

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
September 6, 2006
9:30 AM

To: Board of Supervisors

From: County Executive

Subject: Recommended Fiscal Year 2006-07 Final Budget

Contact: Geoffrey B. Davey, Chief Financial/Operations Officer, 874-5803
Linda Foster-Hall, County Budget Officer, 874-2453

RECOMMENDATIONS:

1. Approve the attached Schedules that represent changes to the Fiscal Year 2006-07 Adopted Proposed Budget, constituting the approval of the Final Budget for Fiscal Year 2006-07.
2. Conduct a Transient-Occupancy Tax (TOT) Fund Hearing on Thursday, September 7, 2006, in order to determine appropriate discretionary grants (Attachment I).
3. Direct the Department of Finance to prepare the Fiscal Year 2006-07 Budget Resolutions for Board consideration on Tuesday, September 26, 2006.

BACKGROUND:

The Board of Supervisors adopted the Fiscal Year 2006-07 Proposed Budget on May 10, 2006. The adoption of the Proposed Budget represented a “status-quo” spending plan for the county’s General Fund. Due primarily to the robust real estate market in Sacramento County for the past three years, there will be sufficient General Purpose Financing available to maintain the base level of existing county programs. Additionally, since the passage of Proposition 1A, a more stable set of budgetary circumstances has been established between local governments and the State. Therefore, for the second year in several years, it will not be necessary to reduce programs/services in order to balance the General Fund budget.

During the Final Budget Hearings, the County Executive presents the Board with:

- Actual financial results from the previous fiscal year
- Impacts from the enacted state budget
- Revised base-budget requirements
- Updated revenue estimates for the new fiscal year
- Recommended additional funding based upon available net financing

There is additional, mostly one-time, financing capacity for Fiscal Year 2006-07 in the General Fund. This is predominately from fund balance improvements from one-time Property Tax collections, savings in caseload driven expenditures, and agency specific expenditure offsets and/or revenue shifts. However, there is still concern over the longer-term financial outlook. At

the low-point of the county's financial difficulties during the past few years, we delayed making necessary but difficult budget decisions by refinancing our bonded debt, in particular our Pension Obligation Bonds (POBs). In the short-term, this action significantly reduced the county's POB debt service and postponed the pension funding increases required by the pension benefit enhancements in 2003.

However, beginning in this current fiscal year, the debt service has returned to the levels that would otherwise have been in place for Fiscal Years 2004-05 and 2005-06, and will increase steeply in the following two fiscal years. As previously discussed with the Board, the General Fund's multiyear budget outlook shows significant deficits are likely during Fiscal Years 2007-08 and 2008-09. This situation could be compounded by the financial impacts from labor settlements if they are approved in amounts beyond the projected increases identified in the multiyear forecast presented.

Although our ongoing revenue picture has improved somewhat, continued extreme vigilance must be exercised in considering additional fund requests this year to avoid exacerbating future anticipated deficits.

DISCUSSION:

I. STATE BUDGET UPDATE

For the first time in six years, the State passed its budget before the start of the fiscal year. The legislature passed the 2006-07 Budget Bill on June 27, 2006, and the Governor signed the budget on June 30, 2006. In recent history, passage of the state's spending plan routinely meant cuts for local governments. However, the impacts of the State Budget on the County are generally positive this year:

- **Transportation Funding** - The State Budget includes about \$1.4 billion to partially repay Proposition 42 funds that were suspended in Fiscal Years 2003-04 and 2004-05. This will result in a payment to the County of approximately \$8.4 million for roadway maintenance. These funds will be used by the Department of Transportation for pavement maintenance and rehabilitation. While this funding was not previously expected to be available, Transportation does not consider it to be "additional" revenue for road maintenance. It is actually a partial payback of funds that the County should have received in Fiscal Years 2003-04 and 2004-05. During those years, the County lost more than \$10.0 million due to the suspension of Proposition 42 revenues.
- **California's Work Opportunity and Responsibilities to Kids (CalWORKs)** – Starting in October 2006, California must substantially increase the number of CalWORKs participants meeting federal work requirements or face substantial penalties. The State Budget provides funding for counties to implement strategies to increase the number of CalWORKs participants meeting federal work requirements.
- **Cost of Doing Business** – The Legislature rejected the Governor's proposal to statutorily freeze county funding to operate health and human services programs. Instead, the State Budget includes trailer bill language to reestablish a methodology to survey actual costs and require future budget documents to document the degree to which those costs are reflected in the budget.

- Foster Care – The State Budget increased funding to enhance child relationships for children ten years and older. There was also additional funding to hire additional adoptions caseworkers to increase finalized adoptions at the local level.
- The State Budget increased the Daily Jail Rate for Fiscal Year 2006-07 from \$68.22 to \$71.57 for state inmates housed in Sacramento County facilities. It is anticipated that this increase will net approximately \$815,000 to the Sheriff’s Department.

A detailed summary of the projected State Budget impacts to Sacramento County is attached (see Attachment II).

The State Budget did not reinstate the Assessor’s Property Assessment Grant Program that cut funding to the Assessor’s Office by \$1.554 million during Fiscal Year 2005-06. There has been legislation proposed that would institute a grant program for Fiscal Year 2007-08. Under the Property Assessment and Revenue for Education (PARE) proposal, assuming that the State appropriated funding, if a county meets certain conditions, the Assessor could receive additional funding for specified property tax administration purposes. As of this date, it is uncertain whether or not this legislation will be enacted. Additional analysis of this issue will be brought forth during the Fiscal Year 2006-07 Midyear Report.

II. GENERAL FUND FISCAL YEAR 2005-06 YEAR-END RESULTS

After the Fiscal Year 2005-06 financial books closed, the unaudited year-end results indicate that actual total General Fund balance/carryover is \$140.72 million, an increase of \$60.03 million over the year-end estimate included in the 2006-07 Adopted Proposed Budget. Of this amount, \$13.6 million was carryover improvements in departmental operations. The remainder (\$46.44 million) was one-time net improvements in general purpose financing (see Attachment III-A). The majority of the one-time general purpose financing will be used to establish a reserve guarantee for Sacramento Area Flood Control Agency (\$5.0 million) increase reserves for the Pension Obligation Bonds (\$19.116 million) and to increase Cash Flow Reserves (\$17.422 million).

The majority of departments/budget units had improvements to their year-end carryover over earlier estimated projections. However, there were several departments/budget units that had results worse than originally anticipated. Departments which experienced decreased carryovers compared to their earlier estimates have made adjustments to their spending plans to balance their budgets.

These departments/budget units with significant decreased carryover include the following:

| BUDGET UNIT | DEPARTMENT | AMOUNT |
|--------------------|--|---------------|
| 3610000 | Assessor | \$ 598,374 |
| 7400000 | Sheriff | 1,247,623 |
| 7410000 | Correctional Health Services | 122,211 |
| 3240000 | County Clerk/Recorder | 157,309 |
| 5040000 | County Contributions to Court Operations | 222,743 |
| 5050000 | Court Paid County Services | 774,541 |

In-Home Support Services (IHSS) Provider Payments also came in with a lower carryover balance. Since this budget unit reflects mandated countywide costs, it will require additional general purpose financing allocation for Fiscal Year 2006-07 to offset the lower/negative carryover.

Attachment III-B reflects the Fiscal Year 2005-06 year-end results for General Fund departments/budget units. This includes the change in carryover from the amounts previously included in the Fiscal Year 2006-07 Adopted Proposed Budget, and the recommended carryover reserve component for each department/budget unit which will be set aside for those departments to utilize in Fiscal Year 2007-08.

III. SUMMARY OF NET COST ADJUSTMENTS IN THE GENERAL FUND TO THE ADOPTED PROPOSED BUDGET FOR THE RECOMMENDED FINAL BUDGET CAUSED BY APPROVED STATE BUDGET AND CERTAIN LOCAL FUNDING ISSUES

Historically there are various adjustments in the net cost of the General Fund after the adoption of the Proposed Budget. These adjustments are generally the result of departmental changes associated with fully-funded program augmentations or grants, unavoidable cost increases in existing base programs, changes in state allocations and/or carryover. After these adjustments were made, the net amount of financing improvements between the Fiscal Year 2006-07 Adopted Proposed Budget and the County Executive's Recommended Fiscal Year 2006-07 Final Budget is \$13.623 million (after departmental expenditure offsets and/or revenue shifts). (See Attachment IV for details). These funds are unallocated and available to finance growth requests submitted by the departments for the General Fund as part of the Fiscal Year 2006-07 Final Budget process.

IV. RECOMMENDED ADDITIONAL REQUESTS IN GENERAL FUND

Pursuant to a process established by the County Executive, departments submitted a total amount of General Fund additional requests that exceeded \$62.9 million, including \$24.9 million from the Sheriff's Department alone. Because of the difficult budget circumstances forecast for Fiscal Years 2007-08 and 2008-09, and in order not to expand these anticipated deficits, the County Executive is recommending only a limited amount of additional program enhancements in the General Fund for Fiscal Year 2006-07.

It has been determined that these additions can be financed within the anticipated level of ongoing additional sources that includes both the financing improvements identified above and new/reallocated departmental resources. There are also some recommended additional requests that are totally offset by new (categorical) revenues that fully offset (self-fund) their net cost. Attachment V-A details the additional General Fund requests received from departments with net cost/cost mitigation. Attachment V-B details the recommended General Fund additional requests with full revenue offsets.

The following is a summary of the County Executive's recommended additional General Fund requests, summarized by Budget Priority Area, that have a net cost/cost offsets, or are totally offset by additional (categorical) revenues:

**RECOMMENDED ADDITIONAL GENERAL FUND ITEMS WITH NET COSTS
AND/OR COMPLETE COST MITIGATION**

| PRIORITY ZERO - MANDATES | | | |
|---|--|------------------------|-------------------------|
| BUDGET UNIT/ DEPARTMENT | DESCRIPTION | GENERAL FUND | |
| | | NET ONGOING | NET ONE-TIME |
| 7410000 Correctional Health Services | Additional funding to establish a Forensic Evidence Collection Unit to be in compliance at the Main Jail. | \$ 363,488 | |
| 7090000 Emergency Operations | Funding to develop Sacramento County's Emergency Operations Plan and coordinate the plan with local, state, and federal agencies. | | \$ 217,300 |
| 5660000 Grand Jury | Funding to reallocate the Court Executive Secretary position to Grand Jury Coordinator position. | 14,205 | |
| | Funding to install an alarm system for the Grand Jury office. | | 6,000 |
| 7200000 Department of Health and Human Services (DHHS) | Additional 3.0 positions in the County Medically Indigent Services Program (CMISP) Case Management Program to monitor and perform utilization review to revise the county's contract with the University of California, Davis (UCD). The cost of these positions will be fully offset by reduced treatment costs in Health-Medical Treatment Payments (Budget Unit 7270000). | 0 | |
| | Additional 1.0 position at the Mental Health Treatment Center to reduce the Executive Director's span of control and to manage administrative function. | 115,030 | |
| | Provide emergency crisis assessment, admission and referral services at the Mental Health Treatment Center in order to manage the current census capacity problem. | 2,417,416 | |
| | Additional 5.0 positions to mitigate the Non Medi-Cal Residual Caseload in the IHSS Case Management Program. The cost of these positions is fully offset by a reduction in IHSS Provider Payments. | 0 | |
| | Additional 10.0 positions to provide in-home care to dependent and elderly adults at the state's service level requirements. The cost of these positions is fully offset by a reduction in IHSS Provider Payments. | 0 | |
| | Additional 4.0 positions to staff IHSS Payroll. | 126,562 | |
| | | | |

| PRIORITY ZERO – MANDATES (continued) | | | |
|---|---|------------------------|-------------------------|
| BUDGET UNIT/ DEPARTMENT | DESCRIPTION | GENERAL FUND | |
| | | NET ONGOING | NET ONE-TIME |
| 8100000 Human Assistance Administration | Additional 5.0 positions to provide the minimum number of dedicated Medi-Cal staff necessary to address the eligibility requirements for IHSS clients. The cost of these positions is fully offset by state and federal revenues and a reduction in IHSS Provider Payments. | \$ 0 | |
| | Additional 4.0 Information Technology (IT) positions to support CalWORKs Information Network (CalWIN) Help Desk and CalWORKs Investigations Division. These costs are fully offset by a reduction in Extra Help account. | 0 | |
| | Additional 1.0 position for outreach and assessment services to homeless veterans. This cost is fully offset by reduced General Assistance Aid Payments. | 0 | |
| 6700000 Probation | Additional 2.0 positions to provide Radio dispatch services for Probation Field Officers. | 46,890 | \$ 80,000 |
| | Additional 4.0 positions to fulfill courtroom presenter and juvenile intake duties. The cost of these positions is partially offset by additional federal Title 4E revenue. | 205,114 | 7,200 |
| | Additional 3.0 positions to provide intensive field supervision to high-risk adult (Gang) offenders. | 244,242 | |
| | Additional 4.0 positions to provide hiring and background investigation services for the department. | 304,011 | 5,000 |
| 6910000 Public Defender | Additional 7.0 positions to allow the Public Defender to continue to meet his legally mandated duty to provide effective legal representation to clients. | 773,802 | 34,050 |
| 7400000 Sheriff | Additional 2.0 positions to process mandated requests for DNA swabs and forensic identification. | 161,342 | |
| | Additional 8.0 positions at the correctional facilities to provide management staff on all shifts. | 1,309,214 | |
| | Increase in appropriations for both the Main Jail and the Rio Cosumnes Correctional Center for food. | 715,000 | |
| | PRIORITY ZERO TOTAL | \$ 6,433,028 | \$ 349,550 |
| | PRIORITY ZERO TOTAL | \$6,782,578 | |

| PRIORITY 1 - DISCRETIONARY LAW ENFORCEMENT | | | |
|---|---|---|-------------------------|
| BUDGET UNIT/ DEPARTMENT | DESCRIPTION | GENERAL FUND | |
| | | NET ONGOING | NET ONE-TIME |
| 5770000 Non-Departmental Cost | Centrally budget offset to the “average annual savings factor” for the Sheriff if required to offset any cost overrun associated with the deputies returning from contract cities. | | \$ 4,965,866 |
| 5800000 District Attorney | Additional 3.0 positions for Career Criminal Unit (2.0 High Risk Parolee/Gang Offender Prosecutors and 1.0 Investigator) to complement the multijurisdictional effort of criminal justice agencies within Sacramento County. | \$ 488,639 | |
| | Additional 1.0 position for the Forensic Services Toxicology Unit to analyze toxicology specimens from driving-under-the-influence (DUI) cases and Coroner’s cases. | 156,682 | |
| | Additional 1.0 position to spearhead a collaborative task force to utilize a ballistic database to investigate and prosecute gang members. The cost of this position is partially offset by new grant funding. The remaining cost is a county required match. | 10,405 | |
| | Additional 1.0 position for the Misdemeanor and Felony Investigative Assistance Unit. | 89,852 | |
| | Additional 1.0 position to support the Criminal Justice Information System and the California Law Enforcement Telecommunications System (CLETS). | 113,762 | |
| | New lease space for the Major Narcotics and the Non-Sufficient Funds Program. | 136,086 | 115,000 |
| | 7400000 Sheriff | Additional 16.0 positions to convert contract IT positions to permanent county positions per the Sheriff’s audit recommendations. | 1,590,126 |
| | In-Car cameras for Field Services to increase officer safety and improve community understanding of law enforcement activities. | | 1,800,000 |
| | PRIORITY 1 TOTAL | \$ 2,585,552 | \$ 6,880,866 |
| | PRIORITY 1 TOTAL | \$9,466,418 | |

| PRIORITY 2 - SAFETY NET | | | |
|--|---|------------------------|-------------------------|
| BUDGET UNIT/ DEPARTMENT | DESCRIPTION | GENERAL FUND | |
| | | NET ONGOING | NET ONE-TIME |
| 8100000 Human Assistance- Administration | Additional funding for rent and tenant improvements for the new Senior Nutrition Services facility. | \$ 54,004 | \$ 533,519 |
| | PRIORITY 2 TOTAL | \$ 54,004 | \$ 533,519 |
| | PRIORITY 2 TOTAL | \$587,523 | |

| PRIORITY 3 - QUALITY OF LIFE | | | |
|-------------------------------------|--|------------------------|-------------------------|
| BUDGET UNIT/ DEPARTMENT | DESCRIPTION | GENERAL FUND | |
| | | NET ONGOING | NET ONE-TIME |
| 3220000 Animal Care & Regulation | Additional 3.0 positions to improve customer service and care to shelter animals. | \$ 163,108 | |
| | Additional 2.0 positions for the mobile spay-neuter unit. | 168,938 | |
| 5760000 Neighborhood Services | Initial facility planning for the Arden Arcade/Carmichael Community Service Center (CSC). This cost is partially offset from the Sacramento Metropolitan Fire District who will ultimately sublease space in the new facility. | | \$ 10,000 |
| | Initial facility planning for the North Area CSC. This cost is partially offset from Municipal Service Agency departments that will be co-located at the facility. | | 20,000 |
| | Initial facility planning for the South Area CSC. This cost is partially offset from Municipal Service Agency departments that will be co-located at the facility. | | 20,000 |
| | Establish a CSC in Fair Oaks/Orangevale to provide enhanced customer service to the community residents. This cost is partially offset by revenue from a sublease with the Sacramento Metropolitan Fire District. | 30,000 | |
| 6400000 Regional Parks | Funding for the Lower American River 2-D Hydraulic Modeling study required by the State Reclamation Board permit requirements. | | 42,800 |
| | Funding to connect the Goethe Park domestic water supply to a new potable water purveyor. | | 40,000 |
| | Funding to make repairs to the American River Parkway Bicycle Trail from Harrington Access to Watt Avenue. | | 25,000 |

| PRIORITY 3 - QUALITY OF LIFE (continued) | | | |
|---|---|------------------------|-------------------------|
| BUDGET UNIT/ DEPARTMENT | DESCRIPTION | GENERAL FUND | |
| | | NET ONGOING | NET ONE-TIME |
| 6610000 Planning and Community Development | Additional 1.0 position to focus on removing constraints to quality infill development. | \$ 197,692 | |
| | PRIORITY 3 TOTAL | \$ 559,738 | \$ 157,800 |
| | PRIORITY 3 TOTAL | \$717,538 | |

| PRIORITY 4 - GENERAL GOVERNMENT | | | |
|---|---|------------------------|-------------------------|
| BUDGET UNIT/ DEPARTMENT | DESCRIPTION | GENERAL FUND | |
| | | NET ONGOING | NET ONE-TIME |
| 4010000 Board of Supervisors | Additional 1.0 position to provide added support to the AgendaNet project. The cost of this position is fully offset from Data Processing-Shared Systems. | \$ 0 | |
| 5710000 Data Processing- Shared Systems | General Fund support for the Shared Application E-Forms project which will enhance access to various county Intranet and Internet Web sites. | | \$ 155,000 |
| | PRIORITY 4 TOTAL | \$ 0 | \$ 155,000 |

| PRIORITY 5 - PREVENTION/INTERVENTION PROGRAMS | | | |
|--|---|------------------------|-------------------------|
| BUDGET UNIT/ DEPARTMENT | DESCRIPTION | GENERAL FUND | |
| | | NET ONGOING | NET ONE-TIME |
| 4810000 County Counsel | Additional 1.0 position to provide legal representation to county agencies/ departments on personnel issues. | \$ 197,053 | |
| 7200000 DHHS | Additional 1.0 position for the Primary Health Clinic Care-A-Van Program. The cost of this position is fully offset by a reduction in extra help. | 0 | |
| | PRIORITY 5 TOTAL | \$ 197,053 | |

| | | |
|---|-----------------------|---------------------|
| AGENCY SPECIFIC EXPENDITURE OFFSETS/REVENUE SHIFTS | \$ (4,268,118) | \$ (378,000) |
| SUBTOTALS | \$ 5,924,545 | \$ 7,698,735 |
| FUNDED/COST OFFSET GRAND TOTAL | \$13,623,280 | |

**RECOMMENDED ADDITIONAL GENERAL FUND ITEMS WITH FULL REVENUE
OFFSETS**

| PRIORITY ZERO - MANDATES | | |
|--|--|--|
| BUDGET UNIT/ DEPARTMENT | DESCRIPTION | GENERAL FUND GROSS AMOUNT |
| 3210000 Ag Comm/Sealer of Wts & Measures | Additional 4.0 positions to inspect Automated Point of Sale systems. The cost of these positions is fully offset by an increase in departmental fees. | \$ 440,000 |
| 4410000 Voter Registration & Elections | Optical Character Recognition/Intelligence Character Recognition upgrade for the existing Election Information Management System database. The cost for this upgrade is funded by federal Help America Vote Act (HAVA) revenues. | 175,000 |
| | 1,000 Electronic Poll Books. The cost of these books is funded by federal HAVA revenues. | 1,000,000 |
| | Electrical charging system for precinct scanners and AutoMARK units. The cost for this system is funded by federal HAVA revenues. | 250,000 |
| 5810000 Child Support Services | Additional funding for overtime to significantly reduce the number of payments that are being placed in suspense or misdirected. This cost is fully offset by new state funding. | 163,004 |
| 7200000 DHHS | Additional 1.0 position to insure IT expenditures are reimbursed in the Federal Claim and that the department is in compliance with the federal and state laws and regulations. The cost of this position is fully offset by federal and state reimbursements. | 221,226 |
| | Additional 1.0 position to record birth and death certificates and provide data to monitor the health of Sacramento County. The cost of this position is fully offset by additional departmental revenue. | 56,156 |
| | Additional 1.0 position to provide support to the Caregiver Registry, allowing improved response time to IHSS consumer list requests. The cost of this position is fully offset by the IHSS Public Authority. | 55,979 |
| | Additional 1.0 position to increase participation of caregivers and consumers in mandated focused educational program. The cost of this position is fully offset by the IHSS Public Authority. | 90,138 |
| | Additional 11.0 positions to provide effective case management to 5,000 eligible children as well as 800 physical and occupational therapy cases. The costs are fully funded by California Children's Services and relocated Realignment Revenues. | 823,306 |

| PRIORITY ZERO – MANDATES (continued) | | |
|---|--|--|
| BUDGET UNIT/ DEPARTMENT | DESCRIPTION | GENERAL FUND GROSS AMOUNT |
| 6700000 Probation | Additional 1.0 position to provide proactive field supervision of the highest-risk DUI offenders. The cost of this position is fully offset by grant revenues. | \$ 163,192 |
| 7400000 Sheriff | Additional 3.0 positions to staff the increased caseload of the Home Detention program. The cost of these positions is fully funded by program fees. | 355,252 |
| | Additional cameras for the Main Jail for inmate and officer safety. This cost is fully offset from the Inmate Welfare Fund. | 500,000 |
| | Closed-circuit television (CCTV) system for the Honor Barracks to increase inmate and officer safety at that facility. This cost is fully offset from the Inmate Welfare Fund. | 1,500,000 |
| PRIORITY ZERO TOTAL | | \$ 5,793,253 |

| PRIORITY 1 - DISCRETIONARY LAW ENFORCEMENT | | |
|---|---|--|
| BUDGET UNIT/ DEPARTMENT | DESCRIPTION | GENERAL FUND GROSS AMOUNT |
| 5800000 District Attorney | Additional 1.0 position for Traffic Court to assist with the timely processing of subpoenas. The cost of this position is fully offset by revenues from citing jurisdictions. | \$ 56,524 |
| 7400000 Sheriff | Additional 1.0 position to supervise staff and maintain required inventory for the Radio Shop. The cost of this position is fully offset by Tucker funds. | 119,624 |
| | Additional 4.0 positions for the Civil Division to process documents in a timelier manner. The cost of this position is fully offset by additional civil process fees. | 219,718 |
| PRIORITY 1 TOTAL | | \$ 395,866 |

| PRIORITY 2 - SAFETY NET | | |
|------------------------------------|---|--|
| BUDGET UNIT/ DEPARTMENT | DESCRIPTION | GENERAL FUND GROSS AMOUNT |
| 7200000 DHHS | Additional 1.0 position for the IHSS Public Authority to provide staff and support to IHSS consumers calling the Caregiver Registry for assistance. The cost of this position is fully offset with federal, state and Public Authority funds. | \$ 64,559 |
| PRIORITY 2 TOTAL | | \$ 64,559 |

| PRIORITY 3 - QUALITY OF LIFE | | |
|---|--|--|
| BUDGET UNIT/ DEPARTMENT | DESCRIPTION | GENERAL FUND GROSS AMOUNT |
| 6610000 Planning and Community Development | Additional 2.0 positions to staff the public counter enabling Code Enforcement personnel to return to the field. The cost of this position is fully offset from departmental fees. | \$ 158,966 |
| PRIORITY 3 TOTAL | | \$ 158,966 |

| PRIORITY 4 - GENERAL GOVERNMENT | | |
|---|--|--|
| BUDGET UNIT/ DEPARTMENT | DESCRIPTION | GENERAL FUND GROSS AMOUNT |
| 3240000 County Clerk/ Recorder | Additional 1.0 position for the Fair Oaks/Orangevale CSC and image conversion (total of two requests) to reduce customer response time for registering, indexing, microfilming of birth/death/marriage records. The cost of this position is fully offset by County Clerk/Recorder Trust Fund. | \$ 1,502,580 |
| 6050000 Personnel Services | Additional 1.0 position to administer multiple employee/retiree benefit programs. The cost of this position is fully offset by departmental fees. | 86,041 |
| 6610000 Planning and Community Development | Upgrade current data system to include Web based processes for applications. The cost of this upgrade is fully offset by departmental fees. | 233,000 |
| PRIORITY 4 TOTAL | | \$ 1,821,621 |
| SELF-FUNDED GRAND TOTAL | | \$ 8,234,265 |

V. RECOMMENDED INCREASES TO GENERAL FUND RESERVES

The Office of Budget and Debt Management recommends that the additional carryover for most General Fund departments (\$11,872,241) between Proposed and Final Budget be added to our General Fund reserves as a financing source for Fiscal Year 2007-08. This conforms to budget policy established by the Board in February, 2003, and which has been followed for the past three fiscal years.

These funds will be specifically earmarked for the departments who earned the additional carryover. The exceptions to this recommendation are the additional carryover for the Voter Registration and Elections Department which had unused grant funds (\$1,079,136) in Fiscal Year 2005-06 that must be spent on voter equipment modernization, and Planning and Community Development Department which had unused General Fund allocation (\$300,000) targeted specifically for Adult Business Use zoning issues. In both cases the departments were allowed to rebudget those carryover amounts for Fiscal Year 2006-07.

Both Moody's and Standard & Poor's, in their most recent ratings of the county's debt, indicated that cash reserves (as a percentage of expenditures) held by the County fell below the norm of 15.0 percent or greater. Therefore, it is recommended that reserves for cash flow be increased by \$17.422 million. It is also recommended that \$19.116 million be reserved to mitigate the scheduled increase in our Pension Obligation Bond debt service in the future years.

The Sacramento Area Flood Control Agency (SAFCA) has requested that the county's Director of Finance purchase \$5.0 million in SAFCA Bond Anticipation Notes (BANs) from the county's Pooled Investment Fund. Formal approval of this transaction will be before the Board on September 12, 2006. One aspect of this agreement is that for added protection against default, the General Fund will establish a reserve in the amount of \$5.0 million. Therefore, a reserve is being recommended pending the Board's final determination at the upcoming hearing.

VI. SUMMARY OF FISCAL YEAR 2006-07 RECOMMENDED FINAL BUDGET

The following table summarizes the 2006-07 Recommended Final Budget for the General Fund:

| <u>2006-07 Recommended Final General Fund Budget</u> | | | | | | | |
|---|-------------------|-------------------|-----------------|-----------------|-------------------|-------------------|-------------------|
| (Amounts Expressed In Millions) | | | | | | | |
| | Appro- | Estimated | Net | Carry- | | 2005-06 | 2006-07 |
| | priations | Revenues | Cost | Over | Allocation | Percent of | Percent of |
| | | | | | | Allocation | Allocation |
| ELECTED OFFICIALS | | | | | | | |
| Assessor | \$ 17.29 | \$ 6.78 | \$ 10.50 | \$ 2.24 | \$ 8.26 | 1.08% | 1.29% |
| Board of Supervisors | 4.40 | 0.68 | 3.72 | 0.35 | 3.37 | 0.50% | 0.53% |
| District Attorney | 62.39 | 21.31 | 41.08 | 3.49 | 37.58 | 6.43% | 5.86% |
| Sheriff | 317.14 | 156.78 | 160.36 | 3.34 | 157.01 | 23.17% | 24.47% |
| Correctional Health Services | 37.88 | 20.14 | 17.74 | 0.10 | 17.64 | 2.66% | 2.75% |
| Emergency Operations | 9.31 | 8.78 | 0.53 | 0.08 | 0.45 | 0.00% | 0.07% |
| SUBTOTAL | \$ 448.40 | \$ 214.48 | \$233.92 | \$ 9.60 | \$ 224.31 | 33.84% | 34.95% |
| COUNTYWIDE SERVICES | | | | | | | |
| Child Support Services | \$ 34.13 | \$ 33.97 | \$ 0.16 | \$ 0.00 | \$ 0.16 | 0.00% | 0.03% |
| Health and Human Services | 483.61 | 447.10 | 36.51 | 5.06 | 31.45 | 4.11% | 4.90% |
| Health Treatment Account | 39.60 | 20.02 | 19.58 | 0.00 | 19.58 | 3.47% | 3.05% |
| Human Assistance-Admin. | 266.59 | 232.96 | 33.63 | 3.98 | 29.65 | 4.76% | 4.62% |
| Human Assistance-Payments | 392.99 | 350.24 | 42.75 | 0.00 | 42.75 | 8.77% | 6.66% |
| IHSS Provider Payments | 53.32 | 46.58 | 6.74 | 0.00 | 6.74 | 1.34% | 1.05% |
| Probation | 113.91 | 53.75 | 60.16 | 7.54 | 52.62 | 7.06% | 8.20% |
| Public Defender | 24.48 | 0.78 | 23.70 | 0.95 | 22.75 | 3.79% | 3.54% |
| Other | 119.44 | 43.44 | 76.00 | 0.90 | 75.11 | 12.55% | 11.70% |
| SUBTOTAL | \$1,528.07 | \$1,228.84 | \$299.23 | \$ 18.43 | \$ 280.81 | 45.85% | 43.76% |
| GENERAL | | | | | | | |
| GOVERNMENT/CF/OO | 21.34 | 5.16 | 16.18 | 1.61 | 14.57 | 0.83% | 2.27% |
| INTERNAL SERVICES | 100.70 | 42.03 | 58.67 | 1.93 | 56.74 | 8.63% | 8.84% |
| MUNICIPAL SERVICES | 39.93 | 20.59 | 19.34 | 2.93 | 16.41 | 2.44% | 2.56% |
| CONTINGENCIES | 5.00 | 0.00 | 5.00 | 0.00 | 5.00 | 0.91% | 0.78% |
| RESERVE CHANGES | 43.92 | 0.00 | 43.92 | 0.00 | 43.92 | 7.50% | 6.84% |
| TOTAL | \$2,187.36 | \$1,511.10 | \$676.26 | \$ 34.50 | \$ 641.76 | 100.0% | 100.0% |
| Note: Numbers may not add due to rounding. | | | | | | | |

The total requirement for departmental appropriations and the recommended reserve increases are \$2,187.36 billion. Approximately 79.0 percent of total appropriations (spending) are for departments of elected officials and for countywide services programs. All other programs, the contingency, and the reserve increases amount to 21.0 percent of the total appropriations. Most of the general government and human resources programs provide at least some support to the elected department heads and countywide services programs.

The financing for the expenditures and reserve increases may be summarized:

(Amounts Expressed in Millions)

| | | |
|---------------------------|-------------------|-----------------------|
| Departmental Revenues | \$1,511.10 | 69.08 percent |
| Carryover | 34.50 | 1.58 percent |
| General Purpose Financing | 641.76 | 29.34 percent |
| Total Financing | \$2,187.36 | 100.00 percent |

Over 69.0 percent of the financing comes from departmental revenues which are predominately from state and federal sources. Carryover of \$34.50 million represents 1.58 percent of total financing and is being made available for departmental use.

The general purpose financing is not dedicated to any specific program or function. The general purpose financing makes up 29.34 percent of overall financing in the General Fund and consists of non-departmental general revenues (such as property tax, sales tax, vehicle license fees, utility tax, etc.), transfers in from other funds, and reserve changes. Certain expenditures, such as interest expense on the annual cash-flow borrowing and tax collection fees, are netted against the financing sources.

VII. RECOMMENDED GROWTH REQUESTS IN NON-GENERAL FUND BUDGET UNITS

In the Non-General Fund departments we are recommending a limited amount of additional funding requests, all of which are funded through categorical (enterprise) sources. Attachment V-C summarizes the recommended Non-General Fund additional requests. Following is a summary of the recommended Non-General Fund additional requests:

RECOMMENDED ADDITIONAL NON-GENERAL FUND ITEMS

| PRIORITY ZERO - MANDATES | | |
|--|--|--------------------------|
| BUDGET UNIT/ DEPARTMENT | DESCRIPTION | GROSS AMOUNTS |
| 2900000 Roads | Additional funding for road construction and maintenance. This cost is fully funded from new categorical revenue. | \$ 3,228,300 |
| 3350000 Environmental Management Department (EMD) | Funding for terminal pay and recruitment costs for EMD Director and Environmental Specialists. This cost is fully funded from departmental fees. | 82,587 |
| 7600000 Office of Communications & Information Technology (OCIT) | Additional 1.0 position to develop, implement and maintain software applications for the Sacramento Regional Radio Communications System (SRRCS). The cost of this position is fully funded from revenues received from SRRCS. | 111,365 |
| PRIORITY ZERO TOTAL | | \$ 3,434,252 |

| PRIORITY 2 - SAFETY NET | | |
|------------------------------------|---|--------------------------|
| BUDGET UNIT/ DEPARTMENT | DESCRIPTION | GROSS AMOUNTS |
| 8600000 Community Services | Funding for the expansion of nutrition services in the cities of Elk Grove and Rancho Cordova and for the additional rent and tenant improvements for the new Senior Nutrition Services facility. These costs are fully funded by the cities, and Community Development Block Grant funds, and reimbursement from Budget Unit 8100000, Human Assistance-Administration. | \$ 647,448 |
| PRIORITY 2 TOTAL | | \$ 647,448 |

| PRIORITY 3 - QUALITY OF LIFE | | |
|-------------------------------------|--|--------------------------|
| BUDGET UNIT/ DEPARTMENT | DESCRIPTION | GROSS AMOUNTS |
| 21500000 Building Inspection | Funding for CSC facility planning in Arden Arcade/Carmichael, North Area, South Area and the establishment of a facility in Fair Oaks/Orangevale. These costs are fully offset from a release of reserves in the Building Inspection Fund. | \$ 0 |
| PRIORITY 3 TOTAL | | \$ 0 |

| PRIORITY 4 – GENERAL GOVERNMENT | | |
|--|---|------------|
| 2550000 Water Quality | Continue to develop and maintain the base mapping system (GIS). This cost will be fully funded through a reduction on other various accounts. | \$ 198,973 |
| 34000000 Airport Enterprise | Continued infrastructure development to meet the needs of projected future growth at Sacramento International Airport. This request is funded by Retained Earnings in the Airport Enterprise Fund. | 2,380,847 |
| | Funding for the effective planning of future development at Franklin Field. This request is funded by Retained Earnings in the Airport Enterprise Fund. | 25,000 |
| 3480000 Airport - Capital Outlay | Funding to improve airport circulation and enhance the travel experience for customers. This request is funded by Retained Earnings in the Airport – Capital Outlay Fund. | 17,491,144 |
| 7110000 General Services - Office of the Director | Addition of 1.0 position to be assigned to the Strategic Objectives and Performance Measures and other special projects. The cost of this position will be funded within the department’s current rate structure. | 147,527 |

| PRIORITY 4 – GENERAL GOVERNMENT (continued) | | |
|--|---|----------------------|
| 7600000 Communications & Information Technology | Addition of 1.0 Deputy Chief Information Officer as recommended by the IT/Administration study. The cost of this position will be totally offset by the deletion of 1.0 vacant Principal Information Technology Analyst position. | \$ 0 |
| PRIORITY 4 TOTAL | | \$ 20,243,491 |
| NON-GENERAL FUND GRAND TOTAL | | \$ 24,405,191 |

Attachment V-D details the not recommended additional requests received from both General Fund and Non-General Fund departments for 2006-07 Final Budget.

VIII. TRANSIENT-OCCUPANCY TAX (TOT) FUND -- ALLOCATIONS TO COMMUNITY AND CIVIC PROGRAMS

The year-end fund balance increased by \$461,637 from the Adopted Proposed Budget primarily due to an increase in tax revenue collections. Actual tax collections for Fiscal Year 2005-06 were \$440,258 higher than estimated in the Proposed Budget; and the actual amount was 7.0 percent higher than Fiscal Year 2004-05 collections. New hotels and trends in recent occupancy levels and room rates lead to expectations of further increased tax collections. As a result, tax revenue projections for Fiscal Year 2006-07 have been increased by \$450,000, reflecting 1.0 percent anticipated growth over Fiscal Year 2005-06 year-end actual. The total available financing for Fiscal Year 2006-07 is \$11,127,817, an increase of \$1,383,911 from the Adopted Proposed Budget.

Current requests for funding total is \$8,189,875, leaving \$2,937,942 for the Board to allocate or reserve, as desired. Attachment I indicates the prior-year level of funding commitments, county funding approved in the Proposed Budget from the TOT Fund, and all known requests for TOT funding.

IX. FISCAL YEAR 2005-06 YEAR-END RESULTS FOR OTHER FUNDS

- **Community Services Fund**

Community Services (Budget Unit 860000) (Fund 012) fund balance was \$288,007 greater than estimated for the Adopted Proposed Budget, which resulted in a \$288,007 reduction in General Fund transfers to this budget unit.

- **Economic Development and Intergovernmental Affairs Fund**

The year-end fund balance increased by \$3,960,161 due to a combination of greater revenues and less expenditures than anticipated in Fiscal Year 2005-06. The increase in revenues of approximately \$2,576,000 is mainly due to unanticipated interest earnings of \$1,500,000, and the remainder due to an unanticipated increase in grant revenues. The decrease in expenditures of approximately \$1,384,000 is mainly due to various expenses that were anticipated in Fiscal Year 2005-06, but are now budgeted to be expended in Fiscal Year 2006-07. Fiscal Year 2006-07 appropriations have increased accordingly to account for the increased fund balance.

- **Tobacco Litigation Settlement Fund**

On November 15, 2005, the Board approved refinancing the 2001 Tobacco Litigation Settlement (TLS) Bond to reduce the county debt service on those bonds. Under the original deallocation schedule, the County had between \$4.7 million to \$8.3 million per year to fund county-operated programs with some of the funds in the TLS endowment program. Based on the current deallocation schedule, only new and expanded programs by tax-exempt qualified nonprofit organizations other than the county itself, or qualified capital projects can be funded with the original 2001 Bonds.

To mitigate the problem caused by ending the funding generated from the original bond, the Board approved passing normal capital/maintenance costs through the TLS Fund (008A) to “free-up” other county funds for the programs originally funded by the TLS revenues.

Additionally, during Fiscal Year 2005-06, the portion of the TLS held with a Fiscal Agent was recognized in the amount of \$51,154,157. These funds combined with the normal fund activities of Fiscal Year 2005-06; the year-end fund balance was \$50,688,715. Of that fund balance, \$48,557,566 was designated as Reserve and \$2,131,149 was released to fund Fiscal Year 2006-07 budgeted programs.

- **Teeter Fund**

The Teeter Plan of Tax Apportionment resulted in a higher than anticipated gain for the County in Fiscal Year 2005-06 and a higher fund balance. An unbudgeted transfer was made at the end of the fiscal year for a net improvement of \$5,340,238 to the General Fund. This amount has been included in the year-end General Fund balance.

- **Golf Fund**

Fund balance increased by \$121,360 primarily due to a General Fund loan of \$450,000 to offset lower revenues as a result of an unusually wet spring season. An appropriation increase of \$367,089 reflects the loan repayment with interest (\$463,800), partially offset by a decrease in expenditures (\$96,711). A revenue increase of \$69,557 reflects an insurance payment related to fire damage and reimbursement from the Federal Emergency Management Agency (FEMA) to Cherry Island and Ancil Hoffman. The reserve release has increased by \$176,172 in order to repay the General Fund loan.

- **Insurance Funds**

The County utilizes three separate funds to accumulate charges and payments for Workers' Compensation Insurance, Liability/Property Insurance, and Unemployment Insurance. The County is basically self-insured for Workers' Compensation Insurance and Liability/Property Insurance. However, the County does purchase additional coverage above the self-insured retention levels. All three insurance funds are financed through a combination of charges to county departments and retained earnings. In recent years it has also been necessary to release reserves to pay unanticipated claims.

Charges to county departments for all three insurance funds are determined on the basis of each department's claims experiences and exposure. The County has several higher risk services, particularly in the provision of municipal services to the Unincorporated Area. The following table reflects estimated insurance funds charges for the 2005-06 Fiscal Year and recommended charges for the 2006-07 Fiscal Year as approved in the Adopted Proposed Budget:

| Insurance Funds Charges | | | |
|--------------------------------|----------------------------|--------------------------------|--------------------|
| | Adopted 2005-06 | Recommended 2006-07 | Variance |
| Workers' Compensation | \$33,218,366 | \$38,445,137 | \$5,226,771 |
| Liability/Property | 21,158,028 | 19,469,367 | -1,688,661 |
| Unemployment | <u>2,361,318</u> | <u>2,027,315</u> | <u>-334,003</u> |
| TOTAL | \$56,737,712 | \$59,941,819 | \$3,204,107 |

X. FISCAL YEAR 2005-06 YEAR-END RESULTS FOR CAPITAL CONSTRUCTION FUND

The Capital Construction Fund (CCF) typically budgets projects based on anticipated expenditures. Often the design, engineering and construction are not completed within the fiscal year in which a project is authorized, or, on occasion, the succeeding fiscal year. Those encumbered funds have a significant effect on the fund balance. When a large project is financed, CCF typically provides the financing for the expense and receives reimbursement for those expenses. Since the revenue is received in arrears, the revenue is not listed as a balancing entry for the encumbrance. This may have the effect of creating a large negative fund balance.

Prior to Fiscal Year 2002-03, construction contract encumbrances were liquidated at year-end and then rebudgeted, which resulted in a fund balance unaffected by multiyear construction contracts. That practice was changed in Fiscal Year 2002-03. From that point on, multiyear construction contracts have been encumbered for the entire amount of the contract, negatively impacting year-end fund balances. Late in Fiscal Year 2002-03, two significant projects were awarded -- the Juvenile Courthouse and Visitor Center (\$27.1 million), and the Warren E. Thornton Youth Center Expansion project (\$7.8 million). As a result of these project awards and other encumbrances, CCF ended Fiscal Year 2002-03 with a large encumbrance of \$42.6 million, resulting in a negative fund balance of \$40,236,851. In Fiscal Year 2003-04, the encumbrances were liquidated and the negative fund balance was reduced to \$21,826,825. Late in Fiscal Year 2004-05, another multiyear construction contract was awarded -- the Juvenile Hall 90-Bed Expansion project, (\$25.6 million). With that award and other contracts, the negative fund balance increased to \$33,291,031. As expenses were recorded in Fiscal Year 2005-06, the encumbrances were liquidated and the negative fund balance decreased to \$10,694,149 at year-end.

The Recommended Final Budget has been adjusted to account for the decreased negative fund balance by reducing the balancing revenue amount. It is anticipated that the revenue for multiyear projects will be proceeds from the issuance of Certificates of Participation (bonds), TLS Funds, and Library Funds. Some of these revenues will be realized concurrent with the expense in future years to fund the multiyear contracts.

XI. FISCAL YEAR 2005-06 YEAR-END RESULTS FOR MUNICIPAL SERVICES AGENCY (MSA) GOVERNMENTAL/ENTERPRISE FUNDS

MSA adjustments to the Recommended Final Budget generally reflect changes resulting from the Fiscal Year 2005-06 Available Fund Balance at year-end. Overall, there is a net increase in appropriations of \$130.3 million. The most significant changes between the Adopted Proposed Budget and the Recommended Final Budget are due to transportation, water supply and refuse projects along with increased activity in the infrastructure and finance districts.

County Roads, Roadways, and Transportation Sales Tax increased by \$39.1 million. These funds involve a construction program that is adopted as a long-range plan (five to seven years) and are managed through a series of approved annual expenditure plans. Due to the multiple-year demands of the projects, the annual budget represents the portion of the five- to seven- year construction plan that can reasonably be accomplished in the current fiscal year. Actual project expenditures generally differ from the budget due to many factors affecting project life cycles, i.e. environmental issues, public discussion, legal opinions, right-of-way acquisitions, availability of consultants and contractors, and weather. Consequently, adjustments are almost entirely due to the necessity of rebudgeting for work that was planned, but could not be accomplished in Fiscal Year 2005-06.

Water Agency and Stormwater Utility district funds have increased by \$20.8 million. Similar to Transportation, these districts have many larger, multiyear construction projects with shifting timelines. The districts have also entered into many reimbursement agreements which often require the rebudgeting of funds.

Special district budgets administered by the Infrastructure and Finance Section have increased \$49.7 million. The majority of this increase can be attributed to activities in the Metro Air Park Community Facilities District (CFD) and the North Vineyard Station Specific Plan CFD. Project timing and/or reimbursement agreements have also resulted in significant increases in the Elk Grove/West Vineyard Pubic Facilities Financing District (PFFP), Laguna Creek/Elliott Ranch CFD, Laguna CFD and Antelope PFFP.

The Refuse Enterprise has increased \$18.8 million primarily due to the anticipated construction of two large, multiyear projects: the Kiefer Landfill M3 Phase I and II and the Kiefer Landfill Entrance Improvements. Due to contract obligations, these projects have been budgeted in their entirety even though only a portion of the projects will be completed in a given year.

Increases totaling \$1.9 million are due to miscellaneous changes in the remaining MSA funds including changes in labor rates, service agreements and equipment needs.

The changes between the Proposed and Final Budget for MSA in the Governmental and Enterprise Funds are summarized in Attachment VI.

XII. FISCAL YEAR 2005-06 YEAR-END RESULTS FOR AIRPORTS ENTERPRISE

The changes to the Sacramento County Airport System's budget reflect a continued emphasis on long-term planning. Notable changes to the proposed budget are as follows:

Operating Expenses

Operating expenses increased by \$9,108,695 with \$6,805,043 of the increase attributable to the rebudget of appropriations as many projects are continuing from Fiscal Year 2005-06. An appropriation increase of \$2,405,847 has been budgeted due to the recommendation of additional projects. Of this increase \$2,328,221 are in services and supplies which include:

- \$ 28,027 for various budget adjustments to travel, uniform allowance, and memberships.
- \$ 200,000 in building maintenance supplies for Terminal A roof and skylight repairs.
- \$1,471,357 additional to complete the wastewater connection installation.
- \$ 100,000 to cover estimated increases in fuel and lubricant costs.
- \$ 123,000 to implement an in-terminal recycling program.
- \$ 105,837 for an additional 0.5 position in County Counsel legal services.
- \$ 300,000 for U.S. Customs services due to the delay of Port of Entry status.

In addition, there is an increase of \$103,012 in salaries and benefits for the addition of 1.0 Training and Development Specialist position to develop and provide employee training and development opportunities for Sacramento County Airport System employees.

Revenue

Revenue projections are increased by \$245,098. Changes include:

- An increase of \$125,098 in parking revenue at Sacramento International Airport.
- An increase of \$120,000 in grant revenue to offset the Terminal A baggage handling system.

Capital Budget

The Sacramento County Airport System is increasing its capital budget by a net of \$18,124,309. This increase includes the rebudgeting of \$633,165 in appropriations as many projects are continuing from Fiscal Year 2005-06. In addition, the remaining increase of \$17,491,144 reflects a variety of changes to the capital budget and the elimination of a project that had been included in the proposed budget. The changes are as follows:

- An additional \$100,000 for building roof replacement at Mather Airport.
- An additional \$10,500,000 for the terminal modernization program.
- An additional \$150,000 for the Terminal A baggage handling system.
- An additional \$150,000 for the Terminal A lighted crosswalk.
- An additional \$300,000 for an interim sheriff modular facility.
- An additional \$250,000 to install a canopy of the trash compactor, sweeper dump and biffy dump areas.
- An additional \$300,000 for a paint striper truck.
- An additional \$49,500 for Security Identification Display Areas (SIDA) driver training equipment.
- An additional \$200,000 for the fire suppression device.
- An additional \$50,000 to replace an emergency generator.
- An increase of \$6,207,644 for the Runway 16R-34L rehabilitation project.
- A decrease of \$766,000 due to the elimination of the in-terminal cellular service antenna array.

XIII. FISCAL YEAR 2005-06 YEAR-END RESULTS FOR SPECIAL DISTRICTS

All district budgets as requested are balanced. Following is a brief summary of year-end results for the county's special districts (see Attachment VII):

- **CSA 4B**

Fund balance increased by \$2,657 due to lower than anticipated appropriations. An appropriation increase of \$2,657 reflects an increase in building improvement project costs.

- **CSA 4C**

Fund balance increased by \$15,613 due to lower than anticipated expenditures and slightly increased revenues. An appropriation increase of \$15,613 reflects an increase in building improvement project costs.

- **CSA 4D**

Fund balance decreased by \$819 due to higher than anticipated expenditures. An appropriation increase of \$1,681 reflects an increase in maintenance costs and personnel services for recreation programs. The reserve release increased \$2,500 in order to offset increased maintenance and personnel costs.

- **Del Norte Oaks Park Maintenance District**

Fund balance increased by \$626 due to higher than anticipated property tax revenues. An appropriation increase of \$626 reflects an increase in landscape maintenance services.

- **Fish and Game Propagation**

Fund balance increased by \$4,184 due to lower than anticipated expenditures and increased revenues. An appropriation increase of \$11,797 reflects an increased contribution to the Effie Yeaw Nature Center. The reserve release increased \$7,613 due to the increased contribution to the Effie Yeaw Nature Center.

- **Carmichael Recreation and Park District**

Fund balance increased by \$355,509 due to higher than anticipated revenue. Revenues have increased by \$663,800 due to increased building rental income, revenues from state and other grant funds for capital improvement projects, and other miscellaneous revenues. Appropriation increase of \$1,105,298 reflects higher salaries and benefits costs due to staffing reorganization, new retirement rates and health insurance premiums, increases due to various maintenance projects, development of a Master Plan and increases for various capital improvement projects and equipment. The reserve provision has increased by \$4,184 for future project and equipment needs.

- **Mission Oaks Recreation and Park District**

Fund balance increased by \$283,190 due to lower than anticipated expenditures and higher than anticipated revenues. An appropriation increase of \$208,244 reflects the transfer of costs for water, electricity and landscape maintenance contract from the Mission Oaks Maintenance/Improvement District. Revenues have increased by \$102,507 due to increased property tax revenue, offset by a reduction in revenues from a cell tower lease and recreation

service charges. The reserve provision has increased by \$16,698 due to the higher fund balance. The reserve release has decreased by \$160,755 due to the higher fund balance.

- **Mission Oaks Maintenance/Improvement District**

Fund balance increased by \$192,260 due to lower than anticipated expenditures. Revenues have decreased by \$504,583 due to a reduction in miscellaneous revenues due to various project delays, offset by an increase in assessment revenue. An appropriation decrease of \$637,450 reflects the transfer of costs for water, electricity and landscape maintenance contract to the Mission Oaks Recreation and Park District. Reserve release has decreased by \$302,777 due to the higher fund balance.

- **Sunrise Recreation and Park District**

Fund balance increased by \$428,252 due to lower than anticipated expenditures and higher revenue collections. An appropriation increase of \$915,250 is due to costs associated with park construction projects at Robert Frost and Almond Grove Parks and for the Antelope Community Park joint use project with Antelope High School. Revenues have increased by \$730,680 due to increased park development fees in Antelope and park in-lieu fees for park construction projects, offset by a slight reduction in anticipated grant funds.

- **Natomas Fire District**

Fund balance decreased by \$1,233,179 due to a contract payment to the City of Sacramento that was expended in Fiscal Year 2005-06 rather than at the end of Fiscal Year 2004-05. An appropriation decrease of \$1,085,276 is due to a contract payment to the City of Sacramento being expended in Fiscal Year 2005-06 rather than at the end of Fiscal Year 2004-05.

XIV. STRATEGIC PLAN – FIRST STEP

Over the past five years, the County has directed significant resources toward working with communities and others to identify priority concerns for the County. On April 18, 2006, the Board of Supervisors adopted strategic priorities for “Performance Success 2006.” These strategic priorities identified six major Strategic Issues for the County of Sacramento, resulting in 22 strategic objectives.

Since the early 1990’s the County has categorized and funded all programs on an approved set of funding priorities that has sorted programs into the following classifications:

1. Provide the highest level of discretionary law-enforcement (municipal and countywide) services possible.
2. Provide the safety net for disadvantaged citizens.
3. Provide the highest possible quality of life for our citizens.
4. General government functions.
5. Prevention/Intervention programs.

These classifications are important and necessary to insure that the approved spending priorities focus limited resources on required obligations before discretionary priorities. However, this classification system is limited and does not translate directly into the Board strategic priorities. In order to determine how resources are deployed within the framework of the Strategic Objectives, departments have been asked to further identify which strategic objective most closely reflects the nature of their programs. As a first step in implementing the Boards strategic vision, departments can now quantify how their resources are currently deployed within the six major Strategic Issues.

This “first cut” is not just of the General Fund but is an integrated view of all county programs. This data will become an important layer in the allocation process to insure not only that mandates are funded but that the distribution of resources also meets the goals of the strategic priorities and objectives (see Attachment VIII for more detail).

| 2006-07 Recommended Final Budget | | | | |
|--|-------------------|--------------------|-----------------|------------------|
| (Amounts Expressed In Millions) | | | | |
| | Appro- | Estimated | Net | |
| | priations | Revenues | Cost | Positions |
| Strategic Issues | | | | |
| Strong and Health Families | \$1,235.31 | \$ 1,092.44 | \$142.87 | 5,067.8 |
| Law and Justice | 671.47 | 297.60 | 373.87 | 4,103.4 |
| Transportation | 423.75 | 370.48 | 53.27 | 791.5 |
| Public Health and Safety | 361.04 | 307.73 | 53.31 | 2,061.5 |
| Sustainable and Livable Communities | 204.89 | 129.41 | 75.48 | 345.0 |
| Economic Growth | 46.98 | 25.25 | 21.73 | 67.4 |
| Other | 6.21 | 1.09 | 5.12 | 9.0 |
| Internal Services (includes Capital Funds) | 404.53 | 869.79 | (465.26) | 1,921.9 |
| GRAND TOTAL | \$3,354.18 | \$ 3,093.79 | \$260.39 | 14,367.5 |

XV. ADOPTION OF BUDGET RESOLUTIONS

Following the conclusion of the Final Budget Hearings we recommend that the Board direct the Department of Finance to prepare the annual budget resolutions for adoption on September 26, 2006. We must adopt our Fiscal Year 2006-07 budget resolutions at that time in order to meet the legal deadline for budget adoption (October 2, 2006).

XVI. SCHEDULE FOR FINAL BUDGET HEARINGS

Following is the schedule for the Final Budget Hearings:

| | |
|----------------------------------|--|
| September 6, Wednesday 9:30 a.m. | <u>Overview, New Requests and Disagreed Items</u> |
| September 7, Thursday 9:30 a.m. | <u>Five-Year Capital Improvement Plan</u> |
| September 7, Thursday 2:00 p.m. | <u>Transient-Occupancy Tax</u> |
| September 14, Thursday 9:30 a.m. | <u>Reports Back and Final Deliberations</u> |
| September 15 Friday, 9:30 a.m. | <u>Continue Final Deliberations (if necessary)</u> |

Respectfully submitted,

TERRY SCHUTTEN
County Executive

GBD/LFH:js

cc: Robert A. Ryan, Jr., County Counsel; Agency Administrators; Department Heads;
County Executive Analysts; Department Administrative and Fiscal Staff

Attachments

- I. Transient-Occupancy Tax Fund Allocation Summary
- II. Summary Of Projected State Budget Impacts To Sacramento County
- III-A. Fund Balance Analysis, Year-End Results For General Fund Departments
- III-B. Changes In Carryover Between Proposed And Final Recommended, Carryover Reserve For Certain General Fund Budget Units
- IV. Summary of Net Cost Adjustments In The General Fund To The Adopted Proposed Budget For The Recommended Final Budget Caused By Approved State Budget And Certain Local Funding Issues
- V-A. Summary Of CEO Recommended General Fund Additional Requests For 2006-07 Final Budget With Net Cost/Cost Mitigation
- V-B. Summary Of CEO Recommended General Fund Additional Requests For 2006-07 Final Budget With Full Revenue Offsets
- V-C. Summary Of CEO Recommended Non-General Fund Additional Requests For 2006-07 Final Budget
- V-D. Summary Of CEO Not Recommended Additional Requests Received From Departments For 2006-07
- VI. Municipal Services Agency's Governmental/Enterprise Funds Financing Changes
- VII. Special Districts Budget Summaries
- VIII. Summary Of Strategic Objectives
- IX. Final Budget Schedules (Binders)