

Transmittal Letter



Shasta County

Fiscal Year 2009-10

Members of the
Shasta County Board of Supervisors
1450 Court Street, Suite 308A
Redding, CA 96001

Members of the Board:

This document represents Shasta County's fiscal year 2009-10 Final Budget as adopted by the Board of Supervisors on June 30, 2009, pursuant to Section 29088 of the Government Code. The budget is created from a process that includes requests prepared by the operating and support departments of the County, review and recommendations from my office, public hearings, and final examination and approval by the Board of Supervisors.

The fiscal year 2009-10 Final Budget totals \$396,342,438, including \$332,680,844 for the County's General Operating funds, \$25,714,097 for Internal Service funds, \$11,490,101 for Enterprise funds; and \$13,900,877 for special districts governed by the Board of Supervisors. The budget represents the efforts of my staff and managers of the County's many departments who worked diligently to prepare a budget that reflects departmental needs and program funding requests as well as the CAO's recommended appropriations for the next fiscal year.

This document is an administrative tool that provides the framework under which the County will operate for the fiscal period. Absent mandates, the budget is a vehicle by which the Board of Supervisors provides philosophical direction for programs important to the local community.

The budget process, and the ultimate adoption of a balanced budget, requires the cooperation, dedication, and labor of many individuals. I would like to extend my thanks to all department heads, and their staff for the common effort they commit to this annual process. All are to be commended for their service and dedication to the County of Shasta and its citizens.

Sincerely,



Lawrence G. Lees
County Administrative Officer

Attachment – Budget Overview

BUDGET OVERVIEW

The Final Budget totals \$396 million, including \$333 million for the County's General Operating Funds, \$8.1 million for Capital Project Funds; \$4.4 million for Debt Service Funds; \$25.7 million for Internal Service Funds, \$11.4 million for Enterprise Funds, and \$13.9 million for select Special Districts and Other Agencies under the Board of Supervisors. This represents a decrease of \$43 million, or 10 percent, when compared to the fiscal year 2008-09 Adjusted Budget.

About 80 percent of the overall budget is for non-general fund operating departments. Most have various state and federal funds earmarked for specific purposes.

The General Fund, which is used to pay for general government, public protection, libraries, and other "discretionary" areas, is taking a nine percent overall reduction in 2009-10. This is in addition to an 11.5 percent reduction in spending achieved in the current fiscal year, which becomes the fund balance available for 2009-10. The 2009-10 General Fund final budget is \$68.7 million.

All departments were asked to reduce their General Fund subsidy by 10 percent except for those departments that have a minimum maintenance of effort (MOE) requirement. In accordance with the Auditor's Maintenance of Effort calculation, the County's spending for Public Safety exceeds the MOE by \$17 million. The subsidy to the combined health and human services programs has been held static over the last several years and is in deficit by \$3 million.

BUDGET PRINCIPLES

On February 24, 2009, the Board of Supervisors received the FY 2008-09 Mid-Year Report, and approved the following principles for the FY 2009-10 Budget:

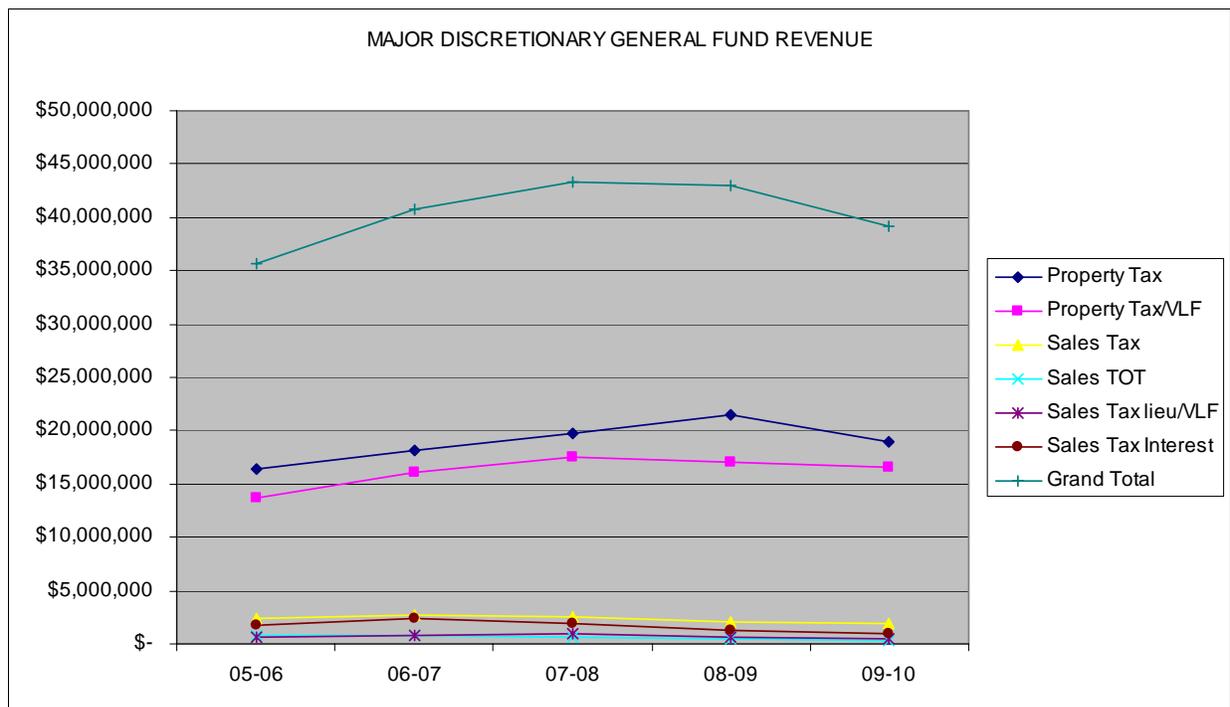
- Continue the Controlled Hiring Process approved by the Board in December 2007.
- Approve no new programs or new positions that are not clearly revenue supported.
- Review all grant funded positions. The Board has consistently maintained that the County will not preserve positions that have lost grant funding.
- The County administers many costly State programs. We have limited ability to raise revenues to offset any loss in State and Federal funding. We will avoid back-filling reductions in such funding when legally permissible, and continue to seek relief from unfunded State mandates.
- Continue to evaluate all contracts with community providers and agencies to evaluate if services could be reduced or provided by existing county staff.
- The CAO will review all requests for fixed assets and computer equipment.
- As a baseline, direct departments to prepare a budget with a ten percent reduction in County Contribution or General Fund Net-County-Cost.

DISCRETIONARY REVENUE

Following ten years of dependable revenue growth, only interrupted by the economic downturn following the tragic events of 9/11, Shasta County is facing unprecedented loss of discretionary revenue. In the year ending June 30, 2009, revenue declined by \$2.3 million, or 4.5 percent. Problematic is not only the loss of current year base revenues but the continued loss of revenue growth.

The continuing national, state, and local economic downturn has resulted in a decline in property values, lagging sales of consumer goods and services, and a steep decline in interest rates. Discretionary revenues will decline another \$6 million, or almost 13 percent, in FY 2009-10, primarily attributable to a decline in tax revenues.

For comparison, a look at 5 years of a few select discretionary revenues is provided.



Source	05-06	06-07	07-08	08-09	09-10
Property Tax	\$16,433,963	\$18,134,144	\$19,680,083	\$21,498,971	\$19,000,000
Prop. Tax In Lieu of VLF	\$13,721,089	\$16,034,693	\$17,541,670	\$17,000,000	\$16,500,000
Sales Tax	\$ 2,424,408	\$ 2,695,549	\$ 2,514,380	\$ 2,140,183	\$ 1,925,000
TOT	\$ 794,722	\$ 704,600	\$ 704,600	\$ 492,091	\$ 350,000
Sales Tax Lieu/VLF	\$ 671,245	\$ 1,011,424	\$ 1,011,424	\$ 617,390	\$ 400,000
Interest	\$ 1,682,843	\$ 1,884,201	\$ 1,884,201	\$ 1,233,923	\$ 1,000,000
Total	\$35,728,270	\$40,464,611	\$43,336,358	\$42,982,558	\$39,175,000

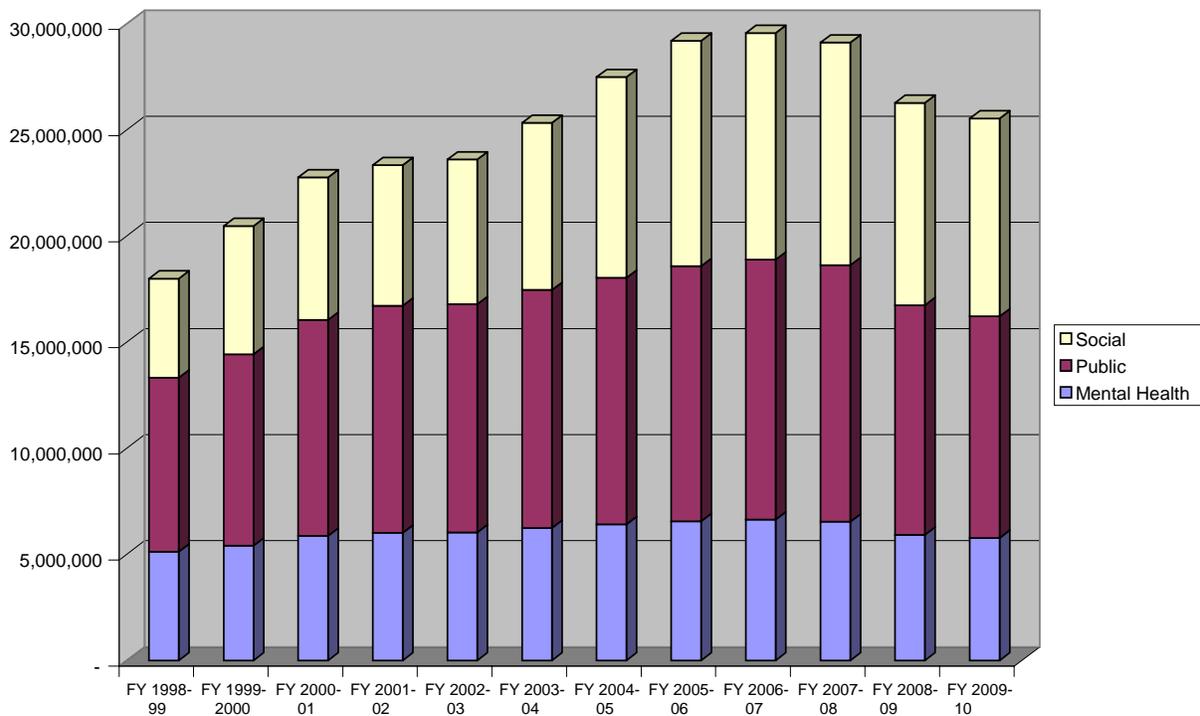
As if the dramatic decline in these 6 major revenues is not enough cause for concern, on May 14, 2009, the Governor proposed borrowing property tax revenue from cities and counties to offset the State's dramatic budget imbalance. Shasta County is one of approximately 1,300 agencies that have enrolled in the California Communities Prop 1A Securitization Program to ensure the County will receive 100 percent of property taxes due in the current fiscal year.

NON-DISCRETIONARY REVENUE

In addition to our discretionary sales tax revenues, sales taxes dedicated to public health, mental health, social services, and public safety have declined so significantly that service delivery will be impacted.

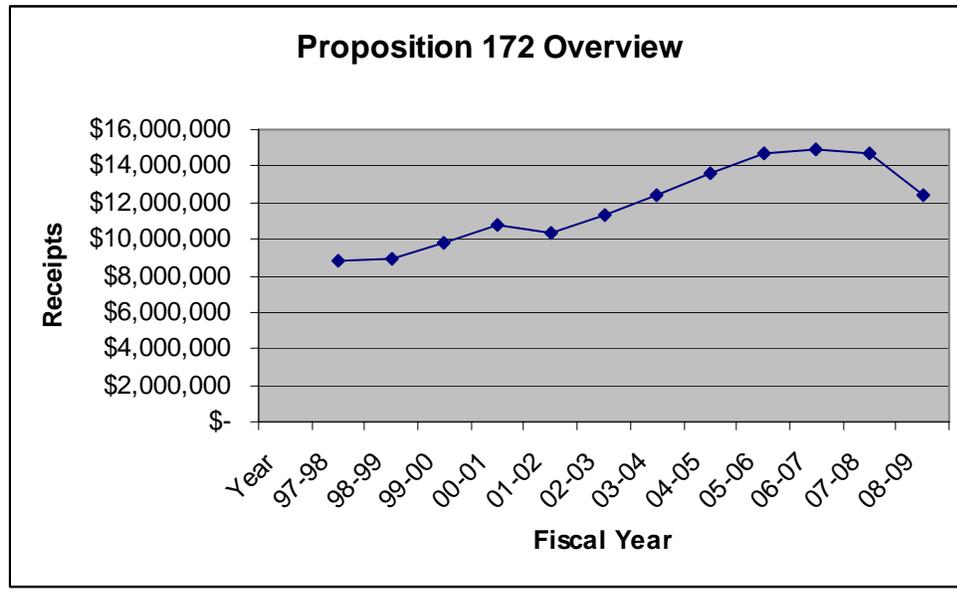
Realignment sales tax and vehicle license fees are dedicated to public health, mental health, and social services. The decline is projected to be 9 percent in sales tax and 11 percent in VLF in 2008-09 and another 2 percent in sales tax and 4 percent in VLF 2009-10. This means that the County, the provider of safety-net services, will have \$6.4 million less over the two-year period to provide these services. Additionally, the Mental Health department continues to struggle with the State's inability to make payments in a timely fashion for services provided. The Health and Human Services Agency is grappling with this revenue shortfall.

Total Realignment by Department



The sales tax dedicated to public safety, or **Proposition 172**, declined 15.8 percent in 2008-09, or \$2.1 million below budget expectations. The District Attorney, Sheriff, and Chief Probation Officer took action to reduce spending before fiscal year end, and the Prop 172 Reserve was depleted.

Our conservative estimate for Proposition 172 revenue in 2009-10 is \$12.6 million, a \$1.6 million reduction in anticipated revenue.



APPROPRIATIONS

Appropriations include a **Contingency Reserve** of \$4.9 million that can be used for unanticipated requirements that may occur during the fiscal year. When no need arises, these funds return to fund balance and become the basis of the carry-over for the succeeding year. Financing is derived from anticipated revenue, inter-fund transfers, and carry-over fund balances.

The **General Reserve** is approximately \$10 million, or 3 percent of total general operating group of funds appropriations (\$333 million). The Board established a policy for budgetary reserves in December 2007. The goal is to attain a 5 percent reserve of estimated financing uses, less designations for reserves and capital projects.

The Capital Projects budget (Land, Buildings and Improvements) includes six projects totaling \$6 million; 1) Jail Roof and Siding, \$352,476; 2) Burney Veterans Hall Restroom Remodel, \$243,050; 3) Fall River Mills Veterans Hall Restroom Remodel, \$157,250; 4) Old Library Building Remodel, \$4.8 million; 5) Balls Ferry Boat Ramp Launching Facility, \$160,000; and 6) Jail Security Closed Circuit Television Replacement, \$225,000.

The Jail roof, Veterans Halls, and remodel of the old library were previously approved and are re-budgeted. The boat launch facility is offset by a State Boating and Waterway grant. The Jail

projects are offset by the Criminal Justice Trust Fund (surcharge on certain court fines and fees). The remodel of the old library building is offset by Accumulated Capital Outlay.

Additionally, a new juvenile hall project has been awarded by the State Corrections Standards Authority. This multi-year project includes appropriations of \$765,000 in 2009-10. When fully built-out the project is estimated to cost \$16.4 million, with a County-match of \$2.5 million. Funds previously designated in Accumulated Capital Outlay for juvenile detention, adult detention, and the balance remaining from roofing projects are recommended to transfer to the Juvenile Hall Project Fund.

The Crystal Creek Boys Camp closed in August 2009 due to the continuing decline in County discretionary revenue and realignment revenue passed through from Social Services. The Final Budget does not reflect the closure, as run out costs are unknown at this time.

The following Table compares by Fund (at June 8, 2009) the 2008-09 Adjusted Budget appropriations versus estimated expenditures, and the 2009-10 appropriations.

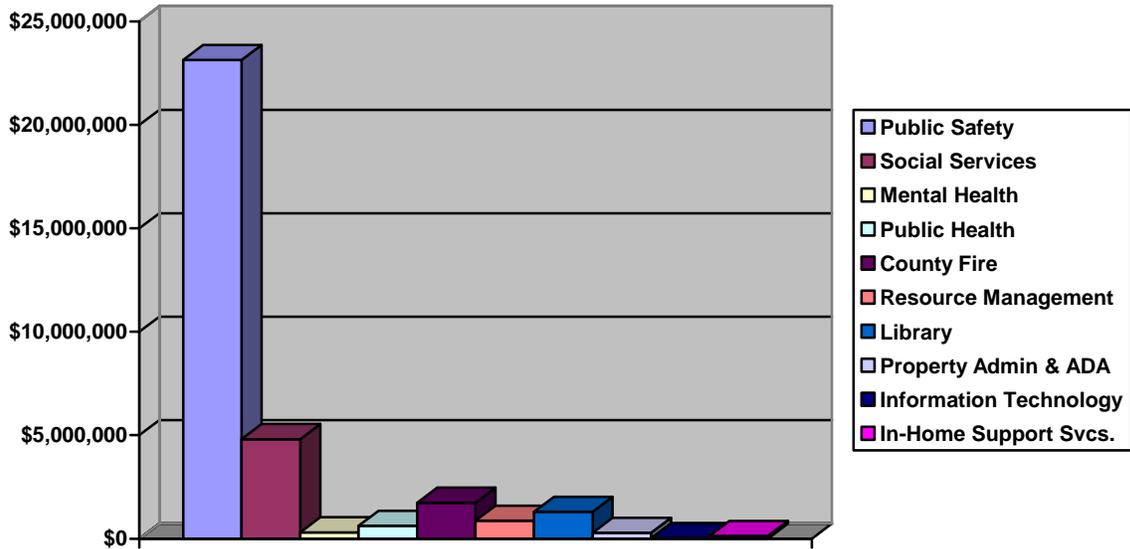
Functional Area	Adjusted 08-09	Estimated 08-09	% Inc/Dec	Recommended 09-10	% Inc/Dec
General Fund	\$75,806,415	\$67,086,442	-11.5%	\$68,768,543	-9.3%
Accumulated Capital Outlay	5,800,000	656,254	-88.7%	7,376,492	27.2%
Child Support	8,796,966	8,456,261	-3.9%	8,507,294	-3.3%
Enterprise Funds	11,523,586	6,482,222	-43.7%	11,490,101	-0.3%
Intermountain Fair	593,431	593,366	0.0%	613,590	3.4%
Internal Service Funds	30,249,197	26,138,906	-13.6%	25,714,097	-15.0%
Library	1,421,810	1,388,022	-2.4%	1,348,136	-5.2%
Mental Health	21,736,269	21,550,414	-0.9%	19,236,507	-11.5%
Mental Health Services Act	9,163,235	5,038,191	-45.0%	12,872,889	40.5%
Sub. Abuse Crime Prev.	625,371	638,207	2.1%	645,530	3.2%
Public Assistance	91,005,017	87,506,782	-3.8%	92,316,835	1.4%
Opportunity Center	4,497,820	4,378,850	-2.6%	4,653,273	3.5%
Public Health	17,588,973	16,219,216	-7.8%	15,342,205	-12.8%
CMSP	8,000,000	8,000,000	0.0%	8,000,000	0.0%
Public Safety	63,253,324	55,246,914	-12.7%	55,516,438	-12.2%
Resource Management	5,387,381	4,997,069	-7.2%	4,411,277	-18.1%
Roads	41,377,176	31,459,450	-24.0%	28,676,299	-30.7%
Select Special Districts	12,273,235	9,453,284	-23.0%	11,668,437	-4.9%
All Others	19,674,913	12,415,549	-36.9%	7,991,018	-59.4%
Grand Total	428,774,119	367,705,399	-14.2%	385,148,961	-10.0%

Fiscal Year 2009-10 General Fund subsidies to operating departments outside the General Fund total \$33,277,529, as follows:

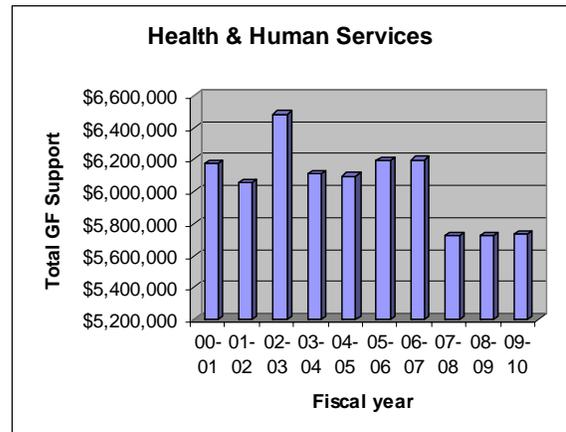
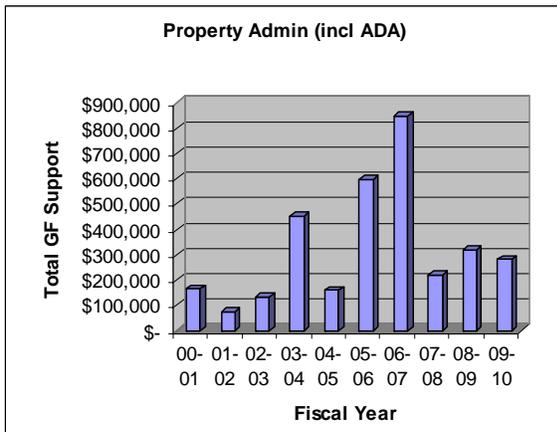
Public Safety	\$23,218,135	Public Health	\$616,493
Social Services	4,808,816	Mental Health	306,459
County Fire	1,738,586	Property Admin & ADA	280,146

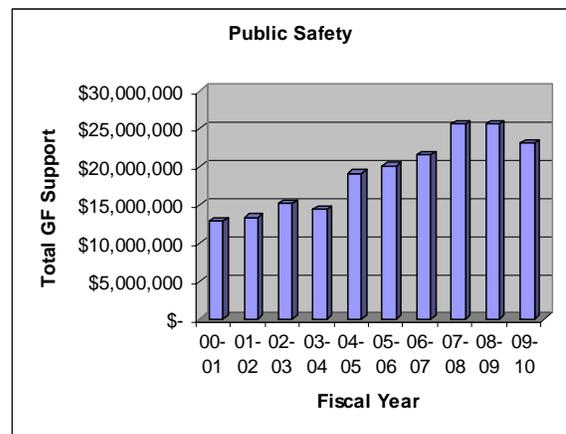
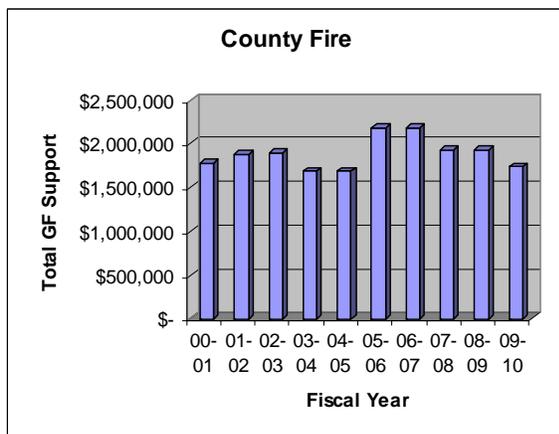
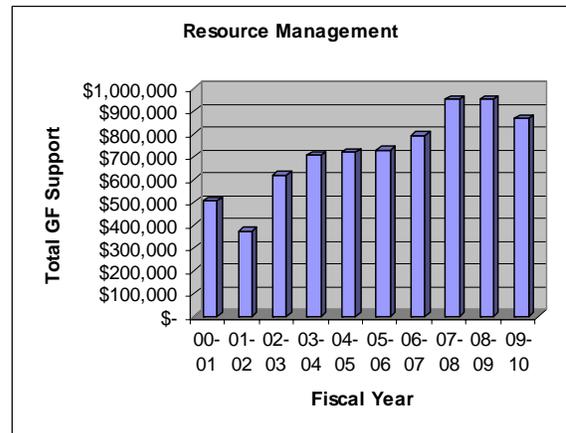
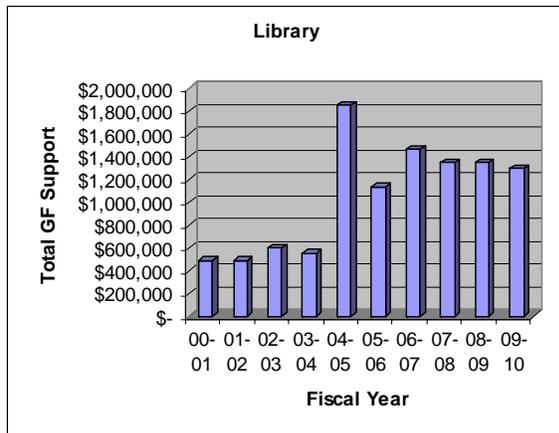
Library	1,297,536	In-Home Support Svcs	124,746
Resource Mgmt.	866,985	Information Technology	19,627

Fiscal Year 2009-10 General Fund Subsidies



A COMPARATIVE LOOK AT GENERAL FUND SUBSIDIES FOR THE PAST TEN FISCAL YEARS IS PROVIDED:





As depicted in the above charts, by 2008-09, the County's contribution to Public Safety had increased 99 percent since Fiscal Year 2000-01. The largest share of County discretionary revenue supports Public Safety.

A balanced Justice System includes the obligation to properly represent those individuals accused of a crime. The County does so through a County Public Defender's Office and a Conflict Public Defender contract. Both budget units fund competent legal representation for persons unable to afford counsel in certain kinds of cases where life or liberty is at stake. Primary legal services are provided by staff in the County's Public Defender Office (Budget unit 207). For cases in which the Public Defender must declare a legal conflict of interest, a local, private attorney provides services through a single contract (Budget unit 203). Federal and State laws mandate that these services be provided, however, the cost of providing legal counsel to indigent clients falls mainly to the County.

In cases where both the Public Defender and local contracted public defender must declare a conflict, the courts will appoint an attorney. These court appointed attorneys are paid at an hourly cost and are a significant expense to the County.

While every effort is made to accurately project the expense for any given fiscal year, ultimately the number and complexity of cases determine the final County cost for indigent defense. A recent case involving multiple defendants will create a significant workload in the Public Defender's Office, and will likely result in increased professional ancillary fees in both the Public Defender's budget and

the Conflict Public Defender's budget.

COUNTY WORKFORCE

The Final Budget provides for a workforce of 1,923 full-time-equivalents (FTE's). Consistent with the budget principles approved by the Board, no new position requests were approved in the 2009-10 Budget. The CAO will continue to review all requests for new positions to ensure they are offset by long-term reliable revenue.

In reality, departments utilize unallocated salary savings to balance their budgets. In the aggregate, vacancies in the organization will result in over \$13 million in unallocated salary savings. At one time these savings may have been realized through attrition. Now, faced with plummeting resources, it will equate to leaving a significant number of positions vacant for the entire year.

On June 30, 2009, following adoption of the Final Budget, the Board adopted a Salary Resolution which deleted 131.5 vacant positions reducing the workforce to 1791.5 FTE's.

CALIFORNIA STATE BUDGET

The FY 2009-10 Shasta County Final Budget attempts to address potential harm from State take-aways. The State continues to grapple with a significant budget deficit and cash flow problems. The County could receive significantly more or less than projected upon State budget amendments.

The state, faced with unprecedented revenue shortfalls, added 0.5% to the Vehicle License Fee (VLF) to all vehicle registrations effective May 2009. The Local Safety and Protection Account (LPSA) directs that 0.15% of this VLF revenue received to be allocated to fund public safety programs such as Citizens' Option for Public Safety (COPS), Juvenile Justice Crime Prevention Act (JJCPA) grants, jail booking fees, the Small and Rural County Sheriff's grants, Juvenile Camps and Ranches funding, and all programs administered by the California Emergency Management Agency (Cal EMA) which includes programs such as Cal-MMET, Sexual Assault Felony Enforcement (SAFE) and vertical prosecution grants. This new LSPA dedicated funding was 'swapped' with State General Fund (SGF) appropriations. Budgeting for this new revenue source is problematic as there is no reliable model to use. The State will not backfill any VLF shortfall; should revenues be under budget the public safety departments may be forced to take commensurate budget reductions.