

County Executive
Terry Schutten



County of Sacramento

Board of Supervisors
Roger Dickinson, District 1
Jimmie R. Yee, District 2
Susan Peters, District 3
Roberta MacGlashan, District 4
Don Nottoli, District 5

March 13, 2009

Dear County Employees:

The current status of the economy has had a negative impact on both our revenues and expenditures. We are dealing with a fluid situation. Our elected officials, department heads, and front-line employees are working together to meet this challenge. Department heads continue to scour their budgets for any extra savings, and County employees have offered hundreds of cost savings suggestions. Through these efforts, we have saved \$1.4 million in expenditures. We thank each and every one of you who took the time to think about these ideas. Every effort helps as we build next year's budget.

However, the organization faces the challenging task of developing a budget for next fiscal year in the face of shrinking revenues.

FISCAL YEAR 2009-10 PROJECTION

At this time, the County is projecting a potential shortfall of \$168.5 million for the FY 2009-10 General Fund budget. This represents a decrease of 7.7% from the current \$2.2 billion General Fund budget and a 3.2% decrease in the current \$5.3 billion total County budget. Reflected also are mid-year budget adjustments approved by the Board of Supervisors that have a potential savings of \$20 million for the next fiscal year.

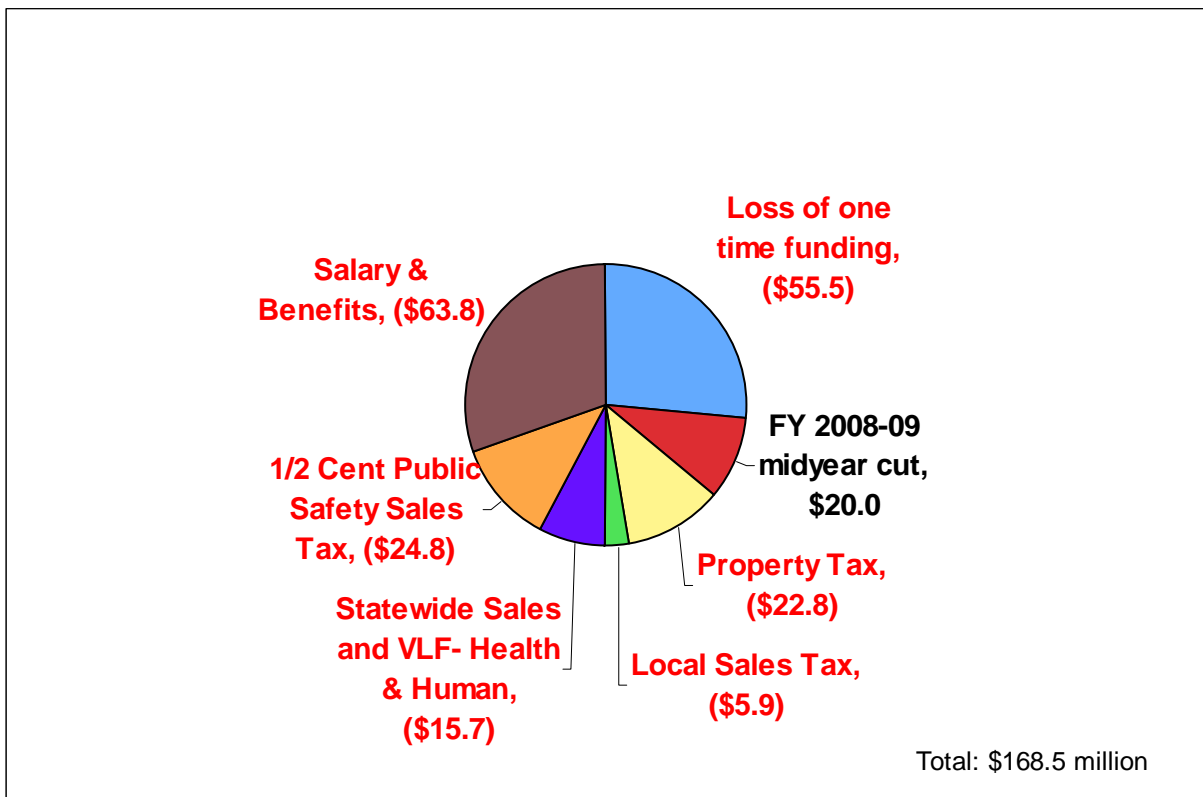
- *Exhaustion of Reserves:* For the current fiscal year, one-time money of \$55.5 million was used to balance our budget. The sources of these funds were from reserves and retained earnings, and will not be available next fiscal year. The exhaustion of these funds will require a corresponding \$55.5 million budget reduction in fiscal year 2009-10.
- *Decrease in Revenues:* Revenues for next year are projected to be \$69.4 million less than what we are receiving in FY 2008-09. We will continue to experience decreases in revenues, such as property taxes and local sales taxes, used to fund general County operations. In addition, decreases are projected in State sales tax and Vehicle

License Fee (VLF) revenues that are dedicated to numerous County programs in Health and Human Services, Behavioral Health Services, Human Assistance and Public Safety.

- *Increases in Expenditures:* We also anticipate increases in personnel expenses of approximately \$63.8 million for the next fiscal year due to expected current contractual commitments. As we have stated before, we want to minimize layoffs.

Below is a chart recapping the sources of our projected shortfall.

COMPONENTS OF SHORTFALL



The following items are not included in the FY 2009-10 projections:

- *Program Costs/Carryovers:* We also expect increases in our program expenditures. Some of the County's programs, such as Medical Care for Indigents, In Home Support Services (IHSS), Indigent Defense

and General Assistance, are experiencing a marked rise in demands for services. This growth in service delivery may translate into higher costs to operate. Departments are in the process of completing their budget submittals to finalize projected program costs and amounts of departmental savings, or “carryovers,” from prior fiscal years.

On the Federal Stimulus Package front, we could possibly receive several millions of dollars for infrastructure, social services and public protection. A multi-agency-department team is working to make sure the County gets the maximum amount of stimulus dollars available. The State is considering legislation that allows the County to receive federal stimulus money for Medi-Care funded programs including IHSS.

Schedule

Below is the preliminary budget schedule of events through Proposed Budget Hearings. A complete schedule is available on the Office of Budget and Debt Management’s Intranet site.

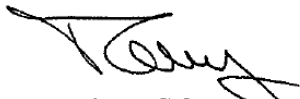
Preliminary Schedule	
Event	Due Dates
Budget submittals and Core Program Database is due to County Executive’s Office (CEO)	March 13, 2009
Analysis by CEO Analysts of Budget Submittals	March 13 – April 3, 2009
Evaluation and inclusion of Cost Savings Ideas into Budget	Continuous
Revised Core Program Funding Decisions	April 20, 2009
Department Review of Core Program Funding	April 21 – April 30, 2009
Analysts’ Final Revisions and Budget Production	May 1 – May 18, 2009
Analysis by County Executive and Chief Operations Officer of Proposed Budget Requests	April 2009
Community Outreach	May 2009
Board of Supervisors Workshops	Mid May 2009
Proposed Budget Materials to print	May 21, 2009
Recommended Proposed Budget Available	May 29, 2009

Preliminary Schedule	
Event	Due Dates
Proposed Budget Hearings —Budget Overview and Determination of Core Funded Budget	June 9, 2009, 2:00 p.m. June 10, 2009, 9:30 a.m. June 17, 2009, 2:00 p.m. June 18, 2009, 9:30 a.m.

In all likelihood, data and information will change during the course of building this budget. Effective and timely communication will continue to be important. Therefore, we will provide communication updates approximately every two weeks. We will issue more frequent updates when necessary.

We thank you for your continued commitment to providing services to the citizens of Sacramento County in these challenging times.

Sincerely,



Terry Schutten