

GENERAL BUDGET INFORMATION

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BOARD OF SUPERVISORS AND COUNTY OFFICERS



THE BOARD OF SUPERVISORS



DISTRICT 1
Roger Dickinson



DISTRICT 2
Illa Collin



DISTRICT 3
Susan Peters



DISTRICT 4
Roberta
MacGlashan



DISTRICT 5
Don Nottoli



County Executive
Terry Schutten



Clerk of the Board
Cindy H. Turner



County Counsel
Robert A. Ryan, Jr.

ORGANIZATION CHART

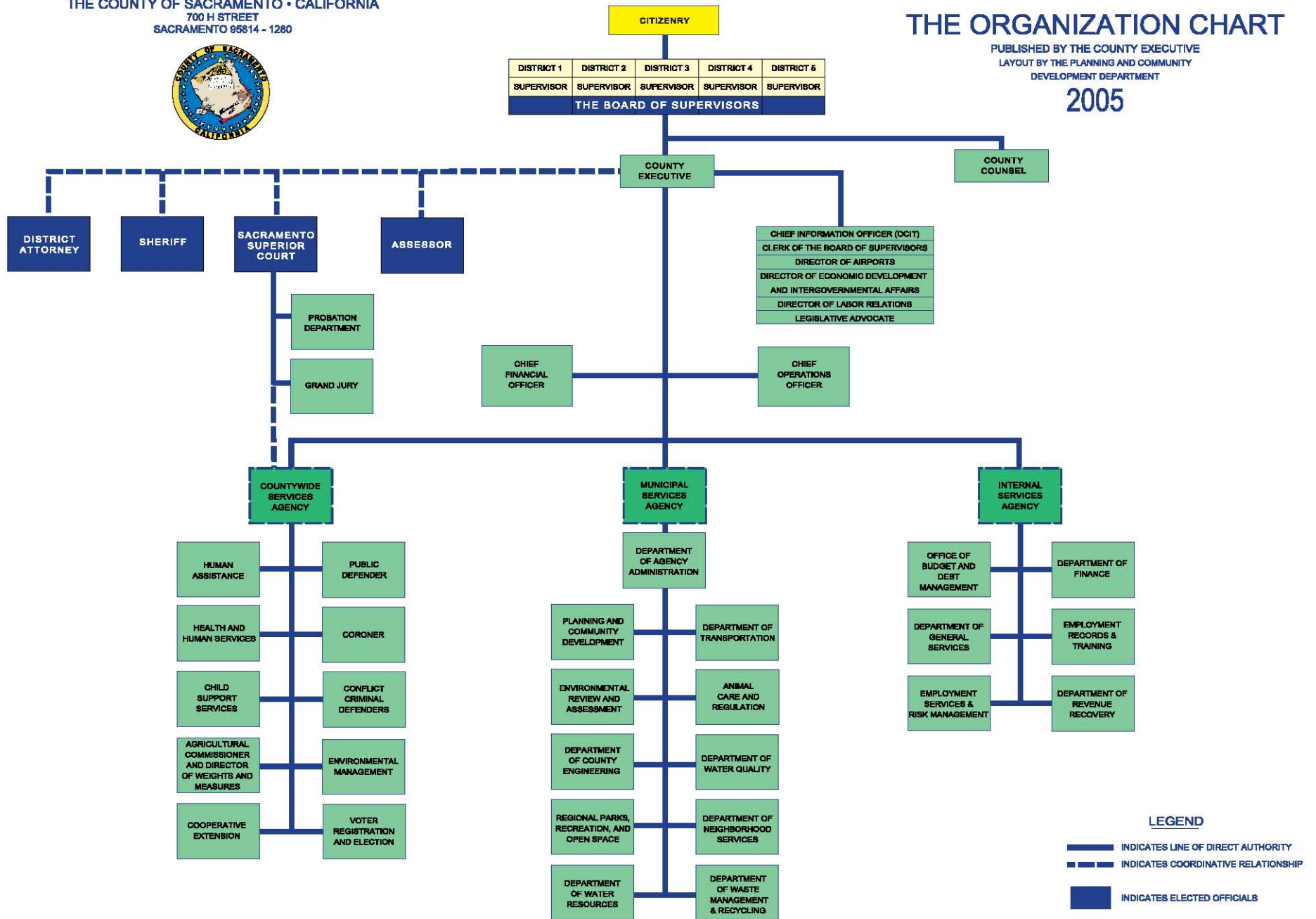
THE COUNTY OF SACRAMENTO • CALIFORNIA
700 H STREET
SACRAMENTO 95814 - 1280



THE ORGANIZATION CHART

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

2005



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
2000-01	1,022,875,485	251,407,634	771,467,851
2001-02	1,149,956,655	259,937,148	890,019,507
2002-03	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 (Budget)	1,437,719,589	340,780,009	1,096,939,580

THE COUNTY BUDGET (REQUIREMENTS) FUNCTIONS DESCRIPTIONS

- **HEALTH & SANITATION**
 - **Health**--Environmental Management, Health and Human Services, First Five Sacramento Commission, Juvenile Medical Services, In-Home Support Services Provider Payments, Medical Treatment Payments, Correctional Health Services, Health Care/Uninsured, Department 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, Department of Employment Services and Risk Management, Employment Records and Training, Office of Labor Relations.
 - **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, Citrus Heights Road Maintenance. 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, Recreation & Open Space, 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.

SOURCE: Schedule 8—Summary of County Financing Requirements.

THE COUNTY BUDGET (REQUIREMENTS)

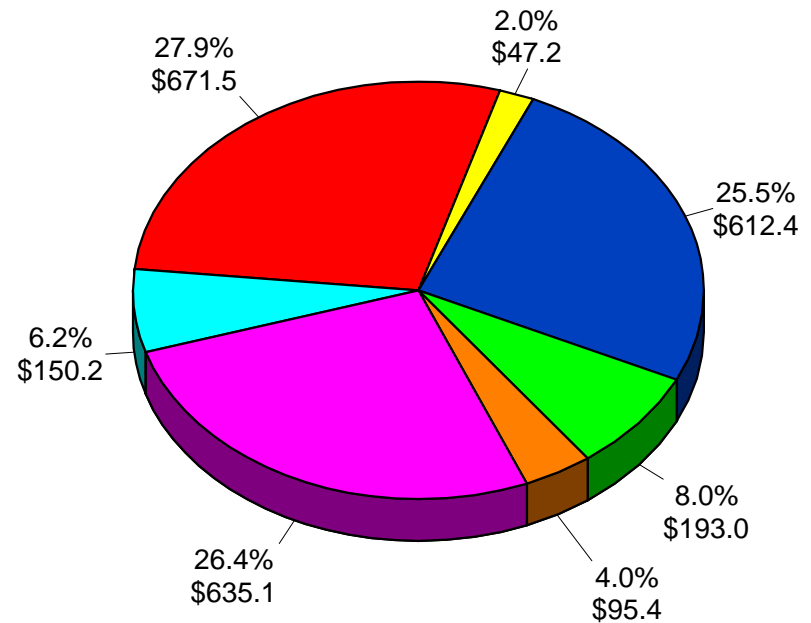
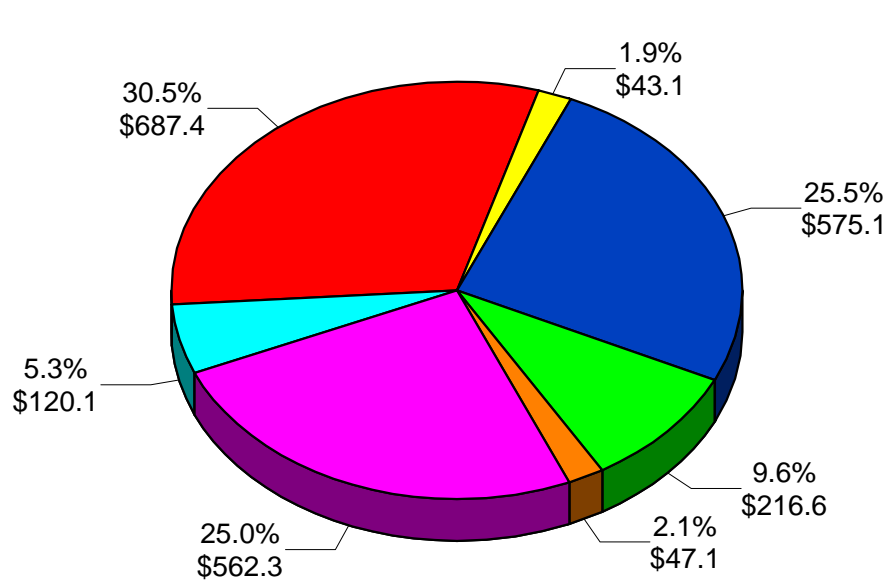
THE COUNTY BUDGET

REQUIREMENTS

(Pie Chart Amounts Expressed In Millions)

2004-05 BUDGET TOTAL..... \$2,251,714,146

2005-06 BUDGET TOTAL..... \$2,404,849,841



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

SUMMARY TABLES FOR PIE CHARTS

	<u>REQUIREMENTS</u>					
	2004-05		2005-06			
General Government	\$	216,590,492	9.6%	\$	192,994,759	8.0%
Public Protection		562,297,906	25.0%		635,137,464	26.4%
Roads		120,071,583	5.3%		150,249,968	6.2%
Health & Sanitation		575,128,877	25.5%		612,370,877	25.5%
Public Assistance		687,436,330	30.5%		671,515,851	27.9%
Library, Cultural & Recreational		43,141,387	1.9%		47,222,363	2.0%
Debts, Reserves, Contingencies		47,047,571	2.1%		95,358,559	4.0%
GRAND TOTAL	\$	2,251,714,146	100.0%	\$	2,404,849,841	100.0%
	<u>FINANCING</u>					
	2004-05		2005-06			
Property Taxes	\$	182,775,129	8.1%	\$	198,142,000	8.2%
Other Taxes		205,040,938	9.1%		258,208,647	10.7%
Aid-Other Government Agencies-State		1,037,138,031	46.1%		1,021,260,870	42.5%
Aid-Other Government Agencies-Federal		408,228,646	18.1%		438,771,894	18.2%
Other Revenues		322,757,367	14.3%		351,084,883	14.6%
Year-End Balance, Reserve Release		95,774,035	4.3%		137,381,547	5.7%
GRAND TOTAL	\$	2,251,714,146	100.0%	\$	2,404,849,841	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)

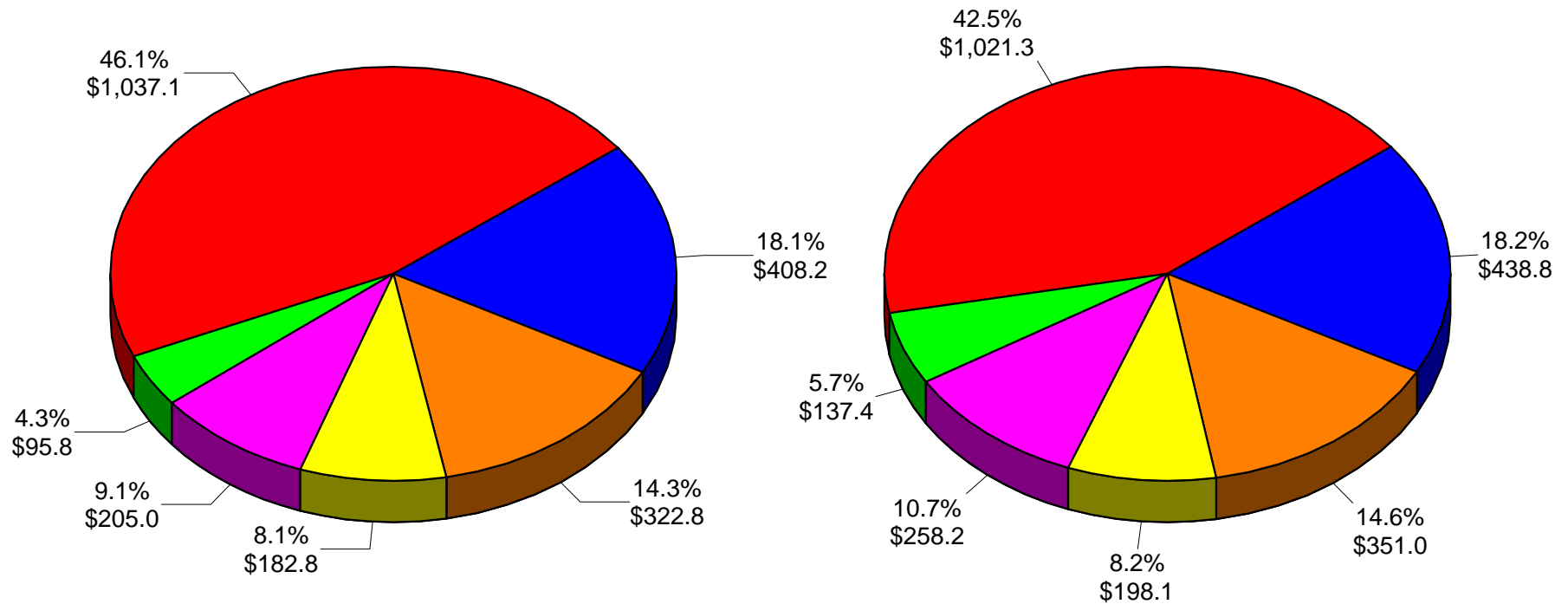
THE COUNTY BUDGET

FINANCING

(Pie Chart Amounts Expressed In Millions)

2004-05 BUDGET TOTAL..... \$2,251,714,146

2005-06 BUDGET TOTAL..... \$2,404,849,841



- 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 2004-05	Adopted 2005-06	Variance	Percent
GENERAL	001A	67,952,967	102,560,476	34,607,509	50.9%
FISH AND GAME	002A	53,340	17,566	-35,774	-67.1%
COURT OPERATIONS	003A	8,833,473	2,343	-8,831,130	-100.0%
HEALTH CARE/UNINSURED	004A	469,195	3,600,576	3,131,381	667.4%
ROAD	005A	1,179,853	845,323	-334,530	-28.4%
PARKS CONSTRUCTION	006A	-1,363,024	-33,291,031	-31,928,007	2342.4%
CAPITAL CONSTRUCTION	007A	-21,826,825	2,283,184	24,110,009	-110.5%
TOBACCO LITIGATION SETTLEMENT	008A	1,473,922	1,955,539	481,617	32.7%
LIBRARY	011A	967,890	2,228,522	1,260,632	130.2%
COMMUNITY SERVICES	012A	327,227	205,733	-121,494	-37.1%
FIRST FIVE COMMISSION	013A	8,820,093	13,672,446	4,852,353	55.0%
TRANSIENT OCCUPANCY	015A	394,030	-272,928	-666,958	-169.3%
TEETER PLAN	016A	3,399,019	5,203,163	1,804,144	53.1%
GOLF	018A	2,676	-622,423	-625,099	-23359.5%
ECONOMIC DEVELOPMENT	020A	17,251,677	16,335,347	-916,330	-5.3%
BUILDING INSPECTION	021A	730,899	1,326,411	595,512	81.5%
ROADWAYS	025A-H	6,787,826	12,147,152	5,359,326	79.0%
TRANSPORTATION-SALES TAX	026A	1,389,226	1,555,483	166,257	12.0%
CITRUS HEIGHTS ROAD MAINTENANCE	027A	224	0	-224	-100.0%
CH REFUSE-OPERATIONS	049A	555,860	727,772	171,912	30.9%
SOLID WASTE AUTHORITY	050A	564,705	850,984	286,279	50.7%
REFUSE ENTERPRISE	051A	5,218,805	3,019,844	-2,198,961	-42.1%
REFUSE-CAPITAL OUTLAY	052A	-2,092,891	-3,716,348	-1,623,457	77.6%
ANTELOPE PUBLIC FACILITIES FINANCING	101A-E	4,125,192	4,735,238	610,046	14.8%
LAGUNA CRK/ELLIOTT RCH CFD 1	105A/C	5,354,310	5,071,014	-283,296	-5.3%
LAGUNA COMMUNITY FACILITY DISTRICT	107A-B	22,044,307	17,639,193	-4,405,114	-20.0%
VINEYARD PFFP - ROADWAYS	108A-B	14,998,941	5,441,431	-9,557,510	-63.7%
BRADSHAW/US 50 FINANCING DISTRICT	115A	1,023,042	996,559	-26,483	-2.6%
EAST ELK GROVE PFFP	128B	47,437	0	-47,437	-100.0%
LAGUNA STONELAKE CFD-BOND PROCEEDS	130A	629,018	158,216	-470,802	-74.8%
LAGUNA STONELAKE CFD-DEV FEES	130B-C	4,391	0	-4,391	-100.0%
PARK MEADOWS CFD-BOND PROCEEDS	131A	162,836	172,177	9,341	5.7%
MATHER LANDSCAPE MAINT CFD	132A	43,825	207,115	163,290	372.6%
MATHER PFFP	136A-B	2,680,200	2,534,886	-145,314	-5.4%
GOLD RIVER STATION #7 LANDSCAPE CFD	137A	19,929	23,428	3,499	17.6%
METRO AIR PARK CFD 2000-1	139A	52,717,053	35,773,090	-16,943,963	-32.1%
MCCLELLAN PARK CFD	140A	0	8,751,844	8,751,844	
SACRAMENTO CO LANDSCAPE MAINT	141A	0	43,279	43,279	
METRO AIR PARK SERVICE TAX	142A	0	382,326	382,326	
NATOMAS FIRE DISTRICT	229A	649,560	1,529,766	880,206	135.5%
SRCSD 2000 REVENUE BONDS	240C	-3,348,203	-1,185,598	2,162,605	-64.6%

Fund Description	Fund Number	Adopted 2004-05	Adopted 2005-06	Variance	Percent
CSD 1 2000 REVENUE BONDS	240D	-14,935	1,618	16,553	-110.8%
CSA NO. 1	253A	330,773	4,207	-326,566	-98.7%
CSA NO. 5	254A	27,984	0	-27,984	-100.0%
CSA NO. 7	256A	1,902	0	-1,902	-100.0%
CSA NO. 10	257A	19,262	24,814	5,552	28.8%
REGIONAL SANITATION DISTRICT	261A	8,532,296	8,505,426	-26,870	-0.3%
SRCSD OPERATIONS-CAPITAL OUTLAY	262A	131,599,158	228,392,399	96,793,241	73.6%
REGIONAL SAN DIST-DEBT SERVICE	265A	498,277	658,330	160,053	32.1%
COUNTY SANITATION DIST NO. 1	267A	18,969,875	11,414,218	-7,555,657	-39.8%
CO SANIT DIST NO. 1-TRK IMPROVEMENT	268A	9,858,769	60,437,529	50,578,760	513.0%
CSD#1 - REHABILITATION-CAPITAL OUTLA	269B	7,899,301	68,651,503	60,752,202	769.1%
FIXED ASSET REVOLVING	277A	-9,224	-536,353	-527,129	5714.8%
JUVENILE COURTHOUSE PROJECT-CONST	279A	14,077,032	104,156	-13,972,876	-99.3%
JUVENILE COURTHOUSE PROJECT-DEBT S	280A	1,705,141	261,330	-1,443,811	-84.7%
2004 PENSION OBLIGATION BONDS	282A	0	171,560	171,560	
TOBACCO LITIGATION SETTLEMENT-CAPIT	284A	47,299,644	59,394,076	12,094,432	25.6%
CAPITAL PROJECTS-DEBT SERVICE	287A	476,767	488,760	11,993	2.5%
1997-PUBLIC FACILITIES DEBT SERVICE	288A	4,895,634	6,485,083	1,589,449	32.5%
1997-PUBLIC FACILITIES-CONSTRUCTION	289A	2,329	29,482	27,153	1165.9%
JAIL DEBT SERVICE	292A	251,845	433,116	181,271	72.0%
MENTAL HEALTH DEBT SERVICE	296A	642,154	6,925	-635,229	-98.9%
2003 PUBLIC FACILITES PROJ-CONST	297A	4,204,709	-288,724	-4,493,433	-106.9%
2003 PUBLIC FACILITES PROJ-DEB SVC	298A	452,362	198,419	-253,943	-56.1%
1997-PUBLIC FACILITIES DEBT SERVICE	308A	2,000,644	1,498,449	-502,195	-25.1%
1997-PUBLIC FACILITIES-CONSTRUCTION	309A	-1,046	3,956,651	3,957,697	-378364.9%
PENSION BOND-INT RATE STABILIZATION	311A	-112,900	158,444	271,344	-240.3%
PENSION OBLIGATION BOND-DEBT SERVI	313A	2,028,789	2,771,674	742,885	36.6%
WATER AGENCY-ZONE 11A	315A	10,245,953	10,371,350	125,397	1.2%
WATER AGENCY-ZONE 11B	315B	603,344	875,717	272,373	45.1%
WATER AGENCY-ZONE 11C	315C	205,412	132,605	-72,807	-35.4%
VINEYARD SPRINGS-SUPPLEMENTAL DRA	315W	2,094,555	0	-2,094,555	-100.0%
Z11A BEACH STONE LAKES	315X	31,667	0	-31,667	-100.0%
LAGUNA SOUTH-E. FRANKLIN-SCWA-SUPP	315Y	3,167	0	-3,167	-100.0%
NO VINEYARD STATION	316A	0	0	0	
NORTH VINEYARD WELL PROTECTION	317A	0	64,491	64,491	
WATER AGENCY-ZONE 13	318A	422,499	1,470,765	1,048,266	248.1%
WATER AGENCY-ZONE 12	319A	1,306,000	828,334	-477,666	-36.6%
WATER AGENCY-ZONE 40	320A	23,233,130	46,334,060	23,100,930	99.4%
WATER AGENCY-ZONE 41	320B-E	5,418,005	1,849,018	-3,568,987	-65.9%
SCWA FINANCING AUTHORITY	320G	-11,856	-31	11,825	-99.7%
STORMWATER UTILITY DISTRICT	322A	12,406,360	9,030,442	-3,375,918	-27.2%

Fund Description	Fund Number	Adopted 2004-05	Adopted 2005-06	Variance	Percent
SACTO CO LMD ZONE 4	330D	227,798	153,630	-74,168	-32.6%
SACTO CO LMD ZONE 5	330E	117,980	40,870	-77,110	-65.4%
MISSION OAKS PARK DISTRICT	336A	772,611	714,747	-57,864	-7.5%
MISSION OAKS MAINT & IMPROVEMENT AS	336B	599,770	260,392	-339,378	-56.6%
CARMICHAEL PARK DISTRICT	337A	172,136	547,658	375,522	218.2%
SUNRISE PARK DISTRICT	338A	1,304,683	2,238,872	934,189	71.6%
DEL NORTE OAKS PARK DISTRICT	351A	1,330	3,787	2,457	184.7%
COUNTY SERVICE AREA 4B	560A	106,300	84,633	-21,667	-20.4%
COUNTY SERVICE AREA 4C	561A	22,089	40,772	18,683	84.6%
COUNTY SERVICE AREA 4D	562A	17,423	-276	-17,699	-101.6%
TOTAL		517,178,903	741,174,026	223,995,123	43.3%

SUMMARY OF TOTAL FISCAL YEAR BUDGET REQUIREMENTS

<u>SUMMARY OF TOTAL FISCAL YEAR BUDGET REQUIREMENTS</u>		
	Requirements 2005-06 Fiscal Year	
Operating Budget	\$	2,404,849,841
Internal Service		615,103,651
Enterprise		258,065,851
Special Revenue		494,665,649
Public Service Enterprise		706,831,377
TOTAL	\$	4,479,516,369

RELATIONSHIP BETWEEN FUNDS-BUDGET UNITS-DEPARTMENTS

Fund	Budget Unit	Department
001A	3210000	AG COMMISSIONER-SEALER OF WEIGHTS & MEASURES
001A	3220000	ANIMAL CARE AND REGULATION
001A	5980000	APPROPRIATION FOR CONTINGENCY
001A	3610000	ASSESSOR
001A	4010000	BOARD OF SUPERVISORS
001A	6760000	CARE IN HOMES AND INSTITUTIONS
001A	5810000	CHILD SUPPORT SERVICES
001A	4210000	CIVIL SERVICE COMMISSION
001A	5510000	CONFLICT CRIMINAL DEFENDERS
001A	4660000	CONTRIBUTION TO HUMAN RIGHTS/FAIR HOUSING
001A	5920000	CONTRIBUTION TO LAFCO
001A	4650000	CONTRIBUTION TO PARATRANSIT
001A	4522000	CONTRIBUTION TO THE LAW LIBRARY
001A	3310000	COOPERATIVE EXTENSION
001A	4610000	CORONER
001A	7410000	CORRECTIONAL HEALTH SERVICES
001A	3240000	COUNTY CLERK/RECORDER
001A	4810000	COUNTY COUNSEL
001A	5910000	COUNTY EXECUTIVE
001A	5730000	COUNTY EXECUTIVE CABINET
001A	5040000	COURT / COUNTY CONTRIBUTION
001A	5020000	COURT / NON-TRIAL COURT FUNDING
001A	5050000	COURT PAID COUNTY SERVICES
001A	5750000	CRIMINAL JUSTICE CABINET
001A	5740000	DEPARTMENT OF COMPLIANCE
001A	3230000	DEPARTMENT OF FINANCE
001A	6110000	DEPARTMENT OF REVENUE RECOVERY
001A	5520000	DISPUTE RESOLUTION PROGRAM
001A	5800000	DISTRICT ATTORNEY
001A	7090000	EMERGENCY OPERATIONS
001A	6020000	EMPLOYMENT BENEFITS/RISK MANAGEMENT
001A	6010000	EMPLOYMENT RECORDS & TRAINING
001A	6030000	EMPLOYMENT SERVICES & RISK MANAGEMENT
001A	5690000	ENVIRONMENTAL REVIEW
001A	5110000	FINANCING-TRANSFERS/REIMBURSEMENTS
001A	5660000	GRAND JURY
001A	7200000	HEALTH AND HUMAN SERVICES
001A	7270000	HEALTH-MEDICAL TREATMENT PMTS
001A	8100000	HUMAN ASSISTANCE-ADMINISTRATION
001A	8700000	HUMAN ASSISTANCE-AID PAYMENTS
001A	7250000	IN-HOME SUPPORT SERVICES (IHSS) PROVIDER PAYMENTS

Fund	Budget Unit	Department
001A	7230000	JUVENILE MEDICAL SERVICES
001A	5970000	LABOR RELATIONS
001A	5760000	NEIGHBORHOOD SERVICES
001A	5770000	NON-DEPARTMENTAL COSTS/GENERAL FUND
001A	5700000	NON-DEPARTMENTAL REVENUES/GENERAL FUND
001A	5710000	OCIT-SHARED SYSTEMS
001A	6040000	ORGANIZATIONAL DEVELOPMENT
001A	6610000	PLANNING AND COMMUNITY DEVELOPMENT DEPARTMENT
001A	6700000	PROBATION
001A	6910000	PUBLIC DEFENDER
001A	6400000	REGIONAL PARKS, RECREATION & OPEN SPACE
001A	7400000	SHERIFF
001A	2820000	VETERAN'S FACILITY
001A	4410000	VOTER REGISTRATION AND ELECTIONS
001A	3260000	WILDLIFE SERVICES
001A	0000001	GENERAL FUND
002A	6460000	FISH AND GAME PROPAGATION
003A	5200000	COURT OPERATIONS
003A	5400000	COURT OPERATIONS
004A	8900000	HEALTH CARE / UNINSURED
005A	2900000	ROADS
006A	6570000	PARK CONSTRUCTION
007A	3100000	CAPITAL CONSTRUCTION
008A	7220000	TOBACCO LITIGATION SETTLEMENT
010B	3350000	ENVIRONMENTAL MANAGEMENT
011A	6310000	COUNTY LIBRARY
012A	8600000	COMMUNITY SERVICES
013A	7210000	FIRST FIVE SACRAMENTO COMMISSION
015A	4060000	TRANSIENT-OCCUPANCY TAX
016A	5940000	TEETER PLAN
018A	6470000	GOLF
020A	3870000	ECONOMIC DEVELOPMENT & INTERGOVERNMENTAL AFFAIRS
021A	2150000	BUILDING INSPECTION
025A	2910000	ROADWAYS
026A	2140000	TRANSPORTATION-SALES TAX
027A	2915000	CITRUS HEIGHTS ROAD MAINTENANCE & OPERATIONS
030A	9030000	INTERAGENCY PROCUREMENT
031A	7600000	OCIT
033A	2400000	PUBLIC WORKS (PW)-ADMINISTRATION

Fund	Budget Unit	Department
033A	2700000	PW-ADMINISTRATIVE SERVICES
033A	2420000	PW-ARCHITECTURAL SERVICES
033A	2100000	PW-BUILDING INSPECTION
033A	2300000	PW-CONSTRUCTION MANAGEMENT
033A	2450000	PW-DEVELOPMENT & SURVEYOR SERVICES
033A	2600000	PW-TRANSPORTATION
033A	2550000	PW-WATER QUALITY
033A	2560000	PW-WATER QUALITY-SRWTP
033A	2510000	PW-WATER RESOURCES
034A	2070000	PUBLIC WORKS-CAPITAL OUTLAY
035C	7110000	GENERAL SERVICES-OFFICE OF THE DIRECTOR
035F	7007440	GENERAL SERVICES-AIRPORT DISTRICT
035F	7007420	GENERAL SERVICES-BRADSHAW DISTRICT
035F	7007430	GENERAL SERVICES-DOWNTOWN DISTRICT
035F	7007046	GENERAL SERVICES-ENERGY MANAGEMENT
035F	7450000	GENERAL SERVICES-SECURITY SERVICES
035H	7007063	GENERAL SERVICES-PURCHASING
035J	7700000	GENERAL SERVICES-SUPPORT SERVICES
035K	7007030	GENERAL SERVICES-REAL ESTATE
035L	7007500	GENERAL SERVICES-LIGHT EQUIP
035M	7007600	GENERAL SERVICES-HEAVY EQUIP
036A	7080000	GENERAL SERVICES-CAPITAL OUTLAY
037A	3910000	LIABILITY PROPERTY INSURANCE
038A	3920000	DENTAL INSURANCE
039A	3900000	WORKERS COMPENSATION INSURANCE
040A	3930000	UNEMPLOYMENT INSURANCE
041A	3400000	AIRPORTS
043A	3480000	AIRPORT-CAP OUTLAY
049A	2260000	CITRUS HEIGHTS REFUSE-OPERATIONS
050A	2240000	SOLID WASTE AUTHORITY
051A	2200000	REFUSE
052A	2250000	REFUSE CAPITAL OUTLAY
056A	7990000	PARKING ENTERPRISE
057A	7970000	PARKING-CAPITAL OUTLAY
059A	7020000	REGIONAL RADIO COMMUNICATIONS SYSTEM
060A	7860000	BOARD OF RETIREMENT
101A	3070000	ANTELOPE PUBLIC FACILITIES FINANCING PLAN (PFFP)
105A	2870000	LAGUNA CREEK/ELLIOTT RANCH COMMUNITY FACILITIES DISTRICT (CFD) NO. 1
107A	3090000	LAGUNA COMMUNITY FACILITY DISTRICT
108A	2840000	ELK GROVE/WEST VINEYARD PFFP-ROADWAY
115A	3081000	BRADSHAW/US 50 FINANCING DISTRICT

Fund	Budget Unit	Department
128A	1282848	EAST ELK GROVE PFFP
130A	1300000	LAGUNA STONELAKE CFD
130B	1301000	LAGUNA STONELAKE CFD
131A	1310000	PARK MEADOWS CFD-BOND PROCEEDS
132A	1320000	MATHER LANDSCAPE MAINTENANCE CFD
136A	1360000	MATHER PFFP
137A	1370000	GOLD RIVER STATION #7
139A	1390000	METRO AIR PARK
140A	1400000	MCLELLAN PARK CFD
141A	1410000	SACRAMENTO COUNTY LANDSCAPE MAINTENANCE
142A	1420000	METRO AIR PARK SERVICE TAX
229A	2290000	NATOMAS FIRE DISTRICT
240C	3004100	SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT (SRCSD) 2000 REVENUE BONDS
240D	3004200	CSD 1 2000 REVENUE BONDS
253A	2530000	COUNTY SERVICE AREA (CSA) NO. 1
254A	2540000	CSA NO. 5
256A	2856000	CSA NO 7
257A	2857000	CSA NO 10
261A	3028000	SRCSD-OPERATING
262A	3030000	SRCSD OPERATIONS-CAPITAL OUTLAY
265A	9607000	REGIONAL SAN DIST-DEBT SERVICE
267A	3005000	COUNTY SANITATION NO. 1
268A	3006000	COUNTY SANITATION DISTRICT NO. 1-TRUNK IMPROVEMENT
269B	3004000	CSD#1-REHABILITATION-CAPITAL OUTLAY
277A	9277000	FIXED ASSET REVOLVING
278A	9278000	1990 FIXED ASSET DEBT SERVICE
279A	9279000	JUVENILE COURTHOUSE-CONSTRUCTION
280A	9280000	JUVENILE COURTHOUSE-DEBT SERVICE
282A	9282000	2004 PENSION OBLIGATION BONDS
284A	9284000	TOBACCO LITIGATION SETTLEMENT
287A	9287000	CAPITAL PROJECTS-DEBT SERVICE
288A	9288000	1997-PUBLIC FACILITIES DEBT SERVICE
289A	9289000	1997-PUBLIC FACILITIES-CONSTRUCTION
292A	2920000	JAIL DEBT SERVICE
296A	9296000	MENTAL HEALTH DEBT SERVICE
297A	9297000	2003 PUBLIC FACILITIES-CONSTRUCTION
298A	9298000	2003 PUBLIC FACILITIES-DEBT SERVICE
308A	3080000	1997-PUBLIC FACILITIES DEBT SERVICE
309A	9309000	1997-PUBLIC FACILITIES-CONSTRUCTION-DEBT SERVICE
311A	9311000	PENSION OBLIGATION BOND-INTEREST RATE STABILIZATION
313A	9313000	PENSION OBLIGATION BOND-DEBT SERVICE

Fund	Budget Unit	Department
315A	2815000	WATER AGENCY-ZONE 11A
315B	2816000	WATER AGENCY-ZONE 11B
315C	2817000	WATER AGENCY-ZONE 11C
316A	2818000	NORTH VINEYARD STATION
317A	3171000	NORTH VINEYARD WELL PROTECTION
318A	3044000	WATER AGENCY-ZONE 13
319A	3066000	WATER AGENCY-ZONE 12
320A	3050000	WATER AGENCY-ZONE 40
320B	3055000	WATER AGENCY-ZONE 41
320G	3056000	SACRAMENTO COUNTY WATER AGENCY- FINANCING AUTHORITY
322A	3220001	STORM WATER UTILITY
330A	3300000	LANDSCAPE MAINTENANCE DISTRICT
336A	9336100	MISSION OAKS RECREATION AND PARK DISTRICT
336B	9336001	MISSION OAKS MAINTENANCE/IMPROVEMENT DISTRICT
337A	9337000	CARMICHAEL RECREATION AND PARK DISTRICT
338A	9338000	SUNRISE RECREATION AND PARK DISTRICT
351A	3516494	DEL NORTE OAKS PARK DISTRICT
560A	6491000	CSA NO.4B-(WILTON-COSUMNES)
561A	6492000	CSA NO.4C-(DELTA)
562A	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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DEBT SERVICE FUNDS

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

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

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

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

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

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

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

CAPITAL PROJECTS FUNDS

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

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

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

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

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

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

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

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

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

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

ENTERPRISE FUNDS

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

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

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

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

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

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

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

Governmental Funds

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

INTERNAL SERVICE FUNDS

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

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

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

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

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

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

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

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

PROPRIETARY FUNDS

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

TRUST AND AGENCY FUNDS

Trust Funds

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

Expendable Trusts:

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

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

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

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

Agency Funds

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

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

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

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

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

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

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

DESCRIPTION OF MAJOR COUNTY REVENUE SOURCES AND TRENDS

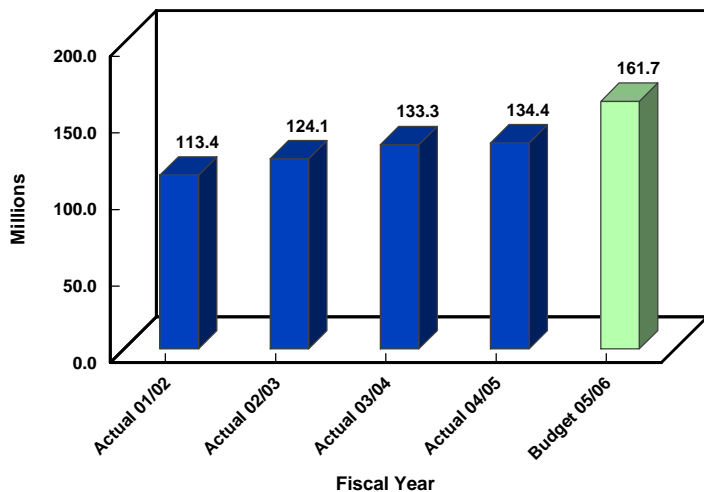
Revenue Source: Secured Property Tax

Trend	Percent Change	Comments	
2001-02 Actual	\$ 113,396,332	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.	
2002-03 Actual	\$ 124,124,196		9.46%
2003-04 Actual	\$ 133,254,148		7.36%
2004-05 Actual	\$ 134,421,235		0.88%
2005-06 Budget	\$ 161,650,000		20.26%

Secured Property Tax

The revenue estimate assumes a 15.20 percent growth rate in the base secured property tax, a 2.00 percent growth rate in secured property tax revenues associated with annexation agreements, and a \$1.7 million increase in additional secured property tax revenues from decreasing the backlog of assessments in the Assessor's office. The real estate market remains stable, with moderate levels of both new home construction and home resales. The Fiscal Year 2005-06 projected total is \$161.7 million.

Secured Property Tax



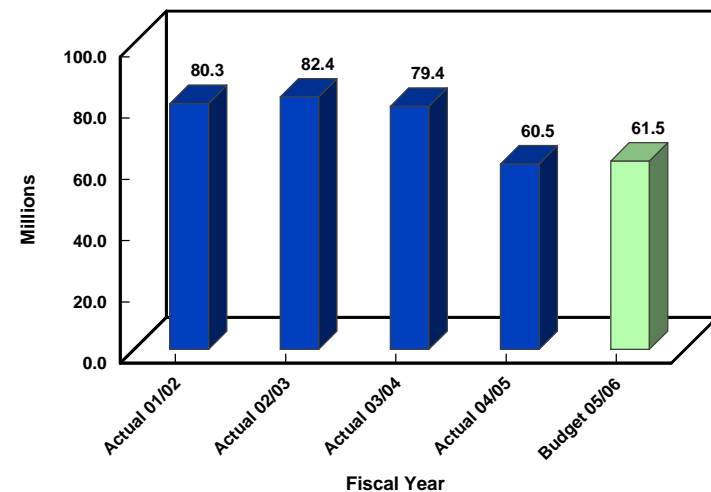
Revenue Source: Sales Tax

Trend	Percent Change	Comments	
2001-02 Actual	\$ 80,285,251	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).	
2002-03 Actual	\$ 82,420,639		2.66%
2003-04 Actual	\$ 79,350,064		(3.73%)
2004-05 Actual	\$ 60,538,987		(23.71%)
2005-06 Budget	\$ 61,500,000		1.59%

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 1.59 percent for a projected total of \$61.5 million.

Sales Tax



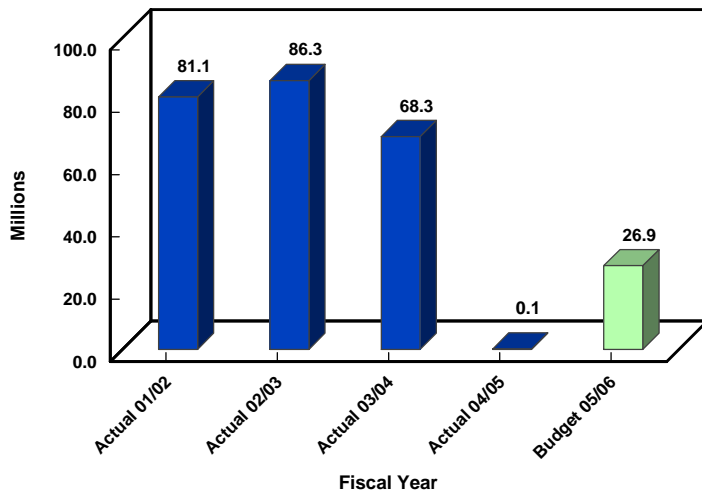
Revenue Source: Vehicle License Fees

Trend	Percent Change	Comments
2001-02 Actual \$ 81,078,290		State-collected fee as part of vehicle registration process. Effective Fiscal Year 2004-05, the State enacted the "Swap" deal which eliminated the monthly Vehicle License Fee received by the County. The State partially backfills the lost revenue with property taxes (see Property Tax In-Lieu of Vehicle License Fee).
2002-03 Actual \$ 86,317,519	6.46%	
2003-04 Actual \$ 68,301,515	(20.87%)	
2004-05 Actual \$ 143,882	(99.79%)	
2005-06 Budget \$ 26,863,859	185.71%	

Vehicle License Fees

The revenue estimate is impacted by the State's "Swap" deal. The "Swap" deal eliminated the monthly Vehicle License Fees (VLF). The budgeted amount of \$26.9 million is a one time repayment from the State for VLF revenues that were withheld by the State during Fiscal Year 2003-04.

Vehicle License Fees



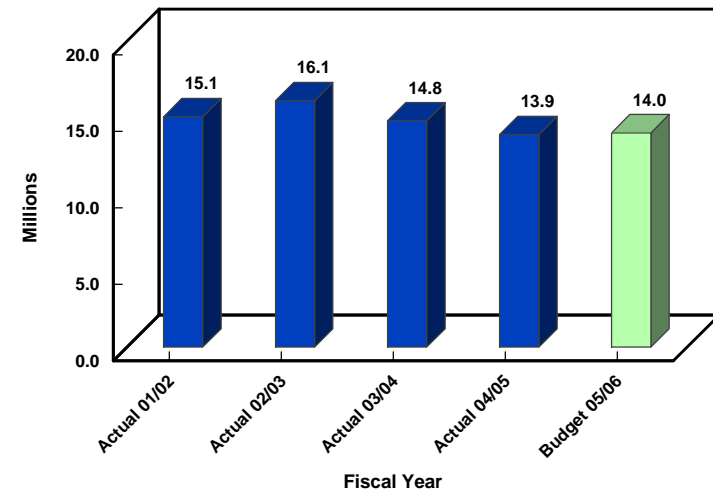
Revenue Source: Utility Tax

Trend	Percent Change	Comments
2001-02 Actual \$ 15,050,660		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.
2002-03 Actual \$ 16,111,642	7.05%	
2003-04 Actual \$ 14,789,537	(8.21%)	
2004-05 Actual \$ 13,892,778	(6.45%)	
2005-06 Budget \$ 14,000,000	0.77%	

Utility Tax

This estimate is based on a 0.77 percent increase in utility bills in the Unincorporated Area. There are two growing trends that are adversely affecting utility tax: a shift from home-based telephone usage to non-taxable cellular telephone usage and a shift from cable to non-taxable satellite broadcasters. It is projected that these two trends will continue in the future and utility tax revenues will either decline or show minimal growth.

Utility Tax



Revenue Source: Net Interest

Trend	Percent Change	Comments
2001-02 Actual	\$ 6,807,775	Changes in revenue reflect net interest gain from Tax Revenue Anticipation Notes (TRANs) and interest on cash balances in the Treasury Pool.
2002-03 Actual	\$ 3,961,475 (41.81%)	
2003-04 Actual	\$ 778,704 (80.34%)	
2004-05 Actual	\$ 5,638,228 624.05%	
2005-06 Budget	\$ 4,217,840 (25.19%)	

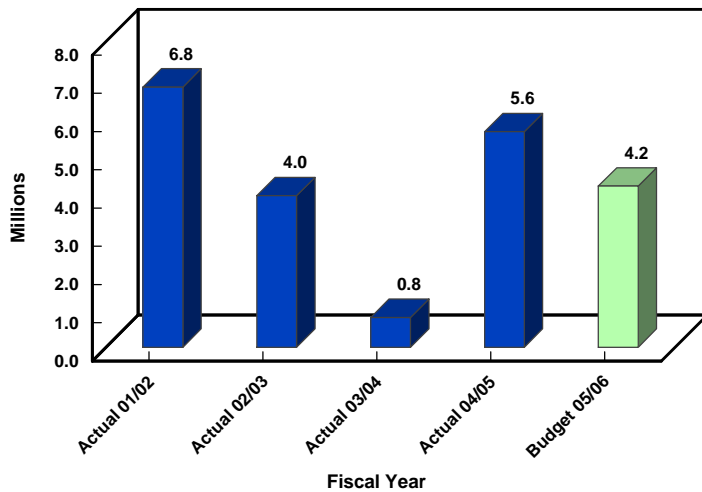
Revenue Source: Proposition 172 – Public Safety

Trend	Percent Change	Comments
2001-02 Actual	\$ 82,721,815	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.
2002-03 Actual	\$ 82,771,106 0.06%	
2003-04 Actual	\$ 92,344,373 11.57%	
2004-05 Estimate	\$ 98,332,203 6.48%	
2005-06 Budget	\$ 101,831,406 3.56%	

Net Interest

This estimate is based on a 25.19 percent decrease in net interest revenues due to the relative change between the cost of TRANs (\$15.5 million) and the revenue earned from TRANs (\$19.7 million) and interest earnings from the County’s Treasury Pool. The projected net interest revenue for Fiscal Year 2005-06 is \$4.2 million.

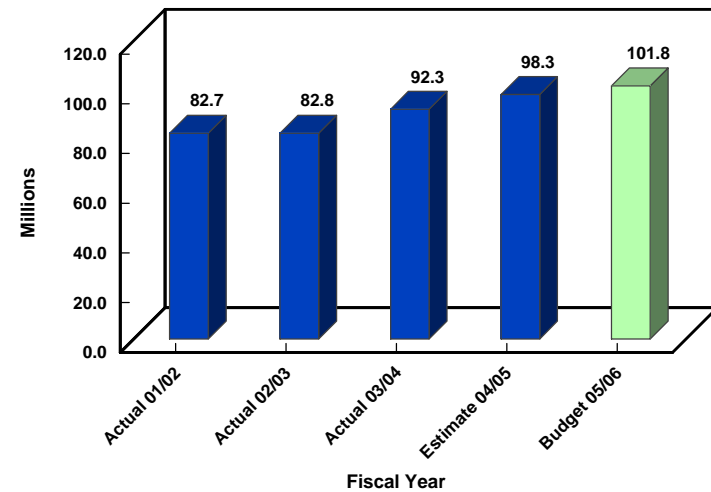
Net Interest



Public Safety Revenue

The estimate is based on 5.00 percent assumed growth in statewide sales tax collections during the Fiscal Year 2005-06.

Public Safety



Revenue Source: Realignment

Trend	Percent Change	Comments	
2001-02 Actual	\$ 151,669,562	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.	
2002-03 Actual	\$ 154,343,250		1.76%
2003-04 Actual	\$ 168,265,870		9.02%
2004-05 Estimate	\$ 172,376,000		2.44%
2005-06 Budget	\$ 182,900,000		6.10%

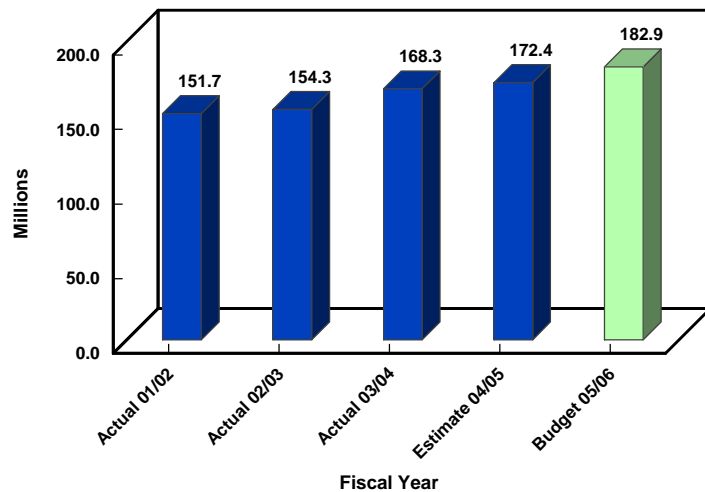
Revenue Source: Property Tax In-Lieu of Vehicle License Fee

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 revenues.
2005-06 Budget	\$ 97,456,370	

Realignment Revenue

The assumptions for Realignment include 5.00 percent growth in statewide sales tax collections, 3.00 percent in vehicle license fees collections, and no changes in allocation patterns among the major Realignment Accounts.

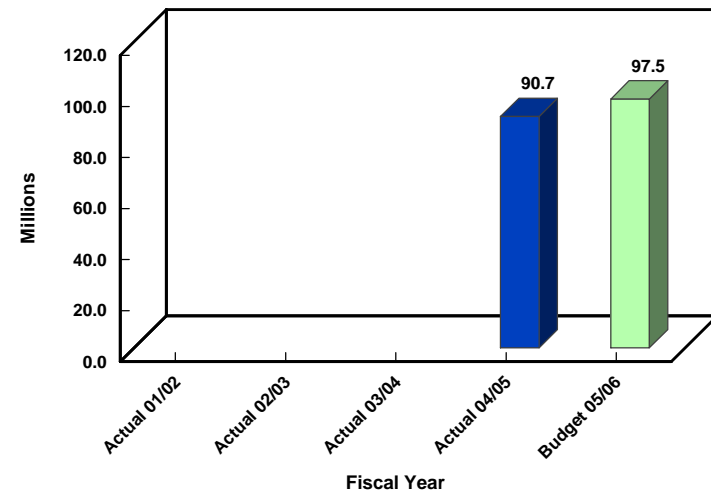
Realignment



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 2005-06 projected total of \$97.5 million is based on 7.50 percent growth from the prior year actual levels.

Property Tax In-Lieu of Vehicle License Fee



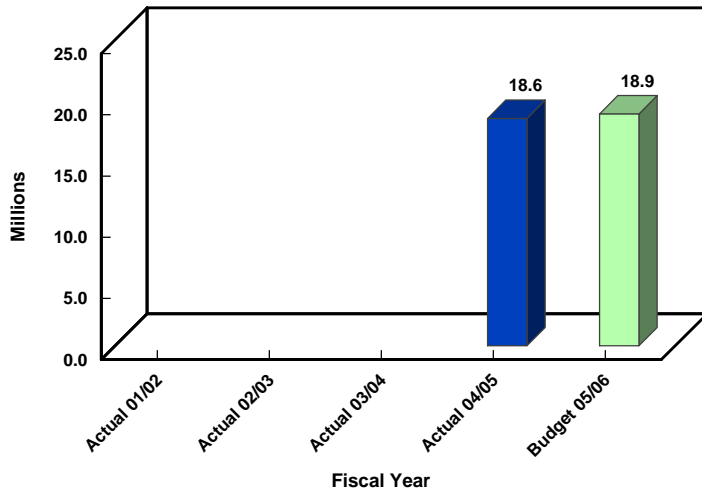
Revenue Source: In Lieu Local Sales and Use Tax

Trend		Percent Change	Comments
2004-05 Actual	\$ 18,575,529	2.00%	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 Budget	\$ 18,947,040		

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 2005-06, a total of \$18.9 million is budgeted for In Lieu Local Sales and Use Tax revenues.

In Lieu Local Sales and Use Tax



SACRAMENTO COUNTY FINANCIAL, ECONOMIC & DEMOGRAPHIC OVERVIEW

COUNTY OF SACRAMENTO CERTAIN FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION

THE COUNTY

General

Sacramento County was incorporated in 1850 as one of the original 27 counties of the State of California. The County's largest city, the City of Sacramento, is the seat of government for the State of California and also serves as the county seat. Sacramento became the state capital in 1854. The County is the major component of the Sacramento Metropolitan Statistical Area (SMSA) which includes Sacramento, El Dorado, 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 government, and food processing are important economic sectors. Visitors are attracted to the County by the State Capitol and other historical attractions such as Sutter's Fort, as well as natural amenities. The County's location at the intersection of four major highways brings additional visitors destined for the San Francisco Bay Area, the Gold Country, the Central Valley and the Sierra Nevada Mountains.

County Government

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

Services

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

Health and Welfare. Under state law, the County is required to administer federal and state health and welfare programs, and to satisfy a portion of their costs with local revenues, such as sales and property taxes. Health services are dispensed through a network of comprehensive health centers and neighborhood clinics. Under state law, counties have the responsibility to

provide and help pay for community mental health, drug and alcohol prevention and treatment programs. In addition, the County provides public health, immunization and environmental services. These services are located in both county facilities and a network of private providers under contract. However, the County does not own or operate a county hospital. The County sold its former County Hospital to the University of California in 1973. The University of California, Davis operates the hospital today as a teaching facility, and is under contract with the County for indigent health care services.

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

Criminal Justice. Primarily local county revenues support the County criminal justice network. The Sheriff provides law enforcement services to the unincorporated area of the County, including narcotics/gangs and vice enforcement, investigation of arson, and homicides. In addition to general prosecution, the District Attorney provides consumer fraud, and assistance through the crime lab in locating and analyzing evidence from crime scenes. The County also operates various correctional facilities. State law requires that the County make an annual payment to the State, approximately \$26.6 million in Fiscal Year 2004/05, for statewide trial court costs. The amount has been determined by the State and does not represent a fixed share of local court costs. In addition the County is responsible for providing and maintaining court facilities.

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

County Employees; Collective Bargaining

A summary of county employment levels (actual employees and not budgeted positions) is as follows:

SACRAMENTO COUNTY Permanent Employees 2000 through 2005

<u>As of December 31</u>	<u>Permanent (1)</u>
2000	11,946
2001	12,129
2002	13,484
2003	13,512
2004	12,383
2005 (2)	10,904

(1) Excludes temporary, limited-term, intermittent, and seasonal employees, which on April 16, 2005, totaled 1,650.

(2) As of April 16, 2005.

For the 2005/06 Fiscal Year the County has budgeted approximately 14,280 permanent, full-time positions (excluding the independent Court). Approximately 11,824 of the positions are in classifications represented by one of 18 recognized employee labor organizations.

The following five organizations in the following table cover 76.0% of the represented budgeted positions. The table summarizes the number of budgeted positions included in the larger labor organizations:

Employee Representation Organization	Budgeted Positions	Contract Term
United Public Employees, Local 1		
Welfare	1,898	June 30, 2006
Office Technical	2,457	June 30, 2006
Deputy Sheriffs Association	1,931	June 30, 2006
Local 39	1,474	June 30, 2006
Health Services AFSCME	635	June 30, 2006
Probation Association	589	June 30, 2006
TOTAL	8,984	

Recent contracts have included COLAs, market driven equity increases, and health insurance subsidy increases. Lower salary steps created in the mid-1990s have been eliminated with the result that entry-level wages are 15.0% higher than when the lower salary steps were in place.

For 2005/06 Fiscal Year, the County Executive’s budget includes compensation increases for all represented and unrepresented employees and vacant budgeted positions. All contractual obligations are fully funded. Compensation increases were assumed in the budget process and development of salary and benefit estimates. Health insurance subsidies for county employees are indexed to the Kaiser Family Plan rate.

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.

Near the end of Appendix A, is 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

In addition to the defined benefit plan described above, the County has established a voluntary deferred compensation plan available to all regular county employees under which participants may elect to defer up to the lower of \$14,000 or 100.0% of includable compensation in any calendar year for participants under age 50 and \$18,000 for participants over age 50, to provide for retirement, disability, or death benefits. The County has established an investment fund for employee deferred compensation contributions and entered into a custodial agreement for this fund. Under terms of the plan, the assets of the funds are managed by the County. Employees can direct investments into 34 different options provided by Fidelity Mutual Funds and Washington Mutual Bank. None of these monies are invested in the Sacramento County Pooled Investment Fund. At December 31, 2004, approximately 12,070 employees participated in the deferred compensation plan. Assets held in the investment fund on behalf of these employees aggregated approximately \$578,789,085.

In-Home Support Services (IHSS) Workers

Pursuant to state law, Sacramento County has formed an IHSS Public Authority, an independent agency for which the Board of Supervisors serves as the Board of Directors. The Service Employees International Union (SEIU) Local 250 became the exclusive employee representative organization for the Sacramento County IHSS in 2001. The current labor agreement negotiated with SEIU became effective on November 1, 2004 and will continue through November 30, 2006. The major changes to the agreement include an increase in the health care contribution by the County for IHSS providers, and dental coverage for those IHSS providers who are eligible for the health care. The current hourly salary shall continue unchanged for the term of the agreement at \$9.50. Additionally, the maximum number of IHSS caregivers to receive the combined benefit package will increase from 2,900 to 3,150. The annualized cost for the health benefit program will be \$11,653,362 in Fiscal Year 2004/05. These benefit costs will be reimbursement up to \$0.60 per hour by federal (50%), state (32.5%) and county (17.5%) contributions. In addition, there is an employee contribution of \$15 per month for an annual contribution of approximately \$510,300. The financial impact to the county as a result of this new labor agreement will be \$786,000 over the entire term of the contract.

There is no wage increase included in the county’s Recommended Proposed Budget for the 2005/06 Fiscal Year; however, the county’s costs for this program are increasing significantly due to an anticipated 14.0% increase in the IHSS caseload

COUNTY FINANCIAL INFORMATION

Budgeting Procedures

The County is required by state law to adopt a final balanced budget by August 31st of each year. The Board of Supervisors may, by adoption of a resolution, extend this deadline. For the 2005/06 Fiscal Year, in order to make budget decisions earlier, the County held budget hearings on May 11, 2005 through May 12, 2005. At the conclusion of this session of budget hearings, the Board of Supervisors adopted a balanced Proposed Budget. Final Budget Hearings were held September 8, 2005 through September 15, 2005 to adjust budgets based on actual,

rather than estimated year-end fund balances and for any significant state budget actions. At the conclusion of the final budget hearings, the Board adopted a balanced Final Budget.

Sacramento County continues to facing tremendous budget challenges caused by slowing revenue growth (particularly local sales tax and sales tax from statewide pools), significant expenditure increases, retirement benefit enhancements, the use of one-time and short-term financing measures to support ongoing programs, and state budget actions.

The County has addressed its budgetary difficulties by a variety of means, including a hiring freeze and making it more restrictive, curtailing the reallocation of appropriations from one category to another, 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. Budget issues are presented to the Board and public well before decisions are required.

Along with developing the line item detail of the budget, the County breaks departmental budget 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).

In anticipation of a very large funding gap in the General Fund for the 2005/06 Fiscal Year, the County allocated the anticipated general purpose financing to General Fund departments early in the budget process, on February 1, 2005. In essence, each department was given a net cost appropriation target. In addition, the Board of Supervisors reaffirmed countywide budgetary and service delivery obligations (mandates) and priorities to structure the reductions necessary to balance the 2005/06 Fiscal Year budget. Departments prepared budget requests identifying mandates and discretionary programs. The discretionary programs, from which the budget reductions must be made, were in turn identified by priority and by funding status: funded or unfunded to meet net appropriation targets.

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

Shown in the following table are summaries of the County's 2004/05 Adopted Final Budget and 2005/06 Adopted Final Budget.

COUNTY OF SACRAMENTO		
General Fund		
2004/05 and 2005/06 Adopted Final Budgets		
(Amounts Expressed in Thousands)		
	2004/05 Adopted <u>Final Budget</u>	2005/06 Adopted <u>Final Budget</u>
APPROPRIATIONS		
Reserve Increase	\$ 10,067	\$ 47,576
General Government	121,404	119,602
Public Protection	545,430	614,371
Public Ways and Facilities	66	66
Health and Human Services	542,100	571,429
Public Assistance	661,343	646,815
Education, Cultural and Recreation	9,770	10,906
Contingencies	<u>3,048</u>	<u>3,951</u>
Total Appropriations	\$1,893,228	\$2,014,716
AVAILABLE FUNDS		
Beginning Fund Balance	\$ 30,180	\$ 61,785
Departmental Carryover	37,773	40,776
Reserve Cancellation	2,789	6,629
Property Taxes	163,273	176,073
Sales Taxes	61,602	61,500
Other Taxes	103,837	150,869
Licenses and Permits	10,501	10,723
Fines, Forfeitures and Penalties	22,747	23,661
Use of Money and Property	12,654	20,355
Aid from Other Government Agencies (state and federal)	1,289,226	1,319,122
Charges for Current Services	108,626	95,003
Other Revenue	<u>50,020</u>	<u>48,220</u>
Total Available Funds	\$1,893,228	\$2,014,716

Source: Sacramento County Office of Budget and Debt Management.

Summary Financial Statements

The following financial statements were taken from the County Financial Reports for the fiscal years ended June 30, 2000 through 2004.

COUNTY OF SACRAMENTO					
General Fund Revenues, Expenditures and					
Changes in Fund Balance 1999/00 Through 2003/04					
(Amounts Expressed in Thousands)					
	<u>1999/00</u>	<u>2000/01</u>	<u>2001/02</u>	<u>2002/03</u>	<u>2003/04</u>
BEGINNING FUND BALANCE	\$ 117,419	\$ 145,022	\$ 159,500	\$ 134,185	\$ 155,865
(a) REVENUES					
Taxes	215,878	230,775	239,547	257,364	268,583
Licenses, permits and franchises	12,908	13,488	15,457	16,712	18,391
Fines, forfeitures and penalties	33,764	29,921	19,399	19,830	22,537
Revenues from use of money and property	30,733	27,691	24,582	15,880	9,241
Aid from other governmental agencies	985,754	1,065,684	1,189,683	1,213,471	1,186,576
Charges for current services	69,914	58,978	59,987	68,363	96,256
Other revenue	<u>52,362</u>	<u>55,997</u>	<u>62,005</u>	<u>92,569</u>	<u>69,903</u>
TOTAL REVENUES	\$1,401,313	\$1,482,534	\$1,610,660	\$1,684,189	\$1,671,487
Operating and equity transfers from other funds	<u>8,932</u>	<u>21,393</u>	<u>6,655</u>	<u>21,646</u>	<u>18,109</u>
TOTAL REVENUES AND TRANSFERS	\$1,410,245	\$1,503,927	\$1,617,315	\$1,705,835	\$1,689,596
EXPENDITURES					
General government	\$ 82,660	\$ 75,175	\$ 48,726	\$ 25,070	\$ 78,255
Public protection	427,436	466,022	535,026	566,440	545,176
Health and sanitation	213,168	246,994	288,698	329,846	387,425
Public assistance	599,046	633,148	685,221	678,002	645,655
Public ways and facilities	67	67	67	67	83
Education	337	349	383	348	366
Recreation and cultural	7,433	8,858	9,498	9,668	8,877
Debt Service-Principal	0	0	0	819	96
Debt Service-Interest	0	0	0	237	0
Capitol Outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>390</u>	<u>0</u>
TOTAL EXPENDITURES	\$1,330,147	\$1,430,613	\$1,567,619	\$1,620,887	\$1,665,933
Operating and equity transfers to other funds	<u>52,495</u>	<u>58,836</u>	<u>75,011</u>	<u>63,268</u>	<u>40,356</u>
TOTAL EXPENDITURES AND TRANSFERS	\$1,382,642	\$1,489,449	\$1,642,630	\$1,684,155	\$1,706,289
Excess/deficiency of revenue over/under expenditures and transfers	<u>\$ 27,603</u>	<u>\$ 14,478</u>	<u>\$ -25,315</u>	<u>\$ 21,680</u>	<u>\$ -16,693</u>
ENDING FUND BALANCE	\$ 145,022	\$ 159,500	\$ 134,185	\$ 155,865	\$ 139,172

Financial Statements; GAAP Basis

The county's accounting policies conform to generally accepted accounting principles for the audited statements. The county's Governmental Fund types and Fiduciary Fund types use the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become available and measurable. Expenditures are recognized in the accounting period in which the fund liability is incurred except for unmatured interest on general long-term debt which is recognized when due. The following exceptions apply: (1) certain fines and forfeitures are recorded when received as they are not susceptible to accrual; and (2) vacation and sick leave benefits are recorded as paid. Proprietary Fund types 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 generally accepted accounting principles for governmental entities. The annual audit report is generally available about seven months after the June 30 close of each fiscal year. Since 1996/97, the county's independent auditor is Macias, Gini & Company LLP. The Government Finance Officers Association (GFOA) has awarded Sacramento County the "Certificate of Achievement for Excellence in Financial Reporting" for its financial reports for Fiscal Years 1988/89 through 2003/04. The County's 2004/05 financial report continues to conform to the Certificate of Achievement requirements and it will be submitted to the GFOA to determine its eligibility for another certificate.

Investment of County Funds; County Pool

State law requires that all monies of the County, school districts, and certain special districts located within the County be held by the Treasurer (Director of Finance). Pursuant to the County Charter and subject to annual review and renewal by the Board of Supervisors, the Director of Finance is authorized to invest and reinvest the funds. The County's General Fund, among other funds, is invested in the Sacramento County Pooled Investment Fund (the "County Pool"), which is managed by the Director of Finance. The County Pool is governed by the Sacramento County Annual Investment Policy for the Pooled Investment Fund (the "Investment Policy") as authorized by the Sections 53601 et seq. and 53635 et seq. of the Government Code of California (the "California Government Code") which the Director of Finance annually renders to the Board of Supervisors. The Board of Supervisors 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 March 31, 2005, 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 \$40.0 million of the assets of the County Pool may be invested in the Local Agency Investment Fund (LAIF), the California State investment pool. Approximately 0.7% 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 217 days, offering participants daily liquidity.

The 2005 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 80.0% of the portfolio may be invested in issues other than U. S. Treasuries and Government Agencies, and no more than 10.0% 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 102.0% 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 102.0%. Use of mortgage-backed securities for collateral is not permitted, for the purpose of investing the daily excess bank balance, the collateral provided by the County's depository bank can be U. S. Treasuries, Government Agencies valued at 110.0% or mortgaged backed securities valued at 150.0%.

Investments within the County Pool are reviewed on a monthly basis by an internal Investment Review Group, which consists of the Director of Finance and his designees. The Investment Review Group reviews the investments to ensure compliance with government code and the Investment Policy. Additionally, an internal Investment Group, consisting of the Director of Finance and his designees, reviews the strategies and investment guidelines in relation to the changing financial markets and maintains certain approved lists under the Investment Policy. In both the cases of the Investment Review Group and the Investment Group, the role of the designees is advisory except where specifically authorized by the Director of Finance. Each quarter, a ten-member Treasury Oversight Committee monitors the investment activities by reviewing the portfolio 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 March 31, 2005. As described above, a wide range of investments is authorized under state law. The value of the various investments in the County Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Therefore, there can be no assurance that the values of the various investments in the County Pool will not vary significantly from the values described below. In addition, the values specified in the following tables were based upon estimates of market values provided to the County by a third party. Accordingly, there can be no assurance that if these securities had been sold on the date indicated, the County Pool necessarily would have received the values specified.

**SACRAMENTO COUNTY INVESTMENT POOL
INFORMATION
Quarter Ending on March 31, 2005**

Average Daily Balance	\$2,531,555,349
Period-End Balance	\$2,614,937,305
Yield	2.478%
Weighted Average Maturity	191 Days
Duration in Years	0.512 Years
Historical Cost	\$2,610,604,179
Market Value	\$2,610,540,942
Percent of Market to Cost	100.00%

SOURCES OF COUNTY REVENUES

The County derives its revenues from a variety of sources including ad valorem property taxes, sales and use taxes, licenses, permits and franchises issued by the County, use of county property and money, aid from other governmental agencies, charges for services provided by the County and other miscellaneous revenues. For Fiscal Year 2005/06, the approximate percentages of the county's estimated total revenues, are allocated as follows:

**COUNTY OF SACRAMENTO
BREAKDOWN OF ESTIMATED REVENUE SOURCES FOR FISCAL YEAR 2005/06**

Property Taxes	9.4 %
Sales Taxes	4.2
Other Taxes	1.5
Licenses & Permits	0.6
Fines, Forfeitures and Penalties	1.1
Use of Money and Property	0.6
Aid From Other Governmental Agencies	75.1
Charges for Current Services	5.0
Other Revenue	2.5
Total	100.0%

Source: Sacramento County Office of Budget and Debt Management.

Following is a description of various significant revenue sources.

Property Taxes

Assessed Valuation

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

During Fiscal Years 1992/93 and 1993/94, Sacramento County lost over half of its property tax base as a result of state budget actions, which required the shift of property taxes to schools to relieve the State's burden in funding education. The county's property tax revenue loss from the tax shifts was \$165.9 million in 2003/04.

Assessed valuation in Sacramento County continues to grow, a reflection of the local real estate market. In the early and mid 1990s there was very little growth in the Assessor's current tax rolls. The following table summarizes actual secured roll growth in recent years and the current estimate for the 2005/06 Fiscal Year:

Fiscal Year	Secured Roll Growth
2001/02	8.61%
2002/03	10.50%
2003/04	12.00%
2004/05 Est.	14.5%
2005/06 Est.	14.5%

The Assessor's Roll lien date for the 2005/06 Fiscal Year roll is actually January 1, 2005. The real estate market in Sacramento County continues to flourish and the County anticipates significant growth in 2005/06.

Following are shown the 2005/06 (Estimated) and 2004/05 assessed valuations in the County. A seven-year history of assessed valuation in the County is also provided.

COUNTY OF SACRAMENTO Assessed Valuations 2005/06 Estimated and 2004/05 (Amounts Expressed in Thousands)			
	Net Assessed Valuation	Reimbursed Exemptions	Assessed Valuation For Revenue Purposes (1)
<u>2005/06 (Est.)</u>			
Local Secured	\$99,996,625	\$1,739,266	\$101,735,891
Utility--Nonunitary	71,958	--	71,958
Utility--Unitary	1,453,677	--	1,453,677
Unsecured	<u>4,088,341</u>	<u>257</u>	<u>4,088,598</u>
Total	\$105,610,601	\$1,739,523	\$107,350,124
<u>2004/05</u>			
Local Secured	\$87,333,297	\$1,705,163	\$89,038,460
Utility--Nonunitary	73,427	--	73,427
Utility--Unitary	1,530,186	--	1,530,186
Unsecured	<u>4,047,862</u>	<u>270</u>	<u>4,048,132</u>
Total	\$92,984,772	\$1,705,433	\$94,690,205

(1) Net Assessed Valuation plus State-Reimbursed Exemptions. Property taxes on this incremental assessed valuation are allocated for redevelopment projects, net of property tax shift to schools.

Source: Sacramento County Department of Finance.

COUNTY OF SACRAMENTO History of Assessed Valuations (Amounts Expressed in Thousands)	
Fiscal Year	Total Assessed Valuation (1)
1998/99	\$57,181,929
1999/00	60,640,474
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

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

Source: Sacramento County Department of Finance.

Tax Levies, Collections and Delinquencies

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

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

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

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year, and if unpaid, become delinquent on December 10 and April 10, respectively. A penalty of 10.0% attaches immediately to all delinquent payments. Property on the secured roll with respect to which taxes are delinquent is declared tax-defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the penalty of 1.5% per month to the time of redemption, together with the defaulted taxes, delinquent penalties, costs and a redemption fee. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to auction sale by the County Director of Finance.

Property taxes on the unsecured roll are due as of the January 1 lien dates and become delinquent, if unpaid, on August 31. A 10.0% 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 ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the Clerk of the Court specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a 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 1978/79, Article XIII A of the California Constitution and its implementing legislation shifted the function of property taxation primarily to the counties, except for levies to support prior voted debt, and prescribed how levies on countywide property values are to be shared with local taxing entities within each county.

The County is responsible for determining the amount of the tax levy on each parcel which is entered onto the secured real property tax roll. Upon completion of the secured real property tax roll, the County's Director of Finance (Auditor-Controller) determines the total amount of taxes and assessments actually extended on the roll for each fund/agency for which a tax levy has been included. The Board of Supervisors of the County, in 1993, adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 et seq. of the State Revenue and Taxation Code. Generally, the Teeter Plan provides for a tax distribution procedure in which secured roll taxes are distributed to taxing agencies within the County on the basis of the tax levy, rather than on the basis of actual tax collections. The County then receives all future delinquent tax payments,

penalties and interest; therefore, a complex tax redemption distribution system for all taxing agencies is avoided. During the fiscal year, actual collections of current-year taxes are apportioned to each fund/agency pursuant to their pro-rata share of the total property tax roll. At the conclusion of the fiscal year, the Auditor reconciles actual collections versus the total taxes and assessments due each fund/agency. The County subsequently arranges an internally funded Teeter Plan financing to purchase the outstanding delinquencies to fund the remaining apportionment due each fund/agency. This financing transaction is usually completed in August each year. The subsequent collections of delinquent taxes and penalties/interest are used as the source of repayment for the Teeter Plan financing. The County realizes the on going benefit from the Teeter Plan from the net penalties/interest collected in excess of the interest owed on the Teeter Plan financing.

Pursuant to California State Law, the County is required in connection with its Teeter Plan to establish a tax losses reserve fund to cover losses which may occur in the amount of tax liens as a result of special sales of tax-defaulted property (i.e., if the sale price of the property is less than the amount owed). The amount required to be on deposit in the tax losses reserve fund is, at the election of the County, one of the following amounts: (1) an amount not less than 1.0% 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 \$3.8 million as of June 30, 2002. 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.

California State law has authorized the Teeter Plan for over 50 years; however, until 1993, it had been implemented in only five counties. Legislation signed by the Governor on July 19, 1993 provided a financial inducement to utilize this simplified accounting method. In connection with its adoption of the Teeter Plan, the County was required to advance to each participating tax entity a portion of the outstanding delinquent secured property taxes outstanding. For Fiscal Year 1993/94, delinquent secured property taxes amounts advanced to school districts in excess of the amount they would have received under the prior method of distribution were used as a credit against the county's property tax transfer obligation. The county's tax transfer obligation to its school districts was reduced as a result of the adoption of the Teeter Plan. The County continued implementation of the Teeter Plan for Fiscal Years 1994/95 through 2004/05 and plans to continue with the Teeter Plan indefinitely.

Shown in the following table are the countywide secured roll tax levies, and corresponding current levy delinquencies and total collections, since 1998/99.

COUNTY OF SACRAMENTO Secured Tax Levies, Delinquencies and Collections 1998/99 through 2005/06 (Estimated) (Amounts Expressed in Thousands)					
Fiscal Year	Secured Tax Levies (1)	Current Levy Delinquent June 30	Percent Current Levy Delinquent June 30	Total Collections June 30 (2)	Total Collection Current Levy
1998/99	\$523,535	\$ 8,846	1.69	\$514,689	98.31
1999/00	558,022	9,276	1.66	548,746	98.34
2000/01	603,051	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 (3)	892,262	N/A	N/A	N/A	N/A
2005/06 (3)	999,333	N/A	N/A	N/A	N/A

- (1) Excludes bond service levies.
- (2) Includes prior-years' redemption, penalties and interest.
- (3) Estimate as of May 2, 2005.

Source: Sacramento County Department of Finance.

Largest Taxpayers

The ten largest taxpayers in the County, as shown on the 2004/05 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 \$30,406,942 in property taxes or about 3.6% of the County's \$989,338,762 secured roll tax levy, including levies for bond debt service and special assessments.

SACRAMENTO COUNTY Largest Taxpayers 2004/05	
Intel Corporation	\$ 6,400,361
SBC Pac Bell	4,123,661
Elliot Homes, Inc.	4,092,156
Pacific Gas and Electric Co.	3,038,857
Aerojet General Corporation	2,902,765
Oates Marvin, Et Al.	2,208,087
Calpine Natural Gas Co.	2,052,319
GMAC Model Homes Finance, Inc.	2,016,964
JB Management LP	1,982,063
MP-200 LLC (lease)	<u>1,589,709</u>
Total	\$30,406,942

Source: Sacramento County Department of Finance.

Sales Taxes

The State collects a tax on retail transactions within unincorporated areas of the County and rebates 1.0% 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 going is allocated to realignment pool.

Other Taxes

The County collects a 2.5% utility user tax, which is approximately \$15.0 million for the 2005/06 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, which is approximately \$6.2 million for the 2005/06 Fiscal Year. It is used to primarily pay for 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 has as a policy matter used the dollars for the purposes described above.

Intergovernmental Revenues

Approximately 53.5% of the total financing of the County's 2004/05 General Fund Budget consists of payments from the State of California. In addition, the federal government provides approximately 19.3% of the county's General Fund financing. The majority of both the state and federal revenues support human assistance aid payments and other human services programs including social services, public health, and mental health programs. The financial condition of the State, statewide economic conditions, and local caseloads have an impact on these revenues. The information presented regarding the County, including the information set forth in "COUNTY FINANCIAL INFORMATION" summarizes the County's expected Aid from Other Governmental Agencies for the current year. However, the amount of state and federal aid may vary from year to year.

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 the revenues and therefore the financial condition of the County, and there can be no assurances that other such factors do not currently exist or will not arise in the future.

State Budget

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 they 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.

Proposed Governor's Budget for Fiscal Year 2005/06

On January 10, 2005, Governor Schwarzenegger released his proposed budget for Fiscal Year 2005/06 (2005/06 Proposed Budget). The 2005/06 Proposed Budget projects General Fund revenues (not including transfers) for Fiscal Year 2005/06 of \$83.2 billion, an increase of 6.8% above the anticipated revenues for Fiscal Year 2004/05, and General Fund expenditures of \$85.7 billion, an increase of 4.2% above the anticipated expenditures for Fiscal Year 2004/05. See "State of California Budget Information-LAO Overview of the Governor's Budget" herein.

The 2005/06 Proposed Budget identifies a budget shortfall of \$9.1 billion without implementation of the policy changes proposed in the 2005/06 Proposed Budget. The budget shortfall is a result of an operating deficit in Fiscal Year 2004/05 of \$1.7 billion, a difference between the growth in baseline expenditures and revenues of \$5.2 billion, the absence of \$2.0 billion of proceeds from the economic recovery bonds authorized by the voters in March 2004 (Economic Recovery Bonds) that were available in Fiscal Year 2004/05 and \$170.0 million in other adjustments. The 2005/06 Proposed Budget proposes to address the budget shortfall through policy changes consisting primarily of reductions in the rate of increase of state spending in the amount of \$7.0 billion. The 2005/06 Proposed Budget also proposes to address the estimated budget shortfall by increasing available resources using \$1.7 billion of proceeds from the Economic Recovery Bonds, approximately \$300.0 million less borrowing than was included in the 2004/05 Budget, and a variety of proposals to increase revenues by \$409.0 million without tax increases.

The revenue increase forecasted by the 2005/06 Proposed Budget includes gains in the personal income tax, sales and use tax and corporation tax. Personal income tax revenues are forecasted to be \$39.5 billion in Fiscal Year 2004/05 and \$42.9 billion in Fiscal Year 2005/06. This forecast assumes an increase in personal income tax revenue of 8.6% for Fiscal Year 2004/05 and 8.5% for Fiscal Year 2005/06. Sales and use tax revenue is forecasted to be \$25.2 billion in Fiscal Year 2004/05 and \$26.9 billion in Fiscal Year 2005/06. This forecast assumes a 5.7% increase in taxable sales for 2004 and that, as a result of an improving economy, taxable

sales will continue to increase at similar rates for 2005 and 2006, representing a 5.7% and 5.6% increase, respectively. Corporation tax revenues are expected to total \$8.7 billion in Fiscal Year 2004/05 and \$9.0 billion in Fiscal Year 2005/06.

The 2005/06 Proposed Budget assumes local government revenues will increase during the next few years due in part to increases in property taxes and sales and use tax to local governments. Property taxes and sales and use tax are major sources of discretionary revenue for local governments, including the County. The 2005/06 Proposed Budget projects property taxes to local governments to be approximately \$22.4 billion, an increase of 9.0% above the amount expected to be received in the Fiscal Year 2004/05, as a result of the strong housing market and increased sales of nonresidential real estate. The sales and use tax in Fiscal Year 2005/06 is also expected to increase by approximately 6.0% above the amount expected to be received in Fiscal Year 2004/05. The sales and use tax is expected to provide local governments with over \$4.0 billion for discretionary purposes, in addition to \$2.7 billion for public safety, \$2.7 billion for health programs and \$1.3 billion for county transportation purposes. In addition, the 2005/06 Proposed Budget projects VLF revenues, which provide funding for local health programs, to increase by 3.4% to 4.5% during the next two years.

Certain of the features of the 2005/06 Proposed Budget affecting counties, including the County, include the following:

1. The 2005/06 Proposed Budget includes funding in various budgets that support activities by local government agencies where the local agencies have significant discretion over the use of the funds. Such programs include law enforcement, realigned health and mental health services, public health, property tax administration, Williamson Act open space preservation contracts, libraries, recreational facilities, flood control, and housing. Funding for these programs will be approximately \$5.6 billion in 2005/06, which represents a reduction of \$368.0 million from the amount expected to be received in Fiscal Year 2004/05.
2. The 2005/06 Proposed Budget includes funding for local governments to make up the difference between the 0.65% rate of the VLF and the previous 2.0% rate through a reallocation of property tax from schools and community colleges to cities and counties. The General Fund expenditures for Proposition 98, which guarantees Kindergarten-14 schools a minimum share of funding from General Fund revenues (Proposition 98 Guarantee), are increased to offset the reduction in property taxes for schools.
3. The 2005/06 Proposed Budget includes a provision to maintain funding for the Citizen's Option for Public Safety, which supports local law enforcement, sheriff's departments for jail construction and operations and district attorneys for prosecution, at \$100.0 million for Fiscal Year 2005/06.
4. The 2005/06 Proposed Budget includes a provision that restores \$201.4 million in Federal Temporary Assistance to Needy Families (TANF) funding for juvenile probation services. However, the 2005/06 Proposed Budget also proposes that the \$100.0 million in funding associated with the Juvenile Justice Crime Prevention Act program be reduced by \$75.0 million and the remaining \$25.0 million be shifted to the State Board of Corrections for distribution to local governments. This will result in an overall reduction of 25.0% in state funding to local government for juvenile justice programs.

5. The 2005/06 Proposed Budget includes a provision to eliminate funding for the Small and Rural Sheriffs program, which provides grants of \$500,000 each to 37 sheriff's departments in the smaller counties of the State, to save approximately \$18.5 million in Fiscal Year 2005/06.
6. The 2005/06 Proposed Budget includes funding of grants to counties for property tax administration in the amount of \$54.3 million, which represents a reduction of \$5.7 million from Fiscal Year 2004/05.

In the 2005/06 Proposed Budget, the Governor proposes several budget reforms to address the State's continued structural budget deficit. The Governor's reform proposals include: (a) a proposed amendment to the State Constitution to require an across-the-board spending reductions to address a budget shortfall either (i) shortly after the beginning of a Fiscal Year when the State has not enacted a budget and faces a budgetary imbalance, or (ii) during specified times in a fiscal year when the administration determines an enacted budget has fallen out of balance and the Governor and legislature fail to agree on a midyear plan to address the shortfall within a specified period; (b) a proposed amendment to the State Constitution to eliminate the ability to suspend the minimum funding requirement of the Proposition 98 Guarantee with a two-thirds vote of the Legislature and to eliminate a calculation related to the Proposition 98 Guarantee, which reduces the growth rate of Proposition 98 funding during the years when the State encounters low revenues; (c) the proposed repayment over a 15-year period of certain outstanding obligations of the State, including the currently outstanding \$3.6 billion in "maintenance factor" and \$1.3 billion in potential "settle-up" payments to schools, the unfunded mandates to local governments and schools, loans to the state's General Fund from special funds supporting transportation and other loans from special funds; (d) a proposal to eliminate the legislature's ability, after the Fiscal Year 2006/07, to suspend the transfer of sales tax revenues on gasoline from the State's General Fund to special funds supporting transportation as currently permitted; and (e) a proposal that prohibits the Governor and the legislature from borrowing from special funds to cover state's General Fund shortfalls in the future.

May Revision

On May 13, 2005, the Governor released the May Revision to the 2005/06 Proposed Budget (the "May Revision"). The May Revision includes approximately \$6.6 billion in additional revenues for the current and budget year than was assumed in the 2005/06 Proposed Budget. Much of this additional revenue is attributable to the May Revision's assumptions of an increase in personal income taxes in the current year, an increase in corporate taxes in Fiscal Year 2004/05 and lower sales tax revenues in the current year compared to the 2005/06 Proposed Budget. The net additional revenues based on these assumptions for Fiscal Year 2005/06 are estimated to be approximately \$3.7 billion. The May Revision also assumes approximately \$3.9 billion in additional one-time revenue to the state General Fund for Fiscal Years 2004/05 and 2005/06. The net effect is an increase of \$2.2 billion in the current fiscal year from the time that the 2004/05 Budget Act was enacted. In addition, the May Revision assumes the increase in revenue in Fiscal Year 2005/06 to be an additional \$4.4 billion, equaling a two-year increase of \$6.6 billion.

Personal income tax revenue forecasts have increased by \$2.367 billion in Fiscal Year 2004/05 and by \$319.0 million in Fiscal Year 2005/06 from the \$39.5 billion and \$42.9 billion forecasted in the 2005/06 Proposed Budget, respectively. The current-year forecast includes approximately \$480.0 million in revenue acceleration due to the tax shelter amnesty program and the budget year forecasts \$200.0 million in additional amnesty receipts. Additionally, collections of state General Fund revenues received in April and early May were \$1.2 billion above the amounts projected in the 2005/06 Proposed Budget. Sales and use tax revenue forecasts are reduced by \$75.0 million in Fiscal Year 2004/05 and increased by \$4.0 million in Fiscal Year 2005/06 from the \$25.2 billion and \$26.9 billion forecasted in the 2005/06 Proposed Budget, respectively. The \$75.0million reduction forecasted partially results from a reduced assumption of taxable sales growth in Fiscal Years 2004/05 and 2005/06 than that assumed in the 2005/06 Proposed Budget. Corporate tax revenues are expected to decrease by \$1.117 billion in Fiscal Year 2004/05 and \$198.0 million in Fiscal Year 2005/06 from the \$8.7 billion and \$9.0 billion forecasted in the 2005/06 Proposed Budget, respectively.

The Governor proposes no new borrowing in the May Revision.

Certain of the principal features of the May Revision include the following:

1. The May Revision assumes the State will accelerate repayment by one year of approximately \$593.0 million owed to cities and counties for VLF revenues withheld by the State in Fiscal Year 2003/04, [which repayment will not impact the finances of local governments that have sold or otherwise disposed of such VLF receivables]. The May Revision also proposes \$108.0 million in increased funding for state mandate reimbursements.
2. The May Revision proposes to reinstate the transfer, eliminated in the 2005/06 Proposed Budget, of gasoline sales tax revenue from the state General Fund to transportation purposes pursuant to Proposition 42 in the amount of \$1.3 billion, with \$254.0 million to be provided to cities and counties for local streets and roads.
3. The May Revision reduces the amount of transportation loans to be repaid with tribal gaming bonds in Fiscal Year 2005/06 by \$222.0 million, providing that such repayment occur from future compacts or the state General Fund no later than June 30, 2022. This would result in a decrease of anticipated revenues from \$1.2 billion to \$1.0 billion.
4. The May Revision includes total Medi-Cal expenditures of \$33.4 billion (\$11.7 billion state General Fund), a decrease of \$480.1 million (\$262.4 million state General Fund) from the 2005/06 Proposed Budget. General Fund expenditures for Medi-Cal have increased by \$1.8 billion, a 17.7 percent increase from the expenditures for Fiscal Year 2003-04.
5. The May Revision includes total California Work Opportunity and Responsibility to Kids (CalWORKs) expenditures of \$6.8 billion. The projected caseload is estimated to be 1.7 percent less than the projected caseload for Fiscal Year 2004/05. In addition, \$2.7 billion is provided in the May Revision to meet the federally required combined state and counties TANF maintenance-of-effort requirement.

6. The May Revision restores \$18.5 million to provide continued funding for 37 specified county sheriffs' departments for purposes of enhancing local law enforcement efforts. Funding for this program was not originally contained in the 2005/06 Proposed Budget.
7. The 2005/06 Proposed Budget maintained Fiscal Year 2004/05 Proposition 98 appropriations for K-12 schools and community colleges at the same level reflected in the 2004/05 Budget Act. However, for Fiscal Year 2005/06, the 2005/06 Proposed Budget included an increase of approximately \$2.9 billion above that level, bringing total Proposition 98 spending to nearly \$50.0 billion. The May Revision maintains Proposition 98 appropriations for K-12 schools, and community colleges at the level proposed in the 2005/06 Proposed Budget, despite a reduction in the minimum guarantee calculation.

Legislative Analyst Office May Revision

On May 17, 2005, the LAO released an analysis of the May Revision entitled Overview of the 2005/06 May Revision (the "LAO Overview"). The LAO Overview is available on the LAO Web site at www.lao.ca.gov. Information on that Web site is not incorporated herein by reference.

According to the LAO Overview, the general budgetary approach set forth in the May Revision, including using most of the approximately \$4.0 billion in new revenues to repay \$2.5 billion in debt and fund \$1.7 billion in one-time programmatic increases, is reasonable in light of the structural budget shortfall facing the State. The LAO indicates that the State's revised budgetary shortfall is approximately \$6.0 billion, which amount takes into account the higher revenues described in the May Revision and other offsetting factors such as higher Proposition 98 funding requirements. According to the LAO, the May Revision sets forth \$6.5 billion in budgetary solutions (which amount includes a \$500.0 million reserve) derived from (1) program-related savings, including \$3.1 billion in savings from holding Proposition 98 funding at approximately the 2004/05 Budget Act level instead of providing schools with additional funds to meet the target suggested by language adopted with the 2004/05 Budget Act, significant savings related to social services grants, reduced state contributions for wages of IHSS workers and state employee compensation and (2) funding shifts, loans and tax compliance measures, including the transfer of funding for annual base-program contribution costs for the State Teachers' Retirement System (STRS) from the State to school districts or their employees.

The LAO Overview indicates that the May Revision has eliminated some of the risky assumptions set forth in the 2005/06 Proposed Budget, such as the savings assumed from contract procurement reform, but that the May Revision continues to include significant risks with respect to employee compensation (assumption of \$408.0 million in savings related to employee compensation, which are dependent upon collective bargaining negotiations that have recently begun), retirement costs (assumption of \$469.0 million in savings related to the shift of funding in STRS retirement costs from the State to school districts, which could require a readjustment of the Proposition 98 funding guarantee and which does not account for a recent Superior Court decision finding that the Fiscal Year 2004/05 suspension of a \$500.0 million payment to STRS was illegal) and pension bonds (assumption that the State will offset a portion of its Fiscal Year 2005/06 pension costs through the proceeds received from the issuance of

Pension Obligation Bonds although the proposed size of such bond issuance has been reduced by \$235.0 million and remains subject to court challenges).

The LAO concludes that, absent ongoing solutions, the State would face a major budget problem in fiscal year 2006/07 and beyond, when temporary solutions adopted in past budgets expire, past borrowings come due, the state's borrowing capacity is exhausted and few easy options are available. The LAO estimates that the longer-term implications of the policy proposals included in the May Revision include an annual operating imbalance of approximately \$5.0 billion in Fiscal Year 2006/07, \$4.0 billion in Fiscal Year 2007/08 and \$3.0 billion in Fiscal Year 2008/09, with the larger structural imbalance in fiscal year 2006/07 attributable to an assumed \$900.0 million in revenue reduction from higher refunds and lower audit payments associated with the tax amnesty program. The LAO further states that it is important for the State Legislature to aim at adopting on-going solutions involving either expenditures or revenues that are similar in magnitude to those proposed in the May Revision such that any significant augmentations to ongoing spending should be offset by ongoing spending reductions elsewhere and/or through increased revenues.

Potential Impact of State Budget on the County's Financial Condition

The County administers certain programs on behalf of the State, provides certain services for which the costs are reimbursed to the County because the services are mandated by the State, or otherwise receives state funding to support specific local services (State categorical programs).

The May Revision to the Governor's proposed budget contains some elements that would be beneficial to the County:

- \$13.5 million from early repayment of one-half of VLF funds withheld in 2003/04 Fiscal Year.
- Additional transportation funding from Proposition 43 Gas Tax Transfer.
- Potential savings from cuts in social services grants and reductions in IHSS wages.

The county's proposed budget has not incorporated any revenue enhancement or expense reductions as a result of the May revision.

Timely State Action

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

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 29, 2004, the Board of Supervisors approved publication of the annual appropriation limit for the Fiscal Year 2004/05 in the amount of \$1,314,858,092). The limitation applies only to proceeds of taxes and therefore does not apply to service fees and charges, investment earnings on nonproceeds of taxes, fines, revenue from the sale of property and taxes received from the state and federal governments that are tied to special programs. Based on the 2004/05 Adopted Final Budget, the funds subject to limitation (total General Operating Budget minus nonproceeds of taxes, debt service, and 2004/05 carry over) are \$296,898,928 below the Gann Limit.

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

Following is a comparison of the County's appropriation limit and appropriation subject to limitation for the year's 1998/99 through 2005/06 Budgeted:

COUNTY OF SACRAMENTO			
Year	Appropriation Limit	Appropriation Subject to Limit	Margin
1998/99	896,029,961	205,482,205	690,547,764
1999/00	951,699,711	218,266,806	733,432,905
2000/01	1,022,875,485	251,407,634	771,467,851
2001/02	1,149,956,656	259,937,148	890,019,507
2002/03	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

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 XIIC and XIID 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 XIIC) 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 and the utility tax which support the County’s General Fund. In Fiscal Year 2003/04, the County expects to receive approximately \$5.7 million in transient-occupancy tax revenue and approximately \$14.6 million in utility user tax revenue (approximately 5.9% of general-purpose revenues). The transient-occupancy tax has historically been allocated by the Board of Supervisors to arts, cultural, and recreational programs. During the difficult budget years in the 1990s, up to \$4.0 million of the transient occupancy tax revenue had been transferred to the General Fund for basic county services. This transfer to the General Fund peaked at \$4.0 million and was reduced to \$2.5 million as the budget situation improved. The 2001/02 and 2002/03 Adopted Final Budgets included a transfer of \$2.5 million for basic county services. The 2003/04 Recommended Proposed Budget includes a transfer of \$3.5 million. Both of these

taxes, and other local taxes, assessments, fees and charges could be subject to reduction or repeal by initiative under Proposition 218.

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

In addition, Proposition 218 (Article 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) are for a service not actually used by, or immediately available to, the owner of the property in question, or (iv) are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The County must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the County may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services, no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area.

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

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

both. In the case of an operating deficiency within a special district within the County, the County may likewise elect to support any deficiencies with monies from the General Fund or, in the case of special districts operated by the County official as *ex officio* directors of such district, elect to curtail service, or both. The County is unable to predict whether the courts will interpret any of the county's service charges to be property-related fees or charges under Proposition 218.

Incorporation and Annexation Proceedings

On November 5, 1996, the qualified voters approved the incorporation of the City of Citrus Heights, the first new City within the County in 52 years. The incorporation became effective January 1, 1997, and removed approximately 88,000 people from the unincorporated territory of the County.

On July 1, 2001, the City of Elk Grove became fully responsible for providing services and is responsible for making revenue neutrality payments to Sacramento County. The City of Elk Grove is responsible for repaying the County approximately \$5.0 million in net costs of providing these services to Elk Grove in the first year after incorporation. This debt is being repaid over a five-year period beginning in the 2001/02 Fiscal Year, and Elk Grove is making these repayments on a regular basis. The revenue neutrality obligation of the City of Elk Grove will be a share of the city property taxes. The revenue neutrality payments are thus "secured" from any future refusal of the City of Elk Grove to make the payments since the county collects and holds Elk Grove's property tax revenue.

On July 1, 2003 the City of Rancho Cordova became fully responsible for providing services and is also responsible for making revenue neutrality payments to Sacramento County. 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 will be repaid over a five-year period beginning in the 2003/04 Fiscal Year. The net fiscal impact on the County is approximately \$6.6 million annually. However, if the City made full revenue neutrality payments to the County, the new city's fiscal viability would be threatened. The County is accepting less than full revenue neutrality payments in the initial years after incorporation in exchange for fixed shares of the city's property tax revenue over time and the security that use of property tax for revenue neutrality brings.

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

Residents of other portions of the Unincorporated Area have been discussing potential incorporation. However, at this time no formal action is pending.

Cities located in Sacramento County are planning for the annexation of portions of the Unincorporated Area. Landowners are also interested in annexation to cities. State law requires that property tax exchange agreements be in place between the annexing city and the county

before the Local Area Formation Commission (LAFCo) may consider an annexation proposal. Unlike incorporation revenue neutrality agreements, the annexation revenue sharing agreements take the form of legally binding contracts.

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

COUNTY DEBT SUMMARY

General Fund and General Obligation Debt

Short-Term Obligations

The County implemented a cash management program in 1982 to finance General Fund cash flow shortages occurring during its fiscal year. Since the program's inception, the County has sold tax and revenue anticipation notes in amounts in each year ranging up to \$285 million. On July 1, 2004, the County issued \$370.0 million in tax and revenue anticipation notes for Fiscal Year 2004/05. The notes will mature on July 11, 2005.

General Obligation Debt

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

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

**SHORT-TERM OBLIGATIONS OF
THE SACRAMENTO COUNTY GENERAL FUND**

PROJECT	ISSUED DATE	AMOUNT OF BORROWING	BORROWING RATE(S)	DUE DATE
2004 Tax and Revenue Anticipation Notes (TRANS)	July 1, 2004	\$370.0 million	3.00%	July 11, 2005

General Fund Lease Obligations

Sacramento County has entered into numerous long-term lease arrangements to finance capital projects. The following describes the general fund lease obligations (evidenced as Certificates of Participation or "Certificates") which are currently outstanding.

In 1990, the County entered into a lease transaction with the Sacramento County Public Facilities Financing Corporation (PFFC) in which \$105,750,000 Certificates of Participation (Fixed Asset Acquisition Program) were sold. On October 9, 2002, the County entered into an interest-rate swap agreement to convert the remaining outstanding Certificates to a fixed-rate.

In 1994, the County entered into a lease transaction with the Sacramento County PFFC in which \$89,500,000 of Certificates of Participation were sold to construct two new facilities. In 1998, the County entered into a crossover refunding transaction in which 1997 Refunding Certificates of Participation (1994 Public Facilities Project-Coroner/Crime Lab and Data Center) were sold. On October 1, 2004, the Refunding Certificates were used to redeem the outstanding 1994 Certificates, and the County began paying debt service on the Refunding Certificates.

In 1997, the County entered into a lease transaction with the Sacramento County PFFC in which \$58,020,000 of Certificates of Participation (Public Buildings Facilities) were sold to finance parking facilities, a dormitory jail facility adjacent to an existing correctional housing facility and to refund and defease prior 1986 and 1990 Certificates of Participation.

In 1999, the County entered into a lease transaction with the Sacramento County PFFC in which 1999 Refunding Certificates of Participation (Capital Projects) were sold for the refinancing of a golf course. The County anticipates that revenues from the Golf Fund will be sufficient to make all payments on the certificates. However, if Golf Fund revenues are insufficient, the County would be obligated to make payments from amounts available in the General Fund.

In 1999, the County entered into a lease transaction with the Sacramento County PFFC in which 1999 Refunding Certificates of Participation (Capital Projects) were sold to refund the 1991 certificates associated with the construction of an employees' parking facility. The County anticipates that revenues from the Parking Enterprise Fund will be sufficient to make payments on the Certificates.

In 1999, the County entered into a lease transaction with the River City Regional Stadium Financing Authority in which \$39,990,000 Taxable Lease Revenue Bonds, Series 1999, were sold to finance the costs of a privately owned and operated baseball stadium. The County expects that revenues available from the operation of the Stadium will be sufficient to make payments due from the County. However, if Stadium revenues are insufficient, the County would be obligated to make payments from amounts available in the General Fund.

In 2002, the Sacramento Regional Arts Facilities Financing Authority (SRAFFA), a joint exercise of powers authority of which the County is a member, sold \$16,580,000 Certificates of Participation to finance the improvement of two theaters in downtown Sacramento. The County

expects to pay the Certificates from ticket surcharges for performances, naming rights, theater organization contributions and county contributions of approximately \$66,000 per year.

In 2003, the County entered into a lease transaction with the Sacramento County PFFC in which \$43,790,000 2003 Refunding Certificates of Participation were sold to refund outstanding 1993 Refunded Certificates which were used to finance the Main Jail Detention Facility.

In 2003, the County also entered into a lease transaction with the Sacramento County PFFC in which \$15,230,000 of 2003 Certificates of Participation (Public Facilities Projects) were sold to finance improvements to the Warren E. Thornton Youth Center and Boys Ranch, to accommodate American Disabilities Act (ADA) improvements to various county facilities, and to pay a portion of the cost of acquiring the Mather Golf Course.

In 2003, the County entered into a lease transaction with the Sacramento County PFFC in which \$35,140,000 2003 Refunding Certificates of Participation (Juvenile Courthouse Project) were sold to finance construction of a new Juvenile Courthouse facility.

The following provides a chart of the foregoing county lease obligations with nonprofit entities which obligate the County to make rental payments from its General Fund in sufficient amounts to pay debt service on the Certificates.

OUTSTANDING LONG-TERM OBLIGATIONS OF THE SACRAMENTO COUNTY GENERAL FUND

LEASES WITH PUBLIC FACILITIES FINANCING CORPORATION

PROJECT	RENTAL PAYMENT STARTING DATE	AMOUNT OF BORROWING/ REMAINING BALANCE	BORROWING RATE(S)	ANNUAL LEASE PAYMENT	FINAL PAYMENT DATE
1990 Certificates of Participation (Fixed Asset Acquisition Program)	October 1990	\$105.75 million/ \$ 87.305 million	4.85%	Maximum of \$8,760,218	June 2020
1997 Refunding Certificates of Participation (1994 Public Facilities Project—Coroner/ Crime Lab and Data Center)	April 1998	\$88.36 million/ \$88.36 million	From 4.30% To 5.00%	Maximum of \$6,320,535	October 2027
1997 Public Facilities Project (Public Buildings Facilities)	August 1997	\$58.020 million/ \$43.705 million	From 4.000% to 5.725%	Maximum of \$4,725,490	February 2019
1999 Refunding Certificates of Participation, (Capital Projects) Employees Parking Facility	July 2000	\$15.960 million/ \$13.085 million \$ 6.885 million/ \$ 5.285 million	From 3.95% to 5.125%	Maximum of \$1,505,636 Maximum of \$ 735,059	July 2018 July 2018
Cherry Island Golf Course		\$ 9.075 million/ \$ 7.800 million		Maximum of \$ 770,578	July 2012
2003 Refunding Certificates of Participation (Main Detention Facility)	December 2003	\$43.79 million/ \$43.79 million	From 2.0% to 4.5%	Maximum of \$5,580,750	June 2015
2003 Refunding Certificates of Participation (Public Facilities Projects)	December 2003	\$15.23 million/ \$15.23 million	From 2.0% to 4.6%	Maximum of \$966,780	June 2034
2003 Refunding Certificates of Participation (Juvenile Courthouse Project)	June 2004	\$35.14 million/ \$35.14 million	From 4.0% to 5.0%	Maximum of \$2,261,375	June 2035

LEASE WITH RIVER CITY REGIONAL STADIUM FINANCING AUTHORITY

PROJECT	RENTAL PAYMENT STARTING DATE	AMOUNT OF BORROWING/ REMAINING BALANCE	BORROWING RATE(S)	ANNUAL COUNTY LEASE PAYMENT	FINAL PAYMENT DATE
River City Regional Stadium	November 1999	\$39.990 million/ \$38.715 million	From 7.75% to 8.09%	Maximum of \$2,300,000	November 2030

LEASE WITH SACRAMENTO REGIONAL ARTS FACILITIES FINANCING AUTHORITY

PROJECT	RENTAL PAYMENT STARTING DATE	AMOUNT OF BORROWING/ REMAINING BALANCE	BORROWING RATE(S)	ANNUAL COUNTY LEASE PAYMENT	FINAL PAYMENT DATE
Theaters Projects	March 2003	\$16.58 million/ \$16.58 million	From 2.0% to 5.0%	Maximum of \$1,062,593	September 2032

The following table contains annual debt service for each the 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 Series 2003 Pension Obligation Bonds, and debt service for the Series 2004 Pension Obligation Bonds (which were issued on July 1, 2004).

**County of Sacramento
Fiscal Year Long-Term General Fund Obligations Debt Service Summary**

Period Ending June 30th	Series	Series 1990 COPs	Series 1994 COPs	Series 1995 POBs	Series 1997 COPs	Series 1997 Refunding COPs	Series 1999 Refunding COPs	Series 1999 - Lease Revenue Bonds	Series 2002 COPs	Series 2003 COPs	Series 2003 Refunding COPs	Series 2003 COPs	Series 2003 POBs	Series 2004 POBs	Fiscal Year Total
	Note:	(1)		(2)											
2005		\$7,415,252	\$4,222,223	\$21,150,784	\$4,717,240	\$2,093,360	\$1,499,716	\$3,580,356	\$1,055,843	\$960,108	\$3,459,738	\$1,541,788		\$0	\$51,696,408
2006		7,467,339		21,150,784	4,725,490	6,319,850	1,531,426	3,575,638	1,059,243	959,508	5,107,038	2,214,988		-	54,111,304
2007		7,598,979		21,150,784	4,718,740	6,316,793	1,495,589	3,573,013	1,057,153	963,095	5,154,463	2,216,238	10,510,000	19,932,884	84,687,731
2008		7,584,818		21,150,784	4,582,625	6,317,055	1,492,126	3,572,094	1,054,100	955,720	5,209,663	2,212,238	21,015,000	20,759,868	95,906,091
2009		7,650,751		21,150,784	4,588,875	6,316,235	1,490,731	3,572,494	1,054,640	962,608	5,259,325	2,212,538	31,525,000	22,247,795	108,031,776
2010		7,723,745		55,540,784	4,581,575	6,317,630	1,486,201	3,569,019	1,053,789	958,308	5,313,400	2,215,638	7,644,393	22,745,661	118,850,143
2011		7,797,202		58,081,889	4,587,825	6,320,535	1,483,324	3,566,475	1,048,711	957,283	5,364,575	2,214,988	7,644,393	23,840,817	122,908,017
2012		7,931,436		60,730,786	4,590,825	6,317,900	1,472,005	3,564,475	1,052,226	965,095	5,418,975	2,216,813	7,644,393	25,439,057	127,343,986
2013		7,962,724		63,505,785	4,585,325	6,315,525	1,476,616	3,562,631	1,052,531	961,295	5,473,150	2,211,956	7,644,393	26,152,231	130,904,162
2014		8,056,272		66,400,784	4,581,325	6,319,619	759,269	3,560,556	1,051,712	962,095	5,526,250	2,214,263	7,644,393	27,809,247	134,885,785
2015		8,154,912		69,427,781	4,583,850	6,320,125	756,494	3,557,863	1,049,678	962,295	5,580,750	2,214,513	7,644,393	28,361,139	138,613,793
2016		8,260,163		72,590,784	1,560,088	6,318,150	756,850	3,552,259	1,051,448	956,895		2,216,375	7,644,393	30,120,525	135,027,930
2017		8,372,911		75,895,784	1,562,094	6,318,338	750,338	3,548,010	1,051,938	960,700		2,214,675	7,644,393	31,035,404	139,354,585
2018		8,512,773		79,350,784	1,560,338	6,320,213	751,813	3,546,076	1,051,108	958,270		2,216,475	7,644,393	32,418,570	144,330,813
2019		8,619,860		83,705,824	1,564,819	6,318,419	750,988	3,540,850	1,048,918	959,780		2,211,775	7,644,393	34,247,177	150,612,803
2020		8,757,562		87,567,591		6,317,600		3,536,725	1,050,215	959,980		2,215,075	7,644,393	35,266,377	153,315,518
2021				91,594,072		6,317,281		3,528,094	1,044,958	958,830		2,215,700	7,644,393	37,148,417	150,451,745
2022				95,806,913		6,316,988		3,524,148	1,047,831	966,780		2,213,575	7,644,393	38,267,649	155,788,277
2023						6,316,244		3,518,876	1,043,975	957,860		2,213,575	99,427,255	40,148,330	153,626,115
2024						6,319,456		3,519,456	1,043,000	958,250		2,215,450	40,035,058	41,358,185	95,440,868
2025						6,316,150		3,505,916	1,044,625	960,250		2,214,281		43,228,754	57,269,976
2026						6,315,850		3,501,004	1,044,500	960,750		2,215,419		44,512,548	58,550,071
2027						6,317,844		3,490,720	1,042,625	959,750		2,214,006		46,129,139	60,154,084
2028						6,316,538		3,483,852	1,039,000	957,250		2,214,938		47,905,108	61,916,686
2029								3,473,983	1,038,500	963,250		2,213,106		49,319,090	57,007,929
2030								3,464,699	1,036,000	957,250		2,212,000		50,913,485	58,583,434
2031									1,036,375	959,750		2,215,750		52,283,450	56,495,325
2032									1,034,500	955,250		2,215,000		54,164,531	58,369,281
2033									1,035,250	959,000		2,214,625		55,727,577	59,936,452
2034										955,500		2,214,375		56,120,841	59,290,716
2035												2,214,000			2,214,000
2036															-
2037															-

(1) Assumes interest at the swap rate of 4.85% plus 30 basis points of Fees
 (2) Assumes interest at the swap rate of 5.935% to maturity plus 30 basis points of Fees

Non-General Fund Revenue Obligations

In 1997, the County entered into a lease transaction with the Sacramento County PFFC in which \$22,285,000 of Certificates of Participation (Solid Waste Facilities) were sold to finance improvements to the solid waste management system. The county's obligation is payable solely from the revenues of the county's solid waste management system.

In 1998, the County entered into a lease transaction with the Sacramento County PFFC in which \$12,565,000 of Certificates of Participation were sold to finance certain electrical generating and related equipment and improvements to the county's solid waste management system. Revenues generated by the project from the sale of electricity to the Sacramento Municipal Utility District (SMUD) will support the Certificates.

In 2002, the County entered into a lease transaction with the Sacramento County PFFC in which \$5,265,000 of Certificates of Participation (Solid Waste Facilities) were sold to finance improvements to the solid waste management system. The county's obligation is payable solely from the revenues of the county's solid waste management system.

In 1998, the Department of Airports for the Airport Enterprise Fund sold \$42,510,000 Airport System Revenue Refunding Bonds, Series 1998A and \$45,620,000 Airport System PFC and Subordinate Revenue Refunding Bonds, Series 1998B to advance refund the County's Airport System Revenue Bonds and Airport System PFC and Subordinate Revenue Bonds which were issued to finance certain capital improvements at Sacramento International Airport.

Additionally, in 1998, the Department of Airports issued \$9,900,000 Variable Rate Demand Special Facilities Airport Revenue Bonds, Series 1998 (The Cessna Aircraft Company Project), to finance the construction of an aircraft maintenance hangar and associated facilities at the Sacramento International Airport.

In 2002, the Department of Airport's issued two series of revenue bonds to finance the construction of an \$80.0 million parking garage located at Sacramento International Airport and to refund all outstanding Refunding Series 1989 and Refunding Series 1992A Airport Revenue Bonds.

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

SACRAMENTO COUNTY AIRPORT ENTERPRISE FUND

PROJECT	RENTAL PAYMENT STARTING DATE	AMOUNT OF BORROWING/ REMAINING BALANCE	BORROWING RATE(S)	ANNUAL LEASE PAYMENT	FINAL PAYMENT DATE
1997 Public Facilities Project (Solid Waste Facilities)	December 1997	\$22.285 million/ \$16.800 million	From 3.65% to 5.30%	Maximum of \$9,165,000	December 2016
1998 Public Facilities Project (Gas to Energy)	December 1999	\$12.565 million/ \$ 9.490 million	From 4.0% to 4.5%	Maximum of \$1,090,931	December 2014
2002 Public Facilities Project (Solid Waste Facilities)	December 2002	\$5.265 million/ \$4.990 million	From 3.0% To 5.0%	Maximum of \$420,750	December 2021
Airport System Revenue Bonds, Series 1996A and 1996B	January 1997	\$111.0 million/ \$86.140 million*	From 4.625% to 6.000%	Maximum of \$8,148,640	July 2026
Airport System PFC and Subordinate Revenue Bonds, Series 1996	January 1997	\$57.275 million/ \$13.515 million**	From 4.625% to 6.000%	Maximum of \$4,172,510	July 2026
Airport System Revenue Bonds, Series 1998A (2)	June 1999	\$42.510 million/ \$40.985 million	From 3.5% to 5.0%	Maximum of \$12,115,766	June 2026
Airport System PFC and Subordinate Revenue Bonds, Series 1998B (3)	June 1999	\$45.62 million/ \$44.740 million	From 3.5% to 5.0%	Maximum of \$3,952,096	June 2026
Airport System Revenue Bonds, Series 2002A (Non-AMT)	July 2003	\$74.15 million/ \$74.15 million	From 3.0% To 5.25%	Maximum of \$4,847,294	July 2032
Series 2002B (AMT)	July 2003	\$17.805 million/ \$16.620 million		\$2,017,500	July 2020

*Balance reflects Advance Refunding of \$15.04 million.

**Balance reflects Advance Refunding of \$43.76 million.

(2) Advance refunding of the Airport System Revenue Bonds, Series 1989.

(3) Advance Refunding of the Airport system Revenue Bonds, Series 1992.

Direct and Overlapping Bonded Debt

The following table presents a statement of the direct and overlapping bonded debt secured in whole or in part from property tax assessments in Sacramento County as of May 1, 2005.

COUNTY OF SACRAMENTO		
2004/05 Assessed Valuation:	\$90,011,471,254 (after deducting \$4,680,500,066 redevelopment tax allocation increment; includes unitary utility valuation)	
<u>DIRECT AND OVERLAPPING BONDED DEBT</u>	<u>% APPLICABLE</u>	<u>DEBT 5/1/05</u>
Sacramento Regional County Sanitation District	100	\$ 8,255,000
Los Rios Community College District	79.953	73,013,080
Center Joint Unified School District	93.321	18,296,370
Dry Creek Joint School District Community Facilities District #1	100	21,879,923
Elk Grove Unified School District and Community Facilities District #1	100	108,726,399
Folsom-Cordova Unified School District School Facilities I.D. #1& #2	100	102,982,476
Grant Joint Union High School District	99.425	20,742,648
Sacramento Unified School District	100	269,415,000
Sacramento Unified School District and Community Facilities District #1	100	4,875,000
Natomas Unified School District	100	95,609,687
San Juan Unified School District	100	254,189,974
Rio Linda Union School District	100	29,939,791
North Sacramento and Robla School Districts	100	31,411,711
Other School Districts	Various	26,778,428
City of Folsom	100	30,035,000
Folsom Community Facilities Districts	100	155,775,000
Galt and Galt Schools Community Facilities Districts	97.820-100	23,014,221
Sacramento County Community Facilities Districts	100	70,162,336
City of Sacramento Community Facilities Districts	100	143,195,000
Rancho Murrieta Community Facilities Districts	100	7,730,000
City of Elk Grove Community Facilities District # 2002-1	100	81,315,000
1915 Act Bonds (Estimated)	100	<u>128,292,477</u>
TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT		\$1,705,634,521
Less: City of Folsom Water Bonds		<u>85,000</u>
TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT		\$1,705,549,521
<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT</u>		
Sacramento County General Fund Obligations (1)	100	\$ 358,733,774
Sacramento County Pension Obligations (POs)	100	954,721,975
Sacramento County Office of Education Certificates of Participation	100	13,295,000
Grant Joint Unified School District Certificates of Participation	99.425	63,781,138
Folsom-Cordova Unified School District Certificates of Participation	100	8,880,000
Natomas Unified School District Certificates of Participation	100	84,795,000
Sacramento Unified School District Certificates of Participation and POs	100	71,309,553
San Juan Unified School District Certificates of Participation	100	14,030,000
Other School Districts Certificates of Participation	Various	15,355,072
City of Folsom Certificates of Participation	100	19,250,000
City of Galt Certificates of Participation	100	7,988,614
City of Sacramento General Fund Obligations	100	735,493,500
Fair Oaks Fire Protection District Certificates of Participation	100	2,760,000
Sacramento Metropolitan Fire Protection District POs	100	69,998,975
Recreation and Park Districts Certificates of Participation	100	<u>9,830,963</u>
TOTAL GROSS OVERLAPPING LEASE OBLIGATION DEBT		\$2,430,913,605
Less: City of Sacramento self-supporting obligations		<u>143,303,455</u>
TOTAL NET DIRECT AND OVERLAPPING BONDED DEBT		\$2,287,610,150
GROSS COMBINED TOTAL DEBT		\$4,136,548,126(2)
NET COMBINED TOTAL DEBT		\$3,993,159,671
(1) Excludes tax and revenue anticipation notes.		
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds, and nonbonded capital lease obligations.		
RATIOS TO ASSESSED VALUATION:		
Both Total Gross and Total Net Overlapping Tax and Assessment Debt	1.80%	
RATIOS TO ADJUSTED ASSESSED VALUATION:		
Combined Direct Debt (\$1,313,455,794)	1.46%	
Gross Combined Total Debt	4.60%	
Net Combined Total Debt	4.44%	
Source: California Municipal Statistics, Inc.		

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population and Income

Population in Sacramento County reflects continued growth as shown in the following table. Population rose 62.7% in the 1940's and 81.4% in the 1950's. During the 1960's, 1970's, 1980's and 1990's, population growth totaled 26.2%, 23.5%, 32.9%, and 16.2%, respectively. Since 1980, population growth has totaled 74.9%.

The State Department of Finance estimates county population at 1,369,855 as of January 1, 2005. Sacramento County currently has seven incorporated cities: Citrus Heights, Elk Grove, Folsom, Galt, Isleton, Rancho Cordova and Sacramento. Approximately 33.1% of the county's population lives in the City of Sacramento. Approximately 40.9% of the county's population lives in unincorporated areas, giving Sacramento County one of the largest unincorporated populations among all counties in the State.

Area	SACRAMENTO COUNTY						
	Population						
	1940	1950	1960	1970	1980	1990	2005
Cities:							
Citrus Heights	--	--	--	--	--	--	87,549
Elk Grove	--	--	--	--	--	--	121,609
Folsom	--	1,690	3,925	5,810	11,003	29,802	68,033
Galt	--	1,333	1,868	3,200	5,514	8,889	22,955
Isleton	1,837	1,597	1,039	909	914	833	820
Rancho Cordova	--	--	--	--	--	--	55,145
Sacramento	105,958	137,572	191,667	257,105	275,741	369,365	452,959
Unincorporated Area	<u>62,538</u>	<u>134,948</u>	<u>304,279</u>	<u>367,349</u>	<u>490,209</u>	<u>632,330</u>	<u>560,785</u>
Total	170,333	277,140	502,778	634,373	783,381	1,041,219	1,369,855
Source: U.S. Census, except for 2005 figures, which are from the California State Department of Finance.							

Industry and Employment

Three major job categories comprised 73.5% of the Sacramento MSA's work force during 2005. They were services (33.6%), government (25.7%), and wholesale and retail trade (14.2%).

As of April 2005, based on unadjusted data, unemployment in the Sacramento MSA was 4.5% compared to 5.2% for the State. The following table summarizes annual average employment by industry in the Sacramento MSA.

SACRAMENTO METROPOLITAN STATISTICAL AREA Labor Market Survey (1) (Amounts Expressed in Thousands)					
	2001	2002	2003	2004	2005
Mining	0.6	0.5	0.5	0.7	0.7
Construction	54.8	56.6	60.8	68.5	70.0
Manufacturing					
Nondurables	11.9	11.5	11.1	13.2	14.3
Durable	32.5	29.9	28.4	32.8	34.1
Transportation and					
Public Utilities	15.6	14.7	14.5	22.3	24.0
Information	0.0	0.0	0.0	21.3	20.3
Wholesale Trade	21.4	21.0	21.1	26.4	26.6
Retail Trade	82.9	84.9	87.5	94.3	96.7
Finance, Insurance					
and Real Estate	49.3	52.0	56.5	59.1	60.6
Services	274.4	277.7	280.3	288.7	291.8
Government	187.8	194.7	191.6	223.0	223.0
Agriculture	4.0	3.4	3.5	6.2	6.4
Total	735.2	746.9	755.8	856.5	868.5

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

Major Employers

Major private employers in the Sacramento area include those in electronics, health care services, retail sales, and telecommunications services. Major private employers, their products or services, and their number of employees in 2005 are listed in the table on the following page.

The State currently employs 63,905 personnel in the County in various branches of government, making the State the largest employer in the area. County employees account for 14,047 additional jobs in the community.

McClellan Air Force Base, established in 1939, was one of five Air Force Material Command Logistics Centers in the United States of America. In July 1995, the Federal Base Realignment and Closure Commission identified McClellan for closure, and the base closed on July 13, 2001. In April 1999, the County Board of Supervisors approved the selection of an Equity Partner or "Master Developer" to accelerate the conversion of transferred parcels from military to commercial and industrial uses. The Board of Supervisors approved the Draft Final Reuse Plan in August 2000 with remaining environmental reviews being completed in June 2002. The County and its Master Developer have over 3 million square feet under lease with many other leases pending. More than 4,000 public and private sector jobs have been retained or created at McClellan. On November 13, 2001, the Board of Supervisors and Master Developer executed a purchase sale agreement which provided for the purchase of the majority of the Base property by the Master Developer, exclusive of the Airfield which is retained by the County and operated as a public airfield.

Mather Air Force Base was closed on September 30, 1993 as a result of previous federal action under the Base Realignment and Closure Act. County reuse planning efforts for the 5,700

acre base includes a diverse set of activities including an air cargo and general aviation airport; a wide variety of office, industrial and commercial development; housing, educational, and recreational uses. The goal of the reuse plan, which is now being implemented, is to maximize job creation and economic benefit to the County from the closure of the base. Mather reopened to aviation uses on May 5, 1995, and was formally added to the County Airport System as a cargo and general aviation airport. The California National Guard and the California Department of Forestry are established tenants at Mather. Other tenants of the airport include Emery Worldwide, Airborne Express, United Parcel Service and Eagle Global Logistics. Both Emery Worldwide and Airborne Express operate out of new cargo sort facilities. County staff is currently working with the United States Postal Service to create Mather Airport as a Western Hub for several of its operations.

In addition to Mather Airport, Mather Regional Park (1,432 acres received by the County from the Air Force at no cost, through Park Public Benefit Conveyance) has been open to the public since fall 1996. Mather Golf Course (169 acres), purchased by the County, has been open to the public since 1994.

Presently, over 5,000 people work at Mather Airport and Commerce Center each day. In addition to those aviation companies previously listed, several other companies now call Mather home including McGraw-Hill Companies, which employs approximately 600 employees, and Sutter Connect, a division of Sutter Health, which employs approximately 400 employees. Other major tenants or landowners include the Advance PCS, the Veterans Administration Hospital, which has recently undergone a \$40.0 million expansion and renovation, and the California State Office of Emergency Services (Administration Offices and Emergency Operations Center) which employs approximately 350 employees in their \$27.0 million facility. Finally, over 1,000,000 square feet of speculative office space is planned by at least three local developers who have all bought land and/or buildings.

The previous function of the Sacramento Army Depot was to receive, store, and ship military hardware all over the world. The Depot officially closed in March 1995 also as a result of federal action under the Base Realignment and Closure Act. A developer has purchased the entire site and has leased it to manufacturers and warehousing firms.

SACRAMENTO METROPOLITAN STATISTICAL AREA Major Private Sector Employers (2005)		
Company	Product/Service	Employees
Kaiser Permanente	Health Care	11,729
Sutter Health	Health Care	11,284
Raley's Inc./Bel Air	Retail Groceries	8,203
University of California, Davis (UCD)		
Medical Center	Hospitals, Offices, and Clinics	8,000
Intel Corporation	Electronics	6,500
SBC Communications	Telecommunications	5,753
CHW/Mercy Healthcare Sacramento	Healthcare	5,229
Hewlett-Packard Company	Electronics	4,500
Wal-Mart Stores, Inc.	Retail Sales	3,300
Target Corporation	Retail Sales	3,693

Source: Sacramento Area Commerce and Trade Organization (SACTO)

Commercial Activity

Commercial activity is an important contributor to Sacramento County's economy. Between 1999 and 2003, taxable retail sales increased 28.6% from \$9.939 billion to \$12.784 billion. As shown in the following table, total taxable sales increased 23.5% from \$14.979 billion to \$18.506 billion.

SACRAMENTO COUNTY Taxable Transactions 1999 Through 2003 (Amounts Expressed in Thousands)					
	1999	2000	2001	2002	2003
Apparel Stores	\$ 369,927	\$ 410,328	\$ 435,758	\$ 483,204	\$ 515,374
General Merchandise Stores	1,875,947	1,960,570	1,996,605	2,024,491	2,132,021
Specialty Stores	1,624,485	1,800,343	1,780,073	1,841,954	1,928,593
Food Stores	696,416	758,169	792,603	785,010	823,780
Package Liquor Stores	66,236	71,301	75,536	79,846	80,685
Eating and Drinking Places	1,080,021	1,163,483	1,242,312	1,310,209	1,375,098
Home Furnishings and Appliances	523,294	579,375	598,487	640,658	668,311
Building Materials and Farm Implements	932,551	1,049,133	1,102,951	1,186,185	1,508,319
Service Stations	630,998	811,847	816,696	788,871	943,620
Automobile, Boat, Motorcycle and Plane Dealers and Parts outlets	<u>2,139,002</u>	<u>2,467,982</u>	<u>2,860,446</u>	<u>2,948,549</u>	<u>2,808,017</u>
Total Retail Outlets	\$ 9,938,877	\$11,072,531	\$11,701,467	\$12,088,977	12,783,818
Business and Personal Services	705,364	729,836	861,189	873,113	906,662
All Other Outlets	<u>4,335,152</u>	<u>4,791,358</u>	<u>4,659,145</u>	<u>4,615,469</u>	<u>4,815,986</u>
Total All Outlets	\$14,979,393	\$16,593,725	\$17,221,801	\$17,577,559	\$18,506,466

Source: California State Board of Equalization

Agriculture

Agriculture continues to be an important factor in the county's economy; however, with the ever-increasing urban and commercial development of Sacramento County, agriculture's relative impact on the local economy declines. The gross value of agricultural production in 2003 reached \$274,900,000. Major individual products in terms of dollar value are shown in the following table:

SACRAMENTO COUNTY Agricultural Production 1999 through 2003 (Amounts Expressed in Thousands)					
	1999	2000	2001	2002	2003
Field Crops	\$ 42,356	\$ 43,756	\$ 42,558	\$ 49,719	\$ 46,855
Livestock and poultry products	48,790	43,121	49,927	38,824	39,170
Livestock and poultry	24,220	25,841	28,965	25,556	37,777
Vegetable crops	30,636	17,088	19,433	23,938	24,384
Fruit and nut crops	124,217	126,911	124,151	104,429	91,308
Nursery products	17,113	26,408	28,968	26,378	31,442
Seed crops	6,412	3,041	4,882	3,775	3,193
Apiary products	<u>115</u>	<u>15</u>	<u>59</u>	<u>55</u>	<u>51</u>
Total	\$275,408	\$293,859	\$298,943	\$272,674	\$274,900

Source: Sacramento County Agricultural Commissioner.

Construction Activity

The value of building permits issued in the County totaled \$2,904,346,929 in 2004, an increase of 1.4% from the prior year. From 2000 through 2004, the value of nonresidential building permits reflects a total reduction of 55.9%. Residential permit valuation increased 64.4% over the same period. In addition to annual building permit valuations, the numbers of permits for new dwelling units issued each year from 2000 through 2004 are shown in the following table.

SACRAMENTO COUNTY Building Permit Valuations 2000 through 2004 (Amounts Expressed in Thousands)					
Valuation:	2000	2001	2002	2003	2004
Residential	\$1,449,414	\$1,835,507	\$2,317,674	\$2,357,495	\$2,382,098
Nonresidential	<u>1,183,303</u>	<u>547,986</u>	<u>466,514</u>	<u>506,642</u>	<u>522,248</u>
Total	\$2,632,717	\$2,383,493	\$2,784,188	\$2,864,137	\$2,904,336
New Dwelling Units:					
Single family	7,054	8,616	10,519	10,006	9,365
Multiple family	<u>3,362</u>	<u>973</u>	<u>2,609</u>	<u>2,328</u>	<u>754</u>
Total	10,416	9,589	13,128	12,334	10,119

Source: Sacramento County Assessor's Office.

Transportation

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

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

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

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

Sacramento County voters passed a ballot measure in November of 1988 providing for collection of an additional 1/2 cent sales tax (approximately \$103,680,000 for 2005/06) 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 2005/06 share for the unincorporated area of the County is estimated to be \$27,858,000.

Education

Public school education is provided by 16 School Districts (seven are Unified School Districts) consisting of the following types of schools: 223 elementary; 42 middle; 52 secondary (high); seven Kindergarten through 8th grade; 25 Kindergarten through 12th grade; one 4th through 12th grade; one 7th through 12th grade; seven community; 17 charter and five special education schools. Additionally, the Sacramento County Office of Education operates two community and six juvenile hall schools; and one environmental school. There are approximately 143 private schools in the County with an enrollment of approximately 19,788. Public school enrollment for 2004/05 was approximately 238,385.

The Los Rios Community College District serves the majority of Sacramento County, as well as portions of El Dorado, Placer, Yolo and Solano Counties. The District maintains four campuses in the County -- American River College, located in the northeastern unincorporated area of Carmichael; Sacramento City College, located in Sacramento; Cosumnes River College, located in the southern area of the City of Sacramento; and Folsom Lake-El Dorado College located in the northeast area of the County. Spring 2005 enrollment at the four campuses totaled approximately 70,756. The southernmost portion of the County is served by the San Joaquin Delta Community College District.

California State University at Sacramento offers four-year programs in business administration, liberal arts, engineering, education, and nursing, and master's degrees in service fields. Current spring 2005 enrollment is approximately 27,016. Other higher education facilities located in Sacramento are the University of Phoenix, University of Southern California, McGeorge School of Law which is a branch of the University of the Pacific, University of San Francisco, University of California at Davis Extension, and the Medical Center of the University of California at Davis.

CERTAIN INFORMATION CONCERNING THE SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM

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 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 which 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, 2004, 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, SCERS' membership (including county and special districts) consisted of:

	2003	2004
RETIRES AND BENEFICIARIES CURRENTLY RECEIVING BENEFITS:		
Miscellaneous – Service	3,583	3,823
Miscellaneous – Beneficiary	814	842
Disability Miscellaneous – Ordinary	306	310
Disability Miscellaneous – Duty	185	174
Safety – Service	637	764
Safety – Beneficiary	169	184
Disability Safety – Ordinary	19	18
Disability Safety – Duty	169	176
TOTAL RETIRED	5,882	6,291
TERMINATED EMPLOYEES ENTITLED TO BENEFITS BUT NOT YET RECEIVING THEM:		
	1,885	2,110
CURRENT MEMBERS:		
VESTED		
Miscellaneous Tier 1	1,236	990
Miscellaneous Tier 2	415	386
Miscellaneous Tier 3	4,814	5,317
Safety Tier 1	1,059	906
Safety Tier 2	577	692
Subtotal	8,101	8,291
NONVESTED		
Miscellaneous Tier 1	5	2
Miscellaneous Tier 3	5,226	4,689
Safety Tier 1	21	7
Safety Tier 2	780	683
Subtotal	6,032	5,381
TOTAL CURRENT MEMBERS	14,133	13,672

Source: SCERS' Comprehensive Annual Financial Report as of June 30, 2004.

Impact of Pension Benefits Enhancements

Effective June 29, 2003, enhanced retirement benefits became applicable for all SCERS service credits earned prospectively. The enhanced benefits include the applicability of Government Code Section 31664.1 for Safety plan service credits and Government Code Section 31676.14 for Miscellaneous service credits. In addition, members who meet certain criteria may purchase up to four years of public service credits. 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 1998/99 through Fiscal Year 2004/05 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 "Impact of Pension Benefit Enhancements" and "Impact of Investment Losses" 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
2000*	5.85	2.91	4.55	14.57	10.30
2001*	5.89	2.94	4.56	14.56	10.29
2002*	5.85	2.90	4.53	14.52	10.37
2003*	6.86	3.41	5.26	16.04	11.96
2004*	16.33	12.00	14.16	31.82	27.67
2005***	13.49	9.16	11.32	24.39	20.24
2006	15.29	11.49	13.94	33.23	28.57

*Source: SCERS' Comprehensive Annual Financial Report for the year ended June 30, 2004.

**Source: SCERS' Actuarial Valuation Report as of June 30, 2004.

***Note: SCERS' Actuarial Valuation Reports contain current rates which pertain to the following fiscal year. For example, Actuarial Valuation Report as of June 30, 2003 presented current rates for the Fiscal Year 2003/04 and was used to determine rates for Fiscal Year 2004/05.

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

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]
1999*	3,017,639	2,734,548	(283,091)	110.4	502,325	(56.4)
2000*	3,427,348	3,111,760	(315,588)	110.1	559,047	(56.5)
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	314,419	93.3	714,069	44.0

*Source: Comprehensive Annual Financial Report for the year ended June 30, 2004.

**Source: SCERS' Actuarial Valuation Report as of June 30, 2004.

As described herein, certain pension benefits enhancements have increased the accrued liability of SCERS. In addition, as described below under "Impact of Investment Losses," the actuarial value of the assets of the System has declined in recent years. As a result, the County anticipated that SCERS would have a significant unfunded actuarial accrued liability as of June 30, 2004. (As described herein, the proceeds of the Series 2004 Pension Obligation Bonds were used on July 1, 2004 to satisfy a significant portion of such unfunded actuarial accrued liability.)

Litigation Settlement

The SCERS Board and Sacramento County Board of Supervisors on October 16, and October 21, 2003, respectively, approved a proposed Settlement Agreement in the matter which will bring closure for active and retire members to the entire litigation known as the "Coordinated Cases", now entitled "Retirement Cases", also referred to as "Ventura Litigation".

The Agreement was implemented during 2004. The Agreement included a lump sum payment made retroactively to December 1, 1994 and a going-forward percentage increase for future monthly retirement allowances. The eligible retirees or beneficiaries must have met two criteria:

1. Must have received a retirement or survivor's allowance on January 1, 2004; and
2. Must have had the initial retirement allowance calculated based upon compensation earned prior to October 1, 1997.

SCERS' liability under the settlement was actuarially estimated to be \$55.0 million. The settlement was approved December 19, 2003. Lump sum payments totalling \$26.7 million were primarily paid in January 2004. Prospective payments resulting from increased allowances were estimated to be \$29.1 million.

Impact of Investments; Potential Significant Unfunded Liability

In a letter dated May 19, 2004, Mercer estimated the impact of investment losses and gains over the last several years. Pursuant to SCERS policy, gains and losses in any given year are recognized (smoothed) over a five-year period with any resulting net losses amortized over a closed 30-year period. SCERS experienced significant investment losses in the two fiscal years ended June 30, 2002, the aggregate amount of which is \$401.7 million. SCERS experienced net investment gains of \$100.8 million for the fiscal year ended June 30, 2003 (representing net investment gains of approximately 3.4%). For the fiscal year ended June 30, 2004 SCERS experienced net investment gains of 16.2%. This is a significant improvement from the 2003 fiscal year ended June 30 return of 3.4%. These encouraging results reflect the improvement in the U.S. economy and the improvement in the domestic and international equity markets. SCERS' anticipates investment gains for the fiscal year ended June 30, 2005 greater than the assumed rate of return of 7.75%. As a result of the smoothing policy, the County anticipates that SCERS' unfunded actuarial accrued liability with respect to county employees will increase significantly over the next several years as losses from prior years are recognized. In a letter from Mercer dated May 19, 2004, Mercer made the following estimate of the County's unfunded actuarial liability through June 30, 2009:

Estimated Unfunded Actuarial Accrued (UAAL) Liability*					
(Amounts Expressed in Millions)					
June 30, 2004	June 30, 2005	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009
\$483.6	\$699.6	\$800.4	\$801.5	\$757.8	\$767.4

Source: Letter from Mercer dated May 19, 2004, Subject: Projected Unfunded Actuarial Accrued Liability

*County employees only; not including special districts.

The Mercer estimate assumes that the plan will earn 8.0% return on market value of assets for plan years starting July 1, 2004 and after. The actual amount of unfunded liability, if any, will depend on a variety of factors, including but not limited to future investment

performance. The Mercer estimate of the UAAL did not take into account the use of approximately \$420.0 million of the proceeds of the County's Series 2004 Pension Obligation Bonds to reduce the UAAL on July 1, 2004.

County Contributions

The following table shows actual employer contributions to SCERS for Fiscal Years 1998/99 through 2003/04 and estimated county contributions for Fiscal Year 2004/05. The actual amount required to be contributed by the employers 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 as a result of retirement benefit enhancements and recognition of SCERS investment losses.

SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Amounts Expressed in Thousands)

Year Ended June 30	Annual Required Contribution	Percentage Contributed
1999*	45,481	100.0
2000*	39,156	100.0
2001*	37,372	100.0
2002**	41,241	100.0
2003**	49,438	100.0
2004**	113,919	100.0
2005***	93,989	N/A

*Source: County's Audited Financial Statements.

**Source: SCERS' Comprehensive Annual Financial Report for the year ended June 30, 2004.

***Source: Letter from Mercer dated May 7, 2004, Subject: 2004/05 Prepayment. The amount was based on anticipated county payroll. It reflects the change in amortization of unfunded accrued actuarial liability to a 30-year period, assumes a prepayment of annual employer contributions in July 2004, and anticipates receiving the proceeds from the issuance of the Series 2004 Pension Obligation Bonds in July 2004.

****Source: Letter from Mercer dated May 7, 2004, Subject: 2004/05 Prepayment. The amount was based on

Change in Actuary for SCERS

On May 20, 2004, The Segal Group, Inc. was selected as SCERS' new actuary to begin services on July 1, 2004. Mercer Human Resource Consulting had been performing the actuarial services under an existing agreement.

SACRAMENTO COUNTY POPULATION						
EDUCATIONAL ATTAINMENT LEVEL COMPARED TO STATE OF CALIFORNIA AND THE UNITED STATES						
	SACRAMENTO COUNTY		STATE OF CALIFORNIA		UNITED STATES	
	NUMBER	PERCENT	NUMBER	PERCENT	NUMBER	PERCENT
Population 25 years and over	772,488	100.0	21,298,900	100.0	182,211,639	100.0
Less than 9th grade	51,674	6.7	2,446,324	11.5	13,755,477	7.5
9th to 12 grade, no diploma	77,596	10.0	2,496,419	11.7	21,960,148	12.1
High school graduate (includes equivalency)	176,525	22.9	4,288,452	20.1	52,168,981	28.6
Some college, no degree	205,947	26.7	4,879,336	22.9	38,351,595	21.0
Associate degree	69,105	8.9	1,518,403	7.1	11,512,833	6.3
Bachelor's degree	129,263	16.7	3,640,157	17.1	28,317,792	15.5
Graduate or professional degree	62,378	8.1	2,029,809	9.5	16,144,813	8.9
Percent high school graduate or higher	83.3		76.8		80.4	
Percent bachelor's degree or higher	24.8		26.6		24.4	
Source: U.S Census Bureau, Census 2000 Summary File 3						

SACRAMENTO COUNTY POPULATION BY RACE/ETHNICITY, GENDER AND AGE

SACRAMENTO TOTAL JULY 1, 2000				SACRAMENTO WHITE JULY 1, 2000				SACRAMENTO HISPANIC JULY 1, 2000				SACRAMENTO ASIAN JULY 1, 2000			
AGE	TOTAL	MALE	FEMALE	AGE	TOTAL	MALE	FEMALE	AGE	TOTAL	MALE	FEMALE	AGE	TOTAL	MALE	FEMALE
ALL	1,230,465	602,179	628,286	ALL	713,744	345,556	368,188	ALL	199,516	102,289	97,227	ALL	139,371	67,553	71,818
0-4	88,568	45,035	43,533	0-4	39,436	19,989	19,447	0-4	22,341	11,319	11,022	0-4	9,695	4,991	4,704
5-9	98,874	50,855	48,019	5-9	44,606	23,033	21,573	5-9	22,955	11,786	11,169	5-9	11,696	6,034	5,662
10-14	96,159	49,423	46,736	10-14	45,741	23,510	22,231	10-14	19,296	9,939	9,357	10-14	12,405	6,484	5,921
15-19	88,868	45,426	43,442	15-19	43,153	22,049	21,104	15-19	17,553	9,146	8,407	15-19	12,586	6,441	6,145
20-24	82,837	41,201	41,636	20-24	41,406	20,089	21,317	20-24	18,641	10,050	8,591	20-24	10,005	4,935	5,070
25-29	88,605	44,126	44,479	25-29	46,527	22,813	23,714	25-29	18,651	9,943	8,708	25-29	10,994	5,417	5,577
30-34	92,847	46,940	45,907	30-34	51,703	26,046	25,657	30-34	17,356	9,324	8,032	30-34	10,560	5,127	5,433
35-39	100,633	50,462	50,171	35-39	60,184	30,170	30,014	35-39	15,771	8,209	7,562	35-39	10,217	4,997	5,220
40-44	98,324	48,343	49,981	40-44	61,799	30,582	31,217	40-44	12,562	6,317	6,245	40-44	10,206	4,837	5,369
45-49	86,723	42,064	44,659	45-49	56,580	27,674	28,906	45-49	9,744	4,787	4,957	45-49	9,586	4,449	5,137
50-54	75,663	36,592	39,071	50-54	52,310	25,493	26,817	50-54	7,097	3,476	3,621	50-54	8,019	3,683	4,336
55-59	52,932	24,994	27,938	55-59	37,325	17,719	19,606	55-59	4,653	2,236	2,417	55-59	5,175	2,339	2,836
60-64	42,530	19,605	22,925	60-64	29,487	13,727	15,760	60-64	3,728	1,721	2,007	60-64	4,587	2,005	2,582
65-69	37,386	17,242	20,144	65-69	26,198	12,188	14,010	65-69	3,099	1,454	1,645	65-69	4,124	1,747	2,377
70-74	33,854	14,748	19,106	70-74	24,725	10,758	13,967	70-74	2,586	1,175	1,411	70-74	3,835	1,603	2,232
75-79	30,029	12,500	17,529	75-79	23,350	9,570	13,780	75-79	1,870	804	1,066	75-79	2,884	1,292	1,592
80-84	19,677	7,728	11,949	80-84	15,953	6,217	9,736	80-84	953	382	571	80-84	1,654	710	944
85+	15,956	4,895	11,061	85+	13,261	3,929	9,332	85+	660	221	439	85+	1,143	462	681
SACRAMENTO PACIFIC ISLANDER JULY 1, 2000				SACRAMENTO BLACK JULY 1, 2000				SACRAMENTO AMERICAN INDIAN JULY 1, 2000				SACRAMENTO MULTIRACE JULY 1, 2000			
AGE	TOTAL	MALE	FEMALE	AGE	TOTAL	MALE	FEMALE	AGE	TOTAL	MALE	FEMALE	AGE	TOTAL	MALE	FEMALE
ALL	7,637	3,711	3,926	ALL	120,820	59,186	61,634	ALL	9,987	4,793	5,194	ALL	39,390	19,091	20,299
0-4	546	285	261	0-4	10,071	5,107	4,964	0-4	579	289	290	0-4	5,900	3,055	2,845
5-9	744	372	372	5-9	12,455	6,363	6,092	5-9	771	400	371	5-9	5,647	2,867	2,780
10-14	700	367	333	10-14	12,241	6,194	6,047	10-14	835	423	412	10-14	4,941	2,506	2,435
15-19	750	363	387	15-19	10,082	5,093	4,989	15-19	786	397	389	15-19	3,958	1,937	2,021
20-24	689	330	359	20-24	8,382	4,074	4,308	20-24	700	336	364	20-24	3,014	1,387	1,627
25-29	617	287	330	25-29	8,539	4,113	4,426	25-29	757	363	394	25-29	2,520	1,190	1,330
30-34	598	282	316	30-34	9,551	4,700	4,851	30-34	808	388	420	30-34	2,271	1,073	1,198
35-39	686	320	366	35-39	10,418	5,182	5,236	35-39	877	432	445	35-39	2,480	1,152	1,328
40-44	597	294	303	40-44	9,929	4,818	5,111	40-44	925	423	502	40-44	2,306	1,072	1,234
45-49	503	260	243	45-49	7,731	3,703	4,028	45-49	801	355	446	45-49	1,778	836	942
50-54	372	172	200	50-54	5,738	2,768	2,970	50-54	736	359	377	50-54	1,391	641	750
55-59	305	144	161	55-59	4,019	1,888	2,131	55-59	459	213	246	55-59	996	455	541
60-64	178	89	89	60-64	3,591	1,639	1,952	60-64	321	151	170	60-64	638	273	365
65-69	161	77	84	65-69	3,048	1,459	1,589	65-69	246	103	143	65-69	510	214	296
70-74	75	29	46	70-74	2,072	937	1,135	70-74	149	64	85	70-74	412	182	230
75-79	52	17	35	75-79	1,450	640	810	75-79	120	52	68	75-79	303	125	178
80-84	38	14	24	80-84	830	302	528	80-84	60	25	35	80-84	189	78	111
85+	26	9	17	85+	673	206	467	85+	57	20	37	85+	136	48	88

SOURCE: California State Department of Finance, Demographic Research Unit
May 2004

BUDGET PROCESS AND TIMELINE

BUDGET PROCESS

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

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

The capital budget reflects the annual amount appropriated for each capital project included in the long-range capital improvement plan. When the Board authorizes a new capital project, the Board approves the total project cost and schedule. The approval of the project budget authorizes total expenditures over the duration of the construction project, which oftentimes 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 of Supervisors working with the County Executive establishes the operating and capital budget priorities and the budget principles for the next fiscal year based upon relevant economic, social, and demographic trends, a budget update with a five-year forecast and an in depth discussion of proposed budget principles.

Phase II – (December – April) Develop Operating Budget

The County Executive’s Office develops and distributes the annual operating budget instructions based upon: Board priorities and budget principles established in November 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 of Supervisors 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 of Supervisors.

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 of Supervisors for the Final Budget Hearings in early September. The Final Budget is adopted by a three-fifths majority of the Board of Supervisors.

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

Phase VII – (September–October)

As directed by the Board of Supervisors, 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 of Supervisors) may be necessary throughout the year as a result of:

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

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 of Supervisors or County Executive (depending on approval authority required) explaining the reason for adjustment.

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

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

- II. By four-fifths vote, the Board of Supervisors may (per Government Code Sections 29086, 29127, and 29130 and County Charter, Section 49):

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

Note: General Reserves are established, cancelled, 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 of Supervisors 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.

BUDGET TIMELINE

Sacramento County's budget process for the 2005-06 Fiscal Year anticipated a very small funding gap in the General Fund; therefore, as in Fiscal Year 2004-05, the anticipated general purpose financing was allocated to General Fund Departments early in the process. In February each department was provided a net cost appropriation target. In addition, the Board of Supervisors affirmed their countywide budgetary and service delivery obligations/priorities to structure the additional requests necessary to balance the 2005-06 Fiscal Year budget. Departments prepared budget requests identifying mandates and discretionary programs. The discretionary programs, from which the reductions were made, were in turn identified by priority and by funding status: funded or unfunded to meet net appropriation targets. Still, sufficient flexibility is built into the process so the County may react to year specific budget and operational issues and problems. Under the leadership of the county's Chief Financial/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:

Responsible Party	Event	Time
<ul style="list-style-type: none"> • County Executive • Chief Financial/ Operations Officer • Agency Administrators • Department Heads 	Develop Major Budget Assumptions/ Personnel Costs/Allocated Costs.	November/ December 2004
<ul style="list-style-type: none"> • County Executive • Chief Financial/ Operations Officer • Agency Administrators 	Midyear Budget Report Update <ul style="list-style-type: none"> • Approval of Budget Reduction Targets for General Fund Departments • Establish goals of new Budget Resource Allocation Process for Fiscal Year 2004-05 • Establish new Budget Policies. • Reaffirmed Countywide Priorities for General Fund. 	February 1, 2005
<ul style="list-style-type: none"> • County Executive • Chief Financial/ Operations Officer • Department Heads • Departmental Fiscal Officers • County Executive's Office Analysts 	Information Sharing Session with Department Heads and Fiscal Staff. <ul style="list-style-type: none"> • Distribute Budget Preparation Materials and Instructions • Discuss new budget process. 	February 4, 2005
<ul style="list-style-type: none"> • Agency Administrators 	Deadline to Release Department-By-Department Allocations	February 7, 2005
<ul style="list-style-type: none"> • Chief Financial/ Operations Officer 	Hold training on budget development system.	February-April 2005
<ul style="list-style-type: none"> • Departmental Fiscal Officers 	Facility Acquisition or Improvement Request (Form 330) Submittal to General Services-Capital Construction	February 18, 2005
<ul style="list-style-type: none"> • Department Heads • Departmental Fiscal Officers 	Base Budgets 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 (015) - Building Inspection (021) 	March 4, 2005
<ul style="list-style-type: none"> • County Executive's Office Analysts 	Analysis by CEO Analysts of Base Budget Submittals.	March 4, 2005 - April 15, 2005
<ul style="list-style-type: none"> • County Executive and Human Resource Agency staff 	Distribute Salary Ordinance (County of Sacramento Position Report 2004-05 & "Draft" Summary of Positions Report – Current Authorized Staffing Level	March 9, 2005

Responsible Party	Event	Time
<ul style="list-style-type: none"> • Department Heads • Departmental Fiscal Officers 	“Anticipated Results” budget statements and Performance Measures 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 (015) - Building Inspection (021) 	March 11, 2005
<ul style="list-style-type: none"> • Department Heads • Departmental Fiscal Officers 	<u>All</u> Other Funds Base Budgets Due to CEO <ul style="list-style-type: none"> - Enterprise - Governmental - Internal Services - Special Districts 	March 11, 2005
<ul style="list-style-type: none"> • County Executive • Chief Financial/ Operations Officer • Agency Administrators 	CEO Determination of Base Budget Reduction Recommendations	March 18, 2005 – April 1, 2005
<ul style="list-style-type: none"> • County Executive • Chief Financial/ Operations Officer • Agency Administrators • County Executive’s Office Analysts 	Preparation of Proposed Budget Materials using Sacramento County Budget Development Application (SCBDA) system.	March 18, 2005 – April 15, 2005
<ul style="list-style-type: none"> • County Executive 	Recommended Proposed Budget Released to Public and is accessible via Internet.	April 22, 2005
<ul style="list-style-type: none"> • County Executive • Chief Financial/ Operations Officer • Department Heads • Departmental Fiscal Officers • County Executive’s Office Analysts 	Information Sharing Session with Department Heads and Fiscal Staff regarding County Executive Recommended Proposed Budget.	April 25, 2005
<ul style="list-style-type: none"> • Board of Supervisors • County Executive 	<u>Proposed Budget Hearings</u> <ul style="list-style-type: none"> • Budget Overview and Determination of Base Funded Budget • Recommended Restorations, Additional Requests, and Disagreeed Budget Units, based on Board of Supervisors adopted Obligations/Priorities. • Board Adopted Proposed Budget 	May 11, 2005, 9:30 a.m.; Through May 12, 2005. May 12, 2005
<ul style="list-style-type: none"> • Chief Financial/ Operations Officer • Internal Services Agency Administrator • County Budget Officer 	OBDM determines impact of state-imposed budget problem based upon Governor’s May Revised Preliminary Budget	May 20, 2005
<ul style="list-style-type: none"> • Board of Supervisors • County Executive • Director of Finance 	Implement Adopted Proposed Budget as operating budget until Final Budget is approved	July 1, 2005

Responsible Party	Event	Time
<ul style="list-style-type: none"> • Chief Financial/ Operations Officer • Internal Services Agency Administrator • County Budget Officer • County Executive’s Office Analysts • Department Fiscal Officers 	Complete review and balancing of operating transfers, significant changes, overall budget picture	July 1-30, 2005
<ul style="list-style-type: none"> • Department Heads • Departmental Fiscal Officers 	Requests for Additional (Growth) Funding and Vacant Positions Itemization.	July 15, 2005
<ul style="list-style-type: none"> • Department Heads • Departmental Fiscal Officers 	Final Budget Request Changes from Departments	July 15, 2005
<ul style="list-style-type: none"> • County Executive’s Office Analysts 	Analysis of Final Budget Requests. Review and meet with departments	July 15, 2005 to July 22, 2005
<ul style="list-style-type: none"> • County Executive • Chief Financial/ Operations Officer • County Budget Officer • Agency Administrators 	Determination of Revised Base Funded Allocations Recommendations (if necessary)	July 15, 2005 to July 31, 2005
<ul style="list-style-type: none"> • Director of Finance 	2004-05 Fiscal Year county’s books closed and final year-end carryover/fund balance is known	July 22, 2005
<ul style="list-style-type: none"> • County Executive • Chief Financial/ Operations Officer • County Budget Officer 	Completion of re-estimate of general purpose financing for 2005-06 by OBDM.	July 27, 2005
<ul style="list-style-type: none"> • County Executive • Chief Financial/ Operations Officer • County Budget Officer 	OBDM revises plug number for each department based upon final budget data.	July 29, 2005
<ul style="list-style-type: none"> • County Executive • Chief Financial/ Operations Officer • County Budget Officer • Agency Administrators 	CEO Cabinet revises recommended additional requests plan for each department based on final budget data	July 29, 2005
<ul style="list-style-type: none"> • County Executive 	Recommended Final Budget Released.	August 26, 2005
<ul style="list-style-type: none"> • County Executive • Chief Financial/ Operations Officer • Internal Services Agency Administrator • County Budget Officer • Department Heads • Departmental Fiscal Officers • County Executive’s Office Analysts 	Information Sharing Session with Department Heads and Fiscal Staff. <ul style="list-style-type: none"> • Presented Summary of Overview of County Executive Preliminary Final Budget Recommendations 	August 26, 2005

Responsible Party	Event	Time
<ul style="list-style-type: none"> • Board of Supervisors • County Executive • Chief Financial/Operations Officer • Agency Administrators • County Budget Officer • County Executive's Office Analysts 	Final Budget Hearings <ul style="list-style-type: none"> • Preliminary Final Budget Recommendations. • Final Budget (overview of changes to Proposed Budget) plus new additional requests and disagreed items. • Transient-Occupancy Tax Hearings 	September 7, 2005, 9:30 a.m. September 13, 2005, 2:00 p.m.
<ul style="list-style-type: none"> • Board of Supervisors • County Executive • Chief Financial/Operations Officer • Agency Administrators • County Budget Officer 	Final Budget Hearings <ul style="list-style-type: none"> • Five-Year Capital Improvement Plan 	September 14, 2005
<ul style="list-style-type: none"> • Board of Supervisors • County Executive • Chief Financial/Operations Officer • Agency Administrators • County Budget Officer • Director of Finance 	Final Budget Hearings <ul style="list-style-type: none"> • Continue Final Budget Deliberations • Department of Finance-Auditor/Controller Division prepared Final Budget Resolutions which are reviewed by OBDM staff • Board of Supervisors adopts Budget Resolutions 	September 15, 2005, 9:30 a.m. September 15, 2005 September 15, 2005
<ul style="list-style-type: none"> • Agency Administrators • Department Heads • Departmental Fiscal Officers • County Budget Officer • County Executive's Office Analysts 	Prepares Final Budget Document for publication	October 2005
<ul style="list-style-type: none"> • County Executive • Chief Financial/Operations Officer • Internal Services Agency Administrator • County Budget Officer 	<ul style="list-style-type: none"> • File Final Budget document with State Controller's Office • Release Final Budget to Public • Final Budget available to Public via Internet 	November 1, 2005

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

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

CLASSIFICATION
FUNCTION: GENERAL
ACTIVITY: Finance
FUND: GENERAL

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.