

Transmittal Letter



Shasta County

Fiscal Year 2008-09

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

Members of the Board:

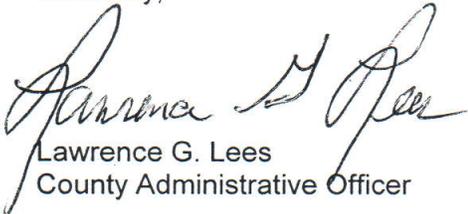
This document represents Shasta County's fiscal year 2008-09 Final Budget as adopted by the Board of Supervisors on September 23, 2008, pursuant to Section 29088 of the Government Code. The budget is created from a process that includes requests prepared by the operating and support departments of the County, review and recommendations from my office, public hearings, and final examination and approval by the Board of Supervisors.

The fiscal year 2008-09 Final Budget totals \$396,684,066, including \$341,357,777 for the County's General Operating funds, \$29,892,302 for Internal Service funds, \$10,512,249 for Enterprise funds; and \$14,921,738 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 FY 2008-09 Final Budget allows for moderate growth in County programs consistent with the County Ten Year Financial Plan, while exercising sound fiscal judgment, and maintaining 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.

The Final Budget totals \$396,684,066, including \$341,357,777 for the County's General Operating Funds, \$40,404,551 for Internal Service and Enterprise Funds, and \$14,921,738 for Special Districts under the Board of Supervisors. This represents an increase of \$5,234,144, or 1.3 percent, when compared to the fiscal year 2007-08 Final Budget. The budget includes some of the following changes:

- ◇ General Fund Operating Group totals \$74.8 million, an increase of 0.43 percent.
- ◇ Child Support totals \$8.8 million, a decrease of 7.93 percent.
- ◇ Enterprise Funds total \$10.5 million, a decrease of 43.2 percent.
- ◇ Intermountain Fair totals \$592,180, a decrease of 0.22 percent.
- ◇ Internal Service Funds total \$29.9 million, a decrease of 0.4 percent.
- ◇ Library totals \$1.4 million, a decrease of 11.6 percent.
- ◇ Mental Health totals \$21.7 million, a decrease of 13.5 percent.
- ◇ Mental Health Services Act totals \$9.1 million, an increase of 83 percent.
- ◇ Public Assistance totals \$90.6 million, an increase of 5.95 percent.
- ◇ Opportunity Center totals \$4.5 million, an increase of 3.9 percent.
- ◇ Public Health totals \$16.9 million, a decrease of 4 percent.
- ◇ Public Safety Fund totals \$56.6 million, an increase of 2.5 percent;
- ◇ Resource Management totals \$5.2 million, a decrease of 12 percent
- ◇ Air Pollution Control totals \$3.7 million, an increase of 143 percent.
- ◇ CSA #1, County Fire totals \$6.7 million, an increase of 26.2 percent.
- ◇ Water Agency totals \$394,432, a decrease of 2.5 percent
- ◇ In-Home Supportive Services totals \$712,833, an increase of 2.5 percent.

The Final Budget is balanced using \$10 million of General Fund carryover. 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 in December, subsequent to the adoption of the County budget.

The current economic downturn has impacted collection of sales tax and property tax revenues, the County's largest sources of discretionary revenue. Bradley-Burns sales tax revenue received in 2007-08 declined 14 percent from the prior year. Public Safety Augmentation Sales Tax (Prop 172) has declined 1.5 percent. 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.

Appropriations include a **Contingency Reserve** of \$4,822,373 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 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 **General Reserve** is approximately \$10 million, or 3 percent of total general operating group of funds appropriations (\$341 million). Future increases in the reserve will be recommended as resources become available.

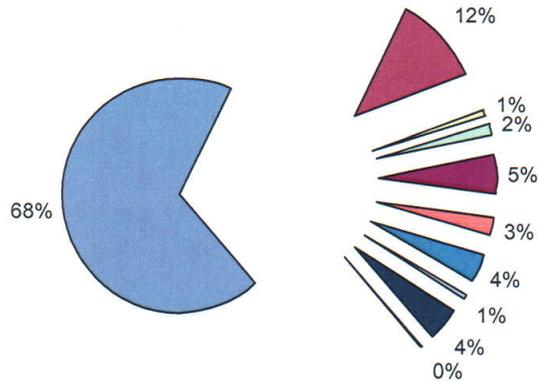
The Governmental Accounting Standards Board Statement 45 (GASB 45) on Other Post-employment Healthcare Benefits (OPEBs), requires governmental agencies to conduct the valuation and report the liability on their financial statements. Shasta County must include this information in the financial statement for the period ending June 30, 2008. Statement 45 requires that agencies report the liability; it does not require that agencies fund the liability. Shasta County funds post-employment healthcare benefits on a "pay-as-you-go" basis, as do many other governmental agencies. Prior to implementation of Statement 45, the cost for OPEBs was not reported until after employees retire.

The County has begun to address the cost of post-employment benefits, other than pensions. The Board of Supervisors received a report of the actuarial valuation of the County's liability for "other post-employment benefits," other than pensions, such as healthcare insurance for retirees. The Unfunded Actuarial Accrued Liability as of June 30, 2007, is \$140,639 million.

The County has established two OPEB Irrevocable Trusts, in an initial amount of \$6 million each, with CalPERS OPEB Trust and PARS OPEB Trust. Additionally, through payroll a percentage will be collected to begin addressing this liability. Although initially set at one percent of payroll, as resources allow the County will increase this percentage. Pre-funding the current year's ARC and future regular payments to the Trusts will decrease the County's liability for other post employment benefits. Fully funding the ARC provides a mechanism for assigning costs to programs which we administer on behalf of the state and federal governments.

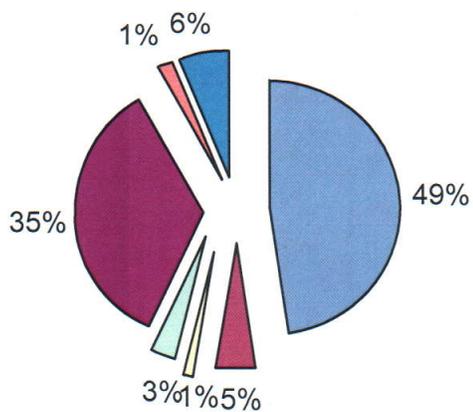
Contributions to operating departments outside the General Fund are recommended at \$36 million. Discretionary revenues are status quo at \$48 million.

Transfers Out from General Revenue



Public Safety \$25.7 M	Social Services \$4.6 M
Mental Health \$309,811	Public Health \$646,493
County Fire \$1.9 M	Resource Mgmt \$953,206
Library \$1.4 M	Capital Proj & ADA \$219,451
Info Technology \$29,440	IHSS \$124,746

Discretionary Revenues



Property Taxes \$22.9 M
Sales Tax \$2.2 M
Transient Occup Tax \$700,000
Interest \$1.5 M
Prop Tax In Lieu of VLF \$17 M
Prop Tax Penalties \$721,500
All Other \$3 M

The Budget provides for a workforce of 1,924 full-time-equivalents. Consistent with the budget principles approved by the Board, no new position requests are included in the 2008-09 Budget. The CAO will continue to review all requests for new positions to ensure they are offset by long-term reliable revenue.

CALIFORNIA STATE BUDGET

The FY 2008-09 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 2008 budget document as refined in the May Revise.

The Governor signed the State Budget on September 23, 2008. On December 1, 2008, two months after the signing of the State Budget, the Governor declared a Proposition 58 fiscal emergency which requires legislators to return to Sacramento to address the State's \$11.2 billion current year revenue shortfall. If the revenue shortfall is not addressed, it has been predicted that over the next 18 months, the deficit will increase to a staggering \$28 billion.

The Final Budget passed on September 23, 2008 includes an appropriation for unknown state take-backs in the General Revenue cost center. This \$250,000 may not be sufficient as evidenced by continuing pronouncements from Sacramento.