

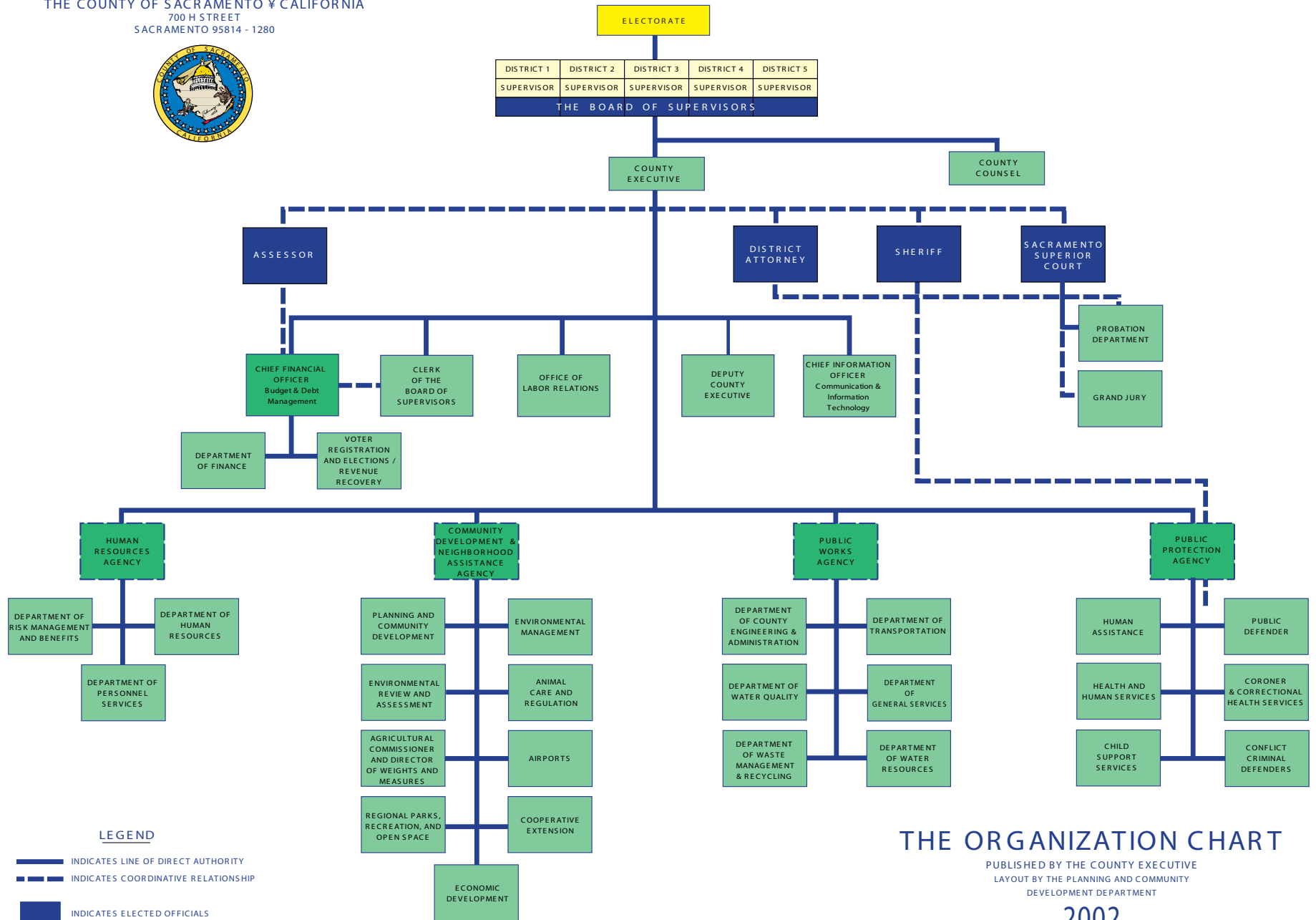
GENERAL BUDGET INFORMATION

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ORGANIZATION CHART

THE COUNTY OF SACRAMENTO ¥ CALIFORNIA
700 H STREET
SACRAMENTO 95814 - 1280



THE ORGANIZATION CHART

PUBLISHED BY THE COUNTY EXECUTIVE
LAYOUT BY THE PLANNING AND COMMUNITY
DEVELOPMENT DEPARTMENT

2002

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
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	1,149,956,655	259,937,148	890,019,507
2002-03 (Budget)	1,159,989,349	267,965,974	892,023,375

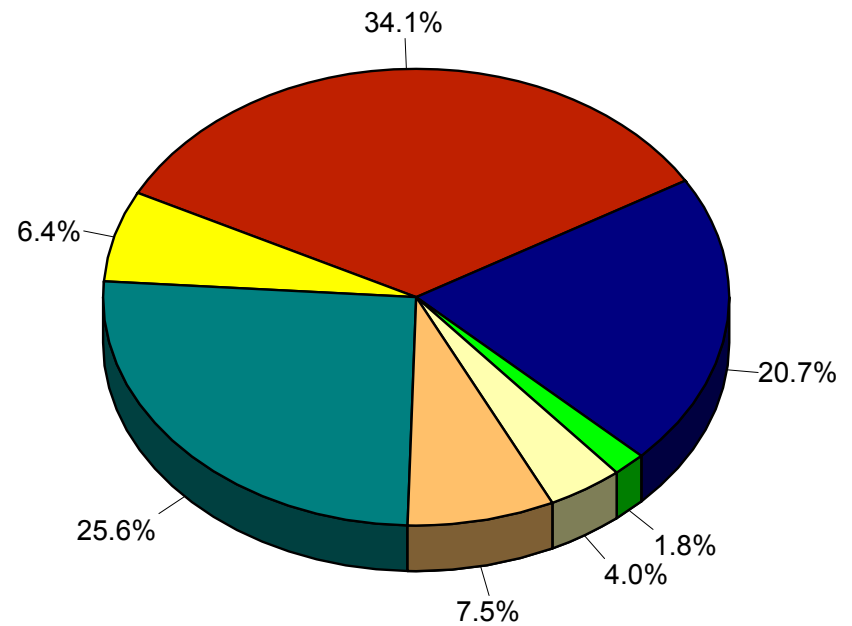
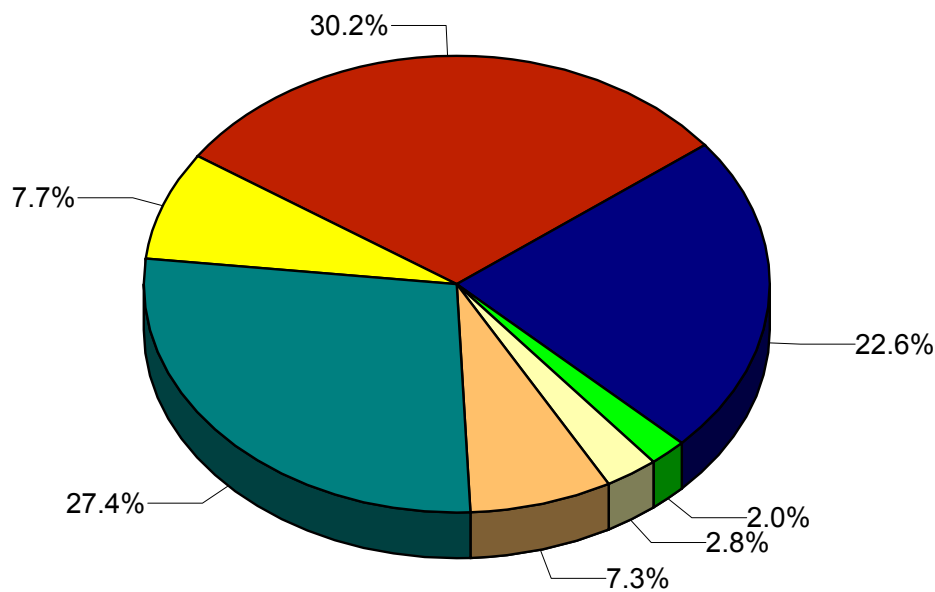
THE COUNTY BUDGET (REQUIREMENTS)

THE COUNTY BUDGET

(REQUIREMENTS)

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

2002-03 BUDGET TOTAL..... \$2,357,419,243



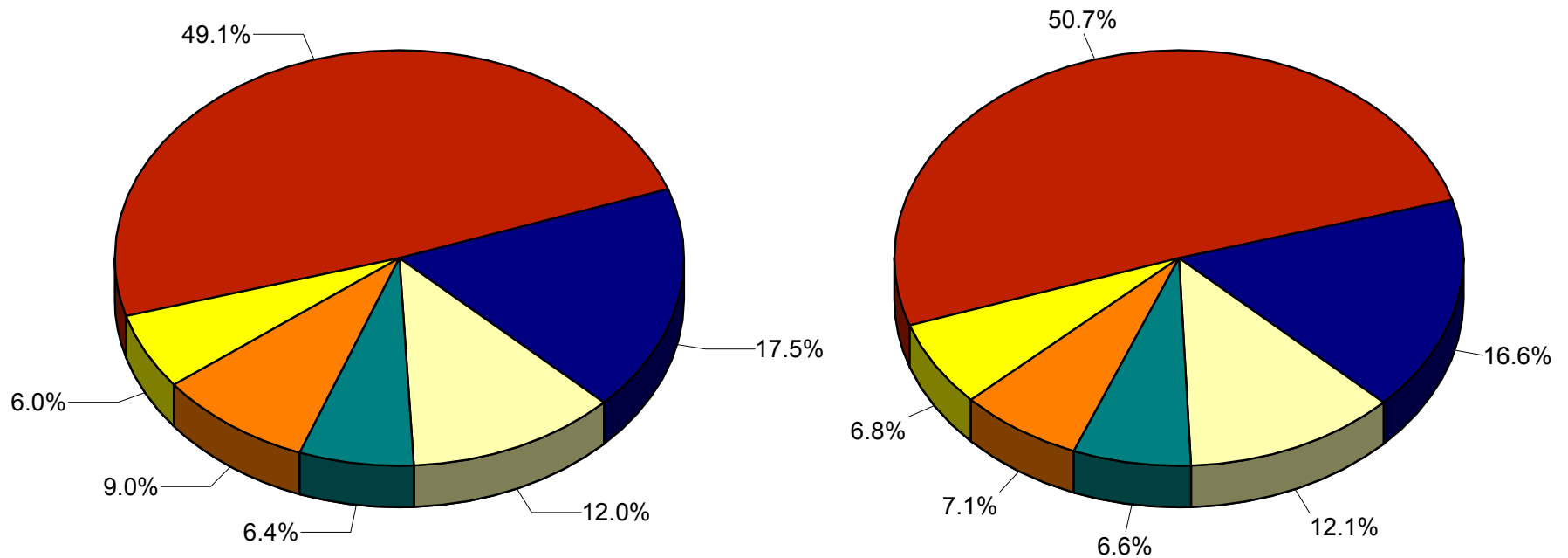
THE COUNTY BUDGET (FINANCING)

THE COUNTY BUDGET

(FINANCING)

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

2002-03 BUDGET TOTAL..... \$2,357,419,243



- 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

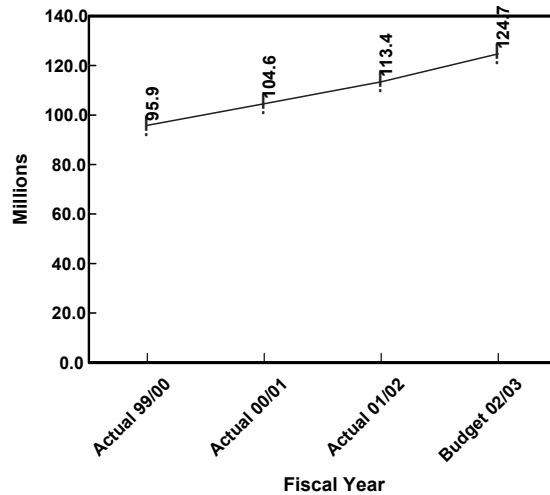
Revenue Source: Secured Property Tax

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 Actual	\$ 113,396,332	8.45%	
2002-03 Budget	\$ 124,727,000	10.0%	

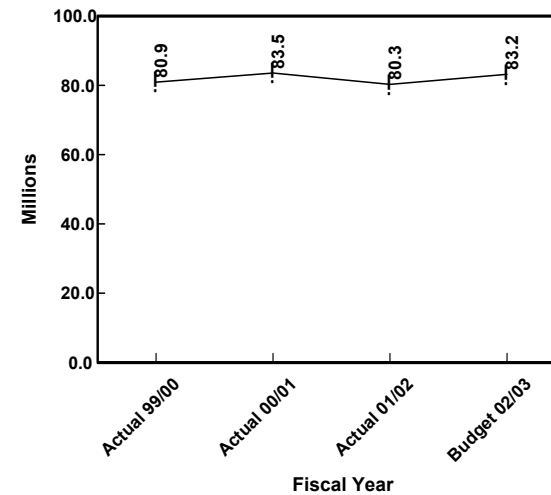
Revenue Source: Sales Tax

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 was 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 Actual	\$ 80,285,251	(4.00%)	
2002-03 Budget	\$ 83,189,000	3.61%	

Secured Property Tax



Sales Tax



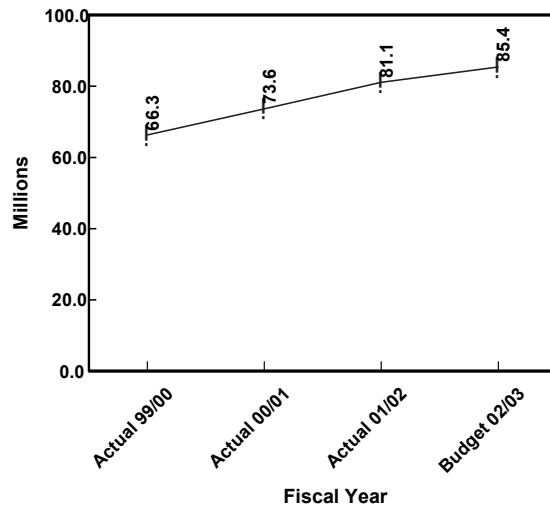
Revenue Source: Vehicle License Fees

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 Actual	\$ 81,078,290	10.10%	
2002-03 Budget	\$ 85,415,000	5.35%	

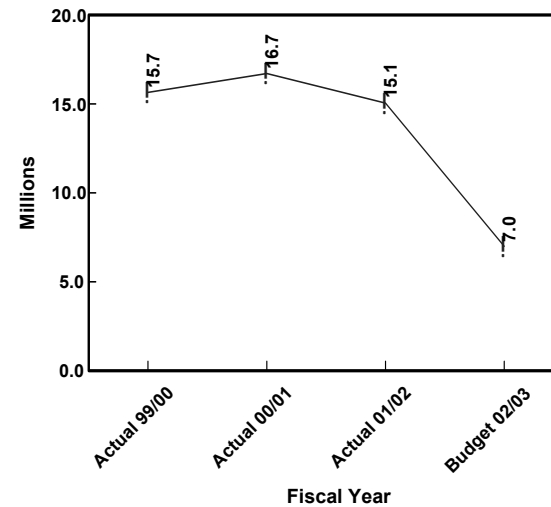
Revenue Source: Utility Tax

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 was effected by the incorporation of Elk Grove, reflecting a reduction in Unincorporated Area collections. Tax is on the November 2002 ballot. The 2002-03 budget includes revenue earned up to election date.
2000-01 Actual	\$ 16,712,075	6.77%	
2001-02 Actual	\$ 15,050,660	(3.96%)	
2002-03 Budget	\$ 7,000,000	(56.39%)	

Vehicle License Fees



Utility Tax



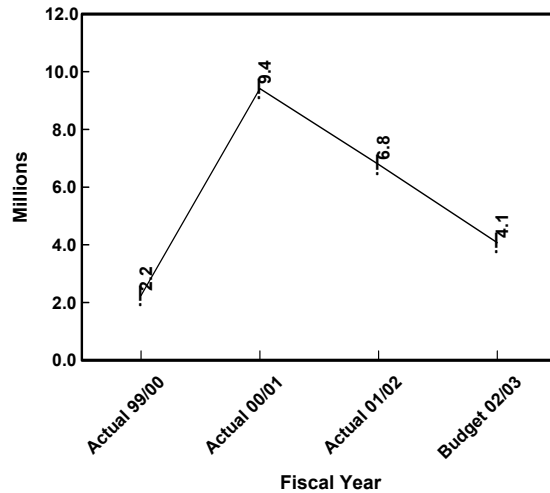
Revenue Source: Net Interest

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 Actual \$ 6,784,762	(25.79%)	
2002-03 Budget \$ 4,075,000	(39.94%)	

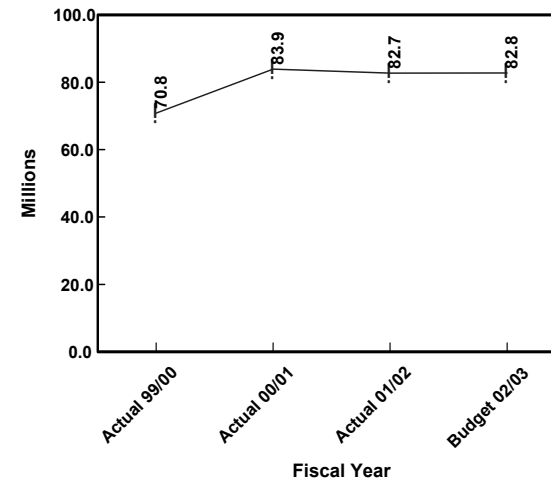
Revenue Source: Proposition 172 – Public Safety

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 Actual \$ 82,721,815	(1.44%)	
2002-03 Budget \$ 82,771,107	0.06%	

Net Interest



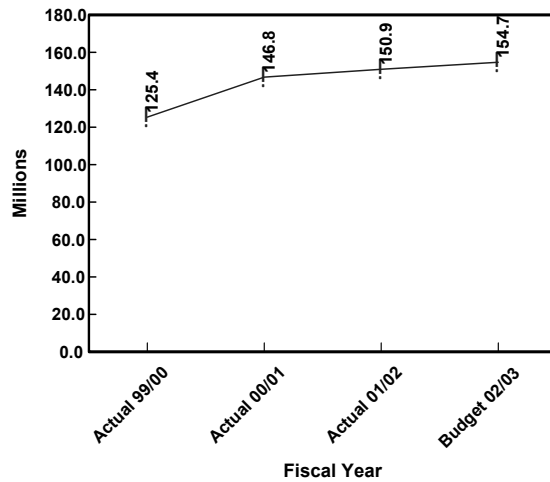
Public Safety



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 Actual \$ 150,934,000	0.0%	
2002-03 Budget \$ 154,707,000	2.50%	

Realignment



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 2002/03, 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 (actual employees and not budgeted positions) follows

SACRAMENTO COUNTY Permanent Employees 1997 through 2002

As of December 31	Permanent (1)
1997	10,068
1998	10,756
1999	10,958
2000	11,946
2001	12,129
2002 (2)	12,301

- (1) Excludes temporary, limited-term, intermittent, and seasonal employees, which on February 28, 2002, totaled 1,921.
- (2) As of February 28, 2002.

For the 2002/03 Fiscal Year the County budgeted approximately 14,925 permanent, full time positions (including the Courts). Approximately 12,900 of the positions are in classifications represented by one of 25 recognized employee labor organizations.

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

Employee Representation Organization	Budgeted Positions	Contract Term
United Public Employees, Local 1 – Welfare	1,930	June 30, 2002
Office Technical	2,530	June 30, 2003
Deputy Sheriffs Association	1,791	June 30, 2002
Local 39	1,457	June 30, 2006
Health Services AFSCME	644	June 30, 2006
Probation Association	622	June 30, 2006
TOTAL	8,974	

These five organizations cover 76% of the represented budgeted positions.

For much of the 1990s, employee compensation increases were limited because of 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. Lower salary steps created in the mid-1990s have been eliminated with the result that entry-level wages are 15% higher than when the lower salary steps were in place.

Due to the addition of over 3,000 positions since 1997, a strong local economy and a very tight job market, the County has experienced a significant increase in the number of vacant, funded positions. The number of vacant positions has increased from 400 to 500 in the mid-1990s to the current level of approximately 1,500.

In 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 an impasse in contract

negotiations in 1999 triggering the arbitration process. At the conclusion of which the County and the Union reopened negotiations and a three-year agreement was reached.

State legislation approved in 2000 provides binding arbitration to the other law enforcement bargaining units. The county's contract with the Probation Association expired on June 30, 2001, and a new contract was successfully negotiated.

For 2002/03 Fiscal Year, the County Executive's budget instructions include 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, 2002, 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 County's General Fund pension expense for the fiscal year ending June 30, 2001 was approximately \$40.4 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, 2001, there were 10,781 active general members and 2,210 active safety members (police, fire and probation) in the pension plan. Retired members totaled 7,672. The county's 2001 contribution amounted to approximately \$37.37 million. The plan is funded based on an actuarial study that assumes future salary increases will be 5.75% and interest rates will be 8.0%. As of July 1, 2001, the net assets available for benefits were approximately \$3,432,825,810.

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 Association (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 conflicted with *Ventura*, they were amended prospectively as of October 1, 1997.

Beginning in December 1997, lawsuits have been filed against the County and SCERS and 17 other counties seeking a retroactive application of *Ventura* decision and the inclusion of additional pay elements such as terminal pay to be added to compensation earnable. On November 30, 2001, the trial court hearing all cases together determined that the additional elements need not be included but the decision in *Ventura* should be retroactively applied. All parties have appealed this decision and the appellate briefs are expected to be completed by November 25, 2002.

On March 15, 2002, SCERS actuary revised his earlier estimate of a \$90 million liability based on the trial court determination to a \$56 million estimate of liability. Therefore, should the trial court determination be upheld on appeal, an unfunded liability of \$56 million owed by the County to SCERS is estimated. SCERS' counsel estimates the probable liability of this entire litigation at \$60 million, however, if the appellate court determines that additional items must be included in final compensation, the County would be subject to an unfunded liability estimated by SCERS actuary to be an amount as high as \$1 billion.

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 terms of the plan, the assets of the funds are managed by the County. Employees can direct investments into 25 different options provided by Fidelity Mutual Funds and Washington Mutual Bank. None of these monies are invested in the Sacramento County Pooled Investment Fund. At December 31, 2001, approximately 11,270 employees participated in the deferred compensation plan. Assets held in the investment fund on behalf of these employees aggregated approximately \$499,864,235.

Retirement Benefits Enhancements

Effective January 1, 2000, the State of California increased retirement benefits for both active state employees and state retirees. Retirees received a permanent increase in pension benefits of from 1.0% to 6.0%, with the level of increase depending on how long an individual had been retired—1.0% per year of retirement up to 6.0%. For active employees the benefit formulae setting retirement benefits at a certain percentage of ending salary per year of service were amended to:

3.0% at 50 for Highway Patrol
3.0% at 55 for other safety personnel
2.0% at 55 for miscellaneous, non-safety employees

Funding for this increase for the short-term 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. State employee contribution rates are fixed by law.

The state's action has placed enormous pressure for 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 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 to the same extent as some other jurisdictions.

The County has reached agreements with some employee unions regarding changes to retirement benefits. The County has agreed to implement the following retirement benefits

Safety employees 3.0% at age 50
Miscellaneous employees 2.0% at age 55½

The new retirement benefits will go into place for the start of the 2004/05 Fiscal Year, or sooner if other county desired conditions are met. The enhancement of the retirement benefits will be partially offset by a reduction in employee cost-of-living salary adjustments of 3.0% in the same year the retirement benefit is enhanced. The County is also conditioning early implementation of the retirement benefit enhancement on settlement of the *Ventura*-related actions and a common contract termination date for all employee unions of June 30, 2006.

The higher employer costs for providing this higher benefit level will be substantial. The gross costs before consideration of excess earnings held by SCERS are approximately \$54.0 million annually. The General Fund share of the new costs would be approximately \$32.5 million, or 60%. Excess earnings could cover a substantial portion of the annual cost for some period of time with a greater offset for a shorter term of use of any excess earnings. Even with the 3.0% COLA offset, the County will face a significant cost increase when the retirement benefit enhancements go into effect.

Another aspect of the costs of the retirement benefit enhancement will be large payoffs of accumulated leave balances of retiring employees. It has been common knowledge among county workers that the retirement benefit will be enhanced and this has led many to defer pending retirement. The benefit enhancements will also lead to the retirement of many who would have worked longer under the previous benefit structure. The leave balance payoff represents a short-term, but very real fiscal challenge.

It is unlikely that the enhanced benefits will be implemented for the entire 2002/03 Fiscal Year, but an implementation at some point during the year is possible. It is uncertain at this point whether the new and higher employer retirement rates will go into effect midyear or at the start of the following fiscal year.

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, Service Employees International 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 \$11.4 million per year over a two year period, with costs increasing by \$8.1 million annually in Fiscal Year 2001/02 and by an additional \$3.3 million annually in Fiscal Year 2002/03. However, the Governor's state budget proposals call for deferring for one year the dollar per hour wage increase scheduled for the 2002/03 Fiscal Year.

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 2002/03 Fiscal Year, in order to make budget decisions earlier, the County held budget hearings on June 18, 2002 through June 21, 2002. At the conclusion of this session of budget hearings, the Board of Supervisors adopted a balanced Proposed Budget. Final budget hearings were held July 31, August 6, August 13, August 14, August 21, and September 3, 2002, through September 6, 2002, to adjust budgets based on actual, rather than estimated year-end fund balances and for any significant state budget actions. At the conclusion of the final budget hearings, the Board adopted a balanced Final Budget.

Sacramento County is facing a local budget problem caused by slowing revenue growth (particularly sales tax), a possible loss of utility user tax revenue, and impacts from state budget actions. General Fund departments will be given net cost reduction targets which will be included in the Recommended Proposed Budget in June. In July, departments will identify the programmatic, service level, and staffing level consequences of meeting the net cost reduction targets. The budget hearings held in July and August will revolve around those consequences. Final budget decisions will be made in the September hearings.

Sacramento County's budget is developed through an open and collaborative process involving county officials, county employees, community groups, and county residents. The focus of the decision-making process is upon those portions of the budget over which the Board of Supervisors has the most discretion. Budget issues are presented to the Board and public well before decisions are required.

Along with developing the line item detail of the budget, the County breaks departmental budgets into discrete programs and then segregates those 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 2001/02 and 2002/03 Adopted Final Budgets.

**COUNTY OF SACRAMENTO
General Fund
2001/02 and 2002/03 Adopted Final Budgets
(Amounts Expressed in Thousands)**

	2001/02 Adopted Final Budget	2002/03 Adopted Final Budget
APPROPRIATIONS		
General Government	\$ 109,635	\$ 97,590
Public Protection	489,621	499,841
Health and Human Services	448,667	468,614
Public Assistance	629,864	783,326
Education, Cultural and Recreation	10,645	9,463
Contingencies	<u>4,500</u>	<u>4,825</u>
Total Appropriations	\$1,692,932	\$1,863,659
AVAILABLE FUNDS		
Fund Balance Available	\$ 59,291	\$ 54,305
Property Taxes	128,200	143,954
Sales Taxes	84,221	83,189
Other Taxes	23,433	16,420
Licenses and Permits	14,445	16,197
Fines, Forfeitures and Penalties	18,681	20,325
Use of Money and Property	22,894	14,257
Aid from Other Governmental Agencies (state and federal)	1,234,450	1,398,822
Charges for Current Services	66,432	73,682
Other Revenue	<u>40,895</u>	<u>42,508</u>
Total Available Funds	\$1,692,932	\$1,863,659

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, 1997 through 2001.

COUNTY OF SACRAMENTO					
General Fund Revenues, Expenditures and					
Changes in Fund Balance 1996/97 Through 2000/01					
(Amounts Expressed in Thousands)					
	<u>1996/97</u>	<u>1997/98</u>	<u>1998/99</u>	<u>1999/00</u>	<u>2000/01</u>
BEGINNING FUND BALANCE	\$ 92,082	\$93,502	\$ 91,008	\$ 117,419	\$ 145,022
REVENUE					
Taxes	183,807	183,364	198,042	215,878	230,775
Licenses, permits and franchises	11,488	12,038	13,540	12,908	13,488
Fines, forfeitures and penalties	6,536	12,380	15,392	33,764	29,921
Revenues from use of money and property	28,829	21,684	32,713	30,733	27,691
Aid from other governmental agencies	744,824	779,367	889,163	985,754	1,065,684
Charges for current services	62,364	78,498	77,001	69,914	58,978
Other revenue	<u>27,669</u>	<u>26,045</u>	<u>28,154</u>	<u>52,362</u>	<u>55,997</u>
Total Revenues	\$1,068,517	\$1,113,376	\$1,254,005	\$1,401,313	\$1,482,534
Operating and equity transfers from other funds	<u>9,837</u>	<u>14,085</u>	<u>15,232</u>	<u>8,932</u>	<u>21,393</u>
Total Revenues and Transfers	\$1,078,354	\$1,127,461	\$1,269,237	\$1,410,245	\$1,503,927
EXPENDITURES					
General government	\$ 59,710	\$ 63,891	\$ 74,290	\$ 82,660	\$ 75,175
Public protection	275,344	327,541	368,848	427,436	466,022
Health and sanitation	142,997	157,837	175,492	213,168	246,994
Public assistance	530,523	520,921	572,677	599,046	633,148
Public Ways and Facilities	0	67	67	67	67
Education	309	273	328	337	349
Recreation and cultural	<u>8,064</u>	<u>6,085</u>	<u>6,153</u>	<u>7,433</u>	<u>8,858</u>
Total Expenditures	\$1,016,947	\$1,076,615	\$1,197,855	\$1,330,147	\$1,430,613
Operating and equity transfers to other funds	<u>59,987</u>	<u>53,340</u>	<u>44,971</u>	<u>52,495</u>	<u>58,836</u>
Total Expenditures and Transfers	\$1,076,934	\$1,129,955	\$1,242,826	\$1,382,642	\$1,489,449
Excess-deficiency of revenue over-under expenditures and transfers	<u>\$ 1,420</u>	<u>\$ -2,494</u>	<u>\$ 6,411</u>	<u>\$ 27,603</u>	<u>\$ 14,478</u>
ENDING FUND BALANCE	\$ 93,502	\$ 91,008	\$ 117,419	\$ 145,022	\$ 159,500

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 2000/01. The County's 2001/02 financial report continues to conform to the Certificate of Achievement requirements and it will be 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.

As of March 31, 2002, 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, and time deposits. Additionally, as of January 1, 2002, up to \$40 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 180 days, offering participants daily liquidity. The County's Pool is rated by Standard and Poor's AA Af for credit quality and S1 for volatility. Both ratings are the highest possible rating for each category.

The 2002 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 Standard and Poor's. 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, 2002. 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, 2002

Average Daily Balance	\$1,758,050,233
Period-End Balance	\$1,720,641,173
Yield	3.303%
Weighted Average Maturity	203 Days
Duration in Years	.548 Years
Historical Cost	\$1,719,148,259
Market Value	\$1,727,332,830
Percent of Market to Cost	100.48%

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 2002/03, 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 2002/03**

Property Taxes	8.1%
Sales Taxes	4.8
Other Taxes	0.9
Licenses & Permits	0.9
Fines, Forfeitures and Penalties	1.1
Use of Money and Property	0.9
Aid From Other Governmental Agencies	76.9
Charges for Current Services	4.1
Other Revenue	2.3
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. The County's property tax revenue loss from the tax shifts is \$123.1 million in 2001/02. Sacramento County's share of property taxes has declined from 37% of total collections to 17.6% of collections due to tax shifts and the incorporation of Citrus Heights and Elk Grove.

Assessed valuation in Sacramento County continues to grow, a reflection of the local real estate market. In the early and mid 1990s there was very little growth in the Assessor's current tax rolls. The following table summarizes actual secured roll growth in recent years and the current estimate for the 2002/03 Fiscal Year:

Fiscal Year	Secured Roll Growth
1999/00	5.75 %
2000/01	8.25 %
2001/02	8.61 %
2002/03 Est.	9.50 %

The Assessor's Roll lien date for the 2002/03 Fiscal Year roll was actually January 1, 2002. The real estate market in Sacramento County continues to flourish and the County anticipates significant growth in 2003/04.

Following are shown the 2002/03 (Estimated) and 2001/02 assessed valuations in the County. A seven-year history of assessed valuation in the County is also provided.

COUNTY OF SACRAMENTO
Assessed Valuations
2002/03 (Estimated) and 2001/02
 (Amounts Expressed in Thousands)

	Net Assessed Valuation	Reimbursed Exemptions	Assessed Valuation For Revenue Purposes (1)
<u>2002/03 (Est.)</u>			
Local Secured	\$67,589,895	\$1,702,798	\$69,292,693
Utility--Nonunitary	77,516	--	77,516
Utility--Unitary	2,069,937	--	2,069,937
Unsecured	<u>3,982,775</u>	<u>--</u>	<u>3,982,775</u>
Total	\$73,720,123	\$1,702,798	\$75,422,921
<u>2001/02</u>			
Local Secured	\$63,280,998	\$1,547,998	\$64,828,996
Utility--Nonunitary	70,791	--	70,791
Utility--Unitary	1,971,369	--	1,971,369
Unsecured	<u>3,829,267</u>	<u>-324</u>	<u>3,829,591</u>
Total	\$69,152,425	\$1,547,322	\$70,700,747

(1) Net Assessed Valuation plus State-Reimbursed Exemptions. Includes redevelopment increment of \$2,401,322 in 2001/02 and an estimated \$2,629,448 in 2002/03. 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)
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
2001/02	70,700,474

(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 property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the Clerk of the Court 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 judgement against the taxpayer and 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 an internally funded 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 2001/02 and plans to continue with the Teeter Plan indefinitely.

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
1995/96 through 2002/03 (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
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	603,051	13,759	1.80	734,883	98.16
2001/02 (3)	650,000	N-A	N-A	N-A	N-A
2002/03 (3)	771,750	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 May 13, 2002.

Source: Sacramento County Department of Finance.

Largest Taxpayers

The ten largest taxpayers in the County, as shown on the 2001/02 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 \$28,195,993 in property taxes or about 3.5% of the County's \$805,819,085 secured roll tax levy, including levies for bond debt service and special assessments.

**SACRAMENTO COUNTY
Largest Taxpayers
2001/02**

	Total Taxes
Pacific Bell & Subsidiaries	\$ 6,360,830
Intel Corporation	5,495,808
Elliot Homes, Inc.	2,695,541
Pacific Gas and Electric Co.	2,306,589
Spieker Properties	2,079,359
Lennar Renaissance, Inc.	2,035,049
Aerojet General	1,997,580
BGP Russell Ranch LLC	1,969,354
AT & T Communications	1,644,287
Donahue Schriber Realty	<u>1,611,596</u>
Total	\$28,195,993

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 County also receives sales tax from countywide and statewide pools. The sales tax revenue from these pools amounts to approximately 12% of total local sales tax revenue. In addition, the County receives sales tax revenue from statewide pools. One half-cent of the statewide rate is allocated for local public safety purposes pursuant to Proposition 172 and another half-cent going is allocated to realignment pool.

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. 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 challenges 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 brought suit against the County challenging the legality of the utility user tax and 2% of the 12% transient occupancy tax. The County and the Plaintiffs have entered into a Settlement Agreement requiring the County either to place its 2.5% utility user tax and the increase in its transient occupancy tax from 10.0% to 12.0% on the ballot for voter ratification or repeal at the November, 2002, general election or, as of the date following that election, to discontinue the imposition or collection of such taxes. The Plaintiffs have agreed as part of the settlement to waive any claim to a refund of the subject taxes collected prior to November 6, 2002, and have further agreed not to seek the imposition of any property tax penalty pursuant to Government Code section 53728 with respect to any of the subject taxes collected prior to November 6, 2002. (See "Proposition 62" herein.)

Intergovernmental Revenues

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

State budget decisions have a profound impact on Sacramento County as the provider of many state-mandated services. California counties are political subdivisions of the State; this is a much closer tie to the State than that of cities. 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 1999/00 and \$5.1 million in 2000/01); however, in 2001/02 there was no ERAF return. In the early 1990's amidst a recession, the State of California shifted large amounts of property tax revenue away from the budgets of local government to maintain full funding for California schools establishing the Educational Revenue Augmentation Fund (ERAF).

The State is facing a very difficult budget situation of up to a \$23.6 billion deficit, or approximately 30% of the state's General Fund. The Governor proposes a mixed approach to closing the funding gap including cost reductions, fund transfers, internal and external borrowing, and new revenues. The overall impact to local government, as estimated by the State Department of Finance, is approximately \$1.2 billion. Most of the proposals which would impact counties are in the health and welfare program areas with the largest overall cut in county administration of health and welfare programs.

In the health and welfare are, the Governor is proposing actions effecting Medi-Cal, mental health, and welfare programs. For Medi-Cal there are proposals for reduction of benefits and county administration totaling \$310.0 million. For mental health, program reductions of \$58 million and a cost shift from the State to counties of \$35 million are included. For welfare, county administration of aid programs would be reduced by \$121.0 million. Counties are expected to pay half of the federal penalty imposed on the State for failure to automate child support enforcement of \$90.0 million.

The Governor's proposed reductions extend to public safety programs with some grants being eliminated and increasing fees for housing county wards in the California Youth Authority.

There are proposals which would impact county discretionary financing. The Williamson Act Open Space subdivisions would be eliminated. This has a \$500,000 impact on Sacramento County, but is much larger for other counties. Of more impact are questionable proposals to indefinitely suspend Senate Bill 90 mandate reimbursements for counties and cities (\$166.0 million).

The County also has concern over the timing of state budget actions and the ability to adjust for state budget actions. The Legislature very rarely sends a budget to the Governor by the June 15th deadline. In the past decade, the state budget has been adopted as late as early September. When the state budget is adopted well after the official deadlines the county's decision making process then becomes compressed. Adjustments to correspond to state actions come well after the start of the fiscal year. Given the magnitude of the state's problem, the large level of state funding in the county budget, and the current election year, the County could well be forced to cope with adverse state budget actions made at the very last minute.

Notwithstanding the severe budget problem, legislative committees have rejected some of the Governor's proposals for health and welfare program reductions; however, alternative proposals have not been made. Tax increases are being proposed by some but appear to have little chance of passage. But the Legislature and Governor must deal with the state's problems, and if categories reductions are rejected then cuts to discretionary financing become more likely.

Repeal of Vehicle License Fees

The County is greatly concerned over the State's continuing backfill of the VLF reductions in recent years. From 1998 into the 2001/02 Fiscal Year there has been a 65% 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 have been felt by counties and cities and not the State. However, since the VLF reductions were first enacted, the State has made up the revenue impact of the VLF rate reductions with state revenues (the state backfill), so allocations to counties and cities have been made as if there was no reduction.

The County is currently estimating receipt of \$86.5 million in VLF revenue and state backfill in the 2002/03 Fiscal Year. This includes \$30.3 million in actual VLF and \$56.2 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 Governor has proposed an increase to the VLF rates which would lessen the backfill by increasing direct VLF allocations to counties and cities. The rates would increase about 42% effective in January 2003, after the November 2002 election. This would reduce the state's backfill by \$1.3 billion. The savings for the state could be even greater should the rate increase be accelerated.

Trial Court Funding

On October 10, 1997, the Governor signed Assembly Bill 233, the Lockyer-Isenberg Trial Court Funding Act of 1997. This legislation established 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, ongoing 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 2001/02 terms, this shift represents a revenue loss of \$123.1 million. The lost revenue was partially replaced by the Proposition 172 Public Safety revenue (\$82.0 million estimate for 2001/02 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 has not included an ERAF return in the revenue estimates for the 2001/02 and 2002/03 Fiscal Years.

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. For school district general obligation debt and associated tax rate increases the voter approval threshold is 55%. 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 September 24, 2002, the Board of Supervisors approved publication of the annual appropriation limit for the Fiscal Year 2002/03 in the amount of \$1,159,989,349. 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 2002/03 Adopted Final Budget, the funds subject to limitation (total General Operating Budget minus nonproceeds of taxes, debt service, and 2001/02 carry over) are \$892,023,375 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 1996/97 through 2002/03 Budgeted:

COUNTY OF SACRAMENTO

	Appropriation Limit	Appropriation Subject to Limit	Margin
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	1,149,956,656	259,937,148	890,019,507
2002/03 Budget	1,159,989,349	267,965,974	892,023,375

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. For school district general obligation debt and associated tax rate increases the voter approval threshold is 55%.

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. 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.

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. Guardino*). 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.

In 1998, the County was sued by the Sacramento County Taxpayers League and Howard Jarvis Taxpayers' Association (collectively the "Plaintiffs") in a case 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. Both of these taxes are general fund taxes that annually provide approximately \$16.8 million and \$1.5 million, respectively, to the County's general fund. The County has collected approximately \$99.0 million from the utility tax and the incremental increase in the transient occupancy tax for the period commencing three years from the date the case

against the County was brought to the date hereof. The complaint sought 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 County and the Plaintiffs have entered into a Settlement Agreement requiring the County either to place its 2.5% utility user tax and the increase in its transient occupancy tax from 10.0% to 12.0% on the ballot for voter ratification or repeal at the November, 2002, general election or, as of the date following that election, to discontinue the imposition or collection of such taxes. The Plaintiffs have agreed as part of the settlement to waive any claim to a refund of the subject taxes collected prior to November 6, 2002, and have further agreed not to seek the imposition of any property tax penalty pursuant to Government Code section 53728 with respect to any of the subject taxes collected prior to November 6, 2002. If the voters fail to approve continuation of the taxes in question, the County will be legally obligated to cease the imposition and collection of such taxes. The Office of Budget and Debt Management has also advised the Board of Supervisors and the County Executive that for purposes of adopting the County's Fiscal Year 2002/03 budget, the taxes in question may not be treated as available revenue after November 5, 2002.

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 XIIIIC and XIIIID 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 XIIIIC) 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 effect 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 XIIIIC) 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. 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 5.0% 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. This transfer to the General Fund peaked at \$4.0 million and was reduced to \$2.5 million as the budget situation improved. The 2001/02 Adopted Final Budget included a transfer of \$2.5 million for basic county services. The Recommended Proposed Budget for 2002/03 includes a transfer of \$3.5 million. 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 XIIIID) 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 XIIIID) 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) are used 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 and Annexation 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.

State incorporation law requires that city incorporations be revenue neutral; i.e., to have no significant negative fiscal impact on the County. The County has discovered in its experience with the Citrus Heights and Elk Grove Incorporations and the Rancho Cordova Incorporation proposal, that the ongoing fiscal viability of the new cities, depends on the County accepting less than full revenue neutrality.

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 officially became a city. The City of Elk Grove is responsible for repaying the County approximately \$5.0 million in net costs of providing these services to Elk Grove in the first year after incorporation. This debt is being repaid over a five-year period beginning in the 2001/02 Fiscal Year, and Elk Grove is making these repayments on a regular basis.

On July 1, 2001, the City of Elk Grove became fully responsible for providing services and is responsible for making revenue neutrality payments to Sacramento County. The revenue neutrality obligation of the City of Elk Grove will be a share of the city property taxes. 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.

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.

The fiscal studies of the Rancho Cordova incorporation proposal and several alternatives have been completed. These studies address both the fiscal viability of the proposed city and the impact on the County. In order to reduce the net impact on the County and address the requests of landowners and neighboring cities, the proposed City of Rancho Cordova has been reduced in area.

Given the boundary revisions, the net fiscal impact on the County is approximately \$6.6 million annually. However, should the city make full revenue neutrality payments to the County, the new city's fiscal viability would be threatened. The County is willing to accept less than full revenue neutrality payments in the initial years after incorporation in exchange for fixed shares of the city's property tax revenue over time and the security that use of property tax for revenue neutrality brings.

The Rancho Cordova incorporation will be on the November 2002 ballot.

Residents of other portions of the Unincorporated Area have been discussing potential incorporation. It appears that the Arden-Arcade communities are the only remaining portions of the Unincorporated Area which generate sufficient municipal revenues in comparison to municipal service costs to make incorporation fiscally viable.

Cities located in Sacramento County are planning for the annexation of portions of the Unincorporated Area. Landowners are also interested in annexation to cities. State law requires that property tax exchange agreements be in place between the annexing city and the county before the Local Area Formation Commission (LAFCo) may consider an annexation proposal. Unlike incorporation revenue neutrality agreements, the annexation revenue sharing agreements take the form of legally binding contracts.

But in the longer run view, the County will be faced with a shrinking Unincorporated Area and an increase in the number of cities within the County and the size and population of existing cities. This will have fiscal effects on the County, change the county's role in regional governance, and impact the county workforce.

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 2, 2001, the County issued \$240 million in tax and revenue anticipation notes for Fiscal Year 2001/02. The notes will mature on August 1, 2002. On July 1, 2002, the County will issue approximately \$285 million in tax and revenue anticipation notes for Fiscal Year 2002/03. The notes will mature on August 1, 2003.

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
2001 Tax and Revenue Anticipation Notes (TRANS)	July 2, 2001	\$240 million	5.10%	August 1, 2002

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-\$381.125 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 were 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 were 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 will reduce its 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). The County will continue to pay debt service on the outstanding 1994 Certificates through October 1, 2004. 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 were 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) to 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 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.

In January 2001, the County and the City of Sacramento formed the Sacramento Regional Arts Facilities Financing Authority (SRAFFA), a joint exercise of powers authority. The SRAFFA was formed to finance the improvement of two theaters in downtown Sacramento. A Certificate of Participation issue of approximately \$14.2 million is being developed with a closing date in late June 2002. Annual debt services will come from ticket surcharges for performances at the site, naming rights to the larger theater (the Wells Fargo Pavilion), a name-a-seat campaign, County and City contributions (\$66,000 per year each), and contributions of theater organization of operating revenues.

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
Employees Parking Facility		\$ 6.885 million- \$ 6.215 million		Maximum of \$ 735,059	July 2018
Cherry Island Golf Course		\$ 9.075 million \$ 8.490 million		Maximum of \$ 770,578	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- \$50.885 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- \$0.62 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.

On June 18, 2002, the County entered into a long-term, fixed rate financing with the Public Facilities Financing Corporation in which \$5,265,000 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 purchase of certain facilities comprising the acquisition of buffer land adjacent to the Kiefer Landfill and the installation of groundwater wells and gas extraction wells, together with associated pumping and control equipment, to monitor the Elk Grove Landfill.

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.

The Department of Airport's anticipates issuing two series of revenue bonds in August 2002. Bond proceeds will be used to construct an \$80 million, five-level, 4,300 space parking garage located directly across from Terminal A at the Sacramento International Airport, and to refund all outstanding Refunding Series 1989 and Refunding Series 1992A Airport Revenue Bonds.

**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-\$18.540 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-\$10.795 million	From 4.00% to 4.50%	Maximum of \$1,090,931	December 2014
2002 Public Facilities Project (Solid Waste Facilities)	December 2002	\$5.265 million-\$5.265 million	From 3.00% To 5.00%	Maximum of \$420,750	December 2021

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, 2002.

COUNTY OF SACRAMENTO
2001/02 Assessed Valuation: \$67,719,406,124 (after deducting \$2,981,524,814 redevelopment tax allocation increment; includes unitary utility valuation)

DIRECT AND OVERLAPPING BONDED DEBT	% APPLICABLE	DEBT 4/1/02
Sacramento Regional County Sanitation District	100	\$ 21,945,000
Center Joint Unified School District	95.370	19,971,135
Dry Creek Joint School District Community Facilities District #1	100	18,209,923
Elk Grove Unified School District and Community Facilities District #1	100	93,481,825
Folsom-Cordova Unified School District School Facilities I.District #1	100	9,631,455
Sacramento Unified School District	100	101,430,000
Sacramento Unified School District and Community Facilities District #1	100	6,110,000
Natomas Unified School District	100	56,860,000
San Juan Unified School District	100	112,430,880
Rio Linda Union School District	100	16,375,000
North Sacramento and Robla School Districts	100	25,147,670
Other School Districts	Various	18,189,123
City of Folsom	100	34,456,000
Water Districts	Various	2,320,991
Folsom Community Facilities Districts	100	122,760,000
Galt and Galt Schools Community Facilities Districts	97.820-100	23,808,141
Sacramento County Community Facilities Districts	100	76,680,000
City of Sacramento Community Facilities Districts	100	87,975,000
Rancho Murrieta Community Facilities Districts	100	10,280,000
1915 Act Bonds (Estimated)	100	143,338,822
TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT		\$1,001,400,965
Less: City of Folsom Water Bonds		101,000
TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT		\$1,001,299,965
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		
Sacramento County General Fund Obligations	100	\$ 318,722,986(1)
Sacramento County Pension Obligations	100	515,125,208
Sacramento County Office of Education Certificates of Participation	100	5,815,000
Center Joint Unified School District Certificates of Participation	95.370	8,479,136
Folsom-Cordova Unified School District Certificates of Participation	100	12,150,000
Natomas Unified School District Certificates of Participation	100	18,505,000
Sacramento Unified School District Certificates of Participation	100	73,534,493
San Juan Unified School District Certificates of Participation	100	22,640,000
Other School Districts Certificates of Participation	Various	25,823,587
City of Folsom Certificates of Participation	100	22,700,000
City of Galt Certificates of Participation	100	9,484,127
City of Sacramento General Fund Obligations	100	595,286,511
Other Special Districts Certificates of Participation	100	3,158,012
Recreation and Park Districts Certificates of Participation	100	12,771,225
TOTAL GROSS OVERLAPPING LEASE OBLIGATION DEBT		\$1,644,150,285
Less: City of Sacramento self-supporting obligations		172,836,289
TOTAL NET DIRECT AND OVERLAPPING BONDED DEBT		\$1,471,313,996
GROSS COMBINED TOTAL DEBT		\$2,645,551,250(2)
NET COMBINED TOTAL DEBT		\$2,472,613,961

- (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	1.42%
RATIOS TO ADJUSTED ASSESSED VALUATION:	
Combined Direct Debt (\$833,848,194)	1.23%
Gross Combined Total Debt	3.91%
Net Combined Total Debt	3.65%

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 1,279,900 as of January 1, 2002. 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 47.1% of the county's population lives in unincorporated areas, giving Sacramento County one of the largest unincorporated populations among all counties in the State.

SACRAMENTO COUNTY
Population

Area	1940	1950	1960	1970	1980	1990	2002
Cities:							
Citrus Heights	--	--	--	--	--	--	87,400
Elk Grove	--	--	--	--	--	--	81,260
Folsom	--	1,690	3,925	5,810	11,003	29,802	60,800
Galt	--	1,333	1,868	3,200	5,514	8,889	21,300
Isleton	1,837	1,597	1,039	909	914	833	840
Sacramento	105,958	137,572	191,667	257,105	275,741	369,365	426,000
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>602,300</u>
Total	170,333	277,140	502,778	634,373	783,381	1,041,219	1,279,900

Source: U.S. Census, except for 2002 figures, which are from the State Department of Finance.

Industry and Employment

Three major job categories comprised 71.1% of the Sacramento MSA's work force during 2001. They were services (27.9%), government (25.6%), and wholesale and retail trade (17.6%).

As of April 2002, based on unadjusted data, unemployment in the Sacramento MSA was 4.7% compared to 6.3% 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)

	1997	1998	1999	2000	2001
Mining	0.2	0.2	0.2	0.3	0.4
Construction	33.2	37.1	43.5	47.5	53.0
Manufacturing					
Nondurables	14.0	14.3	14.6	15.1	15.1
Durable	31.3	32.5	33.9	36.5	36.2
Transportation and					
Public Utilities	24.7	26.2	27.1	27.5	28.1
Wholesale Trade	25.0	25.9	26.4	26.1	26.7
Retail Trade	111.7	114.2	118.5	126.4	129.8
Finance, Insurance					
and Real Estate	42.2	47.5	49.7	47.8	49.1
Services	173.9	182.5	193.4	202.0	205.7
Government	169.1	171.8	178.6	181.4	188.4
Agriculture	<u>3.8</u>	<u>3.7</u>	<u>3.9</u>	<u>4.0</u>	<u>4.4</u>
Total	608.9	629.1	689.8	713.8	736.8

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 electronics, medical services, retail sales, and communications services. Major private employers, their products or services, and their number of employees in 2001/02 are listed in the table on the following page.

The State currently employs 72,590 personnel in the County in various branches of government, making the State the largest employer in the area. County employees account for 14,222 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, the Federal Base Realignment and Closure Commission identified McClellan for closure, and the base closed on July 13, 2001. 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 Board of Supervisors approved the Draft Final Reuse Plan in August 2000 with remaining environmental reviews being completed in June 2002. The County and its master developer have over 3 million square feet under lease with many other leases pending. More than 4,000 public and private sector jobs have been retained or created at McClellan. On November 13th 2001, the Board of Supervisors and Master Developer executed a purchase sale agreement which provided for the purchase of the majority of the Base property by the Master Developer, exclusive of the Airfield which is retained by the County and operated as a public airfield.

Mather Air Force Base, 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 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 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.

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 officially closed in March 1995 also as a result of federal action under the Base Realignment and Closure Act. A developer has purchased the entire site and has leased it to manufacturers and warehousing firms.

**SACRAMENTO METROPOLITAN STATISTICAL AREA
Major Private Sector Employers (2001/02)**

Company	Product-Service	Employees
Hewlett Packard	Electronics	6,132
Kaiser Permanente	Medical Services	5,589
Raley's Inc.-Bel Air	Retail Sales	3,700
Pacific Bell	Communications	3,323
Sutter-California Health Services	Medical Services	2,985
Intel Corporation	Electronics	2,816
Mercy Hospitals and Medical Centers	Medical Services	2,500
Wal-Mart	Retail Sales	2,160
Pride Industries	Business Services	2,100
Albertson's, Inc.	Retail Sales	2,036

Source: Sacramento Area Commerce and Trade Organization

Commercial Activity

Commercial activity is an important contributor to Sacramento County's economy. Between 1996 and 2000, taxable retail sales increased 39.3% from \$7.947 billion to \$11.073 billion. As shown in the following table, total taxable sales increased 38.5% from \$11.98 billion to \$16.59 billion.

**SACRAMENTO COUNTY
Taxable Transactions 1996 Through 2000
(Amounts Expressed in Thousands)**

	1996	1997	1998	1999	2000
Apparel Stores	\$ 337,455	\$ 351,076	\$ 364,544	\$ 369,927	\$ 410,328
General Merchandise Stores	1,443,568	1,559,591	1,663,856	1,875,947	1,960,570
Specialty Stores	1,294,671	1,335,040	1,449,835	1,624,485	1,800,343
Food Stores	630,408	644,514	641,284	696,416	758,169
Package Liquor Stores	49,274	55,851	60,809	66,236	71,301
Eating and Drinking Places	907,290	949,013	1,008,886	1,080,021	1,163,483
Home Furnishings and Appliances	557,687	457,570	466,468	523,294	579,375
Building Materials and Farm Implements	629,926	693,847	655,614	932,551	1,049,133
Service Stations	594,514	595,943	517,785	630,998	811,847
Automobile, Boat, Motorcycle and Plane Dealers and Parts outlets	<u>1,502,419</u>	<u>1,584,697</u>	<u>1,643,460</u>	<u>2,139,002</u>	<u>2,467,982</u>
Total Retail Outlets	\$ 7,947,212	\$ 8,227,142	\$ 8,715,401	\$ 9,938,877	\$11,072,531
Business and Personal Services	500,914	552,663	619,589	705,364	729,836
All Other Outlets	<u>3,532,149</u>	<u>3,754,364</u>	<u>3,993,656</u>	<u>4,335,152</u>	<u>4,791,358</u>
Total All Outlets	\$11,980,275	\$12,534,169	\$13,328,646	\$14,979,393	\$16,593,725

Source: State Board of Equalization

Agriculture

Agriculture continues to be an important factor in the county's economy; however, with the ever-increasing urban and commercial development of Sacramento County, agriculture's relative impact on the local economy declines. The gross value of agricultural production in 2000 reached \$285,572,000. 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	\$ 43,756
Livestock and poultry products	43,506	42,581	51,103	48,790	43,121
Livestock and poultry	23,192	32,633	27,852	24,220	24,594
Vegetable crops	26,058	23,745	25,639	30,636	17,088
Fruit and nut crops	64,473	73,310	110,297	124,217	127,499
Nursery products	15,745	15,969	17,933	17,113	26,408
Seed crops	8,956	6,922	5,290	6,412	3,041
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	\$285,572

Source: Sacramento County Agricultural Commissioner.

Construction Activity

The value of building permits issued in the County totaled \$2,383,492,572 in 2001, a reduction of 9.5% from the prior year. From 1997 through 2001, the value of nonresidential building permits reflects a total reduction of 20.2%. Residential permit valuation increased 105.5% over the same period. In addition to annual building permit valuations, the numbers of permits for new dwelling units issued each year from 1997 through 2001 are shown in the following table.

**SACRAMENTO COUNTY
Building Permit Valuations
1997 through 2001**
(Amounts Expressed in Thousands)

<u>Valuation:</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Residential	\$ 600,913	\$1,021,230	\$1,158,833	\$1,449,414	\$1,835,507
Nonresidential	<u>686,665</u>	<u>800,309</u>	<u>948,189</u>	<u>1,183,303</u>	<u>547,986</u>
Total	\$1,287,578	\$1,821,539	\$2,107,022	\$2,632,717	\$2,383,493
<u>New Dwelling Units:</u>					
Single family	3,610	5,110	5,523	7,054	8,616
Multiple family	<u>366</u>	<u>2,610</u>	<u>4,900</u>	<u>3,362</u>	<u>973</u>
Total	3,976	7,720	10,423	10,416	9,589

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 \$87,600,000 for 2002/03) 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 2002/03 share for the unincorporated area of the County is estimated to be \$25,735,000.

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 for 2001/02 was approximately 228,122.

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 2002 enrollment at the four campuses totaled approximately 59,151. 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 26,293. 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 (CCF) 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 2002-03 is \$39,173,930 while the approved budget is for \$38,271,531.

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.

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 2002-03

- **CAPITAL CONSTRUCTION FUND: Expected Expenditures \$5,731,845**
 - **Administration Complex \$655,500** – Install security camera system in the old and new administration buildings, renovation of cafeteria; provide window cleaning equipment at old administration building.
 - **Mental Health Facility \$22,000** -- Carpet replacement, install new doors.
 - **Rio Cosumnes Correctional Center (RCCC) - Sandra Larsen Facility \$200,000** – Install fire alarm control panel
 - **Main Jail \$961,000** -- Ongoing renovation/replacement/repair of flooring, painting and equipment. Special focus on kitchen area.
 - **Courthouse \$422,000** – Replace emergency generator, replace security locks and controls, and install fixed seating in jury lounge.
 - **District Attorney Office \$25,000** – Repair cracks in exterior pre-cast concrete panels.
 - **Coroner/Crime Lab \$123,000** – Remodel front counter for ADA compliance.
 - **Bradshaw Complex \$596,500** -- Various projects, paving/parking enhancement, Security modifications, ADA restroom renovations, HVAC reassessment, emergency power AC for communication center generator.
 - **Probation – Boys Ranch \$259,000** – Re-roof all facilities; install watertight gas monitoring system.
 - **Old Florin School \$104,000** -- Renovate and reuse old Florin School (for Parks activity). Partnership with SHRA, Parks and Economic Revitalization.
 - **Annual Programs \$2,022,000** -- Underground Tank assessment, asbestos mitigation countywide, Criminal Justice research foundation work, flood zone assessments, various improvement districts, CAFM project, Job Order Contracting and Master Planning.
 - **Miscellaneous \$341,845** – Downtown complex master plan, ADA surveys, install AC to maintain temperature accreditation, replace three dust/fume vent systems at trades building.
- **TRUST FUNDS (Courthouse Temporary Construction Fund and Criminal Justice Facility Temporary Construction Fund): Expected Expenditures \$4,045,000**
 - **Courthouse \$1,595,000** -- Various remodel/renovation projects including carpeting, reupholstering, security control panel repair/replacement, construction of holding cells, signage and space reprogramming.
 - **Carol Miller Justice Center \$650,000** -- Repair of roof, creation of additional offices, addition of handrails and modification of patio area.
 - **Probation – Boys Ranch \$291,000** – Install watertight dispenser-gas monitoring system, enclose fire sprinkler system in dormitory, and construct two holding cells.
 - **RCCC \$1,509,000** - Replace HVAC in men’s barracks, install ventilation system to mitigate TB risk, repair floor cracking at CBF facility, in the men’s kitchen – replace four make-up air units and install AC in N/S electrical room.
- **GRANT FUNDS: Expected Expenditure \$4,032,585**
 - **Probation – Warren E. Thornton Youth Center \$2,300,000** -- Design and construction of 60 additional beds and a gym facility. Total grant funding is \$2.3 million and is expected to be recouped this fiscal year.
 - **Coroner/Crime Lab \$1,056,585** - Expand PCR lab, move arson lab and create new office space.
 - **Juvenile Hall \$676,000** – Juvenile Hall Phase I expansion.
- **COP/BOND FUNDS: Expected Expenditure \$22,015,500**
 - **New Juvenile Court Building \$13,975,000** – Design/construct a new juvenile courts facility.
 - **Probation – Boys Ranch \$1,498,000** – Construction of a visitors center and a 25 bed housing unit.
 - **W. E. Thornton Youth Center \$1,817,500** – Construct 60 bed expansion.
 - **Miscellaneous Facilities \$50,000** – Construction related to ADA projects.
 - **Permit Center \$ 25,000** - Design and construction management.
 - **New Public Works Administration Building \$4,650,000** – design/bid new Public Works Administration Building and develop 34-acre site infrastructure.-
- **TOBACCO LITIGATION SETTLEMENT FUNDS: Expected Expenditure \$3,249,000**
 - **Juvenile Hall Expansion \$249,000** – Phase I of project to expand Juvenile Hall (\$40,000,000 total project), provide negative air pressure to current medical cells.
 - **Libraries – Carmichael \$1,500,000** – Renovation or replacement of Carmichael Library (\$5,500,000 total).
 - **Primary Care Clinic \$500,000** – Design/Construction of a new Primary Care Clinic (\$30,800,000 total).
 - **Animal Care Shelter and Parks Administration Facility \$1,000,000** – Design/Construction of a new Animal Care/Parks Administration Facility (\$6,000,000 available for an approximate \$10-12 million project).

Capital Improvement Plan - Fiscal Year 2002-03

Object	Description	Total Project Plan Cost	Estimated 2002-03	2002-03 Financing							Financing Total
				CCF Funded*	Dept Funded	Grant Funded	Courthouse Temporary Construction Fund	Criminal Justice Facility Construction Fund	COP/Bonds Funded	Tobacco Litigation Funded	
Administration											
	Install Security Camera System Old & New Admin Bldg.	250,000	250,000	250,000	0	0	0	0	0	0	250,000
	Reconfigure Copy Cnter to Pub Defender Office Space**	100,000	0	0	0	0	0	0	0	0	0
	Connect A/C 6 to Central Plant H/C Water	50,000	50,000	50,000	0	0	0	0	0	0	50,000
	Provide window cleaning equipment-827 7th Street	3,000	30,000	30,000	0	0	0	0	0	0	30,000
	Subtotal	403,000	330,000	330,000	0	0	0	0	0	0	330,000
Courthouse											
	Courthouse-WET Standpipe Piping	209,000	100,000	0	0	0	100,000	0	0	0	100,000
	Courthouse-Modify Security Control Panel	2,200,000	700,000	0	0	0	700,000	0	0	0	700,000
	Renovate Courthouse inmate elevator	250,000	250,000	0	0	0	250,000	0	0	0	250,000
	Carpet secured corridor	20,000	20,000	0	0	0	20,000	0	0	0	20,000
	Annual recarpeting of 6 courtrooms	70,000	50,000	0	0	0	50,000	0	0	0	50,000
	Install roll down gates to basement	25,000	25,000	0	0	0	25,000	0	0	0	25,000
	Install changing tables in restrooms	2,000	2,000	0	0	0	2,000	0	0	0	2,000
	Courthouse reprogramming	150,000	100,000	0	0	0	100,000	0	0	0	100,000
	Replace Courthouse Emergency Generator	540,000	425,000	172,000	0	0	253,000	0	0	0	425,000
	Upgrade/Replace Security Locks & Controls,Holding Cells	200,000	200,000	200,000	0	0	0	0	0	0	200,000
	Construct WET Holding Cell	50,000	45,000	45,000	0	0	0	0	0	0	45,000
	Install fixed seating jury lounge	5,000	5,000	5,000	0	0	0	0	0	0	5,000
	Carpet replacement of six courtrooms	75,000	75,000	0	0	0	75,000	0	0	0	75,000
	Re-upholstery two courtrooms public seatng	15,000	15,000	0	0	0	15,000	0	0	0	15,000
	Evaluate possible tile replacement at cafe entry	5,000	5,000	0	0	0	5,000	0	0	0	5,000
	Subtotal	3,816,000	2,017,000	422,000	0	0	1,595,000	0	0	0	2,017,000
Mental Health (including old #509 and 510)											
	Change carpet at 2150 Stockton Blvd.	131,148	12,000	12,000	0	0	0	0	0	0	12,000
	Install steel lockable door at Nutrition Station	8,000	8,000	8,000	0	0	0	0	0	0	8,000
	Install double door at entrance of D unit	2,000	2,000	2,000	0	0	0	0	0	0	2,000
	Subtotal	141,148	22,000	22,000	0	0	0	0	0	0	22,000
Rio Cosumnes Correctional Center (RCCC)											
	Replace HVAC in Men's Barracks	468,018	400,000	0	0	0	0	400,000	0	0	400,000
	Repair floor cracking at CBF facility	75,000	70,000	0	0	0	0	70,000	0	0	70,000
	Install catwalk in service corridor**	39,200	0	0	0	0	0	0	0	0	0
	Install exhaust in Inmate Property Room	102,000	80,000	0	0	0	0	80,000	0	0	80,000
	Design/Construct four Medical Isolation Cells	79,000	30,000	0	0	0	0	30,000	0	0	30,000
	Install ventilation system to mitigate TB risk	795,800	792,000	0	0	0	0	792,000	0	0	792,000
	Men's Kitchen-Replace four Make Up Air Units	117,000	113,000	0	0	0	0	113,000	0	0	113,000
	Replace Washer/Dryer & Plumbing in Laundry Room**	368,200	0	0	0	0	0	0	0	0	0
	Replace tile floor at C.Boone & S. Baird**	75,000	0	0	0	0	0	0	0	0	0
	Install AC in N/S Electrical Room at 440 bed facility	27,000	24,000	0	0	0	0	24,000	0	0	24,000
	Install commercial dishwasher in staff dining area**	51,000	0	0	0	0	0	0	0	0	0
	Subtotal	2,197,218	1,509,000	0	0	0	0	1,509,000	0	0	1,509,000

Capital Improvement Plan - Fiscal Year 2002-03

Object	Description	Total Project Plan Cost	Estimated 2002-03	2002-03 Financing						Financing Total	
				CCF Funded*	Dept Funded	Grant Funded	Courthouse Temporary Construction Fund	Criminal Justice Facility Construction Fund	COP/Bonds Funded		Tobacco Litigation Funded
Juvenile Hall											
	Provide negative air pressure to medical cells	25,000	25,000	0	0	0	0	0	0	25,000	25,000
	Juvenile Hall Phase 1 Expansion	40,000,000	900,000	0	0	676,000	0	0	0	224,000	900,000
	Subtotal	40,025,000	925,000	0	0	676,000	0	0	0	249,000	925,000
New Juvenile Court Building											
	Design/construct new juvenile courts building	23,000,000	13,975,000	0	0	0	0	0	13,975,000	0	13,975,000
Boys Ranch											
	Enclose fire sprinkler heads in dorm	70,000	50,000	0	0	0	0	50,000	0	0	50,000
	Construct Visitor Center	946,000	828,000	0	0	0	0	0	828,000	0	828,000
	Construct two holding cells	50,000	50,000	0	0	0	0	50,000	0	0	50,000
	Construct 25 Bed Housing Unit	925,000	670,000	0	0	0	0	0	670,000	0	670,000
	Install watertight dispenser-gas/monitoring system	300,000	300,000	109,000	0	0	0	191,000	0	0	300,000
	Reroof all facilities with Cal-Shake systems	300,000	150,000	150,000	0	0	0	0	0	0	150,000
	Subtotal	2,591,000	2,048,000	259,000	0	0	0	291,000	1,498,000	0	2,048,000
Libraries											
	Carmichael -Remnd/clrfy fac.re: exp./remodel	5,500,000	1,500,000	0	0	0	0	0	0	1,500,000	1,500,000
	Evaluate and repair exterior siding and replace carpet**	140,000	0	0	0	0	0	0	0	0	0
	Subtotal	5,640,000	1,500,000	0	0	0	0	0	0	1,500,000	1,500,000
District Attorney Facility											
	Repair cracks - exterior precast concrete panels	70,000	25,000	25,000	0	0	0	0	0	0	25,000
Sandra Larson Facility-RCCC											
	Install fire alarm control panel	246,000	200,000	200,000	0	0	0	0	0	0	200,000
Bradshaw Complex											
	Equipment Yard expansion**	338,964	0	0	0	0	0	0	0	0	0
	Parking Area North of Animal Control	235,582	182,000	82,000	100,000	0	0	0	0	0	182,000
	Pave dirt and gravel at motor pool**	247,174	0	0	0	0	0	0	0	0	0
	Soil Contamination Work Plan**	15,000	0	0	0	0	0	0	0	0	0
	Subtotal	836,720	182,000	82,000	100,000	0	0	0	0	0	182,000
Miscellaneous											
	Downtown complex master plan	45,000	55,000	55,000	0	0	0	0	0	0	55,000
	ADA surveys	15,537	100,000	100,000	0	0	0	0	0	0	100,000
	Install AC to maintain temperature (accreditation)	60,000	44,345	44,345	0	0	0	0	0	0	44,345
	Replace three dust/fume vent systems at trades building	90,000	87,000	87,000	0	0	0	0	0	0	87,000
	Subtotal	210,537	286,345	286,345	0	0	0	0	0	0	286,345
Sheriff South Area Station											
	Replace carpet in Administration Building**	75,000	0	0	0	0	0	0	0	0	0

Capital Improvement Plan - Fiscal Year 2002-03

Object	Description	Total Project Plan Cost	Estimated 2002-03	2002-03 Financing						Financing Total	
				CCF Funded*	Dept Funded	Grant Funded	Courthouse Temporary Construction Fund	Criminal Justice Facility Construction Fund	COP/Bonds Funded		Tobacco Litigation Funded
Office Building #3 - Branch Center											
	Security modifications & ADA restroom modifications**	317,223	0	0	0	0	0	0	0	0	0
	Replace chiller with CFC free type	250,000	250,000	250,000	0	0	0	0	0	0	250,000
	Subtotal	567,223	250,000	250,000	0	0	0	0	0	0	250,000
Agricultural Commission											
	Raise Walkway Grade for Flood Prevention	11,580	4,500	4,500	0	0	0	0	0	0	4,500
Water Quality											
	Replace one of the chiller units	60,000	60,000	60,000	0	0	0	0	0	0	60,000
Coroner/Crime Lab											
	Remodel front counter for ADA compliance	256,000	123,000	123,000	0	0	0	0	0	0	123,000
	Expand PCR lab/move arson lab-new office	1,083,520	1,056,585	0	0	1,056,585	0	0	0	0	1,056,585
	Subtotal	1,339,520	1,179,585	123,000	0	1,056,585	0	0	0	0	1,179,585
W.E. Thornton Youth Center (WETYC)											
	Construct 60 Bed Expansion at Youth Center	12,000,000	4,117,500	0	0	2,300,000	0	0	1,817,500	0	4,117,500
GS Warehouse & Communications Center											
	Provide emergency power AC for Comm Ctr. Generator	400,000	200,000	200,000	0	0	0	0	0	0	200,000
New Administration Center											
	Chilled water piping modification**	170,000	0	0	0	0	0	0	0	0	0
	Renovation of New Administration Building Cafeteria	550,000	325,000	325,000	0	0	0	0	0	0	325,000
	Replace Carpet, Rooms 270, Offices, Halls**	170,000	0	0	0	0	0	0	0	0	0
	Design/Project Mgmt on expanding CEO - 6th Floor**	338,061	0	0	0	0	0	0	0	0	0
	Improve acoustics in Hearing Room #2**	20,000	0	0	0	0	0	0	0	0	0
	Remodel/reconfig/recarpet 3rd fl for Dept.of Finance**	10,000	0	0	0	0	0	0	0	0	0
	Subtotal	1,258,061	325,000	325,000	0	0	0	0	0	0	325,000
Lorenzo Patino Hall of Justice/Main Jail											
	Remodel Main Jail Lobby**	160,000	0	0	0	0	0	0	0	0	0
	Install suspend window cleaning scaffold	180,000	164,000	164,000	0	0	0	0	0	0	164,000
	Install two new dishwashing machines	320,000	300,000	300,000	0	0	0	0	0	0	300,000
	Dampen excessive fan noise basement	212,000	192,000	192,000	0	0	0	0	0	0	192,000
	Replace kitchen tile floor	300,000	300,000	300,000	0	0	0	0	0	0	300,000
	Eval/Replace dayroom furniture at cust housing flrs**	5,000	0	0	0	0	0	0	0	0	0
	Install/upgrade system for touchscreen security system	85,000	5,000	5,000	0	0	0	0	0	0	5,000
	Subtotal	1,262,000	961,000	961,000	0	0	0	0	0	0	961,000
Old Florin School											
	Scope & estimate to rehab Old Florin School	104,000	104,000	104,000	0	0	0	0	0	0	104,000
McClellan Building 4											
	Provide design docs:tenant improvements to Building 4**	420,000	0	0	0	0	0	0	0	0	0

Capital Improvement Plan - Fiscal Year 2002-03

Object	Description	Total Project Plan Cost	Estimated 2002-03	2002-03 Financing						Financing Total	
				CCF Funded*	Dept Funded	Grant Funded	Courthouse Temporary Construction Fund	Criminal Justice Facility Construction Fund	COP/Bonds Funded		Tobacco Litigation Funded
Carol Miller Justice Center (CMJC)											
	Modify breakroom patio & gates/weapon	14,000	14,000	14,000	0	0	0	0	0	0	14,000
	Covering & counter for outside drop	1,000	1,000	1,000	0	0	0	0	0	0	1,000
	Remodel public viewing room	10,000	7,000	7,000	0	0	0	0	0	0	7,000
	Provide flagpole	5,000	4,000	4,000	0	0	0	0	0	0	4,000
	Install handrails at entry/exit doors	15,000	15,000	15,000	0	0	0	0	0	0	15,000
	Convert rooms 1007/1008 into office space	25,000	15,000	15,000	0	0	0	0	0	0	15,000
	Expand public and employee parking lot	150,000	150,000	0	0	0	150,000	0	0	0	150,000
	Repair leaks	500,000	500,000	0	0	0	500,000	0	0	0	500,000
	Subtotal	720,000	706,000	56,000	0	0	650,000	0	0	0	706,000
Miscellaneous - Annual Maintenance - Planning - etc.											
	Annual Underground Tank	82,211	10,000	10,000	0	0	0	0	0	0	10,000
	Pavement Maintenance Project	111,044	20,000	20,000	0	0	0	0	0	0	20,000
	Asbestos	210,000	100,000	100,000	0	0	0	0	0	0	100,000
	Criminal Justice Research Foundation	160,049	160,000	160,000	0	0	0	0	0	0	160,000
	Master Plan EIR charges	150,000	50,000	50,000	0	0	0	0	0	0	50,000
	CAFM Design and Implementation	1,000,000	1,500,000	1,500,000	0	0	0	0	0	0	1,500,000
	Downtown Partnership Improvement District	60,000	60,000	60,000	0	0	0	0	0	0	60,000
	Flood Zone Assessment	0	5,000	5,000	0	0	0	0	0	0	5,000
	Capital Station Improvement District	0	15,000	15,000	0	0	0	0	0	0	15,000
	Research and development of ADA projects	5,000	50,000	0	0	0	0	0	50,000	0	50,000
	Job Order Contracting	50,000	50,000	50,000	0	0	0	0	0	0	50,000
	Repair Concrete Fence on I Street**	50,000	0	0	0	0	0	0	0	0	0
	Subtotal	1,878,304	2,020,000	1,970,000	0	0	0	0	50,000	0	2,020,000
New Facilities											
	Design/Manage Construction of Permit Center	0	25,000	0	0	0	0	0	25,000	0	25,000
	Design infrastructure for 34 acre site	6,000,000	900,000	0	0	0	0	0	900,000	0	900,000
	Branch Center Community Relations Plan	50,000	52,000	52,000	0	0	0	0	0	0	52,000
	Design/Bid New Public Works Admin Bldg at 34 acre site	8,150,000	3,750,000	0	0	0	0	0	3,750,000	0	3,750,000
	Primary Care Clinic	30,800,000	500,000	0	0	0	0	0	0	500,000	500,000
	Program/Design/Construct New Animal Care/Parks Fac	6,000,000	1,000,000	0	0	0	0	0	0	1,000,000	1,000,000
	Subtotal	51,000,000	6,227,000	52,000	0	0	0	0	4,675,000	1,500,000	6,227,000
TOTAL		150,272,311	39,173,930	5,731,845	100,000	4,032,585	2,245,000	1,800,000	22,015,500	3,249,000	39,173,930

* Including allocated cost, interest, and misc revenues

** Project deferred in this fiscal year due to actions by Board of Supervisors

BUDGET PROCESS AND TIMELINE

BUDGET PROCESS

The annual budget is prepared, reviewed and approved in accordance with the County Budget Act (California Government Code Sections 29000 through 30200). The Budget and the Comprehensive Annual Financial Report (CAFR) are prepared using generally accepted accounting principles. Governmental fund types like the General Fund, Special Revenue Funds, and Debt Service use the modified accrual basis, Proprietary Funds use the full accrual basis.

The annual operating budget includes all operating, capital, and debt service requirements of Sacramento County for the following fiscal year. The fiscal year is from July 1 to June 30. In addition, the budget includes: the revenue and expense assumptions upon which the budget is based; the number of budgeted positions by department and cost center; the mission, strategic priorities, impact and performance measures of each operating department; prior-year actual and current year budgeted and estimated actual expenditures and revenue by department and cost center; and a description of significant expenditure changes by department and division, along with significant revenue changes at the department level.

The capital budget reflects the annual amount appropriated for each capital project included in the long-range capital improvement plan. When the Board authorizes a new capital project, the Board approves the total project cost and schedule. The approval of the project budget authorizes total expenditures over the duration of the construction project which oftentimes span multifiscal years. The annual capital budget authorizes the anticipated expenditures for the scope of work anticipated to be completed in the upcoming fiscal year.

The annual budget process includes six phases:

Phase I – (July-November) – Establish Budget Priorities & Principles

The Board of Supervisors working with the County Executive establishes the operating and capital budget priorities and the budget principles for the next fiscal year based upon relevant economic, social, and demographic trends, a budget update with a five-year forecast and an in depth discussion of proposed budget principles.

Phase II – (December – April) Develop Operating Budget

The County Executive’s Office develops and distributes the annual operating budget instructions based upon: Board priorities and budget principles established in November; the impact of annual capital budget requests on the operating budget; revenue and expense projections for the following fiscal year; and state and county long-range economic indicators.

Department budgets are developed by the Department Heads and staff. It is subsequently reviewed and modified, as necessary, through a collaborative effort among the County Executive’s Office and the departments.

In developing the annual capital budget, departments must determine the impact these capital projects will have on the following fiscal year’s operating budget. Consequently, this phase must be submitted in advance of the departmental annual operating budget.

Phase III – (June)

After a series of public meetings, the Recommended Proposed Budget must be adopted by a three-fifths majority of the Board of Supervisors.

Phase IV – (July-August)

The Board of Supervisors hold five public workshop hearings.

Phase V – (August-September)

The County Executive’s Office prepares revised budget recommendations report and submits it to the Board of Supervisors for the Final Budget Hearings in early September. The Final Budget is adopted by a three-fifths majority of the Board of Supervisors.

The Director of Finance prepares Final Budget Resolutions and submits them to the Board of Supervisors for approval prior to the October deadline.

Phase VI – (September-October)

As directed by the Board of Supervisors, final budget hearing adjustments are documented by County Executive’s Office Analysts. Each of the various departmental budgets are submitted to the staff of the Office of Budget and Debt Management for compilation and production of the final budget book.

The legally mandated time requirements for budget approval are as follows:

County Budget Act Requirement/Extension

Revenue Estimates	June 10
Proposed Budget	August 10/September 8
Budget Hearings	August 20/September 18
Final Budget Approval	August 30/October 2
Final Budget Filed with the State	November 1/December 1

Staff from the County Executive’s Office meet with the department staff quarterly to discuss monthly, year-to-date and projected revenue and expenditures and appropriate budget revisions. Budget revisions (requiring a four-fifths vote of the Board of Supervisors) may be necessary throughout the year as a result of:

- New sources of revenue (unanticipated revenue)
- Revenue that will not be collected (unrealized revenue)
- Unexpected expenditures (appropriation increases)
- Lower than expected expenditures (appropriation decreases)

MIDYEAR APPROPRIATION ADJUSTMENT REQUESTS (AARs)

Guidelines and Legal Authorities

All adjustments to budgeted appropriations must be documented on an Appropriation Adjustment Request form. Each AAR is accompanied by a cover letter addressed to either the Board of Supervisors or County Executive (depending on approval authority required) explaining the reason for adjustment.

- I. County Executive approval – The County Executive has the authority to approve the following adjustments (per Government Code Section 29125, and County Resolution No. 85-1368)
 - a. Transfers between accounts in different objects within an appropriation.
 - b. Transfers within or between Internal Services Funds.
 - c. Increases in spending authority of Internal Services Funds when new or increases financing is identified.

Internal Services Funds are not included in the “Annual Budget Resolution”.
- II. By four-fifths vote, the Board of Supervisors may (per Government Code Sections 29086, 29127, and 29130 and County Charter, Section 49):
 - a. Make available for appropriation balances in contingencies.

- b. Make available for appropriation reserves no longer required for the purpose for which intended.
- c. Make available for appropriation amounts from any actual or anticipated increases in available financing (new revenue or increases in revenue not set forth in the budget).
- d. Make an emergency appropriation after adopting a resolution stating the facts constituting the emergency.

Note: General Reserves are established, cancelled, increases or decreased at time of adopting the budget except in a legally declared emergency.

Specific Areas of Change

TRANSFER OF APPROPRIATION ADJUSTMENT AUTHORITY

On October 27, 1992, the County implemented the departmental empowerment concept and altered the AAR process.

In Resolution No. 85-1368, the Board of Supervisors delegated authority to the County Executive to approve midyear transfers and revisions of appropriations between objects with a budget unit as well as adjustments to Internal Service Funds. For example, appropriations could be moved from Salaries to Services and Supplies. Existing law (Government Code 29125) allows the Board to designate a county official to authorize these appropriation adjustments as long as they do not alter the total budget unit spending authority.

Along with an emphasis on department empowerment (accountability for program results and financial responsibility), it is important that the departments be granted as much flexibility in their budgets as possible. With this proposed change, the departments' net county cost and underlying appropriation remains the same but the Department Head is able to adjust between expenditure objects as circumstances require during the year. With this emphasis on "bottom-line" control of net cost (appropriations less revenue), it is important that both expenditures and revenues be closely monitored by the departments. Timely midyear corrective actions are expected if actual results vary negatively from the budget. Departments report to the County Executive periodically on budget and program status.

Departments must ensure that provisions are maintained for salary, contractual and inter-department commitments and other allocated costs. Appropriation adjustment documents impacting two departments must bear authorized signatures from both. All other controls and edits will remain unchanged.

The Board retained authorizations of any increase to total appropriations to be funded from new departmental revenues, contingencies or reserves. These changes must be processed through the County Executive's Office. Use of General Fund contingencies or reserves are very rare, usually when there is no legal alternative.

The Auditor-Controller reports quarterly to the Board the adjustments processed under this policy.

BUDGET 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's 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:

Responsible Party	Event	Time
<ul style="list-style-type: none"> • County Executive • Chief Financial Officer • Agency Administrators • Department Heads 	Develop Major Budget Assumptions/ Personnel Costs/Allocated Costs	November/ December 2001
<ul style="list-style-type: none"> • County Executive • Chief Financial Officer • Department Heads • Departmental Fiscal Officers • County Executive's Office Analysts 	Information Sharing Session with Department Heads and Fiscal Staff – Review of process to develop and review reduction implementation plans	January 7, 2002
<ul style="list-style-type: none"> • County Executive • Chief Financial Officer • Agency Administrators 	Midyear Budget Update	February 5, 2002
<ul style="list-style-type: none"> • County Executive • Chief Financial Officer 	Distribute Budget Materials and Instructions	February 7, 2002
<ul style="list-style-type: none"> • Chief Financial Officer 	Hold training on budget development system	February-April
<ul style="list-style-type: none"> • Departmental Fiscal Officers 	Facility Acquisition or Improvement Request (Form 330)	March 1, 2002
<ul style="list-style-type: none"> • County Executive • Chief Financial Officer • Department Heads • Departmental Fiscal Officers • County Executive's Office Analysts 	Information Sharing Session with Department Heads and Fiscal Staff – Review of process to develop and review reduction implementation plans	March 4, 2002
<ul style="list-style-type: none"> • County Executive and Human Resource Agency staff 	Salary Ordinance (County of Sacramento Position Report 2001-02) & "Draft" Summary of Positions Report – Current Authorized Staffing Level	March 15, 2002
<ul style="list-style-type: none"> • Department Heads • Departmental Fiscal Officers 	Base Budgets Due to CEO from the following funds: - General Fund (001) - Court Operations (003) - Capital Construction (007) - Tobacco Litigation Settlement (008) - Transient-Occupancy Tax (015) - Building Inspection (021)	March 29, 2002
<ul style="list-style-type: none"> • Department Heads • Departmental Fiscal Officers 	All Other Funds Base Budgets Due to CEO - Enterprise - Governmental - Internal Services - Special Districts	April 12, 2002
<ul style="list-style-type: none"> • County Executive's Office Analysts 	Analysis by CEO Analysts of Base Budget Submittals	March 29, 2002 - May 3, 2002
<ul style="list-style-type: none"> • Department Heads • Departmental Fiscal Officers 	Requests for Additional (Growth) Funding	April 26, 2002
<ul style="list-style-type: none"> • County Executive • Chief Financial Officer • Agency Administrators 	CEO Determination of Base Budget Reduction Recommendations	May 3, 2002 - May 15, 2002

Responsible Party	Event	Time
<ul style="list-style-type: none"> County Executive Chief Financial Officer Agency Administrators County Executive's Office Analysts 	Preparation of Proposed Budget Materials using Sacramento County Budget Development Application (SCBDA)	May 6, 2002 - June 1, 2002
<ul style="list-style-type: none"> Chief Financial Officer 	Office of Budget & Debt Management (OBDM) calculates each department's share of basic budget problem and utility tax loss	May 13, 2002
<ul style="list-style-type: none"> Chief Financial Officer 	OBDM determines each department's share of state-imposed budget problem based upon Governor's May Revise impacts	May 18, 2002
<ul style="list-style-type: none"> County Executive Chief Financial Officer Department Heads Departmental Fiscal Officers County Executive's Office Analysts 	Information Sharing Session with Department Heads and Fiscal Staff – Review of process to develop and review reduction implementation plans	June 3, 2002
<ul style="list-style-type: none"> County Executive 	Recommended Proposed Budget Available	June 7, 2002
<ul style="list-style-type: none"> Board of Supervisors County Executive 	Budget Hearings --Budget Overview and Determination of Base Budget, plus reductions, including but not limited to vacant positions and discretionary contracts. Board adopts Proposed Budget	June 18 & 19, 2002, 2:00 p.m. (If necessary, June 20th --all day, & June 21 st --half day)
<ul style="list-style-type: none"> Board of Supervisors County Executive Director of Finance 	Implement Proposed Budget as operating budget until Final Budget is approved	July 1, 2002
<ul style="list-style-type: none"> Chief Financial Officer County Executive's Office Analysts Department Fiscal Officers 	Complete review and balancing of operating transfers, significant changes, overall budget picture	July 1-30, 2002
<ul style="list-style-type: none"> Department Heads Departmental Fiscal Officers 	Reduction Implementation Plans submitted for reduction amounts due to County Executive's Office	July 8, 2002
<ul style="list-style-type: none"> Department Heads Departmental Fiscal Officers 	Final Budget Request Changes from Departments	July 19, 2002
<ul style="list-style-type: none"> County Executive's Office Analysts 	Analysis of Final Budget Requests. Review and meet with departments	July 19, 2002 to July 26, 2002
<ul style="list-style-type: none"> County Executive Chief Financial Officer Agency Administrators 	Determination of Additional Budget Reduction Recommendations (if necessary)	July 19, 2002 to August 14, 2002
<ul style="list-style-type: none"> Director of Finance 	County's books close on 2001-02 & final year-end carry-over/fund balance is known	July 30, 2002
<ul style="list-style-type: none"> Board of Supervisors Agency Administrators Department Heads 	1st Budget Workshop/Hearing: Community Development & Neighborhood Assistance Agency	July 31, 2002
<ul style="list-style-type: none"> County Executive Chief Financial Officer 	Preparation of Recommended Final Budget using SCBDA	August 1-27, 2002

Responsible Party	Event	Time
<ul style="list-style-type: none"> Board of Supervisors Agency Administrators Department Heads 	2nd Budget Workshop/Hearing: CFO, General Government, Human Resources Agency, Assessor	August 6, 2002
<ul style="list-style-type: none"> Board of Supervisors Agency Administrators Department Heads 	3rd Budget Workshop/Hearing: District Attorney, Sheriff & begin Public Protection Agency	August 13, 2002
<ul style="list-style-type: none"> Board of Supervisors Agency Administrators Department Heads 	4th Budget Workshop/Hearing: Remaining Departments in Public Protection Agency	August 14, 2002
<ul style="list-style-type: none"> Chief Financial Officer 	Completion of re-estimate of general purpose financing for 2002-03 by OBDM	August 15, 2002
<ul style="list-style-type: none"> Chief Financial Officer 	Completion of re-assessment of State Budget impact by OBDM	August 15, 2002
<ul style="list-style-type: none"> Chief Financial Officer 	OBDM revises cut plug number for each department based upon final budget gap	August 16, 2002
<ul style="list-style-type: none"> County Executive Chief Financial Officer Agency Administrators 	CEO Cabinet revises reduction plan for each department based on final deficit	August 20, 2002
<ul style="list-style-type: none"> Board of Supervisors Agency Administrators 	5th Budget Workshop/Hearing: TOT Fund	August 21, 2002
<ul style="list-style-type: none"> County Executive Chief Financial Officer Department Heads Departmental Fiscal Officers County Executive's Office Analysts 	Information Sharing Session with Department Heads and Fiscal Staff – Review of process to develop and review reduction implementation plans	August 26, 2002
<ul style="list-style-type: none"> County Executive 	Recommended Final Budget Released	August 28, 2002
<ul style="list-style-type: none"> Board of Supervisors County Executive Chief Financial Officer Agency Administrators 	Final Budget Hearing-Final Budget (overview of changes to Proposed Budget) plus reductions, including but not limited to program/service reductions(if necessary).	September 3, 2002, 2:00 p.m.
<ul style="list-style-type: none"> Board of Supervisors County Executive Chief Financial Officer Agency Administrators 	Budget Hearings—Final Budget Hearings-Program/Service reductions (if necessary); consideration of Growth Requests; and TOT Fund (Thursday)	September 4th, 5th, & 6th, 2002
<ul style="list-style-type: none"> Director of Finance 	Dept. of Finance-Auditor/Controller Division prepares Final Budget Resolutions for approval by the Board of Supervisors	September 24, 2002
<ul style="list-style-type: none"> Chief Financial Officer 	Sends budget to printer	October 2002
<ul style="list-style-type: none"> County Executive Chief Financial Officer 	File Final Budget document with State Controller's Office	November 1, 2002

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 ⑥
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>CCF:</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.

<u>CONSUMER PRICE INDEX (CPI):</u>	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.
<u>CONTINGENCIES:</u>	A budgetary provision representing that portion of the financing requirements set aside to meet unforeseen expenditure requirements.
<u>COP:</u>	Certificates of Participation.
<u>COST:</u>	The estimated expenditure for a particular resource.
<u>COST OF GOODS SOLD:</u>	Items purchased for resale or reissue. Examples: aviation gasoline; paper; and other supplies.
<u>COUNTYWIDE FUNDS:</u>	Operating funds of the county accounting for expenditures and revenues for countywide activities.
<u>COUNTYWIDE PROGRAMS:</u>	Programs that benefit all areas of the County, both within city limits and outside city limits.
<u>CSA:</u>	County Service Area.
<u>CSAC:</u>	California State Association of Counties.
<u>CSCDA:</u>	California Statewide Community Development Authority.
<u>CSD:</u>	County Sanitation District.
<u>CSPC:</u>	Community Services Planning Council.
<u>CUPCAA:</u>	California Uniform Public Construction Cost Accounting Act.

<u>DEBT SERVICE FUND:</u>	Established to finance and account for the payment of interest and principal on bonds or other long-term borrowing.
<u>DEPARTMENT:</u>	An organizational device used by county management to group programs of a like nature.
<u>DSS</u>	Development and Surveyor Services
<u>DISAGREED ITEM:</u>	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".
<u>EBT:</u>	Electronic Bank Transfer.
<u>EDA:</u>	Economic Development Administration.
<u>EMD:</u>	Environmental Management Department.
<u>ENCUMBRANCE:</u>	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.
<u>ENTERPRISE FUND:</u>	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.
<u>EQUIPMENT:</u>	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.
<u>ERAF:</u>	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.

IFS Infrastructure Finance Section

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>LDSIR</u>	Land Division and Site Improvement Review
<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>MODIFIED ACCRUAL:</u>	The county's basis of accounting for governmental and expendable trust funds. The recording of revenues when they become measurable and available, and the recording of expenditures when the goods and services are received and the related liability incurred.
<u>MOU:</u>	Memorandum of Understanding.
<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>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.

SCBDA: 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.

TANF: 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.

TR Technical Resources

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.