

GENERAL BUDGET INFORMATION

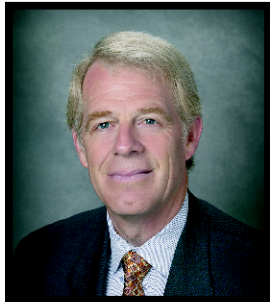
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BOARD OF SUPERVISORS AND COUNTY OFFICIALS



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



**Chief Financial/
Operations Officer**
Geoffrey B. Davey



Clerk of the Board
Cindy H. Turner



County Counsel
Robert A. Ryan, Jr.

ORGANIZATION CHART

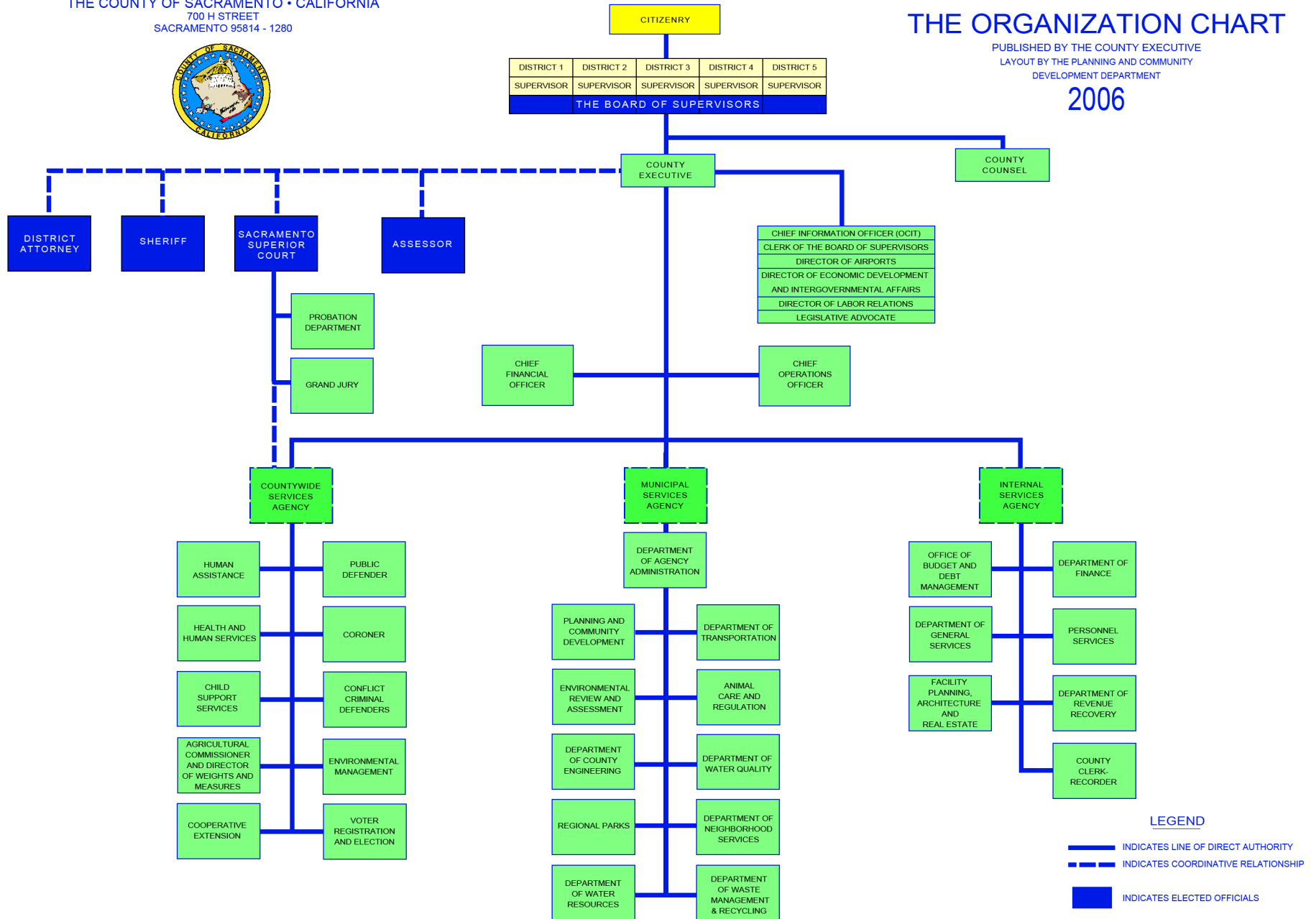
THE COUNTY OF SACRAMENTO • CALIFORNIA
700 H STREET
SACRAMENTO 95814 - 1280



THE ORGANIZATION CHART

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

2006



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
2001-02	1,149,956,655	259,937,148	890,019,507
2002-03	1,159,989,349	284,296,690	875,692,659
2003-04	1,214,674,553	280,174,790	934,499,763
2004-05	1,314,858,092	317,934,325	996,923,767
2005-06	1,437,719,589	393,718,756	1,044,000,833
2006-07 (Budget)	1,524,247,420	385,832,652	1,138,414,768

THE COUNTY BUDGET (REQUIREMENTS) FUNCTIONS DESCRIPTIONS

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

THE COUNTY BUDGET (REQUIREMENTS)

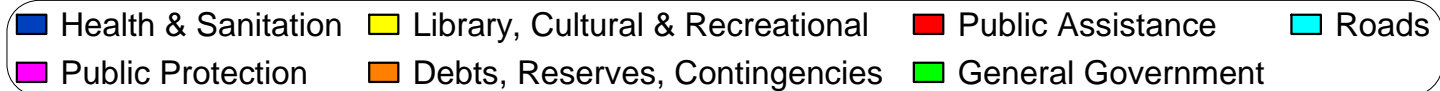
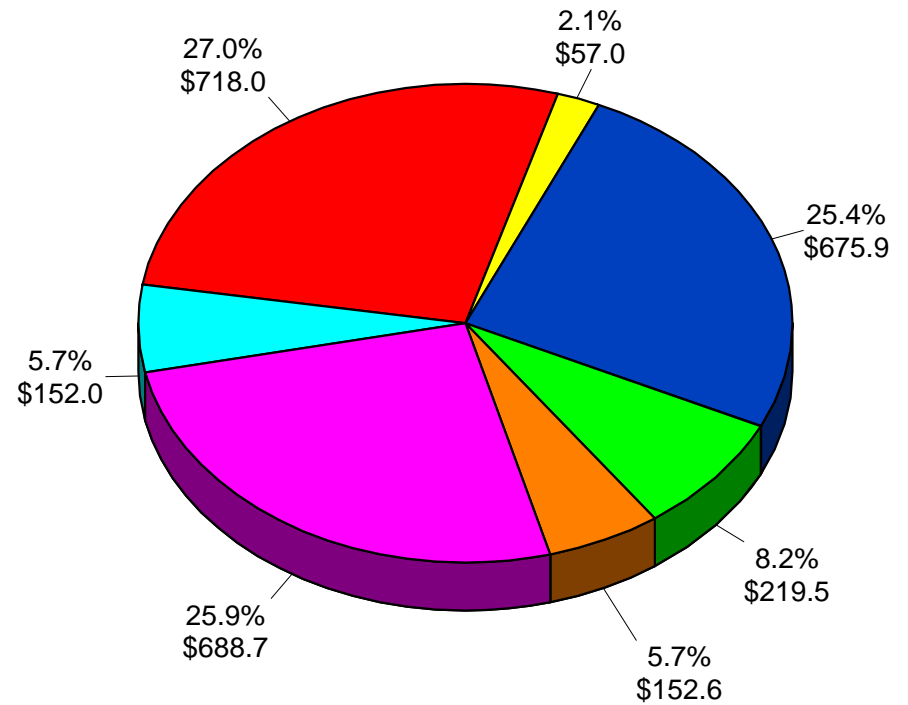
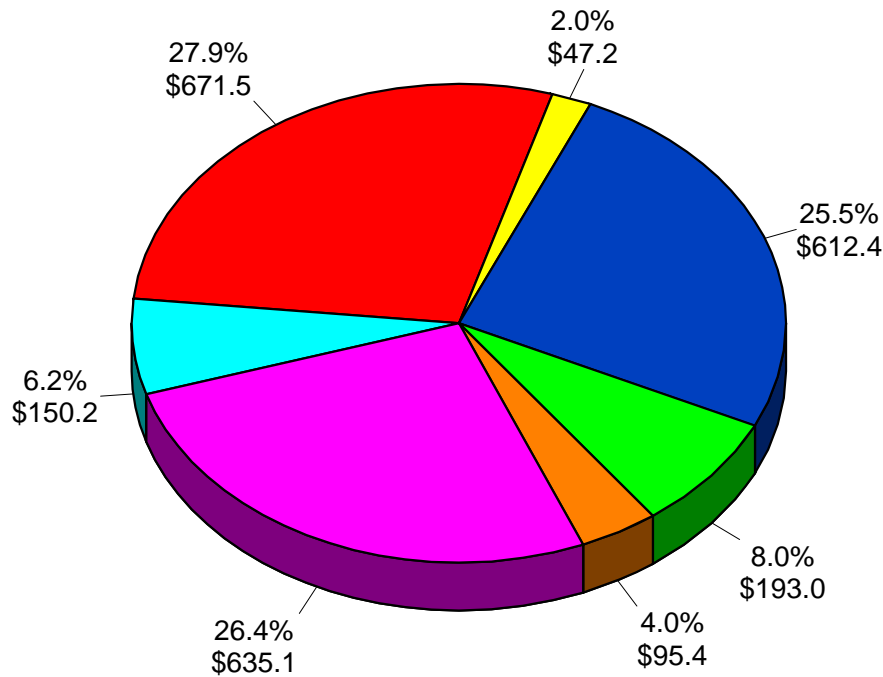
THE COUNTY BUDGET

REQUIREMENTS

(Pie Chart Amounts Expressed In Millions)

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

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



SUMMARY TABLES FOR PIE CHARTS

	<u>REQUIREMENTS</u>					
	Fiscal Year		Fiscal Year			
	2005-06		2006-07			
General Government	\$	192,994,759	8.0%	\$	219,512,693	8.2%
Public Protection		635,137,464	26.4%		688,703,702	25.9%
Roads		150,249,968	6.2%		151,957,322	5.7%
Health & Sanitation		612,370,877	25.5%		675,917,079	25.4%
Public Assistance		671,515,851	27.9%		717,968,853	27.0%
Library, Cultural & Recreational		47,222,363	2.0%		56,955,543	2.1%
Debts, Reserves, Contingencies		95,358,559	4.0%		152,582,033	5.7%
GRAND TOTAL	\$	2,404,849,841	100.0%	\$	2,663,597,225	100.0%
	<u>FINANCING</u>					
	Fiscal Year		Fiscal Year			
	2005-06		2006-07			
Property Taxes	\$	198,142,000	8.2%	\$	247,331,650	9.3%
Other Taxes		258,208,647	10.7%		277,758,447	10.4%
Aid-Other Government Agencies-State		1,021,260,870	42.5%		1,045,802,761	39.3%
Aid-Other Government Agencies-Federal		438,771,894	18.2%		475,188,035	17.8%
Other Revenues		351,084,883	14.6%		366,786,906	13.8%
Year-End Balance, Reserve Release		137,381,547	5.7%		250,729,426	9.4%
GRAND TOTAL	\$	2,404,849,841	100.0%	\$	2,663,597,225	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)

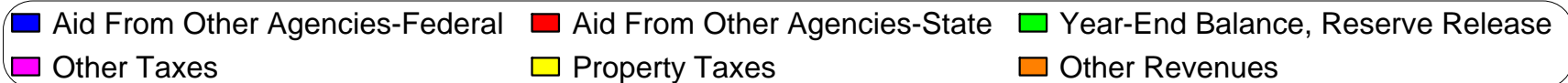
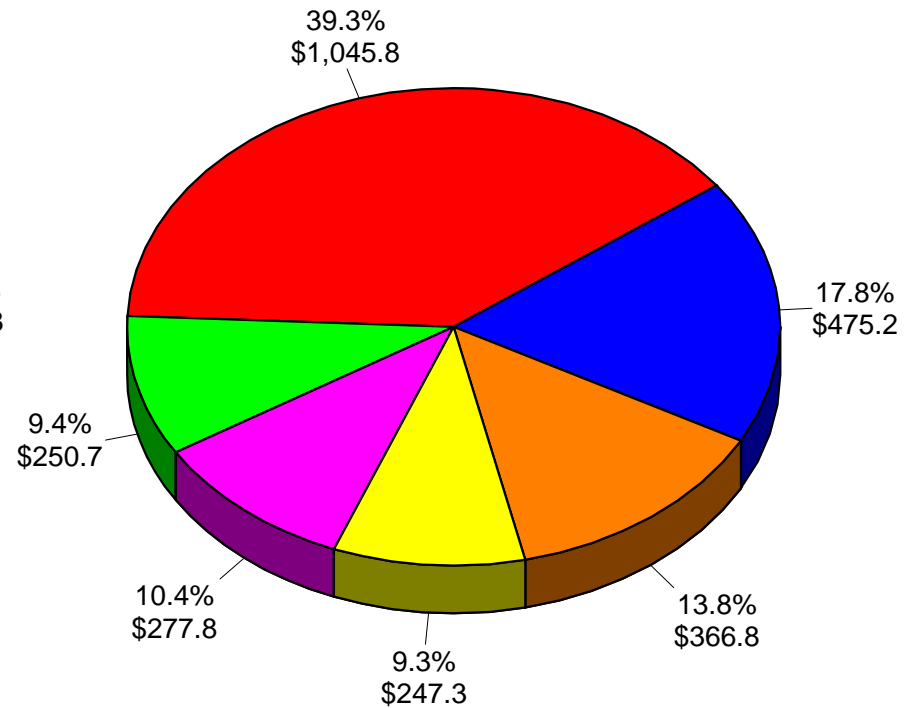
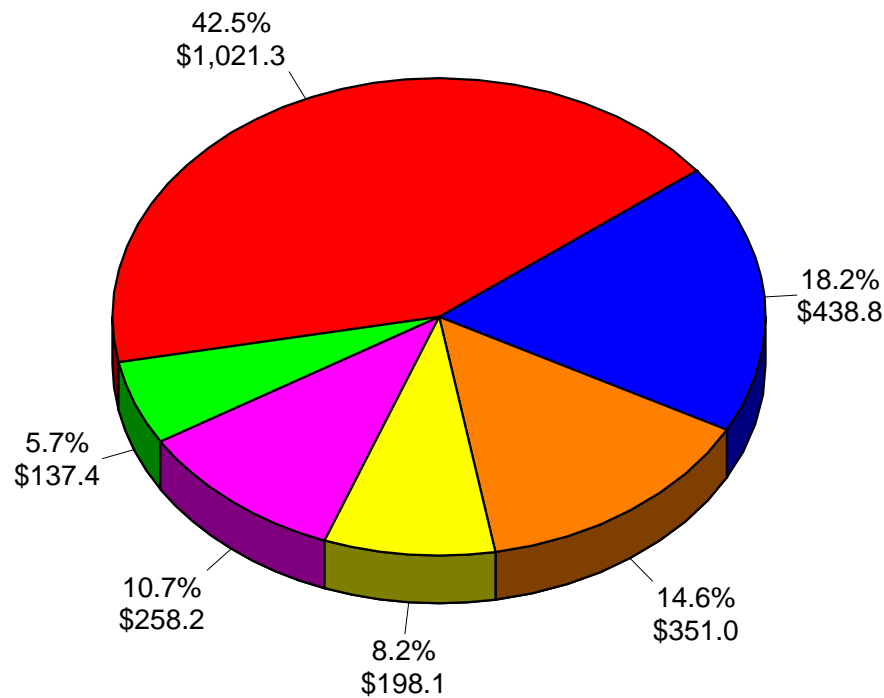
THE COUNTY BUDGET

FINANCING

(Pie Chart Amounts Expressed In Millions)

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

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



SUMMARY OF FUND BALANCES

Fund Description	Fund Number	Adopted 2005-06	Adopted 2006-07	Variance	Percent
GENERAL	001A	102,560,476	140,718,398	38,157,922	37.2%
FISH AND GAME	002A	17,566	4,184	-13,382	-76.2%
HEALTH CARE/UNINSURED	004A	2,343	635,831	633,488	27037.5%
ROAD	005A	3,600,576	-2,231,284	-5,831,860	-162.0%
PARKS CONSTRUCTION	006A	845,323	107,597	-737,726	-87.3%
CAPITAL CONSTRUCTION	007A	-33,291,031	-10,694,149	22,596,882	-67.9%
TOBACCO LITIGATION SETTLEMENT	008A	2,283,184	50,688,715	48,405,531	2120.1%
ENVIRONMENTAL MANAGEMENT	010B	1,955,539	2,122,562	167,023	8.5%
LIBRARY	011A	2,228,522	4,393,298	2,164,776	97.1%
COMMUNITY SERVICES	012A	205,733	288,007	82,274	40.0%
FIRST 5 SACRAMENTO COMMISSION	013A	13,672,446	17,755,888	4,083,442	29.9%
TRANSIENT OCCUPANCY	015A	-272,928	498,270	771,198	-282.6%
TEETER PLAN	016A	5,203,163	3,131,742	-2,071,421	-39.8%
GOLF	018A	-622,423	26,687	649,110	-104.3%
ECONOMIC DEVELOPMENT	020A	16,335,347	17,141,726	806,379	4.9%
BUILDING INSPECTION	021A	1,326,411	289,503	-1,036,908	-78.2%
ROADWAYS	025A-H	12,147,152	6,494,557	-5,652,595	-46.5%
TRANSPORTATION-SALES TAX	026A	1,555,483	1,473,164	-82,319	-5.3%
CH REFUSE-OPERATIONS	049A	727,772	1,111,738	383,966	52.8%
SOLID WASTE AUTHORITY	050A	850,984	480,438	-370,546	-43.5%
REFUSE ENTERPRISE	051A	3,019,844	3,891,683	871,839	28.9%
REFUSE-CAPITAL OUTLAY	052A	-3,716,348	21,203,470	24,919,818	-670.5%
RURAL TRANSIT	068A	0	-207,354	-207,354	
ANTELOPE PUBLIC FACILITIES FINANCING	101A-E	4,735,238	5,753,226	1,017,988	21.5%
LAGUNA CRK/ELLIOTT RCH CFD 1	105A/C	5,071,014	4,162,220	-908,794	-17.9%
LAGUNA COMMUNITY FACILITY DISTRICT	107A-B	17,639,193	6,305,983	-11,333,210	-64.3%
VINEYARD PFFP - ROADWAYS	108A-B	5,441,431	8,448,782	3,007,351	55.3%
BRADSHAW/US 50 FINANCING DISTRICT	115A	996,559	911,113	-85,446	-8.6%
FLORIN ROAD CAPITAL PROJECT	118A	0	421,219	421,219	
FULTON AVENUE CAPITAL PROJECT	118B	0	414,300	414,300	
LAGUNA STONELAKE CFD-BOND PROCEEDS	130A	158,216	65,439	-92,777	-58.6%
PARK MEADOWS CFD-BOND PROCEEDS	131A	172,177	188,270	16,093	9.3%
MATHER LANDSCAPE MAINT CFD	132A	207,115	585,736	378,621	182.8%
MATHER PFFP	136A-B	2,534,886	2,741,908	207,022	8.2%
GOLD RIVER STATION #7 LANDSCAPE CFD	137A	23,428	15,489	-7,939	-33.9%
METRO AIR PARK CFD 2000-1	139A	35,773,090	28,038,806	-7,734,284	-21.6%
MCCLELLAN PARK CFD	140A	8,751,844	6,586,161	-2,165,683	-24.7%
SACRAMENTO CO LANDSCAPE MAINT	141A	43,279	77,688	34,409	79.5%
METRO AIR PARK SERVICE TAX	142A	382,326	809,834	427,508	111.8%
NATOMAS FIRE DISTRICT	229A	1,529,766	296,587	-1,233,179	-80.6%

Fund Description	Fund Number	Adopted 2005-06	Adopted 2006-07	Variance	Percent
SRCSD 2000 REVENUE BONDS	240C	-1,185,598	0	1,185,598	-100.0%
CSD 1 2000 REVENUE BONDS	240D	1,618	0	-1,618	-100.0%
CSA NO. 1	253A	4,207	525,558	521,351	12392.5%
CSA NO. 5	254A	0	0	0	
CSA NO. 7	256A	0	0	0	
CSA NO. 10	257A	24,814	286,224	261,410	1053.5%
REGIONAL SANITATION DISTRICT	261A	8,505,426	0	-8,505,426	-100.0%
SRCSD OPERATIONS-CAPITAL OUTLAY	262A	228,392,399	0	-228,392,399	-100.0%
REGIONAL SAN DIST-DEBT SERVICE	265A	658,330	0	-658,330	-100.0%
COUNTY SANITATION DIST NO. 1	267A	11,414,218	0	-11,414,218	-100.0%
CO SANIT DIST NO. 1-TRK IMPROVEMENT	268A	60,437,529	0	-60,437,529	-100.0%
CSD#1 - REHABILITATION-CAPITAL OUTLAY	269B	68,651,503	0	-68,651,503	-100.0%
FIXED ASSET REVOLVING	277A	-536,353	0	536,353	-100.0%
JUVENILE COURTHOUSE PROJECT-CONSTRUCTION	279A	104,156	0	-104,156	-100.0%
JUVENILE COURTHOUSE PROJECT-DEBT SERVICE	280A	261,330	591,958	330,628	126.5%
2004 PENSION OBLIGATION BONDS	282A	171,560	277,956	106,396	62.0%
TOBACCO LITIGATION SETTLEMENT-CAPITAL PROJECTS	284A	59,394,076	96,544,008	37,149,932	62.5%
CAPITAL PROJECTS-DEBT SERVICE	287A	488,760	528,688	39,928	8.2%
1997-PUBLIC FACILITIES DEBT SERVICE	288A	6,485,083	7,698,324	1,213,241	18.7%
1997-PUBLIC FACILITIES-CONSTRUCTION	289A	29,482	4,925	-24,557	-83.3%
JAIL DEBT SERVICE	292A	433,116	713,782	280,666	64.8%
MENTAL HEALTH DEBT SERVICE	296A	6,925	0	-6,925	-100.0%
2003 PUBLIC FACILITES PROJ-CONST	297A	-288,724	0	288,724	-100.0%
2003 PUBLIC FACILITES PROJ-DEB SVC	298A	198,419	326,636	128,217	64.6%
2006 PUBLIC FACILITIES-CONST	305A	0	9,750,915	9,750,915	
2006 PUBLIC FACILITIES-DEBT SVC	306A	0	270,554	270,554	
1997-PUBLIC FACILITIES DEBT SERVICE	308A	1,498,449	1,622,034	123,585	8.2%
1997-PUBLIC FACILITIES-CONSTRUCTION	309A	3,956,651	4,578,702	622,051	15.7%
PENSION BOND-INT RATE STABILIZATION	311A	158,444	529,149	370,705	234.0%
PENSION OBLIGATION BOND-DEBT SERVICE	313A	2,771,674	3,531,750	760,076	27.4%
BEACH STONE LAKES FLOOD MITIGATION	314A	0	63,652	63,652	
WATER AGENCY-ZONE 11A	315A	10,371,350	10,883,440	512,090	4.9%
WATER AGENCY-ZONE 11B	315B	875,717	1,526,179	650,462	74.3%
WATER AGENCY-ZONE 11C	315C	132,605	1,382,462	1,249,857	942.5%
NO VINEYARD STATION	316A	0	565,626	565,626	
NORTH VINEYARD WELL PROTECTION	317A	64,491	304,031	239,540	371.4%
WATER AGENCY-ZONE 13	318A	1,470,765	1,750,375	279,610	19.0%
WATER AGENCY-ZONE 12	319A	828,334	973,011	144,677	17.5%
WATER AGENCY-ZONE 40	320A	46,334,060	30,030,183	-16,303,877	-35.2%
WATER AGENCY-ZONE 41	320B-E	1,849,018	3,006,159	1,157,141	62.6%

Fund Description	Fund Number	Adopted 2005-06	Adopted 2006-07	Variance	Percent
SCWA FINANCING AUTHORITY	320G	-31	0	31	-100.0%
SCWA ZONE 50	320H	0	3,979	3,979	
STORMWATER UTILITY DISTRICT	322A	9,030,442	7,432,960	-1,597,482	-17.7%
LANDSCAPE MAINTENANCE DISTRICT	330A	194,500	334,811	140,311	72.1%
MISSION OAKS PARK DISTRICT	336A	714,747	670,435	-44,312	-6.2%
MISSION OAKS MAINT & IMPROVEMENT ASSESSMENT DIS	336B	260,392	132,870	-127,522	-49.0%
CARMICHAEL PARK DISTRICT	337A	547,658	783,659	236,001	43.1%
SUNRISE PARK DISTRICT	338A	2,238,872	2,513,575	274,703	12.3%
DEL NORTE OAKS PARK DISTRICT	351A	3,787	626	-3,161	-83.5%
COUNTY SERVICE AREA 4B	560A	84,633	85,427	794	0.9%
COUNTY SERVICE AREA 4C	561A	40,772	30,055	-10,717	-26.3%
COUNTY SERVICE AREA 4D	562A	-276	-819	-543	196.7%
TOTAL		741,174,026	515,401,291	-225,772,735	-30.5%

SUMMARY OF TOTAL FISCAL YEAR BUDGET REQUIREMENTS

<u>SUMMARY OF TOTAL FISCAL YEAR BUDGET REQUIREMENTS</u>		
		Requirements Fiscal Year 2006-07
Operating Budget	\$	2,663,597,225
Internal Service		641,208,022
Enterprise		322,720,041
Special Revenue		533,514,746
Public Service Enterprise		23,825,172
TOTAL	\$	4,184,865,206

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	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
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

Fund	Budget Unit	Department
001A	5710000	OCIT-SHARED SYSTEMS
001A	6050000	PERSONNEL SERVICES
001A	6610000	PLANNING AND COMMUNITY DEVELOPMENT
001A	6700000	PROBATION
001A	6910000	PUBLIC DEFENDER
001A	6400000	REGIONAL PARKS
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
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 5 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
030A	9030000	INTERAGENCY PROCUREMENT
031A	7600000	OCIT
032A	7900000	FACILITY PLANNING, ARCHITECTURE & REAL ESTATE
033A	2400000	MUNICIPAL SERVICES (MS)-ADMINISTRATION
033A	2700000	MS-ADMINISTRATIVE SERVICES
033A	2300000	MS-CONSTRUCTION MANAGEMENT
033A	2450000	MS-DEVELOPMENT & SURVEYOR SERVICES
033A	2600000	MS-TRANSPORTATION
033A	2550000	MS-WATER QUALITY
033A	2560000	MS-WATER QUALITY-SRWTP
033A	2510000	MS-WATER RESOURCES
034A	2070000	PUBLIC WORKS-CAPITAL OUTLAY

Fund	Budget Unit	Department
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	7450000	GENERAL SERVICES-SECURITY SERVICES
035H	7007063	GENERAL SERVICES-PURCHASING
035J	7700000	GENERAL SERVICES-SUPPORT SERVICES
035L	7007500	GENERAL SERVICES-LIGHT EQUIP
035M	7007600	GENERAL SERVICES-HEAVY EQUIP
037A	3910000	LIABILITY PROPERTY INSURANCE
039A	3900000	WORKERS COMPENSATION INSURANCE
040A	3930000	UNEMPLOYMENT INSURANCE
041A	3400000	AIRPORT SYSTEM
043A	3480000	AIRPORT-CAPITAL OUTLAY
049A	2260000	CITRUS HEIGHTS REFUSE-OPERATIONS
050A	2240000	SOLID WASTE AUTHORITY
051A	2200000	REFUSE
052A	2250000	REFUSE CAPITAL OUTLAY
056A	7990000	PARKING ENTERPRISE
059A	7020000	REGIONAL RADIO COMMUNICATIONS SYSTEM
060A	7860000	BOARD OF RETIREMENT
068A	2930000	RURAL TRANSIT
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
118A	1182880	FLORIN ROAD CAPITAL PROJECT
118B	1182881	FULTON AVENUE CAPITAL PROJECT
130A	1300000	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	MCCLELLAN PARK CFD
141A	1410000	SACRAMENTO COUNTY LANDSCAPE MAINTENANCE
142A	1420000	METRO AIR PARK SERVICE TAX
143A	1430000	NORTH VINEYARD STATION SPECIFIC PLAN
144A	1440000	NORTH VINEYARD STATION SPECIFIC PLAN CFD
229A	2290000	NATOMAS FIRE DISTRICT
253A	2530000	COUNTY SERVICE AREA (CSA) NO. 1

Fund	Budget Unit	Department
257A	2857000	CSA NO. 10
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
298A	9298000	2003 PUBLIC FACILITIES-DEBT SERVICE
305A	9305000	2006 PUBLIC FACILITIES-CONSTRUCTION
306A	9306000	2006 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
314A	2814000	BEACH STONE LAKES FLOOD MITIGATION
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
320H	3057000	SACRAMENTO COUNTY WATER AGENCY-ZONE 50
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.

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

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

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

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

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

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

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

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

Golf Fund 018 - Includes the costs of operating, maintaining and improving the county's three golf courses. The major sources of funding are greens fees and concession payments. There is nor General Fund subsidy and fully reimburses the General Fund for overhead and support services. The department also engages in more general economic development and job creation programs.

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

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

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

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

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

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

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

Water Agencies Funds 315, 316, 317, 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.

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

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

DEBT SERVICE FUNDS

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

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

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

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

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

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

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

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

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

CAPITAL PROJECTS FUNDS

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

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

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

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

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

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

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

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

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

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

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

ENTERPRISE FUNDS

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

Regional Sanitation District Funds 261, 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.

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

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

Other - Accounts for the Sacramento County Water Maintenance District.

GOVERNMENTAL FUNDS

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

INTERNAL SERVICE FUNDS

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

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

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

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

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

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

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

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

PROPRIETARY FUNDS

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

TRUST AND AGENCY FUNDS**TRUST FUNDS**

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

Expendable Trusts:

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

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

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

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

AGENCY FUNDS

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

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

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

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

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

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

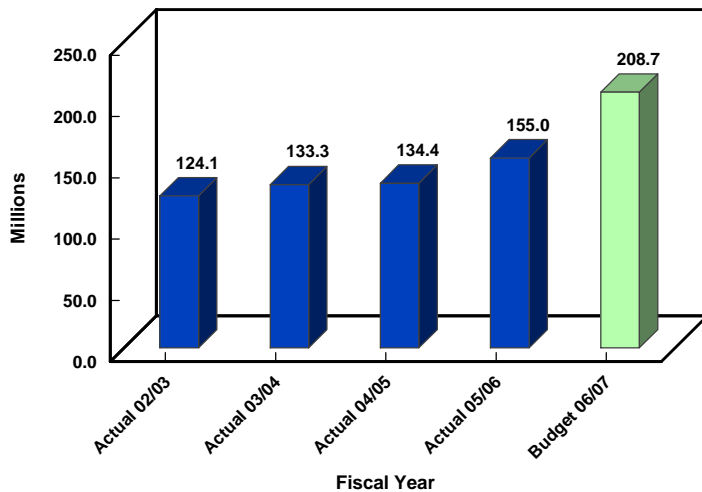
Revenue Source: Secured Property Tax

Trend	Percent Change	Comments	
2002-03 Actual	\$ 124,124,196	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.	
2003-04 Actual	\$ 133,254,148		7.36%
2004-05 Actual	\$ 134,421,235		0.88%
2005-06 Actual	\$ 155,024,292		15.33%
2006-07 Budget	\$ 208,650,000		34.59%

Secured Property Tax

This revenue estimate is based on the Assessor's secured property tax roll, a 2.00 percent growth rate in secured property tax revenues associated with annexation agreements, and the end of the ERAF III shift (\$12.2 million). The real estate market is softening, with lower levels of both new home construction and home resales. The Fiscal Year 2006-07 projected total is \$208.7 million.

Secured Property Tax



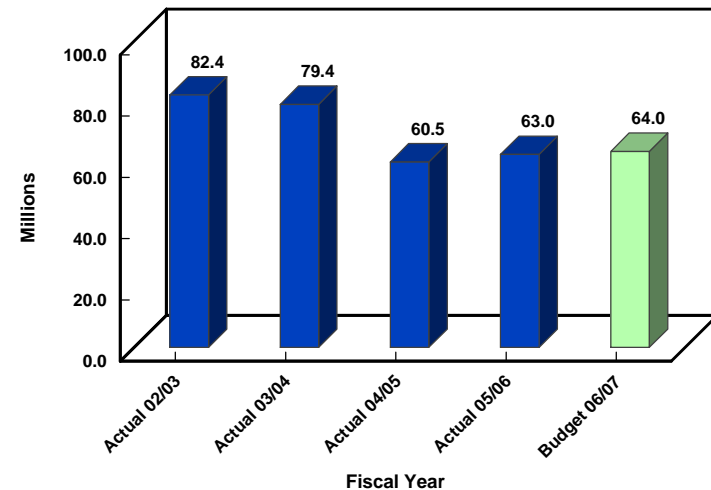
Revenue Source: Sales Tax

Trend	Percent Change	Comments	
2002-03 Actual	\$ 82,420,639	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).	
2003-04 Actual	\$ 79,350,064		(3.73%)
2004-05 Actual	\$ 60,538,987		(23.71%)
2005-06 Actual	\$ 63,032,698		4.12%
2006-07 Budget	\$ 63,990,000		1.52%

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 1.52 percent for a projected total of \$64.0 million.

Sales Tax



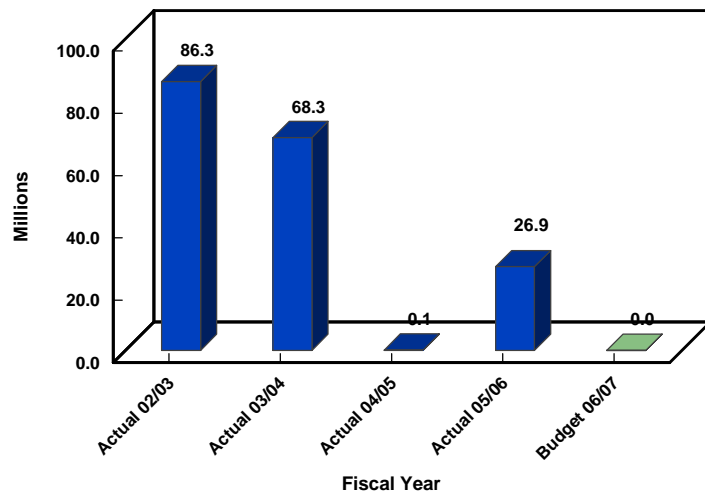
Revenue Source: Vehicle License Fees

Trend	Percent Change	Comments
2002-03 Actual \$ 86,317,519		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).
2003-04 Actual \$ 68,301,515	(20.87%)	
2004-05 Actual \$ 143,882	(99.79%)	
2005-06 Actual \$ 26,863,859	185.71%	
2006-07 Budget \$ 0	(100.0%)	

Vehicle License Fees

The revenue estimate is impacted by the State's "Swap" deal. The "Swap" deal eliminated the monthly Vehicle License Fees (VLF). There is no Vehicle License Fees revenue budgeted for Fiscal Year 2006-07.

Vehicle License Fees



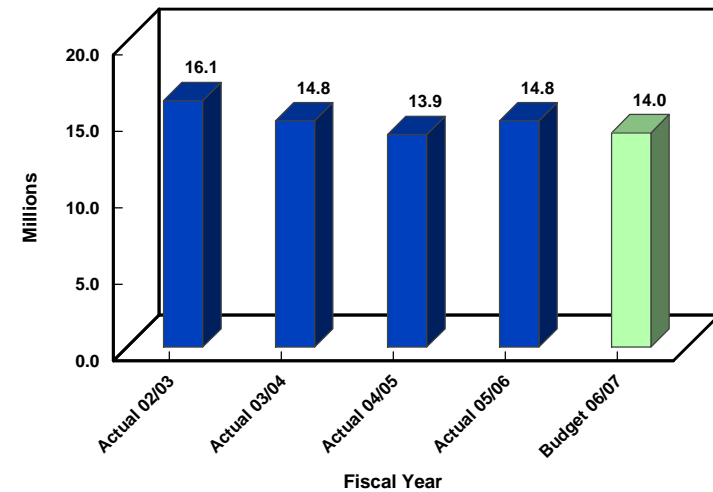
Revenue Source: Utility Tax

Trend	Percent Change	Comments
2002-03 Actual \$ 16,111,642		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.
2003-04 Actual \$ 14,789,537	(8.21%)	
2004-05 Actual \$ 13,892,778	(6.06%)	
2005-06 Actual \$ 14,784,396	6.42%	
2006-07 Budget \$ 14,000,000	(5.31%)	

Utility Tax

This estimate is based on a 5.31 percent decrease 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 cause a slight decline in utility tax revenue in Fiscal Year 2006-07.

Utility Tax



Revenue Source: Net Interest

Trend	Percent Change	Comments
2002-03 Actual \$ 3,961,475		Changes in revenue reflect net interest gain from Tax Revenue Anticipation Notes (TRANs) and interest on cash balances in the Treasury Pool.
2003-04 Actual \$ 778,704	(80.34%)	
2004-05 Actual \$ 5,638,228	624.05%	
2005-06 Actual \$ 11,721,999	107.90%	
2006-07 Budget \$ 8,080,080	(31.07%)	

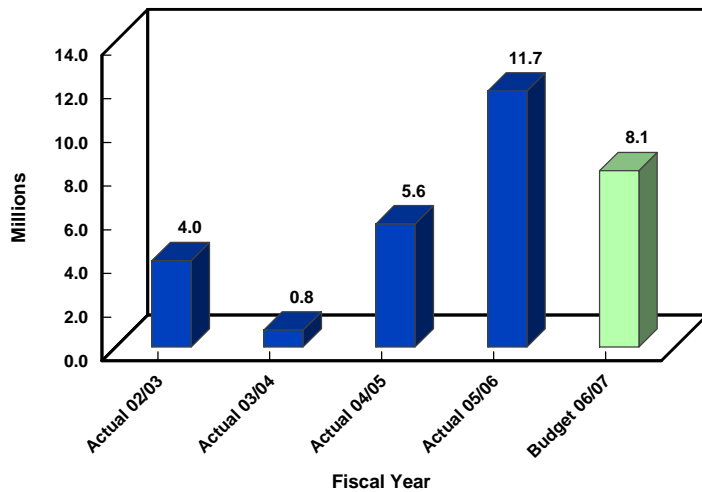
Revenue Source: Proposition 172 – Public Safety

Trend	Percent Change	Comments
2002-03 Actual \$ 82,771,106		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.
2003-04 Actual \$ 92,344,373	11.57%	
2004-05 Actual \$ 100,317,768	8.63%	
2005-06 Estimate \$ 106,766,892	6.43%	
2006-07 Budget \$ 108,977,847	2.07%	

Net Interest

This estimate is based on a 31.07 percent decrease in net interest revenues due to the relative change between the cost of TRANs (\$16.4 million) and the revenue earned from TRANs (\$23.4 million) and interest earnings from the County’s Treasury Pool. The projected net interest revenue for Fiscal Year 2006-07 is \$8.1 million.

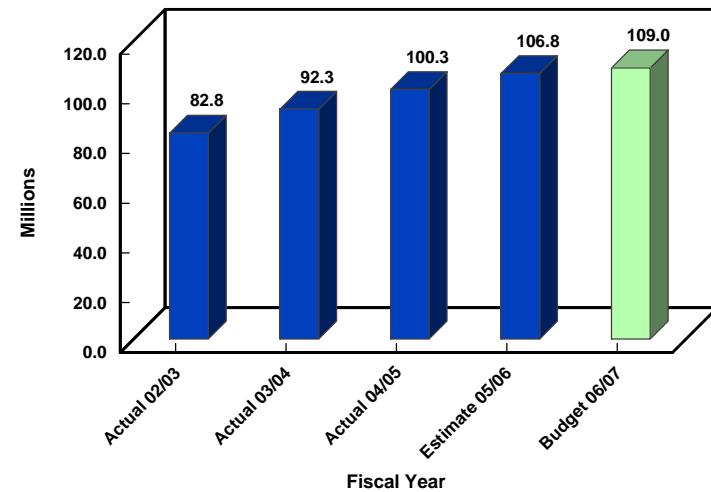
Net Interest



Public Safety Revenue

The estimate is based on 2.00 percent assumed growth in statewide sales tax collections during the Fiscal Year 2006-07.

Public Safety



Revenue Source: Realignment

Trend	Percent Change	Comments	
2002-03 Actual	\$ 154,343,250	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.	
2003-04 Actual	\$ 168,265,870		9.02%
2004-05 Actual	\$ 187,563,930		11.47%
2005-06 Estimate	\$ 196,366,670		4.69%
2006-07 Budget	\$ 203,410,000		3.59%

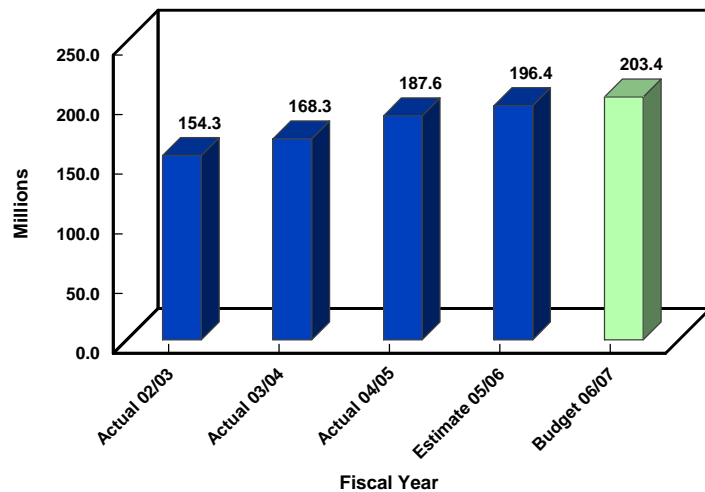
Revenue Source: Property Tax In-Lieu of Vehicle License Fee

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. Fiscal Year 2005-06's total includes a "true-up" payment of \$7.8 million for Fiscal Year 2004-05.	
2005-06 Actual	\$ 120,683,324		33.12%
2006-07 Budget	\$ 129,900,000		7.64%

Realignment Revenue

The assumptions for Realignment include 3.79 percent growth in statewide sales tax collections, 3.91 percent in vehicle license fees collections, and no changes in allocation patterns among the major Realignment Accounts.

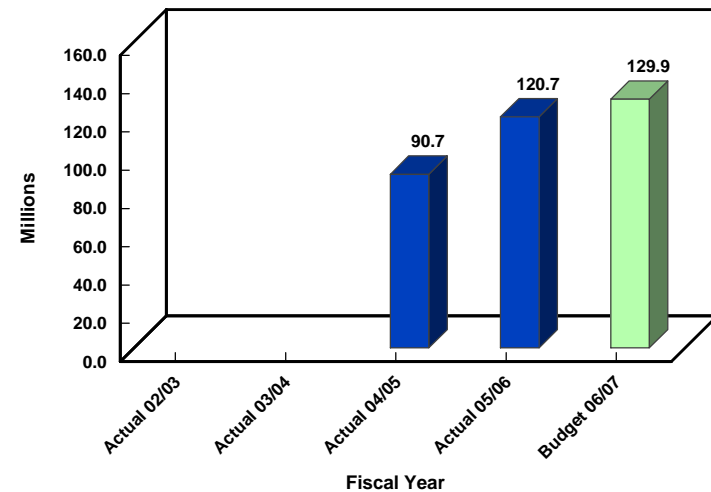
Realignment



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 2006-07 projected total of \$129.9 million reflects a 15.10 percent growth from the prior year actual levels after factoring out the "true-up"

Property Tax In-Lieu of Vehicle License Fee



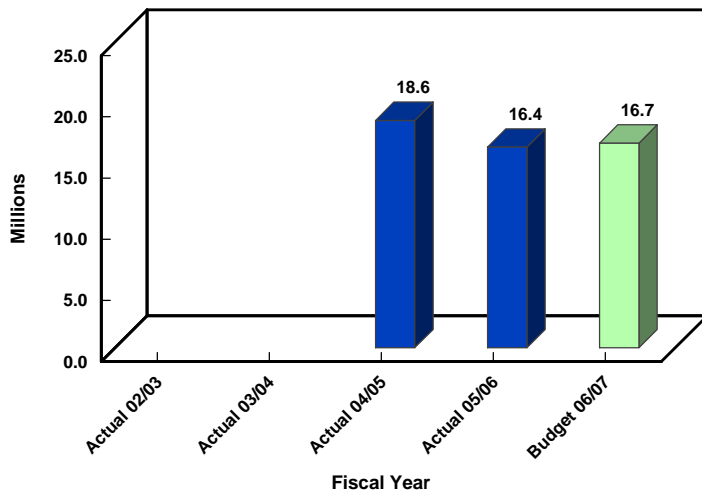
Revenue Source: In Lieu Local Sales and Use Tax

Trend	Percent Change	Comments
2004-05 Actual \$ 18,575,529	(11.74%) 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 Actual \$ 16,394,379		
2006-07 Budget \$ 16,721,880		

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 2006-07, a total of \$16.7 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

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

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, and state and local government 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 and contracts with the University of California, Davis for indigent health care services.

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

Criminal Justice. 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		
2001 through 2006		
	<u>As of December 31</u>	<u>Permanent (1)</u>
	2001	12,129
	2002	13,484
	2003	13,512
	2004	12,383
	2005	12,615
	2006 (2)	12,581

(1) Excludes temporary, limited-term, intermittent, and seasonal employees, which on April 15, 2006, totaled 1,777

(2) As of April 15, 2006.

Source: Sacramento County Department of Personnel Services.

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

The five organizations in the following table cover approximately 75.0% of the represented budgeted positions, as of February 14, 2006. 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	1,965	June 30, 2006
Office Technical	2,473	June 30, 2006
Deputy Sheriffs Association	1,974	June 30, 2006
Local 39	1,543	June 30, 2006
Health Services AFSCME	631	June 30, 2006
Probation Association	608	June 30, 2006
Total	9,194	

Source: Sacramento County Office of Budget and Debt Management

Recent labor contracts have included COLAs, market driven equity increases, and health insurance subsidy increases.

For 2005/06 Fiscal Year, the County Executive’s budget included compensation increases for all represented and unrepresented employees and vacant budgeted positions. Compensation increases were assumed in the budget process and in the 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.

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

Deferred Compensation Plan

In addition to the defined benefit pension plan described above, the County has established a voluntary deferred compensation plan available to all regular county employees to provide for retirement or disability benefits. Under this plan participants may elect to defer up to the lower of \$15,000 or 100.0% of includable compensation in any calendar year for those participants under age 50 and \$20,000 for those participants over age 50 for the 2006. 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 their investments into 34 different options provided by Fidelity Mutual Funds, Fidelity BrokerageLink (self directed brokerage account), and Washington Mutual Bank. None of these monies are invested in the Sacramento County Pooled Investment Fund. As of December 31, 2005, approximately 11,778 employees

participated in the deferred compensation plan. Assets held in the investment fund on behalf of these employees aggregated approximately \$613,531,537.

In-Home Support Services (IHSS) Workers

Pursuant to state law, the County formed an IHSS Public Authority, an independent agency for which the Board of Supervisors serves as the Board of Directors. The Healthcare Workers Union, West (HWU), formerly Service Employees International Union Local 250, became the exclusive employee representative organization for the Sacramento County IHSS in 2001. The current labor agreement negotiated with HWU became effective on November 1, 2004, and is in effect through November 30, 2006. Major changes to the agreement included an increase in the health care contribution made by the County for IHSS workers, and dental coverage for those IHSS workers who are eligible for the health care benefits. Additionally, under the new agreement the maximum number of IHSS workers eligible to receive the combined benefit package increased from 2,900 to 3,150. Benefit cost reimbursements are up to \$0.60 per paid IHSS hour by federal (50.0%), state (32.5%) and county (17.5%) contributions.

The current labor agreement allows for the contract to be reopened for negotiations regarding wages if the state contribution rate was increased and/or should health premiums increase. At the time the Fiscal Year 2005/06 Final Budget was adopted, it was not anticipated that the State would increase its contribution rate above the \$9.50 rate; however, the State approved a contribution rate of up to \$10.50 per hour, since health premiums were increased by 11.0%. Thus negotiations were reopened and are now concluded, and an addendum to the labor agreement was approved that increased the wage rate from \$9.50 to \$10.00 per hour, effective January 1, 2006, which increased the county’s health benefits contribution. The addendum to the labor agreement reflects an increase in net county cost for the remainder of Fiscal Year 2005/06 of approximately \$1,084,898 and for Fiscal year 2006/07 approximately \$2,240,000.

Since the current labor agreement with HWU expires on November 30, 2006, the county’s premium share, the number of covered members and the plan design are subject to negotiations with HWU.

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 2006/07 Fiscal Year, in order to make budget decisions earlier, the County held budget hearings on May 10, 2006. At the conclusion of this session of budget hearings, the Board of Supervisors adopted a balanced Proposed Budget. Final Budget Hearings were held September 6, 2006 through September 14, 2006 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 face 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 the impact of state budget actions. See “CERTAIN FACTORS AFFECTING REVENUES AND EXPENDITURES” herein.

The County has addressed its budgetary difficulties in the past by a variety of means, including a hiring freeze, reducing programs and services, 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 of Supervisors and the public well before decision deadlines.

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 small funding gap in the General Fund for the 2006/07 Fiscal Year, the County allocated the anticipated general purpose financing to General Fund departments early in the budget process, on February 3, 2006. In essence, each department was given a net cost appropriation target. In addition, the Board of Supervisors reaffirmed its commitment to countywide budgetary and service delivery obligations (mandates) and priorities to structure the reductions necessary to balance the 2006/07 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 projected shortfall in projected revenue, the County anticipates that immediate steps intended to reduce appropriations would be implemented. The County believes that appropriation reductions would be achieved through a combination of hiring freezes, 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.

The following table reflects summaries of the county's 2005/06 and 2006/07 Adopted Final Budgets.

COUNTY OF SACRAMENTO		
General Fund		
2005/06 and 2006/07 Adopted Final Budgets		
(Amounts Expressed in Thousands)		
	2005/06 Adopted <u>Final Budget</u>	2006/07 Adopted <u>Final Budget</u>
APPROPRIATIONS		
Reserve Increase	\$ 47,576	\$ 56,959
General Government	119,602	143,405
Public Protection	614,371	668,226
Public Ways and Facilities	66	66
Health and Human Services	571,429	626,308
Public Assistance	646,815	693,756
Education, Cultural and Recreation	10,906	12,976
Contingencies	<u>3,951</u>	<u>4,297</u>
Total Appropriations	\$2,014,716	\$2,205,993
AVAILABLE FUNDS		
Beginning Fund Balance	\$ 61,785	\$ 106,218
Departmental Carryover	40,776	34,500
Reserve Cancellation	6,629	13,040
Property Taxes	176,073	223,073
Sales Taxes	61,500	63,990
Other Taxes	150,869	177,112
Licenses and Permits	10,723	11,774
Fines, Forfeitures and Penalties	23,661	23,631
Use of Money and Property	20,355	25,101
Aid from Other Government Agencies (State and Federal)	1,319,122	1,361,454
Charges for Current Services	95,003	95,732
Other Revenue	<u>48,220</u>	<u>70,368</u>
Total Available Funds	\$2,014,716	\$2,205,993

Source: Sacramento County Office of Budget and Debt Management.

On January 31, 2006, the County Executive Office presented its Midyear Budget Report to the Board of Supervisors. For Fiscal Year 2005/06, the Midyear Budget Report provided the status of expenditures and revenues in relation to the county's adopted final budget. The Midyear Budget Report identified unavoidable cost increases of approximately \$23.0 million along with approximately \$33.0 million in previously unanticipated financing improvements (which consists primarily of early repayment of approximately \$27.0 million of Vehicle License Fee [VLF] loan from the State) for a net of nearly \$10.0 million in unallocated funds available for allocation to growth requests in the General Fund. The Midyear Budget Report cited reliance by the County on several one-time funding sources, including, an unusually high General Fund balance from Fiscal Year 2004/05, to help balance the General Fund budget for Fiscal Year 2005/06, but cautioned that such funding measures provided only a temporary solution to a structural shortfall. See "CERTAIN FACTORS AFFECTING REVENUES AND EXPENDITURES - Projected Future Financial Stress" herein.

Summary Financial Statements

The following financial statements were taken from the County Financial Reports for the fiscal years ended June 30, 2001 through 2005.

COUNTY OF SACRAMENTO
Total General Fund Revenues, Expenditures and
Changes in Fund Balance 2000/01 Through 2004/05
 (Amounts Expressed in Thousands)

	2000/01	2001/02	2002/03	2003/04	2004/05*
Beginning Fund Balance	\$ 145,022	\$ 159,500	\$ 134,185	\$ 155,865	\$ 139,172
Revenues					
Taxes	230,775	239,547	257,364	268,583	375,822
Licenses, permits and franchises	13,488	15,457	16,712	18,391	10,443
Fines, forfeitures and penalties	29,921	19,399	19,830	22,537	23,940
Revenues from use of money and property	27,691	24,582	15,880	9,241	20,167
Aid from other governmental agencies	1,065,684	1,189,683	1,213,471	1,186,576	1,206,333
Charges for current services	58,978	59,987	68,363	96,256	81,173
Other revenue	55,997	62,005	92,569	69,903	64,279
Total Revenues	\$1,482,534	\$1,610,660	\$1,684,189	\$1,671,487	\$1,782,157
Long-Term Obligation Proceeds	0	0	0	0	426,131
Operating and equity transfers from other funds	21,393	6,655	21,646	18,109	14,257
Total Revenues, Transfers, And Proceeds	\$1,503,927	\$1,617,315	\$1,705,835	\$1,689,596	\$2,222,545
Expenditures					
General government	\$ 75,175	\$ 48,726	\$ 25,070	\$ 78,255	\$ 103,214
Public protection	466,022	535,026	566,440	545,176	824,164
Health and sanitation	246,994	288,698	329,846	387,425	406,445
Public assistance	633,148	685,221	678,002	645,655	762,855
Public ways and facilities	67	67	67	83	82
Education	349	383	348	366	476
Recreation and cultural	8,858	9,498	9,668	8,877	11,169
Debt Service-Principal	0	0	819	96	139
Debt Service-Interest	0	0	237	0	0
Bond Issuance Costs	0	0	0	0	6,131
Capital Outlay	0	0	390	0	0
Total Expenditures	\$1,430,613	\$1,567,619	\$1,620,887	\$1,665,933	\$2,114,675
Operating and equity transfers to other funds	58,836	75,011	63,268	40,356	45,090
Total Expenditures and Transfers	\$1,489,449	\$1,642,630	\$1,684,155	\$1,706,289	\$2,159,765
Excess/deficiency of revenue over/under expenditures and transfers	\$ 14,478	\$ -25,315	\$ 21,680	\$ -16,693	\$ 62,780
Ending Fund Balance	\$ 159,500	\$ 134,185	\$ 155,865	\$ 139,172	\$ 201,952

*Reflects 2004/05 recognition of long-term revenue and allocation of expense.
 Source: Sacramento County Department of Finance.

Financial Statements; Generally Accepted Accounting Principles (GAAP) Basis

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

Independently audited financial reports are prepared annually in conformity with 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 2004/05. The County's 2005/06 financial report continues to conform to the Certificate of Achievement requirements and it was submitted to the GFOA to determine its eligibility for another certificate.

Investment of County Funds; County Pool

State law requires that all monies of the County, school districts, and certain special districts located within the County be held by the Treasurer (Director of Finance). Pursuant to the County Charter and subject to annual review and renewal by the Board of Supervisors, the Director of Finance is authorized to invest and reinvest the funds. The County's General Fund, among other funds, is invested in the Sacramento County Pooled Investment Fund (the "County Pool"), which is managed by the Director of Finance. The County Pool is governed by the Sacramento County Annual Investment Policy for the Pooled Investment Fund (the "Investment Policy") as authorized by the Sections 53601 et seq. and 53635 et seq. of the Government Code of California (the "California Government Code") which the Director of Finance annually renders to the Board of Supervisors. The Board of Supervisors 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, 2006, 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 1.0% 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 192 days, offering participants daily liquidity.

The 2006 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 California 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 2006 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, 2006. 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, 2006**

Average Daily Balance	\$2,827,214,664
Period-End Balance	\$2,921,098,614
Yield	4.241%
Weighted Average Maturity	192 Days
Duration in Years	0.509 Years
Historical Cost	\$2,921,638,848
Market Value	\$2,928,028,980
Percent of Market to Cost	100.22%

Source: Sacramento County Department of Finance.

SOURCES OF COUNTY REVENUES

The County derives its revenues from a variety of sources including ad valorem property taxes, sales and use taxes, licenses, permits and franchises issued by the County, use of county property and money, aid from other governmental agencies, charges for services provided by the County and other miscellaneous revenues. For Fiscal Year 2006/07, 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 2006/07**

Property Taxes	10.8 %
Sales Taxes	3.1
Other Taxes	9.0
Licenses & Permits	0.6
Fines, Forfeitures and Penalties	1.2
Use of Money and Property	1.0
Aid From Other Governmental Agencies	66.3
Charges for Current Services	4.6
Other Revenue	3.4
Total	100.0%

Source: Sacramento County Office of Budget and Debt Management.

Following is a description of various significant county revenue sources.

Property Taxes

Assessed Valuation

Sacramento County assesses property values and collects and distributes secured and unsecured property taxes to the County, cities, 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.

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

The Assessor's Roll lien date for the 2006/07 Fiscal Year roll is January 1, 2006. In recent years, assessed valuation in the County continued to grow. However, in the early and mid 1990s there was very little growth in the Assessor's tax rolls. The following table summarizes actual secured roll growth in recent years.

Fiscal Year	Secured Roll Growth
2001/02	8.20%
2002/03	9.68%
2003/04	9.47%
2004/05	12.01%
2005/06	14.72%
2006/07 Est.	12.90%

Source: Sacramento County Assessor's Office

The following table reflects the 2006/07 Estimated and 2005/06 Actual assessed valuations in the County. A seven-year history of assessed valuation in the County is also provided.

COUNTY OF SACRAMENTO Assessed Valuations 2006/07 Estimated and 2005/06 Actual (Amounts Expressed in Thousands)			
	Net Assessed Valuation	Reimbursed Exemptions	Assessed Valuation For Revenue Purposes (1)
<u>2006/07 (Est.)</u>			
Local Secured	\$113,631,440	\$1,742,041	\$115,373,481
Utility--Nonunitary	72,059	--	72,059
Utility--Unitary	1,542,700	--	1,542,700
Unsecured	<u>4,313,493</u>	<u>278</u>	<u>4,313,771</u>
Total	\$119,559,692	\$1,742,319	\$121,302,011
<u>2005/06</u>			
Local Secured	\$100,647,865	\$1,723,087	\$102,370,952
Utility--Nonunitary	72,059	--	72,059
Utility--Unitary	1,542,700	--	1,542,700
Unsecured	<u>4,313,493</u>	<u>278</u>	<u>4,313,771</u>
Total	\$106,576,117	\$1,723,365	\$108,299,482

(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.
Estimate by Office of Budget and Debt Management.

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

Fiscal Year	Total Assessed Valuation (1)
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
2005/06	108,299,482

(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 located in the County as of the preceding January 1. Real property which changes ownership or is newly constructed is revalued at the time the change occurs or the construction is completed. The current year property tax rate is applied to the reassessed value, and the taxes are then adjusted by a proration factor that reflects the portion of the remaining tax year for which taxes are due.

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

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year, and if unpaid, become delinquent on December 10 and April 10, respectively. A penalty of 10.0% attaches immediately to 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 methods of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the Clerk of the Court specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a judgment against the taxpayer and a lien on

certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging to or assessed to the assessee.

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

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

Pursuant to state law, the County is required in connection with its Teeter Plan to establish a tax losses reserve fund to cover losses which may occur in the amount of tax liens as a result of special sales of tax-defaulted property (i.e., if the sale price of the property is less than the amount owed). The amount required to be on deposit in the tax losses reserve fund is, at the election of the County, one of the following amounts: (1) an amount not less than 1.0% of the total amount of taxes and assessments levied on the secured roll for a particular year for entities participating in the Teeter Plan, or (2) an amount not less than 25.0% of the total delinquent secured taxes and assessments calculated as of the end of the fiscal year for entities participating in the Teeter Plan. The County's tax losses reserve fund is fully funded, in accordance with the county's election to be governed by the second alternative at \$4.6 million as of June 30, 2005. Accordingly, any additional penalties and interest that otherwise would be credited to the tax losses reserve fund are credited to the County's General Fund. The County has elected to fund the tax losses reserve fund at an amount not less than the 25.0% of the total delinquent taxes and assessments calculated at the end of the fiscal year.

Shown in the following table are the countywide secured roll tax levies, and corresponding current levy delinquencies and total collections, since 2000/01.

COUNTY OF SACRAMENTO
Countywide Secured Tax Levies, Delinquencies and Collections
2000/01 through 2006/07 (Estimated)
 (Amounts Expressed in Thousands)

Fiscal Year	Secured Tax Levies (1)	Current Delinquent Levy June 30	Percent Current Delinquent Levy June 30	Total Collections June 30 (2)	Total Collection Current Levy
2000/01	\$603,051	\$ 9,680	1.61	\$593,371	98.39
2001/02	658,421	9,750	1.48	648,671	98.52
2002/03	722,729	12,272	1.70	710,457	98.30
2003/04	802,625	11,603	1.45	791,022	98.55
2004/05	899,246	13,020	1.45	886,226	98.55
2005/06 (3)	1,028,533	N/A	N/A	N/A	N/A
2006/07 (3)	1,162,593	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 1, 2006, by the Office of Budget and Debt Management.

Source: Sacramento County Department of Finance.

Largest Secured Taxpayers

The ten largest secured taxpayers in the County, as shown on the 2005/06 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 \$31,639,731 in property taxes or about 2.5% of the county's \$1,256,826,067 secured roll tax levy, including levies for bond debt service and special assessments.

SACRAMENTO COUNTY
Largest Secured Taxpayers
2005/06

Intel Corporation	\$ 5,647,841
SBC Pac Bell	4,173,770
Pacific Gas and Electric Co.	3,413,234
Elliot Homes, Inc.	3,347,894
Aerojet General Corporation	2,944,288
Lennar Renaissance Inc.	2,904,378
Cingular	2,575,520
Surewest	2,297,849
Rosetta Resources Inc.	2,175,239
Oates Marvin, Et Al.	2,159,718
Total	\$31,639,731

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 is allocated to realignment pool.

Other Taxes

The County collects a 2.5% utility user tax, of approximately \$14.0 million for the 2006/07 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 2006/07 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 2006/07 General Fund Budget consists of payments from the State. 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. See "CERTAIN FACTORS AFFECTING REVENUES AND EXPENDITURES – Potential Impact of State Financial Condition" herein.

CERTAIN FACTORS AFFECTING REVENUES AND EXPENDITURES

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

Projected Future Financial Stress

The Midyear Budget Report for Fiscal Year 2005/6 contained a discussion of potential budget shortfalls for future fiscal years which could occur as a result of a variety of factors, but which may be mitigated, in part, by a variety of measures to be undertaken by the county. The Midyear Budget Report projects an initial funding gap of approximately a \$6.0 million in the 2006/07 Fiscal Year, due primarily to the expiration of one-time funding sources or budget savings. Further, the Midyear Budget Report projects a funding gap of approximately \$48.0 million in Fiscal Year 2007/08; approximately \$21.0 million in Fiscal Year 2008/09; approximately \$20.0 million in Fiscal Year 2009/10 and approximately \$9.0 million in Fiscal Year 2010/11; due in large part to steep increases in debt service payments on the county's outstanding pension obligation bonds. The Midyear Budget Report also describes a variety of other factors responsible for the development of these large multiyear funding gaps. These factors include the allocation of increased amounts of local resources to state mandated programs. In addition, the county's municipal revenues (those derived solely from unincorporated areas within the county) have stagnated, while the costs associated with those

areas have risen rapidly. According to the Midyear Budget Report, the incorporation of the cities of Citrus Heights, Elk Grove and Rancho Cordova have accelerated this trend by depriving the county of high tax growth base areas. In response to these anticipated financial stresses, the County has begun to reduce countywide programs and services, however, according to the Midyear Budget Report, further reductions or additional sources of revenues will be needed in order to extricate the county's General Fund from ongoing budgetary distress.

Other Post-Employment Benefits (OPEB) Liability

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45 (GASB 45), which addresses how state and local governments should account for and report their costs and obligations related to post-employment health care and other nonpension benefits. GASB 45 generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitment related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of GASB 45 may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation. However, the unfunded actuarial liability is required to be amortized over future periods on the income statement. GASB 45 also established disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and for certain employers, the extent to which the plan has been funded over time. These disclosure requirements will be effective for the county's Fiscal Year ending June 30, 2008. Because of the manner in which it has historically paid post-retirement health benefits, the County believes that GASB 45 will most likely not result in a substantial increase in the annual expense recognized by the County for such benefits. The County has voluntarily funded certain non-vested post-employment health care and other non-pension benefits on a year-to-year basis, subject to an annual determination by the Board of Supervisors. In addition, the County has taken steps to phase out such benefits. However, the amount of any liability and any increase in the annual expense to be recognized, as a result of GASB 45, has not yet been determined by the County. Further, the accounting treatment of such benefits has not yet been determined. As a result, there can be no assurances that implementation of GASB 45 will not result in a significant unfunded liability.

Post-Employment Health Care Benefits

Since 1980, the County has voluntarily provided retired county employees of the County with health insurance offset payment benefits intended to assist them with the cost of the purchase of health insurance (the "Health Insurance Subsidy"). The level of benefits provided by the County is set by an annual determination of the Board of Supervisors. In 2003, the County adopted a formal Retiree Health Insurance Policy to govern eligibility for, and access to the health insurance plans and the level of Health Insurance Subsidy payments (if any) that are offered by the county to its retirees. That policy has subsequently been amended on several occasions and continues to govern participation in the county's Retiree Health Insurance Program, (the "Program") which is a program that provides access to group medical and dental insurance as well as any Health Insurance Subsidy payments to retirees. The Health Insurance Subsidy payments are not vested benefits of employment with the County and are subject to annual determination and appropriation by the county's Board of Supervisors.

Initially, Health Insurance Subsidy benefits were funded with excess earnings from the Sacramento County Employees' Retirement System (SCERS). However, beginning with Fiscal Year 2004/05, SCERS funding was no longer available. Consequently, the county elected to provide funding for Health Insurance Subsidy benefits through allocated charges to all county departments. On February 7, 2006, the Board of Supervisors approved continued funding of the Program through December 31, 2007. All criteria will be reconsidered by the Board of Supervisors annually each calendar year. However, the County is not obligated to provide retirees with a certain level of, or with any, Health Insurance Subsidy benefits and may elect to discontinue such benefits at any time. If the County elects to continue to provide funding for the Program, it may modify its policy to change eligibility requirements, the level of benefits provided or other features of the Program. Such changes could result in increases or decreases of county expenditures for the Program. Further, if the County elects to continue to provide funding for the Program, it would engage the services of an actuary to provide an estimate of the cost to the County of continued Health Insurance Subsidy benefits. Finally, if the County elects to continue to provide funding for the Program, it may consider the use of funding sources other than excess earnings from SCERS or charges to the county's departments.

State Budget

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

Proposed Governor's Budget for Fiscal Year 2006/07

On January 10, 2006, the Governor proposed his 2006/07 Fiscal Year Budget for the State of California which focuses on improved infrastructure, K-12 and higher education, transportation, health, and disaster preparedness. The major emphasis of this budget proposal is increased funding for K-12 and a new focus on upgrading California's infrastructure.

Specifically related to the counties, under the provisions of Proposition 1A, the County will no longer be required to transfer additional property tax revenues to the state under the Educational Revenue Augmentation Fund (ERAF) III provisions. See "PROPOSITION 1A--PROTECTION OF LOCAL GOVERNMENT REVENUES" herein. This will add approximately \$12.2 million to the General Fund Non-Departmental Revenue. Additionally, as proposed in the Governor's budget, it is not anticipated that there will be other major negative impacts to funds or programs. However, there is one troubling issue regarding funding for CalWORKs. The Governor appears to have proposed reducing the 2005/06 allocation to counties for child care by \$114.0 million statewide on the basis that counties will not have increased child care costs for the current fiscal year. There is some concern that the Administration is proposing to recoup these funds administratively and that the state does not have the statutory authority to reduce funds midyear

without legislative approval. This is of particular concern for the precedent that may be set not only for CalWORKs but for other local government programs that are funded totally or partially from state funding sources. However, the Chief Counsel for the State Department of Social Services has indicated to representative of the County Counsels' Association that the department is simply proposing to "pull back" the earlier child care allocations and retain those funds in order to help pay for the anticipated increase in program costs for the 2006/07 Fiscal Year. The money would remain available for the 2005/06 Fiscal Year to the extent necessary.

Further, the Administration does not plan to give counties future increases in the cost of doing business (CODB). This means that every year counties will be paying a little more for administering the Medi-Cal and CalWORKs systems. CalWORKs has not received a CODB adjustment since 2001. California State Association of Counties (CSAC) believes that this is a shift in the sharing ratio, which is prohibited by Proposition 1A. See "PROPOSITION 1A--PROTECTION OF LOCAL GOVERNMENT REVENUES" herein.

Additionally, the Governor's Budget Proposal includes \$53.0 million to pay for the November 2005 statewide special election. Of this amount, \$45.0 million is earmarked for county costs although no allocation method has been specified. The proposal also indicates that county funding is an augmentation to the budget to ensure sufficient resources for the upcoming June statewide primary election.

The Governor's budget proposes to continue the suspension of the Property Tax Administration Program (PTAP) grants through Fiscal Year 2006/07. These grants were vetoed by the Governor as part of his blue-pencil veto during the 2005/06 Fiscal Year State Budget process. The elimination of this grant reduced funding for the Sacramento County Assessor's Office by \$1.554 million in Fiscal year 2005/06. The Governor's Administration has indicated their willingness to work with the Legislature and local government representatives on alternatives for creating a new PTAP for implementation in the 2007/08 Fiscal Year.

Legislative Analyst Office Budget Overview

On January 12, 2006, the LAO released a report entitled Overview of the Governor's Budget (LAO Budget Overview), which is an analysis, by the LAO of the 2006/07 Proposed State Budget. The LAO Budget Overview is available on the LAO Web site at www.lao.ca.gov. Information on the Web site is not incorporated herein by reference and the County undertakes no responsibility for the accuracy thereof.

The LAO states that the 2006/07 Governor's Budget projects that the State will be able to fund much more than a current-law budget and still maintain fiscal balance in 2006/07. The LAO also states that the plan moves the State in the wrong direction in terms of reaching its longer-term goal of getting its fiscal house in order. Given the state's current structural budget shortfall, they believe that the 2006/07 budget should focus more on paying down existing debt before making expansive new commitments.

The LAO November forecast indicated that a much-improved revenue picture would enable California to fund current-law budget requirements in 2006/07, but that the State still faced a longer-term structural gap between revenues and expenditures.

In addition, the LAO also states that as a result of further improvements in the revenue outlook, the 2006/07 Governor's Budget now projects that the State will be able to fund much more than a current-law budget and still maintain fiscal balance in the budget year. Specifically, the proposal includes over \$4.0 billion in higher spending, including over \$2.0 billion for new or

expanded programs and \$920.0 million for the prepayment of a loan due to transportation in 2007/08. The State Budget package also contains a major long-term infrastructure proposal covering transportation, flood protection and water supply, education, and corrections.

Per the LAO, the State Budget's more positive revenue assumptions compared to the LAO November report appear reasonable in light of recent positive cash revenue trends, and they believe that some of the actions proposed-namely the prepayment of budgetary debt-make sense in light of the improved outlook. However, they also believe that the overall plan moves the State in the wrong direction in terms of reaching its longer-term goal of getting its fiscal house in order. Instead of using the current unexpected revenue increases-which are primarily from more volatile revenue sources such as business profits and capital gains-to reduce outstanding obligations, the budget ratchets up ongoing spending by about \$2.0 billion. Given the state's current structural budget shortfall, as well as the substantial outstanding obligations that eventually have to be repaid related to past borrowings from schools, local governments, and transportation, they believe that the 2006/07 budget should focus more on paying down existing debt before making expansive new commitments.

Potential Impact of State of California Financial Condition on the County

The County derives a substantial portion of its annual revenues from the State of California. For Fiscal Year 2006/07, the County anticipates that approximately 42.7% of its total revenues will be provided by the State (including funds provided by the State for specific state and federal programs). From time to time, during periods when the State has experienced financial stress, it has significantly reduced revenues to local governments (including the County) or shifted financial responsibility for programs to local governments, as part of its efforts to address state financial difficulties. While the County does not anticipate reductions in anticipated state revenues or shifting of cost from the State to the County in Fiscal Year 2006/07, there can be no assurances that future state financial difficulties will not materially adversely affect the county's financial condition in the future.

The Governor's Proposed State Budget reflects the following potential impacts on the county's finances: Reduced financing due to nonrecoverable costs associated with administering/processing Senate Bill (SB) 90 claims; ongoing reduction in grant funds associated with Assessor's property tax administration program; only partial reimbursement for the November 2005 statewide special election; and the continued lack of cost of doing business (CODB) adjustments for administering the Medi-Cal and CalWORKS systems. Increased financing for the county's Probation Department from the Juvenile Justice Crime Prevention Act for the Neighborhood Alternative Center and the Day Reporting Center; the Health and Human Services Department's programs such as the Pandemic Flu Program (planning and monitoring), the Children's Medical Services Program, the Severely Emotionally and Disturbed Pupils Services Program, the Foster Care Adoptions and Permanent Housing Program for children who cannot be reunited with parents, and for the Healthy Families Program (outreach and enrollment activities). Also, the Governor's Propose State Budget contains financing to maintain Drug Court Program funding at the current 2005/06 Fiscal Year level.

Timely State Action

County finances may also be impacted by the timing of state budget actions. The Legislature rarely sends the Governor a budget by its mandated June 15 deadline. In the past decade, the state budget has been adopted as late as the month of September on two separate occasions. Whenever the state budget is adopted after the official deadlines, the county's decision-making process then becomes compressed. County adjustments to compensate for state

actions may become necessary well after the start of the fiscal year. Given the state's financial problems, and the large level of state funding in the county budget, the county's financial condition could be adversely affected by state action.

General Fund Budget Model Five-Year Projection

As part of the annual budget process, a five-year projection of the General Fund is prepared each year in conjunction with the Budget Forecast.

The current five-year forecast includes moderate expenditure increases and revenue growth in the future years, as well as the significant increases in POB debt service costs. It is anticipated that cost increases will exceed financing growth throughout the period. Although budget shortfalls are expected for the entire five-year projection period, the budget shortfall will be most acute during Fiscal Year 2007/08.

The following table summarizes the multiyear budget projections for the General Fund through Fiscal Year 2010/11:

GENERAL FUND BUDGET MULTIYEAR PROJECTIONS SUMMARY						
(As of March 2006)						
(Amounts Expressed In Millions)						
	Budget 2005/06	Proposed 2006/07	Projection 2007/08	Projection 2008/09	Projection 2009/10	Projection 2010/11
Departmental Expenditures	1,967.2	2,119.3	2,197.8	2,288.4	2,384.2	2,477.5
Departmental Revenues	1,419.5	1,493.8	1,547.1	1,599.4	1,653.4	1,709.5
Net Cost	547.7	625.5	650.7	689.0	730.8	768.0
Carryover	40.8	23.8	20.0	20.0	20.0	20.0
Net Department Requirement	506.9	601.7	630.7	669.0	710.8	748.0
Reserve Increase (Release)	47.6	(0.0)	(14.0)	(6.0)	(6.9)	0.0
Net Allocation	554.4	601.7	616.7	663.0	703.9	748.0
General Revenues	486.00	532.2	561.9	588.8	617.2	647.5
Fund Balance	61.8	56.9	15.0	15.0	15.0	15.0
Financing Reserves	6.6	12.6	0.0	0.0	0.0	0.0
General Purpose Financing	554.4	601.7	576.9	603.8	632.2	662.5
Projected Base Budget Balance/(Deficit)	0.0	0.0	(39.8)	(59.2)	(71.7)	(85.5)
Assumed Elimination of Deficit with ongoing sources	2006/07	0.0	0.0	0.0	0.0	0.0
	2007/08	0.0	0.0	39.8	39.8	39.8
	2008/09	0.0	0.0	0.0	19.4	19.4
	2009/10	0.0	0.0	0.0	0.0	18.5
Projected Net Base Budget Balance/(Deficit)		0.0	(39.8)	(19.4)	(12.5)	(7.8)

Source: Sacramento County Office of Budget and Debt Management

The multiyear projections are based upon a series of assumptions for annual cost and financing increases. Many of the assumptions involve the performance of the local, state, and national economy. Actual performance of the economy is always different from the projections made by economic experts. In general, this set of multiyear projections assume moderate increases in costs and healthy increases in financing, and are fairly optimistic.

The forecast assumes that there will be a Reserve Release in Fiscal Years 2007/08 through 2009/10 from the Reserve for POB debt service mitigation. Even with this release, the model projects there will still be a need to significantly reduce costs starting in Fiscal Year 2007/08 and continuing beyond that fiscal year. The primary reasons for the anticipated shortfalls are increases in the required POB debt service payments; higher employer pension contributions due to actuarial assumption changes that will be phased-in over the next two years; and, expiration of one-time state payments.

This situation may be further compounded as a result of the county's current labor negotiations. In Fiscal Year 2006/07, the model included a COLA of 4.0% based upon current consumer price index (CPI) trends. However, until the current labor negotiations have concluded, the exact amount of cost increases attributable to the actual negotiated COLA's, including the additional years covered within the expected multiyear contracts, is unknown. However, for estimating purposes only, a 3.0% COLA has been included in the Fiscal Years 2008/09 through 2010/11.

In evaluating the multiyear projections and the potential for the General Fund to grow out of its current structural funding gap, it is important to consider that property tax revenues, the largest sources of general purpose financing, are unlikely to continue to grow at current rates. The County has projected, in the budget model, moderate property tax increases of 6.0% annually starting with Fiscal Year 2007/08.

The multiyear projections are based on constant rates of cost and financing increases, as it is impossible to predict when a major economic shift will occur (such as an economic recession or expansion period). Many factors can influence whether the projections hold true or not.

It is important to note that there is a projected long-term funding gap in the General Fund. Over the next several years, the situation will not likely improve unless permanent measures to close the funding gap are initiated.

Proposition 1A--Protection of Local Government Revenues

Proposition 1A, proposed by the state legislature in connection with the 2004/05 Budget Act, approved by the voters in November 2004 and generally effective in Fiscal Year 2006/07, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008/09, the State may shift to schools and community colleges up to 8.0% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions

are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the VLF rate currently in effect, 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend state mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

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

Limitations on Taxes and Appropriations

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

Article XIII A

Article XIII A of the California Constitution limits the amount of *ad valorem* taxes on real property to 1.0% of "full cash value" as determined by the County Assessor. Article XIII A defines "full cash value" to mean "the County Assessor's valuation of real property as shown on the 1975/76 tax roll under "full cash value", or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment period." The "full cash value" is subject to annual adjustment to reflect increases, not to exceed 2.0% per year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIII A exempts from the 1.0% tax limitation any taxes to repay indebtedness approved by the voters prior to July 1, 1978, and allows local governments and school districts to raise their property tax rates above the constitutionally mandated 1.0% ceiling for the purpose of paying off certain new general obligation debt issued for the acquisition or improvement of real property and approved by two-thirds of the votes cast by the qualified electorate. For school district general obligation debt and associated tax rate increases the voter approval threshold is 55.0%. Article XIII A requires a vote of two-thirds of the qualified electorate to impose special taxes, the imposition of any additional ad valorem, sales or transaction tax on real property. In addition, Article XIII A requires the approval of two-thirds of all members of the State Legislature to change any state laws resulting in increased tax revenues.

Article XIII B

Article XIII B of the California Constitution (the "Gann Limit" provision) limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the governmental entity. The "base year" for establishing such appropriation limit is the 1978/79 fiscal year and the limit is to be adjusted annually to reflect

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

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

On September 14, 2006, the Board of Supervisors approved publication of the annual appropriation limit for the Fiscal Year 2006/07 in the amount of \$1,524,247,420. The limitation applies only to proceeds of taxes and therefore does not apply to service fees and charges, investment earnings on 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 2006/07 Adopted Final Budget, the funds subject to limitation (total General Operating Budget minus nonproceeds of taxes, debt service, and carry over) are \$385,832,652 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 2000/01 through 2006/07 Budgeted:

COUNTY OF SACRAMENTO			
Year	Appropriation Limit	Appropriation Subject to Limit	Margin
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
2006/07	1,524,247,420	385,832,652	1,138,414,768

Source: Sacramento County Office of Budget and Debt Management.

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. Gardino*). The Court determined that the tax was a "special tax", one whose proceeds are dedicated to a special purpose (in this case, transportation). Consequently, the California Constitution required a two-thirds voter approval. The Court relied in part upon the provisions of Proposition 62, even though the California Appellate Courts had previously ruled Proposition 62 unconstitutional in most respects.

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

Proposition 218

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

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

Proposition 218 (Article XIII C) also expressly extends the initiative power to matters of local taxes, assessments, fees and charges. This means that the voters of the County could, by future initiative, reduce or repeal existing local taxes, assessments, fees and charges. The initiative power granted under Proposition 218, by its terms, applies to all local fees and charges and is not necessarily limited to those that are property-related fees and charges. No assurance can be given that the voters of the County will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges, such as the Transient-Occupancy Tax (TOT) and the Utility Tax which support the County's General Fund. In Fiscal Year 2006/07, the County expects to receive approximately \$6.3 million in TOT revenue and approximately \$14.0 million in Utility User Tax revenue (approximately 2.9% of general-purpose revenues). The Transient-Occupancy Tax revenue has historically been allocated by the Board of Supervisors to arts, cultural, and recreational programs. During difficult budget years, a portion of TOT revenue was transferred to the General Fund for basic county services. The 2006/07 Recommended Proposed Budget includes a transfer of approximately \$1.4 million for basic county services which reflects a transfer reduction of \$1.3 million from the prior fiscal year. The County plans to continue to phase out the transfer of TOT funds to the General Fund. Both

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

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

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

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

In addition to the Refuse Enterprise Fund, the County has several enterprise funds which are self-supporting. Also, several bodies corporate and politic of the State of California which are legally distinct and separate from the County operate in an area generally coterminous with the County, including but not limited to the Sacramento Regional County Sanitation District. These funds and special districts are supported by fees and charges for services, including providing solid waste collection and disposal service and sewer and wastewater services. 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

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

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

On July 1, 2001, the City of Elk Grove became fully responsible for providing services to its residents. The City of Elk Grove is currently responsible for making revenue neutrality payments to the County. In addition, 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 for the first year after incorporation. This debt is to be repaid over a five-year period beginning in the 2001/02 Fiscal Year, and Elk Grove has made these repayments on a regular basis. The revenue neutrality obligation of the City of Elk Grove is 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 to its residents and is also responsible for making revenue neutrality payments to Sacramento County. In addition, the City of Rancho Cordova is responsible for repaying the County approximately \$6.0 million in net costs of providing services to Rancho Cordova in the first year after incorporation. This debt is to be repaid over a five-year period beginning in the 2003/04 Fiscal Year, and Rancho Cordova has made these repayments on a regular basis. The revenue neutrality obligation of the City of Rancho Cordova is a share of the city property taxes. The revenue neutrality payments are thus "secured" from any potential refusal of the City of Rancho Cordova to make the payments since the County collects and holds Rancho Cordova's property tax revenue. The net fiscal impact on the County is a loss of approximately \$6.6 million of revenues annually.

Residents of other portions of the county's Unincorporated Area have been discussing potential incorporation. However, at this time no formal action is pending. Further, some cities located in the County are planning for the annexation of portions of the county's 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. Currently, the county is not engaged in negotiations with any city in the county for a property tax exchange agreement.

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

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 \$380.0 million. On July 1, 2005, the County issued \$380.0 million in tax and revenue anticipation notes for Fiscal Year 2005/06. The notes will mature on July 10, 2006.

General Obligation Debt

There is no knowledge that the County has ever 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
2005 Tax and Revenue Anticipation Notes (TRANS)	July 1, 2005	\$380,000,000	3.00%	July 10, 2006

General Fund Lease Obligations

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
(As of December 31, 2005)

LEASES WITH PUBLIC FACILITIES FINANCING CORPORATION

PROJECT	RENTAL PAYMENT STARTING DATE	AMOUNT OF BORROWING/ REMAINING BALANCE	BORROWING RATE(S)	MAXIMUM ANNUAL LEASE PAYMENT	FINAL PAYMENT DATE
1990 Certificates of Participation (Fixed Asset Acquisition Program)	October 1990	\$105,750,000/ \$81,445,000	4.534%	\$8,758,881	June 2020
1997 Refunding Certificates of Participation (1994 Public Facilities Project--Coroner/ Crime Lab and Data Center)	April 1998	\$88,360,000 / \$86,180,000	From 4.500% to 5.000%	\$6,320,535	October 2027
1997 Public Facilities Project (Public Buildings Facilities)	August 1997	\$58,020,000/ \$38,625,000	From 5.000% to 5.375%	\$4,718,740	February 2019
1999 Refunding Certificates of Participation, (Capital Projects) Employees Parking Facility	July 2000	\$ 6,830,000/ \$ 4,275,000	From 4.500% to 5.125%	\$729,056	July 2012
Cherry Island Golf Course	July 2000	\$ 9,130,000/ \$ 7,050,000	From 4.500% to 5.750%	\$766,533	July 2018
2003 Refunding Certificates of Participation (Main Detention Facility)	December 2003	\$43,790,000/ \$42,155,000	From 2.250% to 5.000%	\$5,580,750	June 2015
2003 Refunding Certificates of Participation (Public Facilities Projects)	December 2003	\$15,230,000/ \$14,950,000	From 2.250% to 5.000%	\$966,780	June 2034
2003 Refunding Certificates of Participation (Juvenile Courthouse Project)	December 2003	\$36,150,000/ \$35,470,000	From 2.000% to 5.000%	\$2,216,813	December 2034

LEASE WITH RIVER CITY REGIONAL STADIUM FINANCING AUTHORITY

PROJECT	RENTAL PAYMENT STARTING DATE	AMOUNT OF BORROWING/ REMAINING BALANCE	BORROWING RATE(S)	MAXIMUM ANNUAL LEASE PAYMENT ⁽¹⁾	FINAL PAYMENT DATE
River City Regional Stadium	November 1999	\$39,990,000/ \$37,690,000	From 7.750% to 8.090%	\$2,382,021	November 2029

(1) County responsible for 66.67% of debt service payment.

LEASE WITH SACRAMENTO REGIONAL ARTS FACILITIES FINANCING AUTHORITY

PROJECT	RENTAL PAYMENT STARTING DATE	AMOUNT OF BORROWING/ REMAINING BALANCE	BORROWING RATE(S)	MAXIMUM ANNUAL LEASE PAYMENT ⁽²⁾	FINAL PAYMENT DATE
Theaters Projects	March 2003	\$16,580,000/ \$15,920,000	From 2.200% to 5.000%	\$528,577	September 2032

(2) County responsible for 50.0% of debt service payments.

OUTSTANDING LONG-TERM OBLIGATIONS
OF THE SACRAMENTO COUNTY GENERAL FUND
(As of December 31, 2005)

GENERAL FUND NON-LEASE OBLIGATIONS
PENSION OBLIGATION BONDS

PROJECT	INTEREST PAYMENT STARTING DATE	AMOUNT OF BORROWING / REMAINING BALANCE	BORROWING RATE(S)	MAXIMUM ANNUAL COUNTY DEBT SERVICE PAYMENT	FINAL PAYMENT DATE
Series 1995	August 1995	\$538,060,208/ \$536,333,842	From 6.235% to 7.680%	\$95,161,733	July 2022
Series 2003	August 2006	\$152,320,646/ \$171,025,666	From 2.440% to 5.730%	\$79,210,022	August 2023
Series 2004	July 2006	\$426,131,120/ \$451,271,601	From 3.423% to 5.628%	\$43,689,572	July 2033

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

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

Period Ending June 30th	Series 1990 COPs(1)	Series 1997 COPs	Series 1997 Refunding COPs	Series 1999 - Lease Revenue Bonds (2)	Series 1999 - Capital Projects COPs	Series 2002 Regional Arts COPs(3)	Series 2003 Pub. Fac. Proj. COPs	Series 2003 Main Det. COPs	Series 2003 Juv. Court COPs	Series 1995 POBs (4)	Series 2003 POBs	Series 2004 POBs (5)	Fiscal Year Total
2006	7,177,051	4,725,490	6,319,850	2,383,770	1,501,426	529,621	959,508	5,107,038	2,214,988	21,552,212	-	-	52,470,954
2007	7,250,430	4,718,740	6,316,793	2,382,020	1,495,589	528,576	963,095	5,154,463	2,216,238	21,552,212	10,510,000	20,798,208	83,886,363
2008	7,322,690	4,582,625	6,317,055	2,381,408	1,492,126	527,050	955,720	5,209,663	2,212,238	21,552,212	21,015,000	21,623,108	95,190,894
2009	7,403,349	4,588,875	6,316,235	2,381,674	1,490,731	527,320	962,608	5,259,325	2,212,538	21,552,212	31,525,000	23,196,250	107,416,116
2010	7,491,439	4,581,575	6,317,630	2,379,358	1,486,201	526,895	958,308	5,313,400	2,215,638	55,942,212	7,644,393	23,606,004	118,463,051
2011	7,580,994	4,587,825	6,320,535	2,377,662	1,483,324	524,356	957,283	5,364,575	2,214,988	58,482,212	7,644,393	24,696,608	122,234,753
2012	7,681,288	4,590,825	6,317,900	2,376,329	1,472,006	526,113	965,095	5,418,975	2,216,813	61,132,212	7,644,393	26,376,484	126,718,433
2013	7,786,114	4,585,325	6,315,525	2,375,099	1,476,616	526,266	961,295	5,473,150	2,211,956	63,907,212	7,644,393	26,993,324	130,256,275
2014	7,899,505	4,581,325	6,319,619	2,373,716	759,269	525,856	962,095	5,526,250	2,214,263	66,802,212	7,644,393	28,722,274	134,330,776
2015	8,020,251	4,583,850	6,320,125	2,371,920	756,494	524,839	962,295	5,580,750	2,214,513	69,827,212	7,644,393	29,184,913	137,991,554
2016	8,147,144	1,560,088	6,318,150	2,368,184	756,850	525,724	956,895		2,216,375	72,992,212	7,644,393	31,020,363	134,506,378
2017	8,283,977	1,562,094	6,318,338	2,365,352	750,338	525,969	960,700		2,214,675	76,297,212	7,644,393	31,841,499	138,764,545
2018	8,434,298	1,560,338	6,320,213	2,364,062	751,813	525,554	958,270		2,216,475	79,752,212	7,644,393	33,207,622	143,735,249
2019	8,591,416	1,564,819	6,318,419	2,360,578	750,988	524,459	959,780		2,211,775	83,361,716	7,644,393	35,095,307	149,383,649
2020	8,758,881		6,317,600	2,357,828		525,108	959,980		2,215,075	87,123,095	7,644,393	36,010,554	151,912,513
2021			6,317,281	2,352,074		522,479	958,830		2,215,700	91,049,218	7,644,393	37,935,509	148,995,484
2022			6,316,988	2,349,444		523,916	966,780		2,213,575	95,161,733	7,644,393	38,944,908	154,121,735
2023			6,316,244	2,345,929		521,988	957,860		2,213,575	99,427,255		40,848,595	152,631,445
2024			6,319,456	2,340,991		521,500	958,250		2,215,450	40,035,058		41,942,782	94,333,488
2025			6,316,150	2,337,289		522,313	960,250		2,214,281			43,812,042	56,162,324
2026			6,315,850	2,334,014		522,250	960,750		2,215,419			44,973,893	57,322,176
2027			6,317,844	2,327,158		521,313	959,750		2,214,006			46,520,063	58,860,134
2028			6,316,538	2,322,579		519,500	957,250		2,214,938			48,248,919	60,579,723
2029				2,316,000		519,250	963,250		2,213,106			49,537,016	55,548,622
2030				2,309,811		518,000	957,250		2,212,000			51,045,712	57,042,772
2031						518,188	959,750		2,215,750			52,288,510	55,982,197
2032						517,250	955,250		2,215,000			54,164,531	57,852,031
2033						517,625	959,000		2,214,625			55,727,577	59,418,827
2034							955,500		2,214,375			56,120,841	59,290,716
2035									2,214,000				2,214,000
	117,828,827	52,373,794	145,310,338	58,934,249	16,423,771	14,659,278	27,832,647	53,407,589	66,434,348	1,048,039,518	301,889,422	1,054,483,416	2,957,617,177

- (1) Assumed rate of 4.534% plus 30 basis points for ongoing expenses.
- (2) County required to pay only 66.667% of total debt service.
- (3) County required to pay only 50.0% of total debt service.
- (4) Assumed rate of 5.935% plus 30 basis points for ongoing expenses.
- (5) Assumed rate of 5.897% plus 25.6 basis points for ongoing expenses for a total rate of 6.153% on the Series C-1 CARS post conversion. Assumed all-in total rate of 4.55% on Series C-2 and C-3 CARS post-conversion.

Source: Bear Stearns & Co., Inc.

Non-General Fund Revenue Obligations

**OUTSTANDING LONG-TERM NON-GENERAL FUND OBLIGATIONS
LEASES WITH PUBLIC FACILITIES FINANCING CORPORATION
(As of December 31, 2005)**

SACRAMENTO COUNTY AIRPORT ENTERPRISE FUND

PROJECT	INTEREST PAYMENT STARTING DATE	AMOUNT OF BORROWING / REMAINING BALANCE	BORROWING RATE(S)	MAXIMUM ANNUAL COUNTY DEBT SERVICE PAYMENT	FINAL PAYMENT DATE
Airport System Revenue Bonds, Series 1992B (Non-AMT)	July 1993	\$12,595,000 / \$ 6,290,000	5.750%	\$1,462,675	July 2024
Airport System Revenue Bonds, Series 1996A (AMT)	January 1997	\$95,965,000 / \$81,745,000	From 5.400% to 6.000%	\$7,283,840	July 2024
Airport System PFC and Subordinate Revenue Bonds, Series 1996C (AMT)	January 1997	\$13,515,000 / \$ 6,150,000	From 5.400% to 5.900%	\$1,624,560	July 2010
Airport System Revenue Bonds, Series 1998A (Non-AMT)	January 1999	\$42,510,000 / \$39,730,000	From 4.200% to 5.000%	\$8,079,750	July 2026
Airport System PFC and Subordinate Revenue Bonds, Series 1998B (Non-AMT)	January 1999	\$45,620,000 / \$44,495,000	From 4.200% to 5.000%	\$3,950,000	July 2026
Airport System Revenue Bonds, Series 2002A (Non-AMT)	January 2003	\$74,015,000 / \$71,290,000	From 3.000% to 5.250%	\$4,847,294	July 2032
Airport System Revenue Bonds, Series 2002B (AMT)	January 2003	\$17,805,000 / \$14,650,000	From 3.000% to 5.250%	\$1,462,500	July 2020

SOLID WASTE/GAS TO ENERGY FACILITIES

PROJECT	RENTAL PAYMENT STARTING DATE	AMOUNT OF BORROWING / REMAINING BALANCE	BORROWING RATE(S)	MAXIMUM ANNUAL LEASE PAYMENT	FINAL PAYMENT DATE
Series 2005 Certificates of Participation (Solid Waste System)	December 2005	\$27,580,000 / \$26,230,000	From 3.000% to 5.000%	\$2,246,326	December 2021

Direct and Overlapping Bonded Debt

The following table presents a statement of the direct and overlapping bonded debt secured in whole or in part from property tax assessments in Sacramento County as of April 1, 2006.

COUNTY OF SACRAMENTO	
2005/06 Assessed Valuation:	\$102,671,860,732 (after deducting \$5,629,422,471 redevelopment tax allocation increment; includes unitary utility valuation)
DIRECT AND OVERLAPPING BONDED DEBT	% APPLICABLE(1) DEBT 4/1/06
Sacramento Regional County Sanitation District	100 \$ 3,210,000
Los Rios Community College District	79.953 71,985,684
Center Joint Unified School District	93.321 17,843,488
Dry Creek Joint School District Community Facilities District #1	100 23,924,923
Elk Grove Unified School District and Community Facilities District #1	100 147,361,452
Folsom-Cordova Unified School District School Facilities I.D. #1& #2	100 99,517,476
Grant Joint Union High School District	99.425 21,292,575
Sacramento Unified School District	100 338,095,000
Sacramento Unified School District and Community Facilities District #1	100 4,430,000
Natomas Unified School District	100 92,919,687
San Juan Unified School District	100 240,553,713
Rio Linda Union School District	100 28,984,791
North Sacramento and Robla School Districts	100 31,557,927
Other School Districts	Various 28,163,188
City of Folsom	100 27,824,000
Folsom Community Facilities Districts	100 151,665,000
Galt and Galt Schools Community Facilities Districts	97.820-100 21,925,499
Sacramento County Community Facilities Districts	100 64,557,336
City of Sacramento Community Facilities Districts	100 152,645,000
Rancho Cordova and Rancho Murrieta Community Facilities Districts	100 30,585,000
City of Elk Grove Community Facilities District # 2002-1	100 90,875,000
1915 Act Bonds (Estimated)	100 123,338,946
TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT	\$1,813,255,685
Less: City of Folsom Water Bonds	79,000
TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT	\$1,813,176,685
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT	
Sacramento County General Fund Obligations	100 \$ 346,187,923
Sacramento County Pension Obligations (POs)	100 954,721,975
Sacramento County Office of Education Certificates of Participation	100 12,790,000
Grant Joint Unified School District Certificates of Participation	99.425 63,438,121
Folsom-Cordova Unified School District Certificates of Participation	100 7,845,000
Natomas Unified School District Certificates of Participation	100 84,070,000
Sacramento Unified School District Certificates of Participation and POs	100 69,139,652
San Juan Unified School District Certificates of Participation	100 11,495,000
Other School Districts Certificates of Participation	Various 15,037,578
City of Folsom Certificates of Participation	100 18,255,000
City of Galt Certificates of Participation	100 7,244,230
City of Rancho Cordova Certificates of Participation	100 26,550,000
City of Sacramento General Fund Obligations	100 852,875,000
Fair Oaks Fire Protection District Certificates of Participation	100 2,615,000
Sacramento Metropolitan Fire Protection District POs	100 69,188,975
Recreation and Park Districts Certificates of Participation	100 8,690,064
TOTAL GROSS OVERLAPPING LEASE OBLIGATION DEBT	\$2,550,143,518
Less: City of Sacramento self-supporting obligations	132,918,230
TOTAL NET DIRECT AND OVERLAPPING BONDED DEBT	\$2,417,225,288
GROSS COMBINED TOTAL DEBT	\$4,363,399,203(2)
NET COMBINED TOTAL DEBT	\$4,230,401,973
(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	1.67%
RATIOS TO ADJUSTED ASSESSED VALUATION:	
Combined Direct Debt (\$1,300,909,898)	1.27%
Gross Combined Total Debt	4.25%
Net Combined Total Debt	4.12%
Source: California Municipal Statistics, Inc.	

Interest Rate Swaps

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

The County has entered into three interest rate swaps payable from the General Fund. (1) The County entered into a swap for its County of Sacramento 1990 Certificates of Participation (Fixed Asset Acquisition Program) (the “1990 Swap”), whereby the County pays the counterparty a fixed payment of 4.534% and receives a variable payment computed as 67.0% of the one-month London Interbank Offered Rate (LIBOR). The 1990 Certificates’ variable rate payments are based on the Weekly Rate provided by Lehman Brothers, the remarketing agent. During the period from January 1, 2007 through January 1, 2020, the counterparty has the option of ending the swap arrangement and no payments will be made to either party on the fixed and variable rate payment dates, nor will there be a termination payment. If the counterparty exercises this option, it will not constitute an early termination. (2) The County also entered into a swap for its County of Sacramento Taxable Pension Funding Bonds, Series 1995 (the “1995 Swap”). Under the 1995 Swap, the County pays the counterparty a fixed payment of 5.935% and receives a variable payment equal to the rate of interest (Weekly Rate) determined by the counterparty. The 1995 Bonds’ variable rate payments are based on the Weekly Rate provided by the remarketing agent. (3) The County also entered into a swap for its County of Sacramento Taxable Pension Funding Bonds, Series 2004C-1 (the “2004C-1 Swap”). Under the 2004 Swap, the County pays the counterparty a fixed payment of 5.901% and receives a variable payment computed on the one-month LIBOR. The 2004C-1 Bonds’ variable rate payments are based on the assumed interest rate of 4.55%.

The following provides a summary of the basic terms of the swap transactions that are outstanding as of December 31, 2005:

1990 Swap

NOTIONAL AMOUNT OUTSTANDING	COUNTY PAYS	COUNTY RECEIVES	MATURITY DATE	UPFRONT PAYMENT TO THE COUNTY
\$84,475,000	4.534% fixed payment	a variable payment computed as 67.0% of the one-month LIBOR	June 1, 2020	\$11,300,000

1995 Swap

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

2004C-1 Swap

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

Source: County Department of Finance.

These interest rate swap transactions entail risk to the County. The counterparties may fail or be unable to perform, interest rates may vary from assumptions and the County may be required to make significant payments in the event of an early termination of an interest rate swap. See APPENDIX B – “AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2005” – Notes 10 and 21 of the Notes to the Basic Financial Statements.

The County estimates that, as of December 31, 2005, the 1990 Swap had a negative termination value of approximately \$7.8 million, the 1995 Swap had a negative termination value of approximately \$17.1 million and the 2004C-1 Swap had a negative termination value of approximately \$37.5 million. Pursuant the terms of the County’s swaps, a termination event could occur whereby the County would be obligated to make termination payments to its swap counterparty. These termination events include (i) ratings downgrades on certain of the County’s obligations under certain specified circumstances (ii) default by the County on payments due and payable under the swaps (iii) uncured default by the County on certain of its outstanding obligations under certain specified circumstances. The termination value for the swaps at any given time will depend on a variety of factors, including then current prevailing interest rates.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population

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, 1990’s and 2000’s population growth totaled 26.2%, 23.5%, 32.9%, 17.5%, and 12.0% respectively. Since 1980, population growth has totaled 76.9%.

The State Department of Finance estimates Sacramento County population at 1,385,607 as of January 1, 2006. Sacramento County currently has seven incorporated cities: Citrus Heights, Elk Grove, Folsom, Galt, Isleton, Rancho Cordova and Sacramento. Approximately 33.0% of the county’s population lives in the City of Sacramento. Approximately 40.5% of the county’s population lives in unincorporated areas, giving Sacramento County one of the largest unincorporated populations among all counties in the State.

SACRAMENTO COUNTY Population								
Area	1940	1950	1960	1970	1980	1990	2000	2006
Cities:								
Citrus Heights	--	--	--	--	--	--	85,071	86,883
Elk Grove	--	--	--	--	--	--	--	130,874
Folsom	--	1,690	3,925	5,810	11,003	29,802	51,884	69,445
Galt	--	1,333	1,868	3,200	5,514	8,889	19,472	22,982
Isleton	1,837	1,597	1,039	909	914	833	828	813
Rancho Cordova	--	--	--	--	--	--	--	56,355
Sacramento	105,958	137,572	191,667	257,105	275,741	369,365	407,018	457,514
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>659,226</u>	<u>560,741</u>
Total	<u>170,333</u>	<u>277,140</u>	<u>502,778</u>	<u>634,373</u>	<u>783,381</u>	<u>1,041,219</u>	<u>1,223,499</u>	<u>1,385,607</u>

Source: U.S. Census, except for 2006 figures, which are from the California State Department of Finance.

Industry and Employment

Major job categories comprised 73.8% of SMSA's work force during 2006. They were services (34.4%), government (25.3%), and wholesale and retail trade (14.1%).

As of March 2006, based on unadjusted data, unemployment in SMSA was 4.7% compared to 5.0% for the State. The following table summarizes annual average employment by industry in SMSA.

SACRAMENTO METROPOLITAN STATISTICAL AREA Labor Market Survey (1) (Amounts Expressed in Thousands)					
	2002	2003	2004	2005	2006
Mining	0.5	0.5	0.7	0.7	0.7
Construction	56.6	60.8	68.5	70.4	72.1
Manufacturing					
Nondurables	11.5	11.1	13.2	13.1	13.5
Durable	29.9	28.4	32.8	34.9	36.5
Transportation and Public Utilities	14.7	14.5	22.3	23.3	23.6
Information	0.0	0.0	21.3	20.2	19.6
Wholesale Trade	21.0	21.1	26.4	26.5	27.3
Retail Trade	84.9	87.5	94.3	96.4	99.6
Finance, Insurance and Real Estate Services	52.0	56.5	59.1	62.6	64.5
Government	194.7	280.3	288.7	298.5	310.5
Agriculture	3.4	3.5	6.2	6.1	5.9
Total	<u>746.9</u>	<u>755.8</u>	<u>856.5</u>	<u>876.7</u>	<u>902.2</u>

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

Major Employers

Major private sector employers in SMSA include those in electronics, health care services, retail sales, and telecommunications services. Major private sector employers, their products or services, and their number of employees in 2005 are reflected in the following table.

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)

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 14,358 additional jobs in the community.

Commercial Activity

Commercial activity is an important contributor to the county's unincorporated area economy. Between 2000 and 2004, taxable retail sales decreased 7.8% from \$5.993 billion to \$5.525 billion. As shown in the following table, total taxable sales decreased 8.8% from \$7.507 billion to \$6.843 billion. The decrease is primarily due to the incorporation of the cities of Elk Grove and Rancho Cordova which were previously part of the Unincorporated Area of the County.

SACRAMENTO COUNTY					
Taxable Transactions 2000 Through 2004					
(Amounts Expressed in Thousands)					
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Apparel Stores	\$ 155,418	\$ 127,259	\$ 158,697	\$ 157,929	\$ 160,128
General Merchandise Stores	740,340	683,349	721,370	658,992	578,989
Specialty Stores	1,222,889	1,064,126	1,041,180	1,011,165	907,190
Food Stores	383,366	362,973	363,382	365,092	339,642
Packaged Liquor Stores	48,960	48,419	49,390	49,115	47,175
Eating and Drinking Places	538,361	514,438	540,025	534,577	512,004
Home Furnishings and Appliances	323,705	332,754	312,237	324,115	324,171
Building Materials and Farm Implements	665,362	710,859	785,012	849,243	871,644
Service Stations	503,508	456,686	443,902	499,521	511,858
Automobile, Boat, Motorcycle and Plane Dealers and Parts outlets	<u>1,411,264</u>	<u>1,418,729</u>	<u>1,365,320</u>	<u>1,280,782</u>	<u>1,271,681</u>
Total Retail Outlets	\$5,993,173	\$5,719,592	\$5,780,515	\$5,730,531	\$5,524,482
Business and Personal Services	155,411	156,088	159,325	152,126	146,100
All Other Outlets	<u>1,357,900</u>	<u>1,297,558</u>	<u>1,285,933</u>	<u>1,258,780</u>	<u>1,172,110</u>
Total All Outlets	\$7,506,484	\$7,173,238	\$7,225,773	\$7,141,437	\$6,842,692

Source: MBIA Muniservices Company.

Agriculture

Agriculture continues to be a factor in the county's economy; however, with the ever-increasing urban and commercial development of the County, agriculture's relative impact on the county's economy has declined in recent years. The gross value of agricultural production in 2004 reached \$325,527,000.

Construction Activity

The value of building permits issued in the County totaled \$2,578,090,206 in 2005, a reduction of 11.2% from the prior year. From 2001 through 2005, the value of nonresidential building permits reflects a total reduction of 3.8%. Residential permit valuation increased 11.7% over the same period. In addition to annual building permit valuations, the numbers of permits for new dwelling units issued each year from 2001 through 2005 are shown in the following table.

SACRAMENTO COUNTY					
Building Permit Valuations					
2001 through 2005					
(Amounts Expressed in Thousands)					
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<u>Valuation:</u>					
Residential	\$1,835,507	\$2,317,674	\$2,357,495	\$2,382,098	\$2,050,782
Nonresidential	<u>547,986</u>	<u>466,514</u>	<u>506,642</u>	<u>522,248</u>	<u>527,308</u>
Total	\$2,383,493	\$2,784,188	\$2,864,137	\$2,904,346	\$2,578,090
<u>New Dwelling Units:</u>					
Single family	8,616	10,519	10,006	9,365	7,168
Multiple family	<u>973</u>	<u>2,609</u>	<u>2,328</u>	<u>754</u>	<u>757</u>
Total	9,589	13,128	12,334	10,119	7,925

Source: Sacramento County Assessor's Office.

Transportation

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

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

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

Sacramento International Airport (SMF) is about 12 miles northwest of downtown Sacramento. The airport is served by 17 passenger airlines, which includes three commuter airlines. Since September 11, 2001, SMF has demonstrated its strength among airports by adding five new air carriers (Aloha, Mexicana, Frontier, Hawaiian, and JetBlue). Executive Airport, located in Sacramento, is a full-service, 680-acre facility serving general aviation. Currently, Mather Airport is served by three all-cargo carriers. 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 \$111,500,000 for 2006/07) 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 2006/07 share for the unincorporated area of the County is estimated to be \$28,038,000. The original expiration date for the additional 1/2 cent sales tax was 2009, but in 2004 the Sacramento County voters overwhelmingly, by 75.29%, approved extending this 1/2 cent sales tax for an additional 30 years; therefore, the new expiration date is 2039.

Education

Public school education is provided by 17 school districts (seven are Unified School Districts) consisting of the following types of schools: 230 elementary; 43 middle; 44 secondary (high school); six kindergarten through 12th grade; two community; 25 charter and 10 special education schools. Additionally, the Sacramento County Office of Education operates two community and four juvenile hall schools. There are approximately 143 private schools in the County with an enrollment of approximately 19,788. Public school enrollment for 2005/06 is approximately 239,026.

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 2006 enrollment at the four campuses totaled approximately 74,510. 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 2006 enrollment is approximately 26,600. 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 (SCERS)

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

SCERS is the administrator of a multiple-employer, cost-sharing public employee retirement system which operates under the County Employees Retirement Law of 1937. SCERS was created by resolution of the Board of Supervisors on July 1, 1941, to provide retirement, disability, and death benefits for qualified employees of Sacramento County and participating special districts. The Board of Retirement consists of nine members of 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, 2005, 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, 2005 SCERS' membership (including county and special districts) consisted of:

	<u>2004</u>	<u>2005</u>
<u>RETIRES AND BENEFICIARIES CURRENTLY RECEIVING BENEFITS:</u>		
Miscellaneous – Service	3,821	4,198
Miscellaneous – Beneficiary	846	861
Disability Miscellaneous – Ordinary	308	313
Disability Miscellaneous – Duty	174	175
Safety – Service	763	841
Safety – Beneficiary	186	193
Disability Safety – Ordinary	17	22
Disability Safety – Duty	<u>176</u>	<u>181</u>
TOTAL RETIRED	6,291	6,784
<u>TERMINATED EMPLOYEES ENTITLED TO BENEFITS BUT NOT YET RECEIVING THEM:</u>	2,110	2,135
<u>CURRENT MEMBERS:</u>		
<u>VESTED</u>		
Miscellaneous Tier 1	990	813
Miscellaneous Tier 2	386	366
Miscellaneous Tier 3	5,317	5,926
Safety Tier 1	906	828
Safety Tier 2	<u>692</u>	<u>795</u>
Subtotal	8,291	8,728
<u>NONVESTED</u>		
Miscellaneous Tier 1	2	1
Miscellaneous Tier 3	4,689	4,272
Safety Tier 1	7	1
Safety Tier 2	<u>683</u>	<u>726</u>
Subtotal	5,381	5,381
TOTAL CURRENT MEMBERS	13,672	13,728

Source: SCERS' Comprehensive Annual Financial Report as of June 30, 2005.

Pension Benefits

The System's benefits are established by the provisions of the County Employees Retirement Law of 1937 and provide for retirement, death, and disability benefits. All permanent

full-time and part-time employees of the County or Member districts are eligible to participate in the System. Upon receiving five years of service, participants have earned the right to receive a retirement benefit, subject to certain restrictions if retirement is prior to attaining age 50 or if less than 10 years service has been achieved.

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

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

Safety Tier 2. Members covered under Safety Tier 2 who retire at age 50 are entitled to a retirement benefit, payable monthly for life, equal to 3.0% of their final-average salary for each year of credited service. This benefit includes a cost-of-living adjustment of up to 2.0% annually. Final-average salary is the member’s average salary for the highest 36 consecutive months of credited service.

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

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

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

Contribution Rates and Funding Status

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

The Sacramento County Board of Supervisors applied the new formulas for all SCERS members, including member districts, prospectively from June 29, 2003 and retroactively to county employees’ service credits which precede that date. In accordance with applicable retirement law, each SCERS member district’s governing body determined whether or not to apply the new formulas retroactively for service credits earned prior to June 29, 2003 and to

make the public service credit purchase provisions applicable to its employees. The enhancements created a significant unfunded liability and also resulted in significant increases in future county contribution rates.

The following table shows the percentage of salary which the County was responsible for contributing to SCERS from Fiscal Year 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 “Pension Benefits” and “Impact of Investments” herein.

**SCHEDULE OF EMPLOYER CONTRIBUTION RATES
COUNTY**

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

Source: SCERS’ Comprehensive Annual Financial Report for fiscal years ended June 30, 2004 and 2005.

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

Note: SCERS’ Actuarial Valuation Reports are prepared subsequent to a fiscal year-end and determines rates which pertain to the following fiscal year. For example, the Actuarial Valuation as of June 30, 2004 presented current rates for the 2004/05 Fiscal Year and was used to determine rates for the 2005/06 Fiscal Year.

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]
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	314,495	93.3	714,069	44.0
2005	4,530,583	4,860,882	330,299	93.2	722,015	45.7

Source: Comprehensive Annual Financial Report for the years ended June 30, 2004 and 2005.

As described herein, certain pension benefits enhancements have increased the accrued liability of SCERS. In addition, the actuarial value of the assets of the System declined in recent

years but for the fiscal years ended June 30, 2005 and 2004, respectively, there was an improved investment environment relative to the fiscal year ended June 30, 2003 and the prior two fiscal years.

Impact of Investments

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. Net investment gains were \$419.5 million and \$525.2 million for the fiscal years ended June 30, 2005 and 2004, respectively, reflecting the improved investment environment relative to the fiscal year ended June 30, 2003 and the prior two fiscal years.

County Contributions

The following table shows actual employer contributions to SCERS for Fiscal Years 1999/00 through 2004/05 and estimated county contributions for Fiscal Years 2005/06. 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
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***	94,720	100.0
2006****	127,937	N/A

*Source: Sacramento County Financial Statements.
 **Source: SCERS' Comprehensive Annual Financial Report for the year ended June 30, 2004.
 ***Source: SCERS' Comprehensive Annual Financial Report for the years ended June 30, 2005 and 2004; does not reflect \$420.0 million in proceeds from the 2004 Pension Obligation Bonds.
 ****Source: SCERS' Actuarial Valuation Report as of June 30, 2005.

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

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 2006-07 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 2006-07 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 2005
<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 2006-07 • Establish new Budget Policies. • Reaffirmed Countywide Priorities for General Fund. 	January 31, 2006
<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 3, 2006
<ul style="list-style-type: none"> • Agency Administrators 	Deadline to Release Department-By-Department Allocations	February 6, 2006
<ul style="list-style-type: none"> • Chief Financial/Operations Officer 	Hold training on budget development system.	February-April 2006
<ul style="list-style-type: none"> • Departmental Fiscal Officers 	Facility Acquisition or Improvement Request (Form 330) Submittal to General Services-Capital Construction	February 17, 2006
<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 3, 2006
<ul style="list-style-type: none"> • County Executive's Office Analysts 	Analysis by CEO Analysts of Base Budget Submittals.	March 3, 2006 – March 31, 2006
<ul style="list-style-type: none"> • County Executive and Personnel Services staff 	Distribute Salary Ordinance (County of Sacramento Position Report 2005-06 & "Draft" Summary of Positions Report – Current Authorized Staffing Level	March 10, 2006

Responsible Party	Event	Time
<ul style="list-style-type: none"> • Department Heads • Departmental Fiscal Officers 	“Anticipated Results” budget statements 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 10, 2006
<ul style="list-style-type: none"> • Department Heads • Departmental Fiscal Officers 	All Other Funds Base Budgets Due to CEO <ul style="list-style-type: none"> - Enterprise - Governmental - Internal Services - Special Districts 	March 10, 2006
<ul style="list-style-type: none"> • County Executive • Chief Financial/ Operations Officer • Agency Administrators 	CEO Determination of Base Budget Reduction Recommendations	March 19, 2006 – March 31, 2006
<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 19, 2006 – April 14, 2006
<ul style="list-style-type: none"> • County Executive 	Recommended Proposed Budget Released to Public and is accessible via Internet.	April 21, 2006
<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 24, 2006
<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 	May 10, 2006, 2:00 p.m.
<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 10, 2006
<ul style="list-style-type: none"> • Department Heads • Departmental Fiscal Officers 	Performance Measures Due to CEO From all Funds	May 15, 2006
<ul style="list-style-type: none"> • Department Heads • Departmental Fiscal Officers 	Requests for Additional (Growth) Funding and Vacant Positions Itemization.	June 16, 2006

Responsible Party	Event	Time
<ul style="list-style-type: none"> • Department Heads • Departmental Fiscal Officers 	Final Budget Request Changes from Departments	June 16, 2006
<ul style="list-style-type: none"> • County Executive’s Office Analysts 	Analysis of Final Budget Requests. Review and meet with departments	June 16, 2006 to July 21, 2006
<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, 2006
<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, 2006
<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 16, 2006 to July 31, 2006
<ul style="list-style-type: none"> • Director of Finance 	2005-06 Fiscal Year county’s books closed and final year-end carryover/fund balance is known	July 21, 2006
<ul style="list-style-type: none"> • County Executive • Chief Financial/ Operations Officer • County Budget Officer 	Completion of re-estimate of general purpose financing for 2006-07 by OBDM.	July 24, 2006
<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 24, 2006
<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 26, 2006
<ul style="list-style-type: none"> • County Executive 	Recommended Final Budget Released.	August 25, 2006
<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 28, 2006

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. 	September 6, 2006, 9:30 a.m.
<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"> • Five-Year Capital Improvement Plan 	September 7, 2006, 9:30 a.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"> • Transient-Occupancy Tax Hearings 	September 7, 2006 2:00 p.m.
<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"> • Final Budget Deliberations 	September 14, 2006, 9:30 a.m.
<ul style="list-style-type: none"> • Board of Supervisors • County Executive • Chief Financial/ Operations Officer • Agency Administrators • County Budget Officer • Director of Finance 	Board of Supervisors adopts Budget Resolutions	September 26, 2006
<ul style="list-style-type: none"> • Agency Administrators • Department Heads • Departmental Fiscal Officers • County Budget Officer • County Executive's Office Analysts 	Preparation of Final Budget Document for publication	October 2006
<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, 2006

EXAMPLE OF A BUDGET MESSAGE

EXAMPLE OF A BUDGET MESSAGE

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

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

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

② Financing Uses Classification	③ Actual xxxx-xx	Estimated / Actual xxxx-xx	④ Adopted xxxx-xx	⑤ Requested xxxx-xx	Recommended / Adopted xxxx-xx ⑥
Salaries/Benefits	8,528,566	9,307,485	9,814,215	9,639,719	9,639,719
Services & Supplies	1,566,386	1,802,726	1,765,075	2,276,321	2,276,321
Other Charges	169,931	176,000	228,914	186,843	186,843
Equipment	13,601	5,000	10,000	214,290	214,290
Intrafund Charges	814,871	713,562	665,672	673,362	673,362
SUBTOTAL	11,093,355	12,004,773	12,483,876	12,990,535	12,990,535
Intrafund Reimb	-1,883,205	-2,029,473	-2,027,205	-2,130,947	-2,130,947
NET TOTAL	9,210,150	9,975,300	10,456,671	10,859,588	10,859,588
Prior Yr Carryover	21,777	403,117	403,117	525,881	525,881
Revenues	5,312,151	5,609,821	5,575,625	5,879,350	5,879,350
NET COST	3,876,222	3,962,362	4,477,929	4,454,357	4,454,357
⑦ Positions	153.0	156.0	156.0	156.0	156.0

PROGRAM DESCRIPTION:

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

AN EXPLANATION OF BUDGET MESSAGE ELEMENTS

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

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