

GENERAL BUDGET INFORMATION

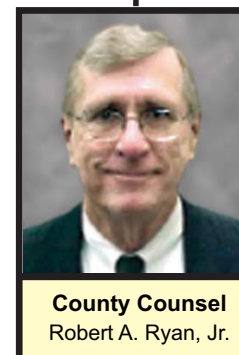
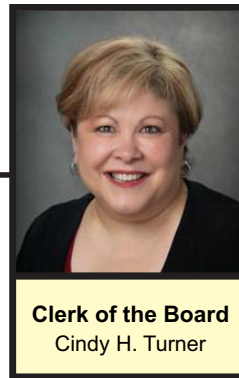
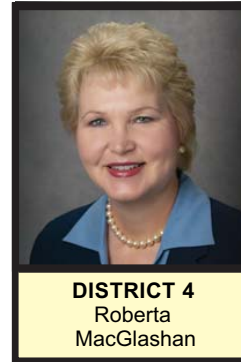
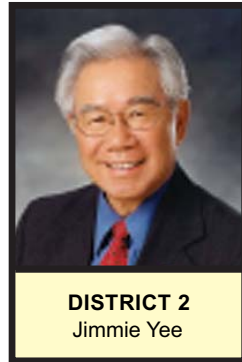
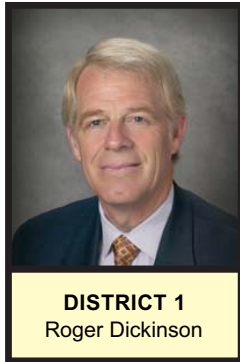
TABLE OF CONTENTS VOLUME I OF III

	<i>Page</i>
Board of Supervisors and County Officials	A-2
Organization Chart	A-3
Sacramento County Budget Compliance With Appropriation Limit.....	A-4
The County Budget (Requirements) Functions Descriptions	A-5
The County Budget (Requirements)	A-6
Summary Tables for Pie Charts	A-7
The County Budget (Financing) Functions Descriptions	A-8
The County Budget (Financing)	A-9
Summary of Fund Balances	A-10
Summary of Total Fiscal Year Budget Requirements	A-12
Relationship Between Funds-Budget Units-Departments	A-13
Description of County Funds	A-17
Description of Major County Revenue Sources and Trends.....	A-20
General Budget Policies and Planning.....	A-24
Budget Process and Timeline.....	A-29
Example of a Budget Message.....	A-33
Sacramento County Financial, Economic & Demographic Overview	A-35

BOARD OF SUPERVISORS AND COUNTY OFFICIALS



THE BOARD OF SUPERVISORS



ORGANIZATION CHART

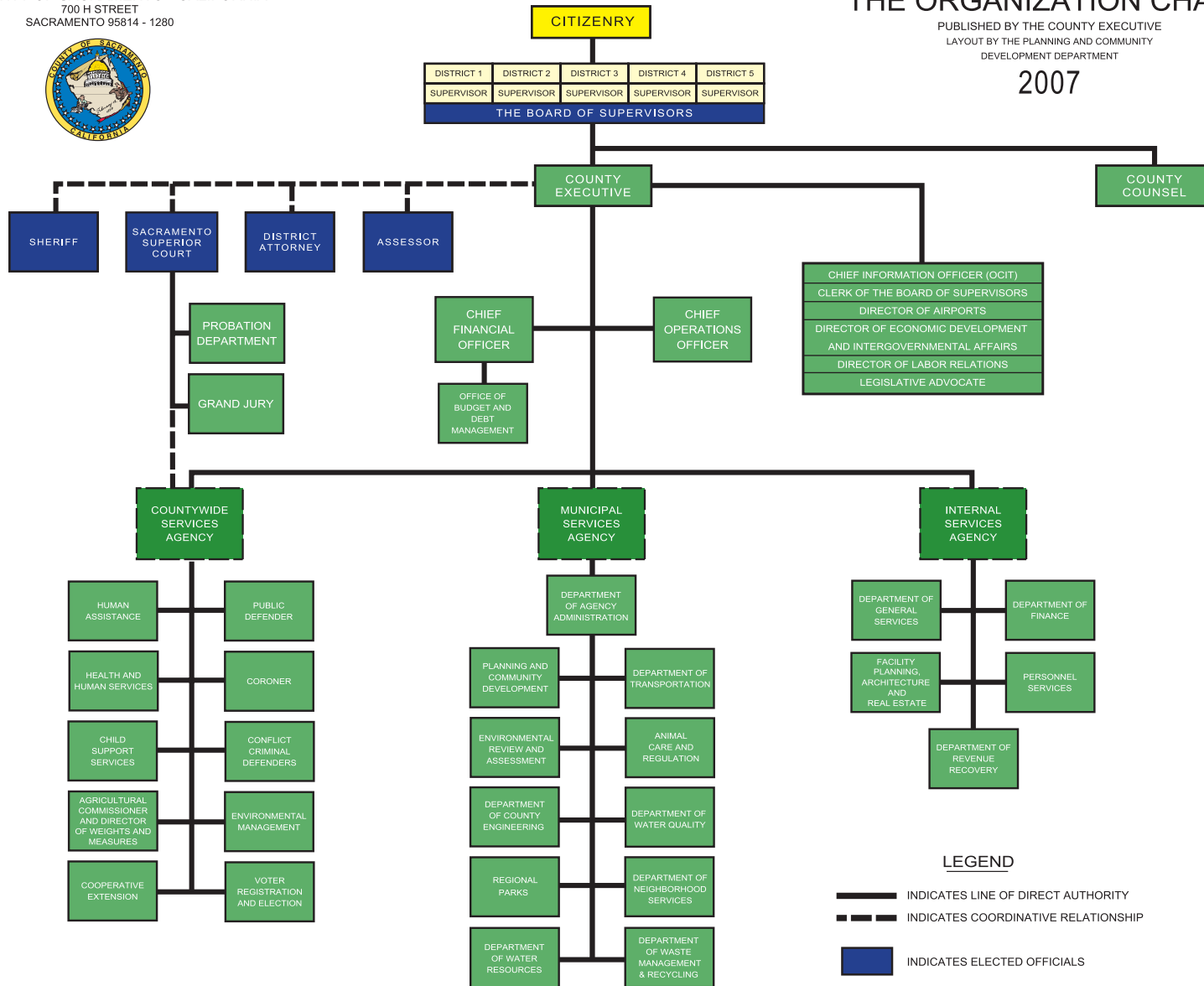
THE COUNTY OF SACRAMENTO • CALIFORNIA
700 H STREET
SACRAMENTO 95814 - 1280



THE ORGANIZATION CHART

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

2007



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 adoption of the final budget, the Board of Supervisors also approves publication of the annual appropriation limit set by Article XIII B of the State Constitution. The appropriation limit is formally established by the Board of Supervisors.

SACRAMENTO COUNTY APPROPRIATION LIMIT			
	Appropriation Limit	Appropriations Subject to Limitation	Amount Under Limit
2002-03	1,159,989,349	284,296,690	875,692,659
2003-04	1,214,674,553	280,174,790	934,499,763
2004-05	1,314,858,092	317,934,325	996,923,767
2005-06	1,437,719,589	393,718,756	1,044,000,833
2006-07	1,524,247,420	397,063,468	1,127,183,952
2007-08 (Budget)	1,630,295,501	408,540,330	1,221,755,171

THE COUNTY BUDGET (REQUIREMENTS) FUNCTIONS DESCRIPTIONS

- **HEALTH & SANITATION**
 - **Health**--Environmental Management, Health and Human Services, First 5 Sacramento Commission, Juvenile Medical Services, In-Home Support Services Provider Payments, Medical Treatment Payments, Correctional Health Services, Health Care/Uninsured, Office of Compliance.
- **GENERAL GOVERNMENT**
 - **Legislative and Administrative**--Board of Supervisors and Clerk of the Board, County Executive, County Executive Cabinet.
 - **Finance**--Assessor, Department of Finance (Auditor-Controller, Treasurer-Tax Collector, Clerk-Recorder), Tobacco Litigation Settlement, Non-Departmental Revenues-General Fund, Non-Departmental Cost-General Fund.
 - **Counsel**--County Counsel.
 - **Personnel**--Civil Service Commission, Office of Labor Relations, Personnel Services.
 - **Elections**--Voter Registration and Elections.
 - **Property Management**--Veteran's Facility.
 - **Plant Acquisition**--Capital Construction Buildings and Libraries--budget units accounting for acquisition of land, structures, and improvements, Park Construction.
 - **Promotion**--Economic Development and Intergovernmental Affairs, Financing Transfers/Reimbursements-General Fund, Neighborhood Services.
 - **Other General**--Data Processing, Revenue Recovery.
- **PUBLIC ASSISTANCE**
 - **Human Assistance-Administration**--Social Services Department, Adoptions, Food Stamps, Veterans Service Officer.
 - **Human Assistance-Aid Programs**
 - **Other Assistance**--Children Support Services, Community Services.
- **DEBT SERVICE, RESERVES, CONTINGENCIES**
 - **Debt Service**--Teeter Plan (retirement of long-term debt, interest on long-term debt, and interest on notes and warrants).
- **ROADS**
 - **Public Ways and Facilities**--Sacramento County Roads, Roadways, Transportation-Sales Tax. Road Construction and Maintenance, Street Lighting (if part of road construction).
- **LIBRARY, CULTURAL & RECREATIONAL**
 - **Library**--County Library Operation.
 - **Cultural Services**--Transient-Occupancy Tax.
 - **Recreation Facilities**--Regional Parks, Propagation-Fish and Game.
- **PUBLIC PROTECTION**
 - **Judicial**--Contribution to Law Library, Court/Non-Trial Court Funding, Court/County Contribution, Conflict Criminal Defenders, Sacramento Grand Jury, Court Paid County Services, Criminal Justice Cabinet, Public Defender, District Attorney.
 - **Police Protection**--Sheriff's Department.
 - **Detention and Correction**--Care In Homes and Institutions-Juvenile Court Wards, Sheriff-Detention and Correction, Probation.
 - **Protective Inspection**--Agricultural Commissioner and Sealer of Weights and Measures, Building Inspection.
 - **Other Protection**--Animal Care and Regulation, Wildlife Services, Contribution to Human Rights/Fair Housing, Coroner, Dispute Resolution Program, Data Processing-Law & Justice, Contribution to Local Agency Formation Commission, Environmental Review and Assessment, Planning and Community Development, Planning Commission, Emergency Services, County Clerk/Recorder.

THE COUNTY BUDGET (REQUIREMENTS)

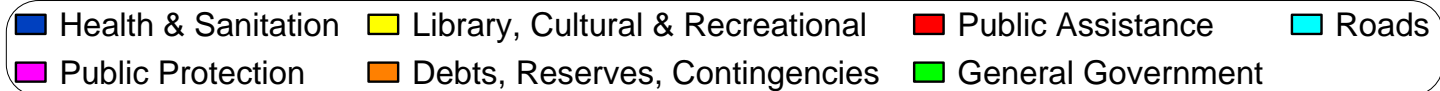
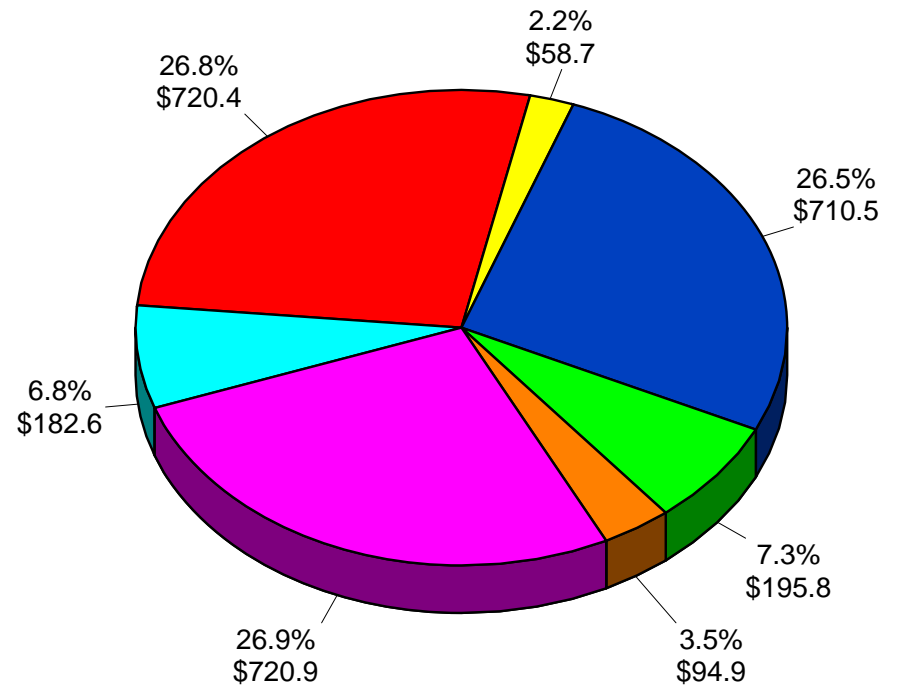
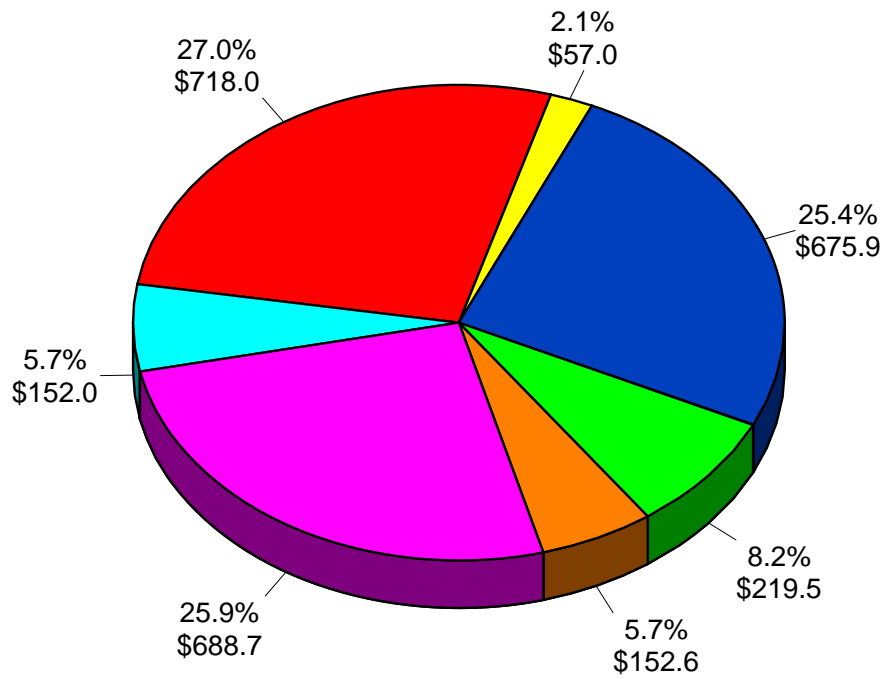
THE COUNTY BUDGET

REQUIREMENTS

(Pie Chart Amounts Expressed In Millions)

2006-07 BUDGET TOTAL..... \$2,663,597,225

2007-08 BUDGET TOTAL..... \$2,683,741,294



SUMMARY TABLES FOR PIE CHARTS

	<u>REQUIREMENTS</u>					
	Fiscal Year		Fiscal Year			
	2006-07		2007-08			
General Government	\$	219,512,693	8.2%	\$	195,777,173	7.3%
Public Protection		688,703,702	25.9%		720,870,456	26.9%
Roads		151,957,322	5.7%		182,580,750	6.8%
Health & Sanitation		675,917,079	25.4%		710,501,843	26.5%
Public Assistance		717,968,853	27.0%		720,375,406	26.8%
Library, Cultural & Recreational		56,955,543	2.1%		58,696,666	2.2%
Debts, Reserves, Contingencies		152,582,033	5.7%		94,939,000	3.5%
GRAND TOTAL	\$	2,663,597,225	100.0%	\$	2,683,741,294	100.0%
	<u>FINANCING</u>					
	Fiscal Year		Fiscal Year			
	2006-07		2007-08			
Property Taxes	\$	247,331,650	9.3%	\$	256,821,537	9.6%
Other Taxes		277,758,447	10.4%		286,837,077	10.7%
Aid-Other Government Agencies-State		1,045,802,761	39.3%		929,271,297	34.6%
Aid-Other Government Agencies-Federal		475,188,035	17.8%		613,854,447	22.9%
Other Revenues		366,786,906	13.8%		403,211,974	15.0%
Year-End Balance, Reserve Release		250,729,426	9.4%		193,744,962	7.2%
GRAND TOTAL	\$	2,663,597,225	100.0%	\$	2,683,741,294	100.0%

THE COUNTY BUDGET (FINANCING) FUNCTIONS DESCRIPTIONS

- **AID FROM OTHER AGENCIES-FEDERAL**
 - **Federal**--Welfare Administration, Children Services Administration, Children Assistance Administration, Other Welfare Programs, Other Health Programs, Planning and Construction, Other Miscellaneous Programs.
- **OTHER TAXES**
 - **Other Than Current Property**--Property Taxes Secured Delinquent, Property Tax Supplemental Delinquent, Property Tax Prior-Unsecured, Property Taxes, Penalty/Costs-Property Taxes, Sales Use Tax, One-Half Sales Tax, Transient-Occupancy Tax, Property Tax Transfer, Property Tax In Lieu of Vehicle License Fee, In Lieu Local Sales and Use Tax.
- **AID FROM OTHER AGENCIES-STATE**
 - **State**--Cigarette Tax Unincorporated Area, Highway User Tax, Homeowner's Property Tax Relief, Motor Vehicle In-Lieu Tax, Welfare, Welfare Administration, CALWIN, COPS, VHL Mental Health, Agriculture, Construction, Public Safety, Veterans Affairs, Trial Court, Health Administration, Services Program, Children's Assistance, Other Welfare Programs, Other Health Programs, Realignment, Redevelopment Pass Through, Revenue Neutral Payments, Other Miscellaneous Programs.
- **PROPERTY TAXES**
 - **Current Property**--Secured Property Taxes, Unsecured Property Taxes, Current Supplemental Property Taxes, Property Tax Unitary.
- **YEAR-END BALANCE**
 - **Prior-Year Carryover**
- **OTHER REVENUES**
 - **Current Charges for Services**--Special Assessments, Civil Filings Fees, Vital Statistic Fees, Adoption Fees, Candidate Filing Fees, Civil Process Service Fees, Civil/Small Claims Filing Fees, Estate/Public Administration Fees, Recording Fees, Electricity Services Charges, Natural Gas Services Charges, Assessing/Collecting Fees, Auditing/Accounting Fees, Court/Legal Fees, Court Reporter Fees, Election Service Charges, Planning Service Charges, Planning/Engineering-Plan Check and Inspection Fees, Jail Booking Fees, Recreation Service Charges, Copying Charges, Building Maintenance Service Charges, Park/Grounds Maintenance Service Charges, Road Maintenance Service Charges, Crippled Children Treatment Charges, Medical Care-Indigent and Private Patient Charges, Medical Health Private Patient Charges, Alcoholism Services-Client Fees, Medical Care-Other, Institutional Care—Adult-Juvenile-State Institution Prisoners Charges, Work Furlough Charges, Data Processing Services, Auditor-Controller Services, Public Works Services, Leased Property Use Charges, Education/Training Charges, Cemetery Services, Humane Service, Law Enforcement Services, Milk Inspection Services, Service Fees/Charges-Other.
 - **Licenses and Permits**--Animal Licenses, Business Licenses, Special Business Licenses, Fictitious Business Licenses, Roadway Development/Building Permits, Building Permits-Residential and Commercial, Encroachment Permits, Zoning Permits, Cable TV Franchise Fee, Franchise Fee, Road Permits, Licenses/Permits-Other, Bingo License Fee.
 - **Fines, Forfeitures, and Penalties**--Vehicle Code Fines, Other Court Fines, Forfeitures/Penalties, Civil Penalties, Federal Asset Forfeitures, State Asset Forfeitures.
 - **Use of Money and Property**---Interest Income, Contributions, Building Rental-Other, Agricultural Leases-Other, Aviation Ground Leases, Ground Leases-Other, Food Service Concessions, Fuel Flowage Fees, Recreational Concession, Other Vending Devices.
 - **Miscellaneous Revenues**--Countywide Cost Plan, Sales-Other, Cash Overages, Bad Debt Recovery, Aid Payment Recoveries, TRANS (Short Term Anticipation Notes) Reimbursement, Donations & Contributions, Electricity Resales, Insurance Proceeds, Revenue-Other, Assessment Fees, Child Support Recoveries, In-Kind Revenues, Prior-Year Revenues.
 - **Other Financing Revenues**--Sale of Real Property, Proceeds from Asset Sales-Other, Gain on Sale of Fixed Asset, Debt Issue Financing, Vending Card Revenue, Medical Fee Collections.

THE COUNTY BUDGET (FINANCING)

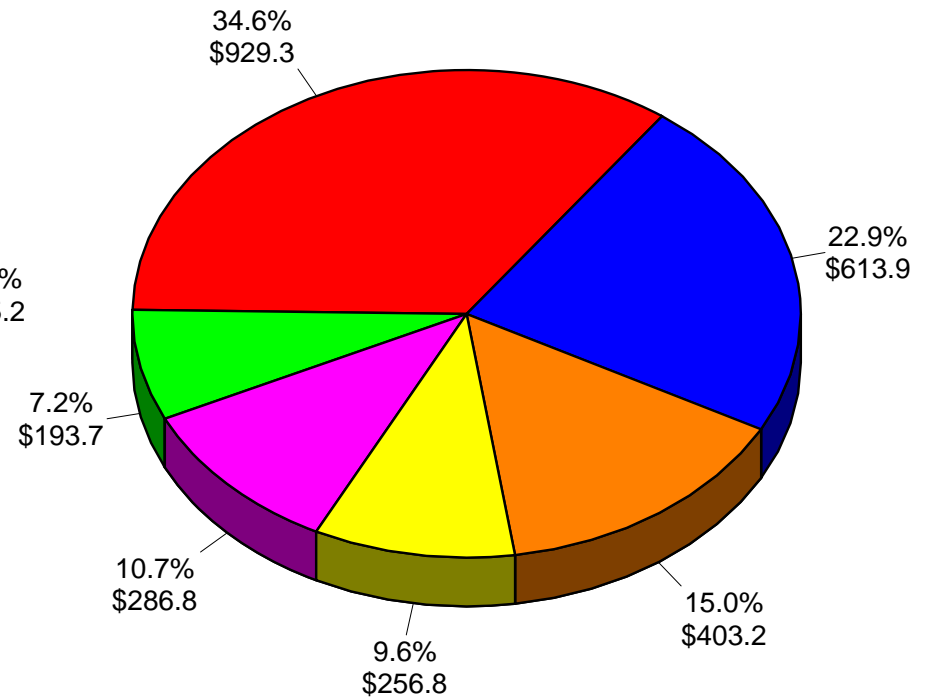
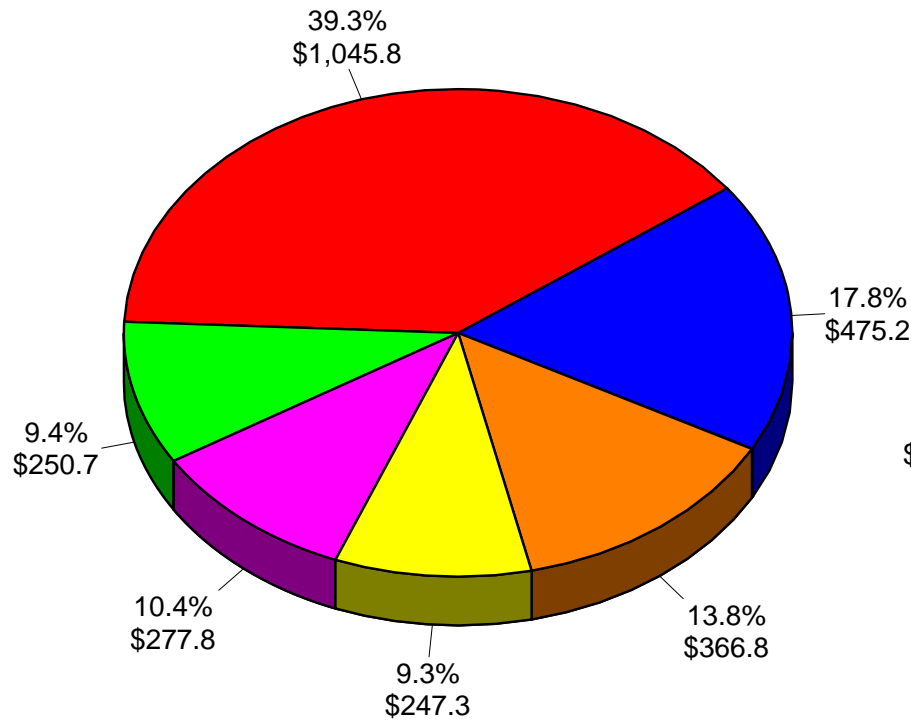
THE COUNTY BUDGET

FINANCING

(Pie Chart Amounts Expressed In Millions)

2006-07 BUDGET TOTAL..... \$2,663,597,225

2007-08 BUDGET TOTAL..... \$2,683,741,294



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

SUMMARY OF FUND BALANCES

Fund Description	Fund Number	Adopted 2006-07	Adopted 2007-08	Variance	Percent
GENERAL	001A	140,718,398	74,532,227	-66,186,171	-47.0%
FISH AND GAME	002A	4,184	-380	-4,564	-109.1%
HEALTH CARE/UNINSURED	004A	635,831	594,509	-41,322	-6.5%
ROAD	005A	-2,231,284	11,233,955	13,465,239	-603.5%
PARKS CONSTRUCTION	006A	107,597	-1,000,107	-1,107,704	-1029.5%
CAPITAL CONSTRUCTION	007A	-10,694,149	8,046,670	18,740,819	-175.2%
TOBACCO LITIGATION SETTLEMENT	008A	50,688,715	158,717	-50,529,998	-99.7%
ENVIRONMENTAL MANAGEMENT	010B	2,122,562	2,002,718	-119,844	-5.6%
LIBRARY	011A	4,393,298	5,300,156	906,858	20.6%
COMMUNITY SERVICES	012A	288,007	153,905	-134,102	-46.6%
FIRST 5 SACRAMENTO COMMISSION	013A	17,755,888	22,319,951	4,564,063	25.7%
TRANSIENT OCCUPANCY	015A	498,270	628,695	130,425	26.2%
TEETER PLAN	016A	3,131,742	12,679,035	9,547,293	304.9%
GOLF	018A	26,687	-102,213	-128,900	-483.0%
ECONOMIC DEVELOPMENT	020A	17,141,726	17,061,824	-79,902	-0.5%
BUILDING INSPECTION	021A	289,503	-2,811,862	-3,101,365	-1071.3%
ROADWAYS	025A-H	6,494,557	8,873,406	2,378,849	36.6%
TRANSPORTATION-SALES TAX	026A	1,473,164	341,400	-1,131,764	-76.8%
CITRUS HEIGHTS REFUSE-OPERATIONS	049A	1,111,738	0	-1,111,738	-100.0%
SOLID WASTE AUTHORITY	050A	480,438	0	-480,438	-100.0%
REFUSE ENTERPRISE	051A	3,891,683	4,334,844	443,161	11.4%
REFUSE-CAPITAL OUTLAY	052A	21,203,470	25,702,870	4,499,400	21.2%
RURAL TRANSIT	068A	-207,354	41,550	248,904	-120.0%
ANTELOPE PUBLIC FACILITIES FINANCING	101A-E	5,753,226	4,428,754	-1,324,472	-23.0%
LAGUNA CRK/ELLIOTT RCH CFD 1	105A/C	4,162,220	4,070,707	-91,513	-2.2%
LAGUNA COMMUNITY FACILITY DISTRICT	107A-B	6,305,983	5,888,779	-417,204	-6.6%
VINEYARD PFFP - ROADWAYS	108A-B	8,448,782	6,067,848	-2,380,934	-28.2%
BRADSHAW/US 50 FINANCING DISTRICT	115A	911,113	317,853	-593,260	-65.1%
FLORIN ROAD CAPITAL PROJECT	118A	421,219	424,689	3,470	0.8%
FULTON AVENUE CAPITAL PROJECT	118B	414,300	82,256	-332,044	-80.1%
LAGUNA STONELAKE CFD-BOND PROCEEDS	130A	65,439	108,119	42,680	65.2%
PARK MEADOWS CFD-BOND PROCEEDS	131A	188,270	200,682	12,412	6.6%
MATHER LANDSCAPE MAINT CFD	132A	585,736	546,786	-38,950	-6.6%
MATHER PFFP	136A-B	2,741,908	2,861,684	119,776	4.4%
GOLD RIVER STATION #7 LANDSCAPE CFD	137A	15,489	30,514	15,025	97.0%
METRO AIR PARK CFD 2000-1	139A	28,038,806	21,273,086	-6,765,720	-24.1%
MCCLELLAN PARK CFD	140A	6,586,161	6,118,404	-467,757	-7.1%
SACRAMENTO CO LANDSCAPE MAINT	141A	77,688	136,729	59,041	76.0%
METRO AIR PARK SERVICE TAX	142A	809,834	1,461,623	651,789	80.5%
NATOMAS FIRE DISTRICT	229A	296,587	1,167,822	871,235	293.8%

Fund Description	Fund Number	Adopted 2006-07	Adopted 2007-08	Variance	Percent
CSA NO. 1	253A	525,558	-49,836	-575,394	-109.5%
CSA NO. 10	257A	286,224	579,513	293,289	102.5%
FIXED ASSET REVOLVING	277A	0	125,878	125,878	
JUVENILE COURTHOUSE PROJECT-DEBT SERVICE	280A	591,958	834,832	242,874	41.0%
2004 PENSION OBLIGATION BONDS	282A	277,956	2,914,733	2,636,777	948.6%
TOBACCO LITIGATION SETTLEMENT-CAPITAL PROJECTS	284A	96,544,008	81,632,415	-14,911,593	-15.4%
CAPITAL PROJECTS-DEBT SERVICE	287A	528,688	583,782	55,094	10.4%
1997-PUBLIC FACILITIES DEBT SERVICE	288A	7,698,324	8,536,661	838,337	10.9%
1997-PUBLIC FACILITIES-CONSTRUCTION	289A	4,925	0	-4,925	-100.0%
JAIL DEBT SERVICE	292A	713,782	1,066,560	352,778	49.4%
2003 PUBLIC FACILITES PROJ-DEB SVC	298A	326,636	448,668	122,032	37.4%
2006 PUBLIC FACILITIES-CONST	305A	9,750,915	2,036,627	-7,714,288	-79.1%
2006 PUBLIC FACILITIES-DEBT SVC	306A	270,554	1,085,367	814,813	301.2%
1997-PUBLIC FACILITIES DEBT SERVICE	308A	1,622,034	4,021,197	2,399,163	147.9%
1997-PUBLIC FACILITIES-CONSTRUCTION	309A	4,578,702	3,606,195	-972,507	-21.2%
PENSION BOND-INT RATE STABILIZATION	311A	529,149	497,648	-31,501	-6.0%
PENSION OBLIGATION BOND-DEBT SERVICE	313A	3,531,750	4,508,870	977,120	27.7%
BEACH STONE LAKES FLOOD MITIGATION	314A	63,652	83,193	19,541	30.7%
WATER AGENCY-ZONE 11A	315A	10,883,440	7,678,417	-3,205,023	-29.4%
WATER AGENCY-ZONE 11B	315B	1,526,179	1,888,409	362,230	23.7%
WATER AGENCY-ZONE 11C	315C	1,382,462	818,646	-563,816	-40.8%
NO VINEYARD STATION	316A	565,626	16,814	-548,812	-97.0%
NORTH VINEYARD WELL PROTECTION	317A	304,031	-53,138	-357,169	-117.5%
WATER AGENCY-ZONE 13	318A	1,750,375	654,928	-1,095,447	-62.6%
WATER AGENCY-ZONE 12	319A	973,011	288,426	-684,585	-70.4%
WATER AGENCY-ZONE 40	320A	30,030,183	0	-30,030,183	-100.0%
WATER AGENCY-ZONE 41	320B-E	3,006,159	0	-3,006,159	-100.0%
SCWA FINANCING AUTHORITY	320G	0	0	0	
SCWA ZONE 50	320H	3,979	0	-3,979	-100.0%
STORMWATER UTILITY DISTRICT	322A	7,432,960	10,867,502	3,434,542	46.2%
LANDSCAPE MAINTENANCE DISTRICT	330A	334,811	140,037	-194,774	-58.2%
MISSION OAKS PARK DISTRICT	336A	670,435	1,049,334	378,899	56.5%
MISSION OAKS MAINT & IMPROVEMENT ASSESSMENT DIS	336B	132,870	-1,315,875	-1,448,745	-1090.3%
CARMICHAEL PARK DISTRICT	337A	783,659	1,035,314	251,655	32.1%
SUNRISE PARK DISTRICT	338A	2,513,575	1,899,299	-614,276	-24.4%
ANTELOPE ASSESSMENT	338B	0	2,264,730	2,264,730	
DEL NORTE OAKS PARK DISTRICT	351A	626	906	280	44.7%
COUNTY SERVICE AREA 4B	560A	85,427	106,915	21,488	25.2%
COUNTY SERVICE AREA 4C	561A	30,055	47,206	17,151	57.1%
COUNTY SERVICE AREA 4D	562A	-819	13,639	14,458	-1765.3%
TOTAL		515,401,291	385,192,017	-130,209,274	-25.3%

SUMMARY OF TOTAL FISCAL YEAR BUDGET REQUIREMENTS

SUMMARY OF TOTAL FISCAL YEAR BUDGET REQUIREMENTS		
		Requirements Fiscal Year 2007-08
Operating Budget	\$	2,683,741,294
Internal Service		574,256,215
Enterprise		885,022,658
Special Revenue		460,442,241
Public Service Enterprise		478,095,424
	TOTAL \$	5,081,557,832

RELATIONSHIP BETWEEN FUNDS-BUDGET UNITS-DEPARTMENTS

Fund	Fund Name	Budget Unit	Department
001A	GENERAL FUND	3210000	AG COMMISSIONER-SEALER OF WEIGHTS & MEASURES
001A	GENERAL FUND	3220000	ANIMAL CARE AND REGULATION
001A	GENERAL FUND	5980000	APPROPRIATION FOR CONTINGENCY
001A	GENERAL FUND	3610000	ASSESSOR
001A	GENERAL FUND	4010000	BOARD OF SUPERVISORS
001A	GENERAL FUND	6760000	CARE IN HOMES AND INSTITUTIONS
001A	GENERAL FUND	5810000	CHILD SUPPORT SERVICES
001A	GENERAL FUND	4210000	CIVIL SERVICE COMMISSION
001A	GENERAL FUND	5510000	CONFLICT CRIMINAL DEFENDERS
001A	GENERAL FUND	4660000	CONTRIBUTION TO HUMAN RIGHTS/FAIR HOUSING
001A	GENERAL FUND	5920000	CONTRIBUTION TO LAFCO
001A	GENERAL FUND	4650000	CONTRIBUTION TO PARATRANSIT
001A	GENERAL FUND	4522000	CONTRIBUTION TO THE LAW LIBRARY
001A	GENERAL FUND	3310000	COOPERATIVE EXTENSION
001A	GENERAL FUND	4610000	CORONER
001A	GENERAL FUND	7410000	CORRECTIONAL HEALTH SERVICES
001A	GENERAL FUND	3240000	COUNTY CLERK/RECORDER
001A	GENERAL FUND	4810000	COUNTY COUNSEL
001A	GENERAL FUND	5910000	COUNTY EXECUTIVE
001A	GENERAL FUND	5730000	COUNTY EXECUTIVE CABINET
001A	GENERAL FUND	5040000	COURT / COUNTY CONTRIBUTION
001A	GENERAL FUND	5020000	COURT / NON-TRIAL COURT FUNDING
001A	GENERAL FUND	5050000	COURT PAID COUNTY SERVICES
001A	GENERAL FUND	5750000	CRIMINAL JUSTICE CABINET
001A	GENERAL FUND	5710000	DATA PROCESSING-SHARED SYSTEMS
001A	GENERAL FUND	3230000	DEPARTMENT OF FINANCE
001A	GENERAL FUND	6110000	DEPARTMENT OF REVENUE RECOVERY
001A	GENERAL FUND	5520000	DISPUTE RESOLUTION PROGRAM
001A	GENERAL FUND	5800000	DISTRICT ATTORNEY
001A	GENERAL FUND	7090000	EMERGENCY OPERATIONS
001A	GENERAL FUND	5690000	ENVIRONMENTAL REVIEW AND ASSESSMENT
001A	GENERAL FUND	5110000	FINANCING-TRANSFERS/REIMBURSEMENTS
001A	GENERAL FUND	5660000	GRAND JURY
001A	GENERAL FUND	7200000	HEALTH AND HUMAN SERVICES
001A	GENERAL FUND	7270000	HEALTH-MEDICAL TREATMENT PAYMENTS
001A	GENERAL FUND	8100000	HUMAN ASSISTANCE-ADMINISTRATION
001A	GENERAL FUND	8700000	HUMAN ASSISTANCE-AID PAYMENTS
001A	GENERAL FUND	7250000	IN-HOME SUPPORT SERVICES (IHSS) PROVIDER PAYMENTS
001A	GENERAL FUND	7230000	JUVENILE MEDICAL SERVICES
001A	GENERAL FUND	5970000	LABOR RELATIONS
001A	GENERAL FUND	5760000	NEIGHBORHOOD SERVICES
001A	GENERAL FUND	5770000	NON-DEPARTMENTAL COSTS/GENERAL FUND
001A	GENERAL FUND	5700000	NON-DEPARTMENTAL REVENUES/GENERAL FUND
001A	GENERAL FUND	5740000	OFFICE OF COMPLIANCE

Fund	Fund Name	Budget Unit	Department
001A	GENERAL FUND	6050000	PERSONNEL SERVICES
001A	GENERAL FUND	6610000	PLANNING AND COMMUNITY DEVELOPMENT
001A	GENERAL FUND	6700000	PROBATION
001A	GENERAL FUND	6910000	PUBLIC DEFENDER
001A	GENERAL FUND	6400000	REGIONAL PARKS
001A	GENERAL FUND	7400000	SHERIFF
001A	GENERAL FUND	2820000	VETERAN'S FACILITY
001A	GENERAL FUND	4410000	VOTER REGISTRATION AND ELECTIONS
001A	GENERAL FUND	3260000	WILDLIFE SERVICES
001A	GENERAL FUND	0000001	GENERAL FUND
002A	FISH AND GAME	6460000	FISH AND GAME PROPAGATION
004A	HEALTH CARE/UNINSURED	8900000	HEALTH CARE / UNINSURED
005A	ROAD	2900000	ROADS
006A	PARKS CONSTRUCTION	6570000	PARK CONSTRUCTION
007A	CAPITAL CONSTRUCTION	3100000	CAPITAL CONSTRUCTION
008A	TOBACCO LITIGATION SETTLEMENT	7220000	TOBACCO LITIGATION SETTLEMENT
010B	ENVIRONMENTAL MANAGEMENT	3350000	ENVIRONMENTAL MANAGEMENT
011A	LIBRARY	6310000	COUNTY LIBRARY
012A	COMMUNITY SERVICES	8600000	COMMUNITY SERVICES
013A	FIRST 5 SACRAMENTO COMMISSION	7210000	FIRST 5 SACRAMENTO COMMISSION
015A	TRANSIENT OCCUPANCY	4060000	TRANSIENT-OCCUPANCY TAX
016A	TEETER PLAN	5940000	TEETER PLAN
018A	GOLF	6470000	GOLF
020A	ECONOMIC DEVELOPMENT	3870000	ECONOMIC DEVELOPMENT & INTERGOVERNMENTAL AFFAIRS
021A	BUILDING INSPECTION	2150000	BUILDING INSPECTION
025A	ROADWAYS	2910000	ROADWAYS
026A	TRANSPORTATION-SALES TAX	2140000	TRANSPORTATION-SALES TAX
030A	INTERAGENCY PROCUREMENT	9030000	INTERAGENCY PROCUREMENT
031A	OFFICE OF COMMUNICATION AND INFORMATION TECHNOLOGY	7600000	OFFICE OF COMMUNICATION AND INFORMATION TECHNOLOGY
032A	FACILITY PLANNING & MANAGEMENT	7900000	FACILITY PLANNING, ARCHITECTURE & REAL ESTATE
033A	PUBLIC WORKS-OPERATIONS	2700000	MUNICIPAL SERVICES (MS)-ADMINISTRATIVE SERVICES
033A	PUBLIC WORKS-OPERATIONS	2300000	MS-CONSTRUCTION MANAGEMENT
033A	PUBLIC WORKS-OPERATIONS	2450000	MS-DEVELOPMENT & SURVEYOR SERVICES
033A	PUBLIC WORKS-OPERATIONS	2470000	CONSOLIDATED UTILITIES BILLING SERVICES
033A	PUBLIC WORKS-OPERATIONS	2600000	MS-TRANSPORTATION
033A	PUBLIC WORKS-OPERATIONS	2510000	MS-WATER RESOURCES
034A	GENERAL SERVICES-CAPITAL OUTLAY	2070000	GENERAL SERVICES (GS)-CAPITAL OUTLAY
035C	ADMINISTRATIVE SERVICES-GS	7110000	GENERAL SERVICES-OFFICE OF THE DIRECTOR
035F	BUILDING MAINTENANCE AND OPERATIONS-GS	7007440	GENERAL SERVICES-AIRPORT DISTRICT
035F	BUILDING MAINTENANCE AND OPERATIONS-GS	7007420	GENERAL SERVICES-BRADSHAW DISTRICT
035F	BUILDING MAINTENANCE AND OPERATIONS-GS	7007430	GENERAL SERVICES-DOWNTOWN DISTRICT
035F	BUILDING MAINTENANCE AND OPERATIONS-GS	7450000	GENERAL SERVICES-SECURITY SERVICES

Fund	Fund Name	Budget Unit	Department
035H	CONTRACT & PURCHASING SERVICES-GS	7007063	GENERAL SERVICES-PURCHASING
035J	GENERAL SERVICES-SUPPORT SERVICES	7700000	GENERAL SERVICES-SUPPORT SERVICES
035L	GENERAL SERVICES-LIGHT EQUIPMENT	7007500	GENERAL SERVICES-LIGHT EQUIP
035M	FLEET SERVICES HEAVY EQUIP	7007600	GENERAL SERVICES-HEAVY EQUIP
037A	LIABILITY PROPERTY INSURANCE	3910000	LIABILITY PROPERTY INSURANCE
039A	WORKERS COMPENSATION INSURANCE	3900000	WORKERS COMPENSATION INSURANCE
040A	UNEMPLOYMENT INSURANCE	3930000	UNEMPLOYMENT INSURANCE
041A-045A	AIRPORT MAINTENANCE	3400000	AIRPORT SYSTEM
043A	AIRPORT CAPITAL IMPROVEMENT	3480000	AIRPORT-CAPITAL OUTLAY
051A	SOLID WASTE OPS	2200000	REFUSE
052A	SOLID WASTE CAPITAL	2250000	REFUSE CAPITAL OUTLAY
056A	PARKING ENTERPRISE	7990000	PARKING ENTERPRISE
059A	REGIONAL RADIO COMMUNICATIONS SYSTEM	7020000	REGIONAL RADIO COMMUNICATIONS SYSTEM
060A	BOARD OF RETIREMENT	7860000	BOARD OF RETIREMENT
068A	PUBLIC WORKS TRANSIT PROGRAM	2930000	RURAL TRANSIT
101A	ANTELOPE PUBLIC FACILITIES FINANCING	3070000	ANTELOPE PUBLIC FACILITIES FINANCING PLAN (PFFP)
105A	LAGUNA CREEK/ELLIOTT RANCH CFD	2870000	LAGUNA CREEK/ELLIOTT RANCH COMMUNITY FAC DISTRICT (CFD) NO. 1
107A	LAGUNA COMMUNITY FACILITY DISTRICT	3090000	LAGUNA COMMUNITY FACILITY DISTRICT
108A	VINEYARD PFFP - ROADWAYS	2840000	ELK GROVE/WEST VINEYARD PFFP-ROADWAY
115A	BRADSHAW/US 50 FINANCING DISTRICT	3081000	BRADSHAW/US 50 FINANCING DISTRICT
118A	FLORIN ROAD CAPITAL PROJECT	1182880	FLORIN ROAD CAPITAL PROJECT
118B	FULTON AVENUE CAPITAL PROJECT	1182881	FULTON AVENUE CAPITAL PROJECT
130A	LAGUNA STONELAKE CFD-BOND PROCEEDS	1300000	LAGUNA STONELAKE CFD
131A	PARK MEADOWS CFD-BOND PROCEEDS	1310000	PARK MEADOWS CFD-BOND PROCEEDS
132A	MATHER LANDSCAPE MAINTENANCE CFD	1320000	MATHER LANDSCAPE MAINTENANCE CFD
136A	MATHER PFFP	1360000	MATHER PFFP
137A	GOLD RIVER STATION #7 LANDSCAPE CFD	1370000	GOLD RIVER STATION #7
139A	METRO AIR PARK CFD 2000-1	1390000	METRO AIR PARK
140A	MCCLELLAN CFD 2004-1	1400000	MCCLELLAN PARK CFD
141A	SACRAMENTO CO LANDSCAPE MAINTENANCE	1410000	SACRAMENTO COUNTY LANDSCAPE MAINTENANCE
142A	METRO AIR PARK SERVICE TAX	1420000	METRO AIR PARK SERVICE TAX
143A	NVSSP-ROADWAY	1430000	NORTH VINEYARD STATION SPECIFIC PLAN (NVSSP)
144A	NVSSP CFD 2005-2-ADMIN	1440000	NORTH VINEYARD STATION SPECIFIC PLAN CFD
229A	NATOMAS FIRE DISTRICT	2290000	NATOMAS FIRE DISTRICT
253A	CSA NO. 1	2530000	COUNTY SERVICE AREA (CSA) NO. 1
257A	CSA NO. 10	2857000	CSA NO. 10
261A	REGIONAL SANITATION DISTRICT	3028000	REGIONAL SANITATION DISTRICT
267A	COUNTY SANITATION DISTRICT NO. 1	3005000	COUNTY SANITATION DISTRICT NO. 1
277A	FIXED ASSET REVOLVING	9277000	FIXED ASSET REVOLVING
278A	1990 FIXED ASSET DEBT SERVICE	9278000	1990 FIXED ASSET DEBT SERVICE
280A	JUVENILE COURTHOUSE PROJECT-DEBT SERVICE	9280000	JUVENILE COURTHOUSE-DEBT SERVICE
282A	2004 PENSION OBLIGATION BOND-DEBT SERVICE	9282000	2004 PENSION OBLIGATION BONDS
284A	TOBACCO LITIGATION SETTLEMENT-CAPITAL	9284000	TOBACCO LITIGATION SETTLEMENT

Fund	Fund Name	Budget Unit	Department
287A	CAPITAL PROJECTS-DEBT SERVICE	9287000	CAPITAL PROJECTS-DEBT SERVICE
288A	1997-PUBLIC FACILITIES DEBT SERVICE	9288000	1997-PUBLIC FACILITIES DEBT SERVICE
292A	JAIL DEBT SERVICE	2920000	JAIL DEBT SERVICE
298A	2003 PUBLIC FACILITIES PROJ-DEBT SERVICE	9298000	2003 PUBLIC FACILITIES-DEBT SERVICE
303A	2007 PUBLIC FACILITIES PROJ-CONSTRUCTION	9303303	2007 PUBLIC FACILITIES PROJ-CONSTRUCTION
304A	2007 PUBLIC FACILITIES PROJ-DEBT SERVICE	9304304	2007 PUBLIC FACILITIES PROJ-DEBT SVC
305A	2006 PUBLIC FACILITIES PROJ-CONSTRUCTION	9305305	2006 PUBLIC FACILITIES-CONSTRUCTION
306A	2006 PUBLIC FACILITIES PROJ-DEBT SERVICE	9306306	2006 PUBLIC FACILITIES-DEBT SERVICE
308A	1997-PUBLIC FACILITIES DEBT SERVICE	3080000	1997-PUBLIC FACILITIES-DEBT SERVICE
309A	1997-PUBLIC FACILITIES-CONSTRUCTION	9309000	1997-PUBLIC FACILITIES-CONSTRUCTION
311A	PENSION BOND-INTEREST RATE STABILIZATION	9311000	PENSION OBLIGATION BOND-INTEREST RATE STABILIZATION
313A	PENSION OBLIGATION BOND-DEBT SERVICE	9313000	PENSION OBLIGATION BOND-DEBT SERVICE
314A	BEACH STONE LAKES FLOOD MITIGATION	2814000	BEACH STONE LAKES FLOOD MITIGATION
315A	WATER AGENCY-ZONE 11A	2815000	WATER AGENCY-ZONE 11A
315B	WATER AGENCY-ZONE 11B	2816000	WATER AGENCY-ZONE 11B
315C	WATER AGENCY-ZONE 11C	2817000	WATER AGENCY-ZONE 11C
316A	NORTH VINEYARD STATION RIGHT OF WAY	2818000	NORTH VINEYARD STATION
317A	NORTH VINEYARD WELL PROTECTION	3171000	NORTH VINEYARD WELL PROTECTION
318A	WATER AGENCY-ZONE 13	3044000	WATER AGENCY-ZONE 13
319A	WATER AGENCY-ZONE 12	3066000	WATER AGENCY-ZONE 12
320A	WATER AGENCY-ZONE 40	3050000	WATER AGENCY-ZONE 40
320B	WATER AGENCY-ZONE 41 GENERAL OPERATIONS	3055000	WATER AGENCY-ZONE 41
320G	SCWA FINANCING AUTHORITY	3056000	SACRAMENTO COUNTY WATER AGENCY (SCWA)- FINANCING AUTHORITY
320H	SCWA ZONE 50	3057000	SACRAMENTO COUNTY WATER AGENCY-ZONE 50
322A	STORMWATER UTILITY DISTRICT	3220001	STORM WATER UTILITY
330A	SACRAMENTO CO LANDSCAPE MAINTENANCE	3300000	LANDSCAPE MAINTENANCE DISTRICT
336A	MISSION OAKS PARK DISTRICT	9336100	MISSION OAKS RECREATION AND PARK DISTRICT
336B	MISSION OAKS MAINTENANCE & IMPROVEMENT ASSESSMENT DISTRICT	9336001	MISSION OAKS MAINTENANCE/IMPROVEMENT DISTRICT
337A	CARMICHAEL PARK DISTRICT	9337000	CARMICHAEL RECREATION AND PARK DISTRICT
338A	SUNRISE PARK DISTRICT	9338000	SUNRISE RECREATION AND PARK DISTRICT
338B	ANTELOPE ASSESSMENT	9338001	ANTELOPE ASSESSMENT
351A	DEL NORTE OAKS PARK DISTRICT	3516494	DEL NORTE OAKS PARK DISTRICT
560A	COUNTY SERVICE AREA 4B	6491000	CSA NO.4B-(WILTON-COSUMNES)
561A	COUNTY SERVICE AREA 4C	6492000	CSA NO.4C-(DELTA)
562A	COUNTY SERVICE AREA 4D	6493000	CSA NO.4D-(HERALD)

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.

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

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.

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

Environmental Management Fund 010 - Accounts for revenues and expenditures for public health and environmental regulatory services of water, food, and hazardous materials.

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

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.

First 5 Sacramento Commission Fund 013 - Accounts for funds received from State of California from Proposition 10.

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.

Golf Fund 018 – Includes the costs of operating, maintaining and improving the county's three golf courses. The major sources of funding are greens fees and concession payments. There is nor General Fund subsidy and fully reimburses the General Fund for overhead and support services.

Economic Development Fund 020 - Accounts for assistance to employers and to help attract and retain jobs in the county and region. The department also engages in more general economic development and job creation programs.

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

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

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.

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.

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.

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.

Water Agencies Funds 315, 316, 317 - 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.

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.

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

DEBT SERVICE FUNDS

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."

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

2003 Juvenile Courthouse Project Fund 280 - Services the 2003 Juvenile Courthouse Certificates of Participation.

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

Main Jail Fund 292 - Services the Main Jail Certificates of Participation.

2003 Public Facilities Projects Fund 298 - Services the 2003 Public Facilities Projects Certificates of Participation (expansion of the Warren E. Thornton Youth Center, expansion of the Boys Ranch and improvement to various county facilities to accommodate Americans with Disabilities Act).

2006 Public Facilities Projects Fund 306 - Services the 2006 Public Facilities Projects Certificates of Participation (construction of a new Fleet Maintenance Facility; purchase of the Voter Registration and Elections/Sheriff Station House Facility; partial refunding of the 1997 Public Building Certificates of Participation [purchase of the Bank of American building and construction of a 448-Bed Dormitory at Rio Cosumnes Correctional Center]).

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.

1997 Public Facilities Debt Service 288 – Reflects the debt service requirement for payment of principal, interest, and various other costs related to the 1997 Public Facilities Project Certificates of Participation for the construction of the Coroner/Crime Lab and Data Center (the 1994 Certificates).

Pension Obligation Bonds Funds 282, 311 and 313 - Services the debt related to Pension Bonds issued to pay off the unfunded pension liability the county owed to the Sacramento County Employee Retirement System.

2007 Public Facilities Project-Debt Service 303 and 304 - This budget unit provides for the appropriations for the uses of the proceeds of the County of Sacramento 2007 Certificates of Participation (COPs) Animal Care Facility/Youth Detention Facilities-120 Bed Expansion projects.

CAPITAL PROJECTS FUNDS

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

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

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.

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.

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

Metro Air Park Community Facilities District Fund 139 - Accounts for construction activity in the Metro Air Park Community Facilities District.

Tobacco Litigation Settlement Fund 284 - Accounts for construction projects from the Tobacco Securitization proceeds including the Juvenile Hall Expansion project and the Primary Care Clinic Facility.

2006 Public Facilities Projects Fund 305 – Accounts for construction projects from the 2006 Public Facilities Projects Certificates of Participation (construction of a new Fleet Maintenance Facility; purchase of the Voter Registration and Elections/Sheriff Station House Facility; partial refunding of the 1997 Public Building Certificates of Participation [purchase of the Bank of American building and construction of a 448-Bed Dormitory at Rio Cosumnes Correctional Center]).

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 System Funds 041, 042, 043, 044, 045 - Accounts for the facilities of the Airport Department, including the Metro, Executive, and Franklin Airports, and Mather Airfield.

Regional Sanitation District Funds 261 - Accounts for the operations of the Regional Sanitation Utility System.

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

Parking Fund 056 - Accounts for all downtown-parking facilities, which generate revenues from user fees from both the public and county employees.

Rural Transit Fund 068 - Accounts for operations of the South County Transit program.

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.

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

Office of Communications and Information Technology Fund 031 - Accounts for central telecommunication and data processing support to county departments.

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 034 and 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; and Building Maintenance & Operations.

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.

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.

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
2003-04 Actual \$ 133,254,148		1.0 percent tax on real property under acquisition value basis of California's Proposition 13. For Fiscal Years 2004-05 and 2005-06, the amounts are net of the contribution to the State General Fund as a result of the "Swap" deal.
2004-05 Actual \$ 134,421,235	0.88%	
2005-06 Actual \$ 155,024,292	15.33%	
2006-07 Actual \$ 187,976,770	21.26%	
2007-08 Budget \$ 216,181,000	15.00%	

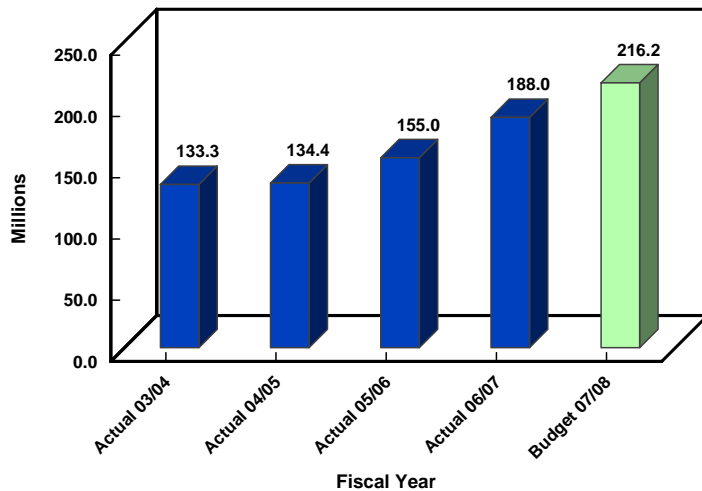
Revenue Source: Sales Tax

Trend	Percent Change	Comments
2003-04 Actual \$ 79,350,064		A 0.75 percent share of statewide collected sales tax rate of 7.75 percent, collected from the Unincorporated Area only. Effective Fiscal Year 2004-05, due to the State's "Triple Flip," sales tax was reduced by ¼ from 1.0 percent to 0.75 percent. The State backfills the lost revenue with Educational Revenue Augmentation Fund (ERAF) revenues (see In Lieu Local Sales And Use Tax).
2004-05 Actual \$ 60,538,987	(23.71%)	
2005-06 Actual \$ 63,032,698	4.12%	
2006-07 Actual \$ 60,056,512	(4.72%)	
2007-08 Budget \$ 61,450,000	2.32%	

Secured Property Tax

This revenue estimate is based on the Assessor's secured property tax roll and a 2.00 percent growth rate in secured property tax revenues associated with annexation agreements. The real estate market is slowing with lower levels of new home construction and home resale. The Fiscal Year 2007-08 projected total is \$216.2 million.

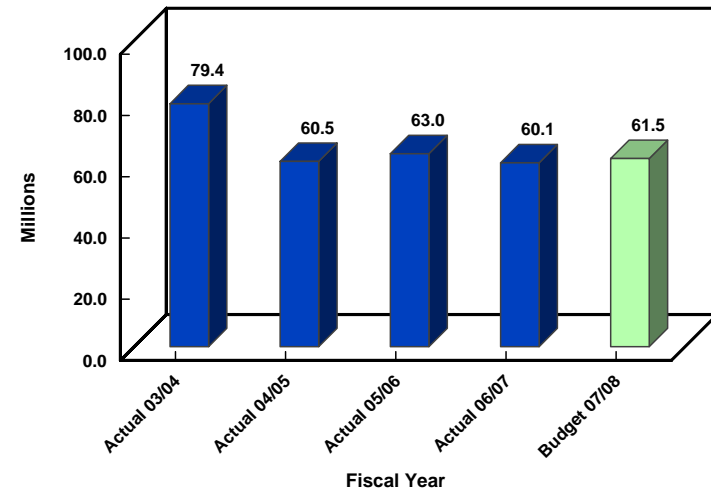
Secured Property Tax



Sales Tax

The revenue estimate is impacted by the State's "Triple Flip" provision which reduces Sales Taxes by 25.00 percent. With minimal growth anticipated, Sales Tax revenues are expected to increase by 2.32 percent for a projected total of \$61.5 million.

Sales Tax



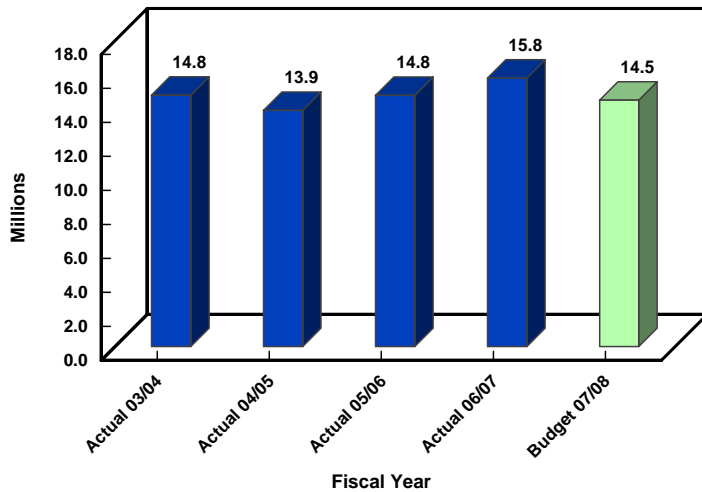
Revenue Source: Utility Tax

Trend	Percent Change	Comments
2003-04 Actual \$ 14,789,537		A 2.5 percent tax on electricity, gas, sewer, phone (not cellular), and cable TV use in the Unincorporated Area. From Fiscal Year 2001-02 to 2004-05, the growth has been reduced by the incorporations of the Cities of Elk Grove and Rancho Cordova, reflecting a reduction in the Unincorporated Area collections.
2004-05 Actual \$ 13,892,778	(6.06%)	
2005-06 Actual \$ 14,784,396	6.42%	
2006-07 Actual \$ 15,803,082	6.89%	
2007-08 Budget \$ 14,500,000	(8.25%)	

Utility Tax

The revenue estimate is based on an 8.25 percent decrease in utility collections in the Unincorporated Area. The decrease is due primarily to approximately \$1.0 million in one-time payments and adjustments received in Fiscal Year 2006-07 that are not expected in Fiscal Year 2007-08. The total budgeted for Fiscal Year 2007-08 is \$14.5 million.

Utility Tax



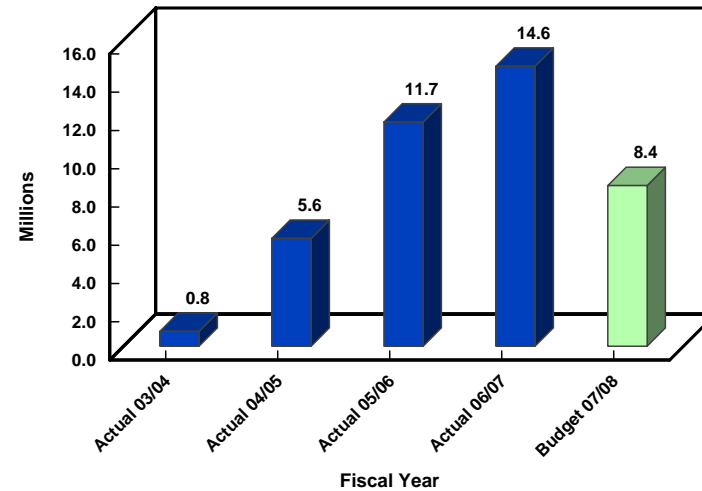
Revenue Source: Net Interest

Trend	Percent Change	Comments
2003-04 Actual \$ 778,704		Changes in revenue reflect net interest gain from Tax Revenue Anticipation Notes (TRANs) and interest on cash balances in the Treasury Pool.
2004-05 Actual \$ 5,638,228	624.05%	
2005-06 Actual \$ 11,721,999	107.90%	
2006-07 Actual \$ 14,641,840	24.91%	
2007-08 Budget \$ 8,400,950	(42.62%)	

Net Interest

This estimate is based on a 42.62 percent decrease in net interest revenues due to the relative change between the cost of TRANs (\$17.3 million) and the revenue earned from TRANs (\$24.7 million) and interest earnings from the County's Treasury Pool. The projected net interest revenue for Fiscal Year 2007-08 is \$8.4 million.

Net Interest



Revenue Source: Proposition 172 – Public Safety

Trend	Percent Change	Comments
2003-04 Actual \$ 92,344,373		County share of statewide ½ cent sales tax. Allocated to counties and cities by formula in state law. Changes in revenue depend on statewide sales tax collections and countywide sales tax collections as a share of the statewide total collections.
2004-05 Actual \$ 100,317,768	8.63%	
2005-06 Actual \$ 108,980,693	8.64%	
2006-07 Estimate \$ 107,351,342	(1.50%)	
2007-08 Budget \$ 108,977,847	1.52%	

Revenue Source: Realignment

Trend	Percent Change	Comments
2003-04 Actual \$ 168,265,870		Changes in revenue reflect county's share of ½ cent statewide sales tax and 24.33 percent of vehicle license fees which are allocated to health, mental health, and social service programs.
2004-05 Actual \$ 187,563,930	11.47%	
2005-06 Actual \$ 189,440,088	1.00%	
2006-07 Estimate \$ 199,785,159	5.46%	
2007-08 Budget \$ 202,278,948	1.25%	

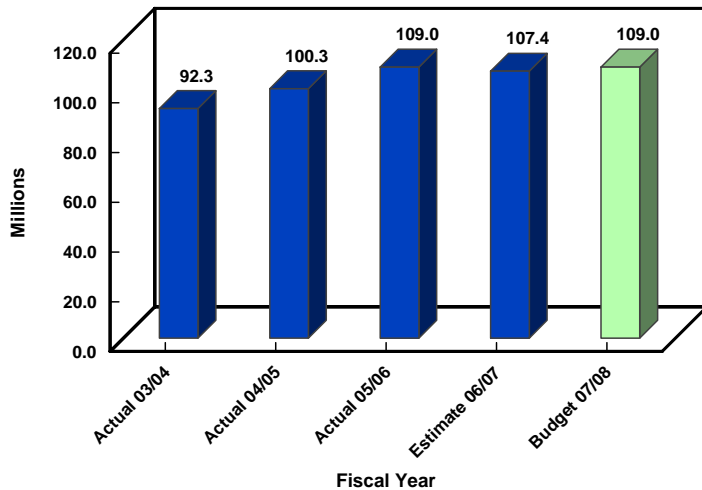
Public Safety Revenue

The estimate is based on 5.00 percent assumed growth in statewide sales tax collections and 0.19 percent decrease in the County's pro rata share from 3.97 percent in Fiscal Year 2006-07 to 3.78 percent in Fiscal Year 2007-08.

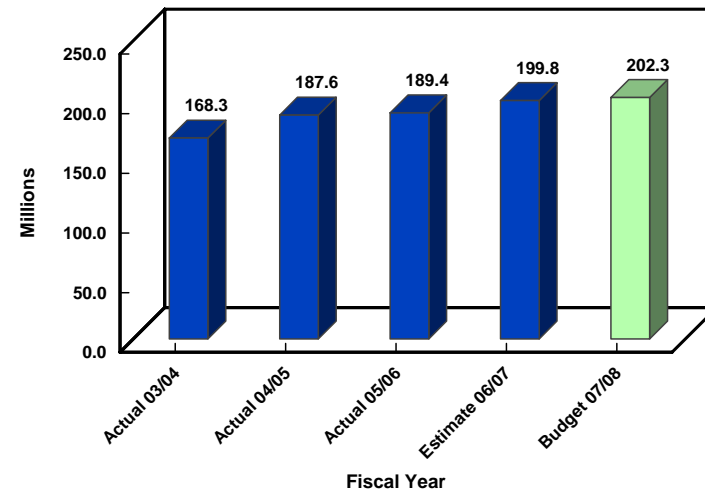
Realignment Revenue

The assumptions from the Governor's budget for Realignment include 5.72 percent growth in statewide sales tax collections, 3.94 percent in vehicle license fees collections, and no changes in allocation patterns among the major Realignment Accounts.

Public Safety



Realignment



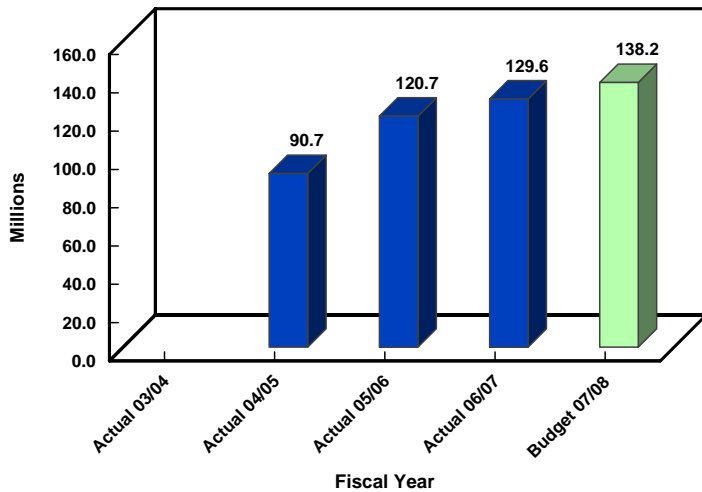
Revenue Source: Property Tax In-Lieu of Vehicle License Fee

Trend	Percent Change	Comments
2004-05 Actual \$ 90,657,095		This revenue source emerged as the result of the State's "Swap" deal. This amount reflects backfill of the Vehicle License Fee that now flows to the State General Fund. Fiscal Year 2005-06's total includes a "true-up" payment of \$7.8 million for Fiscal Year 2004-05.
2005-06 Actual \$ 120,683,324	33.12%	
2006-07 Actual \$ 129,588,212	7.38%	
2007-08 Budget \$ 138,205,581	6.65%	

Property Tax In-Lieu of Vehicle License Fees

The assumption for this revenue source is based on the State's "Swap" deal. The Fiscal Year 2007-08 projected total of \$138.2 million reflects a 6.65 percent growth from the prior year actual levels.

Property Tax In-Lieu of Vehicle License Fee



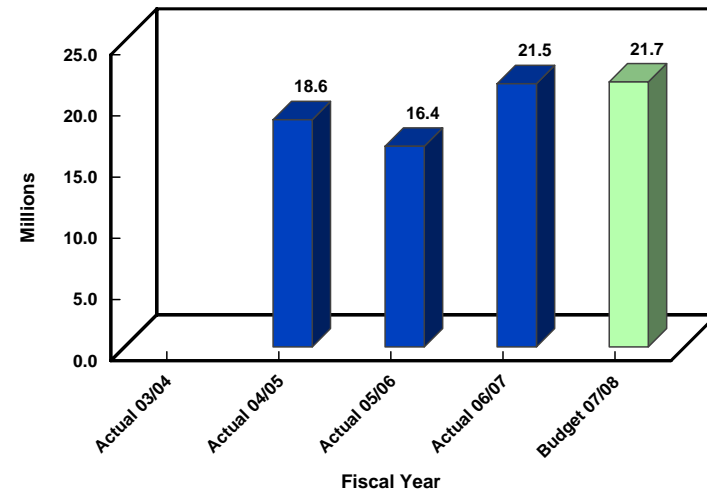
Revenue Source: In Lieu Local Sales and Use Tax

Trend	Percent Change	Comments
2004-05 Actual \$ 18,575,529		This revenue source emerged as the result of the State's "Triple Flip" provision. This amount represents the backfill of the 25.0 percent Sales and Use Taxes revenue that are reallocated to the State Fiscal Recovery Fund.
2005-06 Actual \$ 16,394,379	(11.74%)	
2006-07 Actual \$ 21,517,116	31.25%	
2007-08 Budget \$ 21,650,000	0.62%	

In Lieu Local Sales and Use Tax

The assumption for this revenue source is based on the State's "Triple Flip" provision which reduces the County's Sales and Use Taxes by 25.00 percent. The State backfills this 25.00 percent reduction with Educational Revenue Augmentation Fund (ERAF) revenues. For Fiscal Year 2007-08, a total of \$21.7 million is budgeted for In Lieu Local Sales and Use Tax revenues, an increase of 0.62 percent from the prior-year actuals.

In Lieu Local Sales and Use Tax



GENERAL BUDGET POLICIES AND PLANNING

General Budget Information

This summary includes:

- I. The Budget, Legal Requirements, Budgeting Basis, and Budget Policies
- II. Revenue and Cash Management
- III. Debt Management Policies
- IV. Long-Range Budget Planning

I. The Budget

The annual budget for Sacramento County is an operational plan, a fiscal plan, and a staffing plan for the provision of services to the residents of Sacramento County. The budget also includes a five-year Capital Improvement Plan for the County. This plan is presented to the Board of Supervisors and is reviewed during the budget hearings. The County Board of Supervisors (Board) approves the budget each year at the conclusion of an open and deliberative process in which county residents, county employees, and county officials are active participants.

Legal Requirements

The County's budget process conforms to state law and the County Charter. The California State County Budget Act of 1986 provides statewide uniformity in the budget process, content, and format among California counties and special districts. Deadlines for the public release of budget information and the adoption of proposed and final budgets are given. The Budget Act also sets the content and format of budget schedules.

The County Charter specifies the roles of the Board of Supervisor and the County Executive in the budget process. The County Executive is charged with recommending a balanced budget (a budget in which the expenditures incurred during a given period are matched by revenues and/or current expenditures are equal to receipts) to the Board and with executing the budget plan once it is adopted. The County Executive is also responsible for monitoring the status of the budget throughout the year and with recommending budget changes when circumstances warrant.

Budgeting Basis

For the governmental funds, or those funds subject to appropriation, Sacramento County uses a modified accrual basis of budgeting and

accounting. Under this basis of budgeting and accounting, revenues are recognized when they become both measurable and available, and expenditures are recorded when the liability is incurred. Measurable means the amount of the transaction is known. Available means the revenue will be received as cash within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current period.

Proprietary funds use an accrual basis of accounting in essentially the same manner as commercial accounting. Recognition occurs at the time of the transaction – revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flow takes place.

Budget Policies

Sacramento County's budget process operates under long standing Board of Supervisors' approved budget policies. In summary, the policies are designed to control growth in the budget, maximize fund balance, give departments operational flexibility, and establish prudent reserve levels.

Alignment of Ongoing Expenditures and Revenues and Use of Fund Balance

In 1985 the Board adopted long-term policies intended to keep ongoing county expenditures in alignment with ongoing financing sources and to increase fund balance. These policies state:

- General Fund, fund balance will be used as an ongoing financing source.
- The higher costs of new programs, higher service levels, and new staff will be recognized on a full-year basis to ensure the recognition of the full cost of new commitments.
- Unanticipated revenue windfalls not included in the budget plan will not be expended during the year unless such spending is required in order to receive the funding.
- Short-term funding sources are not to be applied to ongoing requirements.

Use of Fund Balance and Appropriation Use Flexibility

In 1992 the Board of Supervisors adopted a set of policies under the rubric of "departmental empowerment" to give departments more flexibility in managing service delivery and departmental budgets. The budgetary aspects of the departmental empowerment policies include:

- The year-end practice was changed from "use it or lose it" to "save it and keep it." Departmental contributions to fund balance are

credited back to departments as financing in the following year. In the lean budget years of the early and mid-1990s, this policy gave departments an incentive to curtail spending to avoid future budget reductions.

- Departments were given the flexibility of administratively shifting appropriations between expenditure categories without Board or County Executive approval so long as there is no change in overall net appropriations. The Department of Finance presents a quarterly report of such budget adjustments to the Board of Supervisors.
- A restriction was placed on departmental empowerment in Fiscal Year 2002-03, disallowing transfer of salary appropriations to other expenditures without Board approval. This restriction was necessary due to the need to maintain high fund balances in order to mitigate against the state budget reductions and weak economic conditions.

Reserve Levels

In 1998, upon recommendation of the County Executive and Chief Financial Officer, the Board of Supervisors set a target level for the General Fund General Reserve. The target level is 5.0 percent of general purpose financing, or approximately \$31.33 million (5.0 percent of \$626.53 million). The current level of the General Reserve is \$10.8 million, or \$20.53 million under the targeted level.

Resource Allocation

In June 2007, upon recommendation of the County Executive, the Board of Supervisors adopted a series of obligations/priorities to guide resource allocation and budget decision making. These priorities are slightly different from prior years in that the mandated programs are split into those where the service/budget is mandated and those where the Board of Supervisors has some flexibility regarding the level of mandated service provided. The approved spending priorities recognize that certain obligations must be funded before any discretionary priorities can be addressed:

A. **Mandated Countywide Obligations**, such as jails, prosecution, juvenile detention, health care for the poor, and welfare payments to eligible clients. These obligations are now designated.

B. **Mandated Municipal Obligations**, such as the core requirements for providing for the public safety of the citizens

living in the unincorporated area (Sheriff's patrol and investigations).

C. **Financial Obligations**, is the maintenance of the public trust through a sound fiscal policy that focuses on financial discipline, including funding programs that provide for revenue collection and payment of county debts.

D. **Budget Priorities**, when funding of the County's mandated services and obligations are met, the following priorities shall govern the budget process:

1. Provide the highest level of discretionary law-enforcement municipal and countywide services possible within the available county budget, such as Sheriff's patrol and investigations, and Probation Supervision.

2. Provide the safety net for those disadvantaged citizens, such as the homeless, mentally ill, and others who receive no services from other government agencies.

3. Provide the highest possible quality of life for our constituents within available remaining resources (i.e. neighborhood programs, reinvestment in communities, Parks & Recreation, and non-law enforcement municipal services, etc.)

4. General government functions (such as Clerk of the Board, County Counsel, Human Resources Agency, Office of Communications and Information Technology, County Executive, etc.) shall continue at a level sufficient to support the direct services to citizens.

5. Continue prevention/intervention programs that can demonstrate that they save the County money over the long-term, such as alcohol and drug programs.

These obligations/priorities were used to structure budget recommendations in the Fiscal Year 2007-08 budget process.

II. Revenue and Cash Management--Cash, Investments, And Restricted Assets

All investments are reported on the statement of net assets/balance sheet in accordance with GASB Statement No. 31, at fair value. The County maintains two cash and investment pools. The primary cash and investment pool (Treasurer's Pool) is available for use by all funds. The portion of this pool applicable to each fund type is displayed on the statements of net assets/balance sheets as "Cash and investments." The share of each fund in the pooled cash account is separately accounted for and interest earned, net of related expenses, is apportioned quarterly

and at the end of the fiscal year based on the relationship of its average daily cash balance to the total of the pooled cash and investments. The apportionment due to the internal service funds and certain agency funds accrues to the benefit of the General Fund. The County, acting in a fiduciary capacity, established a separate cash and investment pool (Fiscal Agent Pool) to segregate and invest monies in accordance with long-term obligation covenants. The County periodically distributes interest earned by these pools to the funds. The pools are accounted for on an amortized cost basis during the year. The Treasurer's and Fiscal Agent Pools are subject to oversight by the Treasury Oversight Committee. The value of pool shares that may be withdrawn is determined on an amortized cost basis, which differs from fair value. The County has not provided or obtained any legally binding guarantees during the fiscal year to support the value of pool shares. The County does not permit any voluntary participation in the Treasurer's Pool.

Cash and investments held by fiscal agents are restricted as to their use. It includes funds for the construction/acquisition of plant and equipment and funds designated by debt agreements as reserve funds and for servicing debt during the construction/acquisition of plant and equipment. At June 30, 2004, all cash held by fiscal agents was covered by federal depository insurance or by collateral held by the County's financial institutions in the county's name.

Revenue and Cash Management -- Investments and GASB 40 Presentation

The County has chosen to implement GASB Statement 40, Deposit and Risk Disclosures, which is an amendment to GASB Statement No 3.

Investments by the County Treasurer are restricted per Government Code Section 53600 et. Seq. This Code requires that the investments be made with the prudent investor standard, that is, when investing, reinvesting, purchasing, acquiring, exchanging selling or managing public funds, the trustee (Treasurer and staff) will act with care, skill, prudence, and diligence under the circumstances then prevailing.

The Government Code also requires that when following the investing actions cited above, that the primary objective of the trustee be to safeguard the principal, secondarily meet the liquidity needs of depositors, thirdly maintain the public trust and then achieve a return on the funds under the trustee's control. Further, the intent of the Government Code is to minimize risk of loss on County held investments from:

- a. Credit risk
- b. Custodial credit risk
- c. Concentration of credit risk
- d. Interest rate risk

Specific restrictions of investment are noted below:

Section 53601 lists the investments in which the Treasurer may purchase. These include bonds issued by the County; United States Treasury notes, bonds, bills or certificates of indebtedness; registered state warrants, treasury notes, or bonds of the State of California; bonds, notes warrants or other forms of indebtedness of any local agency within California; obligations issued by banks for cooperatives, federal land banks, federal home loan banks, the Federal Home Loan Bank Board or other instruments of, or issued by, a federal agency or United States government sponsored enterprise; Bankers Acceptances (not over 180 days maturity, not to exceed 40.0 percent of the total portfolio); Commercial Paper of "prime quality" (the highest ranking provided by either Moody's Investor Services or Standards and Poor Corporation) (not over 270 days maturity and not to exceed 40 per cent of the total portfolio pursuant to Section 53635) and these investments are further restricted as to capacity and credit rating of the Company and are restricted as to a percentage of the whole portfolio and the dollar-weighted average maturity is also restricted; negotiable certificates of deposit issued by approved banks, not to exceed 30.0 percent of the total portfolio; repurchase and reverse repurchase agreements are permitted investments but are subject to stringent rules regarding term, value and timing, all put in place to minimize risk of loss; medium term notes, carry a maturity of no more than five years and rated "A" or better by a nationally recognized rating service, not to exceed 30.0 percent of the portfolio; shares of beneficial interest issued by a diversified management company subject to certain limitation; notes, bonds and other obligations that are at all times secured by a valid first priority security interest in securities of rules cited in Government Code Section 53651; moneys held by a trustee or fiscal agent for bonds, indebtedness, lease obligations, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of the bonds, indebtedness, lease obligations or other agreements; mortgage pass-through securities and other mortgage and consumer receivable backed bonds, not to exceed a maturity of five years, subject to the credit rating of the issuer and not to exceed 20.0 percent of the portfolio; and shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7.

In addition to the restrictions and guidelines cited in the Government Code, the County Board of Supervisors annually adopts an “Investment Policy for the Pooled Investment Fund” (The Policy). The Policy is prepared by Department of Finance and is based on criteria cited in the Government Code. The Policy adds further specificity to investments permitted, reducing concentration within most permitted investment types and reducing concentration of investments with any broker, dealer or issuer.

The County was in full compliance with its own more restrictive policy, and, therefore, was also in compliance with the above cited Government Code sections. Accordingly, the County believes it is not at measurable risk as to the four risk areas cited above.

Interest rate risk – This is the risk of loss due to the fair value of an investment falling due to interest rates rising. Of the County’s \$4.755 billion portfolio over 72.5 percent of the investments have a maturity of six months or less. Of the remainder, only 2.2 percent have a maturity of more than five years.

Credit Risk – The County is permitted to hold investments of issuers with a short-term rating of superior capacity and a minimum long-term rating of upper medium grade by the top two nationally recognized statistical rating organizations (rating agencies). For short-term rating, the issuers’ rating must be A-1 and P-1, and the long-term rating must be A and A2, respectively by the rating agencies. In addition, the County is permitted to invest in the State’s Local Agency Investment Fund, collateralized certificates of deposits and notes issued by the County that are non-rated.

Custodial Credit Risk – At year-end, the County did not participate in any repurchase agreements or securities lending that would result in any possible risk in this area.

Concentration of Credit Risk – Nearly 45.2 percent of the County’s investments at year-end are in U.S. Government or Agencies issues. There is no limitation on amounts invested in these types of issues. Of the 42.0 percent of the portfolio invested in commercial paper or certificate of deposits, no investment in a single issuer exceeds 5.0 percent.

Prohibited Investments - No investments shall be authorized that have the possibility of returning a zero or negative yield if held to maturity. These shall include inverse floaters, range notes, and interest only strips derived from a pool or mortgages.

All legal investments issued by a tobacco-related company are prohibited. A tobacco-related company is defined as an entity that

makes smoking products from tobacco used in cigarettes, cigars, or snuff or for smoking in pipes. The tobacco-related issuers restricted from any investment are Altria Group, British American Tobacco PLC, Gallaher Group PLC, Inc., Imperial Tobacco Group PLC, Loews Corp., Reynolds American, Inc., Universal Corp., UST, Inc., and Vector Group, Ltd. Annually the Director of Finance and/or his designee will update the list of tobacco-related companies.

III. Debt Management Policies

The County has also adopted comprehensive Debt Management Policies, which are intended to improve coordination and management of all debt issued in which the County has complete or limited obligation (e.g. special assessment or Mello-Roos financings) for debt repayment. As the municipal debt market changes, all outstanding debt should be monitored to take advantage of changing opportunities.

Major elements of the policy include:

- Establishment of a County Debt Utilization Committee (CDUC) which has the responsibility for reviewing, coordinating and advising the County Executive and Board of Supervisors regarding proposed and existing debt issues in order to assure that debt is utilized in a favorable manner to the County and only when it is in the best interest of the County.
- Formalizing the concept that debt proposals by individual departments must be closely coordinated with the County’s capital and operating budget processes and must take into account the impact of the proposed debt issue on the County’s credit rating and total debt burden.
- Assignment of responsibilities related to analysis of proposed borrowings and monitoring compliance with covenants and restrictions in approved debt agreements.
- To the extent feasible, debt issued shall be tied to revenues from those taxpayers who will directly or indirectly receive benefits of the purpose of the debt.
- Short-term and long-term borrowing will be limited to borrowings that are within prudent limits regarding applicable debt ratios and those which improve county cash flow and related interest earning capabilities.
- Proceeds from long-term financing will be limited to the uses authorized by law and allowed by the provisions of the particular debt. Generally, these limitations allow payment for planning, design, land, construction, or acquisition of buildings, permanent

structures, attached fixtures and/or equipment, movable furniture, and equipment and also the costs related to planning and issuing the debt.

- Short-term financing will include funding the County's cash flow deficit in anticipation of tax and revenue receipts.
- Structure (e.g. General Obligation, Certificates of Participation, Assessment Districts, or Revenue Bonds) and type of debt issuance (negotiated or competitive) is dependent upon various factors, including the nature of the project to be financed, available revenue sources and revenue streams, budget impact and the financial market environment.
- No financing will be undertaken to finance an operating deficit.

Debt Limits

In California there are no statutory or constitutional limits on debt levels for counties. Overall, debt levels for Sacramento County are very low. In the General Fund, total debt service payments amount to only 0.6 percent of appropriations.

IV. Long-Range Budget Planning

Sacramento County integrates long-term budget planning with an annual budget process. The annual budget forecast, typically presented to the Board of Supervisors in early February each year, is based on a five-year model of the General Fund. The model is the specific tool used to evaluate the impacts of new facilities, programs, and other commitments on the General Fund in light of projected changes in general revenues.

The model is based on the prior adopted budget and includes all known changes in expenditures and revenues. The model attempts to predict the net cost of maintaining service levels and taking on new programs and costs and compares those net costs to the general purpose financing thought to be available to fund those net costs. Particular emphasis is placed on determining and accounting for the impacts of facility development, labor negotiations, and changes in state and federal law and regulations. The Capital Improvement Plan is used to identify new operational requirements years in advance of the need to actually fund the staffing and maintenance of new facilities. Long-term commitments to employees are made in light of an assessment of the county's ability to balance labor cost increases with the maintenance or enhancement of service levels.

The modeling has proved to be a useful predictor of budgetary trends and the overall balance between net cost and general purpose financing. The model is less accurate in projecting changes in gross spending and departmental revenue. The fundamental point is that the budget model is used far beyond short-term predictions of budget status and issues; the budget model is used to evaluate the County's capacity (or lack thereof) to take on new obligations.

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 of Supervisors (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 spans 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 seven phases:

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

The Board, 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 and February; 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 – (March-April)

The Board holds two public workshop hearings, if appropriate.

Phase IV – (May-June)

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

Phase V – (July 1st)

Adopted Proposed Budget implemented as operating budget until Final Budget is approved.

Phase VI – (August-September)

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

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

Phase VII – (September-October)

As directed by the Board, final budget hearing adjustments are documented by County Executive's Office Analysts. 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 heads and departmental fiscal staff quarterly (Information Sharing Meetings) 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) 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)

AMENDING THE ADOPTED BUDGET BY 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 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 increased financing is identified.

Internal Services Funds are not included in the “Annual Budget Resolution”.

- II. By four-fifths vote, the Board 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, increased 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 delegated authority to the County Executive to approve midyear transfers and revisions of appropriations between objects within 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. Uses 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.

FISCAL YEAR 2007-08 BUDGET TIMELINE:

Under the leadership of the county’s Chief Financial/Operations 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:

2007-08 BUDGET PROCESS SCHEDULE

Event	Time
Develop Major Budget Assumptions/Personnel Costs/Allocated Costs	November/December 2006
2006-07 Midyear Budget Update	January 30, 2007, Tuesday
Information Sharing Session: Distribute Budget Materials and Instructions	February 2, 2007, Friday
Deadline for Release of Department Allocations	February 5, 2007, Monday
Facility Acquisition or Improvement Request (Form 330)	February 16, 2007, Friday
Base Funded Allocation Budgets due to CEO from the following funds (Numbers entered into SCBDA): <ul style="list-style-type: none"> • General Fund (001) • Court Operations (003) • Capital Construction (007) • Tobacco Litigation Settlement (008) • Transient-Occupancy Tax (TOT) (015) • Building Inspection (021) 	March 2, 2007, Friday
“Anticipated Results/Impacts” budget statements, with Strategic Objectives identified for all funds and budget units due to CEO from the following funds: <ul style="list-style-type: none"> • General Fund (001) • Court Operations (003) • Capital Construction (007) • Tobacco Litigation Settlement (008) • Transient-Occupancy Tax (TOT) (015) • Building Inspection (021) 	March 9, 2007, Friday

Event	Time
<p>All Other Funds Base Budgets due to CEO along with their “Anticipated Results/Impacts” budget statements, with Strategic Objectives identified from all funds and budget units due to CEO:</p> <ul style="list-style-type: none"> • Enterprise • Governmental • Internal Services • Special Districts 	March 9, 2007, Friday
Analysis by CEO Analysts of Base Funded Allocation Budget Submittals	March 2, 2007 to March 16, 2007
CEO Determination of Base Funded Recommendations	March 17, 2007 to March 30, 2007
Preparation of Proposed Budget Materials	March 17, 2007 to April 13, 2007
Recommended Proposed Budget Available	May 4, 2007, Friday
Proposed Budget Hearings --Budget Overview and Determination of Base Funded Budget.	May 16, 2007, Wednesday 9:30 a.m. May 17, 2007, Thursday 9:30 a.m. May 18, 2007, Friday 9:30 a.m.
Performance Measures from Departments due to CEO	June 15, 2007, Friday
Final Budget Request Changes from Departments	June 15, 2007, Friday
Requests for Additional (Growth) Funding due	June 15, 2007, Friday
Implement Adopted Proposed Budget	July 1, 2007
Analysis by CEO Analysts of Final Budget Requests	June 15, 2007 to July 20, 2007
CEO Determination of Revised Base Funded Allocations Recommendations (if necessary)	June 15, 2007 to July 31, 2007
Recommended Final Budget Released	August 24, 2007, Friday
Final Budget Hearings-Final Budget (overview of changes to Proposed Budget) plus reductions, including but not limited to program/service reductions (if necessary).	September 5, 2007, Wednesday, 9:30 a.m. September 6, 2007, Thursday, 9:30 a.m. September 13, 2007, Thursday, 9:30 a.m. September 14, 2007, Friday, 9:30 a.m. (if necessary)
Adoption of Budget Resolutions By Board of Supervisors prepared by Dept. of Finance-Auditor/Controller Division staff	September 25, 2007, Tuesday, 9:30 a.m.

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.

SACRAMENTO COUNTY FINANCIAL, ECONOMIC & DEMOGRAPHIC OVERVIEW

CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE COUNTY OF SACRAMENTO, CALIFORNIA

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 capital of the State of California and also serves as the County seat. The County is the major component of the Sacramento Metropolitan Statistical Area (SMSA) which includes Sacramento, El Dorado, Placer and Yolo 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 governments 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 staggered 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 and contracts with the University of California, Davis 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. County revenues primarily support the County criminal justice network. The Sheriff provides law enforcement services to the unincorporated area of the County. In addition to general prosecution, the District Attorney provides consumer fraud prosecution, and operates a crime lab which locates and analyzes evidence from crime scenes. The County also operates various correctional facilities. State law requires that the County make an annual maintenance of effort payment to the State for courts, and the County is generally 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

The following is a summary of County permanent employee levels (actual employees and not budgeted positions), excluding temporary, limited-term, intermittent and seasonal employees:

As of December 31	Permanent Employees
2002	13,484
2003	13,512
2004	12,383
2005	12,615
2006	12,843
2007*	12,835

Source: Sacramento County Department of Personnel Services

*2007 permanent employees as of April 2007

For the 2006-07 Fiscal Year, the County budgeted approximately 14,436.5 permanent, full-time positions. Approximately 12,400 of the positions are in classifications represented by one of 18 recognized employee labor organizations.

The labor organizations in the following table cover approximately 75% of the represented budgeted positions as of April 2007. The table summarizes the number of budgeted positions included in the larger labor organizations:

Employee Representation Organization	Budgeted Positions	Contract Term Expires
United Public Employees, Local 1: (Welfare)	1,983	June 30, 2011
United Public Employees, Local 1: (Office Technical)	2,475	June 30, 2011
Deputy Sheriffs Association	1,875	June 30, 2011
Local 39	1,515	June 30, 2011
Health Services (American Federation of State & County Municipal Employees)	640	June 30, 2011
Probation Association	<u>670</u>	June 30, 2011
Total	9,158	

Source: Sacramento County Office of Budget and Debt Management

Recent labor contracts have included cost of living adjustments, market driven equity increases, and health insurance subsidy increases. The County began negotiations with all 18 recognized employee organizations in early 2006, with several countywide goals, including five-year agreements and a consistent County health insurance contribution. Due to these countywide goals, negotiations were contentious. The negotiations process continued from early 2006. All groups now have five-year agreements in place.

For 2007-08 Fiscal Year, the County Executive’s budget included compensation increases for all represented and unrepresented employees and vacant budgeted positions, and to bring some certainty to health insurance costs the insurance subsidies for county employees are now indexed to the Kaiser Family Plan rate. Compensation increases were assumed in the budget process and in the development of salary and benefit estimates.

Retirement Plan

The County’s defined benefit pension plan, Sacramento County Employees’ Retirement System (SCERS), covers substantially all of its employees. The plan provides "basic" death, disability and service retirement benefits based on

specified percentages of final average salary and, in addition, provides most members annual cost-of-living adjustments after retirement.

This Appendix A includes a general description of SCERS, the pension benefits available to County employees, the funding status of SCERS (including projected unfunded actuarial liability), required County annual contributions to SCERS and other information relating to SCERS and the County’s obligation to SCERS. See “CERTAIN INFORMATION CONCERNING THE SACRAMENTO COUNTY EMPLOYEES’ RETIREMENT SYSTEM” herein.

Deferred Compensation Plan

The County has established a voluntary deferred compensation plan available to all regular County employees to provide for retirement or disability benefits. Under this plan participants may elect to defer up to the lower of \$15,500 or 100.0% of includable compensation in any calendar year for those participants under age 50 and \$20,500 for those participants over age 50 for calendar year 2007. 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 may direct their investments into various options provided by financial services firms. None of these monies are invested in the Sacramento County Pooled Investment Fund. As of December 31, 2006, approximately 12,000 employees participated in the deferred compensation plan. Assets held in the investment fund on behalf of these employees aggregated approximately \$620,000,000.

In-Home Support Services (IHSS) Workers

Pursuant to state law, the County formed an IHSS Public Authority, an independent agency for which the Board of Supervisors serves as the Board of Directors. The Healthcare Workers Union, West (HWU), formerly Service Employees International Union Local 250, became the exclusive employee representative organization for the Sacramento County IHSS in 2001. The current labor agreement negotiated with HWU became effective on December 1, 2006, and is effective through November 30, 2009.

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, and typically does so. For the 2006-07 Fiscal Year, in order to make budget decisions earlier, the County held budget hearings and adopted a Proposed Budget on May 10, 2006, and held to a similar schedule for the 2007-08 Fiscal Year. At the conclusion of the May 2007 session of budget hearings, the Board of Supervisors adopted a balanced Proposed Budget,

meeting the State requirement of approval of an annual spending plan by June 30, allowing the County Auditor to pay claims and issue warrants until a Final Budget is approved. Final Budget Hearings were held in September 2007 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 for the 2007-08 Fiscal Year.

Sacramento County continues to face budget challenges caused mainly by property taxes and sales taxes growing at a slower rate than in past years, and expenditure increases including costs related to contracted labor costs, pensions and payments on financings payable from the General Fund. In Fiscal Year 2006-07, a strategy was established to not fund on-going expenses with one-time fund balance revenue. There were also a number of one-time expenses that were expressly funded with one-time revenues in order to restore balance within the General Fund. For the Fiscal Year 2007-08 budget cycle the total General Fund allocations to departments more closely reflect actual General Fund funding needed to maintain on-going program costs. See "CERTAIN FACTORS AFFECTING REVENUES AND EXPENDITURES" herein.

The County has addressed its budgetary difficulties in the past by a variety of means, including hiring freezes, reductions in programs and services, and informing County officials, County staff, and the public of the nature and magnitude of the budget problems. 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. The County staff endeavors to present budget issues to the Board of Supervisors and the public well before decision deadlines.

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). Departments prepare budget requests identifying mandates and discretionary programs. The discretionary programs, from which the budget reductions must be made, are in turn identified by priority and by funding status: funded or unfunded to meet net appropriation targets. The County has made efforts to greatly decrease its reliance on using one-time funding sources for ongoing costs, and has begun to address its structural shortfall in the General Fund by asking departments to not include automatic cost of living or "across-the-board" increases in their program costs, other than those already anticipated in salaries and benefits.

In January 2007, the County Executive Office presented its Midyear Budget Report to the Board of Supervisors for Fiscal Year 2006-07, providing the status of expenditures and revenues in relation to the County's adopted final budget. In anticipation of a small (approximately \$8.5 million) funding gap in the General Fund for the 2007-08 Fiscal Year, the County anticipated that this gap could be managed with a portion of the reserves set aside in Fiscal Year 2006-07 to help offset an increase in Pension Obligation Bond debt service and an increase in the transfer from the Transient Occupancy Tax Fund to the General Fund, and the Board of Supervisors approved the County Executive's recommendation to defer additional funding requests for Fiscal Year 2007-08 until the Final Budget hearings in September 2007. However, when the departments' actual budget requests were analyzed by the County Executive's Office after the close of the fiscal year, it was recognized that the projection done in January 2007 was somewhat optimistic, and the County General Fund has experienced greater growth in costs and less revenue growth than expected.

The Fiscal Year 2007-08 Proposed Budget identified a General Fund gap of approximately \$33.0 million, rather than the \$8.5 million gap identified in January 2007. However, it was recognized at the time the January projection was done that there was some uncertainty in the amount of property and sales tax collections anticipated. See "CERTAIN FACTORS AFFECTING REVENUES AND EXPENDITURES - Projected Future Financial Stress" herein.

The following table is a summary of the County General Fund's 2006-07 Adopted Final Budget and 2007-08 Adopted Final Budget.

COUNTY OF SACRAMENTO -- General Fund

(Amounts Expressed in Thousands)

	FY 2007-08 Adopted Final Budget	FY 2006-07 Adopted Final Budget
APPROPRIATIONS		
Reserve Increase/(Decrease)	\$12,010	\$56,959
General Government	115,418	143,405
Public Protection	705,756	668,226
Public Ways and Facilities	66	66
Health and Sanitation	657,998	626,308
Public Assistance	696,313	693,756
Education, Cultural and Recreation	12,318	12,976
Contingencies	3,130	4,297
Total Appropriations:	\$2,203,009	\$2,205,993
AVAILABLE FUNDS		
Beginning Fund Balance	\$39,018	\$106,218
Department Carryover	35,514	34,500
Reserve Cancellation	23,578	13,040
Property Taxes	230,604	223,073
Sales Tax	61,450	63,990
Other Taxes	191,228	177,112
Licenses and Permits	12,943	11,774
Fines, Forfeitures and Penalties	20,375	23,631
Use of Money and Property	27,078	25,101
Aid from Other Government Agencies (state and federal)	1,374,097	1,361,454
Charges for Current Services	100,265	95,732
Other Revenues	86,859	70,368
Total Available Funds:	\$2,203,009	\$2,205,993

Source: Sacramento County Office of Budget and Debt Management

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 projected shortfall in revenue, the County anticipates that immediate steps

intended to reduce appropriations would be implemented. The County believes that appropriation reductions would be achieved through a combination of hiring freezes 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.

Summary Financial Statements
COUNTY OF SACRAMENTO
Total General Fund Revenues, Expenditures and
Changes in Fund Balance 2001-02 through 2005-06
(Amounts Expressed in Thousands)

FISCAL YEAR:	<u>2005-06</u>	<u>2004-05*</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>
Beginning Fund Balance	\$ 201,952	\$ 139,172	\$ 155,865	\$ 134,185	\$ 159,500
Revenues					
Taxes	434,118	375,822	268,583	257,364	239,547
Licenses and permits	10,937	10,443	18,391	16,712	15,457
Fines, forfeitures and penalties	21,252	23,940	22,537	19,830	19,399
Use of money/property	30,424	20,167	9,241	15,880	24,582
Intergovernmental	1,264,262	1,206,333	1,186,576	1,213,471	1,189,683
Charges for sales and services	83,796	81,173	96,256	68,363	59,987
Miscellaneous	55,449	64,279	69,903	92,569	62,005
Total Revenues:	\$1,900,238	\$1,782,157	\$1,671,487	\$1,684,189	\$1,610,660
Long-Term Obligations Proceeds	0	426,131	0	0	0
Transfers in	23,407	14,257	18,109	21,646	6,655
Total Revenues, Proceeds, Transfers:	\$1,923,645	\$2,222,545	\$1,689,596	\$1,705,835	\$1,617,315

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Summary Financial Statements
COUNTY OF SACRAMENTO
Total General Fund Revenues, Expenditures and
Changes in Fund Balance 2001-02 through 2005-06
(Amounts Expressed in Thousands)

FISCAL YEAR:	<u>2005-06</u>	<u>2004-05*</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2001-02</u>
Expenditures					
General government	\$ 119,314	\$ 105,987	\$ 79,536	\$ 26,433	\$ 50,661
Public protection	596,408	835,244	556,609	577,648	543,190
Health and sanitation	400,570	407,510	389,120	331,621	289,637
Public assistance	701,978	763,070	648,781	679,479	694,246
Public ways and facilities	83	82	83	67	67
Education	377	476	366	348	383
Recreation and cultural	9,753	11,247	8,905	9,766	9,631
Debt Service-Principal	0	139	96	819	767
Debt Service-Interest	0	0	0	237	0
Bond Issuance Costs	0	6,131	0	0	0
Capital Outlay	0	0	0	10,390	0
Total Expenditures:	\$1,828,483	\$2,129,886	\$1,683,496	\$1,636,808	\$1,588,582
Transfers out	44,116	45,090	40,356	63,268	75,011
Total Expenditures and Transfers:	\$1,872,599	\$2,174,976	\$1,723,852	\$1,700,076	\$1,663,593
Encumbrances	0	15,211	17,563	15,921	20,963
Net change in fund balance	\$ 51,046	\$ 62,780	\$ (16,693)	\$ 21,680	\$ (25,315)
Ending Fund Balance	\$ 252,998	\$ 201,952	\$ 139,172	\$ 155,865	\$ 134,185

Source: Sacramento County Department of Finance; Sacramento County Comprehensive Annual Financial Reports; (FY 2006-07 CAFR not yet available)

* Reflects 2004-05 recognition of long-term revenue and allocation of expense.

Financial Statements; Generally Accepted Accounting Principles (GAAP) Basis

The County's accounting policies conform to Generally Accepted Accounting Principles (GAAP) for its 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 principal and accrued 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 use 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 GAAP for governmental entities. The County's audited Comprehensive Annual Financial Report (CAFR) is generally available about seven months after the June 30 close of each fiscal year. Since 1996-97, the County's independent auditor has been Macias, Gini & O'Connell LLP. The Government Finance Officers Association (GFOA) has awarded Sacramento County the "Certificate of Achievement for Excellence in Financial Reporting" for its CAFRs for Fiscal Years 1988-89 through 2005-06. The County's 2006-07 CAFR continues to conform to the Certificate of Achievement requirements and will be submitted to the GFOA to determine its eligibility for another certificate upon completion.

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 delivers to the Board of Supervisors. The Board of Supervisors reviews and approves 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 June 30, 2007, 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, 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 1.07% 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 176 days, offering participants daily liquidity.

The 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, and Government Agencies valued at 110% or mortgage 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 California Government Code and the Investment Policy. Additionally, a separate 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 reports. These reports validate 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 June 30, 2007. 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 June 30, 2007

Average Daily Balance	\$3,268,963,991
Period-End Balance	\$3,028,266,627
Yield	5.164%
Weighted Average Maturity	197 Days
Duration in Years	0.520 Years
Historical Cost	\$3,029,492,461
Market Value	\$3,041,030,210
Percent of Market to Cost	100.38%

Source: Sacramento County Department of Finance.

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 the Fiscal Year 2007-08 Proposed Budget, the approximate percentages of the County's estimated total revenues, are as follows:

Estimated Revenue Source Fiscal Year 2007-08 Final Budget	Percent of Total
Property Taxes	10.9%
Sales Tax	2.9
Other Taxes	9.1
Licenses and Permits	0.6
Fines, Forfeitures and Penalties	1.0
Use of Money and Property	1.3
Aid from Other Governmental Agencies	65.3
Charges for Current Services	4.8
Other Revenue	4.1
Total:	100%

Source: Sacramento County Office of Budget and Debt Management

Following is a description of various significant County revenue sources.

Property Taxes

Assessed Valuation

Sacramento County assesses property values and collects and distributes secured and unsecured property taxes to the County, cities, community redevelopment agencies, special districts and local school 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.

From time-to-time, as a result of state budget actions, which required the shift of property taxes to other entities or programs, the County has experienced a loss in property tax revenues.

The Assessor’s Roll lien date for the 2007-08 Fiscal Year roll was January 1, 2007. In recent years, assessed valuation in the County continued to grow, however the increase in the rate of growth is anticipated to decline over the next year. The following table summarizes secured and unsecured roll growth in recent years.

Fiscal Year	Secured/Unsecured Roll Growth
2001-02	8.20%
2002-03	9.68%
2003-04	9.47%
2004-05	12.01%
2005-06	14.72%
2006-07	14.95%
2007-08 Est.	9.00%

Source: Sacramento County Assessor’s Office

The following table reflects the 2007-08 Estimated and 2006-07 Actual assessed valuations in the County. A seven-year history of assessed valuation in the County is also provided.

Assessed Valuations
(Amounts Expressed in Thousands)

	Net Assessed Valuation	Reimbursed Exemptions	Assessed Valuation For Revenue Purposes*
2007-08 (estimated)			
Local Secured	\$126,578,292	\$1,731,407	\$128,309,699
Utility—Nonunitary	74,512	0	74,512
Utility—Unitary	1,542,700	0	1,542,700
Unsecured	5,080,066	237	5,080,303
Total:	\$133,275,570	\$1,731,644	\$135,007,214
2006-07 (actual)			
Local Secured	\$116,126,873	\$1,731,407	\$117,858,280
Utility—Nonunitary	68,360	0	68,360
Utility—Unitary	1,542,700	0	1,542,700
Unsecured	4,660,611	237	4,660,848
Total:	\$122,398,544	\$1,731,644	\$124,130,188

Source: Sacramento County Department of Finance (actual) and office of Budget and Debt Management (estimated).

* Net assessed valuation plus state-reimbursed exemptions. Property taxes on this incremental assessed valuation are allocated for redevelopment projects, net of property tax shifts to schools.

History of Assessed Valuations
(Amounts Expressed in Thousands)

Fiscal Year	Total Assessed Valuation*
2000-01	\$ 65,228,757
2001-02	70,700,747
2002-03	77,715,406
2003-04	84,561,511
2004-05	94,690,205
2005-06	108,299,482
2006-07	124,130,188

Source: Sacramento County Department of Finance

* 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).

Tax Levies, Collections and Delinquencies

Taxes are levied for each fiscal year on taxable real property and personal property located 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 10.0% attaches immediately to each delinquent installment and a \$10.00 cost to the second installment. 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 10.0% penalty attaches to delinquent unsecured taxes.

If unsecured taxes are unpaid at 5:00 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 methods 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 judgment 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 Fiscal Year 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 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 (in the role of 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. In 1993, the Board of Supervisors, 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 the ongoing benefit from the Teeter Plan from the net penalties/interest collected in excess of the interest owed on the Teeter Plan financing.

Pursuant to 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 1.0% 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 25.0% 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 \$9.6 million as of June 30, 2007.

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 25.0% of the total delinquent taxes and assessments calculated at the end of the fiscal year.

Shown in the following table are the Countywide secured roll tax levies, and corresponding current levy delinquencies and total collections, since 2000-01. For additional information about tax levy delinquency trends, see “CERTAIN FACTORS AFFECTING REVENUES AND EXPENDITURES – Projected Future Financial Stress” herein.

Countywide Secured Tax Levies, Delinquencies and Collections

2000-01 through 2007-08

(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
2000-01	\$603,051	\$9,680	1.61%	\$593,371	98.39%
2001-02	658,421	9,750	1.48%	648,671	98.52%
2002-03	722,729	12,272	1.70%	710,457	98.30%
2003-04	802,625	11,603	1.45%	791,022	98.55%
2004-05	899,246	13,020	1.45%	886,226	98.55%
2005-06	1,033,339	23,787	2.30%	1,009,552	97.70%
2006-07	1,173,704	not avail	not avail	not avail	not avail
2007-08 (3)	1,279,337	not avail	not avail	not avail	not avail

Source: Sacramento County Department of Finance (actual) and office of Budget and Debt Management (estimated).

(1) Excludes bond service levies

(2) Includes prior years’ redemption, penalties and interest

(3) Estimate as of May 1, 2007

Largest Secured Taxpayers

The ten largest secured taxpayers in the County, as shown on the 2006-07 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 \$33,532,709 in property taxes or about 2.34% of the County’s \$1,431,047,049 secured roll tax levy, including levies for bond debt service and special assessments.

Largest Secured Taxpayers

2006-07

Taxpayer	Amount
Intel Corporation	\$7,240,049
AT&T Communications	4,081,062
Pacific Gas & Electric Co.	3,980,067
Elliott Homes, Inc.	3,376,110
Aerojet General Corporation	2,928,602
Surewest	2,691,757
Verizon	2,514,443
Lennar Renaissance Inc.	2,319,085
Rosetta Resources CA LLC.	2,263,911
Oates, Marvin ETAL	2,137,623
Total:	\$33,532,709

Source: Sacramento County Department of Finance

Sales Taxes

The State collects a tax on retail transactions within unincorporated areas of the County and rebates 0.75% to the County. The County also receives sales tax from Countywide and statewide pools. The sales tax revenue from these pools amounts to approximately 12.0% of total local sales tax revenue. One half-cent of the statewide rate is allocated for local public safety purposes pursuant to Proposition 172 and another half-cent is allocated to realignment pool.

Other Taxes

The County collects a 2.5% utility user tax, estimated to be \$14.0 million for the 2007-08 Fiscal Year. It is used to provide funding for police patrols, public health and welfare, parks and other essential services. The County also imposes a 12.0% Transient Occupancy Tax, estimated to be \$6.2 million for the 2007-08 Fiscal Year. It is used to primarily to support civic and cultural activities throughout Sacramento County and to bring tourism, businesses and jobs to the County. Both revenue streams are general fund revenues, but the County as a policy matter has historically used the dollars for the purposes described above.

Intergovernmental Revenues

Approximately 38.6% of the total estimated revenues of the County's 2007-08 Final General Fund Budget consists of payments from the State, and the federal government is expected to provide approximately 25.4% of the County's General Fund revenues. The majority of both 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.

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 affect County 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.

Projected Future Financial Stress

The Mid-year Budget Report in January 2007 projected a small funding gap (approximately \$8.5 million) for Fiscal Year 2007-08, as the overall revenue outlook for the General Fund was stable. However, there was some uncertainty in the amount of property tax and sales tax collections for Fiscal Year 2007-08. At that time it was anticipated that revenue from all sources (both departmental and non-departmental) would be sufficient to fund both the base costs and the increased costs associated with new labor contracts. When the departments submitted their Fiscal Year 2007-08 Proposed Budget requests, it was determined that mainly contracted labor costs are greater than originally anticipated, and departmental revenues are approximately \$13 million less than budgeted in Fiscal Year 2006-07. The net affect of these issues is an unfunded gap of approximately \$33 million. On May 16, 2007, the Board of Supervisors approved a plan that was used to mitigate the projected budget gap through a variety of methods, including use of reserves, reductions in budgeted positions, and other cost reductions. The extent to which this plan will be implemented will depend upon the final year-end General Fund balances and any decreases to projected costs associated with the potential budget gap.

Housing Market

In recent years the Assessor's Secured and Unsecured Tax Roll has grown annually, ranging from approximately 8% growth in Fiscal Year 2001-02 to its most recent high growth rate of 15% in Fiscal Year 2006-07. This significant increase in housing prices and associated assessed value translate into growth in property tax revenues, which make up approximately 11% of the County's General Fund revenue. However, there has been a significant slowdown in the housing market the area, as in many parts of the state and the nation. This slowdown in Sacramento County is indicated in part by the trend of Notices of Default filings, which have grown from approximately 6,000 in Fiscal Year 2005-06 to more than 19,000 in Fiscal Year 2006-07. However, more recent data indicate a further increase in Notice of Default filings, with more than 5,600 during July and August 2007 alone. A Notice of Default Filing is the first

step a mortgage-holder must take in a foreclosure proceeding, but does not necessarily result ultimately in foreclosure, as the default may be cured prior to actual foreclosure, generally with a ratio of approximately one-third of mortgage-holders going into default eventually losing their homes to foreclosure. Another indicator of the housing market slowdown is the County Assessor's announcement in early 2007 of an anticipated decrease in assessed value for approximately 50,000 properties, which will result in a revenue decrease of approximately \$2.5 million in General Fund revenues, in conformance with Proposition 8 state requirements. Further reductions in assessment value pursuant to Proposition 8 are anticipated. Even with this slowdown in the housing market, the Tax Roll for Fiscal Year 2007-08 is still anticipated to grow at an estimated 9% rate. If the housing market continues to decline, both property taxes and sales taxes could be negatively affected.

Other Post-Employment Benefits (OPEB) Liability

Since 1980, the County has voluntarily provided retired County employees with health insurance offset payment benefits intended to assist them with the cost of the purchase of health insurance (the "Health Insurance Subsidy"). The level of benefits provided by the County is set by an annual determination of the Board of Supervisors. In 2003, the County adopted a formal Retiree Health Insurance Policy to govern eligibility for, and access to, the health insurance plans and the level of Health Insurance Subsidy payments (if any) that are offered by the County to its retirees. That policy has subsequently been amended on several occasions and continues to govern participation in the County's Retiree Health Insurance Program (the "Program"), which is a program that provides access to group medical and dental insurance as well as any Health Insurance Subsidy payments to retirees. The Health Insurance Subsidy payments are not vested benefits of employment with the County and are subject to annual determination and appropriation by the County's Board of Supervisors. If the County elects to continue to provide funding for the Program, it may modify its policy to change eligibility requirements, the level of benefits provided or other features of the Program. Such changes could result in increases or decreases of County expenditures and/or liability for the Program. All Program criteria will continue to be reconsidered by the Board of Supervisors annually each calendar year

On June 5, 2007, the Board of Supervisors approved continued funding of the retiree health insurance subsidy program through December 31, 2008, for all retirees who retired by May 31, 2007. This action in effect capped the number of retirees eligible for the health insurance subsidy, and as a result the County believes this action has capped the potential OPEB liability for the County. One of the County's major labor organizations has filed an unfair labor practices claim with respect to the County's actions concerning the health insurance subsidy; however, the County believes that the health insurance subsidy is not a vested benefit, and that the unfair labor practices claim will not be successful.

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45 (GASB 45), which addresses how state and local governments should account for and report their costs and obligations related to post-employment health care and other non-pension benefits. GASB 45 generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitment related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of GASB 45 may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation. However, the unfunded actuarial liability is required to be amortized over future periods on the income statement. GASB 45 also established disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and for certain employers, the extent to which the plan has been funded over time. These disclosure requirements will be effective for the County's Fiscal Year ending June 30, 2008. The County engaged the services of an actuary to provide an estimate of the cost to the County of continued Health Insurance Subsidy benefits, and will fund and direct another actuarial study to determine the OPEB liability, as defined by GASB 45, prior to the required GASB 45 implementation date. The County has estimated, on a preliminary basis, that its unfunded OPEB liability could range from approximately \$125 million to approximately \$450 million. The actual unfunded liability to be determined for purposes of GASB 45 will depend on a variety of factors, including in particular the impact of the County's actions described above with respect to discontinuation of certain post-employment health care benefits. There can be no assurances that the actual unfunded OPEB liability will not exceed the County's estimate.

State Budget

The following information concerning the State's budget has been obtained from publicly available information which the County believes to be reliable; however, the County takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. Information about the state budget is regularly available at various state-maintained Web sites. Text of the state budget may be found at the State Department of Finance Web site, www.dof.ca.gov under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past state budgets, may be found at the Web site of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective state agency maintaining

each Web site and not by the County, and the County can take no responsibility for the continued accuracy of the Internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

State Budget for Fiscal Year 2007-08

Governor Schwarzenegger signed the 2007 Budget Act and related legislation on August 24, 2007, after vetoing approximately \$703 million of General Fund expenditures included in the Budget Bill passed by the Legislature. General Fund revenues and transfers are expected to be \$101.2 billion in 2007-08; the Administration also estimates there was \$4.066 billion of budget reserves available at June 30, 2007. General Fund expenditures included in the 2007 Budget Act total \$102.3 billion. Prior to making certain accounting adjustments, 2007 Budget Act expenditures for General Fund programs are substantially equal to anticipated General Fund revenues for 2007-08.

Certain of the features of the 2007-08 State Budget affecting counties include the following:

1. As of September 1, 2007, the State will no longer accept juvenile court commitments or parole violators, except those convicted of violent, serious, or sex offenses. The non-serious, non-violent juvenile offenders will now be the responsibility of counties with the stated intention for them to be able to benefit from programs within their communities and be closer to potential support networks. The State Budget includes \$24 million in Fiscal Year 2007-08 for a new Juvenile Offender Block Grant program for counties to provide services to the juvenile offenders. The Budget also includes \$100 million in lease revenue bonds for local juvenile facilities to house these offenders.
2. Pursuant to Proposition 1A, the State is required to repay local agencies for previously unreimbursed pre-2004 mandates, approximately 70% of which is payable to counties. The 2007-08 Budget delayed approximately \$402.4 million in funding of pre-2004 mandates until Fiscal Year 2008-09.
3. The State also did not include in the 2007-08 any increase in reimbursement to counties for Cost of Doing Business (CODB), worth approximately \$800 million statewide and an estimated \$47.5 million to Sacramento County. CODB represents the incremental annual increases in costs for services that counties provide due to inflationary factors (salaries, supplies, etc.) that have not been reimbursed by the State. The Urban County Caucus is putting together a Strategy Task Force to continue to press this issue next year, and a Sacramento County Board of Supervisors member and several key staff members will be participating.

4. The 2007-08 State Budget provides \$400 million which will be allocated to counties for local streets and roads. How the funds will be allocated is still being debated in separate legislation.

LAO Analysis of the 2007-08 Budget

The Legislative Analyst's Office ("LAO") has released several reports which include their estimates and assessments of the 2007-08 Governor's Budget and May Revision and associated fiscal and economic projections. These include a report titled "California Fiscal Outlook – LAO Projections 2006-07 through 2011-12" dated November 15, 2006, a report titled "Overview of the Governor's Budget" dated January 12, 2007, a report titled "The 2007-08 Budget: Perspectives and Issues" released on February 21, 2007, a report dated May 15, 2007 titled "Overview of the 2007-08 May Revision," and a report dated August 31, 2007 titled "Major Features of the 2007 California Budget." In the most recent "Major Features" report, the LAO has the following statements in its "Budget Overview": "The budget assumes the state ended the 2006-07 fiscal year with a reserve of \$4.1 billion. It projects \$102.3 billion in budget-year revenues, an increase of 6.5 percent from 2006- 07. The budget authorizes expenditures of an equal amount, an increase of 0.6 percent from 2006-07. Thus, the plan leaves the General Fund with a year-end reserve of \$4.1 billion 2007-08 budget expenditures do not exceed revenues. By comparison, state spending exceeded revenues by more than \$5 billion in 2006-07. Based on the 2007-08 budget plan's policies, however, the state would once again face operating shortfalls of more than \$5 billion in both 2008-09 and 2009-10. This is because many of the solutions enacted in the budget plan are of a one-time nature."

Publications from the LAO can be read in full by accessing the LAO's website (www.lao.ca.gov)

Future State Budgets

No prediction can be made by the County as to whether the State will continue to encounter budgetary problems in this or in any future Fiscal Years, and if it were to do so, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the County cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors, including the current economic downturn, over which the County has no control.

Potential Impact of State of California Financial Condition on the County

The County derives a substantial portion of its annual revenues from the State of California. For Fiscal Year 2007-08, the County anticipates that approximately 38.6% of its total general fund revenues will be provided by the State (including funds provided by the State for specific state and federal programs). From time to time, during periods when the State has experienced financial stress, it has significantly reduced revenues to local governments (including the County) or shifted financial responsibility for programs to local governments as part of its efforts to address state financial difficulties. While the County does not anticipate reductions in anticipated State revenues or shifting of cost from the State to the County in Fiscal Year 2007-08, there can be no assurances that future State financial difficulties will not materially adversely affect the County's financial condition in the future.

The Governor's State Budget reflects several potential negative impacts on the County's finances, including reduced financing due to non-recoverable costs associated with administering/processing Senate Bill (SB) 90 claims, ongoing reduction in grant funds associated with Assessor's property tax administration program, restricted funding for drug treatment and supervision that the County is statutorily required to provide under the Substance Abuse and Crime Prevention Act of 2000 (Proposition 36) and the continued lack of cost of doing business (CODB) adjustments for administering the Medi-Cal and CalWORKS systems. Potential positive impacts include investment in new adult jail beds, juvenile detention facilities and re-entry facilities for transitional programming and services.

Timely State Action

County finances may also be impacted by the timing of state budget actions. The Legislature rarely sends the Governor a budget by its mandated June 15 deadline. The 2007-2008 Budget Act was adopted on August 24, 2007. In the past decade, the State budget has been adopted as late as the month of September on two separate occasions. Whenever the State budget is adopted

after the official deadlines, the County's decision-making process then becomes compressed. County adjustments to compensate for State actions may become necessary well after the start of the fiscal year. Given the State's financial problems, and the large level of state funding in the County budget, the County's financial condition could be adversely affected by State action.

Proposition 1A--Protection of Local Government Revenues

Proposition 1A approved by the voters in November 2004 and generally effective in Fiscal Year 2006-07, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8.0% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the Vehicle License Fee (VLF) rate currently in effect, 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend state mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A may result in increased and more stable County revenues. The magnitude of such increase and stability is unknown and would depend on future actions by the State. However, Proposition 1A could also result in decreased resources being available for state programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing state taxes, decreasing spending on other state programs or other action, some of which could be adverse to the County.

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 1.0% 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 2.0% 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 1.0% 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 1.0% 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 55.0%. 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 14, 2006, the Board of Supervisors approved publication of the annual appropriation limit for the Fiscal Year 2006-07 in the amount of \$1,524,247,420. The limitation applies only to proceeds of taxes and therefore does not apply to service fees and charges, investment earnings on non-proceeds 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 2006-07 Adopted Final Budget, the funds subject to limitation (total General Operating Budget minus non-proceeds of taxes, debt service, and carry over) are \$385,832,652, which is 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 Fiscal Years 2001-02 through 2006-07:

Appropriation Limit History

Fiscal Year	Appropriation Limit	Appropriation Subject to Limit	Margin
2001-02	\$1,149,956,655	\$259,937,148	\$890,019,507
2002-03	1,159,989,349	284,296,690	875,692,659
2003-04	1,214,674,553	280,174,790	934,499,763
2004-05	1,314,858,092	317,934,325	996,923,767
2005-06	1,437,719,589	340,780,009	1,096,939,580
2006-07	1,524,247,420	385,832,652	1,138,414,768
2007-08	1,630,295,501	408,540,330	1,221,755,171

Source: Sacramento County Office of Budget and Debt Management; 2007-08 Limit (Budget)

Proposition 46

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1.0% 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 1.0% 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 55.0%.

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 54.0% 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.

The Board of Supervisors placed two measures on the November 5, 2002 ballot, Measure G asking for continuation of the 2.5% utility tax and Measure H asking for continuation of the 2.0% increase in the Transient Occupancy Tax. The voters of the County approved both measures, continuing the revenue stream from the taxes.

Proposition 218

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

Proposition 218 (Article XIII C) requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the County require a majority vote and taxes for specific purposes, even if deposited in the County's General Fund, require a two-thirds vote. Further, any general purpose tax which the County imposed, extended, or increased, without voter approval, after December 31, 1994, may continue to be imposed only if approved by a majority vote in an election which must be held within two years of November 5, 1996. The County has not imposed any new taxes or increased any such taxes after December 31, 1994. (The County has extended the utility tax, as described below.) The voter approval requirements

of Proposition 218 reduce the flexibility of the County to raise revenues through General Fund taxes and may affect the ability of the County to continue to impose the utility tax, and no assurance can be given that the County will be able to raise such taxes in the future to meet increased expenditure requirements.

Proposition 218 (Article XIIC) 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 (TOT) and the Utility Tax which support the County's General Fund. In Fiscal Year 2007-08, the County expects to receive approximately \$6.3 million in TOT revenue and approximately \$14.0 million in Utility User Tax revenue (approximately 2.9% of general-purpose revenues). The Transient Occupancy Tax revenue has historically been allocated by the Board of Supervisors to arts, cultural, and recreational programs. During difficult budget years, a portion of TOT revenue was transferred to the General Fund for basic County services. The Fiscal Year 2007-08 Final Adopted Budget includes a transfer of approximately \$3.9 million for basic County services which reflects a transfer increase of \$2.5 million from the prior fiscal year. The County plans to continue to phase out the transfer of TOT funds to the General Fund. 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 XIID) also added several new requirements making it generally more difficult for local agencies to levy and increase 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 XIID) adds several provisions affecting property related fees and charges. All new and existing property related fees and charges must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) area for a service not actually used by, or immediately available to, the owner of the property in question, or (iv) are used for general governmental services, including police, fire or library services, where the service is available to the public at large in

substantially the same manner as it is to property owners. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The County must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the County may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services, no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area.

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

In addition to the Refuse Enterprise Fund, the County has several enterprise funds which are self-supporting. Also, 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.

On July 24, 2006, the California Supreme Court ruled in *Bighorn-Desert View Water Agency v. Virjil (Kelly)* (the "Bighorn Decision") that charges for ongoing water delivery are property related fees and charges within the meaning of Article XIID and are also fees or charges within the meaning of Section 3 of Article XIIC. The California Supreme Court held that such water service charges may, therefore, be reduced or repealed through a local voter initiative pursuant to Section 3 of Article XIIC. In the Bighorn Decision, the Supreme Court did state that nothing in Section 3 of Article XIIC authorizes initiative measures that impose voter-approval requirements for future increases in fees or charges for water delivery. The Supreme Court stated that water providers may determine rates and charges upon proper action of the governing body and that the governing body may increase a charge which was not affected by a prior initiative or impose an entirely new charge.

The Supreme Court further stated in the Bighorn Decision that it was not holding that the initiative power is free of all limitations and was not

determining whether the initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay debt service on bonded debt and operating expenses. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. Additionally, SB 919 provides that the initiative power provided for in Proposition 218 “shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights” protected by the United States Constitution.

In the event that fees and charges cannot be appropriately increased or are reduced pursuant to the provisions of Proposition 218, 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

State incorporation law requires that city incorporations be revenue neutral; i.e., to have no significant negative fiscal impact on the County. However the County’s recent experience (described below) indicates that incorporations are not revenue-neutral for the County.

On November 5, 1996, 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. The city of Citrus Heights is responsible for making revenue neutrality payments to the County equal to 100% of its property tax revenues pursuant to a Court-ordered settlement on litigation filed by the City following its formation to challenge their revenue neutrality obligation. The revenue neutrality payments are thus “secured” from any future refusal of the City of Citrus Heights to make the payments since the County collects and holds Citrus Heights’ property tax revenue.

On July 1, 2001, the City of Elk Grove became fully responsible for providing services to its residents. The City of Elk Grove is currently responsible for making revenue neutrality payments to the County. The revenue neutrality obligation of the City of Elk Grove is also a significant share of the city property taxes. The revenue neutrality payments are also “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 July 1, 2003 the City of Rancho Cordova became fully responsible for providing services to its residents and is also responsible for making revenue neutrality payments to Sacramento County. In addition, the City of Rancho Cordova is responsible for repaying the County approximately \$6.0 million in net costs of providing services to Rancho Cordova in the first year after incorporation. This debt is to be repaid over a five-year period beginning in the 2003-04 Fiscal Year, and Rancho Cordova has made these repayments on a regular basis. The revenue neutrality obligation of the City of Rancho Cordova is a share of the city property taxes. The revenue neutrality payments are also “secured” from any potential refusal of the City of Rancho Cordova to make the payments since the County collects and holds Rancho Cordova’s property tax revenue. The City disputed the revenue neutrality agreement approved by its voters at the time of the incorporation and sued the County during 2006 in an attempt to renegotiate the amount. A court-ordered settlement is in progress which will reduce the revenue neutrality payments from a specific share of property taxes to a fixed schedule adjusted by a 2% inflation factor. The net fiscal impact on the County is a loss of approximately \$1.5 million of revenues annually.

Residents of other portions of the County’s Unincorporated Area have been discussing potential incorporation. At this time, an incorporation petition for the community of Arden Arcade is being processed by the Local Area Formation Commission (LAFCo). It is anticipated that the LAFCo processing will take approximately 18 months to complete, and the incorporation of Arden Arcade may be on the November 2008 ballot for consideration by the community’s voters. The boundaries set for this community in the incorporation petition include approximately 70,000 residents. The incorporation of this community would present the County’s General Fund with a net loss of revenue (difference between service costs and revenues transferred) of approximately \$13 million annually, which would be subject to the State’s revenue neutrality law. At this juncture, the County has every reason to expect that if the incorporation is approved by the community’s voters, the County will receive revenue neutrality payments of approximately \$13 million through the same property tax collection mechanism that exists with the three other recently incorporated cities in the County.

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 LAFCo may consider an annexation proposal. Unlike incorporation revenue neutrality agreements, the annexation revenue sharing agreements take the form of legally binding contracts. Currently, the County is engaged in negotiations with the cities of Sacramento and Folsom for property

tax exchange agreements regarding annexations by each of those cities in the northwest and eastern portions of the County respectively.

Over time, additional incorporations of cities within the County, or annexation of portions of the County's Unincorporated Area, could have an adverse effect on the County's financial condition.

Flood Risk

Flooding caused by river overflow or heavy rainfall could cause possible damage to a significant number of residences and businesses in the County. Normally, water is contained within the rivers, creeks, canals and adjacent levee systems, as well as Folsom Dam. During severe winter storms in the Sacramento area in 1986, 1997 and 2006, the American and Sacramento Rivers levee systems carried record volumes of water due to heavy rainfall of long duration. Although these storms caused some flooding in certain localized areas, mainly due to street drainage system stresses and local creeks, the major levee systems that protect properties in the Sacramento area from disaster withstood the record water flows. However, in December 2006 the US Army Corps of Engineers determined that certain levees along the Sacramento River do not meet current federal standards. The Federal Emergency Management Agency (FEMA) notified public officials of the need to update the Flood Insurance Rate Maps within the Natomas Basin area of the Sacramento region, reflecting the area is in a 100-year floodplain. A 100-year floodplain is an area that carries the statistical risk of a 1-in-100 probability of a flood occurrence in any one year. Uncontrolled flooding in the County could have significant adverse impacts on the economy of the County, the assessed value of residences and businesses, and the financial condition of the County.

Federal, state and local agencies have developed plans to restore 100-year floodplain protection throughout the County. The Sacramento Area Flood Control Agency (SAFCA) is the local agency, created through a Joint Exercise of Powers agreement by the City of Sacramento, County of Sacramento, County of Sutter, American River Flood Control District and Reclamation District 1000. SAFCA's mission is to provide the region with at least a 100-year level of protection as quickly as possible, while seeking a 200-year or greater level of protection over time. Achieving 200-year flood protection throughout the Sacramento region is estimated to cost approximately \$2.68 billion in levee and Folsom Dam improvements, with the local (SAFCA) share of \$247 million. Local support for these efforts is demonstrated by property owner approval in April 2007 of an increased SAFCA assessment, approved by an 81.8% affirmative vote, and \$44 million from the City of Folsom. State of California share of project costs will be \$572 million, and is expected to come primarily from Proposition 1E Bonds approved by the voters in 2006. The remaining Federal share is \$1.817 billion, and once approved, will continue to be subject to

annual appropriation and require ongoing lobbying efforts on the part of SAFCA.

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 (TRANS) in amounts in each year ranging up to \$390.0 million. On July 3, 2007, the County issued \$390.0 million in TRANS for Fiscal Year 2007-08. The notes will mature on July 9, 2008.

General Obligation Debt

The County has not 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
2007 Tax and Revenue Anticipation Notes (TRANS), Series A	July 3, 2007	\$390,000,000	4.00 to 4.50%	July 9, 2008

General Fund Lease Obligations

The following provides a chart of the foregoing County lease obligations with nonprofit and other entities which obligate the County to make rental payments from its General Fund in sufficient amounts to pay debt service on the certificates of participation or bonds, as applicable.

**OUTSTANDING LONG-TERM OBLIGATIONS
OF THE SACRAMENTO COUNTY GENERAL FUND**

(As of September 1, 2007)

**LEASES WITH PUBLIC FACILITIES FINANCING
CORPORATION**

PROJECT	RENTAL PAYMENT STARTING DATE	AMOUNT OF BORROWING/ REMAINING BALANCE	BORROWING RATE(S)	MAXIMUM ANNUAL LEASE PAYMENT	FINAL PAYMENT DATE
1990 Certificates of Participation (Fixed Asset Acquisition Program)	October 1990	\$105,750,000/ \$74,735,000	4.534%	\$8,758,881	June 2020
1997 Refunding Certificates of Participation (1994 Public Facilities Project--Coroner/ Crime Lab and Data Center)	April 1998	\$88,360,000 / \$83,905,000	From 4.500% to 5.000%	\$6,320,535	October 2027
1997 Public Facilities Project (Public Buildings Facilities)	August 1997	\$58,020,000/ \$19,410,000	From 5.000% to 5.375%	\$2,973,972	February 2019
1999 Refunding Certificates of Participation, (Capital Projects) Employees Parking Facility	July 2000	\$ 6,885,000/ \$ 3,185,000	From 4.600% to 5.125%	\$745,034	July 2012
Cherry Island Golf Course	July 2000	\$ 9,075,000/ \$ 6,230,000	From 4.600% to 5.750%	\$778,122	July 2018
2003 Refunding Certificates of Participation (Main Detention Facility)	December 2003	\$43,790,000/ \$35,370,000	From 2.500% to 5.000%	\$5,580,750	June 2015
2003 Refunding Certificates of Participation (Public Facilities Projects)	December 2003	\$15,230,000/ \$14,370,000	From 2.500% to 5.000%	\$966,780	June 2034
2003 Certificates of Participation (Juvenile Courthouse Project)	December 2003	\$36,150,000/ \$34,775,000	From 2.000% to 5.000%	\$2,216,813	December 2034

PROJECT	RENTAL PAYMENT STARTING DATE	AMOUNT OF BORROWING/ REMAINING BALANCE	BORROWING RATE(S)	MAXIMUM ANNUAL LEASE PAYMENT	FINAL PAYMENT DATE
2006 Certificates of Participation (Public Facilities Projects)	August 2006	\$40,860,000/ \$39,550,000	From 3.500% to 5.000%	\$3,126,517	August 2036
2007 Certificates of Participation (Animal Care Facility/Youth Detention Facility-120 Bed Expansion)	October 2008	\$46,260,000/ \$46,260,000	From 4.000% to 5.000%	\$3,005,413	August 2038

LEASE WITH RIVER CITY REGIONAL STADIUM FINANCING AUTHORITY

PROJECT	RENTAL PAYMENT STARTING DATE	AMOUNT OF BORROWING/ REMAINING BALANCE	BORROWING RATE(S)	MAXIMUM ANNUAL LEASE PAYMENT ⁽¹⁾	FINAL PAYMENT DATE
River City Regional Stadium	November 1999	\$39,990,000/ \$36,505,000	From 7.750% to 8.090%	\$2,382,021	November 2029

(1) County responsible for 66.67% of these lease payments; however, payable from ticket receipts held by trustee.

LEASE WITH SACRAMENTO REGIONAL ARTS FACILITIES FINANCING AUTHORITY

PROJECT	RENTAL PAYMENT STARTING DATE	AMOUNT OF BORROWING/ REMAINING BALANCE	BORROWING RATE(S)	MAXIMUM ANNUAL LEASE PAYMENT ⁽¹⁾	FINAL PAYMENT DATE
Theater Facilities	March 2003	\$16,580,000/ \$14,890,000	From 2.900% to 5.000%	\$528,577	September 2032

(1) County responsible for 50.0% of these lease payments; however, payable from ticket receipts held by trustee.

**OUTSTANDING LONG-TERM OBLIGATIONS
OF THE SACRAMENTO COUNTY GENERAL FUND**

(As of September 1, 2007)

**GENERAL FUND NON-LEASE OBLIGATIONS
PENSION OBLIGATION BONDS**

PROJECT	INTEREST PAYMENT STARTING DATE	AMOUNT OF BORROWING / REMAINING BALANCE (1)	BORROWING RATE(S)	MAXIMUM ANNUAL COUNTY DEBT SERVICE PAYMENT	FINAL PAYMENT DATE
Series 1995 (2)	August 1995	\$409,630,178/ \$376,270,000	From 5.935% to 7.680%	\$95,161,733	July 2022
Series 2003	August 2006	\$152,320,646/ \$152,321,646	From 2.440% to 5.730%	\$79,210,022	August 2023
Series 2004	July 2006	\$426,131,120/ \$426,131,120	From 3.423% to 5.897%	\$43,689,572	July 2033

(1) Remaining Balance as calculated/reported in Sacramento County Comprehensive Annual Financial Report (CAFR) for Fiscal Year-ended 6-30-06

(2) Series 1995 Amount of Borrowing reflects partial refund/defeasement of \$128,430,030 from Series 2003

The table on the following two pages contains annual lease payments for each of the outstanding issues of certificates of participation which are payable from the General Fund, as well as debt service for the County's outstanding Pension Obligation Bonds.

**County of Sacramento Aggregate Debt Service
Current Outstanding Debt-Certificates of Participation and Pension Obligation Bonds
Debt Service Shown on Cash Basis**

Period End June 30th	Series 1990 COPs(1)	Series 1997 Refunding COPs	Series 1997 COPs	Series 1999 Capital Projects COPs	Series 2003 Main Det. COPs	Series 2003 Pub. Fac. Proj. COPs	Series 2003 Juv. Court COPs	Series 2006 Pub. Fac. Proj. COPs	Series 2007 Animal Care/YDF- 120 Bed Exp COPs	Series 1999 - Lease Revenue Bonds (2)
2008	7,322,690	6,317,055	3,020,732	1,492,126	5,209,663	955,720	2,212,238	3,121,723	1,407,445	2,381,408
2009	7,403,349	6,316,235	3,029,482	1,490,731	5,259,325	962,608	2,212,538	3,119,298	2,251,913	2,381,674
2010	7,491,439	6,317,630	3,018,462	1,486,201	5,313,400	958,308	2,215,638	3,123,898	3,001,613	2,379,358
2011	7,580,994	6,320,535	3,026,712	1,483,324	5,364,575	957,283	2,214,988	3,126,518	3,000,413	2,377,662
2012	7,681,288	6,317,900	3,028,962	1,472,006	5,418,975	965,095	2,216,813	3,123,743	3,002,913	2,376,329
2013	7,786,114	6,315,525	3,025,212	1,476,616	5,473,150	961,295	2,211,956	3,121,143	2,999,113	2,375,099
2014	7,899,505	6,319,619	3,020,462	759,269	5,526,250	962,095	2,214,263	3,121,143	3,004,288	2,373,716
2015	8,020,251	6,320,125	3,024,262	756,494	5,580,750	962,295	2,214,513	3,123,542	3,002,913	2,371,920
2016	8,147,144	6,318,150		756,850		956,895	2,216,375	3,119,543	2,999,288	2,368,184
2017	8,283,977	6,318,338		750,338		960,700	2,214,675	3,124,663	2,998,613	2,365,352
2018	8,434,298	6,320,213		751,813		958,270	2,216,475	3,117,850	3,001,113	2,364,062
2019	8,591,416	6,318,419		750,988		959,780	2,211,775	3,127,850	3,001,038	2,360,578
2020	8,758,881	6,317,600				959,980	2,215,075	1,708,575	3,002,788	2,357,828
2021		6,317,281				958,830	2,215,700	1,703,925	3,001,538	2,352,074
2022		6,316,988				966,780	2,213,575	1,707,925	2,997,288	2,349,444
2023		6,316,244				957,860	2,213,575	1,705,125	3,004,663	2,345,929
2024		6,319,456				958,250	2,215,450	1,705,750	2,998,538	2,340,991
2025		6,316,150				960,250	2,214,281	1,708,660	3,003,788	2,337,289
2026		6,315,850				960,750	2,215,419	1,704,500	3,000,163	2,334,014
2027		6,317,844				959,750	2,214,006	1,703,500	2,997,663	2,327,158
2028		6,316,538				957,250	2,214,938	1,706,250	3,000,913	2,322,579
2029						963,250	2,213,106	1,706,250	2,999,663	2,316,000
2030						957,250	2,212,000	1,703,500	2,998,788	2,309,811
2031						959,750	2,215,750	1,708,000	2,998,038	
2032						955,250	2,215,000	1,704,250	3,002,038	
2033						959,000	2,214,625	1,707,500	3,000,538	
2034						955,500	2,214,375	1,707,250	3,003,288	
2035							2,214,000	1,703,500	3,000,038	
2036								1,706,250	3,005,413	
2037									2,999,163	
2038									3,004,706	
	\$103,401,346	\$132,673,693	\$24,194,286	\$13,426,756	\$43,146,088	\$25,910,044	\$62,003,122	\$66,471,624	90,689,664	\$54,168,459

**County of Sacramento Aggregate Debt Service
Current Outstanding Debt-Certificates of Participation and Pension Obligation Bonds
Debt Service Shown on Cash Basis**

Period End June 30th	Series 2002				Fiscal Year Total
	Regional Arts COPs(3)	Series 1995 POBs (4)	Series 2003 POBs	Series 2004 POBs (5)	
2008	527,050	21,552,212	21,015,000	21,623,108	98,158,170
2009	527,320	21,552,212	31,525,000	23,196,250	111,227,935
2010	526,895	55,942,212	7,644,393	23,606,004	123,025,451
2011	524,356	58,482,212	7,644,393	24,696,608	126,800,573
2012	526,113	61,132,212	7,644,393	26,376,484	131,283,226
2013	526,266	63,907,212	7,644,393	26,993,324	134,816,418
2014	525,856	66,802,212	7,644,393	28,722,274	138,895,344
2015	524,839	69,827,212	7,644,393	29,184,913	142,558,422
2016	525,724	72,992,212	7,644,393	31,020,363	139,065,121
2017	525,969	76,297,212	7,644,393	31,841,499	143,325,728
2018	525,554	79,752,212	7,644,393	33,207,622	148,293,874
2019	524,459	83,361,716	7,644,393	35,095,307	153,947,718
2020	525,108	87,123,095	7,644,393	36,010,554	156,623,877
2021	522,479	91,049,218	7,644,393	37,935,509	153,700,947
2022	523,916	95,161,733	7,644,393	38,944,908	158,826,949
2023	521,988		99,427,255	40,848,595	157,341,233
2024	521,500		40,035,058	41,942,782	99,037,775
2025	522,313			43,812,042	60,874,773
2026	522,250			44,973,893	62,026,839
2027	521,313			46,520,063	63,561,296
2028	519,500			48,248,919	65,286,886
2029	519,250			49,537,016	60,254,535
2030	518,000			51,045,712	61,745,061
2031	518,188			52,288,510	60,688,236
2032	517,250			54,164,531	62,558,319
2033	517,625			55,727,577	64,126,865
2034				56,120,841	64,001,254
2035					6,917,538
2036					4,711,663
2037					2,999,163
2038					3,004,706
	\$13,601,081	\$1,004,935,094	\$291,379,422	\$1,033,685,208	\$2,959,685,887

- (1) Assumed rate of 4.534% plus 30 basis points for ongoing expenses.
- (2) County required to pay only 66.667% of total lease payments.
- (3) County required to pay only 50.0% of total lease payments.
- (4) Assumed rate of 5.935% plus 30 basis points for ongoing expenses.
- (5) Assumed rate of 5.901% plus 25.6 basis points for ongoing expenses on the Series C-1 CARS post conversion. Assumed all-in total rate of 4.55% on Series C-2 and C-3 CARS post-conversion.

**Non-General Fund Revenue Obligations
OUTSTANDING LONG-TERM NON-GENERAL FUND OBLIGATIONS
(As of September 1, 2007)**

SACRAMENTO COUNTY AIRPORT ENTERPRISE FUND

PROJECT	INTEREST PAYMENT STARTING DATE	AMOUNT OF BORROWING / REMAINING BALANCE	BORROWING RATE(S)	MAXIMUM ANNUAL COUNTY DEBT SERVICE PAYMENT	FINAL PAYMENT DATE
Airport System Revenue Bonds, Series 1992B (Non-AMT)	July 1993	\$12,595,000 / \$ 6,290,000	5.750%	\$1,462,675	July 2024
Airport System PFC and Subordinate Revenue Bonds, Series 1996C (AMT)	January 1997	\$13,515,000 / \$4,870,000	From 5.500% to 5.900%	\$1,624,560	July 2010
Airport System Revenue Bonds, Series 1998A (Non-AMT)	January 1999	\$42,510,000 / \$38,780,000	From 4.300% to 5.000%	\$8,079,750	July 2026
Airport System PFC and Subordinate Revenue Bonds, Series 1998B (Non-AMT)	January 1999	\$45,620,000 / \$44,365,000	From 4.300% to 5.000%	\$3,950,000	July 2026
Airport System Revenue Bonds, Series 2002A (Non-AMT)	January 2003	\$74,015,000 / \$69,865,000	From 3.000% to 5.250%	\$4,847,294	July 2032
Airport System Revenue Bonds, Series 2002B (AMT)	January 2003	\$17,805,000 / \$13,900,000	From 4.000% to 5.250%	\$1,462,500	July 2020
Airport System Revenue Bonds, Series 2006A (AMT) (Auction Rate Securities)	June 2006	\$79,450,000 / \$76,325,000	Variable	\$6,252,833 (assuming 3.785% borrowing rate)	July 2024

SOLID WASTE ENTERPRISE FUND

PROJECT	RENTAL PAYMENT STARTING DATE	AMOUNT OF BORROWING / REMAINING BALANCE	BORROWING RATE(S)	MAXIMUM ANNUAL LEASE PAYMENT	FINAL PAYMENT DATE
Series 2005 Certificates of Participation (Solid Waste System)	December 2005	\$27,580,000 / \$24,990,000	From 3.000% to 5.000%	\$2,246,326	December 2021

Direct and Overlapping Bonded Debt

The following 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 May 1, 2007.

2006-07 Assessed Valuation:	\$124,126,471,325 (includes unitary valuation)		
Redevelopment Incremental Valuation:	<u>6,668,795,303</u>		
Adjusted Assessed Valuation:	\$117,457,676,022		
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>		<u>% Applicable</u>	<u>Debt 5/1/07</u>
Los Rios Community College District		80.003%	\$ 126,176,731
Center Joint Unified School District		86.687	16,106,427
Folsom-Cordova Unified School District School Facilities I.D. No. 1 and 2		100.	96,277,476
Natomas Unified School District		100.	149,911,088
Sacramento Unified School District		100.	327,100,000
San Juan Unified School District		100.	228,170,285
Grant Joint Union High School District		99.468	74,213,786
Rio Linda Union School District		100.	65,924,791
North Sacramento and Robla School Districts		100.	43,321,128
Other School Districts		Various	43,028,029
City of Folsom		100.	25,543,000
Dry Creek Joint School District Community Facilities District No. 1		100.	22,699,923
City of Elk Grove Community Facilities District No. 2002-1		100.	105,180,000
Elk Grove Unified School District Community Facilities District No. 1		100.	141,865,824
Sacramento Unified School District Community Facilities District No. 1		100.	3,955,000
Folsom Community Facilities Districts		100.	146,995,000
City of Galt and Galt Schools Community Facilities Districts		95.535-100.	24,609,651
City of Sacramento Community Facilities Districts		100.	176,775,000
Rancho Cordova and Rancho Murrieta Community Facilities District		100.	44,665,000
Sacramento County Community Facilities Districts		100.	62,297,336
1915 Act Bonds (Estimated)		100.	<u>104,324,442</u>
TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT			\$2,029,139,917
Less: City of Folsom water bonds			<u>73,000</u>
TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT			\$2,029,066,917

DIRECT AND OVERLAPPING GENERAL FUND DEBT:

Sacramento County General Fund Obligations	100.	\$ 370,967,904 (1)
Sacramento County Pension Obligations	100.	944,964,070
Sacramento County Office of Education Certificates of Participation	100.	12,260,000
Grant Joint Union High School District Certificates of Participation	99.468	132,735,073
Folsom-Cordova Unified School District Certificates of Participation	100.	43,250,000
Natomas Unified School District Certificates of Participation	100.	83,320,000
Sacramento Unified School District Certificates of Participation and Pension Obligations	100.	95,145,000
San Juan Unified School District Certificates of Participation	100.	8,850,000
Other School District Certificates of Participation	Various	14,072,237
City of Folsom Certificates of Participation	100.	17,220,000
City of Galt Certificates of Participation	100.	6,471,025
City of Rancho Cordova Certificates of Participation	100.	26,865,000
City of Sacramento General Fund Obligations	100.	1,198,285,000
Recreation and Park District Certificates of Participation	100.	7,498,807
Fair Oaks Fire Protection District Certificates of Participation	100.	2,450,000
Sacramento Metropolitan Fire Protection District Pension Obligations	100.	<u>68,773,975</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$3,033,128,091
Less: City of Sacramento self-supporting obligations		<u>125,431,205</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$2,907,696,886
GROSS COMBINED TOTAL DEBT		\$5,062,268,008 (2)
NET COMBINED TOTAL DEBT		\$4,936,763,803

(1) Excludes tax and revenue anticipation notes.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2006-07 Assessed Valuation:

Total Gross Overlapping Tax and Assessment Debt.....	1.63%
Total Net Overlapping Tax and Assessment Debt	1.63%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$1,315,931,974)	1.12%
Gross Combined Total Debt.....	4.31%
Net Combined Total Debt	4.20%

Source: California Municipal Statistics, Inc.

Interest Rate Swaps

In December 2004, the County’s Board of Supervisors adopted a Master Swap Policy which governs the use of swaps by the County. The Master Swap Policy Statement includes possible objectives to be achieved by entering into an interest rate swap pursuant to Section 5922(a) of the California Government Code. It also states that the Board shall approve all swaps after recommendation by the County’s Chief Financial Officer and the County’s Director of Finance. Additionally, the swap counterparties must be rated at least “Aa3” or “AA-” (or equivalent) by any two of the rating agencies or have an “AAA” subsidiary and such swap counterparty must also satisfy the requirements for a Qualified Counterparty as defined in governing bond documents. Further, exposure to any one counterparty is limited to certain dollar amounts that are based on that counterparty’s creditworthiness as well as the relative level of risk associated with each existing swap transaction.

The County has entered into five interest rate swaps, four of these payable from the General Fund and one from the Airport Enterprise Fund. (1) The County entered into a swap for its County of Sacramento 1990 Certificates of Participation (Fixed Asset Acquisition Program) (the “1990 Swap”), whereby the County pays the counterparty a fixed payment of 4.534% and receives a variable payment computed as 67.0% of the one-month London Interbank Offered Rate (LIBOR). The 1990 Certificates' variable rate payments are based on the Weekly Rate provided by Lehman Brothers, the remarketing agent. During the period from January 1, 2007 through January 1, 2020, the counterparty has the option of ending the swap arrangement and no payments will be made to either party on the fixed and variable rate payment dates, nor will there be a termination payment. If the counterparty exercises this option, it will not constitute an early termination. (2) The County entered into a swap for its County of Sacramento Taxable Pension Funding Bonds, Series 1995B&C (the “1995 Swap”). Under the 1995 Swap, the County pays the counterparty a fixed payment of 5.935% and receives a variable payment equal to the rate of interest (Weekly Rate) determined by the counterparty. The 1995 Bonds' variable rate payments are based on the Weekly Rate provided by the remarketing agent. (3) The County entered into a swap for its County of Sacramento Taxable Pension Funding Bonds, Series 2004C-1 (the “2004C-1 Swap”). Under the 2004C-1 Swap, the County pays the counterparty a fixed payment of 5.901% and receives a variable payment computed on the one-month LIBOR. The 2004C-1 Bonds' variable rate payments are based on the assumed interest rate of 4.55%. The County entered into a swap agreement with Morgan Stanley, Inc. with an effective date of July 10, 2009 in connection with the Series 2004C-2 variable rate portion of the 2004 Taxable Pension Funding Bonds (the 2004C-2 Swap). The County will pay a fixed rate of 5.802% to Morgan Stanley, and Morgan Stanley will pay a variable rate of the 5 year USD/ISDA SWAP rate minus 50 basis points to the County. (5) The

Sacramento County Airport System entered into a forward fixed rate trigger swap with Morgan Stanley on September 8, 2004, effective May 2, 2006. The Airport System pays a fixed rate of 3.785% and Morgan Stanley pays a variable rate tied to the LIBOR rate, adjusted depending on whether the LIBOR rate exceeds or is less than three percent (variable payment computed on 68% of the 1-month LIBOR if the LIBOR rate is above 3%, and if the LIBOR rate is 3% or less then 58% of the 1-month LIBOR, plus 30 basis points).

The following provides a summary of the basic terms of the swap transactions that are outstanding as of June 30, 2007:

1990 Swap

NOTIONAL AMOUNT OUTSTANDING	COUNTY PAYS	COUNTY RECEIVES	MATURITY DATE	UPFRONT PAYMENT TO THE COUNTY
\$74,735,000	4.534% fixed payment	a variable payment computed as 67.0% of the one-month LIBOR	June 1, 2020	\$11,300,000

1995 Swap

NOTIONAL AMOUNT OUTSTANDING	COUNTY PAYS	COUNTY RECEIVES	MATURITY DATE	UPFRONT PAYMENT TO THE COUNTY
\$134,000,000	5.935% fixed payment	variable payment equal to the rate of interest (Weekly Rate) determined by the counterparty	July 1, 2022	\$8,100,000

2004C-1 Swap

NOTIONAL AMOUNT OUTSTANDING	COUNTY PAYS	COUNTY RECEIVES	MATURITY DATE	UPFRONT PAYMENT TO THE COUNTY
\$347,675,000	5.901% fixed payment	variable rate of the one-month LIBOR	July 10, 2030	None

2004C-2 Swap

NOTIONAL AMOUNT OUTSTANDING	COUNTY PAYS	COUNTY RECEIVES	MATURITY DATE	UPFRONT PAYMENT TO THE COUNTY
\$49,225,000	5.802% fixed payment	variable rate of the 5 year USD-ISDA SWAP rate minus 50 basis points to the County	July 10, 2031	\$100,000

1996A Airports Swap (2006A-1/A-2 Refunding-Airports)

NOTIONAL AMOUNT OUTSTANDING	COUNTY PAYS	COUNTY RECEIVES	MATURITY DATE	UPFRONT PAYMENT TO THE COUNTY
\$79,450,000	3.785% fixed payment	variable rate tied to the LIBOR rate, adjusted depending on whether the LIBOR rate either exceeds or is less than three percent	July 1, 2024	None

Source: County Department of Finance.

These interest rate swap transactions entail risk to the County. Should the counterparties fail or be unable to perform, interest rates may vary from assumptions and the County may be required to make significant payments in the event of an early termination of an interest rate swap. See APPENDIX B – “AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2006” – Notes 11 and 23 of the Notes to the Basic Financial Statements.

The County estimates that, as of June 30, 2007, of the Swaps payable from the General Fund, the 1990 Swap had a negative termination value of approximately \$4.81 million, the 1995 Swap had a negative termination value of approximately \$11.14 million, the 2004C-1 Swap had a negative termination value of approximately \$7.24 million, and the 2004C-2 Swap had a negative termination value of \$46,000. The 1996A Airports (2006A-1/A-2 Refunding) Swap, payable from the Airport Enterprise Fund, had a positive termination value of approximately \$176,000. Pursuant to the terms of the County’s swaps, a termination event could occur whereby the County would be obligated to make termination payments to its swap counterparty. These termination events include (i) ratings downgrades on certain of the County’s obligations under certain specified circumstances; (ii) default by the County on payments due and payable under the swaps; (iii) uncured default by the County on certain of its outstanding obligations under certain specified circumstances; and (iv) certain events caused by the Swap counterparty. The termination value for the swaps at any given time will depend on a variety of factors, including then current prevailing interest rates.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population

Sacramento County currently has seven incorporated cities: Citrus Heights, Elk Grove, Folsom, Galt, Isleton, Rancho Cordova and Sacramento, with 33% of the County's population living in the City of Sacramento. In addition, the County has one of the largest unincorporated area populations among all counties in the State, at approximately 40%.

Population/Percent Increase

Area	1960	1970	%	1980	%	1990	%	2000	%	2006	%
Cities:											
Citrus Heights	---	---		---		---		85,071		86,883	
Elk Grove	---	---		---		---		---		130,874	
Folsom	3,925	5,810		11,003		29,802		51,884		69,445	
Galt	1,868	3,200		5,514		8,889		19,472		22,982	
Isleton	1,039	909		914		833		828		813	
Rancho Cordova	---	---		---		---		---		56,355	
Sacramento	191,667	257,105		275,741		369,365		407,018		457,514	
Unincorporated Area:	304,279	367,349		490,209		632,330		659,226		560,741	
Total:	502,778	634,373	26%	783,381	23%	1,041,219	33%	1,223,499	17%	1,385,607	13%

Source: U.S. Census Bureau, with non-census year as of December 31, 2006 from California Department of Finance.

Industry and Employment

Three major job categories comprised 73.5% of the Sacramento Metropolitan Statistical Area (SMSA) work force during 2006: services (34.1%), government (25.2%), and wholesale/retail trade (14.2%), based on seasonally unadjusted annual averages, as summarized in the following table. The unemployment rate for 2006 was 4.7% in the SMSA, compared to 4.9% for the State.

Sacramento Metropolitan Statistical Area**Labor Market Survey**

(Amounts Expressed in Thousands)

Industry	2002	2003	2004	2005	2006
Mining	0.5	0.5	0.7	0.7	0.8
Construction	56.6	60.8	68.5	70.4	71.0
Manufacturing-Nondurable goods	11.5	11.1	13.2	13.1	13.2
Manufacturing-Durable goods	29.9	28.4	32.8	34.9	36.0
Transportation, Warehousing & Public Utilities	14.7	14.5	22.3	23.3	23.9
Information	0.0	0.0	21.3	20.2	19.9
Wholesale Trade	21.0	21.1	26.4	26.5	28.6
Retail Trade	84.9	87.5	94.3	96.4	100.6
Finance, Insurance, Real Estate	52.0	56.5	59.1	62.6	60.4
Services	277.7	280.3	288.7	298.5	310.0
Government	194.7	191.6	223.0	224.0	228.4
Agriculture	3.4	3.5	6.2	6.1	7.6
Other (beginning 2006)					7.6
Total:	746.9	755.8	856.5	876.7	908.0

Source: California State Department of Employment Development

Major Employers

Major private sector employers in the Sacramento Metropolitan Statistical Area, their type of business and their number of full-time equivalent (FTE) employees in 2006 are detailed in the following table.

**Sacramento Metropolitan Statistical Area
Major Private Sector Employers
2006**

Company	Type of Business	Number of FTE Employees
Kaiser Permanente	Health Care	7,734
Raley's Inc.	Retail Groceries	7,158
UC Davis Health System	Health Care	6,897
Mercy/CHW Healthcare	Health Care	6,845
Intel Corporation	Semiconductor Manufacturer	6,800
Sutter Health	Health Care	6,026
AT&T California	Telecommunications	4,697
Hewlett-Packard Company	Computer Hardware Manufacturer	4,000
Wal-Mart Stores, Inc.	Retail Merchandiser	3,503
Target Corporation	Retail Merchandiser	3,435

Source: Sacramento Business Journal Annual Book of Lists

The State currently employs approximately 78,000 personnel in the County in various branches of government, making the State the largest employer in the area. As of June 30, 2006, County employees account for approximately 11,000 FTE employees in the community.

Commercial Activity

Commercial activity is an important contributor to the County's unincorporated area economy. Between 2001 and 2006, total taxable sales remained fairly constant, with only one half of one percent decrease over this five year period. There was dip in taxable sales mainly during 2004 primarily due to incorporation of the City of Rancho Cordova, which was previously part of the unincorporated area of the County. However, since that time taxable sales in the unincorporated area have rebounded to pre-incorporation levels.

SACRAMENTO COUNTY UNINCORPORATED AREA

Total Taxable Transactions 2001 through 2006

(Amounts Expressed in Thousands)

Category	2001	2002	2003	2004	2005	2006
Apparel Stores	\$ 127,259	\$ 158,697	\$ 157,929	\$ 160,128	\$ 180,560	\$ 185,423
General Merchandise Stores	683,349	721,370	658,992	578,989	607,700	630,673
Specialty Stores	1,064,126	1,041,180	1,011,165	907,190	1,025,843	1,022,243
Food Stores	362,973	363,382	365,092	339,642	351,710	361,808
Packaged Liquor Stores	48,419	49,390	49,115	47,175	48,465	47,924
Eating and Drinking Places	514,438	540,025	534,577	512,004	529,593	535,006
Home Furnishings, Appliances	332,754	312,237	324,115	324,171	310,709	253,430
Building Materials, Farm Implements	710,859	785,012	849,243	871,644	912,591	827,099
Service Stations	456,686	443,902	499,521	511,858	600,454	612,478
Automobile, Boat, Motorcycle, Plane Dealers and Parts Outlets	1,418,729	1,365,320	1,280,782	1,271,681	1,179,871	1,098,224
Total Retail Outlets:	\$5,719,592	\$5,780,515	\$5,730,531	\$5,524,482	\$5,747,496	\$5,574,308
Business & Personal Services	156,088	159,325	152,126	146,100	146,495	141,485
All Other Outlets	1,297,558	1,285,933	1,258,780	1,172,110	1,313,343	1,423,891
Total All Outlets:	\$7,173,238	\$7,225,773	\$7,141,437	\$6,842,692	\$7,207,334	\$7,139,684

Source: MBIA MuniServices Company

Agriculture

Agriculture continues to be a factor in the County's economy; however, with the ever-increasing urban and commercial development of the County, agriculture's relative impact on the County's economy has declined in recent years. However, the total crop values for 2005 represent a new record high for Sacramento County, the second successive year of increased crop values. Total production value for 2005 was \$348, 885,000, and increase of over \$23 million from the previous year.

Construction Activity

The value of total building permits issued in the County totaled \$1,765,222,164 in 2006, a reduction of 31.5% from the prior year. From 2002 through 2006, the value of nonresidential building permits reflects a total increase of 27.0%, while residential permit valuation decreased 49.4% over the same period. The numbers of permits for new dwelling units issued each year from 2002 through 2006 are shown in the following table, and reflect a corresponding decrease as the valuation amounts.

SACRAMENTO COUNTY

Building Permit Valuations

2002 through 2006

(Dollar Amounts Expressed in Thousands)

	2002	2003	2004	2005	2006
Valuation:					
Residential	\$2,317,674	\$2,357,495	\$2,382,098	\$2,050,782	\$1,172,892
Nonresidential	466,514	506,642	522,248	527,308	592,330
Total:	\$2,784,188	\$2,864,137	\$2,904,346	\$2,578,090	\$1,765,222
New Dwelling Units:					
Single Family	10,519	10,006	9,365	7,168	3,677
Multiple Family	2,609	2,328	754	757	1,017
Total:	13,128	12,334	10,119	7,925	4,694

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 (SMF) is about 12 miles northwest of downtown Sacramento, and is served by a variety of airlines. Executive Airport is a full-service, 680-acre facility serving general aviation, Mather Airport is served by all-cargo carriers, and there are various other small private airports.

Sacramento County voters passed a ballot measure in November of 1988 providing for collection of an additional 1/2 cent sales tax 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 original expiration date for the additional 1/2 cent sales tax was 2009, but in 2004 the Sacramento County voters overwhelmingly, by 75.29%, approved extending this 1/2 cent sales tax for an additional 30 years; therefore, the new expiration date is 2039.

Education

Sacramento County has numerous public school districts with approximately 373 schools serving an estimated 239,000 students, and approximately 143 private schools serving an additional estimated 20,000 students, all within the K-12 level. The Los Rios Community College District serves the majority of Sacramento County, as well as portions of El Dorado, Placer, Yolo and Solano Counties, with four main campuses: American River College, Sacramento City College, Cosumnes River College, and Folsom Lake College. California State

University at Sacramento offers various four-year and master's degree programs, as does nearby University of California at Davis.

CERTAIN INFORMATION CONCERNING THE SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM (SCERS)

The following information concerning the Sacramento County Employees' Retirement System ("SCERS" or the "System") is excerpted from publicly available sources, which the County believes to be accurate. SCERS is not obligated in any manner for payment of debt service on the County's Pension Obligation Bonds, and the assets of the System are not available for such payment.

SCERS is the administrator of a multiple-employer, cost-sharing public employee retirement system which operates under the County Employees Retirement Law of 1937. SCERS was created by resolution of the Board of Supervisors on July 1, 1941, to provide retirement, disability, and death benefits for qualified employees of Sacramento County and participating special districts. The Board of Retirement consists of nine members of whom four are appointed by the County's Board of Supervisors, four are elected by the members of the System, and the County Director of Finance is an ex-officio member. SCERS is excluded from the reporting entity of the County and prepares its own financial statements, as it is fiscally independent of the County and is governed by the Board of Retirement. The Board of Retirement has exclusive control of all System investments and is responsible for establishing investment objectives, strategies and policies.

At June 30, 2006, participating local government employers consisted of the County of Sacramento and 11 special districts.

The membership consists of the following categories:

Safety First Tier—includes employees whose principal duties consist of law enforcement or fire suppression work or who occupy positions designated by law as safety positions who have a membership date prior to June 25, 1995.

Safety Second Tier—includes employees whose principal duties consist of law enforcement or fire suppression work or who occupy positions designated by law as safety positions who have a membership date on or after June 25, 1995.

Miscellaneous First Tier—includes all members other than safety who have a membership date prior to September 27, 1981.

Miscellaneous Second Tier—includes all members other than safety who have a membership date on or after September 27, 1981 and prior to June 27, 1993 who elected not to become members of miscellaneous third tier.

Miscellaneous Third Tier—includes all members other than safety who have a membership date on or after June 27, 1993 and those miscellaneous second tier members who elected to become members of this class.

At June 30, 2006 SCERS' membership (including County and special districts) consisted of:

	<u>2006</u>	<u>2005</u>
<u>RETIREES AND BENEFICIARIES</u>		
<u>CURRENTLY RECEIVING BENEFITS:</u>		
Miscellaneous – Service	4,432	4,198
Miscellaneous – Beneficiary	885	861
Disability Miscellaneous – Ordinary	300	313
Disability Miscellaneous – Duty	185	175
Safety – Service	885	841
Safety – Beneficiary	207	193
Disability Safety – Ordinary	25	22
Disability Safety – Duty	<u>189</u>	<u>181</u>
TOTAL RETIRED	7,108	6,784
<u>TERMINATED EMPLOYEES ENTITLED TO</u>		
<u>BENEFITS BUT NOT YET RECEIVING THEM:</u>		
	2,192	2,135

CURRENT MEMBERS:

VESTED

Miscellaneous Tier 1	703	813
Miscellaneous Tier 2	352	366
Miscellaneous Tier 3	6,716	5,926
Safety Tier 1	766	828
Safety Tier 2	<u>933</u>	<u>795</u>
Subtotal	9,470	8,728

NONVESTED

Miscellaneous Tier 1	1	1
Miscellaneous Tier 3	4,280	4,272
Safety Tier 1	1	1
Safety Tier 2	<u>660</u>	<u>726</u>
Subtotal	4,942	5,381
TOTAL CURRENT MEMBERS	14,412	13,728

Source: SCERS' Comprehensive Annual Financial Report for the years ended June 30, 2006 and 2005.

Pension Benefits

The System's benefits are established by the provisions of the County Employees Retirement Law of 1937 and provide for retirement, death, and disability benefits. All permanent full-time and part-time employees of the County or Member districts are eligible to participate in the System. Upon receiving five years of service, participants have earned the right to receive a retirement benefit, subject to certain restrictions if retirement is prior to attaining age 50 or if less than 10 years service has been achieved.

Effective June 29, 2003, enhanced retirement benefits became applicable for all SCERS service credits earned prospectively. Under the enhanced benefit formulas, retirement benefits under each tier are as follows:

Safety Tier 1. Members covered under Safety Tier 1 who retire at age 50 are entitled to a retirement benefit, payable monthly for life, equal to 3.0% of their final-average salary for each year of credited service. This benefit includes a cost-of-living adjustment of up to 4.0% annually. Final-average salary is the member's average salary for the highest 12 consecutive months of credited service.

Safety Tier 2. Members covered under Safety Tier 2 who retire at age 50 are entitled to a retirement benefit, payable monthly for life, equal to 3.0% of their final-average salary for each year of credited service. This benefit includes a

cost-of-living adjustment of up to 2.0% annually. Final-average salary is the member’s average salary for the highest 36 consecutive months of credited service.

Miscellaneous Tier 1. Members covered under Miscellaneous Tier 1 who retire at age 50 are entitled to a retirement benefit, payable monthly for life, which is equal to 1.474% of their final-average salary for each year of credited service. It includes a cost-of-living adjustment of up to 4.0% annually. Final-average salary is the member’s average salary for the highest 12 consecutive months of credited service.

Miscellaneous Tier 2. Members covered under Miscellaneous Tier 2 who retire at age 50 are entitled to a retirement benefit, payable monthly for life, equal to 1.474% of their final-average salary for each year of credited service. There is no cost-of-living adjustment. Final-average salary is the member’s average salary for the highest 36 consecutive months of credited service.

Miscellaneous Tier 3. Members covered under Miscellaneous Tier 3 who retire at age 50 are entitled to a retirement benefit, payable monthly for life, equal to 1.474% of their final-average salary for each year of credited service. It includes a cost-of-living adjustment of up to 2.0% annually. Final-average salary is the member’s average salary for the highest 36 consecutive months of credited service.

Contribution Rates and Funding Status

The retirement benefits of Miscellaneous Tier 1, 2, and 3 members who retire after age 50 are increased by an age factor for each quarter year of age up to a maximum of 2.611% of final-average salary for each year of credited service at age 62.

The Sacramento County Board of Supervisors applied the new formulas for all SCERS members, including member districts, prospectively from June 29, 2003 and retroactively to County employees’ service credits which precede that date. In accordance with applicable retirement law, each SCERS member district’s governing body determined whether or not to apply the new formulas retroactively for service credits earned prior to June 29, 2003 and to make the public service credit purchase provisions applicable to its employees. The enhancements created a significant unfunded liability and also resulted in significant increases in future County contribution rates.

The following table shows the percentage of salary which the County was responsible for contributing to SCERS from Fiscal Year 1996-97 through Fiscal Year 2005-06 to satisfy its retirement funding obligations. The significant increase in Fiscal Year 2003-04 was primarily the result of the implementation of enhanced retirement benefits. The amount payable by the County in future

fiscal years will depend on a variety of factors. See “Pension Benefits” and “Impact of Investments” herein.

**SCHEDULE OF EMPLOYER CONTRIBUTION RATES
COUNTY**

Fiscal Year Ended June 30,	Miscellaneous			Safety	
	Tier 1 Percent	Tier 2 Percent	Tier 3 Percent	Tier 1 Percent	Tier 2 Percent
1997	6.43	3.40	5.02	17.96	13.42
1998	5.85	2.91	4.55	14.57	10.30
1999	5.89	2.94	4.56	14.56	10.29
2000	5.85	2.90	4.53	14.52	10.37
2001	6.86	3.41	5.26	16.04	11.96
2002	16.33	12.00	14.16	31.82	27.67
2003*	13.49	9.16	11.32	24.39	20.24
2004*	15.29	11.49	13.94	33.23	28.57
2005	16.10	13.14	15.88	35.18	30.84
2006	15.89	12.95	15.73	36.01	31.67

Source: SCERS’ Comprehensive Annual Financial Report for fiscal years ended June 30, 2006 and 2005.

*Rates were adjusted to reflect the proceeds from Sacramento County’s Pension Obligation Bonds that were received on July 1, 2004.

Note: SCERS’ Actuarial Valuation Reports are prepared subsequent to a fiscal year-end and determine rates which pertain to the following fiscal year. For example, the Actuarial Valuation as of June 30, 2006 presented current rates for the 2006-07 Fiscal Year and was used to determine rates for the 2007-08 Fiscal Year.

A six-year schedule of the funding progress of SCERS (for the County and special districts combined) is presented in the following table.

SCHEDULE OF FUNDING PROGRESS

(Amounts Expressed in Thousands)

Actuarial Valuation Date June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded/ (Over funded) AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded/ (Over funded) AAL as a Percentage of Covered Payroll [(b-a)/c]
2001	3,718,198	3,451,864	(266,334)	107.7	634,798	(42.0)
2002	3,839,081	3,586,250	(252,831)	107.1	695,259	(36.4)
2003	3,864,400	4,108,294	243,894	94.1	733,296	33.3
2004	4,379,514	4,694,009	314,495	93.3	714,069	44.0
2005	4,530,583	4,860,882	330,299	93.2	722,015	45.7
2006	4,848,953	5,214,915	365,962	93.0	782,572	46.8

Source: SCERS Comprehensive Annual Financial Report for the fiscal years ended June 30, 2006 and 2005.

Impact of Investments

Pursuant to SCERS policy, gains and losses in any given year are recognized (smoothed) over a five-year period. As of June 30, 2006 and 2005, total actuarial value of assets was \$4,848,953 and \$4,530,583, respectively.

County Contributions

The following table shows actual employer contributions to SCERS for Fiscal Years 2000-01 through 2005-06 and estimated County contributions for Fiscal Years 2006-07. The contributions include current service cost and amortization of prior service cost over a 30-year closed amortization period with 27 years remaining as of June 30, 2006. Employer contribution rates are determined using the entry age normal funding method based on a level percentage of payroll. The system also uses this actuarial method to amortize the unfunded liability, if applicable. The actual amount of employer contributions in future fiscal years will depend on a variety of factors, including the current retirement benefits and SCERS investment performance. However, there can be no assurances that the required County contribution will not increase significantly in future fiscal years if the County chooses to enhance retirement benefits, or if there are SCERS investment losses that must be recognized.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

(Amounts Expressed in Thousands)

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2001	37,372	123%
2002	41,241	116%
2003	49,438	112%
2004	113,919	103%
2005 (1)	94,720	546%
2006	127,937	107%
2007 (2)	147,547	not yet available
2008 (2)	153,000	not yet available

Source: Sacramento County Comprehensive Annual Financial Reports

(1) 2005 amount reflects \$420 million in proceeds from 2004 Pension Obligation Bonds

(2) 2007 estimate from SCERS Actuarial Valuation Report as of June 30, 2006