

Transmittal Letter

Fiscal Year 2007-08

Members of the
Shasta County Board of Supervisors
1450 Court Street, Room 308B
Redding, California 96001-1673

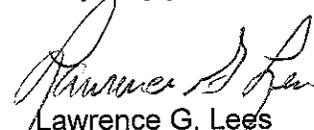
This document represents Shasta County's fiscal year 2007-08 Final Budget as adopted by the Board of Supervisors on September 25, 2007, pursuant to Section 29088 of the Government Code. The budget is created from a process that includes requests prepared by the operating and support departments of the County, review and recommendations from my office, public hearings, and final examination and approval by the Board of Supervisors.

The fiscal year 2007-08 Final Budget, totaling \$391,449,922, includes \$332,381,258 for General Operating funds, \$30,013,095 for Internal Service Funds, \$18,493,748 for Enterprise Funds, and \$10,561,821 for Special Districts governed by the Board of Supervisors. Resources allowed for measured growth in service departments. Generally, additional funding resources arrive with little discretion for applicable program services.

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.

Very truly yours,


Lawrence G. Lees
County Administrative Officer

Attachment – Budget Overview

BUDGET OVERVIEW

The FY 2007-08 Final Budget allows for moderate growth in County programs consistent with the County Ten Year Financial Plan, while exercising sound fiscal judgment, and establishing additional reserves to ensure fiscal stability in difficult financial times.

Increased operational costs account for much of the growth. The Budget reflects cost-of-living and step increases for employee salaries, increases in health and retirement costs and other overhead costs. Costs for capital improvements are significantly reduced as the new Library Building is completed and there is no additional appropriation for Accumulated Capital Outlay.

The Final Budget totals \$391,449,922, including \$332,381,258 for the County's General Operating Funds, \$48,506,843 for Internal Service and Enterprise Funds, and \$ 10,561,821 for Special Districts under the Board of Supervisors. This represents a decrease of \$9,570,481, or 2.4 percent, when compared to the fiscal year 2006-07 Adjusted Budget. The budget includes the following changes:

- ◇ General Government totals \$71.5 million, a decrease of \$11.6 million, or 14 percent, primarily due to absence of transfers to General Reserves and Accumulated Capital Outlay;
- ◇ Public Safety Fund totals \$55.3 million, an increase of \$1.2 million, or 2.1 percent;
- ◇ Health and Social Services Programs totals \$133.1 million, a decrease of \$4.6 million, or 3.4 percent, primarily due to the completion of the Anderson Teen Center and fluctuations in cash aid payments;
- ◇ All Others total \$129 million, a decrease of \$8.3 million, or 6 percent, primarily due to completion of the Library Building Capital Project.

The Final Budget is balanced using \$17.1 million of General Fund carryover including \$2.7 million in estimated General Revenue Growth.

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.

The current economic downturn may impact collection of sales tax, including Proposition 172 revenues dedicated to public safety, and property tax revenues, the County's largest source of discretionary revenue. The CAO will monitor this trend and make periodic reports to the Board. One method being taken to respond to revenue contractions is a "controlled hiring process." Department heads and their fiscal managers are advised to closely watch both state and federal payer sources and charges of fees for service to enable them to react in a timely manner should revenue projections fall below target.

The Final Budget provides for a workforce of 1,923 FTE, a net increase of 6.7 FTE. Departments requested 27.7 additional FTE, but with few exceptions new positions were not approved without the existence of long-term sustainable funding. The General Operating Departments will see a growth of 3.0 FTE, one Animal Control Technician in the Animal Shelter; one Deputy Public Defender I/II/III and one Public Defender Investigator in the Public Defender's Office. Departments outside the General Operating group will grow by a net of 3.7 FTE, one Accountant Auditor III in Roads; one Legal Process Clerk I/II in the District Attorney; one Probation Assistant in Probation; an increase of 0.2 FTE to bring the Health Officer to full-time; and one Fire Safety Inspector offset by the deletion of a half-time Typist Clerk III in County Fire.

CALIFORNIA STATE BUDGET

The adoption of the FY 2007-08 Shasta County Final Budget was hampered by the lack of a State Budget. To the extent possible, the Final Budget reflects the Governor's assumptions in the State's January 2007 budget document as refined in the May Revise. The State is currently grappling with a budget shortfall of over \$14 Billion. The County is cautiously watching Sacramento to see if the state will attempt to pass any of this budget-shortfall on to counties.

The Governor signed the State budget on August 24, 2007. In doing so, he exercised his authority to line-item veto over \$700 million in spending that the Legislature had approved in its negotiated budget deal. Statewide, reductions within Health and Human Services programs experienced the largest impact. In Shasta County the reductions total approximately \$1 million, including \$153,000 to Proposition 36 and the Offender Treatment Program, \$760,000 due to Assembly Bill 2034 (Homeless Mentally Ill Program), and the remainder due reductions to the CalWORKs single allocation. Social Services will rely on a combination of use of fund balance and looking at doing business differently while maintaining services.

Prior to final Budget hearings we were closely watching Williamson Act subventions. Williamson Act subventions were continued at the current level (\$250,000 per year for Shasta County).

State funding has remained flat for the last five years in several areas, including Child Support Services, Social Services Cost of Doing Business, Child Welfare allocation, and Mental Health Managed Care. In essence, the County is forced to do more with less due to rising operational costs.

State funding for rural law enforcement has been left intact this year (\$500,000 in Shasta County). Programs such as the Mentally Ill Offender Crime Reduction Grant (MIOCR), Community Oriented Policing, Standards and Training for Corrections (STC), and Local Detention Facility Revenue Accounts (the former booking fees) will be retained at current funding levels.

Assembly Bill 900 appropriated \$1.2 billion statewide for county jail construction funding. A component of this funding is the opportunity for local government to partner with the State to site secure reentry facilities, as well as mental health programs and services, with the goal of affecting change in local community members/parolees who cycle through the correctional system. On September 18th the Board unanimously approved Sheriff Tom Bosenko's request to sign a non-binding agreement with the California Department of Corrections and Rehabilitation to enter into discussions with the State in potentially siting a secure reentry facility in Shasta County. Shasta County has set aside \$1 million in a designation towards costs for construction of a new County jail facility, and a study is underway to determine a suitable location. Construction funding may be available in the amount of \$30 million dollars for small counties, and requires a 25% local match (20% in-kind and 5% cash), although the in-kind match requirement may be waived for counties with populations of less than 200,000.

Senate Bill 81, which shifts responsibility for housing certain non-violent juvenile offenders from California's Division of Juvenile Justice to the counties, will mean that counties can only commit juveniles to State detention facilities if they have committed on offense defined in Welfare & Institutions Code §707(b). This section includes serious crimes such as murder, rape, arson, and kidnapping. All other offenders must remain at the local level. This increases County responsibility (and expenditures) for juvenile offender housing, programming, and supervision.

Chief Probation Officer Brian Richart is currently evaluating the impact of SB 81 on Shasta County. The Youthful Offender Block Grant funding (estimated to be \$90,000) to serve juveniles that will no longer be accepted by the Department of Juvenile Justice will not reimburse the County for the full cost of additional housing and programming. SB 81 also provides for very limited funding statewide to construct new juvenile hall facilities.

There will be \$100 million made available statewide to allow counties to acquire, design, renovate, or construct juvenile detention facilities. Shasta County has set aside \$1 million in a designation towards costs for such a facility, and a study is underway to determine if the current location of the Juvenile Hall would accommodate a larger facility.

Probation programs such as Juvenile Justice Crime Prevention Act, Standards and Training for Corrections, Mentally Ill Offender Crime Reduction Grant, Crystal Creek Boys Camp funding, and Probation Drug Court remain funded at continuation levels. Again, continuation means the county is forced to do more with less as staffing and operational costs continue to rise.

The State has once again changed its logic on the state mandate reimbursement process. Previously, payments were made based on an estimated amount, and then "trued up" to the actual cost in the next budget year. Changes caused by Senate Bill 86 will delay mandate reimbursements until the year after the mandate has been performed. For the most part, Shasta County does not recognize mandate reimbursement in the proposed budget due to the continual change in the State's methodology. However, cost centers are allowed to accrue this revenue and any delay in receiving reimbursement from the State adds to the County's growing debt with the State.

In addition to the Governor's line-item vetoes, departments are still assessing the impact caused by various "trailer bills" often inserted into the State budget at the final hour. One example is Senate Bill 82 which makes changes to the Victim Witness Protection Program administered by the Department of Justice (DOJ), which now requires a 25 percent local agency match, as well as modifying existing reporting requirements.

The Final Budget included an appropriation for unknown State budget take-backs. For the reasons outlined above, the County Administrative Office believes this was prudent, and it may be necessary to utilize these funds to mitigate various losses caused by the State budget.