



Shasta County

Fiscal Year 2011-12

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

Members of the Board:

This document represents Shasta County's Fiscal Year 2011-12 Budget as adopted by the Board of Supervisors on June 28, 2011, 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 2011-12 Budget totals \$377,638,261, including Total Governmental Funds, \$320,412,195; Internal Service Funds, \$24,276,821; Enterprise funds, \$6,987,339; and Special Districts and Other Agencies governed by the Board of Supervisors, \$25,961,906. 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 Adopted Budget totals **\$377,638,261**, including,

GOVERNMENTAL FUNDS

- \$193,586,909 General Fund
- \$111,325,970 Special Revenue Funds
- \$ 11,071,736 Capital Project Funds
- \$ 4,427,580 Debt Service Funds
- **\$320,412,195** Total Governmental Funds

OTHER FUNDS

- \$24,276,821 Internal Service Funds
- \$ 6,987,339 Enterprise Funds
- **\$25,961,906** Special Districts and Other Agencies
- **\$57,226,066** Total Other Funds

This represents an increase of \$14.2 million, or 4 percent, when compared to the 2010-11 Adopted Budget. The new juvenile hall project accounts for \$10 million of this increase; General Government's increases include an additional \$1 million in the Sheriff's subsidy, \$1 million to relocate from the Public Safety Building for the new courthouse project, and a swing in A-87 cost reimbursement which lowered recovery by \$1 million.

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.

In accordance with Budget Principles (the "Principles") approved by the Board which encouraged departments to realize savings in the current year to provide carryover funds for 2011-12, the General Fund will realize savings of \$8.7 million, or 13 percent, for the year ending June 30, 2011. The Adopted 2011-12 General Fund Budget is \$70.6 million, which is approximately 4 percent higher than the adjusted 2010-11 budget.

The Principles directed all departments to maintain a status quo General Fund subsidy, except for those departments that have a minimum maintenance of effort (MOE) requirement. The two most significant MOE's are to public safety and health and human services programs.

Annually, the Auditor-Controller calculates the County's Maintenance of Effort (MOE) for public safety. In 2010-11 the County over-matched the public safety MOE by \$10.8 million, a decline of \$2.6 million. The County subsidy to the combined health and human services programs has been held static over the last several years, not meeting the minimum MOE. The MOE deficit to health and human services is approximately \$2.5 million.

BUDGET PRINCIPLES

On February 8, 2011, the Board of Supervisors received the 2010-11 Mid-Year Report, and approved the following principles for the 2011-12 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 capital assets and computer equipment.
- As a baseline, direct departments to prepare a budget with a status quo level of County Contribution or General Fund Net-County-Cost.
- Realize salary and benefit savings through collaborative bargaining with our labor partners.
- Recommend deletion of positions vacant over 18 months.
- Encourage expenditure reductions in the current year to create carry-over funds for 2011-12.

LONG-RANGE PLANNING

There has been no significant improvement to revenues, and the County continues to adhere to conservative spending due to the continued economic downturn. Taking a proactive approach to spending reductions in the past several fiscal years has helped keep the County solvent; but, absent sustained annual revenue growth more reductions may be necessary each fiscal year.

Balancing service delivery with available resources will continue to be a challenge to the County for many years.

DISCRETIONARY REVENUE

The 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. Shasta County continues to experience the unprecedented loss of discretionary revenue. In the year ending June 30, 2010, revenue declined by \$1 million, or 2.42 percent. Problematic is not only the loss of current year base revenues but the continued loss of revenue growth. Projections are for at least two additional years of declining revenue, approximately 4 percent per year.

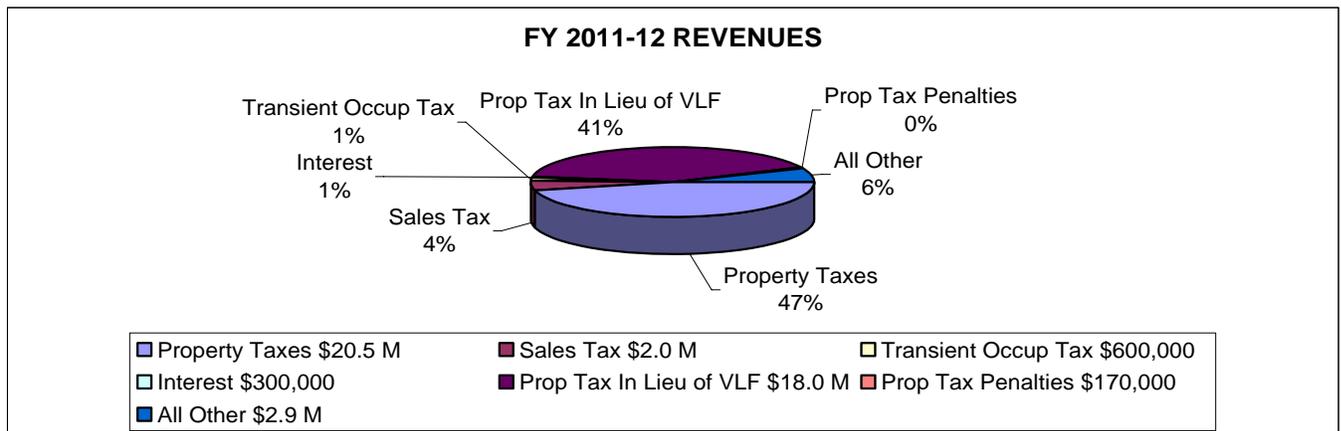
For comparison, a look at 5 years of discretionary revenues is provided.

Discretionary Revenue	07-08 A	08-09-A	09-10 A	10-11 Adj	11-12 Rec
Taxes	44,354,872	44,177,149	43,972,983	40,556,953	41,193,000
Franchises	656,730	676,725	653,816	500,000	600,000
Fines, Forfeitures, Penalties	2,173,351	254,815	269,575	155,000	170,000
Money & Property	1,492,564	994,116	359,164	723,500	323,500
Intergovernmental Revenue	2,209,484	2,141,987	1,987,597	1,301,000	1,561,000
Charges for Services	663,663	804,281	842,902	500,000	600,000
Miscellaneous Revenue	13,527	710,412	8,641	0	1,200
Other Transfers-in	0	(8,194,314)	(7,569,952)	20,400	0
Sale of Land or Fixed Assets	136	12,850	48,500	0	0
Total	51,564,327	41,578,021	40,573,226	43,756,853	44,448,700
	3.98%	-19.37%	-2.42%	7.85%	1.58%

A=Actual, ADJ=Adjusted Budget, R=Recommended

**Year ending 6/30/2010 does not include a one-time transfer-in from General Revenue (\$2M)*

Fiscal Year 2011-12 Recommended General Fund Discretionary Revenue totals \$44.4 million, as follows:



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 dramatically.

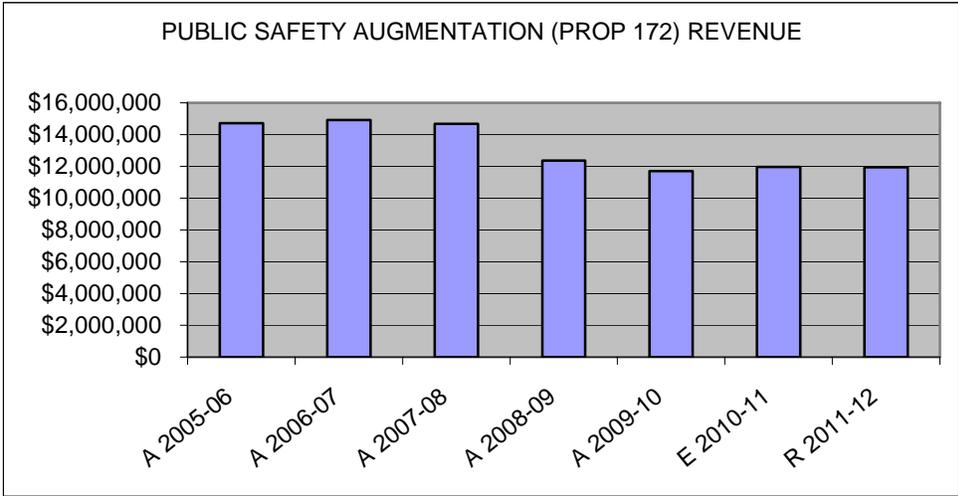
Realignment sales tax and vehicle license fees (VLF) are dedicated to public health, mental health, and social services. This important funding source is projected to decline by four percent in VLF and sales tax is expected to be flat for 2011-12. The annual realignment base for 2011-12 is projected to be \$5.75 million lower than 2006-07, the last year that the full base allocation was paid. This level of funding is only slightly above what was paid to Shasta County in 2002-03. The cumulative loss from 2007-08 through 2011-12 is estimated to be more than \$20 million.

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. In December 2009 the Board approved the CAO's recommendation to backfill the loss of this dedicated revenue with a "loan" from the General Reserve. The General Reserve will be replenished when future revenue growth occurs.

The decline in Proposition 172 revenue leveled off somewhat last fiscal year. Although receipts still declined 5.3 percent, revenue exceeded budget expectations, which resulted in a surplus of \$815,430. The Adopted 2011-12 budget will utilize this surplus to partially offset the combined budget imbalance in the public safety group of budget units.

Prop 172 receipts for December 2010, as well as February and March 2011 have shown modest improvement; year-to-date receipts are 5.4 percent higher than last fiscal year. There are signs that the economy is slowly recovering. The CAO continuously monitors Proposition 172 revenue and we will recommend taking swift action during 2011-12 if receipts do not appear to bear out our estimates.

Public Safety (Prop 172)			% Inc/Dec
11-12	Recommended	\$11,933,505	
10-11	Estimate	\$11,952,671	+2.0%
09-10	Actual	\$11,704,078	-5.30%
08-09	Actual	\$12,358,532	-15.81%
07-08	Actual	\$14,679,783	-1.55%
06-07	Actual	\$14,910,395	+1.36%



A=Actual, E=Estimate, R=Recommended

APPROPRIATIONS

Appropriations include a **Contingency Reserve** of \$5 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.

After the \$2 million loan to Public Safety due to the loss of Proposition 172 revenue, the **General Reserve** is approximately \$8 million. This is 2.5 percent of total Government Funds appropriations (\$324 million). The Board established a policy for budgetary reserves in December 2007. The goal is to attain a Reserve of 5 percent of estimated financing uses, less designations for reserves and capital projects, but no less than \$10 million.

YEAR-TO-YEAR COMPARISON

Departments were directed to submit a status quo budget request which could be achieved by spending reductions in 2010-11. For the fiscal year ending June 30, 2011, the General Fund will realize a 13 percent reduction (\$8.7 million). In the aggregate, the County’s expenditures will be under budget by 9.44 percent (\$34.3 million).

Adopted General Fund appropriations for 2011-12 are \$70.6 million, or 4 percent more than the adjusted 2010-11 budget. Contributing factors include the following: an increase to the transfer out to the District Attorney for the Child Abduction Unit (\$223,082) which will be offset by State Mandated Cost Reimbursement (SB 90) at some future date; an increase of \$1 million in General Fund support for the Sheriff; an increase in General Fund support to Planning to cover the expense of the General Plan update (\$500,000); costs associated with preparation for the new Redding courthouse (\$1 million); and the debt service on the Shasta County Administration Center. The debt service has been offset for several years by using run out funds in the bank’s reserve account. That reserve will be depleted in July 2011. Additionally, receipts from the national Tobacco Settlement litigation continue to decline.

In the aggregate, the County’s Adopted 2011-12 budget for *select* budget units, excluding special districts, totals \$355.3 million, which when compared to the 2010-11 Adjusted Budget, is a decline of \$9 million, or 2.5 percent.

The following Table compares by Fund the 2010-11 Adjusted Budget (at 01/31/2011), versus estimated expenditures at 6/30/2011, with the 2011-12 Adopted Budget for *select* budget units.

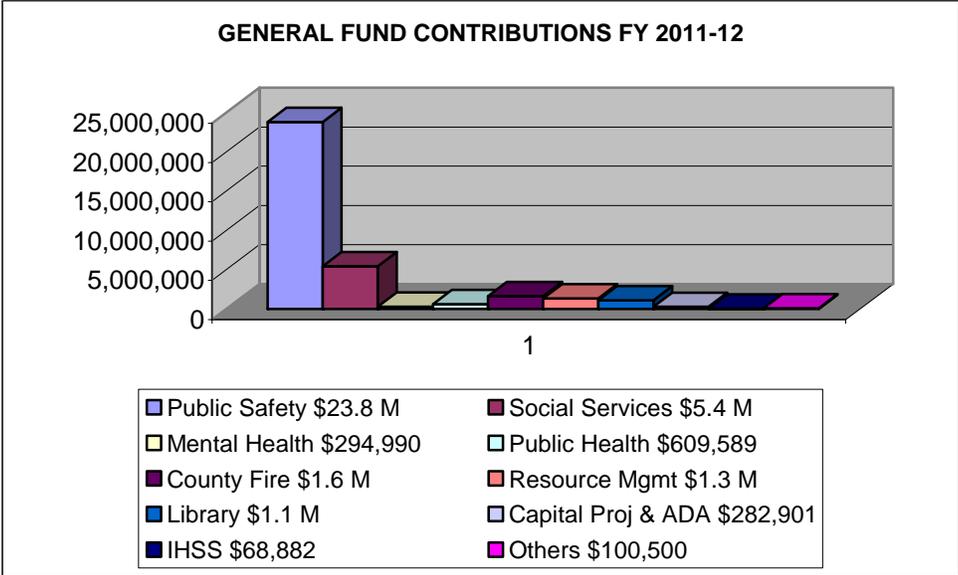
Functional Area	A 10-11	E 10-11	% Inc/Dec	R 11-12	% A 10-11 vs R 11-12
General Fund	67,776,402	59,018,507	-12.92%	70,649,428	4.24%
Accumulated Capital Outlay	350,928	350,928	0.00%	0	-100.00%
Juvenile Hall Construction	1,052,846	829,531	-21.21%	11,071,736	951.60%
CMSP	8,000,000	8,094,179	1.18%	0	-100.00%
Land Buildings & Improvements	2,831,219	2,214,313	-21.79%	182,901	-93.54%
Resource Management	4,407,944	3,926,555	-10.92%	4,453,903	1.04%
Mental Health	19,624,547	19,437,243	-0.95%	21,584,722	9.99%
Mental Health Services Act	10,868,326	9,769,345	-10.11%	12,721,976	17.06%
Internountain Fair	628,361	610,478	-2.85%	465,700	-25.89%
Library	1,428,259	1,426,987	-0.09%	1,233,685	-13.62%
Opportunity Center	4,603,256	4,481,785	-2.64%	4,415,599	-4.08%
Public Assistance	91,745,615	89,885,495	-2.03%	90,408,419	-1.46%
Roads	23,116,332	17,430,391	-24.60%	21,128,386	-8.60%
Child Support	8,376,728	7,433,210	-11.26%	7,918,986	-5.46%
Public Safety	51,608,026	49,632,008	-3.83%	47,745,609	-7.48%
Public Health	15,627,480	15,408,606	-1.40%	21,096,646	35.00%
Internal Service Funds	26,208,891	21,674,425	-17.30%	24,276,821	-7.37%
Exterprise Funds	14,150,843	8,965,625	-36.64%	6,987,339	-50.62%
Air Polution Control	3,139,914	2,129,043	-32.19%	1,960,110	-37.57%
CSA #1 County Fire	5,722,334	5,199,861	-9.13%	5,605,588	-2.04%
Shasta Co. Water Agency	244,085	136,738	-43.98%	160,847	-34.10%
IHSS Public Authority	438,228	349,072	-20.34%	368,305	-15.96%
All Others	2,256,561	1,411,112	-37.47%	906,919	-59.81%
Grand Total	364,207,125	329,815,437	-9.44%	355,343,625	-2.43%

Key: A=Adjusted, E=Estimated, R=Recommended

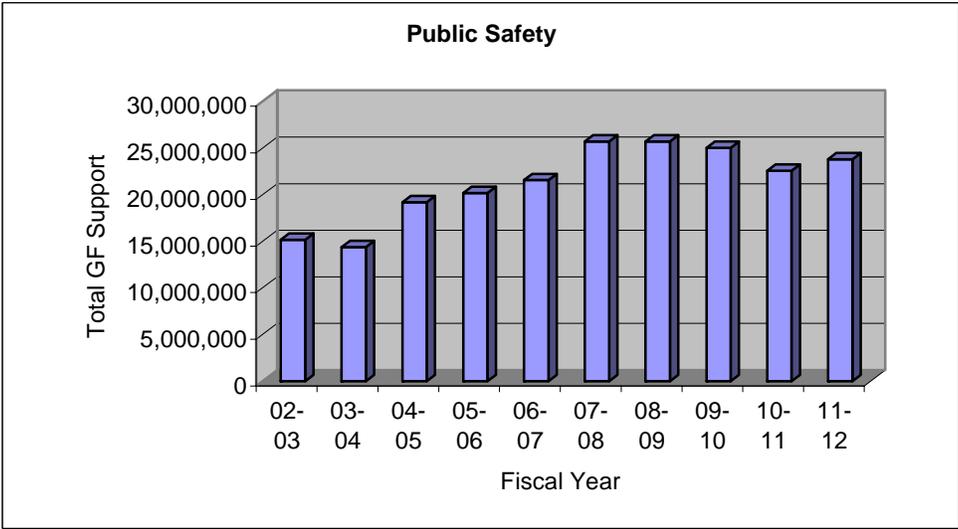
(1) CMSP consolidated with Public Health, 2011-12

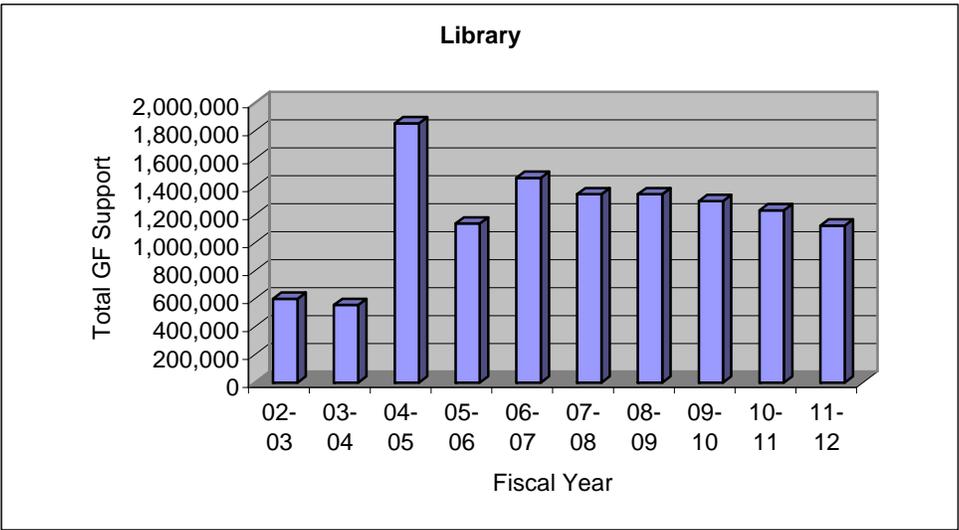
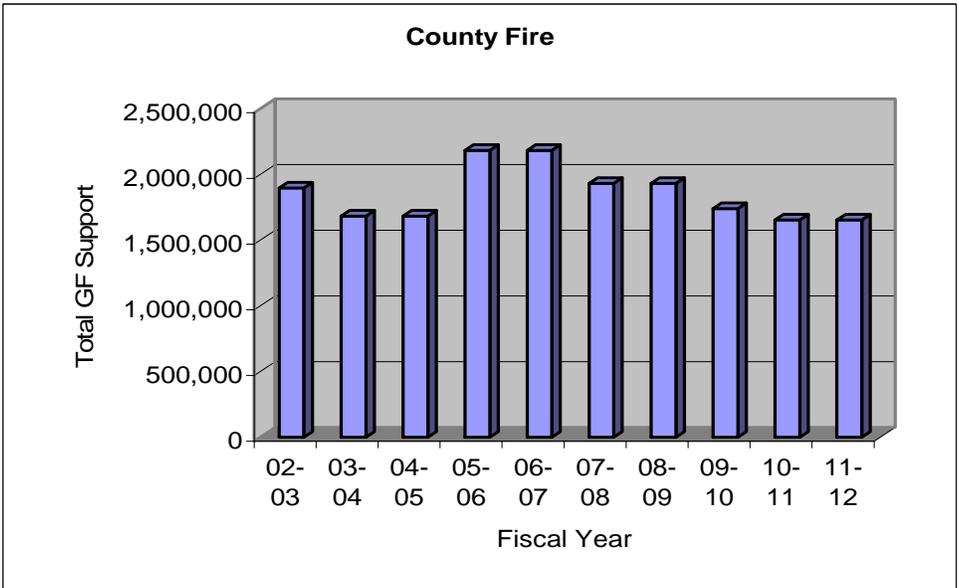
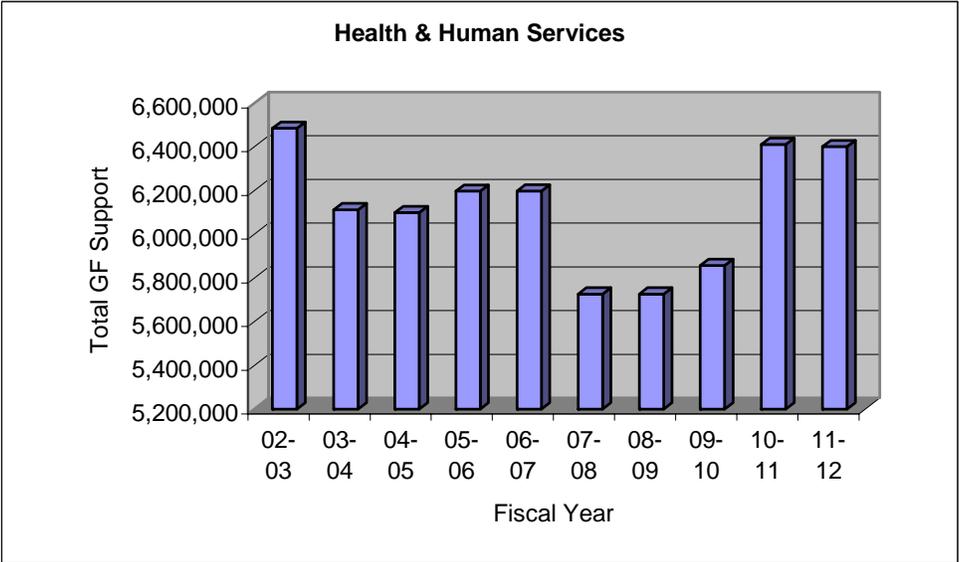
Fiscal Year 2011-12 General Fund subsidies to operating departments outside the General Fund total \$34,689,261, as follows:

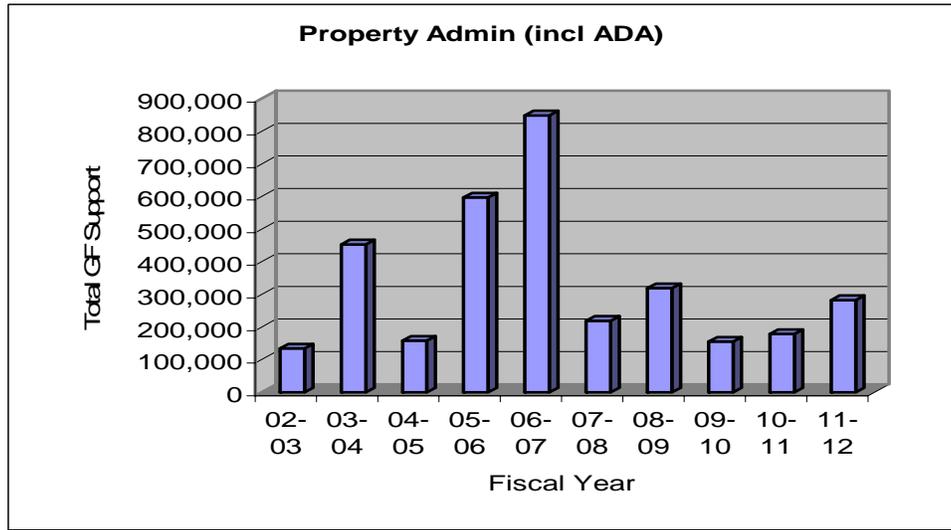
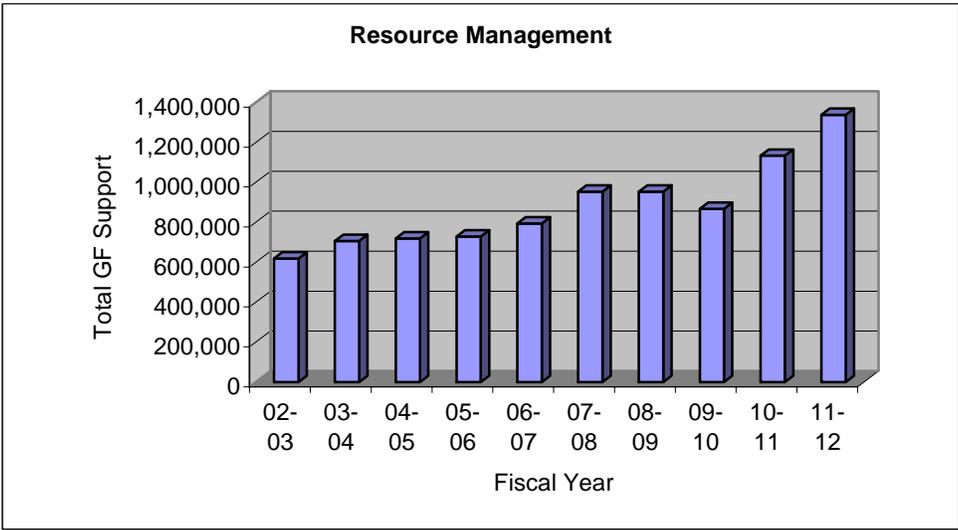
Public Safety (68.59%)	\$23,791,674	Public Health (1.76%)	\$609,589
Social Services (15.65%)	5,427,802	Mental Health (0.85%)	294,990
County Fire (4.76%)	1,651,657	Property Admin & ADA (0.82%)	282,901
Library (3.24%)	1,123,511	All Others (0.29%)	100,500
Resource Mgmt. (3.86%)	1,337,755	In-Home Support Svcs (0.20%)	68,882



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







OVERVIEW OF SELECT BUDGET UNITS

ASSESSOR

The function of the Assessor is to produce an annual assessment roll that reflects the taxable values of land, improvements, and personal property by the Assessor’s parcel numbering system or account numbering system. In addition to the taxable value, the roll must also indicate the current status of ownership; the owner’s mailing address and the existence of any exemptions. To accomplish this, the Assessor must discover, classify and appraise all locally assessable property according to constitutional, statutory, and administrative requirements. In addition to preparing the annual local assessment roll pursuant to Section 601 of the California Revenue and Taxation Code, the Assessor must produce the supplemental assessment roll as provided in Sections 75 through 75.8 of the Revenue and Taxation Code.

For 2010-11 there were 110,273 locally assessed properties in Shasta County with a taxable value of \$15,387,911,301 generating more than \$153 million in property tax revenue for use by Shasta County agencies that include: County government, the three cities, school districts, and other local taxing agencies. These figures represent a decrease of 5.56 percent in taxable value and property tax revenue over the previous year.

CAPITAL PROJECTS

The Capital Projects budget (Land, Buildings and Improvements) includes 5 projects totaling \$2.4 million: 1) Balls Ferry Boat Ramp Launching Facility, \$613,557; 2) Jail Security Closed Circuit Television (CCTV) Replacement, \$30,000; 3) Placer Street Building remodel, \$250,000; 4) Placer Street Building roof, \$145,000; and 5) Mental Health Building remodel, \$1.4 million.

Two of these projects were previously approved and the remaining funds are re-budgeted. The boat launch facility is offset by a State Boating and Waterways grant. The Jail project is offset by the Criminal Justice Trust Fund (surcharge on certain court fines and fees). The remodel of the Placer Street Building is offset by Roads funds. And the Mental Health Building remodel is offset by Mental Health Services Act funds.

Additionally, a **new juvenile hall project** has been conditionally awarded by the State Corrections Standards Authority. This multi-year project includes appropriations of \$11 million in 2011-12. When fully built-out the project is estimated to cost \$17.5 million, with a County-match of \$2.9 million. Funds previously designated in Accumulated Capital Outlay for juvenile detention, adult detention, and the balance remaining from roofing projects were transferred to the Juvenile Hall Project Fund. There are many pending issues remaining before these funds are accepted, however the 2011-12 budget appropriates funds to begin construction on the facility.

COUNTY FIRE

The 2011-12 Requested Budget reflects a 12.8 percent decrease in appropriations, a 8.9 percent decrease in revenues, and is predicated on use of fund balance in the amount of \$1 million. General Fund support is \$1.65 million, the same level as in 2010-11. Since 2007-08 the level of General Fund support to County Fire has been reduced by \$617,034, or 28.3 percent. County Fire has continued to provide the same level of services to communities. However, continued decreases to revenue could impact emergency response services in the future.

If the department ends 2011-12 as projected it will have approximately \$1.5 million in Fund Balance. The department has requested \$592,898 in Capital Assets and one re-budget of a capital project for 2011-12, a decrease of \$180,992, or 23.4 percent, from the 2010-11 Adjusted Budget. The new requests for 2011-12 include three replacement fire engines (Bella Vista, Keswick, and French Gulch for a total of \$365,000), 10 self-contained breathing apparatus replacement units (\$62,350), three thermal generators for mountain top repeaters back-up power (\$25,548) and the re-budget to complete the fire apparatus storage bay for Whitmore VFC (\$140,000).

HEALTH AND HUMAN SERVICES

The combined budgeted fund balance draw for 2011-12 from the Social Services, Mental Health, and Public Health reserves is over \$6 million. This is primarily due to the declination of vehicle license fees and flat sales tax realignment offset by the increased need for some client services due to the economic downturn. The requested HHS budgets are conservative; however, if revenue streams don't progress or non-mandated services reduced, the reserves could become too low to sustain future years of fund balance draw.

Included in HHS's 2011-12 budget are several position modifications primarily to serve the increased caseload for eligibility or to implement the Mental Health Services Act (MHSA) State-approved plans. All of the MHSA-funded positions sunset June 30, 2013 at which time they can be reevaluated depending upon available MHSA funding and programmatic needs. The eligibility-related positions originally had a sunset date of June 30, 2011 and are requested to have the date extended to June 30, 2012. The eight eligibility positions are all "direct service", which will help to pull additional overhead costs away from child welfare and adult protective services that have a higher county share of cost. During a time of unprecedented caseload growth in most all Social

Services programs due to the poor economy, maintaining eligibility and assistance services and benefits to eligible County residents is a priority.

The Mental Health budget request includes a contingency reserve of \$1.9 million for psychiatric hospital services associated with bringing a new Psychiatric Health Facility to the community; having a local facility capable of psychiatric hospitalization would allow an eventual and significant cost savings for out of county transportation and 24-hour crisis response services that is now borne almost exclusively by limited MHSA and Mental Health realignment. The plan is only in the formation stage, and will require Board of Supervisors action in order to be implemented.

Unfortunately, much of HHSA's future rests with decisions at the state and federal levels in an attempt to alleviate their budget deficits. For instance, the State is still proposing to release prison inmates who may require guardianship which could have a severe impact on the Public Guardian budget. The releases are also expected to affect the Mental Health budget, as the State wants to relieve itself of inmate-associated medical costs, passing them down to counties. Until it is clear how many inmates will be released and the timing of the releases is known, it's difficult to quantify the financial consequences to counties.

Again, the State has determined that it will defer Social Services payments three times during 2011-12. These deferrals are staggered and payments are anticipated to be made whole before June 2012. However, as the State progresses on its budget deficit, funding could shift in an unanticipated manner and create further budget issues for HHSA.

PUBLIC PROTECTION

The Planning Department will continue work on the **General Plan** update. The transfer-out to Planning is increased \$500,000 to cover the update. This includes a re-budget of \$200,000 not expended in 2010-11.

The County has been working closely with the City of Redding Redevelopment Agency, the local Court, and the Administrative Office of the Courts for the site selection of the proposed **new courthouse building**. The preferred site is county-owned property on Court Street occupied by the Public Safety Building and excess land (parking). The Adopted Budget includes \$1 million for activities related to the site. Future year costs will include yet unknown expense to relocate county-staff, although the CAO is actively researching co-locating staff within available County square footage. Upon completion of the new courthouse the Court will vacate the Main Courthouse/ Courthouse Annex and Justice Center; the Department of Public Works has estimated remodel of the Main Courthouse will cost upwards of \$4 million.

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 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.

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. The Adopted Budget includes a contingency reserve in both the in-house public defender's budget as well as the conflict public defender's budget. These

reserves, \$250,000 each, fall back to the General Fund at the end of the fiscal year if they are not needed.

PUBLIC SAFETY

As a starting point the public safety departments - District Attorney, Juvenile Hall, Probation, and the various Sheriff's budget units, were directed to budget for status quo General Fund support and just a 2 percent increase in Public Safety Augmentation (Prop 172) revenue. The savings in salaries and benefits, due to the safety employee's willingness to work with the County to reduce spending in light of the catastrophic reduction in revenues dedicated to public safety, relieved some of the pressure on these departments to achieve a balanced budget, along with significant decreases in Central Service (A-87) charges resulting from budget cuts from the previous two years. The District Attorney, Chief Probation Officer, and the Sheriff have worked diligently to provide a 2011-12 budget that protects public safety and fulfills their core missions with consideration for the County's overall fiscal health.

The economic recession has drastically reduced funding available for public safety. We have realized a \$3 million loss of Public Safety Augmentation revenue, and the State's new Vehicle License Fee for public safety, which has failed to provide a secure funding stream, expires on June 30, 2011. In FY 2008-09 the state backfilled the loss of state General Fund support with temporary state VLF revenue. It is not funded at all in 2011-12, and this deficit is reflected in the Probation Department's use of the Public Safety fund to balance their budgets, primarily Probation (263). If this revenue source is not restored in 2012-13 then the Probation and Sheriff Departments may need to consider significant and challenging budget and service reductions.

Total Adopted 2011-12 appropriations for the public safety group are \$47.7 million, a reduction of over \$3.9 million from the current year. Revenues from all sources total \$45.7 million, including \$23.8 million from the General Fund, and \$11.6 million from Public Safety Augmentation. The remaining \$1.9 million will come from available fund balance. To balance his budgets, the Sheriff will utilize \$346,000 in restricted fund balance accounts. Additionally, the Adopted Budget increases the Sheriff's General Fund subsidy by \$1 million, and Public Safety Augmentation Revenue by \$250,000. The District Attorney will use \$129,212 in the Public Safety fund to balance his 2011-12 budget. Probation's budgets are balanced with the use of \$177,439 in restricted fund balance accounts and the remaining deficit will be funded with the Public Safety fund balance.

2011-12	District Attorney		Probation		Sheriff		Total Public Safety	
Expenditures	5,764,603		9,414,930		32,566,076		47,745,609	
GF Subsidy	60.98%	3,515,029	38.30%	3,606,210	51.19%	16,670,435	49.83%	23,791,674
Prop. 172	17.38%	1,001,699	15.64%	1,472,318	28.16%	9,170,839	24.39%	11,644,856
Subtotal	78.35%	4,516,728	53.94%	5,078,528	79.35%	25,841,274	74.22%	35,436,530
Other Revenues	19.41%	1,118,663	30.12%	2,835,855	19.59%	6,378,802	21.64%	10,333,320
Fund Balance		129,212		1,500,547		346,000		1,975,759

PUBLIC WORKS

The Department of Public Works consists of the following divisions: Facilities Management, Road Operations, and County Service Areas. The Department also encompasses Engineering and Plans and Programs (Regional Transportation Planning Agency). Due to the reduction of State and Federal subventions, the Road Division has experienced a decrease in revenues of approximately \$4 million. The Facilities Management Division is financed through charges for service to user departments and does not receive General Fund support. The Division has experienced a decrease of \$537,281 in revenues and \$567,583 in expenditures as a direct result of the reduction in department project and service requests as well as reductions to controllable overhead. The Department will utilize fund balance as needed to offset shortfalls.

RESOURCE MANAGEMENT

The Department of Resource Management consists of the following divisions: Air Quality Management District, Building Division, Environmental Health Division, Planning Division and Community Education Section. Due to the decrease in building and planning activities, the Resource Management budgets remain relatively stable. In order to accommodate the market trends and reduction in State grant funds, expenditures are decreased by 11 percent and three positions held vacant. The department will concentrate on several projects, including the General Plan. A General Fund contribution of \$500,000 is allocated for the General Plan update. Fund balance will be utilized to offset any revenue shortfall.

General Plan Update

By law, each California County must adopt and maintain a comprehensive, long-term general plan that governs physical development and land use within its boundaries. Shasta County has adopted a five year interval for review. The last comprehensive General Plan was adopted in 2004. On March 23, 2010 the Board of Supervisors elected to proceed with a limited General Plan update which will address the critical greenhouse gas requirement in a new air quality element and will include the mandatory housing element update with integration of both elements into the rest of the General Plan as needed. The update will include editorial updates to policy language and to County profiles (population, economic trends, etc.). The total estimated cost of the limited General Plan update is \$552,000. The General Fund transfer-in to Planning has been increased by \$500,000 for this expense. This includes a re-budget of \$200,000 from 2010-11.

INFORMATION TECHNOLOGY

Included in the 2011-12 requested budget is a new IT Desktop Support Engineer position as our computer desktop environment has become more complex; this classification will have the expertise to respond to the rapidly changing technology. In exchange for this request, IT is proposing to delete two vacant IT Technician positions. This results in an approximate savings of \$25,000. Overall, the 2011-12 IT budget is relatively flat, with a projected deficit of \$277,000 which will be applied toward reducing the IT department's working capital reserve.

COUNTY WORKFORCE

The Adopted Budget provides for a workforce of 1782.5 full-time-equivalents (FTE's). This includes a net reduction of 4 FTE's. The CAO will continue to review all requests for new positions to ensure they are offset by long-term reliable revenue.

The Adopted Budget relies on \$7.5 million of unallocated salary savings. This savings is realized through normal attrition as well as by leaving positions unfilled. This mechanism allows departments to submit balanced budgets pending resolution of yet unknown revenue shortfalls caused by the State budget. Compared to Regular Salaries of \$90.5 million, the unallocated savings is approximately 8.3 percent. In the aggregate the anticipated savings are: General Fund \$236,935; Child Support \$149,544; Public Safety \$1.7 million; Resource Management \$465,531; and Health and Human Services \$5 million.

As of April 27, 2011, total vacancies were 177, or 10 percent. Some of the vacancies may be due to the County's Controlled Hiring Process. The CAO meets with Support Services weekly to review all requests to fill positions. This is in part to reduce expenditures, but also to preserve positions for employees facing a layoff situation.

EMPLOYEE BENEFITS

The cost of workers compensation insurance, PERS retirement, health insurance rate increases, and retiree health care continue to impact the County. In December 2007 the Board of Supervisors adopted an 80 percent confidence level for the County's self-insured workers' compensation and liability insurance programs. The County is committed to maintaining a prudent reserve.

The County's share of cost for PERS retirement will undoubtedly increase due to investment losses in CalPERS holdings caused by significant investment market volatility and asset value declines for all investors. Employers are faced with increasing retirement costs at a time when local revenues are at the lowest. While rate spikes are generally cushioned by CalPERS 30-year rate smoothing methodology, they are modifying rates to recapture recent investment losses over a shorter period of time. The County's Employer share for 2011-12 increased as follows: 1.425 percent for the Miscellaneous Group (from 18.56 to 19.985); and 4.21 percent for the Safety Group (from 36.23 to 40.44).

On the local level, the County has successfully negotiated with 9 represented bargaining units and 3 unrepresented bargaining units for wage and/or benefit concessions. Active employees will pay the employee share of PERS retirement, and new hires will be working longer (to age 60 for miscellaneous and 55 for public safety) and their retirement will be based on the average of high three years (instead of highest year). Across-the-board, wages have been stagnant for several years, with elected officials and unrepresented managers forgoing scheduled cost-of-living adjustments and leave buy-outs.

The County of Shasta provides post-retirement medical and dental benefits to eligible employees who retire directly from the County. Eligible retirees pay a portion of the medical premium based on the PEHMCA (CalPERS medical program) "unequal method." The remaining premium is shared by the County and active employees in accordance with bargaining agreements. Like most governmental agencies, the County pays for these post-retirement benefits on a "pay-as-you-go" basis. This means that OPEB costs are ignored while an employee renders service and recognized only after the employee retires.

GASB 45 requires governmental agencies to conduct an actuarial valuation of the liability for OPEB and report them on their financial statements. The Unfunded Actuarial Accrued Liability is the excess of the Actuarial Accrued Liability over Plan Assets. This represents the amount of the Actuarial Accrued Liability at the valuation date that still must be funded. The County's Unfunded Actuarial Liability as of June 30, 2011, is \$140.9 million.

Although GASB does not require governmental agencies to pre-fund their OPEB liability, Shasta County is taking positive steps towards addressing OPEB. The County established two irrevocable OPEB Trusts with initial funding of \$6 million each; and implemented a one percent charge, as a percent of payroll, effective July 1, 2008. OPEB Trust assets as of March 31, 2011 are \$19.8 million.

We continue to advocate for legislative changes to PEMHCA to give counties greater flexibility in establishing a tiered benefit system; and to work towards OPEB cost avoidance through labor negotiations. Within available resources the County may incrementally increase the payroll charges for OPEB to pass a portion of this expense to state and federal programs when appropriate.

CALIFORNIA STATE BUDGET

The 2011-12 Shasta County Adopted Budget attempts to address potential harm from State take-backs. 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.

OTHER AGENCY INVOLVEMENT

Every County department head provided input into this report via their budget request. The CAO and/or the CAO analysts have met with department heads to discuss their budget request. The CAO and Auditor-Controller worked collaboratively on compilation of the Adopted Budget.

FINANCING

Department heads have worked diligently to control spending in the current fiscal year to create fund balance carryover for 2011-12. When compared to the 2010-11 Adjusted Budget, in the aggregate, departments will achieve a 9.44 percent reduction in the current fiscal year.

For 2011-12, the CAO directed every General Fund department to submit a status quo budget, which could be realized by reductions in 2010-11, and/or 2011-12. General Fund departments will achieve a 13 percent reduction in the year ending June 30, 2011, which will result in a fund balance carryover of \$12 million.

The CAO also recommended a status quo subsidy to non-general fund budgets. Exceptions were made for those budgets with a minimum maintenance of effort (MOE). Public Safety departments started with a roll-over of the General Fund support contained in the 2010-11 Adopted Budget, and no-growth in Public Safety Augmentation revenue (Prop 172). Following a careful analysis of the budgetary needs and resources available, the Adopted Budget includes growth in Prop 172 revenue (\$479,088), an additional \$1 million General Fund support to the Sheriff, and an additional \$223,082 to the District Attorney for the Child Abduction Unit. The Child Abduction Unit is a 100 percent State Mandate (SB 90) and the offsetting revenue will accrue to the General Fund.

Total funding requirements for the General Fund, which includes the subsidy to non-general fund departments, is \$70,649,428. This will be offset by revenue, \$57,464,564, leaving a structural imbalance of \$13,184,864. This will be offset by use of approximately \$12 million from fund balance carryover, and \$1,152,341 from General Purpose fund balance. The carryover estimate is developed through a joint effort of staff in the Auditor-Controller's Office and the County Administrative Office. The actual fund balance figure is not firm until the County's books are closed at the end of September, subsequent to the adoption of the County budget.

Recognizing the lasting impact on County resources due to the great recession, benefit concessions have been realized through collaborative bargaining with our represented labor groups. Elected officials and unrepresented managers have also conceded wages and benefits. This partnership contributed to our ability to present the Board with a balanced Budget.

Department heads and their fiscal managers are to be commended for their willingness to manage spending within available resources while continuing to meet the needs of our community.