

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
June 10, 2008
2:00 p.m.

To: Board of Supervisors

From: Terry Schutten
County Executive

Subject: FISCAL YEAR 2008-09 RECOMMENDED PROPOSED BUDGET

Supervisorial
District: All

Contact: Navdeep S. Gill, Chief Operations Officer, 874-5803
Linda Foster-Hall, County Budget Officer, 874-2453

RECOMMENDATIONS:

1. Approve the recommended changes in appropriations, reimbursements and revenues to the levels of the adjusted Fiscal Year 2007-08 budget and recommended additional requests, as outlined in the attached recommended budget schedules, resulting in an approved Fiscal Year 2008-09 Proposed Budget. The Proposed Budget will serve as a spending authorization for Fiscal Year 2008-09 until adoption of a Final Budget in September 2008. A complete summary of the Fiscal Year 2008-09 Recommended Proposed Budget for the General Fund can be found in Attachment I.
2. Conduct a Transient-Occupancy Tax (TOT) Fund Hearing on Thursday, June 12, 2008, in order to determine appropriate discretionary grants (Attachment II).
3. Conduct Bielson Hearings on Thursday, June 12, 2008, regarding proposed elimination and/or reduction of indigent medical services.
4. Adopt the attached Proposed Budget Resolution approving and implementing the Fiscal Year 2008-09 Proposed Budget, consisting of the County Executive's Recommended Proposed Budget, as amended by the Board, and set the commencement of the Final Budget Hearings for Wednesday, September 3, 2008 (Attachment III).
5. Direct the Department of Personnel Services to prepare an administrative Salary Resolution Amendment (SRA) to reflect the positions approved by the Board in the Fiscal Year 2008-09 Proposed Budget, including deletion of certain positions in order to reduce program expenditures within the General Fund.
6. Approve the attached report from the Department of Personnel Services on the Retiree Medical and Dental Insurance Program 2009 eligibility guidelines and program for calendar year 2009. (Attachment IV)

I. BACKGROUND**FISCAL YEAR 2008-09 BUDGET PROCESS**

The County Budget Act requires that each County approve an annual spending plan for the next fiscal year no later than June 30 of each year. Historically in this County, that spending plan has been the Proposed Budget which allows the County Auditor to pay claims and issue warrants on the County's behalf until the Board adopts a Final Budget which follows the enactment of the State's budget.

This year the schedule has been changed from previous years. As presented in the February 2008 Budget Outlook, it was anticipated that the County would have a budget shortfall in Fiscal Year 2008-09. In order to give departments and staff ample time to evaluate the potential program impacts of the projected shortfall, the Board approved a change in the Proposed Budget schedule to allow for the traditional budget hearings to be moved to June. Under this schedule, any fully funded additional requests and/or reductions/modifications required to eliminate the shortfall can be factored into the Fiscal Year 2008-09 budget as full year adjustments. The budget adopted at the end of these hearings will set the budget for Fiscal Year 2008-09 and act as a spending plan for the period between July 1 and when the Final Budget is adopted in September.

It is anticipated that the September hearings will only be a one-day hearing to deal with any year-end fund balance issues and the impacts from State budget actions. Since we do not know the magnitude of the State budget impacts, we are holding additional days available in September if they are necessary to deal with State issues.

DISCUSSION

The County's total budget as reflected in the table below is \$5.24 billion. This is growth of approximately 3.2% (\$160 million) from the Fiscal Year 2007-08 Final Budget of \$5.08 billion. The largest increase in the budget is for the Airport because of the terminal construction project at the International Airport.

Funds	Appropriations	Financing	Net Cost¹	Positions
General Fund	2,199,187,424	1,570,060,085	629,127,339	10,445.9
County Library	27,287,093	27,287,093	0	0.0
Economic Development & Intergovernmental Affairs	52,990,407	52,990,407	0	23.8
Environmental Management	22,024,059	22,024,059	0	137.8
Golf Fund	8,924,344	8,924,344	0	9.0
Transient-Occupancy Tax	9,602,273	9,602,273	0	0.0
Transportation	165,750,979	165,750,979	0	0.0
Water Resources	362,776,500	189,767,105	173,009,395	271.0
Airport System	1,166,838,555	166,581,933	1,000,256,622	414.0
Waste Management and Recycling	88,885,378	88,885,378	0	289.0
Other Operating Funds	223,308,094	223,308,094	0	141.2
Other Enterprise Funds	10,799,395	3,968,206	6,831,189	10.0
Other Internal Service Funds	535,162,764	513,142,997	22,019,767	1,702.6
Other Public Service Enterprise Funds	79,984,148	79,984,148	0	758.0
Other Special Revenue Funds	288,973,510	288,973,510	0	113.5
Total	5,242,494,923	3,411,250,611	1,831,244,312	14,315.8

¹ Net Cost for the General Fund is financed with General Purpose Financing Revenues. Net Cost for other funds are financed with Retained Earnings.

The General Fund is the largest fund in the County Budget at \$2.199 billion. General Fund departments provide a broad range of public services. The County's general purpose financing (\$629.13 million) is allocated to the General Fund to provide the local share of costs for both mandated and discretionary programs. All other funds in the County Budget are financed with earmarked or restricted revenues. While the Board of Supervisors has more discretion over resource allocation and service levels in the General Fund, state and federal mandates on spending severely curtails that discretion and flexibility. Counties are political subdivisions of the State of California and are responsible for the delivery, on a local level, of state and federal services. Most of the funding for these services comes from state and federal sources, with approximately two-thirds of all financing in the General Fund comes from other governmental sources.

In theory, balancing the General Fund is a comparison of needs and available financing. In reality, the net department requirement is compared to the available general purpose financing, or local resources. The net department requirement (or allocation) is the departmental expenditures less departmental revenues and carryover savings from the prior year. When department requirements exceed the available general purpose financing, there is a budget problem in the General Fund and the net requirement must be reduced, because there is very limited ability to increase general purpose financing.

In the County Executive's Recommended Proposed Budget, financing amounts were used to offset as much of the increases in departmental costs as possible (which includes all the mandated labor increases as dictated by the recently negotiated labor agreements). However, because of the lack of growth in the General Fund revenue base there was an "unfunded" requested base amount in a number of departments totaling \$123.67 million. We have mitigated this shortfall by using every revenue and reserve in order to meet the Board's budget priorities as reflected below. After using a number of one-time funding sources and refining revenue estimates, the departments have been asked to take \$67.9 million in reductions. Of this amount \$15.3 million is the result of reductions in state and/or federal programs (commonly referred to as categorical programs). It is recommended that the County not fill behind these revenue reductions but ask for corresponding program reductions. The remaining \$52.6 million in recommended reductions will impact all of the County's General Fund program areas. However, the following are two items may affect the magnitude of the reductions:

- There is currently a \$10.3 million unfunded cost in the In-Home Supportive Services (IHSS) program included in the recommended reductions. However, there have been numerous proposals to modify the program and/or the cost sharing elements at the state level. It is recommended that the Board not take any action regarding this program until after the state adopts their budget. Depending upon the state's actions, the required additional funding for this program could change significantly. Therefore, it is premature to craft a solution for this shortfall at this juncture. Once the State's budget is adopted, the full nature of the issue surrounding this program will be known.
- There is also a \$9.6 million unfunded cost in the County Medically Indigent Services Program (CMISP) included in the recommended reductions. On June 3, 2008, the Board will be presented with a proposal to change the service provider for the program. When the proposed budget document was finalized the CMISP still showed costs assuming that the existing provider would be used without any contract increases. Depending upon the outcome of that hearing, the cost of this program may be reduced and those changes will be reflected in the Recommended Final Budget.

Additionally, we have shifted funds from lower priorities to meet the needs of higher priorities. Core services of law enforcement, District Attorney, Probation and human service needs have taken precedence over other non-core functions. In our law enforcement areas, we have reduced programs that do not provide the community with essential safety. Based upon agency and central budget recommendations, we have reduced or eliminated programs that traditionally have been funded from the General Fund. For example, monies that have been used to fund programs such as the Sacramento Metropolitan Arts Commission and the Sacramento Convention and Visitors Bureau are being transferred to our public safety priority. Programs such as the Truancy Program have been eliminated by the Countywide Services Agency since it does not meet the agency's priority or core mission.

FISCAL YEAR 2008-09 PRELIMINARY BUDGET OUTLOOK

During the Budget Outlook Report for Fiscal Year 2008-09, the County Executive's Office prepared an initial General Fund budget forecast for Fiscal Year 2008-09 projecting a shortfall in our General Fund base (no growth) budget of between \$40 and \$60 million. These circumstances have been caused by:

1. The decline in the housing market that has drastically affected the growth in property tax revenues.
2. The housing downturn has also resulted in lower taxable sales from the construction sector and sales taxes in general.
3. There is evidence that the housing downturn, the tight credit market and high gasoline prices will continue to depress car sales.
4. The County has honored current labor agreements that call for equity increases totaling \$34 million in additional General Fund costs.

After the County Executive's Office analyzed the department budget requests, it was apparent that the Fiscal Year 2008-09 General Fund departmental (base) budget costs came in lower than originally anticipated. Unfortunately, departmental revenues and carryover also came in much lower than projected which had the overall affect of increasing the General Fund's net cost. Therefore this report identifies a General Fund shortfall of \$123.67 million in the Fiscal Year 2008-09 Proposed Budget that must be resolved to attain a balance Proposed Budget. By using \$55.77 million in various one-time and ongoing funding sources, the departments will be required to make reductions of \$67.9 million.

II. PRIORITIES

In 2003, the Board first adopted a formal set of General Fund budget priorities. In June 2007, the Board adopted a revised set of budget priorities that reaffirmed the basic principles but reclassified mandates into those that give the Board some flexibility to set the service level and mandates that dictate the level of service to be provided (specific mandates). These priorities served as guiding principles for the development of the County Executive's budget recommendations. These General Fund budget priorities are as follows:

- **Mandated Obligation - Specific**

The County of Sacramento has the obligation to provide certain services mandated by the Federal and State government. These mandated services include certain countywide public safety, health and welfare activities. Examples of this are that the County must provide jails,

prosecution, juvenile detention, health care for the poor, and welfare payments to eligible clients.

- **Mandated Obligations - Flexible**

The County of Sacramento is also obligated by the State and the County's Charter to provide for the public safety of the citizens living in the unincorporated area. Although this mandate is not specific in terms of dollar spending or staffing levels, Sheriff's patrol and investigations must be provided for the safety and security of our unincorporated constituents.

- **Financial Obligations**

At a foundational issue is the maintenance of the public trust through a sound fiscal policy that focuses on financial discipline, including funding programs that provide for revenue collection (such as Assessor's Office, Department of Finance, etc.) and payment of our debts.

- **Budget Priorities**

When funding of the County's mandated services and obligations (both "specific" and a certain level of "flexible" mandates) are met, the following priorities shall govern our budget process:

1. Provide the highest level of DISCRETIONARY LAW ENFORCEMENT, municipal and countywide services possible within the available County budget, such as Sheriff's patrol and investigations, and Probation supervision.
2. Provide a SAFETY NET for those disadvantaged citizens, such as the homeless, mentally ill, and others who receive no services from other government agencies.
3. Provide a SUSTAINABLE AND LIVABLE COMMUNITY for our constituents within available remaining resources (i.e., neighborhood programs, reinvestment in communities, Regional Parks, and non-law enforcement municipal services, etc.).
4. GENERAL GOVERNMENT FUNCTIONS (i.e., Clerk of the Board, County Counsel, Internal Services Agency, Office of Communications and Information Technology, County Executive, etc.) shall continue at a level sufficient to support the direct services to citizens.
5. Continue PREVENTION/INTERVENTION PROGRAMS that can demonstrate they save the County money over the long-term, such as alcohol and drug programs.

III. SUMMARY OF GENERAL FUND CHANGES SINCE BUDGET OUTLOOK AND YEAR-TO-YEAR INCREASES INCLUDED IN DEPARTMENTAL (BASE) BUDGET REQUESTS

General Fund departments submitted their Fiscal Year 2008-09 budget requests pursuant to a preliminary allocation plan prepared by the County Executive's Office and considered by the Board of Supervisors in the Budget Outlook Report. Once the General Fund departmental (base) budget requests were reviewed and analyzed, costs came in lower than originally anticipated. While this was good news, departmental revenues and carryover came in much lower than projected. The result is a requested (base) budget that has an unfunded base.

1. On the revenue/financing side, based on historical data it had been previously forecast that departments would generate adequate revenues to support approximately 70 percent of their

appropriation requirements. When the departmental budgets were analyzed, overall departmental revenues only financed 67% of their anticipated expenditures. This had the net affect of increasing the net cost in the General Fund by \$39.1 million.

2. On the expenditure side, the Fiscal Year 2008-09 Budget Outlook assumed that the County would not backfill (overmatch) state or federal matching requirements if it had a detrimental effect on the County’s financial picture. Included in the department budget submittal are requested expenditures totaling \$15.3 million that was not funded by either state or federal funds.

IV. SUMMARY OF RECOMMENDED PROPOSED BUDGET FOR THE GENERAL FUND

General Fund Summary by Agency Structure

The County is organized by Agencies with almost all County departments falling within one of the following three agencies:

1. The Municipal Services Agency is comprised of the following departments that provide utility, infrastructure and asset management services to other governmental agencies as well as to the residents of the Unincorporated Area of the County.

Animal Care and Regulation	Regional Parks
Agency Administration	Transportation
County Engineering	Waste Management and Recycling
Environmental Review and Assessment	Water Quality
Neighborhood Services	Water Resources
Planning and Community Development	

2. The Countywide Services Agency is responsible for leadership and budget/policy analysis for the following departments that provide countywide services including public social services, public health, public protection and law and justice departments to the County.

Probation	First 5 Sacramento Commission
Superior Court	Health and Human Services
Agricultural Commissioner/Sealer of Weights & Measures	Human Assistance
Child Support Services	In-Home Supportive Services – Public Authority
Conflict Criminal Defenders	Public Defender
Cooperative Extension	Voter Registration and Elections
Coroner	Wildlife Services
Environmental Management	

3. The Internal Services Agency oversees the following departments that provide services to various elements of the General Fund, Enterprise Fund, and Internal Services Funds.

Department of General Services Insurance Programs Clerk-Recorder Facility Planning, Architecture and Real Estate Department of Finance	Department of Personnel Services Department of Revenue Recovery Health Insurance Portability and Accountability Act (HIPAA)
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There are also three stand alone elected departments consisting of the Sheriff, District Attorney and the Assessor. All the Agencies, except the elected department heads and the County Council, report to the County Executive who directly reports to the elected Board of Supervisors.

The following table summarizes allocations of local resources in the Fiscal Year 2008-09 Recommended Proposed Budget for the General Fund by Agency and compares those allocations to the Fiscal Year 2007-08 Final Adopted Budget:

**General Fund Allocations for Fiscal Year 2008-09 Recommended Proposed Budget
As Comparison to
Fiscal Year 2007-08 Final Adopted Budget
(Amounts Expressed In Millions)**

	2007-08 Adopted Final Allocation	2008-09 Recommended Proposed Allocation	Year to Year Variance
ELECTED OFFICIALS/DEPARTMENT HEADS			
Assessor	\$ 4.25	\$ 8.24	\$ 3.99
Board of Supervisors	3.71	3.69	(0.17)
District Attorney	40.08	47.44	7.36
Sheriff	173.26	178.26	5.00
Correctional Health	19.01	22.14	3.13
Subtotal	\$ 240.31	\$ 259.77	\$ 19.46
COUNTYWIDE SERVICES			
Child Support Services	\$ 0.12	\$ 0.07	\$ (0.05)
Human Assistance (DHA)-Aid Payments	42.58	42.58	0.00
DHA-Administration	34.47	32.54	(1.93)
Department of Health & Human Services (DHHS)	42.06	39.83	(2.23)
Probation	61.30	68.66	7.36
Courts	41.78	39.15	(2.64)
Public Defender and Conflict Criminal Defenders	34.87	34.11	(0.76)
Health Treatment Accounts	22.95	22.95	0.00
In-Home Support Services (IHSS)	13.25	13.25	0.00
Voter Registration and Elections	7.25	8.32	1.07
Other Countywide Services	14.36	15.45	1.09
Subtotal	\$ 314.99	\$ 316.90	\$ 1.91
MUNICIPAL SERVICES			
Animal Care and Regulation	\$ 3.18	\$ 3.03	\$ (0.15)
Regional Parks, Recreation and Open Space	4.99	4.60	(0.39)
Planning and Community Development	5.55	3.88	(1.67)
Other Municipal Services	1.07	1.89	0.82
Subtotal	\$ 14.79	\$ 13.40	\$ (1.39)
INTERNAL SERVICES			
Department of Finance	\$ 0.62	\$ 1.91	\$ 1.29
Department of Personnel Services	7.93	0.00	(7.93)
Other Internal Services	(0.15)	0.75	(0.84)
Subtotal	\$ 8.70	\$ 2.66	\$ (6.03)
GENERAL GOVERNMENT			
	\$ 37.77	\$ 34.65	\$ (3.12)
Contingency and Reserve Change	\$ 15.14	\$ 4.32	\$ (10.82)
Non-Departmental/Countywide Costs	\$ (5.17)	\$ (2.57)	\$ 2.60
TOTAL	\$ 626.53	\$ 629.13	\$ 2.60

There have been increases for the Assessor, District Attorney, Sheriff's Department and Probation in line with the Board's priorities and the recognition of contractually obligated labor cost increases. Generally, all other departments have had their recommended appropriations either reduced or increased only slightly to offset mandated costs (i.e. Voter Registration/Elections for November 2008 general election).

The following table gives a higher-level summary of the recommended allocations by service area for the General Fund.

Summary Of Recommended General Fund Allocations By Service Area (Amounts Expressed In Millions)		
Uses of Allocations	2008-09 Recommended Proposed Allocation	Percent of Total
Assessor, District Attorney & Sheriff	\$ 256.08	40.70%
Board of Supervisors	3.69	0.59%
General Government	34.65	5.51%
Internal Services	2.66	0.42%
Countywide Services	316.90	50.37%
Municipal Services	13.40	2.13%
Contingency, Reserves and Central Labor	4.32	0.67%
Non-Departmental/Countywide Costs	(2.57)	(0.40%)
TOTAL	\$ 629.13	100.0%

Countywide Services consume more than half the local revenue resources, primarily for mandated services. Municipal Services, Internal Services, and General Government are allocated together at only 8.0 percent of the local revenue resources, although this picture is skewed by the mixed services (Municipal and Countywide) provided by Assessor, District Attorney, and the Sheriff. The Board, Assessor, and District Attorney Offices' provide countywide services, but much of the allocation to the Sheriff's Department is for municipal services.

General Purpose Financing

General Purpose Financing is the source of the "allocation" to programs. The following table summarizes the financing estimates:

General Purpose Financing (Amounts Expressed In Millions)			
	2007-08 Adopted Final	2007-08 Estimated Year-End	2008-09 Recommended Proposed
General Revenues	\$ 563.9	\$ 564.7	\$ 571.4
General Fund Balance	39.0	39.0	20.4
Reserve Releases	23.6	25.9	37.3
TOTAL	\$ 626.5	\$ 629.6	\$ 629.1

The following table details the year-to-year recommended changes in general purpose revenues:

General Purpose Revenues (Amounts Expressed In Millions)			
	2007-08 Adopted Final	2007-08 Estimated Year-End	2008-09 Recommended Proposed
Property Taxes *	\$ 272.6	\$ 280.2	\$ 272.2
Sales Tax & In Lieu Sales Tax	83.1	79.4	81.0
Property Tax In Lieu of Vehicle License Fees	138.2	141.3	142.7
Utility Tax	14.5	14.5	14.6
Fines & Penalties	14.3	14.3	14.3
Franchises	3.3	3.3	3.3
Revenue Neutrality & Transition	17.7	14.8	18.6
Other Revenues & Costs	20.2	16.9	24.7
TOTAL	\$ 563.9	\$ 564.7	\$ 571.4

*Includes all sources of property tax revenue (i.e. Secured, Unsecured, Supplemental, Delinquent, Unitary)

In recent years the County has experienced growth in property tax collections ranging from approximately 10% growth in Fiscal Year 2002-03 to its most recent high growth rate of 15% in Fiscal Year 2006-07, before returning to a 9% growth rate in Fiscal Year 2007-08. The housing market slowdown has caused the County Assessor's to decrease the assessed value for approximately 85,000 properties in May 2008. This will reduce growth in secured property taxes for Fiscal Year 2008-09 to approximately 2%.

A complete summary of the Fiscal Year 2008-09 Recommended Proposed Budget for the General Fund can be found in Attachment I.

V. USE OF RESERVES AND RETAINED EARNINGS

- Use of Reserves - The Recommended Proposed Budget does not provide for any additional provisions for General Fund Reserves. It is recommended that a number of reserves be reduced or eliminated to offset the shortfall since these reserves were set aside in order to weather an economic downturn. In this budget it is recommended that \$29.9 million in reserves be used to offset the shortfall. This is in addition to the anticipated release of \$6.0 million to offset the incremental increased Pension Obligation Bond debt service and \$1.4 million adjustments in the reserves for the Teeter Delinquent Property Tax program and Department of Revenue Recovery collection system.

While the Board has previously adopted a policy goal of establishing discretionary reserves equal to 5.0 percent of locally generated revenues, it is not recommended that this level be funded during Fiscal Year 2008-09. However, as soon as local economic conditions improve it will be the County's priority to adequately replenish these reserves.

- Use of Retained Earnings –A total of \$24.95 million in retained earnings were allocated back to departments as one-time financing sources. The rebates were apportioned back to the departments based on prior contributions (the General Fund received \$17.9 million with \$7.05 million going back to other county funds). These rebates will reduce the departments'

capacity to respond to operational emergencies. In some cases it may be necessary to debt finance some capital expenditures in the future.

VI. FISCAL YEAR 2008-09 GENERAL FUND CONTINGENCY RECOMMENDATIONS

The County Executive's recommended General Fund Contingency appropriation is \$3.1 million which was the level of contingencies when the Fiscal Year 2007-08 Final Budget was adopted. Traditionally the initial recommended Contingency has been \$5.0 million. While this reduced flexibility in funding programs during the Board of Supervisor's budget process, it allowed our budget priorities to be funded at a higher level. Should year-end fund balance exceed our estimate, the contingency will be increased, and at the September Hearings, the Board may have the ability to amend some of their recommendations.

The \$3.1 million represents less than 1.0 percent of the total anticipated general purpose available financing, and less than 0.14 percent of the General Fund total appropriations. There are several major uncertainties in the assumptions for the Fiscal Year 2008-09 Proposed Budget that exceed the recommended contingency level. The County Executive, therefore, recommends that the Board not use Contingencies to fund additional programs so that the recommended \$3.1 million can be available to cover any shortfall from these uncertainties.

- IHSS - As indicated earlier there is currently a \$10.3 million unfunded costs in the IHSS program included in the recommended reductions. However, it is recommended that the Board not make any changes to this program pending clarification of numerous state proposals to modify the program and/or the cost sharing elements. Depending upon the state's actions, the required additional funding for this program could change significantly.
- Conflict Criminal Defenders - There is concern that the recommended appropriations for this program may not be adequate to cover the mandated services provided by this program. As the year progresses, this budget will be monitored to assess whether or not there is a need for additional funding to provide adequate legal representation for indigent adult and juvenile defendants. If the year-end cash position is increased, the Conflict Criminal Defender allocation will be increased.

VII. GENERAL FUND REDUCTIONS TO BASE REQUESTS

As indicated earlier, the County Executive's Recommended Proposed Budget, after using a number of one-time funding sources and refining revenue estimates, asked departments to take \$67.9 million in reductions. Of this amount, \$15.3 million are the result of reductions in state and/or federal programs (commonly referred to as categorical programs). It is recommended that the County not fill behind these revenue reductions but ask for corresponding program reductions based on the State of California budgetary actions. The remaining \$52.6 million in recommended reductions will impact all of the County's General Fund program areas. However, there are two items that may drastically effect these reductions.

1. The IHSS budget is facing a potential shortfall of \$10.3 million. As indicated earlier any action taken by the State regarding this program will be monitored carefully to ascertain whether or not such action will impact this projected shortfall.
2. Currently there is a \$9.6 million shortfall in the County Medically Indigent Services Program (CMISP). On June 3, 2008 the Board will be presented with a proposal to change the service

provider for the program from the current contract provider to a fee for service arrangement with a third party administrator. Depending upon the outcome of that hearing, the cost of this program will change. Therefore, when the proposed budget document was finalized the CMISP still shows a cost assuming that the existing provider would be used without any contract increases.

The reductions to the base requests are broken out by department in the following table. Descriptions of the proposed reductions are included in Attachment V-A (Summary) and Attachment V-B (Detail).

Fiscal Year 2008-09 Recommended Budget Reductions			
Department	Recommended Reductions		As a Percentage of Total Base
	Unfunded Base (Net)	Unfunded Base Categorical (Net)	
Assessor	\$ 818,230	\$ 0	0.13%
District Attorney	2,000,000	640,119	0.42%
Sheriff	5,000,000	0	0.79%
Subtotal – Assessor, District Attorney, Sheriff	7,818,230	640,119	1.34%
Financing-Transfers/Reimbursements	67,015	0	0.01%
Data Processing-Shared Systems	256,190	0	0.04%
Subtotal - General Government	323,205	0	0.05%
Agricultural Commissioner/Sealer of Weights & Measures	127,622	0	0.02%
Voter Registration/ Elections	229,506	0	0.04%
Coroner	626,560	3,000	0.10%
Court / Non-Trial Court Funding	1,235,197	0	0.20%
Conflict Criminal Defenders	2,886,171	0	0.46%
Probation	7,573,814	0	1.20%
Care In Homes And Institutions	362,946	0	0.06%
Child Support Services	0	2,709,514	0.43%
Health And Human Services	8,399,434	7,046,015	2.46%
Juvenile Medical Services	812,217	0	0.13%
In-Home Supportive Services Provider Payments	10,269,738	0	1.63%
Health-Medical Treatment Payments	9,643,362	0	1.53%
Human Assistance-Admin	1,410,050	4,892,337	1.00%
Subtotal - Countywide Services	43,576,617	14,647,869	9.26%
Animal Care And Regulation	14,000	0	0.00%
Regional Parks	111,225	0	0.02%
Planning	774,992	0	0.12%
Subtotal - Municipal Services	900,217	0	0.14%
Total	\$ 52,618,269	\$ 15,290,985	10.79%

VIII. RECOMMENDED ADDITIONAL REQUESTS IN GENERAL FUND

Pursuant to a process established by the County Executive, departments submitted a total amount of General Fund additional requests that exceeded \$14.9 million, including \$12.2 million from

the Sheriff’s Department. Because the difficult budget circumstances are forecast to recur in Fiscal Year 2009-10, and in order not to expand the anticipated shortfall, the County Executive is recommending that only those program enhancements that do not add a net General Fund cost for Fiscal Year 2008-09 be included for the Board’s review and approval.

Attachment V-C summarizes and Attachment V-D details the recommended General Fund additional requests with full revenue offsets.

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

RECOMMENDED ADDITIONAL GENERAL FUND ITEMS THAT ARE FULLY FUNDED

PRIORITY 0 – MANDATED FLEXIBLE		
BUDGET UNIT/ DEPARTMENT	DESCRIPTION	GENERAL FUND GROSS ONGOING
3210000 Ag Commission /Sealer of Wts & Measures	Additional 1 position and vehicle for Pest Exclusion dog team. Additional cost of \$148,000 fully offset by Federal grant.	\$ 148,000
7090000 Emergency Operations	Additional funding to increase emergency management capabilities. Additional cost of \$183,060 is fully offset by Homeland Security grants.	183,060
7200000 Health and Human Services	Additional 3 positions for Maternal, Child, Adolescent Health – Black Infant Health program. Additional cost is fully offset by the cancellation of contracts with community based organization.	0
PRIORITY 0 - FLEXIBLE MANDATES TOTAL		\$ 331,060

PRIORITY 3 – SUSTAINABLE AND LIVABLE COMMUNITIES		
BUDGET UNIT/ DEPARTMENT	DESCRIPTION	GENERAL FUND GROSS ONGOING
6400000 Regional Parks	Additional landscaping services for Solid Waste Management facilities. Additional cost of \$42,211 is fully offset by revenue from Solid Waste Management.	\$ 42,211
	Additional 1.0 position for Therapeutic Recreational Services. Additional \$13,070 is fully funded from program revenues.	13,070
	Reallocation of 2.0 Rec. Specialist positions to 1.0 Rec. Supervisor for Group Picnic & Recreational Services	10,427
PRIORITY 3 TOTAL		\$ 65,708

PRIORITY 4 – GENERAL GOVERNMENT		
BUDGET UNIT/ DEPARTMENT	DESCRIPTION	GENERAL FUND GROSS ONGOING
3240000 County Clerk Recorder	Additional 3.0 positions for Records Conversion program. Additional \$407,981 is fully offset by recording fees.	\$ 407,981
PRIORITY 4 TOTAL		\$ 407,981
GRAND TOTAL		\$ 804,749

Attachment V-E is a summary of the additional requests and Attachment V-F provides details of the additional requests received from both General Fund and Non-General Fund departments for Fiscal Year 2008-09 that are not recommended.

IX. RECOMMENDED ADDITIONAL REQUESTS IN NON-GENERAL FUND BUDGET UNITS

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

RECOMMENDED ADDITIONAL NON-GENERAL FUND ITEMS

PRIORITY 0 – FLEXIBLE MANDATES		
BUDGET UNIT/ DEPARTMENT	DESCRIPTION	GROSS AMOUNTS
3400000 Airport Enterprise	Additional 8.0 positions to develop, operate and maintain the Airport transportation system.	\$1,835,551
PRIORITY ZERO TOTAL		\$ 1,835,551

PRIORITY 4 – GENERAL GOVERNMENT		
BUDGET UNIT/ DEPARTMENT	DESCRIPTION	GROSS AMOUNTS
7000000 General Services – Downtown District	Additional 2.0 positions to service fire and smoke detection system in the Main Jail.*	129,456
General Services – Bradshaw District	Additional 1.0 position and one vehicle to maintain fire pumps for Bradshaw complex.*	123,807
	Additional 1.0 position for custodial services at new Juvenile Hall expansion.*	59,782
PRIORITY 4 TOTAL		\$ 313,045
NON-GENERAL FUND GRAND TOTAL		\$ 2,148,596

*Funding for these items is included in the recommended Allocated Costs.

Attachment V-E summarizes and Attachment V-F details the additional requests received from both General Fund and Non-General Fund departments for the Fiscal Year 2008-09 that are not recommended.

X. RECOMMENDED TRANSFER FROM TRANSIENT-OCCUPANCY TAX (TOT) FUND TO GENERAL FUND - \$3,891,779

The total available financing of \$9,602,273 in the TOT Fund for Fiscal Year 2008-09 is \$1,233,695 less than the Fiscal Year 2007-08 budget (see Attachment II). This is due to a reduction in fund balance and reduced collections associated with the decommissioning of the hotel at the airport (\$600,000).

It is recommended that the Board give preliminary approval of a transfer from the TOT Fund to the General Fund for Fiscal Year 2008-09 in the amount of \$3,891,779. This is a \$59,579 increase in the level adopted in the Fiscal Year 2007-08 Final Budget. This will provide that certain otherwise “unfunded” General Fund programs in Fiscal Year 2008-09 will continue to be funded. It is further recommended that the Board determine use of the monies available within the TOT Fund for jointly-funded city/county programs and certain county departments which rely upon TOT funds for their (Base) budgets as outlined in Attachment II. We are also asking the Board to discourage additional requests from civic and/or cultural groups for the Fiscal Year 2008-09 since there are no unallocated TOT funds remaining available. Deliberations on the TOT Fund will be held on Thursday, June 12 at 9:30 a.m.

In addition to the transfer to the General Fund, the TOT also funds the following administrative, fiscal and audit costs associated with management of the TOT Fund:

- \$43,000 for American River Parkway Foundation which provides support to the Department of Regional Parks.
- \$75,000 for Economic Development administrative costs.
- \$25,000 to Department of Finance for revenue estimates/monitoring.
- \$11,400 to Department of Finance for hotel audits.
- \$11,400 to Department of Finance for contract audits.

In addition, the following two pass-through payments are included in the budget; however, they do not affect the amount of funding available for allocation to outside organizations.

- \$528,577 associated with bond financing for Sacramento Regional Arts Facilities (Music Circus).
- \$2.39 million associated with bond financing for Raley Field (currently offset by a reimbursement for anticipated lease payment from the River City Baseball partnership).

XI. CAPITAL CONSTRUCTION FUND (CCF) - \$22,937,956

The Fiscal Year 2008-09 Recommended Proposed Budget provides for major construction projects as a part of the long-range Capital Improvement Program (CIP), as well as minor alterations, improvements, and major equipment replacement in county-owned facilities. As a result of the County's financial limitations and commitments to approved major projects now being planned and/or under construction, the recommendations for additional capital

construction projects are limited to those required because of health, safety, security, or severe operational problems. However, two large-scale projects, the B.T. Collins Juvenile Center expansion and the new Animal Care Facility are included in this budget due to the successful securitization of Tobacco Litigation Settlement (TLS) funds and new Certificate of Participation (COP) bond financing.

The anticipated available financing within CCF for Fiscal Year 2008-09 is \$22,937,956. The Recommended Fiscal Year 2008-09 Proposed Budget includes continuing major infrastructure renovation at the B.T. Collins Juvenile Center, including the Juvenile Hall 120-bed expansion and remodeling Wing “A”, construction of the new Animal Care Facility, and projects at other county facilities. Following is a summary of available financing and significant projects in the CCF Budget:

Financing Sources	Amount
Available Fund Balance of Appropriation*	\$(15,353,423)
County Facility Use Allowance Charges, Vacancy Factor, and Improvement Districts	13,881,917
Interest Income	125,000
Miscellaneous Revenues - Revenue Leases	48,000
Miscellaneous Revenues	20,119,898
Americans with Disabilities Act COP funds	216,564
Courthouse Temporary Construction Fund Revenues	2,100,000
Criminal Justice Facility Temporary Construction Fund Revenues	1,800,000
TOTAL	\$22,937,956

*CCF typically budgets projects based on anticipated expenditures. Often the design and engineering is not completed within a single fiscal year after the project is authorized. If large construction projects are awarded late in the fiscal year, the contracts encumber funds in CCF. Those encumbered funds have a significant effect on the fund balance. When a large project is financed, CCF typically provides the financing for the expense and receives reimbursement for those expenses. Since the revenue is received in arrears, the revenue is not listed as a balancing entry for the encumbrance. This has the effect of creating a large negative fund balance.

CCF activities face significant funding limitations. Only a portion of the \$22.9 million in funding is available for new projects without restrictions. The balance is restricted through bond covenants or at Board direction for use on specific major construction projects.

The majority of CCF activity will focus on:

- B.T. Collins Juvenile Center:
 - Juvenile Hall 120-Bed Expansion.
 - Remodel Wing “A”.
- Construction of the new Animal Care Facility.
- Remodel for the Sheriff’s New 911 Communication Center.

Debt service for bond-financed projects will be paid by the occupying department. Additionally, the funding levels identified for small miscellaneous projects differ from the funding budgeted as contingencies. The funds set aside as contingencies historically have been used to fund large construction or design projects at the direction of the Board or to finance large unexpected cost escalations or contractor claims on a project.

To mitigate the projected General Fund budget shortfall, the CCF will pay the debt service for the Lorenzo E. Patino Hall of Justice facility (main jail), thereby relieving the General Fund from that obligation for one year. Since the \$5.0 million was originally earmarked for construction

projects that are needed due to health, safety, security, or severe operational problems, CCF will borrow \$5.0 million from the Fixed Asset Acquisition Fund to complete the projects. This one-time use of the CCF funds to pay debt service costs will have a multiyear impact on CCF's ability to correct deficiencies or extend the useful life of county-owned facilities.

XII. OTHER COUNTY FUNDS

The funding for many of these funds, with the sole exception of the TOT Fund, comes from restricted revenues which may only be expended on single services or narrow ranges of services. For example, the gas tax accruing to the Road Fund may only be expended on transportation services, and the various revenues for the Community Services Fund may only be expended on human services programs.

There is some support from the General Fund for services provided by other funds. The transfer from the General Fund to the Community Services Fund is recommended in the Proposed Budget to continue for Fiscal Year 2008-09. However, during Fiscal Year 2008-09 the requested transfer to the Economic Development and Intergovernmental Affairs Fund is not recommended.

As required by law, the County's governmental funds are all balanced. The financing, consisting of revenues, fund balance, and, in some cases, reserve releases, is equal to the requirements, consisting of appropriations and reserve contributions. The financing estimates are reasonable. The County's proprietary funds are not balanced in the same manner as governmental funds, but again, the financing estimates have been reviewed and are reasonable. Sufficient funding is available in the form of revenues, retained earnings, working capital, fund transfers, and reserve releases to support the budgeted expenditures.

Information regarding various other county funds is as follows:

Economic Development And Intergovernmental Affairs Fund - \$ 52,990,407

The Department of Economic Development and Intergovernmental Affairs is established as a Special Revenue Fund. The Department engages in general economic development and job creation programs, including: business development, retention and attraction; involvement with regional and local partnerships and programs; promotion of sports, tourism and the arts; commercial corridor revitalization; and attraction of key regional sales tax producers. General economic development activities have resulted in increased General Fund revenue, including sales and property tax from projects within the major commercial corridors, and increased job growth.

The Department is responsible for the administration of the County's Economic Development Special Projects fund, which was established by the Board of Supervisors during the Fiscal Year 2005-06 Final Budget Hearings. This fund provides financial assistance to county departments, other quasi-governmental entities, and other public and private interests to support economic development projects as approved by the Board of Supervisors. The Special Projects fund is supported by an annual transfer from the General Fund, providing the Board of Supervisors with funding for new projects each fiscal year. This allocation is separate and distinct from the transfer described in the previous paragraph, and is not available for the Department's ongoing core general economic development and intergovernmental affairs activities.

The Department responsibilities also include the Mather Field and McClellan Park reuse programs and the Business Environmental Resource Center (BERC) program. The Mather Field and McClellan Park reuse programs are self-funded with grants and proceeds generated from sale or lease of former military base assets. Enterprise cost-sharing agreements are the primary source of funding for the BERC program. Activities in these three programs have resulted in tax revenues and increased job growth.

Environmental Management Fund - \$ 22,024,059

The Environmental Management Department is established as a Special Revenue Fund. The Department provides countywide regulatory services that protect public health and the environment. The Department does not receive General Fund financing. The primary source of financing for this fund comes from fees and grants associated with the various regulatory activities of the Environmental Health, Hazardous Materials, and Water Protection Divisions. These regulatory programs apply to an inventory of approximately 18,000 commercial enterprises and nearly all governmental entities. Major activities include inspection of restaurants and other retail food facilities, regulation of underground storage tanks, Hazardous Materials regulation and Hazardous Materials response, ensuring compliant stormwater management practices, and overseeing remediation of contaminated properties.

Community Services Fund - \$ 26,311,912

The General Fund contribution to Community Services has increased by approximately \$1.1 million. This increase is predominately the result of General Fund backfill for Senior Nutrition Programs approved by the Board and increased Cost-of-Living-Adjustment (COLA) and other salary costs.

Golf Fund - \$ 8,924,344

The Golf Fund 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 no General Fund subsidy of the Golf Fund, and the Golf Fund fully reimburses the General Fund for overhead and support. The budget for the Golf Fund includes debt service for the Cherry Island and Mather golf courses.

Due to declining revenues in prior years, the Golf Fund received a \$400,000 loan from the General Fund during Fiscal Year 2005-06 and an additional \$450,000 loan during Fiscal Year 2006-07. Repayment of the \$450,000 loan occurred during Fiscal Year 2006-07 and the final installment on the \$400,000 loan is included in the Fiscal Year 2008-09 Recommended Proposed Budget. In order to reduce the reliance upon the General Fund in the future, the Board of Supervisors approved fee management operations agreements at Cherry Island and Ancil Hoffman Golf Courses. The fee management agreements are anticipated to provide a savings of \$400,000 annually.

County Library Fund - \$ 23,787,093

The County Library Fund is the collector of a share of the local property tax levy dedicated for library services. Library services are provided by the Sacramento Public Library Authority. Expenditures for County Library facility-related services, the Library's share of the Pension

Obligation Bond (POB) debt service, and debt service payments related to the North Highlands-Antelope Library are made directly from this fund. The remainder of the financing is transferred to the Sacramento Public Library Authority for library services in 16 County funded branches, including branches in the five cities of Citrus Heights, Elk Grove, Galt, Isleton and Rancho Cordova. A Joint Powers Authority (JPA) agreement was approved by these cities, the City of Sacramento and the County adding the five cities to the Library Board effective July 1, 2007.

This fund has seen healthy property tax growth in recent years which has resulted in enhanced services provided by the Library Authority, including increased operating hours and materials purchases. The new JPA structure provides a model for resource allocation that will allow for supplemental funds above base service costs to be directed toward expanded services and/or facilities with involvement from the member jurisdictions.

Tobacco Litigation Settlement (TLS) Fund - \$ 6,033,883

On November 15, 2005, the Board approved refinancing the 2001 Tobacco Litigation Settlement Bond, to reduce the County debt service on prior bonds. Under the original deallocation schedule, the County had between \$4.7 million to \$8.3 million per year to fund county-operated programs with some of the funds in the TLS endowment program. Based on the current deallocation schedule, only new and expanded programs by tax-exempt qualified nonprofit organizations other than the County itself, or qualified capital projects, can be funded with the original 2001 Bonds. To mitigate the problem caused by ending the funding generated from the original Bond, the Board approved passing normal capital/maintenance costs through the TLS Fund (Fund 008A) to “free-up” other county funds for the programs originally funded by the TLS revenues.

XIII. MUNICIPAL SERVICES AGENCY-NON GENERAL FUND

The Fiscal Year 2008-09 Recommended Proposed Budget for the Municipal Services Agency (MSA) is \$936.8 million (excluding the Sanitation District, Dependent Special Districts, Countywide and Less Than Countywide Funds). Overall, the Agency budget reflects a net decrease of \$203.0 million from the Fiscal Year 2007-08 Adopted Budget. This decrease is primarily due to a slow down in the economy resulting in a decrease in development. Funds with the most significant reductions include North Vineyard Station Specific Plan Community Facilities District 2005-2, McClellan Community Facilities District 2004-1, Antelope Public Facilities Financing Plan, Road Fund, Transportation Sales Tax, Waste Management and Recycling Capital Outlay, Sacramento County Water Agency Zone 40 and Sacramento County Water Agency Zone 11A. Attachment VI details the year-to-year comparisons for the Municipal Services Agency budget units.

XIV. AIRPORT ENTERPRISE

The Sacramento County Airport System’s operating budget for Fiscal Year 2008-09 reflects a continued effort to maintain a reasonable airline cost per enplaned passenger and keep rate increases to a minimum. Although in many areas there were reductions in the budget, overall the Fiscal Year 2008-09 budget is increasing by \$6,932,459.

Sacramento County Airport System Funds 041 and 045 Operating Budget - Revenue and Expenses Fiscal Year 2008-09 Proposed Budget				
	2007-08 Adopted Final	2008-09 Recommended Proposed	Year to Year Variance	Percent Change
<u>REVENUES:</u>				
Charges for Services	\$ 109,840,600	\$ 131,525,058	\$ 21,684,458	19.7%
Interest Income	5,504,600	3,988,530	-1,516,070	-27.5%
Intergovernmental Revenue	90,629,800	8,068,345	-82,561,455	-91.1%
Passenger Facility Charges	22,880,000	23,000,000	120,000	0.5%
TOTAL	228,855,000	166,581,933	-62,273,067	-27.2%
<u>EXPENSES:</u>				
Salaries/Benefits	34,368,004	35,906,968	1,538,964	4.5%
Service and Supplies	65,028,874	70,713,675	5,684,801	8.7%
Depreciation	24,979,039	24,503,878	-475,161	-1.9%
Other Charges	1,619,262	1,839,576	220,314	13.6%
Cost of Goods Sold	700,000	800,000	100,000	14.3%
Interest Expense	11,533,464	11,397,005	-136,459	-1.2%
TOTAL	\$ 138,228,643	\$ 145,161,102	\$ 6,932,459	5.0%

Revenues:

Highlights of significant changes to the County Airport System's operating revenue for Fiscal Year 2008-09 include:

- The largest decrease in budgeted revenues is due to grant revenue associated with the Terminal Modernization Program. The budget for Intergovernmental revenue is decreasing from \$90,629,800 to \$8,068,345 (decrease of \$82,561,455). Although a significant amount of the TMP will be covered by grant revenue, the revenue will be reflected in future years.
- Parking revenue for Fiscal Year 2008-09 is projected to increase by \$10,850,677 over Fiscal Year 2007-08 budgeted revenue due to an increase in the rates.
- Aviation Ground Leases are projected to increase by \$2,492,440 over Fiscal Year 2007-08 budgeted revenue due to unbudgeted increases in ground leases in year-end estimates as well as a projected 3% increase in the CPI.

Expenses:

Highlights of significant changes to the County Airport System's operating expenses for Fiscal Year 2008-09 include:

- Salaries and benefits have increased from \$34,368,004 to \$35,906,968 (an increase of \$1,538,964). This net increase is attributable to step increases in salaries, cost of living

adjustments, increased employer contributions to retirement, and the addition of eight new positions.

- The budget for maintenance and repair projects funded in the operating budget was increased by \$1,276,500 due to the increase in Construction Services and Supplies. The increase is due to the re-budgeting and increased cost of the Wastewater Connection Construction. This project is necessary to meet the future demands of the Airport.
- The budget for services provided by the Sheriff's Department to the Airport System increased by \$944,456 primarily due to increases in salaries and benefits for employees, and a low budget estimate from Fiscal Year 2007-08.

XV. INTERNAL SERVICES AGENCY FUNDS

Internal Services Funds are primarily financed with charges to county departments for services provided to those departments. These funds and services have seen significant budget reductions, where possible, in recent years. Often these reductions are made very early in the budget process and do not receive the same level of visibility as reductions in direct services to county residents. Internal Services Agency Funds are the Department of General Services, Office of Communications and Information Technology, Department of Personnel Services and the Insurance Funds.

The assistance from the Internal Services Agency (ISA) departments in identifying one-time and ongoing funding sources is appreciated. All total \$39.7 million (\$32.4 million one-time and \$7.3 million ongoing) was identified that could either be rebated to county departments or where allocated costs could be reduced. Of the total amount identified, approximately 75.0 percent (\$29.8 million) will benefit General Fund departments with the remaining \$9.9 million benefitting non-General Fund departments. Most of these funds were retained earnings that were identified on page 10 (V. Use of Reserves and Retained Earnings). The items listed below account for the changes for unavoidable costs that were absorbed by ISA departments.

Department of General Services

Unavoidable Costs - Base Budget Reductions - \$2.27 million (ongoing)

General Services was asked to absorb \$2.27 million (on-going) in unavoidable cost increases such as the employee cost-of-living and equity adjustments. These base budget reductions resulted in lower allocated costs for all County departments for contract and purchasing services, facility use costs, light fleet costs, and surplus property costs. Approximately \$1.37 million (60.4 percent) benefited General Fund departments. It should be noted that this on-going reduction is in addition to the \$1.1 million reduction the department was asked to absorb during the current fiscal year to assist in balancing the Fiscal Year 2007-08 Final Budget. As the department is required to operate at reduced appropriation levels for a second year in a row while customer demands continue at the same or increased levels, service levels and facility conditions will be impacted.

Communications And Information Technology (OCIT)

The Office of Communications and Information Technology (OCIT) provides telecommunications and information technology expertise and support for the agencies and

departments within the County of Sacramento. The Fiscal Year 2008-09 Recommended Proposed Budget is \$57.3 million and includes an unavoidable cost increase of \$1,287,400 from the Fiscal Year 2007-08 Final Adopted budget. The increase is primarily due to costs for software licensing, hardware and contract labor for the continued transition to the Voice over Internet Protocol (VoIP) network, and increased pass thru of customer charges for cell phone usage. The upgrade of the Comprehensive Online Management Personnel and Accounting System for Sacramento County (COMPASS) includes an unavoidable cost increase of \$602,000 for SAP consultants, staff training and depreciation on new computer hardware. This is partially offset by a \$500,000 reduction in OCIT Retained Earnings from prior year savings.

The Fiscal Year 2008-09 Proposed Budget includes staffing and funding to initiate and/or complete the following projects and service enhancements:

- Complete Phase I of the upgrade of COMPASS to the latest version of SAP (ECC 6.0);
- Complete the final phase of the Airports maintenance management system in COMPASS;
- Begin implementing enhancements for Phase II of the COMPASS upgrade project;
- Convert the DRR call center to use the VoIP enterprise call center infrastructure;
- Replace Report Distribution System (RDS) with a new cost effective solution;
- Redesign the County Internet Portal and provide new Internet templates to all County departments;
- Migrate the County Intranet Content to the new Web Content Management System;
- Complete FileNet P8 upgrade;
- Create a central database for logging Criminal Justice System inquiries;
- Implement a Shopping Cart on the County e-Commerce portal;
- Update e-pledge application for 2008-09 Employee Campaign;
- Initiate the implementation of a Computer Aided Dispatch System for the County Communications Center.

Department of Personnel Services - Insurance Funds

The County utilizes three separate funds to accumulate charges and payments for Workers' Compensation Insurance, Liability/Property Insurance, and Unemployment Insurance. The County is basically self-insured for Workers' Compensation Insurance and Liability/Property Insurance; however, the County does purchase additional coverage above the self-insured retention levels of \$2.0 million. All three insurance funds are financed through a combination of charges to county departments and retained earnings.

Charges to county departments for all three insurance funds are determined on the basis of each department's claims experiences and exposure. The County has several higher risk services, particularly in the provision of municipal services to the Unincorporated Area. The following table reflects adopted insurance funds charges for the 2007-08 Fiscal Year and recommended charges for the 2008-09 Fiscal Year:

Insurance Funds Charges

	Adopted 2007-08	Recommended 2008-09	Variance
Workers' Compensation	38,579,882	30,407,887	-8,171,995
Liability/Property	19,178,656	20,461,935	1,283,279
Unemployment	<u>2,029,068</u>	<u>2,021,133</u>	<u>-7,935</u>
TOTAL	59,787,606	52,890,955	-6,896,651

Overall recommended charges are lower for Fiscal Year 2008-09.

Workers' Compensation Fund - \$5.0 million (ongoing), \$2.0 million (one-time)

The Fiscal Year 2008-09 Proposed Budget reflects a \$7.0 million reduction in the Workers' Compensation Insurance Program for that portion related to allocated costs. In prior years, a \$5.0 million reserve provision was established in the budget and used to reduce the Workers' Compensation long-term unfunded liability. For Fiscal Year 2008-09 this reserve provision was eliminated. Additionally, \$2.0 million reduction in charges was passed on to county departments. Approximately \$5.25 million (75.0 percent) of the total reduction benefited General Fund departments. This action will delay the County in achieving the goal to provide funding for the Worker's Compensation Fund at the targeted 80.0 percent confidence level by June 30, 2017, as recommended by the September 2006 actuarial study. The confidence level is an estimated probability that a given level of funding will be adequate to pay actual Workers' Compensation claims costs. The County's recorded liability at the 80.0 percent confidence level is \$104.0 million. As of June 30, 2007, the Workers' Compensation Fund had funding for only \$56.0 million (53.8 percent), resulting in an unfunded liability amount of \$48.0 million (46.2 percent).

Dental Insurance - \$464,143 (one-time)

The Proposed Budget reflects a one-time rebate of \$464,143 from the Dental Insurance Fund to county departments. These funds were held in reserve by a third party administrator to pay dental claims and subsequently returned to the County when the County changed dental plans. Approximately \$303,000 (65.4 percent) will be rebated to General Fund departments.

XVI. SPECIAL DISTRICTS

The Board of Supervisors also serves as the Board of Directors for certain Dependent Special Districts providing services to residents of the Unincorporated Area. The District budgets are all balanced governmental funds. There are three recreation and park districts, three county service areas providing recreation and parks services to the rural South County, two parks maintenance and improvement districts, and one fire district. The Board of Supervisors has appointed advisory boards for most of the Districts. The primary sources of financing are dedicated shares of the property tax levy and user fees. One park maintenance and improvement district imposes assessments. Total spending for services and facility maintenance and improvements by the Districts will be about \$29.8 million in Fiscal Year 2008-09. Please refer to Attachment VII for a more detailed analysis of changes in appropriations, revenues, and fund balances for the Dependent Special Districts.

XVII. STATE BUDGET PROPOSALS BY GOVERNOR FOR FISCAL YEAR 2008-09

The Governor's May Revision to his January budget was published on May 14, 2008. Most of the significant cuts proposed will impact health and human service programs.

- Health and Human Services - Significant changes are proposed for the IHSS program, CalWORKs, and SSI/SSP. For example, significant state savings of \$187 million would occur from the proposal to roll back state participation in IHSS wages to the current state minimum wage of \$8 per hour. This issue has not been thoroughly vetted in legislative debate, but could result in a significant fiscal impact to the County.
- Transportation - The Governor proposes to fully fund Proposition 42, which would mean \$10 million in local streets and roads funds for Sacramento County. However, another transportation proposal would divert an additional \$828 million in public transit funds (referred to as "spillover funds") in order to pay for other General Fund transportation programs (home-to-school transportation and retiring debt service on transportation bonds).
- Reimbursement for February Primary Election - The Governor included \$89.6 million for reimbursement to counties for the cost of the unanticipated February 2008 Presidential Primary Election. If funded in the state budget, Sacramento County should receive \$3.5 million to reimburse us for our actual costs of conducting this election.
- Law Enforcement and Parole Realignment - The most significant change in this policy area is the Governor's deletion of his January proposal for the early release of low level offenders from state prison to counties. However, the Legislative Analyst Office's proposal for parole realignment to counties is still under consideration as well as the Governor's proposal for summary parole. In addition, the May Revision shifts close to 75 percent (\$151 million) of the Juvenile Probation and Camp Funding (JPCF) from the General Fund to the Temporary Assistance for Needy Families (TANF) block grant that the state Department of Social Services administers. The across-the-board 10 percent reductions proposed in the January budget remain under consideration. Also related to this issue is a pending decision by Federal Court on State Prison populations.
- Human Services Funding Deficit - Neither the State's midyear budget activity nor the budget subcommittee actions have addressed the nearly \$1 billion county human services funding deficit (formally known as the Cost-of-Doing Business). For Sacramento County this shortfall amounts to \$55 million for Fiscal Year 2008-09. The programs that are primarily affected by the State's actions are: Child Welfare Services, CalWORKs, Food Stamp Administration, Foster Care Administration, In-Home Supportive Services, and Adoptions. However, the May Revision does acknowledge that these programs are underfunded by \$971.3 million in state (\$633 million) and federal (\$338) funds.

A one page summary of the State's key General Fund programmatic features developed by the Legislative's Analyst's Office is included as Attachment VIII. This document gives a good overview of the programs that may be affected by the Governor's May Revision.

**XVIII. REPORT FROM THE DEPARTMENT OF PERSONNEL SERVICES ON
RETIREE MEDICAL AND DENTAL INSURANCE PROGRAM FOR
CALENDAR YEAR 2009**

It is recommended that the Board approve the attached report that recommends providing retiree medical and dental insurance offset payment benefits for the 2009 calendar year at the 2008 level of subsidies for all individuals that retired before June 1, 2007, and approve the “two-year-lock” for the Dental Premium Plan. It is estimated that the cost will be approximately \$1.9 million for dental and \$11.3 million for medical offsets, for a total cost of approximately \$13.3 million in calendar year 2008. Retirees not eligible for the offset payment will continue to be provided the option to enroll in a County-sponsored retiree medical plan on a self-pay basis. The policy proposed for your approval is found in Attachment IV - **Exhibit B** in a “redline” version and in Attachment IV - **Exhibit C** in a final draft version.

It is also recommended that the Board approve the second recommendation (A2), in accordance with Government Code §7507, providing that an actuary’s determination of the expected cost be obtained and published two weeks prior to increasing any public retirement plan benefits. Because the County’s program is not a vested benefit and requires an annual determination of what program, if any, is provided, any payment beyond December 31, 2007, constitutes an increase in benefits to the recipients. Following the Board’s action on policy changes recommended in the attached report, the services of an enrolled actuary will be engaged to prepare the necessary report. It is anticipated that the actuary’s report will be presented for approval prior to August 1, 2008. (see Attachment IV)

XIX. CERTIFICATION BY DIRECTOR OF FINANCE

Pursuant to Government Code Section 29062, the Director of Finance is responsible for reviewing the tabulation of the budget requests, and confirming that the requested budget transmitted to the Board by the County Executive is an accurate tabulation. The Director of Finance has reviewed and confirmed the tabulation. The certification of the tabulation by the Director of Finance is attached (see Attachment IX).

XX. SCHEDULE FOR FINAL BUDGET HEARINGS

It is anticipated that the hearings in September will only be a one-day hearing to deal with any year-end fund balance issues and/or the impacts of the State budget actions. Since we are not confident about the events surrounding the State budget, we are holding additional days available in September if they are necessary to deal with State issues.

Day 1	Wednesday, September 3	9:30 a.m.	Final Budget Overview; General Public Testimony; IHSS Authority; Recommended Adjustments to Proposed Budget; State Budget Impacts; Five-Year Capital Improvement Plan Workshop
Day 2	Thursday, September 4	9:30 a.m.	Additional Deliberations if necessary
Day 3	Thursday, September 11	9:30 a.m.	Additional Deliberations if necessary
Day 4	Friday, September 12	2:00 p.m.	Additional Deliberations if necessary
	Tuesday, September 23		Adoption of Final Budget Resolution

