



Shasta County

Fiscal Year 2015-16

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 2015-16 Budget as adopted by the Board of Supervisors on June 30, 2015, pursuant to Section 29062 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, and compilation by the Auditor-Controller.

The Fiscal Year 2015-16 Budget totals \$422,067,801, including Total Governmental Funds, \$357,729,190; Internal Service Funds, \$24,509,068; Enterprise Funds, \$28,917,148; and Special Districts and Other Agencies governed by the Board of Supervisors, \$10,912,395. 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 CEO'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 Executive Officer

Attachment - Budget Overview

BUDGET OVERVIEW

The FY 2015-16 Adopted Budget totals \$422,067,801, including,

GOVERNMENTAL FUNDS

- \$228,198,477 General Fund
- \$122,843,642 Special Revenue Funds
- \$ 3,725,422 Capital Project Funds
- \$ 2,961,649 Debt Service Funds
- \$357,729,190 Total Governmental Funds

OTHER FUNDS

- \$ 24,509,068 Internal Service Funds
- \$ 28,917,148 Enterprise Funds
- \$ 10,912,395 Special Districts and Other Agencies
- \$ 64,338,611 Total Other Funds

This represents an increase of \$5.7 million, or one percent, when compared to the FY 2014-15 Adopted 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.

BUDGET PRINCIPLES

On February 24, 2015, the Board of Supervisors received the FY 2014-15 Mid-Year Report, and approved the following principles for the FY 2015-16 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 CEO will review all requests for capital assets and computer equipment.
- As a baseline, direct departments to prepare a budget with a three percent (3%) increase in County Contribution or General Fund Net-County-Cost. As the full impact of the State budget is realized further cost containment measures may be necessary.
- Realize salary and benefit savings through collaborative bargaining with our labor partners.
- Review all positions vacant over 18 months.

- Encourage expenditure reductions in the current fiscal year to create carry-over funds for 2015-16.
- In accordance with Administrative Policy 2-101, direct department heads to limit expenditures in FY 2014-15 to ensure that their spending remains within each Object Level in the Adopted Budget.
- Hold department heads responsible for Revenues in the Adopted Budget, direct them to notify the County Executive Officer of any revenue shortfall; and further, direct them to reduce spending as necessary to remain within the Adopted Budget net-county-cost.

LONG-RANGE PLANNING

There has been no significant improvement to revenues, and the County continues to adhere to conservative spending due to economic uncertainty. 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

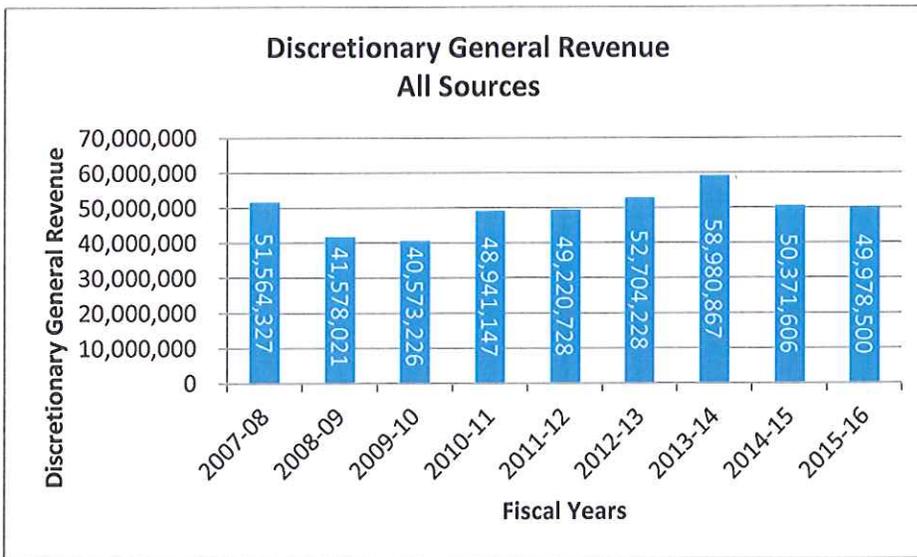
The national, state, and local economic downturn resulted in a decline in property values, lagging sales of consumer goods and services, and a steep decline in interest rates. Shasta County continues to experience the unprecedented loss of discretionary revenue. The County realized one-time revenue due to the dissolution of redevelopment agencies. It is anticipated that revenue will stabilize in FY 2015-16. The dissolution of redevelopment agencies may have some yet unknown positive impact on the General Fund, as a minimal amount of tax increment may accrue to the General Fund.

A=Actual, E=Estimated, R=Recommended

Source	10-11A	11-12A	12-13A	13-14A	14-15E	15-16R
Taxes	42,362,880	42,332,244	44,772,811	43,792,308	43,690,477	44,048,000
Franchises	670,436	664,167	673,232	683,789	600,000	600,000
Fines	397,952	266,119	2,788,983	1,967,584	2,224,498	1,723,000
Interest	377,705	351,407	204,921	293,751	702,760	786,300
Inter Gov	3,800,571	3,442,609	3,321,340	3,347,565	2,252,673	2,072,000
Charges for Svcs	1,309,903	1,434,789	915,236	888,258	753,990	748,000
Misc Rev	1,300	19,394	27,703	8,007,612	77,566	1,200
Other Transfers	0	0	0	0	69,642	0
Sale of Land	20,400	710,000	0	0	0	0
Total	48,941,147	49,220,729	52,704,226	58,980,867	50,371,606	49,978,500

FY 2015-16 adopted discretionary General Revenue is \$49.9 million, a decrease of \$393,106, or less than 1 percent compared to the FY 2014-15 estimated year-end.

As illustrated in the following chart, total discretionary revenue recognized by the General Purpose Revenue budget unit hovers at or below \$50 million per fiscal year. The exceptions were one-time revenues from the dissolution of Redevelopment Agencies and fees from the Teeter Property Tax Program.



NON-DISCRETIONARY REVENUE

In addition to our discretionary sales tax revenues, sales taxes dedicated to public health, mental health, social services, and public safety are still recovering.

1991 Realignment (Health and Human Services) is funded through State sales tax and vehicle license fees (VLF) dedicated to public health, mental health, and social services and provide the majority of matching funds for numerous state and federal funding sources. Sales tax realignment revenue is expected to continue to grow in FY 2015-16 due to an improved economy, and the growth in revenue will fund partial repayment of the prior year's caseload growth. Under 1991 realignment, Social Services programs receive payment for the increasing cost of operating entitlement programs by allocation of excess revenues to pay these costs before general growth payments are made. These realignment revenues, as well as other county resources and state allocations, are used to draw down federal matching revenues that sustain programs.

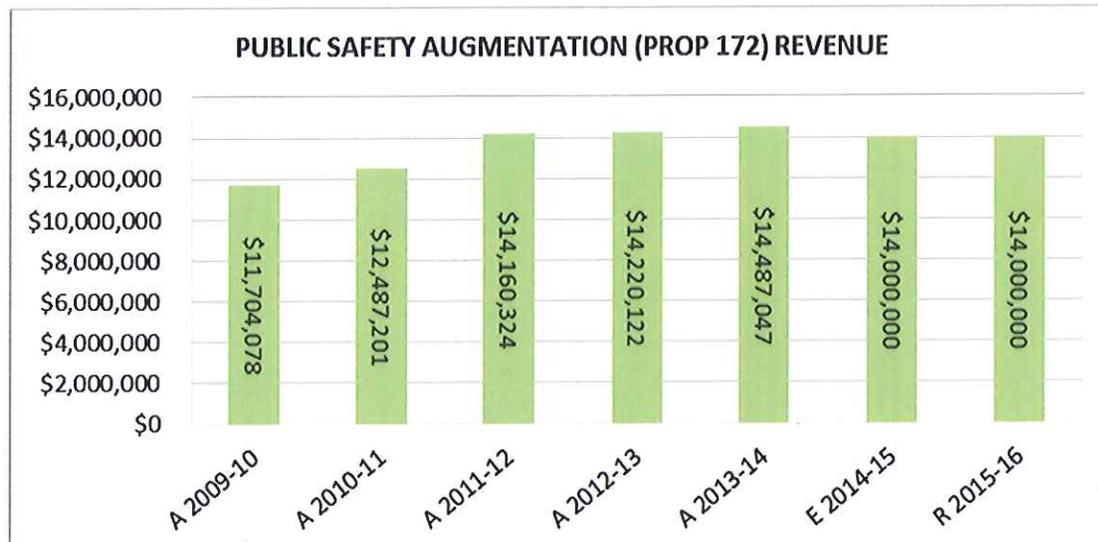
2011 Realignment (Health and Human Services) is funded through a State special fund sales tax and vehicle license fees (VLF). Both of these revenue sources are increasing per estimates in the FY 2015-16 California Governor's Budget. The Administration, in consultation with county partners and stakeholders, is continuing to develop an allocation for funds in the 2011 Realignment Behavioral Health Services Growth Special Account. From FY 2013-14 revenues, the Account has \$60.0 million. The first priority for growth funds is federal entitlement programs: Medi-Cal Specialty Mental Health, including those required by Early Periodic Screening, Diagnosis, and Treatment, and Drug Medi-Cal. Our Health and Human Services Agency is advocating for appropriate base levels of funding to support growing costs and will be monitoring how 2011 Realignment will be structured into the future to protect county health and human services operations.

2011 Realignment (Public Safety) included a major realignment of public safety programs from the state to local governments. The intent of the Community Corrections Partnership Program authorized by AB 109 is to reduce recidivism and end the revolving door of lower-level offenders and parole violators through the state's prisons.

The County's Community Corrections Partnership Executive Committee (CCPEC), chaired by the Chief Probation Officer, approved their FY 2015-16 budget at their February 26, 2015 meeting and included it in their respective FY 2015-16 budget requests. Funding for FY 2015-16 is expected to be \$6.5 million and appropriations are requested at \$8.2 million (which includes 3 percent, or \$195,406, to set aside for reserves), relying on \$1.7 million in AB109 Restricted fund balance.

Projected fund balance at the end of FY 2015-16, including FY 2014-15 growth funds to be received in FY 2015-16, is \$5.3 million.

Receipts from **Public Safety Augmentation Proposition 172** sales tax have leveled out at \$14 million annually. Receipts in the current year are approximately eight percent (8%) higher than this time last year. The County's pro-rata share of this sales tax is \$.004782.



A=Actual, E=Estimate, R=Recommended

Public Safety Augmentation (Prop 172) Reserve. When receipts have exceeded the budget they have been set-aside in the Public Safety Fund for future appropriation by the Board of Supervisors. At July 1, 2014, the Prop 172 Reserve was \$3.4 million. The estimated use of this reserve is \$1.4 million, leaving a remaining balance of \$1.9 million in reserve.

The Adopted Budget draws down the Prop 172 Reserve, as follows:

Beginning Balance, 7/1/2014	<u>\$1,965,964</u>
FY 2015-16, District Attorney 227	\$ 860,433
FY 2015-16, Juv. Hall 262	\$ 98,545
FY 2015-16, Probation 263	<u>\$ 529,674</u>
Total Used	\$1,488,652
Ending Balance, 6/30/2015	<u>\$ 477,312</u>

APPROPRIATIONS

The Adopted FY 2015-16 General Fund Budget is \$83.6 million, which is \$10 million higher than the adjusted FY 2014-15 budget. The increase is attributable to a transfer of \$10 million to Accumulated Capital Outlay in anticipation of major capital outlay expenses for the remodel of the old Courthouse and the old Juvenile Hall building.

The Auditor-Controller calculates the County's Maintenance of Effort (MOE) for public safety. The most recent calculation is FY 2014-15. The FY 2014-15 adopted budget for all the public safety departments exceeded the adjusted MOE Base by \$25.1 million. The County subsidy to the combined health and human services programs has been held static over the last several years.

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.

The **General Reserve** is approximately \$10.6 million. This is three percent of total Governmental Funds appropriations (\$357.2 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 budget request with a target of three percent growth in the General Fund contribution or net-county-cost; overages could be mitigated by spending reductions in FY 2014-15. For the fiscal year ending June 30, 2015, the General Fund is projected to realize a 14.5 percent reduction in expenditures, and a reduction to the net-county-cost (\$10.5 million).

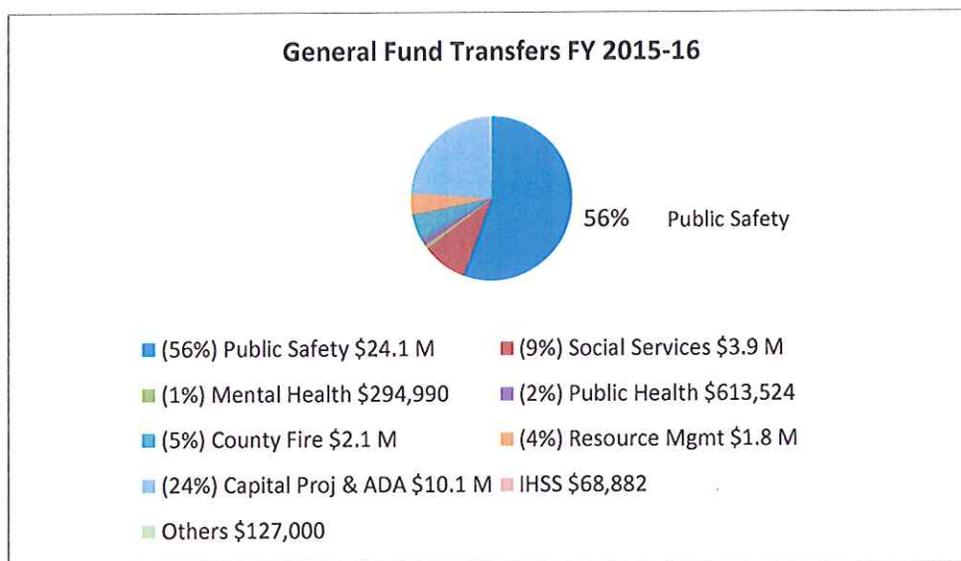
In the aggregate, the Adopted FY 2015-16 budget for *select* budget units, excluding special districts, totals \$413.0 million, which when compared to the 2014-15 Adjusted Budget, is a decrease of \$6.6 million, or one and one-half percent.

The following Table compares by Fund the 2014-15 Adjusted Budget (at 01/31/2015), versus estimated expenditures at 6/30/2015, with the 2015-16 Adopted Budget for *select* budget units.

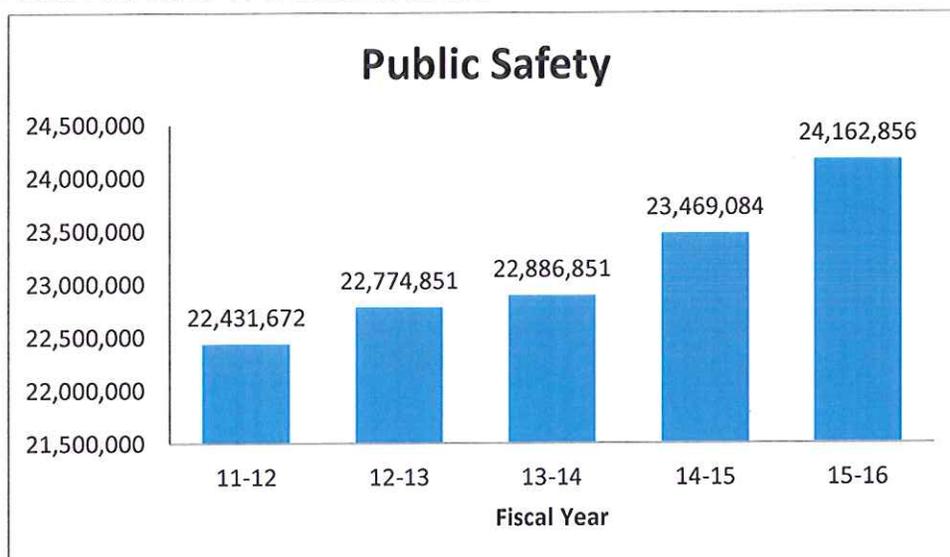
Functional Area	Adjusted 14-15	Estimate 6/30/15	% Inc/Dec	Adopted 15-16	% 15-16 vs 14-15
General Fund	73,072,651	62,474,777	-14.50%	83,621,469	14.44%
Accumulated Capital Outlay	3,438,000	1,793,395	-47.84%	1,689,605	-50.86%
Adult Rehab Construction	2,000,000	518,293	-74.09%	1,900,818	-4.96%
Land Bldgs & Improvements	4,328,970	1,834,298	-57.63%	85,708	-98.02%
Resource Management	6,026,367	5,130,699	-14.86%	6,985,178	15.91%
Mental Health	26,717,169	26,454,520	-0.98%	26,317,035	-1.50%
Mental Health Services Act	10,389,591	10,128,558	-2.51%	11,502,644	10.71%
Opportunity Center	4,975,820	4,794,304	-3.65%	4,952,881	-0.46%
Public Assistance	105,081,240	106,797,578	1.63%	106,126,056	0.99%
Roads	21,919,043	17,944,520	-18.13%	17,967,677	-18.03%
Child Support	8,292,640	7,545,492	-9.01%	8,062,828	-2.77%
Public Safety	65,830,932	60,193,826	-8.56%	66,790,831	1.46%
Public Health	17,106,788	15,038,492	-12.09%	16,992,888	-0.67%
Internal Service Funds	35,479,826	31,096,493	-12.35%	24,509,068	-30.92%
Enterprise Funds	23,766,295	4,821,379	-79.71%	24,309,347	2.28%
Air Pollution Control	2,898,019	2,837,999	-2.07%	2,066,533	-28.69%
CSA #1 County Fire	6,512,368	5,447,128	-16.36%	7,197,820	10.53%
Shasta Co. Water Agency	394,128	303,896	-22.89%	213,018	-45.95%
IHSS Public Authority	459,750	425,665	-7.41%	495,744	7.83%
All Others	1,040,164	439,815	-57.72%	1,275,179	22.59%
Grand Total	419,729,761	366,021,127		413,062,327	
Increase <Decrease>		-53,708,634	-12.80%	-6,667,434	-1.59%

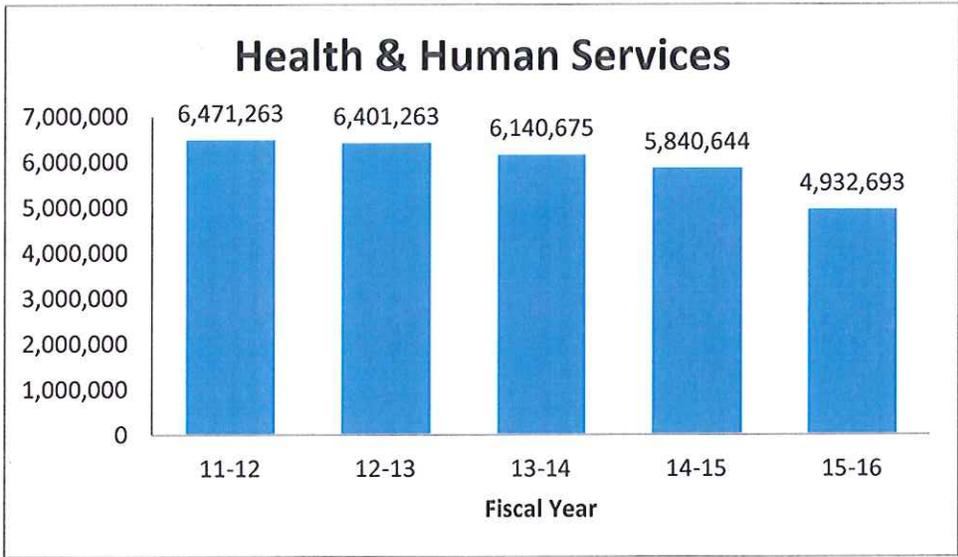
Fiscal Year 2015-16 General Fund subsidies to operating departments outside the General Fund total \$43,408,650, as follows:

GENERAL FUND TRANSFERS-OUT 2015-16		
Public Safety \$24.1 M	\$ 24,162,856	55.66%
Social Services \$3.9 M	\$ 3,955,297	9.11%
Mental Health \$294,990	\$ 294,990	0.68%
Public Health \$613,524	\$ 613,524	1.41%
County Fire \$2.1 M	\$ 2,143,993	4.94%
Resource Mgmt \$1.8 M	\$ 1,856,400	4.28%
Capital Proj & ADA \$10.1 M	\$ 10,185,708	23.46%
IHSS \$68,882	\$ 68,882	0.16%
Others \$127,000	\$ 127,000	0.29%
Total	\$ 43,408,650	100.00%

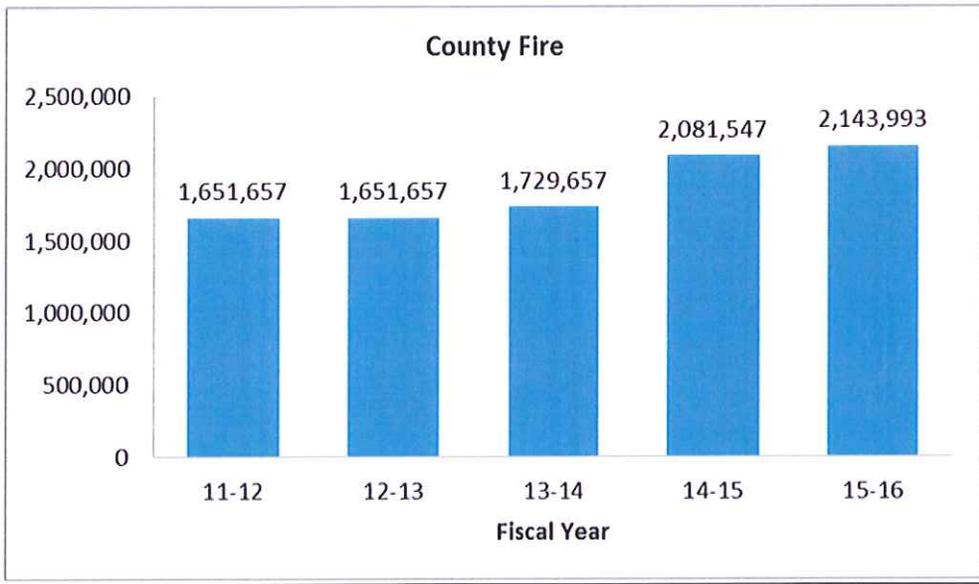


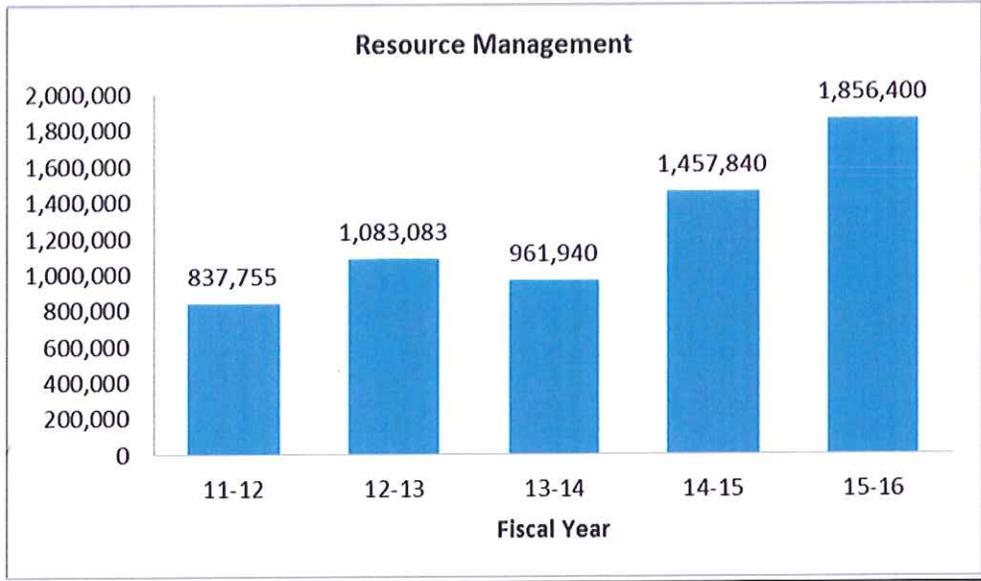
A comparative look at General Fund subsidies including the recommended subsidy for Fiscal Year 2015-16 is included below:





FY 2015-16, County Indigents budget unit moved to the General Fund; reducing the Transfer-in by \$881,332.





Increases due to the General Plan update and Nuisance Abatement, including Marijuana Ordinance Enforcement.

OVERVIEW OF SELECT BUDGET UNITS

AGRICULTURAL COMMISSIONER/SEALER OF WEIGHTS & MEASURES

There have been relatively few statutory or regulatory changes that have impacted the department during the past year. While there are always bills introduced that have the potential to impact county agricultural or weights and measures programs, at this time, only one bill has the potential to affect the Department’s budget to any great extent. AB 296 has been introduced that will extend the sunset date of Section 12240 of the California Business and Professions Code, which is set to expire on January 1, 2016. This section provides counties with the authority to charge registration fees for commercial weighing and measuring devices, and without an extension, the county would not have the ability to collect device registration fees, which represents approximately 20 percent of the Department’s outside revenue.

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 2014-15 there were 108,707 locally assessed properties in Shasta County with a taxable value of \$15,721,177,903 generating more than \$157 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 an increase of 4.4 percent in taxable value and property tax revenue over the previous year.

CAPITAL PROJECTS

The Capital Projects budget (Land, Buildings and Improvements) includes six (6) projects totaling \$4.6 million: 1) MHSA Breslauer Remodel, \$1.8 million; 2) Facilities Management Building Roof, \$45,000; 3) Court Street Buildings remodel, \$1.6 million; 4) Jail Upgrade HVAC Controls, \$750,000; 5) Jail Upgrade Security System Study, \$50,000; and 6) Public Health remodel roof and carpet, \$317,130. Each project is funded by a dedicated funding stream and none require a General Fund contribution. Funding for the remodel of the two Court Street buildings is from funds previously set-aside in Accumulated Capital Outlay in FY 2013-14.

Additionally, planning is underway for a new adult rehabilitation facility. This multi-year project includes appropriations of \$1.9 million in 2015-16. When fully built-out the project is estimated to cost \$22.5 million, with a County-match and in-kind match of \$2.5 million. The County-match has been fully appropriated.

COUNTY FIRE

Appropriations are an increase of 10.2 percent, or \$662,921 (from \$6.5 million to just over \$7.17 million) in the 2015-16 Adopted Budget. Salaries and Benefits are nearly status quo with a slight 3.2 percent increase (\$12,231) at \$389,117. Services and Supplies are \$1.4 million, a 3.9 percent reduction compared to the FY 2014-15 Adjusted Budget. Other Charges are almost \$4.3 million, a 13.6 percent increase (\$512,844) due to 25.5 percent increase (\$27,213) in Central Service A-87 charges and an increase of \$485,607 (13.4 percent) in the CAL FIRE administrative contract due to Salary and Benefit and other operating increases. The CAL FIRE contract amount is an estimate and could change slightly due to actual services provided during the fiscal year. CAL FIRE annually bills the County for contract services on an actual cost basis and in FY 2014-15 the contract was budgeted at \$3.63 million but projections for actual costs are currently at \$3.03 million.

The adopted budget includes \$1.0 million in new and replacement capital assets (\$300,500 are re-budgeted from FY 2014-15), an increase of \$198,900, or 24 percent, from the FY 2014-15 Adjusted Budget. Included are: one Heavy Utility Truck (Rescue), one fire engine, two water tenders, one four-wheel drive truck for administration (Fire Marshal), and three Lifepak (15 cardiac monitor defibrillators) one each for VFC 11, Hat Creek, VFC 71, Montgomery Creek, and VFC 20, Shingletown.

Revenue are just over \$5.4 million, a decrease of 3.5 percent, or \$193,954 from the FY 2014-15 Adjusted Budget. This is due to a reduction in the Federal Emergency Management Agency (FEMA) grant, Reimbursement in Fire Calls (this revenue is unpredictable and budgeted conservatively), and one-time prior period expenditure adjustment (Risk Management rate refund) in the amount of \$324,743.

The FY 2015-16 adopted General Fund support is \$2.1 million compared to \$2.0 million in the FY 2014-15 Adjusted Budget, a three percent increase (\$62,446). The department requests a use of fund balance for FY 2015-16 in the amount of \$1.7 million and projects to return \$661,711 to fund balance at the end of FY 2014-15. If the department ends FY 2015-16 as projected there will be approximately \$1.62 million remaining in fund balance.

The CEO recommends some minor technical adjustments throughout the budget increasing the overall Net County Cost by \$39,031, to \$1.79 million.

ELECTIONS

Because elections now generally occur once per fiscal year, the prior high/low cycle of budgeting has evened out. Now, variation comes over a longer period of time - the four year election cycle.

Larger financial need occurs in the Presidential years (divisible by four) which have traditionally higher voter turnout as compared to the Gubernatorial years.

The department submitted three requests for the reclassification of positions. These positions are listed in the Elections budget (140); however, their cost is spread between both Elections (75 percent) and County Clerk (25 percent). Personnel studied the submitted reclassifications and recommended that two of the three positions be reclassified. The positions recommended for reclassification are an Elections Technician and a Clerk/Elections Specialist I/II. Both positions will be reclassified to an Agency Staff Services Analyst I/II.

HEALTH AND HUMAN SERVICES

The combined budgeted fund balance draw for FY 2015-16 from the Social Services, Mental Health, and Public Health reserves is approximately \$2.5 million, which is \$2.3 million higher than the projected draw for FY 2014-15. Our Health and Human Services Agency (HHSA) maintains that there are sufficient reserves to sustain fund balance draws in the proposed budget.

The Mental Health (BU 410) adopted budget yields a net contribution of approximately \$100,000 to the Mental Health fund balance. About \$5 million of realignment fund transfers from Social Services and Public Health to Mental Health have occurred since May 2013 to assist with the financial challenges of the Mental Health budget in providing services. Since March 2012, costs for acute hospitalization and Institutes for Mental Diseases (IMDs) have stayed at high levels. Most of the IMD cost is ineligible for Medi-Cal reimbursement and, thus, must be supported within department realignment funds. Efforts to mitigate costs in this area have been initiated and are a strong focus of HHSA, but the number of people presenting at local hospitals and the length of their treatment, due to seriousness of their illness, have made costs difficult to control. In addition, as the Board is aware, Medi-Cal Cost Settlements for expenses incurred as far back as 2009 are still pending and have not been included in the recommended budget. An estimated total of \$3 million is owed to Shasta County (Mental Health BU 410 and Mental Health Services Act BU 404) for prior years for costs above the interim rate the State paid us. Payment for this continues to be delayed by State negotiations with the federal government regarding the State Plan Amendment that has a retroactive effective date of January 1, 2009. HHSA continues to closely watch the Mental Health budget activities and resources.

HOUSING

The Housing Authority administers the Housing Choice Vouchers Rental Assistance Program. The department is requesting the addition of a Housing Supervisor to provide a smooth transition for the retirement of a long-term employee and to create an appropriate career ladder for Housing employees. The proposed position is 100 percent funded by federal Housing Authority revenue.

PUBLIC DEFENDER

The FY 2015-16 adopted budget includes appropriations of \$3.56 million, which is \$206,334, or 5.5 percent, less than the \$3.76 million FY 2014-15 Adjusted Budget. Salaries and Benefits are just over \$3 million, compared to \$3.18 million in the FY 2014-15 Adjusted Budget, primarily due to hiring new employees at a lower salary range, though Termination Pay and Extra Help are increasing. Services and Supplies are \$468,750, or 8.9 percent less than the FY 2014-15 Adjusted Budget amount of \$514,357. Central Services A-87 charges have decreased 46.8 percent over the FY 2014-15 Adjusted Budget, from \$72,436 to \$38,562.

Revenues are status quo at \$217,180. The Community Corrections Partnership (CCP) Executive Committee has voted to continue to provide \$45,000 to help the department fund the AB109 Deputy Public Defender (\$30,000) and to fully fund the AB109 extra-help Social Worker position (\$15,000). The department is using \$38,820 in realignment AB 109 restricted fund balance leaving a \$36,307

balance. The net county cost is requested at \$3.34 million, which is a 5.9 percent decrease (\$208,958) from the FY 2014-15 Adjusted Budget. Additionally, due to thoughtful and efficient operations throughout the year the department projects \$424,351 in savings at the end of FY 2014-15.

The CEO recommends increases in health insurance costs and other minor technical adjustments that overall increase the department's net county cost to \$3.39 million, which is still within the department's FY 2015-16 budget target. Additionally, the CEO recommends the sunset date for the CCP-funded attorney be deleted, as all CCP-funded positions sunset dates were deleted during the FY 2013-14 budget process after the Schools and Local Public Safety Protection Act of 2012 was approved by the voters on November 6, 2012 making the AB109/CCP funding source constitutionally protected (this attorney position was missed).

Criminal Sentences. Misdemeanor Penalties. Initiative Statute. (Prop 47), passed by the voters on November 4, 2014, means criminal offenders who commit certain non-serious and non-violent drug and property crimes will be sentenced to reduced penalties (such as shorter terms in jail). State savings resulting from the measure would then be used to support school truancy and dropout prevention, victim services, mental health and drug abuse treatment, and other programs designed to keep offenders out of prison and jail. Every offender both sentenced and pending sentencing whose crime(s) fall under Prop 47 became eligible for re-sentencing on November 4, 2014.

In the 2015-16 FY Budget the Public Defender's Office will spend approximately \$35,000 on processing re-sentencing petitions from offenders, both in- and out-of-custody, by hiring extra-help staff (one Deputy Public Defender I/II/III, one Law Clerk, and one Data Entry Clerk). Approximately 80 percent of those who request a re-sentence review will be eligible; some make numerous requests, some are not from Shasta County, and some will not be eligible due to their crime(s). Some of those who are eligible, and even granted, will still remain in custody to serve time related to non-Prop 47-eligible crimes. As of the first quarter of 2015, the Public Defender's Office has processed approximately 1,063 re-sentencing requests the vast majority were for in-custody offenders representing about 600 in-custody individuals. Of these 1,063 requests, the lion's share are from state prisoners. The Public Defender has a back-log of approximately 250 out-of-custody requests and so they expect to process a total of 1,500 re-sentencing requests by the end of 2015.

PUBLIC SAFETY

As a starting point the public safety departments - District Attorney, Juvenile Rehabilitation Facility, Probation, and the various Sheriff's budget units, including the Jail, were directed to budget for a three percent increase in General Fund support and a 29 percent increase in Public Safety Augmentation (Prop 172) revenue. The District Attorney, Chief Probation Officer, and the Sheriff have worked diligently to provide a FY 2015-16 budget that protects public safety and fulfills their core missions with consideration for the County's overall fiscal health.

Total Adopted FY 2015-16 appropriations for the public safety group are almost \$66.8 million, an increase of \$3.4 million from the current year; \$400,000 increase for the District Attorney (new positions), nearly \$1 million increase for Probation (one new position at the Juvenile Rehabilitative Facility, insurance increases, reduction in SB678 revenue and restricted fund balances), and a \$2 million increase for the Sheriff's budgets (almost \$1 million for seven new positions and two vehicles approved by the Board on March 17, 2015, insurance increases, and reduction in restricted fund balances).

Revenues from all sources total \$60.7 million, including \$24.1 million from the General Fund and \$14 million from Public Safety Augmentation. To balance budgets under his span of control, the Sheriff will utilize a little over \$3.6 million in fund balance (almost \$3.3 million in Public Safety fund balance and \$329,464 in restricted fund balances), the District Attorney will use \$604,050 in restricted fund balances and \$860,433 in Prop 172 reserves, and the Probation Department will use \$311,670 in

restricted fund balances and \$628,219 in Prop 172 reserves.

	District Attorney		Probation		Sheriff		Total Public Safety	
2015-16 Rec. Exp.	7,419,325		17,787,811		41,583,695		66,790,831	
County Contribution (GF)	48.86%	3,625,194	21.33%	3,794,076	40.26%	16,743,586	36.18%	24,162,856
Prop. 172	14.70%	1,090,600	15.01%	2,669,800	24.62%	10,239,600	20.96%	14,000,000
<i>Subtotal GF & Prop. 172</i>	<i>63.56%</i>	<i>4,715,794</i>	<i>36.34%</i>	<i>6,463,876</i>	<i>64.89%</i>	<i>26,983,186</i>	<i>57.14%</i>	<i>38,162,856</i>
Other Revenue Sources	16.70%	1,239,048	58.38%	10,384,046	26.42%	10,986,278	33.85%	22,609,372
(Falls To)/ Uses Fund Bal.		1,464,483		939,889		3,614,231		6,018,603

The **County Jail** is still at capacity and releasing inmates from their sentences early. However, the number of capacity releases has dropped from 919 to 497 when comparing the first quarter of 2014 to the first quarter of 2015. While there appear to be fewer capacity releases, which could reduce the current number of Fail to Appear (FTA) at court hearings, the number of misdemeanor FTAs could increase. To date about 20 inmates have been released from the Jail but those 20 beds were quickly filled. If Prop 47 does eventually decrease the number of bookings in to the Jail (currently, law enforcement are not arresting and booking for Prop 47 offenses, but primarily citing and releasing) then those much needed beds will likely be used to reduce the number of capacity releases, especially for the multi-year jail sentences now imposed due to AB 109.

The **Probation Department's** supervision caseload is not likely to be too much affected by Prop 47 either, though the full impact cannot be known until all re-sentencing requests are fully processed and adjudicated (a process that could take several years to complete). In some cases, Probation is required to recalculate the conduct/custody credits and provide updated court fines/fees and victim restitution information to the Court. If the Probation Department's caseloads are reduced due to Prop 47 then it will provide opportunity for Probation to provide supervision to those medium and high-risk offenders that are not currently supervised due to current fiscal restraints.

After the Public Defender reviews the re-sentencing request for eligibility, those who are deemed eligible are referred to the **District Attorney's Office** for review. The District Attorney's Office responds to every request for re-sentencing referred to them, whether or not they are approved, and then they refer those that they agree with to the Court for final consideration and approval. Those who are granted re-sentencing may or may not need a court hearing, though each eligible request does impact the court's workload, whether or not a hearing is granted. The District Attorney's Office has seen a slight decrease in the number of total cases opened when comparing the first quarter of 2014 to the first quarter of 2015, 2,089 compared to 1,839, respectively. However, the number of violation of supervision cases continues to increase. Thus, the **Governor** has included a \$26.9 million General Fund augmentation to the courts in the state FY 2015-16 budget (and \$7.6 million in FY 2016-17), but no additional funding for counties is anticipated. If a court hearing is required then the District Attorney, Public Defender, and Probation Department require additional staff time and resources to staff the court hearing. The state Legislature has already introduced new legislation to close certain 'loopholes' associated with Prop 47 such as, but not limited to, making stolen handguns and possession of date rape drugs felony crimes again, collecting DNA from misdemeanants, etc. Some of these new bills, if passed by the Legislature, will need to return to the voters for their approval in 2016.

JUVENILE REHABILITATION FACILITY

The new Juvenile Rehabilitation Facility opened and received juvenile wards on January 25, 2014. FY 2014-15 was the first full fiscal year of operations for this new facility which is more than twice the size of the former facility and can hold up to 90 wards. Total FY 2015-16 adopted appropriations have increased by 7.4 percent, or \$364,790, from \$4.95 million to \$5.32 million. Salaries and Benefits has increased by 10.2 percent, or \$330,274, from \$3.24 million to \$3.57 million, primarily

due to a request to add two new Juvenile Detention Officer I/II positions (five were added in FY 2013-14 and two were added in FY 2014-15), but also increases in termination/special pay, extra-help, overtime, worker's compensation experience, and retirement charges. Services and Supplies have also increased by 5.2 percent, or \$81,899, due to increases in professional administration services, professional medical services, and some small facilities management projects designed to reduce staffing costs associated with court transport. A-87 Central Services Charges have decreased by 34.8 percent, or \$47,383, from \$136,264 to \$88,881. No new capital assets or equipment are requested.

Adopted revenues total almost \$4.96 million, a 4.1 percent increase, or \$197,386. Prop 172 revenue has increased by \$390,969, or 29.2 percent, and the General Fund contribution has increased by \$75,405 (3 percent) from \$2.51 million to \$2.58 million. However, there is also a one-time reduction in Prior Period Expenditure Adjustment (Risk Management rebate) in the amount of \$412,907. The department requests to use \$180,752 in Youthful Offender Block Grant (YOBG) restricted fund balance, leaving a requested deficit of \$167,404. This budget was balanced in FY 2014-15 by using \$180,752 in YOBG restricted fund balance and this budget is projected to end the fiscal year with approximately \$23,197 in savings.

The CEO recommends approving one of the two requested Juvenile Detention Officer I/II positions, therefore the net-county-cost has been reduced to \$98,545 which will be funded by Prop 172 Reserves.

ADULT REHABILITATION CENTER CONSTRUCTION

On October 15, 2013 the Board accepted the \$20 million conditional award from the state and appropriated \$2.5 million for the County's cost of the project.

Adopted appropriations are \$1.9 million, offset with use of project fund balance. Expenditures will support staff and consultant work for design and construction management, state contract negotiations, California Environmental Quality Act (CEQA) compliance, state Real Estate Due Diligence costs, site preparation, as well as permits and fees.

From time-to-time the project fund will experience negative cash while awaiting state reimbursement. The Board of Supervisors will be asked to adopt a resolution which will authorize the Auditor-Controller to advance funds from the General Fund to the project, as needed, to be repaid with interest at the pooled-funds rate.

PUBLIC WORKS

The Department of Public Works consists of the following divisions: Facilities Management, Fleet Management, Road Operations, and County Service Areas.

The FY 2015-16 Road Fund includes appropriations in the amount of \$17.4 million and revenues in the amount of \$14.8 million. Appropriations exceed revenues by approximately \$2.6 million and will be covered by fund balance. Some of the larger projects that the department plans to undertake in FY 2015-16 are: Olinda Road Improvements, Gas Point Road Improvement, and Deschutes Road Improvements. This year, the Department lost approximately \$2 million in funding from the reduction in State Highway User Tax. The department is optimistic that funding will be restored in the future; however, it is not known when the funding will be restored.

The Department requests to move four positions to other cost centers to more accurately reflect where their work is being performed. An Accounting Technician is being moved to Facilities Management and three positions are being moved to the Solid Waste Division: two Associate/Assistant/Junior Engineers and one Supervising Engineer. The Department has also

requested the deletion of two unfunded vacant positions: an Engineering Technician and a Road Maintenance Worker I/II.

The Department is also consolidating five different classifications to two classifications. Below is a description of consolidation.

- 4 Road Maintenance Supervisors
 - 1 Special Crews Supervisor
 - 1 Supervising Equipment Mechanic
- } Maintenance Supervisor
-
- 5 Lead Road Maintenance Workers
 - 1 Lead Special Crews Worker
 - 1 Supervising Equipment Mechanic
- } Lead Maintenance Worker

The **Facilities Management Division** is financed through charges for service to user departments and does not receive General Fund support. The Division has requested to delete an unfunded vacant Senior Account Clerk and the addition of an Accounting Technician from Public Works-Roads. The Division has requested two capital asset pickup trucks and the replacement of the asphalt shingled roof of their shop with a metal roof.

The **County Service Area Administration** budget reflects the fiscal activity of the “umbrella” organization, which provides operational and administrative support to the County Service Areas. This budget unit is fully supported by administrative fees levied in the benefiting County Service Areas.

RECREATION

The Recreation budget unit provides for the maintenance of the French Gulch Park, Hat Creek Park, and the Balls Ferry Boat Ramp. Projects scheduled for FY 2015-16 for this budget unit include the replacement of the roof of the building at the Balls Ferry Boat Ramp and an erosion control project at French Gulch Park.

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.

Environmental Health is charged with the responsibility for enforcement of pertinent California health laws, rules, regulations, and Shasta County Ordinances. The division also provides specific permit and inspection programs which involve sewage disposal, individual wells, solid waste, hazardous materials storage and disclosure, underground tanks, food service facilities, public drinking water systems, swimming pools, housing and institutions, and medical waste management. The General Fund continues to support one full-time Senior Environmental Health Specialist position that works on un-reimbursed community Environmental Health programs.

The **Building Department** serves as the code enforcement arm of the Resource Management Department. This includes serving as the code enforcement officer for Medical Marijuana cultivation. The Department is requesting, and the County Executive Officer recommends an increase in General Fund support for additional extra help staff authorized by the Board of Supervisors in January 2015 to address nuisance complaints generated by the cultivation of medical marijuana. The General Fund trans-in for the Building Department has increased from \$264,011 in FY 2014-15 to \$488,769 for FY 2015-16.

The **Planning Division** serves as the land use information center for the County. This division of the Department of Resource Management serves as an integral part of the "planning agency" for the County, the agency being comprised of the Planning Commission, the Board of Supervisors, and adjunct departments. Building and planning activity is relatively stable and the department is concentrating on several projects, including the General Plan. A General Fund contribution of \$398,000 is budgeted 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. Each fiscal year we increase the appropriation from General Revenue to Planning to offset the expense of the update, but we only transfer actual expenses. Year to date, approximately \$40,000 has been spent on the update.

TITLE III PROJECTS

In April 2015, Congress reauthorized the program for two years. After the two year extension, the future of the Secure Rural Schools Act is unknown.

TRIAL COURTS

The County worked closely with the City of Redding, the local Court, and the Judicial Council of California Administrative Office of the Courts (JCC) on siting the **new courthouse building**. The County and the JCC executed a Purchase Acquisition Agreement whereby the JCC exchanged its equity in the Main Courthouse and Courthouse Annex, and the Justice Center, for the Public Safety Building. The agreement allows each party to holdover in their respective buildings. The Recommended Budget includes \$1 million for activities related to relocating the Sheriff and the Probation Department from the Public Safety Building. The start-date for construction of the new courthouse building has been delayed due to the State budget. The CEO will work with the JCC to extend our holding over in the Public Safety Building. The County purchased two office buildings located on Court Street, to remodel into offices for the Probation staff currently located in the Public Safety Building. It is anticipated that the remodel project will be completed by the end of 2015, and staff should be moving in the first part of 2016. Locating suitable office space for the Sheriff's operations is still in process. 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 a minimum of \$8 million.

VETERANS HALLS

Projects scheduled for FY 2015-16 include exterior painting of the fascia and gable end siding and replacement of kitchen lighting at the Fall River Mills Veterans Halls. In FY 2014-15, the exterior of the Fall River Mills Veterans Hall was painted, for the Burney Veterans Hall the parking lot was re-stripped and the interior painted and for the Redding Veterans Hall, the foyer doors were repaired.

COUNTY WORKFORCE

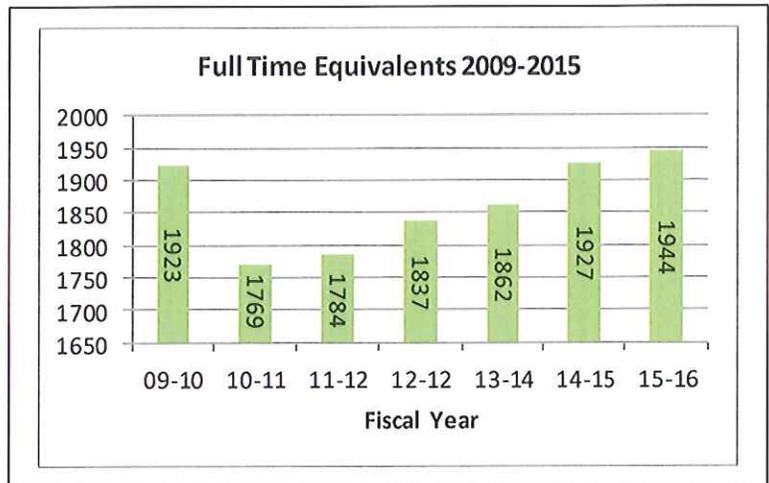
The Adopted Budget provides for a workforce of 1,944 full-time-equivalents (FTE's). This includes a net increase of 13.5 FTE's. Included in the changes is the deletion of 37 unfunded vacant positions. The sunset date for 79 positions will be extended, and two positions will have their sunset date removed. We attach a sunset date to positions whenever the funding is time-limited, or if the funding is uncertain. Annually, we monitor the sunset dates and recommend extension or deletion as appropriate. Seven (7) new position classifications are recommended, as follows: Lead Personnel Assistant-

Confidential (Personnel); Public Defender Investigator I/II (Public Defender); Lead Maintenance Worker and Maintenance Supervisor (Public Works); Lead Community Mental Health Worker (Mental Health); IT Application Support Analyst and IT Supervisor (Information Technology).

As of May 18, 2015, total vacancies were 233, or 12.0 percent. Some of the vacancies may be due to the County's Controlled Hiring Process. The CEO confers 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. The County's vacancy factor is typically 10 percent.

The CEO will continue to review all requests for new positions to ensure they are offset by long-term reliable revenue.

The following chart details the various changes to the number of Full-Time Equivalents (FTEs):



Position Changes Adopted 2015-16			
Departments	Adds	Deletes	Net
Alcohol & Drug		-1	-1
Auditor-Controller	1	0	1
District Attorney	6	-2	4
DA-Victim Witness (256)	1	-1	0
Elections	2	-2	0
Facilities Management	1	-1	0
HHS Business & Support Svcs.	10	-3	7
Housing	1	0	1
Information Technology	2	0	2
Juvenile Hall	1	0	1
Mental Health	5	-5	0
Mental Health Svcs Act		-1	-1
Opportunity Center	3	-2	1
Perinatal Svcs		-1	-1
Personnel	1	0	1
Probation (263)		-10	-10
Public Defender	3	-3	0
Public Health	5.5	-8	-2.5

Position Changes Adopted 2015-16			
Departments	Adds	Deletes	Net
Public Works-Roads	13	-19	-6
Public Works-Solid Waste	3		3
Sheriff-Patrol (235)		-9	-9
Sheriff-Boating (236)		-2	-2
Sheriff-Civil (237)		-1	-1
Sheriff-Detention Annex (246)		-1	-1
Sheriff-Jail (260)		-6	-6
Sheriff-Burney (261)	1		1
Sheriff-Animal Reg (297)		-2	-2
Social Services	35	-1	34
Veterans Services	1	-1	0
	95.5	-82	13.5
Extend Sunset Dates			
HHS Business & Support Svcs.	2		
Mental Health Svcs Act	7		
Public Health	3		
Social Services	69		
	79		
Remove Sunset Dates			
Public Defender	1		
Probation	1		
	2		

The Adopted Budget does not rely on the use of unallocated salary savings. Following the Board's direction to delete long-term vacancies, it is not necessary to budget for unallocated salary savings. The Auditor-Controller provided assistance in identifying and adjusting salaries and benefits as necessary.

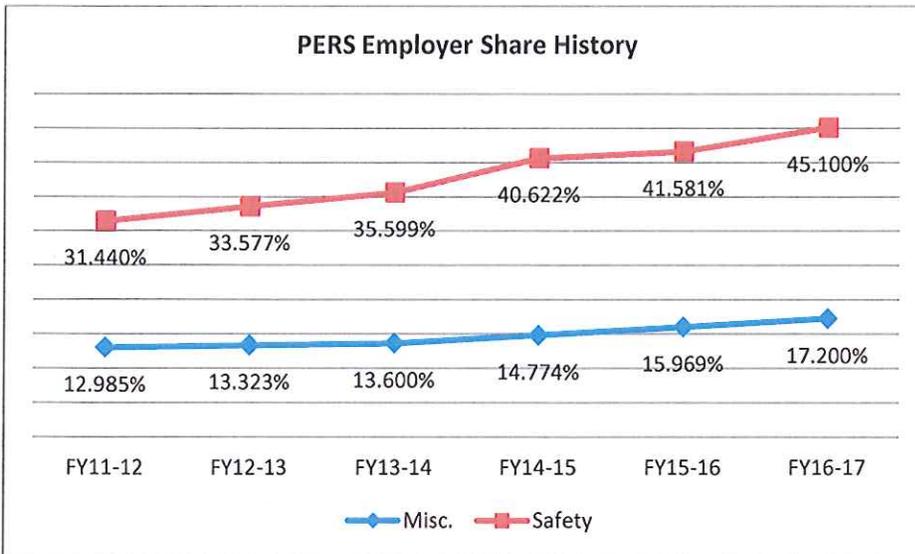
EMPLOYEE BENEFITS

The cost of workers compensation insurance, CalPERS retirement, health insurance rate increases, and retiree health care continue to impact the County. In March 2014 the Board of Supervisors adopted a confidence level with a range between 80 to 90 percent for the County's self-insured workers' compensation and liability insurance programs. The County is committed to maintaining a prudent reserve.

The County's employer share of CalPERS ("PERS") retirement had already experienced volatility due to the investment losses PERS experienced during the downturn in the market. In April 2012, PERS announced an assumption change which included the reduction of the discount rate from 7.75 percent to 7.5 percent. Additionally, PERS changed other important benchmarks such as the average mortality of retirees and their survivors. In April 2013, PERS announced a change in their amortization and smoothing policies. That is, they will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period. In March 2014, PERS again changed its actuarial assumptions which will result in employer contribution rates increasing starting in 2016-17, with the cost spread over 20 years with the increases phased in over the first five years and ramped down over the last five years of the twenty year amortization period. Since 2011-12, on average the PERS-

Miscellaneous rate increased less than one percent a year, and the PERS-Safety rate increased three percent a year. It is yet uncertain what impact pension reform will have on employee retirement. The County successfully bargained reduced retirement benefits with labor, many of which are now the state-norm. While beneficial to the County's long-term fiscal health, these pension changes will not realize any immediate financial benefit.

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 now pay the employee share of PERS retirement, and new hires will be working longer (to age 62 for miscellaneous and 57 for public safety) and their retirement will be based on the average of high three years (instead of highest year).



The County of Shasta provides post-retirement medical and dental benefits (OPEB) 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 estimated Unfunded Actuarial Liability as of June 30, 2014, is \$162 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 charge, as a percent of payroll, effective July 1, 2008. This percentage will increase to 3 percent effective July 1, 2015. Additionally, one-time additions to the OPEB-Trusts are made when funding is available. The combined assets of the two OPEB-Trusts are \$32 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.

BONDED INDEBTEDNESS

At the end of June 30, 2014, the County had total debt obligation outstanding of \$44.2 million. Of this amount, \$37.0 million comprises bonds that are secured by the County's lease rental payments and other dedicated sources of revenue, and \$891,900 of special assessment debt secured by property subject to the assessment. The remainder of the County's debt represents loans secured solely by specified revenue sources.

Moody's Investors Service assigned an A1 rating to the Shasta County Lease Revenue Refunding Bonds 2013 Series A. The rating action reflects the County's solid fiscal position including satisfactory cash levels, well-sized though recently pressured tax base, the legal covenants of the bonds and the County's modest debt profile. The County has consistently reduced its expenditures which enabled it to avoid material deficits while maintaining solid cash and general fund reserves. Pressures on the County's fiscal outlook are caused by state and local economic factors outside the County's control.

In 2014, Standard & Poor's (S&P) raised the County's credit rating from "A" to "A+" while affirming the stable outlook. The stable outlook reflects their opinion of the County's strong budgetary flexibility and liquidity supported by strong performance. Further, the County is supported by strong institutional framework. As with Moody's rating, S&P's rating is lowered somewhat by our weak local economy.

CALIFORNIA STATE BUDGET

The Governor's "May Revise" Budget was released on May 14, 2015. His focus is on preserving fiscal stability. The May Revise proposes new spending in only three areas: creating a first-ever California Earned Income Tax Credit to assist the state's lowest-income workers (\$380 million); holding tuition flat at the state's universities for California undergraduate students for two more years, and temporary assistance to the University of California to pay down its unfunded pension liability; and lastly, providing health care and other safety net services to currently undocumented immigrants who gain Permanent Residence Under Color of Law status under the President's executive actions.

While the budget plan assumes the continued expansion of the economy, the May Revise cautions that it is inevitable that a recession is on the way. The latest recovery has already exceeded the average by one year. Higher revenues will be both saved and used to pay down debts. The State will have a Rainy Day Fund of approximately \$3.5 billion by June 30, 2015. They will repay the deferrals due to schools and community colleges (\$1 billion); make the last payment on the Economic Recovery Bonds that were used to cover budget deficits as far back as 2002; and repay local governments the final mandate reimbursements for activities in 2004 or earlier (\$765 million).

The Governor's message is that while building a healthy Rainy Day Fund and paying down long-term debt are significant to the State's fiscal health and stability, new ongoing spending could lead the State back into budgetary imbalances by as early as 2018-19.

State legislators passed a \$117.5 billion spending plan on Monday, June 15, 2015, adding \$749 million to the spending plan proposed by Governor Brown. The two plans are similar in many ways, with the exception of increased spending on child care or social programs for the poor.

The CEO will keep the Board apprised of any negative impact on the County budget and the public we serve.

OTHER AGENCY INVOLVEMENT

Every County department head provided input into this report via their budget request. The CEO and/or the CAO analysts met with department heads to discuss their budget request. The CEO 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 FY 2015-16. Departments were allowed to submit a budget request with a target of three percent growth in the General Fund contribution or net-county-cost; overages could be mitigated by spending reductions in FY 2014-15. Exceptions were made for those budgets with a minimum maintenance of effort (MOE), and for certain Board approved projects. General Fund departments are projected to achieve a 14.5 percent reduction in the year ending June 30, 2015, which will result in a fund balance carryover of \$10.9 million

Total funding requirements for the General Fund, which includes the subsidy to non-general fund departments, is \$83.6 million. This will be offset by revenue, \$64.2 million, leaving a structural imbalance of \$21.1 (including a one-time \$10 million transfer to Accumulated Capital Outlay). This will be offset by use of fund balance carryover and General Fund 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.

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.