



**County Executive**

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**County of Sacramento**

**REVISED**

June 11, 2012

Members of the Board of Supervisors

County of Sacramento

700 H Street, Suite 1450

Sacramento, CA 95814

**Re: Fiscal Year 2012-13  
Recommended Budget**

Honorable Members of the Board:

It is my pleasure to present to you the Recommended Budget for Fiscal Year 2012-13. The proposed spending plan is shaped by the fiscal realities that have impacted state and local budgets over the last four years. During this time, your Board has taken decisive action to align on-going revenues and expenditures, primarily through dramatic reductions in discretionary General Fund spending. The majority of these efforts have focused on workforce contraction, and salary and benefit cost reductions including furloughs, significant pension reform, retiree benefit reductions and the elimination or deferral of scheduled cost-of-living increases and equity adjustments. Considerable recognition should be given to our employees for their willingness to actively participate in solving our collective fiscal challenges, and in working harder and smarter to provide outstanding service to our customers.

Taxpayers across the nation are besieged by negative messages from all levels of government that focus on what can't be done in these challenging times. I am very pleased to report that your department heads and employees are taking a different approach: one that focuses on maximizing customer service through hard work, collaboration, innovation and a strong emphasis on the implementation of technology to attain high levels of productivity. These efforts notwithstanding, the continued erosion of local discretionary revenue and increasing costs will again require decisive action by your Board.

While the proposed budget presented for your consideration is balanced, maintains most county service levels, and has minimal workforce disruption, it is not without difficulties. The District Attorney's and Sheriff's budgets contain unfunded amounts each will address during today's hearings. Providing Indigent criminal defense, caring for seniors and disabled residents in their homes, and ensuring medical services for those in need, all present complex financial and programmatic challenges. I have no doubt that your leadership, and the efforts of our managers and employees, will allow us to enter the new fiscal year positioned for the opportunities ahead, with a forward lean towards the service and accomplishment standards that our residents have come to expect.

## **FISCAL YEAR 2011-12 BUDGET STATUS**

Current year revenues and expenditures are expected to meet budgetary expectations established by your Board, resulting in an estimated year-end balance of \$6,000,000 in the General Fund. Internal Service and Enterprise Funds also performed within Board established budgetary parameters. Detailed General Fund budget information for the current year is provided for your review as Attachment "A".

When the Fiscal Year 2011-12 budget was adopted, several programs were flagged for close monitoring: Conflict Criminal Defense (CCD), In-Home Supportive Services (IHSS) Provider Payments and Health Medical Treatment Payments. IHSS Provider Payments and Health Medical Treatment Payments are anticipated to be within their appropriation levels; however, CCD did exceed its appropriations by approximately \$4.55 million due to new overload homicide cases (13 this year to-date), overload cases already in the system and not yet closed, and reductions made to CCD during the Fiscal Year 2011-12 budget process.

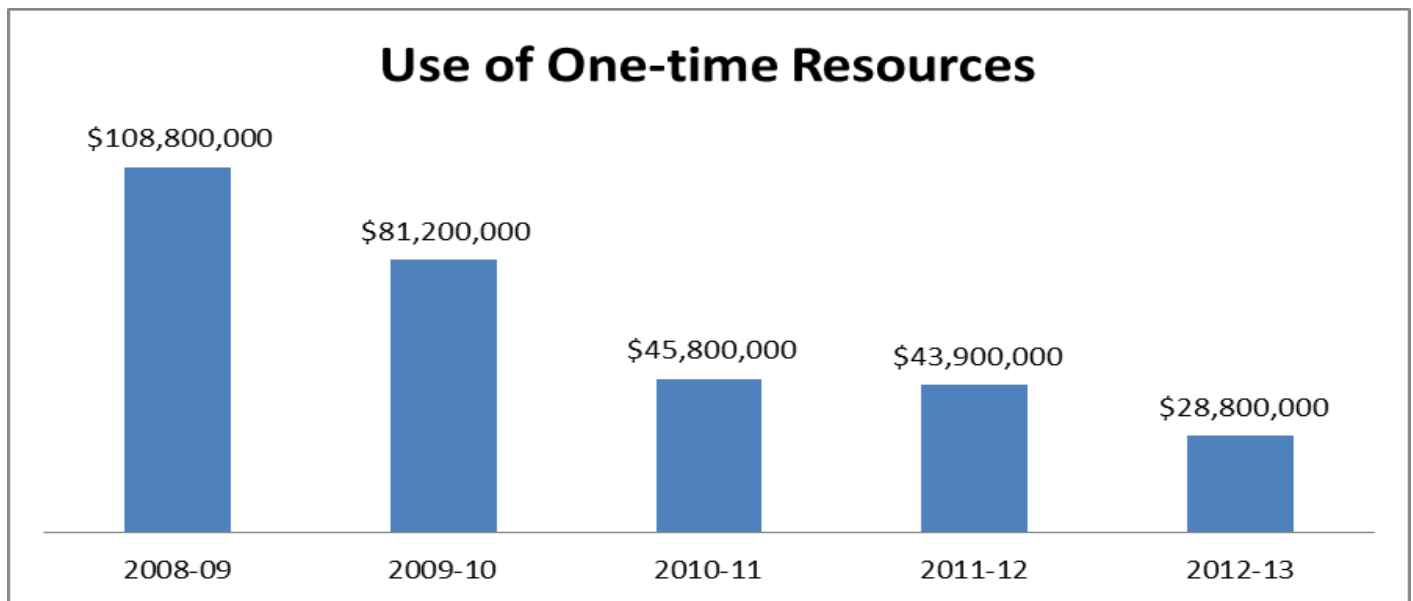
As part of the Fiscal Year 2011-12 state Budget, a new public safety realignment law (AB 109) was enacted to shift the responsibility for managing low level offenders from the state to counties. The Community Corrections Partnership (CCP) developed and approved a realignment plan to describe how the low level offender population being transferred to the County will be addressed, and how the resources provided by AB109 would be expended. Based on the AB 109 statewide allocation formula, Sacramento County received \$14.7 million for Fiscal Year 2011-12, which included \$1.1 million one-time funding for planning and start-up costs, and \$0.5 million divided equally between the District Attorney and the Public Defender for revocation hearing costs. The remaining \$13.1 million was allocated by the CCP, and approved by your Board, to the Sheriff's Department and the Probation Department. The allocation for Fiscal Year 2012-13 is budgeted at \$28,609,813.

## **CURRENT YEAR ACCOMPLISHMENTS**

Sacramento County continues to provide award winning public programs and services despite fiscal stress and an anemic recovery from the Great Recession. Providing quality services, making significant investments in public infrastructure, cooperating with surrounding jurisdictions, creating strategic partnerships, and implementing technology and efficiency innovations have been regular occurrences throughout the year. The seventeen examples summarized in Attachment “B” represent a small sample of the outstanding achievements your managers and employees have accomplished this year.

## **FISCAL YEAR 2012-13 BUDGETARY CHALLENGES**

The County will continue to face significant budgetary challenges, particularly in the General Fund, throughout Fiscal Year 2012-13 and beyond. Of particular significance is the County’s decreasing reliance on one-time measures to address on-going operational requirements. Illustrated below is a multi-year depiction of the County’s use of one-time budgetary solutions.

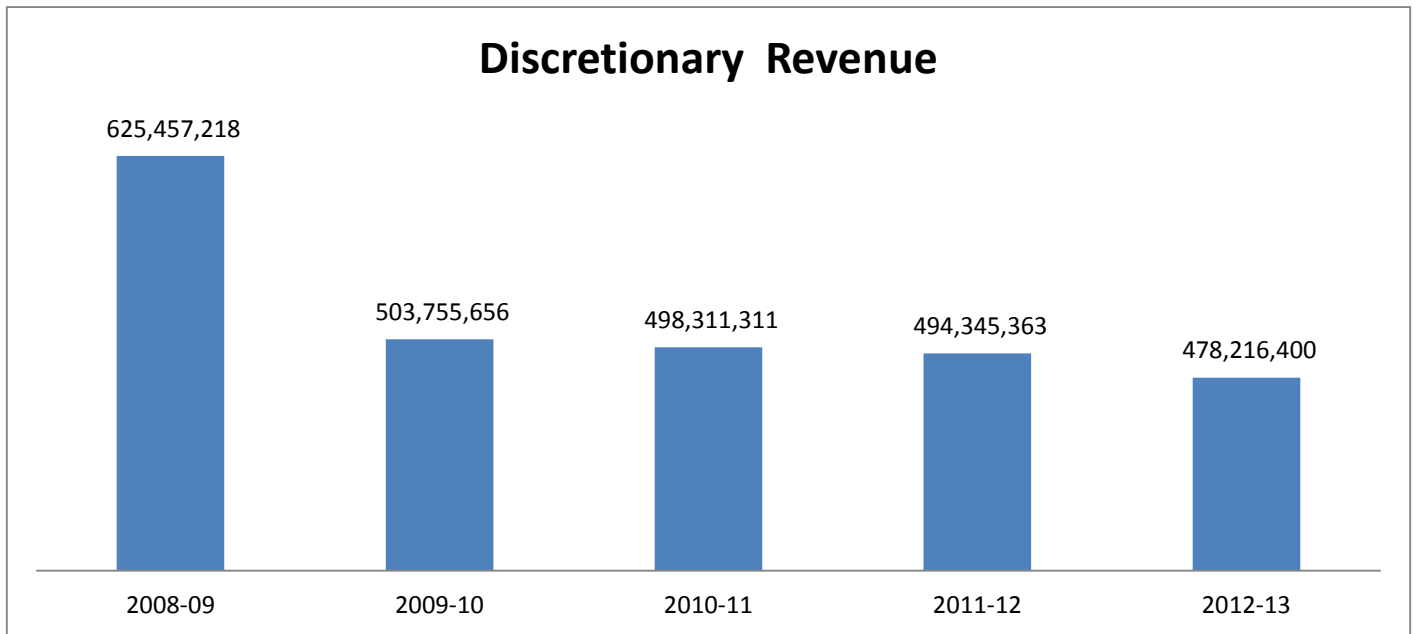


The net effect of this decrease for Fiscal Year 2012-13 is a \$15.1 million reduction in revenues available to your Board to address budgetary issues. On the positive side, reducing our use of one-time solutions brings us closer to our long-term goal of structural balance, and will be viewed positively by rating agencies.

Negotiated labor contracts effective July 1, 2012, will increase on-going General Fund costs by approximately \$15 million. The majority of these costs will occur in the Sheriff’s Department, Probation and the Department of Health and Human Services. Pension cost increases will add

\$13.4 million in annual expense for General Fund departments beginning in Fiscal Year 2012-13 and extending well into the future. These costs can be most accurately characterized as \$8.8 million in retirement contribution increases and \$4.6 million in increased Pension Obligation Bond debt service payments.

General purpose revenues are expected to decrease \$16.1 million in the proposed spending plan. While some tax and revenue categories are increasing, they are overwhelmed by a \$13.4 million estimated decrease in property taxes. In addition, assessment appeal activity remains very high which could further erode property tax revenue. Current economic conditions continue to exert downward pressure on discretionary revenues, and the multi-year declines are expected to continue. The graph below illustrates the decrease in discretionary revenue over the last several years.



Employee step increases, increased fuel and energy costs, and general increases will add more cost to County departments next fiscal year. As a result of all of the above, solutions exceeding \$50 million have been infused into the proposed spending plan for Fiscal Year 2012-13.

## **STATE BUDGET**

It is still unknown what challenges the State Budget will pose for the County. Staff will continue to monitor the State Budget process and evaluate the impacts to County programs. In particular, the County will be closely monitoring developments in future funding guarantees for Public Safety Realignment, and departments that receive these state funds have been directed to seek full cost recovery for their realigned programs. Impacts associated with the Governor's

May Revise are included in our budget projections; however, it is unknown if these elements will be included in the Final Budget. Any necessary adjustments will be addressed during the Board's September Budget Hearings.

## **BUDGET STRATEGY**

During the last several budget years, your Board has directed a series of prudent, on-going adjustments to departmental spending to reflect economic trends that have decreased discretionary County resources. These adjustments have ensured that the provision of County services can be sustained in the year ahead. In order to maintain and improve our current fiscal footing, departments will continue to prioritize service delivery to meet the Board's primary policy directives, eliminate or reduce all but the most necessary expenditures, and maximize the use of non-General Fund Revenue including grants and other external resources. The underpinnings of the Fiscal Year 2012-13 spending plan focus on several key strategic elements;

### **Budgetary Controls**

As part of the overall budget strategy, the County Executive directed departments to:

- Construct their budget requests to absorb both their use of one-time funding in the previous fiscal year and unavoidable cost increases;
- End the current fiscal year with a neutral or positive carryover fund balance;
- Closely monitor and estimate their department-specific revenues, and optimize their use of non-General Fund revenues; and,
- Seek full cost recovery for their state and federal funded programs, including state Realignment programs.

### **Internal Service Cost Reductions**

In order to meet the Board's primary service objectives, priority will be given to departments and functions that provide direct services to the public. Accordingly, we have asked all internal service departments to reduce rates where possible, minimize retained earnings and provide rebates to departments to mitigate the impact of other budgetary reductions. Internal Service Departments have reduced their costs by over 25% during the last 4 years.

### **Strategic Cost Controls**

Focusing critical resources on your Board's service delivery priorities is the primary goal of this strategy. We have asked departments to restrict travel and other non-mission critical activities, reduce contracts and other support expenses, adjust operating hours to meet public demand, reduce vehicle and equipment replacement, target technology investments towards productivity enhancements and prioritize maintenance.

### Position Cost Controls

County employee costs represent the vast majority of budgetary spending; consequently, significant effort has been expended in managing overall personnel costs. We are carefully managing vacant staff positions and have current funded vacancies of 544.7 positions in the General Fund. In addition, there are 189.9 funded vacancies in internal service and enterprise funded departments. The total number of employees currently on-board is 10,672. Attachment "C" provides detailed information relative to funded positions and current vacancies. We anticipate that 100.3 funded positions will be eliminated in the Recommended Budget, with additional deletions likely during final budget deliberations. Also, department managers have been advised to reduce temporary staffing levels, assign existing employees to non-General Fund activities where feasible, and consider transfers to non-General Fund or enterprise departments to minimize layoffs and workforce disruption.

### Strategic Technology Investments

The Technology Plan for Fiscal Year 2012-13 includes major initiatives that will improve the efficiency of County operations, improve services to our business partners and customers, and reduce County operating costs. These initiatives include:

- Electronic plan review that will streamline and automate development processing in Sacramento County;
- A 3-1-1 Call Center and a Customer Relationship Management System to effectively manage constituent inquiries and service requests;
- Complete the countywide voice-over IP roll-out and decommission the legacy phone system. This project is anticipated to save \$600,000 annually, in addition to the \$900,000 annual savings realized in Fiscal Year 2011–12;
- SAP Budget module to replace the county budget application, and integrate finance and human resources with the county budget process;
- e-Forms solution to automate human resource processes and reduce manual data entry;
- A countywide performance evaluation system that is anticipated to save more than \$400,000 in annual license fees for an existing application;
- Expanding the employee and manager self-service system to include employee benefits enrollment, and eliminating paper timesheets and pay advice notices; and,
- e-Comments for the Board of Supervisors Agenda Management System which will allow constituents to electronically comment on Board agenda items.

## **FISCAL YEAR 2012-13 RECOMMENDED BUDGET**

The Fiscal Year 2012-13 Recommended Budget for all funds, as reflected in the table below, totals \$3.484 billion. This is a decrease of 3.89 percent (\$141.2 million) from the current budget year of \$3.625 billion and is largely attributable to a decrease in capital improvement spending.

<b>Fund</b>	<b>Appropriations</b>	<b>Financing</b>	<b>Net Cost<sup>1</sup></b>	<b>Positions</b>
General Fund	1,975,726,852	1,519,570,499	456,156,353	8,349.0
Economic Development	28,789,838	28,789,838	0	16.0
Environmental Management	20,202,660	20,202,660	0	127.8
Golf Fund	7,252,081	7,252,081	0	6.0
Transient Occupancy Tax	6,582,579	6,582,579	0	0.0
Transportation	223,313,153	223,313,153	0	263.6
Water Resources	165,275,709	143,346,160	21,929,549	246.2
Airport System	255,712,531	195,481,488	60,231,043	409.0
Waster Management and Recycling	73,874,606	73,874,606	0	250.6
Capital Projects Funds	41,369,670	41,369,670	0	0.0
Debt Service Funds	55,344,745	55,344,745	0	0.0
Other Special Revenue Funds	38,463,298	38,463,298	0	15.0
Other Enterprise Funds	2,816,263	2,816,263	0	7.0
Other Internal Service Funds	376,395,445	334,288,371	42,107,074	984.4
Other Special Districts and Agencies <sup>2</sup>	213,252,484	213,252,484	0	787.0
<b>Total</b>	<b>3,484,371,914</b>	<b>2,903,947,895</b>	<b>580,424,019</b>	<b>11,461.6</b>

<sup>1</sup> Net Cost for the General Fund is financed with General Purpose Financing Revenues. Net Cost for other funds is financed with Retained Earnings

<sup>2</sup> Includes Dependent Park Districts

The General Fund is the largest fund in the County Budget and is recommended at \$1,975,726,852, which represents at \$40.7 million **increase** for the current year. The County's general purpose financing 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 curtail that discretion and flexibility. Approximately two-thirds of all financing in the General Fund comes from other governmental sources. The general purpose or discretionary component of the General Fund is budgeted at \$478,489,058 which represents a \$16.1 million reduction for Fiscal Year 2011-12. The table below illustrates the sources of discretionary General Fund financing for the Recommended Budget.

<b>General Purpose Financing (Amounts Expressed In Millions)</b>			
	<b>2011-12 Adopted Final</b>	<b>2011-12 Estimated Year-End</b>	<b>2012-13 Recommended Budget</b>
Property Taxes <sup>1</sup>	\$ 208.3	\$ 207.4	\$ 200.7
Sales Tax & In Lieu Sales Tax	62.3	62.8	67.3
Property Tax In Lieu of Vehicle License Fees	126.7	125.8	122.2
Utility Tax	16.1	16.1	16.9
Fines & Penalties	16.6	16.6	17.7
Franchises	5.0	5.0	5.6
Revenue Neutrality & Transition	16.2	16.2	16.4
Other Revenues	8.6	19.7	9.4
<b>Total Revenues</b>	<b>459.8</b>	<b>469.6</b>	<b>456.2</b>
Reimbursements and Costs	28.1	18.7	16.9
<b>TOTAL</b>	<b>\$ 487.9</b>	<b>\$ 488.3</b>	<b>\$ 473.1<sup>2</sup></b>

<sup>1</sup>Includes all sources of property tax revenue (i.e. Secured, Unsecured, Supplemental, Delinquent, Unitary)

<sup>2</sup> Does not include non-departmental carryover

Allocations of discretionary revenue to departments or activities is made with significant consideration for the Board's primary policy and service directives. The recommended allocations are provided in the following table:



<b>General Fund Allocations for Fiscal Year 2012-13 Recommended Budget As Compared to Fiscal Year 2011-12 Adopted Budget</b>			
<b>DEPARTMENT</b>	<b>2011-12 Adopted Allocation</b>	<b>2012-13 Recommended Allocation</b>	<b>Year to Year Variance</b>
<b>ELECTED OFFICIALS</b>			
Assessor	\$ 7,964,799	\$ 7,607,589	\$ (357,210)
Board of Supervisors	2,808,002	3,039,645	231,643
District Attorney	42,089,218	41,074,905	(1,014,313)
Sheriff	159,258,715	156,255,063	(3,003,652)
Correctional Health	15,162,511	15,162,511	0
<b>Subtotal</b>	<b>\$ 227,283,245</b>	<b>\$ 223,139,714</b>	<b>\$ (4,143,531)</b>
<b>COUNTYWIDE SERVICES</b>			
Human Assistance (DHA)-Aid Payments	\$ 31,433,972	\$ 26,755,697	\$ (4,678,275)
DHA-Administration	9,255,244	9,171,671	(83,573)
Department of Health & Human Services	27,566,249	25,811,266	(1,754,983)
Probation	51,190,724	48,673,053	(2,517,671)
Courts	38,060,573	37,420,934	(639,639)
Public Defender and Conflict Criminal Defenders	34,428,651	34,178,203	(250,448)
Health Treatment Accounts	20,460,374	19,577,748	(882,626)
In-Home Support Services (IHSS)	7,698,761	8,452,923	754,162
Voter Registration and Elections	7,500,018	6,841,803	(658,215)
Other Countywide Services	7,817,218	7,322,250	(494,968)
<b>Subtotal</b>	<b>\$ 235,411,784</b>	<b>\$ 224,205,548</b>	<b>\$ (11,206,236)</b>
<b>MUNICIPAL SERVICES</b>			
Animal Care and Regulation	2,396,889	2,682,243	285,354
Regional Parks	2,491,446	2,249,836	(241,610)
<b>Subtotal</b>	<b>\$ 4,888,335</b>	<b>\$ 4,932,079</b>	<b>\$ 43,744</b>
<b>INTERNAL SERVICES</b>			
Department of Finance	\$ 280,870	\$ 280,870	\$ 0
Other Internal Services	59,640	59,640	0
<b>Subtotal</b>	<b>\$ 340,510</b>	<b>\$ 340,510</b>	<b>\$ 0</b>
<b>GENERAL GOVERNMENT</b>	<b>\$ 19,548,448</b>	<b>\$ 18,994,254</b>	<b>\$ (554,194)</b>
<b>Contingency</b>	<b>\$ 1,831,085</b>	<b>\$ 1,831,085</b>	<b>\$ 0</b>
<b>Non-Departmental/Countywide Costs and Reserve Change<sup>1</sup></b>	<b>\$ 5,041,946</b>	<b>\$ 5,045,868<sup>1</sup></b>	<b>\$ 3,922</b>
<b>TOTAL</b>	<b>\$ 494,345,353</b>	<b>\$ 478,489,058</b>	<b>\$(15,856,295)</b>

<sup>1</sup> Includes \$272,658 net change in reserves and non-departmental carryover

## **EMPLOYEE IMPACTS**

The recommended budget proposes minimal impacts to County Employees for Fiscal Year 2012-13. Funded vacancies of 734.6 have allowed departments to adjust to decreased revenue levels without the need for significant workforce disruption. While some employee layoff notices will be issued, it is anticipated that most, if not all, employees will be retained.

## **CRITICAL BUDGET ISSUES**

### **District Attorney and Sheriff's Department**

Significant progress has been made in addressing unfunded elements in the District Attorney and Sheriff Departments' Budgets. The Fiscal Year 2012-13 funding for the District Attorney is recommended at \$70,114,462 as compared to \$71,268,630 in the current year spending plan. The Sheriff's Department is recommended at \$376,122,893 in the Fiscal Year 2012-13 budget as compared to \$368,466,473 in the current year. Both departments have operational and financial expectations that will be detailed during budget hearings.

### **In Home Support Services (IHSS)**

The local share of IHSS provider payments is budgeted at \$8,452,923 which represents a \$754,162 increase over current year appropriations. This level of funding will support IHSS activity if the Governor's reduction proposals are approved, local declining caseload trends continue, proposed federal funding materializes, and ongoing labor discussions are resolved favorably. Staff will monitor caseload trends and costs carefully and report back to the Board as appropriate.

### **Conflict Criminal Defenders (CCD)**

CCD's Fiscal Year 2012-13 budgeted appropriations total \$8,022,555 which represents a \$985,989 increase over the current year's Adopted Budget appropriations. However, CCD's budget was augmented during the current fiscal year by \$4.55 million to cover overruns due to new overload homicide cases, overload cases already in the system and not yet closed, and reductions made to CCD during the Fiscal Year 2011-12 budget process. As existing overload cases continue to close and through the reduction of overload cases from the Public Defender, we anticipate cost reductions in this program.

### Agricultural Commissioner

The Agricultural Commissioner/Sealers' office is projected to experience State Food and Agriculture funding reductions of \$233,486 in Fiscal Year 2012-13, in addition to reductions of \$186,763 in the current year. To address these state reductions, the department is recommending the deletion of 3 funded and filled positions. The Department anticipates a variety of service impacts particularly in the pest exclusion/detection areas.

### Low Income Health Program (LIHP)

The Low Income Health Program (LIHP) serves as a bridge to Health Care Reform for childless adults who will be eligible for the new Medi-Cal program in January 2014. The LIHP population is a subset of the County Medically Indigent Services Program (CMISP) population, and we will begin serving enrollees with an income level that is 67 percent of the federal poverty level. The program allows the County to claim federal reimbursement for 50 percent of the costs of the health care services to LIHP enrollees as long as the maintenance of effort is expended. The maintenance of effort is currently set at \$26.4 million dollars which is budgeted in the medical treatment account and is typically used for the current CMISP population. Sacramento County is contracting with Molina Care of California Partner Plan, Inc. to be the health plan for enrollees. The total cost of the program is \$58.5 million.

### TRANSIENT OCCUPANCY TAX (TOT)

TOT revenues are estimated at \$3.4 million in Fiscal Year 2012-13, a decrease of approximately \$0.3 million from Fiscal Year 2011-12. These funds are being recommended for General Fund allocation in the amount of \$2.2 million and grants to community organizations of \$1 million. Detailed sources and uses are included as Attachment "D".

### CAPITAL CONSTRUCTION FUND

The Capital Construction Fund (CCF) provides for major construction projects as well as minor alterations, improvements and equipment replacement in County-owned facilities. In recent years, the CCF has also become a source of payment for various debt service obligations. The CCF Recommended Budget for Fiscal Year 2012-13 includes \$39.9 million in sources available for projects. The uses of this amount include an estimated \$20 million in capital project costs that include: \$16.9 million in debt service costs financed by the Criminal Justice Facility Construction Fund, Courthouse Construction Fund, Use Allowance, energy savings from financed projects, and the Tobacco Litigation Settlement Deallocated Funds; \$1.5 million in vacant space costs financed by the vacancy factor allocated cost paid by County departments; and, \$1.5 million in other required costs financed by the Use Allowance. Attachment "E" provides a detailed listing of CCF funding obligations.

## OTHER COUNTY FUNDS

The sources of many of these funds, with the exception of the TOT fund, come from restricted revenues which may only be expended on single services or a narrow range of services. 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 County's proprietary funds are not balanced in the same manner as governmental funds, but 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.

### Economic Development Fund

The Economic Development Division of the Office of Economic Development and Marketing administers Sacramento County's economic development and job creation and retention programs. Due to extraordinary issues with the economy, the Economic Development Division has aggregated non-General Fund financing resources to maintain a minimal level of ongoing core services in Fiscal Year 2012-13 to allow the annual the General Fund transfer to be used to meet other critical County needs. Appropriations are increasing 13%, from \$520,000 to \$590,000, in order to reflect the estimated cost for core general economic development services in FY12-13.

The Economic Development Division 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. Appropriations for the Mather Field and McClellan Park programs are decreasing 34%, from \$45,120,000 to \$29,680,000, due to the timing of expenditures needed for grant-funded activities. Enterprise cost-sharing agreements are the primary source of funding for the BERC program. BERC appropriations are increasing 18%, from \$1,190,000 to \$1,410,000. Activities in these three programs has resulted in tax revenues and increased job growth.

### Environmental Management Fund

The Environmental Management Department is established as a Special Revenue Fund, and the Department does not receive General Fund financing. The Department's proposed operating budget for Fiscal Year 2012-13 reflects an increase of \$155,061 due to the new Body Art Program which begins July 2012 and implementation of the California Electronic Reporting System portal project associated with the Certified Unified Public Agency Program. It is expected that services levels will remain constant between Fiscal Years 2011-12 and 2012-13.

## Golf Fund

The Golf Fund includes the costs of operating, maintaining, and improving the county's three championship 18-hole golf courses. The sources of funding include green fees, cart rentals, and revenues from food and beverage services, retail sales, driving range and lessons. The Golf Fund reimburses the General Fund for overhead and support. The Golf Fund budget includes debt service for the Cherry Island and Mather Golf Courses. The continued economic downturn has negatively impacted Golf Fund revenues, especially in the food and beverage services and cart revenues. Overall, rounds played are slightly lower than previous years. Many golfers are changing the times they play golf to later in the day when greens fees are lower. Many people have delayed retirement which impacts the number of people with discretionary time and income to play golf. Parks is responding to this decline in revenue by reducing staff and operating expenditures and deferring equipment purchases. Additionally, golf course operators are aggressively marketing the golf courses in an effort to retain existing golfers. The Golf Fund also includes a lease agreement for the operations of Campus Commons Golf Course, a nine hole executive course; however, there are no additional direct operating costs associated with this lease agreement.

## County Library Fund

This Budget Unit provides funding for capital maintenance and related costs at Sacramento County owned Sacramento Public Library Authority branches. The Sacramento Public Library Authority (SPLA) provides all public library services in Sacramento County's incorporated (except the City of Folsom) and unincorporated areas. The County and City of Sacramento established the SPLA as a Joint Powers Authority (JPA) in 1993. The governing board is currently a fourteen member body consisting of five members of the County Board of Supervisors, five members of the Sacramento City Council, one member each representing the cities of Citrus Heights, Elk Grove and Rancho Cordova, with the remaining member shared by the cities of Galt and Isleton. SPLA funding is provided primarily by a dedicated property tax source and other revenue sources received directly by the SPLA.

The County Library Budget provides funding for capital maintenance, capital repairs, preventative maintenance, property insurance and related costs at sixteen SPLA branches owned by the County of Sacramento. Of these, twelve branches are strategically located throughout the Unincorporated Area of Sacramento County and the remaining four branches are in the cities of Citrus Heights, Elk Grove, Galt and Isleton. City of Sacramento library services consist of twelve branches, supported by separate City of Sacramento funding sources.

The requested appropriations for Fiscal Year 2012-13 have decreased 22%, from \$1,290,000 to \$1,010,000. This decrease is primarily due to one-time transfers that were approved in Fiscal Year 2011-12 from this Budget Unit to the SPLA and to Reserves. The remaining appropriations in this Budget Unit are funded through an annual allocation of funds from the SPLA to the County for capital maintenance and related costs at Sacramento County owned SPLA branches.

### Tobacco Litigation Settlement (TLS) Fund

On November 15, 2005, the Board approved refinancing the 2001 Tobacco Litigation Settlement Bonds, to reduce the County debt service on prior bonds. Under the original de-allocation schedule, the County had between \$4.7 million to \$8.3 million per year to fund county-operated programs with funds from the Tobacco Litigation Settlement endowment program. Based on the current de-allocation 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 Tobacco Litigation Settlement Fund (Fund 008A) to release other county funds for the programs originally funded by the Tobacco Litigation Settlement revenues.

In Fiscal Year 2012-13, a remaining available cash balance from prior year's unspent appropriations of \$631,621 will be used to fund mandated programs in the Department of Health & Human Services.

### First 5 Sacramento Commission Fund

The First 5 Sacramento Commission receives funding from the State of California under the terms of the voter-approved statewide Proposition 10 Initiative. The funding is restricted to prevention and early intervention services aimed at school readiness for children ages zero to five and their families. The Commission funds programs under long-term contracts based on Strategic and Implementation Plans which are aligned with revenue projections under a Ten Year Financial Plan. The annual budget coincides with the revised Ten Year Financial Plan.

The Fiscal Year 2012-13 Budget of \$27.7 million as compared to \$30.7 million in Fiscal Year 2011-12.

### Sanitation Districts Agency

The Sanitation Districts Agency is comprised of two separate operating funds and governing boards. The Sacramento Regional County Sanitation District Operations (SRCSD) and the Sacramento Area Sewer District Operations (SASD) had their balanced budgets approved by their respective boards. SRCSD and SASD contract with the County of Sacramento to provide staff and other operational and support services. These budgets are fully self-supporting and do not impact the County of Sacramento's General Fund. Their Board adopted the Fiscal Year 2012-13 Final Budget on May 23, 2012

## AIRPORT ENTERPRISE

The Airport's operating budget for Fiscal Year 2012-13 reflects a continued effort to maintain a reasonable airline cost per enplaned passenger and keep Airport user fee increases to a minimum. With the new Terminal B open and serving the Sacramento region, efforts were made by the airport system staff to correctly project budgetary needs to properly operate and maintain the terminal. The operating Budget has increased by \$4,826,318 compared to the Adopted Budget for Fiscal Year 2011-12.

<b>Sacramento County Airport System                      Funds 041 and 045                      Operating Budget - Revenue and Expenses                      Fiscal Year 2012-13 Proposed Budget</b>				
	2011-12 Adopted Final	2012-13 Recommended Proposed	Year to Year Variance	Percent Change
<b><u>REVENUES:</u></b>				
Charges for Services	152,439,772	168,016,450	15,576,678	10.2%
Interest Income	3,100,000	481,000	-2,619,000	-84.5%
Intergovernmental Revenue	8,421,620	8,442,038	20,418	0.2%
Passenger Facility Charges	18,534,438	18,542,000	7,562	0.0%
<b>TOTAL</b>	<b>182,495,830</b>	<b>195,481,488</b>	<b>12,985,658</b>	<b>7.1%</b>
<b><u>EXPENSES:</u></b>				
Salaries/Benefits	40,910,269	39,564,975	-1,345,294	-3.3%
Service and Supplies	65,081,783	61,393,215	-3,688,568	-5.7%
Depreciation	41,545,983	52,185,764	10,639,781	25.6%
Amortization	3,808,619	3,454,668	-353,951	-9.3%
Cost of Goods Sold	450,000	750,000	300,000	66.7%
Interest Expense	59,354,965	58,416,868	-938,097	-1.6%
<b>TOTAL</b>	<b>211,151,619</b>	<b>215,765,490</b>	<b>4,613,871</b>	<b>2.2%</b>

Revenues:

Highlights of significant changes to the Airport Enterprise Fund operating revenue for Fiscal Year 2012-13 include:

- Parking Revenue is expected to decrease compared to the prior year's budget due to a shift in the customers' parking habits. The budgeted revenues are \$47,105,646, representing a decrease of \$4,103,356 compared to the Fiscal Year 2011-12 budget of \$51,209,002.
- Terminal Rental revenue from the airlines will be increasing from \$37,417,000 in FY 11/12 to \$49,152,000 in Fiscal Year 2012-13. This is an increase of \$11,735,000.

## Expenses:

Highlights of significant changes to the Airport Enterprise operating expenses for Fiscal Year 2012-13 include:

- Salaries and benefits have decreased from \$40,910,269 to \$39,564,975 (a decrease of \$1,345,294). This decrease is attributable to the deletion of 16 FTE's. The budget for Services and Supplies has decreased from \$65,081,783 to \$61,393,215 a decrease of (\$3,688,568) as we continue to work to maintain a reasonable cost per enplaned passenger.

## **SOLID WASTE ENTERPRISE**

The Solid Waste Enterprise operating budget for Fiscal Year 2012-13 totals \$71,834,606. This represents a \$6,689,873 decrease from Fiscal Year 2011-12 that resulted in a Provision for Reserve for last year which was \$8,211,206 greater than that projected for this year. The Capital Outlay budget for Fiscal Year 2012-13 totals \$2,040,000. This represents a reduction of \$4,781,773 when compared to Fiscal Year 2011-12. This reduction is primarily due to reduced structure expenditures.

## **INTERNAL SERVICES FUNDS**

### The Department of Technology (DTech)

The Department of Technology (DTech) provides central information technology and telecommunications services to other County departments and agencies. In addition, Dtech provides services to regional partners in the Sacramento area including state, federal and city law enforcement agencies utilizing the County's Criminal Justice Information System and local radio communications. Charges to departments are determined on the basis of each department's direct utilization of services or their allocated portion of shared resources. The Fiscal Year 2012-13 Recommended Budget includes revenues of \$50.3 million. This is a decrease of \$2.05 million from the Fiscal Year 2011-12 budget as adjusted for the merger with MSA MIS. The decrease is due to savings attributable to the merger of \$1.3 million and efficiencies gained with the on-going implementation of VoIP telephone network of 0.6 million. The Fiscal Year 2012-13 Recommended Budget includes appropriations of \$51.6 million. This is a decrease of \$2.0 million from Fiscal Year 2011-12. The decrease is due to the elimination of 10 vacant positions due to merger efficiencies and the VoIP implementation and other efficiencies as a result of the MSA MIS merger.



### Sacramento Regional Radio Communications System

The Sacramento Regional Radio Communications System (SRRCS) operates and maintains two-way mobile communications for 94 Member Participants with 12,791 active radios. The majority of the communication activities on SRRCS involve emergency response and other public safety activities. Charges to subscribers are determined by each subscriber's direct number of units in operation on the system. The Fiscal Year 2012-13 Recommended Budget includes revenues of \$5.4 million and appropriations of \$5.4 million. This reflects no change from Fiscal Year 2011-12.

### Insurance Funds

The County utilizes three separate Internal Service funds to accumulate charges and payments for Workers' Compensation Insurance, Liability/Property Insurance, and Unemployment Insurance. The County is self-insured for Workers' Compensation Insurance up to \$3.0 million and Liability/Property Insurance up to \$2.0 million per occurrence. The County also purchases excess Workers' Compensation and Liability/Property Insurance to cover claims above the self-insured retention amounts. All three insurance funds are financed through charges to county departments. 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 fund charges for Fiscal Year 2011-12 and recommended charges for Fiscal Year 2012-13:

#### **Insurance Funds Charges**

	<b>Adopted 2011-12</b>	<b>Recommended 2012-13</b>	<b>Variance</b>
Workers' Compensation	\$27,265,088	\$27,838,992	\$573,904
Liability/Property	17,090,876	18,075,696	984,820
Unemployment	10,183,136	8,187,227	(3,995,909)
<b>TOTAL</b>	<b>\$54,539,100</b>	<b>\$52,101,915</b>	<b>(\$2,437,185)</b>

### DEPENDENT SPECIAL DISTRICT FUNDS

The Board of Supervisors also acts as the Board of Directors for certain Dependent Special Districts. A summary of the Fiscal Year 2012-13 CEO Recommended Budgets for the eleven Districts is reflected in Attachment "F".

## **RECOMMENDATIONS**

1. Adopt the attached Recommended Budget Resolution (Attachment G), as amended by the Board, and including miscellaneous adjustments recommended by the CEO, resulting in an approved Fiscal Year 2012-13 Recommended Budget, and setting the commencement of the Adopted Budget Hearings for Wednesday, September 5, 2012. The approved Recommended Budget will serve as a spending authorization for Fiscal Year 2012-13 until approval of an Adopted Budget in September 2012.
2. Direct the Department of Personnel Services to prepare an administrative Salary Resolution Amendment (SRA), and issue layoff notices if necessary, to reflect the positions approved by the Board in the Fiscal Year 2012-13 Recommended Budget, including deletion of certain positions to reduce program expenditures. A finalized position reduction list will be brought back to the Board.
3. Authorize the Director of the Department of Personnel Services to administratively extend positions otherwise slated for deletion in those cases where resources have been identified. These extensions will be brought back to the Board at the earliest available Board date.
4. Approve the Staff Report and Resolution provided as Attachment "H" relating to retiree health and dental benefits.
5. Direct the CEO to further evaluate vacant funded positions, year-end fund balance, and other budget savings and financing opportunities, and make final budget recommendations in September to address unfunded Board priorities as identified in the Recommended Budget hearings.

Respectfully submitted,

BRADLEY J. HUDSON

County Executive

Attachments:

Attachment A – Year End Revenue and Expenditures

Attachment B – Outstanding Achievements

Attachment C – Position History

Attachment D – Transient Occupancy Tax

Attachment E – Supplemental Information

Attachment F – Special Districts Budget Summaries

Attachment G – Recommended Budget Resolution

Attachment H – Retiree Board Letter and Resolution