

# BUDGET MESSAGE

# County of Sutter

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## Office of the County Administrator

May 29, 2007

To: The Honorable Board of Supervisors

Re: Budget Tabulation for Fiscal Year 2007-2008

As directed by the Board of Supervisors pursuant to sections 29060 – 29062 of the Government Code, I am submitting herein my recommendations for the allocation of resources we project to be available to Sutter County for Fiscal Year 2007-08. The required tabulation, which is summarized in greater detail later in this memorandum, has been prepared based on current State laws. Upon approval by the Board of Supervisors, the tabulation becomes the official Proposed Budget for Sutter County.

Many California counties are experiencing difficult fiscal times. While Sutter County is experiencing some of the same pressures, as the result of the Board of Supervisors' consistency in budgeting conservatively, and maintaining healthy reserves, we believe the County remains in a position to provide high quality services, provide competitive, yet responsible, compensation to its valued employees, and maintain solid reserves. The County remains on solid financial ground.

Once again, this year's tabulation can be broadly described as status quo in nature and maintains the Board's conservative budgeting approach. No new programs or service expansions are proposed other than those necessary to meet Federal and State mandates. We have, however, added some new positions to meet growing workloads, and have eliminated others. The tabulation also includes a significant use of one-time funding for specific projects that must now go forward.

In reviewing our recommendations, please consider the following:

- **State Budget and Governor's May Revision.** The Governor released his May Revision on May 15, 2007. The May Revision highlights the Governor's continued focus on restraining State spending and pre-paying debt. The May Revision outlines few new proposals, however several are of particular importance to Sutter County, including the following:
  - **Adult Corrections Reform.** The Governor's May Revision proposes various funding elements to support the implementation of AB 900, the adult corrections reform proposal signed by Governor Schwarzenegger on May 3. In an effort to solve the State corrections over-crowding problem, AB 900 provides for the phased development of additional jail beds state-wide, and promises funding to counties, under certain conditions and on a competitive basis, to provide for those beds. The May Revision does not contain funding for all aspects of AB 900. However, the Governor has

announced the creation of two "strike" teams that will make certain recommendations regarding AB 900 implementation and related fiscal issues. While no proposals have been finalized at the State level, we are currently evaluating the needs within Sutter County and will keep the Board advised of any opportunities to participate in corrections facility funding.

- **Williamson Act.** In his May Revision, the Governor proposes to permanently eliminate all funding, amounting to approximately \$39.1 million, for subventions to counties for property tax losses incurred by enrolling agricultural land in Williamson Act contracts. The Administration claims that due to the state's fiscal condition, they cannot continue to provide funding for this program. Should this be supported by the legislature, our office will recommend that the County proceed with the termination of all Williamson Act contracts. However, due to processes set in State law, termination of these contracts will take up to ten years. The County currently receives approximately \$230,000 annually in Williamson Act Subvention revenues from the State. We have recommended a corresponding increase in the Designation for Williamson Act Subvention (reserve in the General Fund). This designation was established as a means of segregating revenues received through this subvention, and we may recommend use of these reserve funds in the event that the current subvention revenues are eliminated during the State budget process. The proposed elimination of this subvention has, in recent years, become a routine event. However, each year, subventions funds have eventually been included in the adopted State budget.

My FY 2007-08 Proposed Budget was completed before the release of the May Revise and was based on **current** State laws. We anticipate much discussion and behind-the-scene maneuvering with the State budget in the upcoming weeks or even months. When the State adopts its budget, we anticipate it will look much different from the May Revise. Therefore, we do not recommend making modifications to our Proposed Budget at this time.

We do, however, anticipate some programs, especially in Human Services, will be adversely affected. The proposed reductions in the May Revise also impact some General Fund revenues such as the Williamson Act subvention, as noted above.

When the State budget is adopted, we will bring appropriate budget recommendations to the Board. Meanwhile, we will keep the Board informed of any significant developments.

- Proposition 1A – State-Local Agreement. In Fiscal Year 2004-05, the Governor reached an agreement with counties, cities, and special districts, which was ultimately approved by the voters and is now known as Proposition 1A. While the agreement is complex, its key feature is that local governments would contribute approximately \$1.3 billion to the State in FY 2004-05 and FY 2005-06, and in exchange would receive Constitutional protection against future State revenue raids and cost shifts, including relief from unfunded State mandates. Proposition 1A states that in FY 2007-08, the State will begin to repay the State mandate (SB 90) costs that have been deferred from prior years. Additionally, counties are made whole through a property tax shift, which takes the place of the VLF "backfill," whereby the bulk of VLF revenues taken by the State are swapped for property taxes. Many of these points of agreement have been implemented over the past two years, and no longer present a budget issue to current and future years (i.e., the VLF Gap Loan was re-paid in full in FY 2005-06; the \$1.3 billion statewide county contribution was made in FYs 2004-05 and 2005-06 and therefore

does not affect FY 2007-08). However, a few issues will remain with Counties for at least the foreseeable future. The "VLF-Property Tax Swap" will remain. State mandates continue to be a significant point of discussion, and it remains to be seen whether the State will attempt in FY 2007-08 to present a new interpretation, both of how mandates are funded and of how prior year unfunded mandates will be repaid, under Proposition 1A.

- State Revenue Transfers and Cost Shifts. Though not as prevalent in the current FY 2007-08 State budget discussions, primarily due to the State's projections for increased revenues in the coming year, the State continues to wrestle with a continuing budget crisis – more commonly referred to as the "structural imbalance." As you will no doubt recall, the State has historically dealt with its budget problems by transferring revenue from, or shifting costs to, counties, deferring payments of money it legally owes counties, and forcibly borrowing money from counties. Some of the State's actions receive considerable media attention (such as the \$1.3 billion "gap loan" of Vehicle License Fee revenue counties and cities were required to make the State in Fiscal Year 2003-04), while others (such as the \$31 million shift of Undesignated Court Fees from counties to the State and the elimination of the Property Tax Administration Program in FY 2006-07 which funded 3.5 positions in the Assessors office) have gone largely unnoticed by the public. However, the cumulative effect of these actions is significant.
- Responding to Decreases in State Funding. As we presented to your Board last year, one of the major policy issues facing the Board in this, and in future budgets, is whether or not to continue to fund positions with County discretionary funds that have previously been covered by State funding. Historically when positions have been added due to the availability of State, or other external, funding, they have been allocated as limited-term positions, with the understanding that should the funding source discontinue, the position would be eliminated. In the FY 2007-08 budget we are recommending that the County convert six limited term positions to permanent positions in the Probation Department. These positions were established between 1987 and 2004, which illustrates the continual influx of funding from a variety of sources. This recommendation is not made lightly, but after analysis of the benefits of the positions compared with their cost, and with the understanding that some funding may not be available in the future. It is our opinion that maintaining these six positions is of critical benefit, not just to the County, but to the community as a whole.

This policy issue is likely to become more prevalent in the future as the State seeks to pass additional costs along to local governments in unobtrusive ways. We have seen this happen over the years with the Child Support Services budget. Currently the programs that we see most vulnerable to this include departments that rely upon a variety of grants to fund programs that are very important to local communities, such as the Library, the Sheriff, Probation, and the District Attorney. However, we also see this strategy played out in the Human Services budgets, especially regarding funding caps.

- Stable Property Tax Revenues. Due to the protracted slump in the housing market state-wide, many counties are reporting decreases in their property tax revenues, and are recommending budget reductions in the upcoming year. While Sutter County has experienced a slowing of home sales, and certainly remains vulnerable to the same downturn in the housing market, current property tax assessment role estimates remain positive. While we do not anticipate experiencing the same level of growth that we have seen over the past several years in the coming year, we also do not anticipate a significant reduction. Rather, we anticipate that property tax revenues will remain relatively stable for

the foreseeable future. The recommendation for secured property tax revenue (found in budget unit 1-209) maintains a conservative, yet reasonable, estimate which reflects a slight increase over the prior year budget.

- GASB 34. Beginning in FY 2004-05 the budget was prepared to conform to the General Accounting Standards Board's Statement 34 (GASB 34). This was a permanent change to our budgeting process. This year's budget includes approximately 70 Special Revenue Funds, the majority of which were not budgeted prior to FY 2004-05. As a result, the budget document is larger and more complex. Therefore, caution should be exercised in making numerical comparisons with budgets prepared in prior years.

GASB 34 typifies a trend we are increasingly seeing in government. Basically, local governments are being required to devote considerable time and energy to comply with new Federal or State financial reporting and monitoring requirements which, from our perspective, provide little or no benefit to the public. An example of this may be seen in Funds 0305 & 0311. These are the budgets for two fire districts, CSA-F and CSA-D. We note for the Board and the public that the budgeted undesignated fund balance is not the same as that included in the financial reporting documents. This is because these two funds borrowed money from the County's general fund for apparatus acquisitions. Consequently, for accounting reporting purposes, the rules require that the liability be included in the fund, but not the offsetting asset, making the undesignated fund balance in each individual fund appear to be lower than it would appear if the funding had been obtained from another source.

- GASB 43 & 45. In 2004, the Governmental Accounting Standards Board (GASB) issued two statements, 43 & 45 that will have a future impact on how specific benefits are reflected in the County's financial reports. The effect of neither of these statements is included in the tabulation submitted to the Board for FY 2007-08 because they will take effect in future years. Because the accounting entries are based on assumptions and actuarial calculations, we have retained a firm to prepare the estimates required. We are currently working with the selected firm to finalize the estimates.
- Reserves and Designations. In conformance with comments from the Independent Auditor, we began in the last budget year to categorize as a designation of fund balance some fund equity that has previously been referred to as a reserve. Except in the general fund, and a few other rare instances, individual funds generally do not have "general reserves," but rather excess fund equity is designated for future expenditures. Related to this change in budget practice, we are relying less on the Contingency appropriation to balance funds, and more on designations of fund equity (presented as "Increases in Reserves" in the budget Schedule 9s). We will continue to work to ensure that in the General Fund, and in all funds, fund equity is appropriately categorized.
- Status of County Accounting Disagreements. Over the past three fiscal years, several key issues have been raised and debated between the Board of Supervisors and the Auditor-Controller. Although the Independent Auditor has made determinations that agree with our recommendations, and, as part of her audit for the Board and Grand Jury, has made recommendations that would properly correct the County's books, as of this writing, many of these errors and problems have yet to be corrected by the Auditor-Controller. This tabulation has been prepared with the knowledge that these issues remain at issue. Reasonable assumptions, based on the Independent Auditor's

recommendations, and using the best information available at this time, have been made in the preparation of individual budget units, as well as the County budget as a whole. However, it should be emphasized that final resolution has not been reached on many accounting and budget-related issues.

- Waterworks District #1 (Robbins). In December of 2006, our office recommended, in concurrence with the County's Independent Auditor, and the Board of Supervisors directed that the County's Final Budget not include this Enterprise fund. Furthermore, we recommended, and your Board directed, that this fund be converted to a Special Revenue Fund prior to June 30, 2007. However, the conversion has thus far not been implemented due to a net-operating loss within the fund. As of this writing, the fund remains classified as an Enterprise Fund, and is therefore not included in this Proposed Budget. Please note that Enterprise funds are not required by State law to be included in the County Final Budget.

Conversion of this Enterprise fund to a Special Revenue fund requires that the fund be balanced to its own available financing, and thus necessitates a rate increase. The option to convert this fund to a Special Revenue fund, and therefore to include it in the County Final Budget, will again be presented to the Board of Supervisors for consideration for implementation in FY 2007-08, following the consideration of water and wastewater fee increases. The Public Works Department is pursuing options available to modify the fees collected from the property owners within the District to cover the increased costs to run the District. At the time of this writing, the Department has presented its initial recommendation for a fee increase to the Public Works Committee of the Board of Supervisors, and the Board has scheduled a Study Session for May 25, 2007, to review the current issues related to the Waterworks District. Neighborhood meetings will also be held within the community of Robbins to ensure that property owners within the district are aware of the issues affecting them. It should be noted that despite increased costs, especially in the utility costs required to operate the services, water service rates within the District have remained unchanged since 1992. Wastewater service rates have remained unchanged since 1997.

It is anticipated that a recommended budget amendment will be presented to your Board during the 2007-08 Fiscal Year, upon Board of Supervisor's approval of revised service rates, to include this fund, as a Special Revenue Fund, in the County budget.

## **SUMMARY OF FY 2007-2008 TABULATION**

Overall, the budget requirement for the recommended County operations in FY 2007-08 totals \$214,039,202, which is an increase of \$11,649,199 (5.8%) from the FY 2006-07 Adopted Budget. The following table summarizes the recommended budget for the primary operating funds of the County. The table does not include the Special Revenue Fund budgets that have been included in the budget to comply with GASB 34. With few exceptions, expenditures are not made directly from these special revenue funds. Instead, revenue from them is transferred to the funds listed below. Consequently, a large "double count" would occur if the special revenue funds were included in the totals.

Generally, the increases in expenditures are necessary to fund some program mandates from the Federal and State governments, plant acquisition projects, bridge replacement and related road projects, to comply with employee bargaining agreements, and the comprehensive general plan process. The plant acquisition budget

includes both re-budgeted projects, totaling \$2,308,697, some of which have adjusted cost estimates due to the increased cost of construction, and new projects, totaling \$1,219,000. Overall, the total number of employee positions has increased by 14.2 from the FY 2006-07 Adopted Budget.

	2006-07 ADOPTED	2007-08 RECOMMENDED	CHANGE	
			DOLLARS	PERCENT
General	\$66,292,145	\$70,370,088	\$4,077,943	6.2%
Road	\$21,010,140	\$21,300,238	\$290,098	1.4%
Special Aviation	\$802,548	\$740,172	-\$62,376	-7.8%
Fish & Game	\$22,739	\$16,129	-\$6,610	-29.1%
Bi-County Mental Health	\$24,040,678	\$23,220,530	-\$820,148	-3.4%
Mental Health Services Act	\$4,628,581	\$6,435,735	\$1,807,154	39.0%
Housing Rehab CDBG Fund	\$14,904	\$0	-\$14,904	-100.0%
Health Services	\$12,526,883	\$12,717,797	\$190,914	1.5%
Welfare/Social Services	\$31,886,927	\$35,334,894	\$3,447,967	10.8%
Trial Courts	\$5,362,871	\$6,061,279	\$698,408	13.0%
Public Safety	\$21,821,357	\$23,854,680	\$2,033,323	9.3%
Capital Projects	\$457,623	\$303,500	-\$154,123	-33.7%
Internal Service	\$9,198,592	\$9,839,253	\$640,661	7.0%
Special Districts	\$4,324,015	\$3,844,907	-\$479,108	-11.0%
<b>Total County</b>	<b>\$202,390,003</b>	<b>\$214,039,202</b>	<b>\$11,649,199</b>	<b>5.8%</b>

Each year, we emphasize that the General Fund includes five budget units which appropriate the General Fund's "contribution" to the Mental Health, Health, Welfare/Social Services, Trial Court, and Public Safety Funds. These appropriations are also budgeted in the five receiving funds, so technically the appropriations are double-counted. The following chart shows the magnitude of this double-count. It should be noted here that since these appropriations are intended to demonstrate the cost to the general fund for the operations in each of these funds on an annual basis, it is critical that each year only the exact amount required to offset the aggregate unreimbursed cost of the budgets in each fund should be shown.

	2006-07 ADOPTED	2007-08 RECOMMENDED	DIFFERENCE
Mental Health	\$1,545,035	\$1,764,813	\$219,778
Health	\$7,506,864	\$7,494,770	-\$12,094
Welfare/Social Services	\$2,011,885	\$1,847,603	-\$164,282
Trial Court	\$2,554,608	\$2,927,918	\$373,310
Public Safety	\$12,724,916	\$14,149,559	\$1,424,643
<b>TOTAL</b>	<b>\$26,343,308</b>	<b>\$28,184,663</b>	<b>\$1,841,355</b>

**General Fund**

The total General Fund requirements are recommended at \$70,370,088, which is an increase of \$4,077,943 (6.2%) compared to the FY 2006-07 Adopted Budget. Given the number and variety of budget units and programs in the General Fund, there are many factors involved in this increase. Broadly speaking, the major factors are the inclusion of the estimated cost to update the County's General Plan; increases in the General Fund contribution to the Public Safety and Trial Court Funds, a decrease in the General Fund contribution to the Welfare/Social Services Fund; increases in salaries and benefit costs due to approved employee bargaining agreements, range adjustments approved in FY 2006-07, and new positions; and rising operational costs in areas such as supplies, utilities, and fuel.

Continuing a commitment to conservative budgeting and due to the questionable stability of the State's finances, a limited numbers of new positions have been added to General Fund departments. During the same time period, the growth in the two cities, and the County, continues to increase workloads and service demands upon those county departments providing direct services to the public. This budget adds five new positions to General Fund Departments. However, State funding for the Department of Child Support Services continues to erode, resulting in a loss of two vacant positions. The following positions are recommended to be funded: In the County Administrator's Office a Public Information Officer is recommended to develop and manage a comprehensive public information program for the county; in the Community Services Department, two Animal Control Officers and one Office Assistant II are recommended in the Animal Control division to meet the demand for services, primarily related to growth in population; in the County Library, one limited-term Library Assistant II is recommended to provide bilingual assistance in the literacy program.

**Road Fund**

The total Road Fund requirements are recommended at \$21,300,238, which is an increase of \$290,098 (1.4%) compared to the FY 2006-07 Adopted Budget. Total estimated Available Financing is also recommended at \$21,300,238.

The FY 2006-07 budget reflected notable increases in both revenues and expenditures. Much of the increase in revenues and expenditures was due to additional bridge projects, including the replacement of the Garmire Road Bridge, Cranmore Road Bridge, the 5<sup>th</sup> Street Bridge Seismic Analysis, Pleasant Grove Creek Bridge, and Curry Creek Bridge, and is recommended to be re-budgeted for FY 2007-08. Funding proceeds from Proposition 1B, approved by the voters in 2006, is estimated at \$1,500,000, and will fund local Streets and Roads projects. Upon finalization of the budget in the fall of 2007, the Department will present a Road Work Plan outlining all projects to be funded. These projects will include bridge replacements as well as road rehabilitation and overlays.

### **Special Aviation Fund**

The total Special Aviation Fund requirements are recommended at \$740,172, which is a decrease of \$62,376 (7.8%) compared to the FY 2006-07 Adopted Budget. Total available financing also decreases by \$62,376. This budget reflects appropriations for safety fencing and lighting to provide for increased security at the facility. Revenues to fund recommended appropriations are derived from FAA grant funding and from user pay revenues.

### **Fish and Game Fund**

The total Fish and Game Fund requirements are recommended at \$16,129, which is a decrease of \$6,610 (29.1%) compared to the FY 2006-07 Adopted Budget. The decrease from the prior year is primarily due to a reduction in the estimated Undesignated Fund Balance Available due to the fact that excess funds are anticipated to be placed into reserves at the close of the 2006-07 Fiscal Year.

### **Bi-County Mental Health / Mental Health Services Act**

The total Bi-County Mental Health Fund requirements are recommended at \$23,220,530, which is a decrease of \$820,148 (3.4%) compared to the FY 2006-07 Adopted Budget. The total requirements for the Mental Health Services Act are recommended at \$6,435,735, which is an increase of \$1,807,154 (39.0%) compared to the FY 2006-07 Adopted Budget. Therefore, there is a net increase in requirements of \$987,006 for Mental Health programs.

The decrease in the Bi-County Mental Health Fund is primarily due to the re-assignment of positions to the Mental Health Services Act Fund. Overall, 11 existing full time positions and a portion of the time of 24 other existing positions are recommended to be reassigned to Mental Health Services Act-funded programs in Budget Unit 4-104 where they will provide for new services consistent with the intent of the MHSA. Additionally, one vacant and funded Mental Health Therapist position is recommended to be deleted, and one new Quality Assurance Officer position is recommended to be added for FY 2007-08, to oversee the Division's formal utilization review and compliance activities.

The increase in the Mental Health Services Act Fund is primarily due to the increased funding and expanding programming. The Mental Health Services Act (MHSA), passed in November 2004, is one of the most significant policy issues facing this division. During the first phase of implementation of the MHSA, an additional \$1.75 million dollars annually was made available to expand programming. This funding must reside in a separate fund, and may not be used to offset shortfalls in the operation of existing mental health programs.

## **Health Fund**

The total Health Fund requirements are recommended at \$12,717,797, which is an increase of \$190,914 (1.5%) compared to the FY 2006-07 Adopted Budget. This fund includes the County Health Division, Human Services Administration, California Children's Services, and Non-County Health Providers budget units as well as Health Care General, which is a revenue account budget unit.

We are recommending that one new Nurse Practitioner II position be added for the Jail Medical program, and that one new Account Clerk I/II be added due to address increased workload demands and to assist in the administration of the Emergency Medical Services Fund. Additionally, we are recommending \$21,500 in Fixed Assets to purchase medical equipment (Electric/Hydraulic Examination Table) for the Primary Care Clinic, and to purchase a replacement Voicemail System.

It is important to note that expenses related to the provision of medical care to the Sutter County Jail continue to account for some of the largest cost areas in this budget unit. As noted in the past, these are costs that the County has little control over.

## **Welfare/Social Services Fund**

The total Welfare/Social Services Fund requirements are recommended at \$35,334,894, which is an increase of \$3,447,967 (10.8%) compared to the FY 2006-07 Adopted Budget. This fund includes all of the budget units administered by the Welfare Division of the Human Services Department including Welfare Administration, In-Home Supportive Services (IHSS), Special Circumstances, Temporary Assistance to Needy Families (TANF), TANF- Foster Care, Refugee Cash Assistance, Aid for Adoption, General Relief, and Welfare/Social Services General.

The increase in the Welfare/Social Services Fund is primarily the result of increased In Home Supportive Services (IHSS) caseload as well as increased provider payments and benefits, which is the result of a negotiated agreement, reached in FY 2006-07. The budget also reflects increases in TANF – Foster Care and Aid for Adoptions costs due to increased caseload.

## **Trial Court Fund**

The total Trial Court Fund requirements are recommended at \$6,061,279, which is an increase of \$698,408 (13.0%) compared to the FY 2006-07 Adopted Budget. This fund contains the operational budgets for Sheriff's Court Bailiffs, the Public Defender, Probation and various budgets created to implement the 1997 trial court funding law. The increase in the Trial Court Fund is the result of recommended new positions and the county-wide salary survey that resulted in increases in salaries.

The major public policy issue in the Trial Court Fund is our recommendation that six limited term positions in Probation be converted to permanent positions. As stated previously, these positions are critical to the County and the community and funding for these positions needs to be continued. Also, in Probation we are recommending the addition of two Supervising Probation Officers, one Probation Aide and the elimination of one Limited Term Deputy Probation Officer. The Supervising Probation Officers, one for the Adult Program and one for the Juvenile Program, are to establish a more stable and long term administrative foundation, to formalize long overdue policies and procedures, to prepare for and properly implement complicated new

mandates and programs, to capitalize upon funding opportunities that are missed and to assure appropriate levels of training and supervision of staff to promote officer safety and to maximize effectiveness. With the recommendation to eliminate one Deputy Probation Officer, the Probation Aide is recommended to support the Prop 36 Program.

### **Public Safety Fund**

The total Public Safety Fund requirements are recommended at \$23,854,680 which is an increase of \$2,033,323 (9.3%) compared to the FY 2006-07 Adopted Budget. The Public Safety Fund was created during the 1993-94 fiscal year, as a result of Proposition 172, which increased the sales tax by one-half cent and dedicated the resulting revenue to public safety. The fund includes the operating budgets for the Sheriff's Department, the District Attorney, the Bi-County Juvenile Hall, the Delinquency Prevention Commission, and Fire and Emergency Services. The increase in the Public Safety Fund is the result of recommended new positions and the county-wide salary survey that resulted in increases in salaries.

The major public policy issue in the Public Safety Fund is our recommendation that four new Deputy Sheriff's positions be added to the Sheriff's budget. We believe these positions are crucial for the Sheriff to provide adequate law enforcement services pursuant to the City-County Master Tax Exchange Agreement and simultaneously meet increased service demands emanating from the South County area. For some time, we have believed that the Yuba City Police Department would take over enforcement activities in the incorporated areas currently patrolled by the Sheriff pursuant to the Agreement and thereby free up resources to meet the increased service demands elsewhere in the County. Based on recent discussions with the City staff, it now appears that this will not happen soon, and the Sheriff will be providing law enforcement within the incorporated area for the indefinite future.

### **Capital Projects Fund**

The total Capital Projects Fund requirements are recommended at \$303,500. This fund was created in FY 2001-02 to account for costs associated with the design and construction of the planned new Human Services Building. In FY 2007-08, we are recommending an appropriation of \$303,500 in this fund. The appropriation is funded by an Interfund transfer from the Social Services/Welfare Fund. The funding would be available in the event we are able to proceed with the building.

As the department has indicated in the Human Services Administration budget narrative (4-120), there is a need to provide for adequate facilities for the various Human Services divisions. For several years, this need has been planned to be addressed by the construction of the new Human Services Building adjacent to the Mental Health Facility at 1965 Live Oak Boulevard, Yuba City. The building has been designed by an architectural firm retained by the County. However, construction of the building has been held up by the unavailability of State funding. The County is exploring the feasibility of constructing the building in the coming fiscal year, and work to secure affordable financing and to ensure adequate financial participation from the State will be a major focus in FY2007-08. The anticipated construction cost of the building is currently calculated at \$16 million. We will not recommend proceeding with financing and bidding out this new building project until long-term commitments can be made by the State Department of Social Services and County Mental Health to provide financial support to the County to cover their shares of the debt service for the new building.

## **Internal Service Funds**

The total Internal Service Fund requirements are recommended at \$9,839,253, which is an increase of \$640,661 (7.0%) compared to the FY 2006-07 Adopted Budget. Funds included in this total include: Information Technology, Fleet Maintenance, Vehicle Replacement Program, Liability Insurance, and Workers' Compensation Insurance. The increase in these funds over the prior year is primarily the result of a one-year reduction in the Liability Insurance ISF in the prior fiscal year (those costs have now increased to their normal level).

## **Special Districts**

The total Special Districts requirements are recommended at \$3,844,907, which is a decrease of \$479,108 (11.0%) compared to the FY 2006-07 Adopted Budget. Special Districts include County Service Areas, which provide fire protection; water agency operations and zones of benefit; lighting districts; public facility impact fee funds; the Rio Ramaza Community Services District; and the El Cerrito Drainage District.

Historically, individual special district budgets fluctuate from year to year. However, the net decrease in these funds in total is primarily due to a change in budget policy in FY 2006-07, whereby all un-appropriated excess fund balance was placed into reserves within the individual Special District funds. In prior years, in many of the Special District funds, any excess fund balance was reflected in the Appropriate for Contingency line item. Once placed into reserves at the close of the 2006-07 Fiscal Year, these will not be available for current year (FY 2007-08) budgeting purposes, and therefore are not reflected in the total requirements.

## **FORMAT OF THE TABULATION**

The tabulation is formatted in such a way as to become the County's Proposed Budget, and is intended to provide the type of information that Board members and citizens need to make informed decisions regarding the allocation of available funds to meet the County's diverse operational needs during the next year. In the tabulation each budget unit's Executive Summary contains a narrative divided among three headings. This information is intended to provide sufficient background to permit the average person to understand what is occurring in each budget program. Information shown under the Description and Department Request headings is intended to be the communication from the department head to the County Administrator and Board of Supervisors regarding their perspective and estimates of need for the coming year and the basis on which they have made those estimates. Under Description we present the services provided by the budget; under Department Request we present the department's original request and the basis on which it was made. Under CAO Recommendation we present the position of the County Administrative Office relative to the department's original request, including a statement indicating whether the department head concurs with the CAO's recommendation. In addition, should there be any policy issues which the Board needs to address in that program, they will be identified.

As in the past, and in conformance with the Budget Manual issued by the State Controller's Office, the budget for most departments is shown on a "Schedule 9" form which includes columns for: (1) Actual revenues & expenditures for FY 2005-06, (2) Actual figures for FY 2006-07 as of March 31, 2007, (3) the FY 2006-07 Adopted Budget, (4) the FY 2006-07 Budget as amended by the Board of Supervisors during the fiscal year (as shown in the County's accounting system as of March 31, 2007), (5) the Department's Request for FY 2007-08, and (6) the CAO's Recommendation.

As explained above, the tabulation presented to the Board of Supervisors contains approximately 70 Special Revenue Funds as a requirement of GASB 34. In most cases, these special revenue funds do not include accompanying descriptions or recommendations. This is because, in most cases, no expenditures are made directly from them.

### **RECOMMENDATIONS FOR THE PROPOSED BUDGET FOR FISCAL YEAR 2007-2008**

The recommendations and comments, along with the accounting tabulations, are submitted to you, the Board of Supervisors, for your consideration. Upon your approval, this document will constitute the Proposed Budget for Fiscal Year 2007-2008. Pursuant to State law, a notice of your scheduled hearings will appear in the local newspaper at least 10 days prior to those hearings. It is anticipated that copies of the Proposed Budget will be available to the public when your Board acts to approve it, 14 days in advance of the hearings.

Approval of these tabulations as the Proposed Budget by your Board will:

- Authorize continuation of normal operating expenditures by County departments pursuant to mandates or existing levels of locally determined services until such time as a Final Budget is adopted.
- Authorize the Proposed Budget for FY 2007-2008 to be made available to the public as an appropriate source of information regarding budgetary actions recommended for consideration during Final Budget Hearings.

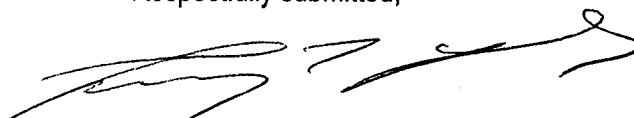
Unless specific exceptions are made by your Board, approval of the Proposed Budget will not authorize any additions or deletions of County positions or the expenditure of any funds for fixed assets, capital outlays, or proposed new programs contained in this document. I have recommended some specific exceptions below. In each case, I consider these exceptions to be essential to County and departmental operations.

It is therefore RECOMMENDED that the Board of Supervisors:

1. Approve the enclosed recommendations and tabulations as the Sutter County Proposed Budget for Fiscal Year 2007-2008.
2. Set noticed Public Hearings commencing June 12, 2007, at 9:00 a.m. at the Veterans' Memorial Building in Yuba City, and continuing as required for a 14-day successive period, regarding the adoption of the Final Budget, and request that each department head be in attendance for the review of his/her budget(s).
3. Direct the County Administrative Officer to have sufficient copies of the approved Proposed Budget available to meet public demand.
4. Authorize the Public Works Department to proceed with the weather-sensitive projects set forth in the Plant Acquisition and Building Maintenance budgets. These projects, which are specifically identified in the budgets, need to be completed during the summer months to avoid adverse weather.

5. Authorize the Public Works Department to proceed with the Plant Acquisition projects, which were included in the FY 2006-2007 budget, and re-budgeted in this year's recommended budget. Those projects are identified in the Plant Acquisition budget.
6. Authorize the Public Works Department to proceed with road projects that were approved by the Board in FY 2006-07.
7. Authorize the Information Technology Department to purchase fixed assets as needed for workflow purposes during the July 1, 2007 to October 1, 2007 period.
8. Authorize the Personnel Department to add the recommended Public Information Officer position to the County Administrator's Office position allocation effective July 1, 2007; and authorize the County Administrator to recruit for, and fill, the recommended Public Information Officer position effective July 1, 2007.
9. Authorize the Personnel Department to re-assign the Wastewater Operator System Operator position from the Public Works budget unit (1-920) to the Water Resources budget unit (1-922) effective July 1, 2007.
10. Authorize the Personnel Department to re-assign 11 existing full time positions and a portion of the time of 24 other existing positions, as detailed in the position allocation schedule, within and between the Mental Health Budget (4-102) and the Mental Health Services Act Budget (4-104), effective July 1, 2007.
11. Authorize the Personnel Department to add the recommended Quality Assurance Officer position to the Bi-County Mental Health position allocation schedule effective July 1, 2007; and authorize the department to recruit for, and fill, the recommended position upon approval of a Job Specification.
12. Authorize the Mental Health division of Human-Services to purchase a telephone system for its new Holly Oak facility location effective July 1, 2007.
13. Authorize Fleet Management to purchase the mini-van vehicles recommended in the Library and Welfare/Social Services budgets, and to purchase the Fleet Management service truck, effective July 1, 2007.
14. Until a more formal policy is set by the Board of Supervisors, the Auditor/Controller is directed, after all other accounting entries are made for FY 2006-07, and prior to closing the books, to bring the fund balance of Funds 12 through 15 to zero by returning any excess revenue to the general fund.

Respectfully submitted,



LARRY T. COMBS  
County Administrative Officer



TABLE 1

## Comparison of Budget Requirements by Fund and Groups of Funds

	2006-07 ADOPTED	2007-08 RECOMMENDED	CHANGE	
			\$	%
<b>BASIC COUNTY OPERATING FUNDS</b>				
General	\$66,292,145	\$70,370,088	\$4,077,943	6.2%
Road	\$21,010,140	\$21,300,238	\$290,098	1.4%
Special Aviation	\$802,548	\$740,172	-\$62,376	-7.8%
Fish & Game	\$22,739	\$16,129	-\$6,610	-29.1%
Bi-County Mental Health	\$24,040,678	\$23,220,530	-\$820,148	-3.4%
Mental Health Services Act	\$4,628,581	\$6,435,735	\$1,807,154	39.0%
Housing Rehabilitation CDBG	\$14,904	\$0	-\$14,904	-100.0%
Health Services	\$12,526,883	\$12,717,797	\$190,914	1.5%
Social Services	\$31,886,927	\$35,334,894	\$3,447,967	10.8%
Trial Courts	\$5,362,871	\$6,061,279	\$698,408	13.0%
Public Safety	\$21,821,357	\$23,854,680	\$2,033,323	9.3%
Capital Projects (4100)	\$457,623	\$303,500	-\$154,123	-33.7%
<b>Total Requirements</b>	<b>\$188,867,396</b>	<b>\$200,355,042</b>	<b>\$11,487,646</b>	<b>6.1%</b>
<b>INTERNAL SERVICE FUNDS</b>				
Fleet Management ISF (4580)	\$1,665,109	\$1,720,119	\$55,010	3.3%
Information Technology ISF (4581)	\$3,941,731	\$4,129,872	\$188,141	4.8%
Vehicle Replacement Fund ISF (4585)	\$178,578	\$377,500	\$198,922	111.4%
Liability Insurance ISF (4590)	\$803,961	\$1,013,531	\$209,570	26.1%
Workers' Comp Insurance ISF (4591)	\$2,609,213	\$2,598,231	-\$10,982	-0.4%
<b>Total ISF</b>	<b>\$9,198,592</b>	<b>\$9,839,253</b>	<b>\$640,661</b>	<b>7.0%</b>
<b>SPECIAL DISTRICT &amp; BOND FUNDS</b>				
County Service Area G (0301)	\$690,612	\$648,800	-\$41,812	-6.1%
County Service Area F (0305)	\$2,051,482	\$2,107,850	\$56,368	2.7%
County Service Area C (0309)	\$263,803	\$181,932	-\$81,871	-31.0%
County Service Area D (0311)	\$225,426	\$369,748	\$144,322	64.0%
Urban Area Street Lighting District (3000)	\$27,214	\$31,400	\$4,186	15.4%
Tierra Buena Sewer C.S.D. (0314)	\$4	\$5	\$1	25.0%
Sutter County Water Agency (0320)	\$184,894	\$209,143	\$24,249	13.1%
Sutter County Water Zones 1-13 (0324-0334)	\$695,661	\$121,350	-\$574,311	-82.6%
Co Consolidated Street Lighting District (0340)	\$130,076	\$142,384	\$12,308	9.5%
El Cerrito Drainage District (0390)	\$574	\$660	\$86	15.0%
Stonegate Sewer Improvement (0394)	\$0	\$850	\$850	100.0%
Rio Ramaza County Service District (0395)	\$12,829	\$11,810	-\$1,019	-7.9%
Royo Ranchero Construction (0397)	\$20,599	\$1,010	-\$19,589	-95.1%
Sutter County Landscape - Wildwood (4011)	\$5,480	\$3,555	-\$1,925	-35.1%
Bond Funds (0388, 0389, 0391)	\$15,361	\$14,410	-\$951	-6.2%
<b>Total Special District &amp; Bond Funds</b>	<b>\$4,324,015</b>	<b>\$3,844,907</b>	<b>-\$479,108</b>	<b>-11.1%</b>
<b>Sub-Total Operating, ISF, Special District, Bond</b>	<b>\$202,390,003</b>	<b>\$214,039,202</b>		
<b>OTHER SPECIAL REVENUE FUNDS (includes double-counts)</b>				
Other Special Revenue Funds	\$44,750,435	\$39,695,019	-\$5,055,416	-11.3%
<b>Total Other Special Revenue Funds</b>	<b>\$44,750,435</b>	<b>\$39,695,019</b>	<b>-\$5,055,416</b>	<b>-11.3%</b>
<b>GRAND TOTAL</b>	<b>\$247,140,438</b>	<b>\$253,734,221</b>	<b>\$6,593,783</b>	<b>2.7%</b>

**TABLE 2**  
**APPROPRIATION AND REVENUE ANALYSIS**  
**PROPOSED BUDGET BASIC OPERATING FUNDS**  
 Excluding Internal Service, Debt Service and Special District Funds,  
 and Other Special Revenue Funds  
 FY 2007-08 RECOMMENDED

APPROPRIATION ANALYSIS BY OBJECT			
APPROPRIATION OBJECT	GENERAL FUND	OTHER FUNDS	GRAND TOTAL
Salaries & Benefits	\$20,590,183	\$54,538,032	\$75,128,215
Services & Supplies	\$9,376,676	\$28,336,927	\$37,713,603
Other Charges	\$30,926,671	\$44,501,268	\$75,427,939
Fixed Assets	\$2,696,297	\$951,803	\$3,648,100
GROSS	\$63,589,827	\$128,328,030	\$191,917,857
Intrafund Transfers	\$713,346	\$0	\$713,346
NET	\$64,303,173	\$128,328,030	\$192,631,203
Contingencies	\$750,000	\$1,356,285	\$2,106,285
TOTAL APPROPRIATIONS	\$65,053,173	\$129,684,315	\$194,737,488
Increases in Reserves	\$5,316,915	\$300,639	\$5,617,554
TOTAL REQUIREMENTS	\$70,370,088	\$129,984,954	\$200,355,042

REVENUE ANALYSIS BY SOURCE			
DESCRIPTION	FY 2006-07 Adopted	FY 2007-08 Recommended	% OF TOTAL REVENUE
Total Taxes	\$23,942,256	\$26,646,332	13.30%
Licenses, Permits & Franchises	\$2,923,100	\$2,611,000	1.30%
Fines, Forfeitures & Penalties	\$109,636	\$128,559	0.06%
Use of Money & Property	\$1,491,697	\$2,466,436	1.23%
Intergovernmental Revenues	\$74,802,130	\$79,440,782	39.65%
Charges for Current Services	\$60,332,156	\$63,872,793	31.88%
Miscellaneous Revenues	\$2,745,783	\$2,939,807	1.47%
Other Financing Sources	\$15,000	\$15,000	0.01%
SUB-TOTAL	\$166,361,758	\$178,120,709	
Fund Balance Available as of July 1	\$19,194,239	\$19,894,094	9.93%
Liquidation of Reserves	\$3,311,399	\$2,340,239	1.17%
GRAND TOTAL	\$188,867,396	\$200,355,042	100.00%