and processing system. The project is designed to combust landfill gas resulting from the decomposition of waste deposited in the Kiefer Landfill. Revenues will be earned by the project from the sale of electricity to the Sacramento Municipal Utility District.

The Department of Airports for the Airport Enterprise Fund issued \$42,510,000 Airport System Revenue Refunding Bonds, Series 1998A and \$45,620,000 Airport System PFC and Subordinate Revenue Refunding Bonds, Series 1998B to advance refund all or portions of certain prior issues of the County's Airport System Revenue Bonds and Airport System PFC and Subordinate Revenue Bonds. The bonds to be advanced refunded were originally issued in order to finance a portion of the costs of certain capital improvements at Sacramento International Airport.

Additionally, the Department of Airports issued \$9,900,000 Variable Rate Demand Special Facilities Airport Revenue Bonds, Series 1998 (The Cessna Aircraft Company Project), to finance the demolition of an existing facility and construction and installation of a replacement aircraft maintenance hangar and associated facilities at the Sacramento International Airport for the Cessna Aircraft Company. The new 64,000 square feet facility will be built adjacent to the current structure on land leased from the County.

**OUTSTANDING LONG-TERM NON-GENERAL FUND OBLIGATIONS
LEASES WITH PUBLIC FACILITIES FINANCING CORPORATION**

SACRAMENTO COUNTY SOLID WASTE ENTERPRISE FUND

PROJECT	RENTAL PAYMENT STARTING DATE	AMOUNT OF BORROWING/ REMAINING BALANCE	BORROWING RATE(S)	ANNUAL LEASE PAYMENT	FINAL PAYMENT DATE
1997 Public Facilities Project (Solid Waste Facilities)	December 1997	\$22.285 million/ \$19.355 million	From 3.65% to 5.30%	Maximum of \$9,165,000	December 2016
1998 Public Facilities Project (Gas to Energy)	December 1999	\$12.565 million/ \$11.410 million	From 4.00% to 4.50%	Maximum of \$1,090,931	December 2014

SACRAMENTO COUNTY AIRPORT ENTERPRISE FUND

PROJECT	ANNUAL PAYMENT STARTING DATE	AMOUNT OF BORROWING/ REMAINING BALANCE	BORROWING RATE(S)	ANNUAL LEASE PAYMENT	FINAL PAYMENT DATE
Airport System Revenue Bonds, Series 1996A and 1996B	January 1997	\$111.0 million/ \$86.140 million*	From 4.625% to 6.0%	Maximum of \$8,148,640	July 2026
Airport System PFC and Subordinate Revenue Bonds, Series 1996	January 1997	\$57.275 million/ \$13.515 million**	From 4.625% to 6.0%	Maximum of \$4,172,510	July 2026
Airport System Revenue Bonds, Series 1998A (2)	June 1999	\$42.510 million/ \$41.935 million	From 3.5% to 5.0%	Maximum of \$12,115,766	June 2026
Airport System PFC and Subordinate Revenue Bonds, Series 1998B (3)	June 1999	\$45.62 million/ \$45.07 million	From 3.5% to 5.0%	Maximum of \$3,952,096	June 2026

*Balance reflects Advance Refunding of \$15.04 million; **Balance reflects Advance Refunding of \$43.76 million; (2) Advance refunding of the Airport System Revenue Bonds, Series 1989; (3) Advance Refunding of the Airport system Revenue Bonds, Series 1992

Direct and Overlapping Bonded Debt

The following table presents a statement of the direct and overlapping bonded debt secured in whole or in part from property tax assessments in Sacramento County as of April 1, 2001.

COUNTY OF SACRAMENTO

2000/01 Assessed Valuation: \$65,230,390,902 (after deducting \$2,677,916,269 redevelopment tax allocation increment; includes unitary utility valuation)

<u>DIRECT AND OVERLAPPING BONDED DEBT</u>	<u>% APPLICABLE</u>	<u>DEBT 4/1/01</u>
Sacramento Regional County Sanitation District	100	\$ 26,115,000
Dry Creek Joint School District	29.239	6,157,161
Dry Creek Joint School District Community Facilities District #1	100	18,974,923
Center Joint Unified School District	95.772	20,382,918
Elk Grove Unified School District and Community Facilities District #1	100	76,483,442
Folsom-Cordova Unified School District School Facilities I.District #1	100	10,031,455
Sacramento Unified School District	100	95,000,000
Sacramento Unified School District and Community Facilities District #1	100	6,485,000
Natomas Unified School District	100	51,420,000
San Juan Unified School District	100	66,797,983
Rio Linda Union School District	100	16,780,000
North Sacramento and Robla School Districts	100	20,557,038
Roseville Joint Union High School District	6.510	2,264,739
City of Folsom	100	36,056,000
Water Districts	Various	3,084,959
Folsom Community Facilities Districts	100	125,775,000
Galt and Galt Schools Community Facilities Districts	97.820-100	26,861,728
Sacramento County Community Facilities Districts	100	80,895,000
City of Sacramento Community Facilities Districts	100	55,795,000
Rancho Murrieta Community Facilities Districts	100	10,665,000
1915 Act Bonds (Estimated)	100	<u>164,017,459</u>
TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT		\$920,599,805
Less: City of Folsom Water Bonds		<u>106,000</u>
TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT		\$920,493,805
<u>DIRECT AND OVERLAPPING LEASE OBLIGATION DEBT</u>		
Sacramento County General Fund Obligations	100	\$ 328,001,333(1)
Sacramento County Pension Obligations	100	523,160,208
Sacramento County Office of Education Certificates of Participation	100	6,050,000
Center Joint Unified School District Certificates of Participation	95.772	12,543,810
Folsom-Cordova Unified School District Certificates of Participation	100	13,150,000
Natomas Unified School District Certificates of Participation	100	12,605,000
Sacramento Unified School District Certificates of Participation	100	61,709,533
San Juan Unified School District Certificates of Participation	100	19,640,000
Other School Districts Certificates of Participation	Various	10,689,029
City of Folsom Certificates of Participation	100	19,705,000
City of Galt Certificates of Participation	100	5,006,154
City of Sacramento and General Fund Obligations	100	611,768,735
Other Special Districts Certificates of Participation	100	3,567,712
Sacramento Area Council of Governments Certificates of Participation	80.954	1,740,511
Recreation and Park Districts Certificates of Participation	100	<u>13,684,595</u>
TOTAL GROSS OVERLAPPING LEASE OBLIGATION DEBT		\$ 1,643,021,620
Less: City of Sacramento self-supporting obligations		<u>181,353,420</u>
TOTAL NET DIRECT AND OVERLAPPING BONDED DEBT		\$ 1,461,668,200
GROSS COMBINED TOTAL DEBT		\$2,272,809,913(2)
NET COMBINED TOTAL DEBT		\$2,083,260,258

- (1) Excludes issues to be sold.
- (2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds, and nonbonded capital lease obligations.

RATIOS TO ASSESSED VALUATION:

Both Total Gross and Total Net Overlapping Tax and Assessment Debt	1.41%
RATIOS TO ADJUSTED ASSESSED VALUATION:	
Combined Direct Debt (\$851,161,541)	1.36%
Gross Combined Total Debt	4.10%
Net Combined Total Debt	3.81%

Source: California Municipal Statistics, Inc.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population and Income

Population in Sacramento County reflects continued growth as shown in the following table. Population rose 62.7% in the 1940's and 81.4% in the 1950's. During the 1960's, 1970's, 1980's and 1990's, population growth totaled 26.2%, 23.5%, 32.9%, and 16.2%, respectively. Since 1980, population growth has totaled 60.7%.

The State Department of Finance estimates county population at 1,258,629 as of January 1, 2001. Sacramento County currently has six incorporated cities: Citrus Heights, Elk Grove, Folsom, Galt, Isleton and Sacramento. Approximately 33.3% of the county's population lives in the City of Sacramento. Approximately 48.9% of the county's population lives in unincorporated areas, giving Sacramento County one of the largest unincorporated populations among all counties in the State.

Effective July 1, 2000, Elk Grove became a newly incorporated city. For purposes of the state's allocation of certain municipal revenues (including vehicle fees, and gas tax) to a newly incorporated city, the "official" State Department of Finance population figure is calculated as three times the number of registered voters within the new city, rather than the actual population. The actual population for the City of Elk Grove is approximately 59,370.

SACRAMENTO COUNTY
Population

Area	1940	1950	1960	1970	1980	1990	2001
Cities:							
Citrus Heights*	--	--	--	--	--	--	86,794
Elk Grove**	--	--	--	--	--	--	59,370
Folsom	--	1,690	3,925	5,810	11,003	29,802	57,166
Galt	--	1,333	1,868	3,200	5,514	8,889	20,259
Isleton	1,837	1,597	1,039	909	914	833	844
Sacramento	105,958	137,572	191,667	257,105	275,741	369,365	418,711
Unincorporated Area**	<u>62,538</u>	<u>134,948</u>	<u>304,279</u>	<u>367,349</u>	<u>490,209</u>	<u>632,330</u>	<u>615,485</u>
Total	170,333	277,140	502,778	634,373	783,381	1,041,219	1,258,629

Source: U.S. Census, except for 2001 figures which are from the State Department of Finance.

*Effective January 1, 1997, Citrus Heights became incorporated.
**Effective July 1, 2000, Elk Grove became incorporated.

Industry and Employment

Three major job categories comprised 75.4% of the Sacramento MSA's work force during 2000. They were services (28.3%), government (25.2%), and wholesale and retail trade (21.9%).

As of March 2001, based on unadjusted data, unemployment in the Sacramento MSA was 3.7% compared to 4.8% for the State. The following table summarizes annual average employment by industry in the Sacramento MSA.

SACRAMENTO METROPOLITAN
STATISTICAL AREA
Labor Market Survey (1)
(Amounts Expressed in Thousands)

	1996	1997	1998	1999	2000
Mining	0.2	0.2	0.2	0.2	0.2
Construction	30.0	33.2	37.1	43.8	49.8
Manufacturing					
Nondurables	14.1	14.0	14.3	14.5	15.3
Durable	29.2	31.3	32.5	33.6	36.5
Transportation and					
Public Utilities	24.8	24.7	26.2	27.5	28.1
Wholesale Trade	24.0	25.0	25.9	26.6	26.5
Retail Trade	109.8	111.7	114.2	118.1	135.1
Finance, Insurance					
and Real Estate	39.3	42.2	47.5	50.4	48.0
Services	167.1	173.9	182.5	193.5	209.0
Government	166.7	169.1	171.8	178.6	185.8
Agriculture	<u>3.7</u>	<u>3.8</u>	<u>3.7</u>	<u>4.1</u>	<u>3.2</u>
Total	590.6	608.9	629.1	690.9	737.5

Source: State Department of Employment Development
(1) Amounts are averages for calendar years.

Major Employers

Major private employers in the Sacramento area include those in medical services, electronics, retail sales, communications services, and financial services. Major private employers, their products or services, and their number of employees in 2000 are listed in the table on the following page.

The State currently employs 70,680 personnel in the County in various branches of government, making the State the largest employer in the area. County employees account for 13,882 additional jobs in the community.

McClellan Air Force Base, established in 1939, was one of five Air Force Material Command Logistics Centers in the United States. In July 1995, McClellan was identified for closure by the Federal Base Realignment and Closure Commission, with closure to occur no later than July 13, 2001. Following the closure announcement, the Department of Defense (DOD) implemented a unique "privatization in place" strategy that provided the community with an opportunity to partner with a defense contractor and compete to retain the defense aircraft repair workload at McClellan. In September 1998, The Air Force awarded the depot workload to Hill Air Force Base in Ogden, Utah.

Sacramento County, as the Local Redevelopment Authority (LRA) for the privatization and reuse of McClellan, had incorporated this potential outcome in its reuse planning efforts and was already engaged in tenant recruitment and marketing of the "non-competition" facilities at McClellan. In April 1999, the County Board of Supervisors approved the selection of an Equity Partner or "Master Developer" to accelerate the conversion of transferred parcels from military to commercial and industrial uses. The final analysis and market research components related to development opportunities and infrastructure requirements for the Final Reuse Plan have been underway since July 1999. The Board of Supervisors approved the Draft Final Reuse Plan in August 2000 with remaining environmental reviews being completed in December 2001.

The LRA has made considerable progress towards the conversion of McClellan, including signing the Economic Development Conveyance with the federal government to facilitate the transition of McClellan real and personal property and transitioning all the Base infrastructure and maintenance responsibilities to the County and other providers. In addition, the County has entered into more than 30 leases and is anticipating leasing another million square feet of space over the next few months. More than 3,500 public and private sector jobs have been retained or created at McClellan.

Mather Air Force Base, established in 1918, was a training base which provided the Air Force's only navigation school. Mather was closed on September 30, 1993 as a result of previous federal action under the Base Realignment and Closure Act. County reuse planning efforts for the base have been underway since late 1989. The 1991 Reuse Plan for the 5,700 acre base includes a diverse set of activities including an air cargo and general aviation airport; a wide variety of office, industrial and commercial development; housing, educational, and recreational uses. The goal of the reuse plan, which is now being implemented, is to maximize job creation and economic benefit to the County from the closure of the base. Mather reopened to aviation uses on May 5, 1995, and was formally added to the County Airport System as a cargo and general aviation airport. The California National Guard and the California Department of Forestry are established tenants at Mather. Other tenants of the airport include Emery Worldwide, Airborne Express, United Parcel Service and most recently Eagle Global Logistics. Both Emery Worldwide and Airborne Express operate out of new cargo sort facilities. County staff is currently working with the United States Postal Service to create Mather Airport as a Western Hub for several of its operations.

In addition to Mather Airport, Mather Regional Park (1,200 acres received by the County from the Air Force at no cost, through Park Public Benefit Conveyance) has been open to the public since fall 1996. Mather Golf Course, purchased by the County, has been open to the public since 1994. Discussions with the United States Soccer Association, currently underway, could result in construction of 18 soccer fields in the Park.

The County has entered into a long-term, lease-purchase arrangement for 770 acres of commercial and industrial land from the Air Force and hired a private sector developer to assist in its reuse. The agreement with the Air Force was recently modified to allow the County to reinvest the proceeds from this property at Mather on certain "allowable" expenses in lieu of payments to the Air Force for the property.

Presently, over 3,500 people work at Mather Airport and Commerce Center each day. In addition to those aviation companies previously listed, several other companies now call Mather home including McGraw-Hill Companies, which employs approximately 500 employees, and Sutter Connect, a division of Sutter Health, which employs approximately 400 employees. Other major tenants or landowners include the Veterans Administration Hospital, which is currently undergoing a \$40 million expansion and renovation, and the California State Office of Emergency Services (Administration Offices and Emergency Operations Center) which is close to completing the construction of a new \$27 million facility. Finally, over 300,000 square feet of speculative office space is planned by at least three local developers who have all bought land and/or buildings in the last few months.

The previous function of the Sacramento Army Depot was to receive, store, and ship military hardware all over the world. The Depot was the exclusive maintenance facility for night surveillance devices used by the United States military and civilian agencies. The Depot officially closed in March 1995 also as a result of federal action under the Base Realignment and Closure Act. Initially, the City of Sacramento leased a majority of the site to Packard Bell which employed people to assemble personal computers. Due to financial difficulties, Packard Bell restructured its organization and closed its manufacturing operations here in Sacramento by December 1999. However, a developer has purchased the entire site and has leased it to manufacturers and warehousing firms.

**SACRAMENTO METROPOLITAN STATISTICAL AREA
Major Private Sector Employers (2000)**

Company	Product/Service	Employees
Sutter/California		
Health Services	Medical Services	16,600
Kaiser Permanente	Medical Services	10,530
Oracle	Electronics	8,500
Raley's Inc./Bel Air	Retail Sales	6,430
Mercy Health Care/Hospitals	Medical Services	6,000
Hewlett Packard	Electronics	5,800
Pacific Bell	Telephone Services	5,658
Apple Computer, Inc.	Electronics	5,000
Intel Corporation	Electronics	5,000
McClatchy Newspapers, Inc.	News	3,129
United Parcel Service	Delivery Services	2,913

Source: Sacramento Area Commerce and Trade Organization

Commercial Activity

Commercial activity is an important contributor to Sacramento County's economy. Between 1995 and 1999, taxable retail sales increased 31.0% from \$7.585 billion to \$9.939 billion. As shown in the following table, total taxable sales increased 31.0% from \$11.43 billion to \$14.98 billion.

**SACRAMENTO COUNTY
Taxable Transactions 1995 Through 1999
(Amounts Expressed in Thousands)**

	1995	1996	1997	1998	1999
Apparel Stores	\$ 325,766	\$ 337,455	\$ 351,076	\$ 364,544	\$ 369,927
General Merchandise Stores	1,429,394	1,443,568	1,559,591	1,663,856	1,875,947
Specialty Stores	1,249,240	1,294,671	1,335,040	1,449,835	1,624,485
Food Stores	604,318	630,408	644,514	641,284	696,416
Package Liquor Stores	47,337	49,274	55,851	60,809	66,236
Eating and Drinking Places	887,305	907,290	949,013	1,008,886	1,080,021
Home Furnishings and Appliances	550,332	557,687	457,570	466,468	523,294
Building Materials and Farm Implements	577,845	629,926	693,847	655,614	932,551
Service Stations	516,520	594,514	595,943	517,785	630,998
Automobile, Boat, Motorcycle and Plane Dealers and Parts outlets	<u>1,396,691</u>	<u>1,502,419</u>	<u>1,584,697</u>	<u>1,643,460</u>	<u>2,139,002</u>
Total Retail Outlets	\$ 7,584,748	\$ 7,947,212	\$ 8,227,142	\$ 8,715,401	\$ 9,938,877
Business and Personal Services	479,781	500,914	552,663	619,589	705,364
All Other Outlets	<u>3,368,795</u>	<u>3,532,149</u>	<u>3,754,364</u>	<u>3,993,656</u>	<u>4,335,152</u>
Total All Outlets	\$11,433,324	\$11,980,275	\$12,534,169	\$13,328,646	\$14,979,393

Source: State Board of Equalization

Agriculture

Agriculture continues to be an important factor in the county's economy. The gross value of agricultural production in 2000 reached \$284,622,000. Major individual products in terms of dollar value are shown in the following table:

**SACRAMENTO COUNTY
Agricultural Production
1996 through 2000
(Amounts Expressed in Thousands)**

	1996	1997	1998	1999	2000
Field Crops	\$ 60,472	\$ 57,839	\$ 37,135	\$ 42,356	\$ 43,785
Livestock and poultry products	43,506	42,581	51,103	48,790	43,128
Livestock and poultry	23,192	32,633	27,852	24,220	24,424
Vegetable crops	26,058	23,745	25,639	30,636	15,564
Fruit and nut crops	64,473	73,310	110,297	124,217	128,202
Nursery products	15,745	15,969	17,933	17,113	26,408
Seed crops	8,956	6,922	5,290	6,412	3,046
Apiary products	<u>48</u>	<u>216</u>	<u>159</u>	<u>115</u>	<u>65</u>
Total	\$242,450	\$253,215	\$275,408	\$293,859	\$284,622

Source: Sacramento County Agricultural Commissioner.

Construction Activity

The value of building permits issued in the County totaled \$2,632,717,366 in 2000, an increase of 24.9% from the prior year. From 1996 through 2000, the value of nonresidential building permits reflects a total increase of 193.1%. Residential permit valuation increased 143.3% over the same period. In addition to annual building permit valuations, the numbers of permits for new dwelling units issued each year from 1996 through 2000 are shown in the following table.

**SACRAMENTO COUNTY
Building Permit Valuations
1996 through 2000**
(Amounts Expressed in Thousands)

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
<u>Valuation:</u>					
Residential	\$595,801	\$ 600,913	\$1,021,230	\$1,158,833	\$1,449,414
Nonresidential	<u>403,782</u>	<u>686,665</u>	<u>800,309</u>	<u>948,189</u>	<u>1,183,303</u>
Total	\$999,583	\$1,287,578	\$1,821,539	\$2,107,022	\$2,632,717
<u>New Dwelling Units:</u>					
Single family	3,594	3,610	5,110	5,523	7,054
Multiple family	<u>281</u>	<u>366</u>	<u>2,610</u>	<u>4,900</u>	<u>3,362</u>
Total	3,875	3,976	7,720	10,423	10,416

Source: Sacramento County Assessor's Office.

Transportation

The county's location and transportation network have contributed to the county's economic growth. The County is traversed by the main east-west and north-south freeways serving northern and central California. Interstate 80 connects Sacramento with the San Francisco Bay Area, Reno, Nevada, and points east. U.S. Highway 50 carries traffic from Sacramento to the Lake Tahoe Area. Interstate 5 is the main north-south route through the interior of California; it runs from Mexico to Canada. California State Highway 99 parallels Interstate 5 through central California and passes through Sacramento.

Transcontinental and intrastate rail service is provided by the Union Pacific Railroad. Passenger rail service is provided by AMTRAK. Bus lines offering intercity as well as local service include Greyhound and Sacramento Regional Transit.

The Port of Sacramento provides direct ocean freight service to all major United States and world ports. It is a deep-water ship channel, located 79 nautical miles northeast of San Francisco. The three major rail links serving Sacramento connect with the Port. Interstate 80 and Interstate 5 are immediately adjacent to the Port.

Sacramento International Airport is about 12 miles northwest of downtown Sacramento. The airport is served by ten major carriers, two regional carriers, and two commuter carriers. Executive Airport, located in Sacramento, is a full-service, 680-acre facility serving general aviation. In addition to Sacramento International Airport, Executive Airport, and Mather Airport, there is one other county operated general airport and numerous private airports.

Sacramento County voters passed a ballot measure in November of 1988 providing for collection of an additional 1/2 cent sales tax (approximately \$77,000,000 for 2000/01) to be used exclusively for transportation and air quality projects. Ballot language specified formula distribution: (1) for the cities and unincorporated area of the County; (2) for projects to reduce air pollution; and (3) for mass transit improvements. The 2001/02 share for the unincorporated area of the County is estimated to be \$25,357,000.

Education

Public school education is available through nine elementary, two high school and five unified school districts. There are approximately 170 private schools in the County with an enrollment of approximately 22,324. Public school enrollment in the fall of 2000 was approximately 222,224.

The Los Rios Community College District serves the majority of Sacramento County, as well as portions of El Dorado, Placer, Yolo and Solano Counties. The District maintains three campuses in the County -- American River College, located in the northeastern unincorporated area of Carmichael; Sacramento City College, located in Sacramento; and Cosumnes River College, located in the southern area of the City of Sacramento. Spring 2001 enrollment at the three campuses totaled approximately 64,980. The southernmost portion of the County is served by the San Joaquin Delta Community College District.

California State University at Sacramento offers four-year programs in business administration, liberal arts, engineering, education, and nursing, and master's degrees in service fields. Current enrollment is approximately 25,100. Other higher education facilities located in Sacramento are the University of Phoenix, University of Southern California, McGeorge School of Law which is a branch of the University of the Pacific, University of San Francisco, University of California at Davis Extension, and the Medical Center of the University of California at Davis.

CAPITAL IMPROVEMENT SPENDING PLAN SUMMARY

The Capital Construction Fund fully budgets total projects (regardless of the source of funding) on an annual basis. Often the design and engineering is not completed within a single fiscal year after the project is authorized. As a result, the project may not be bid and funds encumbered within a single fiscal year.

This is the nature of construction projects, and as a result, the Capital Improvement Spending Plan fluctuates dramatically from the approved budget appropriations. For instance, the Capital Improvement Spending Plan for Fiscal Year 2001-02 is \$13,377,360 while the approved budget is for \$22,414,424.

The summary below groups projects by the funding source (Capital Construction Fund, Trust Fund, Grant Fund, Certificates of Participation (COP)/Bond Fund and Tobacco Litigation Settlement Fund).

CAPITAL CONSTRUCTION FUNDS

The Capital Construction Fund is designed to be a reinvestment tool for sustaining the value of countyowned facilities. Tenant departments budget annually for Facility Use charges, which are then used to fund the Maintenance and Operations activities and the Capital Construction Fund activities. The facility use assessment for capital construction amounts to 2 percent of the value of the property. Projects are submitted by departments and reviewed annually by a multidepartment committee, with a prioritized list being submitted as part of the annual Capital Construction Fund budget submittal. Once the Board of Supervisors approves the budget, projects are then released to the appropriate "service" department for completion. The volume of projects combined with the workload of the "service" department often dictates that projects are completed significantly after initial approval.

TRUST FUNDS

Trust Funds originate from the Courthouse Temporary Construction Fund and the Criminal Justice Facility Temporary Construction Fund. These funds go directly to Court and Criminal Justice facilities. Projects being considered for funding from these funds are reviewed and prioritized by General Services-Facility Planning & Management, Courts, Probation and the Sheriff's Department. Approved projects are included in the annual Capital Construction Fund budget submittal.

GRANT FUNDS

Grant Funds are contributions from one governmental unit to another, usually made for a specific purpose and time period.

COP/BOND FUNDS

COP/Bond Funds are borrowed funds that require repayment by the tenant departments. Departments occupying facilities that have debt service requirements include the annual charge in their base budgets. This source of funding allows the County to leverage its resources and provide county buildings where appropriate. Projects are usually large, significant remodel projects, or the construction of new facilities. Projects are developed by departments in conjunction with the General Services-Facility Planning & Management Division and the County Executive's Office. Typically, these projects are discussed and approved by the County Board of Supervisors as individual items.

TOBACCO LITIGATION SETTLEMENT FUNDS

On August 23, 2001, the County of Sacramento successfully securitized \$199.6 million of future Tobacco Litigation Settlement (TLS) revenues. A portion of the proceeds totaling \$109.2 million is for funding the following capital projects/equipment:

- **New Primary Care Clinic--\$30,500,000:** Construction of a Health Care Clinic to provide for centralized support services to patients. A centralized support facility consisting of pharmacy, laboratory and radiology areas is expected to promote greater patient follow through regarding their ongoing health care.
- **Clinic-Pharmacy Automation System--\$800,000.** Purchase software and hardware to automate clinic patient processing, prescription writing and pharmacy dispensing records.

- **Expansion of Juvenile Hall--\$40,000,000.** Current facility is overcrowded and with estimated projected growth in detained minors, the county has a need for 240 additional detention beds. The facility expansion and improvements will also increase security requirements. A new facility will allow for proper segregation of violent and high-risk detainees from others, thereby reducing the danger of injury to both detained minors and Probation Department staff.
- **New Animal Care Facility--\$6,000,000.** Current 35-year old, overcrowded animal shelter does not meet current code requirements and needs to be replaced. A new shelter will be more conducive to adoptions and proper treatment of shelter animals, and provide the capacity to house twice the number of animals for which the current shelter was designed.
- **Major expansion/renovation of Carmichael Branch Library and Construction of a New Rio Linda/Elverta Library Facility --\$5,200,000.**
 - **Carmichael Library** needs significant rehabilitation, asbestos abatement, reconfiguration and expansion of public space as well as the addition of a community meeting room.
 - **New Rio Linda/Elverta Library Facility.** Currently, the Rio Linda/Elverta Library is located in a small leased facility. Plans are to construct a new countyowned library facility for the Rio Linda/Elverta community to meet their growing needs.
- **Refuse Fleet Clean-Air Conversion--\$15,000,000.** Partial funding of an estimated \$35 million cost to convert 142± refuse collection trucks to significantly reduce air pollution in the Sacramento Attainment Basin.
- **Senior Nutrition Services Kitchen Facility--\$2,000,000.** Expansion of current facility to meet the increased demand for delivery of prepared meals to senior citizens living at home. Space expansion from 9,600 square feet to 36,500 square feet will ensure a more efficient meal delivery system. Meals will be delivered on time and meet federally mandated quality meal standards (mainly food temperature).
- **Implementation of the completed Bikeway Master Plan in the County Unincorporated Area--\$1,000,000.** This will contribute to improved air quality by improving both recreational and commuter options for bicyclists.
- **Repairs to Sidewalks, Curbs and Gutters in the County Unincorporated Area--\$1,000,000.** Over 3.5 miles of curb and gutter replacement and 2.5 miles of sidewalk replacement are vital. It is anticipated that improvements will alleviate health and safety issues, improve quality of life in the neighborhoods, and improve property values as well.
- **Contingencies for various other capital projects or to cover underestimated costs of the above capital projects--\$7,700,000.** Additional funding may be necessary in case early project estimates prove to be insufficient. If additional funding is not necessary for the above projects, funds will be used for one-time capital projects.

With funding now secured for these projects, they will move forward into the programming and design stages during Fiscal Year 2001-02. A schedule for each project is being prepared by the Department of General Services with the expectation that construction will commence during Fiscal Year 2002-03.

CAPITAL IMPROVEMENT SUMMARY
BY PROJECT FOR FISCAL YEAR 2001-02

- **CAPITAL CONSTRUCTION FUND: Expected Expenditures \$9,547,360**
 - **Administration Complex \$2,010,360** -- Elevator renovations, Air handling renovations, Major space renovation (new carpeting, new modular panels, reconfigured space) and renovation of Cafeteria.
 - **Mental Health Facility \$360,000** -- Carpet replacement, alarm system evaluation, continuous roof repair/evaluation.
 - **Rio Cosumnes Correctional Center and Sandra Larsen Facility \$2,050,000** -- Major HVAC replacement, completion of Security perimeter, Barracks shower renovation, Kitchen and equipment replacement and renovation, complete fuel tank renovations, complete space reconfigurations for alternative use (by Probation).
 - **Main Jail \$1,585,000** -- Ongoing renovation/replacement/repair of flooring, painting and equipment. Special focus on shower floor repairs and dish/laundry equipment.
 - **799 G Street (IT Facility) \$60,000** -- Reconfiguring space for better utilization by other information technology sections, ensure window-washing equipment installed correctly.
 - **Clerk-Recorder Facility \$100,000** -- Recarpet and reconfigure all space to increase efficiency.
 - **Coroner/Crime Lab \$60,000** -- Various projects to increase usable space, repair HVAC to sustain constant temperature.
 - **Bradshaw Complex \$1,073,000** -- Various projects, paving/parking enhancement, Security modifications, ADA restroom renovations, HVAC reassessment
 - **Probation – Boys Ranch \$265,000** -- CCF funded work related to Water evaluation project, fire alarm panel, completion of perimeter fence and enclosing fire sprinkler heads.
 - **New Juvenile Court \$200,000** -- Design/Construct new Juvenile Court – will be funded by bond proceeds, to be issued when design closer to completion.
 - **Florin School \$104,000** -- Renovate and reuse old Florin School (for Parks activity). Partnership with SHRA, Parks and Economic Revitalization.
 - **Annual Programs \$1,570,000** -- Underground Tank assessment, asbestos mitigation Countywide, Indoor air quality, Criminal Justice foundation work, Flood Zone assessments, Various improvement districts, CAFM project, Job Order Contracting and Master Planning.
 - **Parks – Effie Yeaw Nature Center \$50,000** -- Complete replacement of roof and siding.
 - **Sheriff's Department – South Area Station \$50,000** -- Complete carpet renovation in Administration area.
 - **Work Release Facility \$10,000** -- Continued renovation of facility.
- **TRUST FUNDS (Courthouse Temporary Construction Fund and Criminal Justice Facility Temporary Construction Fund): Expected Expenditures \$3,105,000**
 - **Courthouse \$2,296,000** -- Various remodel/renovation projects including carpeting, reupholstering, security control panel repair/replacement, construction of holding cells, signage and space reprogramming.
 - **Carol Miller Justice Center \$169,000** -- Repair of roof, creation of additional offices, addition of handrails and modification of patio area.
 - **Probation – Boys Ranch \$575,000** -- Re-roof of entire complex, addition of housing unit, address water supply issues.
 - **Probation – Juvenile Hall \$65,000** -- Recarpeting in various sections, plus installation of internet/cable to all classrooms.
- **GRANT FUNDS: Expected Expenditure \$50,000**
 - **Probation – Warren E. Thornton Youth Center \$50,000** -- Design and construction of additional beds and gym. Total grant funding exceeds \$2 million, but is expected to be recouped in Fiscal Year 2002-03 (paid in arrears).
- **TOBACCO LITIGATION SETTLEMENT FUNDS: Expected Expenditure \$770,000**
 - **Juvenile Hall Expansion \$450,000** -- Beginning of project to expand Juvenile Hall (\$40,000,000 total project).
 - **Libraries – Carmichael \$100,000** -- Renovation or replacement of Carmichael Library (\$5,200,000 total).
 - **Primary Care Clinic \$155,000** -- Design/Construction of a new Primary are Clinic (\$30,800,000 total).
 - **Animal Care Shelter \$65,000** -- Design/Construction of a new Animal Care/Parks Facility (\$6,000,000 available for an approximate \$10-12 million project).

BUDGET PROCESS AND TIMELINE

Sacramento County has had a consistent budget process for the last several years, but sufficient flexibility is built into the process so the County may react to year specific budget and operational issues and problems. Under the leadership of the county's Chief Financial Officer, staff of the Office of Budget and Debt Management, within the County Executive Office, work year-round on the budget. Staff begins work on the next annual budget cycle before the previous cycle is completed. The annual budget process timeline is as follows:

Event	Time
Establish annual Timeline for Budget Hearings and distribution of budget materials	October -November
Develop Major Budget Assumptions <ul style="list-style-type: none"> Allocated Costs Personnel Costs-based on full year costs for all authorized positions 	November 2000-January 2001 December 2000-January 2001
Prepare Budget Forecast based on 5-year General Fund Model	December 2000-January 2001
Midyear Budget Update--Public Presentation to Board of Supervisors	February 13, 2001, Tuesday
Distribute Budget Materials and Instructions to departments	February 15, 2001, Thursday
Improvement/Alteration Requests (Form 330) due to the Capital Construction Fund staff	March 2, 2001, Friday
Salary Ordinance Update & Position Summary Reports distributed to departments	March 16, 2001, Friday
Base Budgets Requests due from General Fund Departments	March 30, 2001, Friday
Base Budgets due from Other Departments and Districts	April 16, 2001, Monday
Analysis and Recommendations by County Executive Analysts of Departments Base Budget Submittals	Mid-April to Mid-May
Requests for Growth (Additional Funds) from departments	April 30, 2001, Monday
Preparation of Proposed Budget Materials	May 9 to June 1, 2001
Recommended Proposed Budget Available—Published document, by state law, must be available to public ten calendar days prior to first day of budget hearings	June 8, 2001, Friday

Event	Time
Budget Hearings--Budget Overview and Determination of budget growth items and/or reductions—focus on establishing base budget and identification of budget issues.	June 19, 2001 Tuesday (If necessary, June 21, & 22, 2001, Thursday, & Friday) Afternoon
Implement Proposed Budget	July 1, 2001, Sunday
Final Budget Request Changes from Departments	July 27, 2001, Friday
Recommended Final Budget Released	August 29, 2001, Wednesday
Final Budget Hearing-Final Budget (overview of changes to Proposed Budget)	September 4 th , 2001, Tuesday, All Day
Budget Hearings—Final Budget Hearings-Growth Requests and/or reductions (if necessary), and Transient Occupancy Tax Fund	September 5th, 6th, & 7th, 2001, Wednesday, Thursday, & Friday-All Day
Dept. of Finance-Auditor/Controller Division Final Budget Resolution to the Board of Supervisors	September 25, 2001, Tuesday

EXAMPLE OF A BUDGET MESSAGE

EXAMPLE OF A BUDGET MESSAGE

COUNTY OF SACRAMENTO
STATE OF CALIFORNIA
COUNTY BUDGET ACT (1985)

① UNIT: 3610000 ASSESSOR
DEPARTMENT HEAD: KENNETH STIEGER
CLASSIFICATION
FUNCTION: GENERAL
ACTIVITY: Finance
FUND: GENERAL

SCHEDULE 9
BUDGET UNIT FINANCING USES DETAIL
FISCAL YEAR: xxxx-xx

② Financing Uses Classification	③ Actual xxxx-xx	Estimated / Actual xxxx-xx	④ Adopted xxxx-xx	⑤ Requested xxxx-xx	Recommended / Adopted xxxx-xx
Salaries/Benefits	8,528,566	9,307,485	9,814,215	9,639,719	9,639,719
Services & Supplies	1,566,386	1,802,726	1,765,075	2,276,321	2,276,321
Other Charges	169,931	176,000	228,914	186,843	186,843
Equipment	13,601	5,000	10,000	214,290	214,290
Intrafund Charges	814,871	713,562	665,672	673,362	673,362
SUBTOTAL	11,093,355	12,004,773	12,483,876	12,990,535	12,990,535
Intrafund Reimb	-1,883,205	-2,029,473	-2,027,205	-2,130,947	-2,130,947
NET TOTAL	9,210,150	9,975,300	10,456,671	10,859,588	10,859,588
Prior Yr Carryover	21,777	403,117	403,117	525,881	525,881
Revenues	5,312,151	5,609,821	5,575,625	5,879,350	5,879,350
NET COST	3,876,222	3,962,362	4,477,929	4,454,357	4,454,357
⑦ Positions	153.0	156.0	156.0	156.0	156.0

PROGRAM DESCRIPTION:

- Real Property:
 - Assessment: The discovery, valuation, and enrollment of all taxable real property.
 - Assessment Appeals: Reviewing the assessment, contacting the property owner, preparing a stipulation or rebuttal, and defending the Assessor's opinion of value at Assessment Appeal Board Hearings.
 - Proposition 8 Reassessment: This program includes both computerized and manual reassessments, as required by the California Constitution, to recognize reductions in a property's market value below its base year value and subsequent increases in the property's market value until it equals or exceeds the factored base year value.
- Personal Property:
 - Assessment: All activities related to the valuation of business property, aircraft, and other miscellaneous taxable personal property.
 - Audit: This subprogram includes all activities required in auditing businesses operating in Sacramento County at the location of their financial records, which in many cases are located out of Sacramento County and California.
 - Property Tax Exemption: The processing of all homeowner, church, and other types of tax exemptions.

AN EXPLANATION OF BUDGET MESSAGE ELEMENTS

The following explanations refer to the previous pages. Definitions of unfamiliar terms may be found in the Glossary.

1. UNIT:
Budget unit name and number.
2. FINANCING USES CLASSIFICATION:
Major categories of expenditures as classified by law. These categories are defined by the State Controller.
3. ACTUAL:
Amounts actually expended or received.
4. ADOPTED:
Amounts adopted by the Board of Supervisors.
5. REQUESTED:
Amounts requested by the department.
6. RECOMMENDED/ADOPTED:
Amounts recommended by the County Executive.
7. POSITIONS:
Total number of permanent positions the department is authorized to fill and for which funding is available.

GLOSSARY OF TERMS IN BUDGET DOCUMENT

<u>ACCOUNT:</u>	A classification of expenditure or revenue. Example: "Mail/Postage Charges" is an account in "Services & Supplies".	<u>BUDGET UNIT:</u>	The lowest entity in the budget hierarchy including all accounts for which a legal appropriation is approved by the Board of Supervisors. A department or agency may have one or more budget units assigned to it. Each budget unit is a collection of account numbers necessary to fund a certain division or set of goal-related functions.
<u>ACTIVITY:</u>	A specific line of work performed to accomplish a function for which a governmental unit is responsible. This designation is required by the State Controller. Example: "Protective Inspection" is an activity performed in discharging the "Public Protection" function.	<u>CAFR:</u>	Comprehensive Annual Financial Report.
<u>ADA:</u>	Americans with Disabilities Act.	<u>CalWORKs:</u>	California's Work Opportunity and Responsibilities to Kids.
<u>APPROPRIATION:</u>	An authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. Note: An appropriation usually is time limited and must be expended before that deadline.	<u>CAPITAL CONSTRUCTION FUND:</u>	Used to account for expenditures on buildings, construction, and land acquisition.
<u>ASSESSED VALUATION:</u>	A valuation set upon real estate or other property by a government as a basis for levying property taxes.	<u>CAPITAL PROJECTS:</u>	They county's acquisitions, additions, and improvements to fixed assets; e.g., buildings, building improvements, and land purchases.
<u>AVAILABLE FINANCING:</u>	All the means of financing a budget (current property taxes, miscellaneous revenues, and fund balance--except for encumbered reserves).	<u>CBO's:</u>	Community Based Organizations.
<u>AVAILABLE FUND BALANCE:</u>	The amount of fund balance available to finance the budget after deducting encumbrances and reserves.	<u>CCE:</u>	Capital Construction Fund.
<u>BERC:</u>	Business Environmental Resource Center.	<u>CCS:</u>	California Children's Services.
<u>BUDGET:</u>	The planning and controlling document for financial operation with estimates of proposed expenditures and revenues for a given period of time, usually one year.	<u>CFD:</u>	Community Facilities District.
<u>BUDGET DOCUMENT:</u>	Written instrument used by the budget-making authority to present a comprehensive financial program.	<u>CJC:</u>	Criminal Justice Cabinet.
		<u>CJIS:</u>	Criminal Justice Information System.
		<u>CLETS:</u>	California Law Enforcement Telecommunications System.
		<u>COBRA:</u>	Consolidated Omnibus Budget Reconciliation Act.
		<u>COLA:</u>	Cost of Living Adjustment.
		<u>COMPASS:</u>	Comprehensive Online Management Personnel and Accounting System for Sacramento County.

CONSUMER PRICE INDEX (CPI): A statistical measure of change, over time, in the prices of goods and services in major expenditure groups--such as food, housing, apparel, transportation, and health and recreation--typically purchased by urban consumers. Essentially it measures the purchasing power of consumers' dollars by comparing what a sample "market' basket" of goods and services costs today with what the same sample market basket cost at an earlier date.

CONTINGENCIES: A budgetary provision representing that portion of the financing requirements set aside to meet unforeseen expenditure requirements.

COP: Certificates of Participation.

COST: The estimated expenditure for a particular resource.

COST OF GOODS SOLD: Items purchased for resale or reissue. Examples: aviation gasoline; paper; and other supplies.

COUNTYWIDE FUNDS: Operating funds of the county accounting for expenditures and revenues for countywide activities.

COUNTYWIDE PROGRAMS: Programs that benefit all areas of the County, both within city limits and outside city limits.

CSA: County Service Area.

CSAC: California State Association of Counties.

CSCDA: California Statewide Community Development Authority.

CSD: County Sanitation District.

CSPC: Community Services Planning Council.

CUPCAA: California Uniform Public Construction Cost Accounting Act.

DEBT SERVICE FUND: Established to finance and account for the payment of interest and principal on bonds or other long-term borrowing.

DEPARTMENT: An organizational device used by county management to group programs of a like nature.

DISAGREED ITEM: Difference in estimates for the following fiscal year between the submitting department's request and the County Executive's recommendations must be submitted in writing by law. Unless the department withdraws such requests, they are shown in the budget document as "Disagreed Items".

EBT: Electronic Bank Transfer.

EDA: Economic Development Administration.

EMD: Environmental Management Department.

ENCUMBRANCE: An obligation in the form of a purchase order, contract, or other commitment which is chargeable to an appropriation and for which a part of the appropriation is reserved. In some cases reserves are carried over into succeeding fiscal years.

ENTERPRISE FUND: Established to finance and account for the operation and maintenance of facilities and services which are predominantly self-supporting by user charges. Example: Airport Enterprise Fund.

EQUIPMENT: Tangible property of a more or less permanent nature, other than land or buildings and improvements thereon. Examples are machinery, tools, trucks, cars, furniture, and furnishings.

ERAF: Educational Revenue Augmentation Fund.

EXPENDITURE: Decreases in net financial resources. Expenditures include current operating expenses that require the current or future use of net current assets, debt service, and capital outlays.

EZES: Enterprise Zone Employment System.

FICA: Federal Insurance Contributions Act.

FINAL BUDGET: Approved legal spending plan for a fiscal year. In Sacramento County, the Board of Supervisors is responsible for approving a final budget by August 30 each year. State law allows for the extension of this date.

FISCAL YEAR: Twelve-month period for which a budget is prepared. In Sacramento County, the fiscal year is July 1 to June 30.

FISH AND GAME FUND: Accounts for all the fish and game fines collected by the courts. Expenditures from this fund must be for game and wildlife propagation and education.

FIXED ASSET: An asset of long-term character such as land, buildings, certain furniture, and other equipment.

FTP: Failure to Pay.

FUNCTION: A group of related activities aimed at accomplishing a major service for which a governmental unit is responsible. These designations are specified by the State Controller. Example: "Public Protection" is a function.

FUND: Independent fiscal and accounting entity; e.g., Library Fund. (See Schedule 1)

FUND BALANCE: The excess of assets and estimated revenues of a fund over its liabilities and appropriations. A portion of this balance may be available to finance the succeeding year's budget.

GENERAL FUND: The major Countywide Fund.

GENERAL OBLIGATION BOND: A bond whose repayment is guaranteed by pledging all the assets and revenues of a governmental agency.

GIS: Geographic Information System.

GRANT: A contribution from one governmental unit to another, usually made for a specific purpose and time period. Example: "Nutrition Programs for the Elderly" are financed by the Federal Government and administered by the County.

HSIS: Human Services Information System.

HVAC: Heating, Ventilation and Air Conditioning.

IDP: Indigent Defense Program.

IHSS: In Home Supportive Services.

IMPROVEMENTS: Buildings, other structures, and other attachments or annexations to land which are intended to remain so attached or annexed, such as sidewalks, trees, drives, tunnels, drains, and sewers.

INTERFUND CHARGES: A transfer of costs from departments in other funds.

INTRAFUND CHARGES: A transfer of costs to the operating units within the same fund.

INTERFUND REIMBURSEMENTS: Payment received for services rendered to departments in other funds.

INTRAFUND REIMBURSEMENTS: Payment received for services rendered to other operating units within the same fund.

<u>INTERNAL SERVICE FUND:</u>	Consists of organizations created to perform specified services for other county departments. The services performed are charged to the using department. Example: General Services.
<u>IT:</u>	Information Technology.
<u>ITPB:</u>	Information Technology Policy Board.
<u>JIMS:</u>	Jail Inmate Management System.
<u>LAFCo:</u>	Local Agency Formation Commission.
<u>LAIF:</u>	Local Agency Investment Fund.
<u>LAN:</u>	Local Area Network.
<u>LAND:</u>	A fixed asset account which reflects the cost of land owned by a government.
<u>LIBRARY FUND:</u>	Accounts for revenues to and expenditures by the Libraries in the unincorporated areas of the County.
<u>MIS:</u>	Management Information System.
<u>MOU:</u>	Memorandum of Understanding.
<u>M/WBE:</u>	Minority/Women-owned Business Enterprises
<u>OBJECT:</u>	A major category of appropriation. Example: "Salaries and Employee Benefits" and "Services & Supplies".
<u>OCIT:</u>	Office of Communications and Information Technology.
<u>OCR:</u>	Optical Character Recognition.
<u>OTHER CHARGES:</u>	A payment to an agency, institution, or person outside the County Government. Example: "Medi-Cal contributions".
<u>PERB:</u>	Public Employees' Relations Board.

<u>PFFP:</u>	Public Facilities Financing Plan.
<u>PROPOSED BUDGET:</u>	The working document for the fiscal year under discussion. Approval of this document does not generally allow expenditures for new programs or fixed assets.
<u>PUC:</u>	Public Utilities Commission.
<u>REAL PROPERTY:</u>	Land and the structures attached to it.
<u>RESERVE:</u>	An amount in a fund used to meet cash requirements, emergency expenditures, or future defined requirements. A reserve is not an appropriation, and there is no limitation on the amount of reserve that can be established.
<u>RESIDUAL EQUITY TRANSFERS:</u>	Nonrecurring or non-routine transfers of equity between funds.
<u>RFP:</u>	Request for Proposal.
<u>ROAD FUND:</u>	Accounts for expenditures on road, street, and bridge construction and improvements.
<u>SACBO:</u>	Sacramento Association of Community Based Organizations.
<u>SACOG:</u>	Sacramento Area Council of Governments.
<u>SACTO:</u>	Sacramento Area Commerce and Trade Organization.
<u>SAFCA:</u>	Sacramento Area Flood Control Agency.
<u>SALARIES AND EMPLOYEE BENEFITS:</u>	Accounts which establish expenditures for employee-related costs.
<u>SCARPA:</u>	Sacramento County Agenda and Record Processing Application.
<u>SCBDA:</u>	Sacramento County Budget Development Application.

SCERS: Sacramento County Employees' Retirement System.

SDSS: State Department of Social Services.

SECURED TAXES: Taxes levied on real properties in the County which must be "secured" by lien on the properties.

SELF-INSURANCE FUND: Accounts for self-insurance transactions.

SERVICES AND SUPPLIES: Accounts which establish expenditures for most of the operating expenses of county departments and programs.

SETA: Sacramento Employment and Training Agency.

SHRA: Sacramento Housing and Redevelopment Agency.

SMAC: Sacramento Metropolitan Arts Commission.

SMUD: Sacramento Municipal Utility District.

SRCSD: Sacramento Regional County Sanitation District.

SPECIAL DISTRICT: A unit of local government generally organized to perform a single function. Examples: street lighting; waterworks; parks; and fire districts.

SUBVENTION: Monies which are provided to the County after being collected by an outside agency. Example: most of the county welfare programs are financed by state and federal income taxes. The County expends the money and is reimbursed by state and federal subventions.

SWA: Solid Waste Authority.

TANE: Temporary Assistance to Needy Families.

TAX LEVY: The amount of tax dollars billed to taxpayers based on the imposition of the property tax rate on the assessed valuation.

TEETER Plan: Also known as the Alternate Method of Tax Apportionment.

TEFRA: Tax Equity and Financial Responsibility Act.

TLS: Tobacco Litigation Settlement.

TOT: Transient-Occupancy Tax.

TRANSIENT-OCCUPANCY TAX: Monies collected by a hotel/motel tax.

UNINCORPORATED AREA: The areas of the County outside city limits.

UNSECURED TAX: A tax on properties such as office furniture, equipment, and boats which are not located on property owned by the assessee.

WAN: Wide Area Network.

VLF: Vehicle License Fees.