Fiscal Year 2014-15

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 2014-15 Budget as adopted by the Board of Supervisors on June 24, 2014, 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 2014-15 Budget totals $416,358,513, including Total Governmental Funds, $342,130,842; Internal Service Funds, $35,532,479; Enterprise Funds, $28,817,980; and Special Districts and Other Agencies governed by the Board of Supervisors, $10,041,451. 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

Lawrence G. Lees
County Executive Officer

Attachment - Budget Overview

BUDGET OVERVIEW

The FY 2014-15 Adopted Budget totals **$416,358,513**, including,

GOVERNMENTAL FUNDS
- $214,174,756 General Fund
- $122,155,767 Special Revenue Funds
- $ 2,025,000 Capital Project Funds
- $ 3,775,319 Debt Service Funds
- $342,130,842 Total Governmental Funds

OTHER FUNDS
- $ 35,479,826 Internal Service Funds
- $ 28,706,394 Enterprise Funds
- $ 10,041,451 Special Districts and Other Agencies
- $ 74,227,671 Total Other Funds

This represents an increase of $15.9 million, or 4.0 percent, when compared to the FY 2013-14 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 25, 2014, the Board of Supervisors received the FY 2013-14 Mid-Year Report, and approved the following principles for the FY 2014-15 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. Approval will be granted if the cost of the equipment is fully revenue offset or is critical to program operations.

- 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 2014-15.

The Adopted FY 2014-15 General Fund Budget is $71.5 million, which is essentially status quo when compared to the adjusted FY 2013-14 budget. The prior fiscal year included a one-time appropriation ($2.0 million) for the County's match for the Adult Rehabilitation Facility.

Annually, the Auditor-Controller calculates the County's Maintenance of Effort (MOE) for public safety. The FY 2013-14 adopted budget for all the public safety departments exceeds the adjusted MOE Base by $23,675,193. The County subsidy to the combined health and human services programs has been held static over the last several years.

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 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 prior year the County realized one-time revenue due to the dissolution of redevelopment agencies. It is anticipated that revenue will stabilize in FY 2014-15. 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.

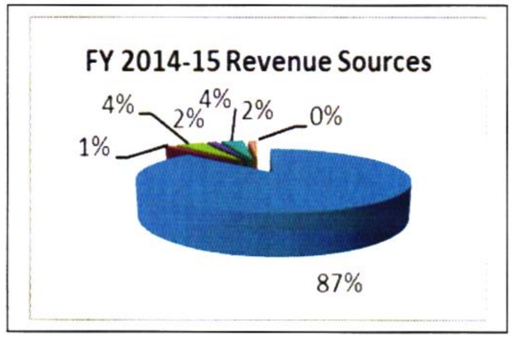
A=Actual, E=Estimated, R=Recommended

Source	09-10A	10-11A	11-12A	12-13A	13-14A	14-15B
Taxes	43,972,983	42,362,880	42,332,244	44,772,811	43,792,301	41,948,000
Franchises	653,816	670,436	664,167	673,232	683,788	600,000
Fines	269,575	397,952	266,119	2,788,983	1,967.583	2,223,000
Interest	359,164	377,705	351,407	204,921	293,750	812,300
Inter Gov	1,987,597	3,800,571	3,442,609	3,321,340	3,347,561	1,813,000
Charges for Svcs	842,902	1,309,903	1,434,789	915,236	888,257	800,000
Misc Rev	8,641	1,300	19,394	27,703	8,007,612	1,200
Sale of Land	48,500	20,400	710,000	0	0	0
Total	48,143,178	48,941,147	49,220,729	52,704,226	58,980,852	48,197,500

A=ACTUAL; B=BUDGETED

FY 2014-15 recommended discretionary revenue is $48.1 million, a decrease of almost $10 million, due to receipt of one-time revenue in FY 2013-14. The following chart illustrates revenue by source or type recognized by the General Purpose Revenue budget unit:

General Revenue Sources 2014-15		
Taxes	41,948,000	87.03%
Licenses, Permits, Franchises	600,000	1.24%
Fines, Forfeitures, Penalties	2,223,000	4.61%
Money & Property	812,300	1.69%
Intergovernmental Revenue	1,813,000	3.76%
Charges for Services	800,000	1.66%
Miscellaneous Revenues	1,200	0.00%
Grand Total	***48,197,500***	***100%***



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.

1991 Realignment (Health and Human Services) sales tax and vehicle license fees (VLF) are dedicated to public health, mental health, and social services and provide the majority of matching funds for numerous state and federal funding sources. After decreasing for several years, VLF reached its base allocation in FY 2012-13 with strong growth which was received in FY 2013-14 for public health and mental health. However, under AB85, beginning in FY 2013-14, a portion of health realignment and growth has been redirected to support the State's share of cost for CalWORKs payments as well as state and county costs associated with increases to the CalWORKs maximum assistance payment (MAP). This redirection of funding will significantly limit the amount of public health growth received in the future. The growth formula in 1991 health realignment has also been changed due to the State taking responsibility for much of the indigent health care population through the Medi-Cal expansion implemented January 1, 2014. It will not be clear until September 2014, when FY 2013-14 growth calculations are released, how this change in the formula will impact public health growth payments into the future. Sales tax realignment revenue is expected to continue to grow in FY 2014-15 due to an improved economy, and the growth in revenue will fund final repayment of prior years' unpaid caseload growth.

2011 Realignment (Health and Human Services) revenues are being received as anticipated. Under 2011 realignment, social services programs receive payment for costs previously paid for by the state general fund, with the majority of sales tax collected in excess of base allocations directed to a $200 million statewide restoration of funding for child welfare services. Restoration is projected to be complete in FY 2014-15, with growth payments then distributed between protective services and behavioral health. The 2011 realignment structure includes preferential treatment of behavioral health, intended to compensate for financial treatment that favored health and social services under the 1991 realignment mechanism.

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 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 2014-15 budget at their February 19, 2014 meeting and included it in their respective FY 2014-15 budget requests. Funding for FY 2014-15 is expected to be $7 million and appropriations are requested at $8.6 million, balanced with use of $1.6 million in carryover AB109 Restricted fund balance. Projected fund balance at the end of FY 2014-15, including FY 2013-14 growth funds to be received in FY 2014-15, is $2.1 million. For a second year, the CCPEC approved FY 2014-15 funding augmentations in the District Attorney's and Public Defender's budgets as they were responsible to staff nearly all revocation hearings beginning July 1, 2013 as part of the continued transfer of state responsibilities to counties; this includes all Mandatory Supervision, all Post Release Community Supervision (PRCS), and most of state Parole's revocation hearings, as well as the Probation revocation hearings they have always staffed. Additionally, felony case filings continue to increase and the District Attorney and the Public Defender will also play crucial roles in the two new specialty courts (Behavioral Health Court and Re-Entry Court) that were implemented in January 2014. The CCPEC approved the additional revenue because the 2011 Realignment allocation to the District Attorney and Public Defender (which is separate from the AB 109/CCP allocation) does not even fund full-time attorney position and does not include any funding for support staff, training, equipment, supplies, etc.

The state and a nine-member CEO workgroup are currently working on new CCP and DA/PD funding allocation methodology for FY 2014-15, and growth fund allocations (however, the state Department of Finance has the authority to make the final determination on the growth allocations). The Governor's 2012 November ballot initiative, called the Schools and Local Public Safety Protection Act of 2012, included a Constitutional Amendment to protect realignment funding for counties and was approved by the voters on November 6, 2012. The Constitutional Amendment protects the state funding source for 2011 Realignment revenue which comes from Vehicle License Fees (VLF) in the statewide amount of $453.4 million and 1.0625% of the state's sales and use tax (SUT) that would have ordinarily gone to the state general fund. Both of these funding sources, though now constitutionally protected are not stable, as receipts are directly related to the health of the economy, and the ever-changing allocation methodology.

As reported in the media, the Governor is under pressure to release an additional 10,000 inmates from prison by February 28, 2016 to meet the Three-Judge Panel's order to reduce state prison capacity to 137.5 percent of designed capacity. Therefore it is possible that we could see the AB 109 population grow to levels higher than estimated with no additional funding.

Finally, the state is projecting a decline in AB 109 funding. When the state originally projected AB 109 population numbers associated with the implementation of AB 109, the two largest components were (1) the offenders who now serve time for lower-level felonies in county jails and (2) the PRCS population who are now supervised county probation departments following release from state prison. The latter cohort was expected to diminish in the fourth year of implementation (FY 2014-15), and the state assumed a commensurate drop in funding. It now appears, however, that counties are seeing a flattening[1] - but not a significant drop - in the PRCS population. The table below details anticipated funding to be received by counties in this and next fiscal year.

In millions	2013-14	2014-15	Difference
AB 109 programmatic funding	998.9	934.1	(64.8)
AB 109 growth	86.7	64.3	(22.4)
Total	**$1,085.6**	**998.4**	**(87.2)**

1 http://www.cpoc.org/assets/Realignment/dashboard.swf: Most recent Chief Probation Officers of California (CPOC) data show that PRCS releases remain higher than anticipated; monthly numbers for the last quarter available (Quarter 1, 2013-14) indicate the population being released from prison is running between 103% and 114% higher than estimates.

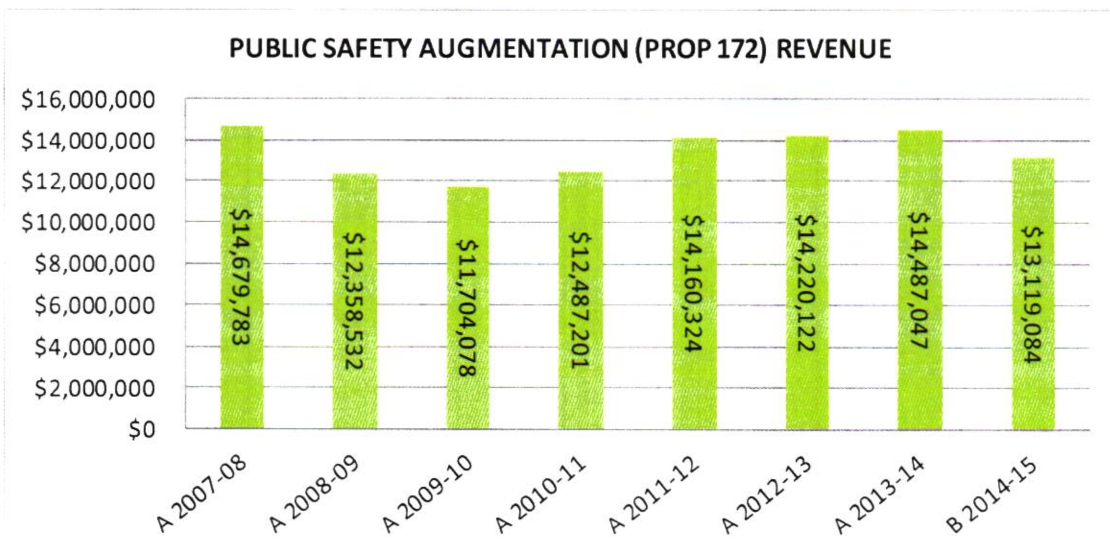
The State plans to accelerate early releases of "non-violent" and "Non-sex-offender" second strikers; the Governor's Budget did include a one-time statewide payment in the amount of $11.3 million to go directly to Probation Departments to supervise these early released second-strikers on Post Release Community Supervision. Shasta County Probation will receive a one-time payment of $92,250, to supervise an estimated 32 offenders between fiscal years 2014-15 and 2016-17.

The Governor's Budget will benefit counties as follows:

- Funds for CCP implementation grants, to assist counties in their efforts to update and report to the state on their CCP Plans; $100,000 for Shasta;
- Additional funding for the Governor's Reentry Proposal, whereby state prisoners with mental health issues being released from prison will have access to services 6 to 12 months prior to release;
- Additional funding to city police departments for realignment related impacts ($27.5 million in FY 2013-14, $40 million in 2014-15);
- Additional funding for the Governor's Recidivism Reduction Fund which provides funds for "State Reentry in the Community," which provides a variety of reentry programs to state prisoners who are one year from release; CDCR and county probation departments will work with these offenders prior to release, and contemplates that probationers and parolees could be referred to these facilities or programs by the probation officer, the parole agent, or the court;

Finally, the CDCR has agreed to reduce the Fire Camp contract rate to $10 per day per inmate (while in training, the rate is $81 per day per inmate).

Receipts from **Public Safety Augmentation Proposition 172** sales tax have not shown any growth in the current year; receipts to date are just one percent above the prior year. The County's pro-rata share of this sales tax was decreased for a second year (from 0.004889 to 0.004734) in mid-year, and the State recouped over $187,000 with the 5th distribution. We are cautiously optimistic the receipts will at least meet the budget target.



A=Actual, E=Estimate, B=Budgeted

Public Safety Augmentation (Proposition 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, 2013, the Prop 172 Reserve was $2.5 million. The Juvenile Rehabilitation Facility was authorized to use $507,854 for FY 2013-14, leaving a remaining balance of $2.1 million in reserve. The Recommended Budget draws down the Prop 172 Reserve, as follows:

Beginning Balance, 7/1/2013	$2,011,428
FY 2013-14, Probation 263	$ 267,337
FY 2014-15, Probation 263	$ 481,966
FY 2014-15, District Attorney 227	$ 271,880
FY 2014-15, Sheriff 235	$ 56,129
FY 2014-15, Boating 236	$ 7,307
FY 2014-15, Jail 260	$ 874,897
FY 2014-15, Dispatch 288	$ 51,484
Total Used	$2,011,000
Ending Balance, 6/30/2015	$ 428

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.

The **General Reserve** is approximately $10.5 million. This is 3 percent of total Government Funds appropriations ($341.6 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 3 percent growth in the General Fund contribution or Net-County-Cost, which could be achieved by spending reductions in FY 2013-14. For the fiscal year ending June 30, 2014, the General Fund is projected to realize a 12 percent reduction in expenditures, and a reduction to the net-county-cost ($10 million).

The Adopted FY 2014-15 General Fund Budget is $71.5 million, which is essentially status quo when compared to the adjusted FY 2013-14 budget.

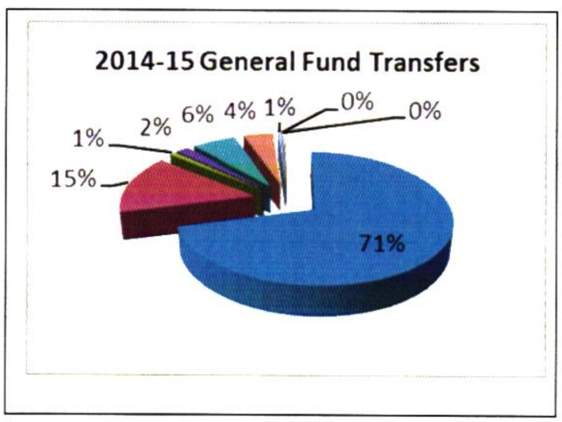
In the aggregate, the Adopted FY 2014-15 budget for ***select*** budget units, excluding special districts, totals $405.7 million, which when compared to the 2013-14 Adjusted Budget, is an increase of $2.3 million, or less than one percent.

The following Table compares by Fund the 2013-14 Adjusted Budget (at 01/31/2014), versus estimated expenditures at 6/30/2014, with the 2014-15 Adopted Budget for ***select*** budget units.

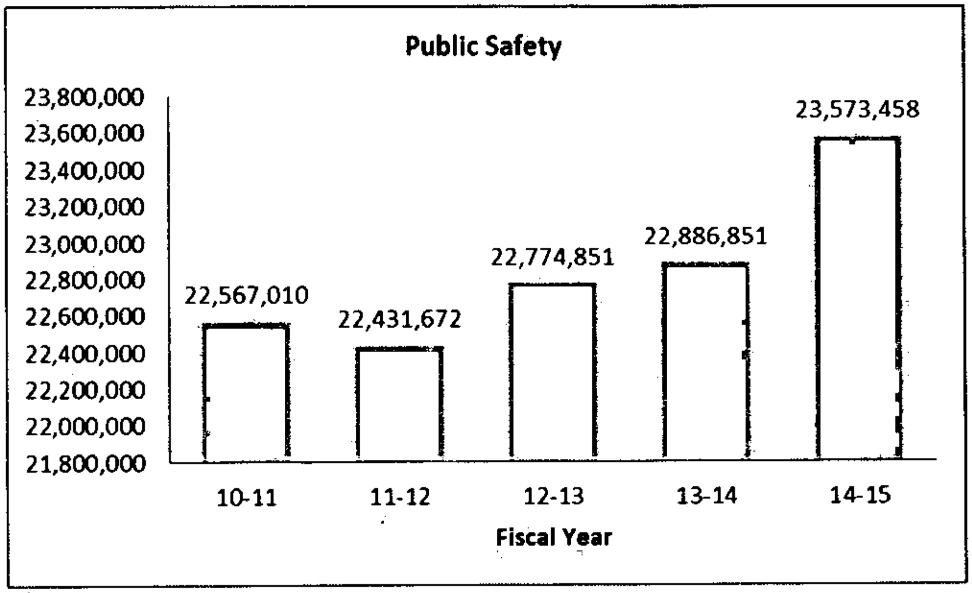
Functional Area	Adjusted 13-14	Estimate 6/30/14	% Inc/Dec	Adopted 14-15	% 14-15 vs 13-14
General Fund	71,444,034	62,381,961	-12.68%	71,579,616	0.19%
Accumulated Capital Outlay	2,686,000	2,661,000	-0.93%	25,000	-99.07%
Juvenile Hall Construction	6,700,359	3,089,799	-53.89%	0	-100.00%
Adult Rehab Construction	500,000	500,000	0.00%	2,000,000	300.00%
Land Buildings & Improvements	2,359,675	546,676	-76.83%	82,960	-96.48%
Resource Management	5,111,294	4,430,075	-13.33%	5,801,372	13.50%
Mental Health	23,730,968	24,021,669	1.22%	26,717,169	12.58%
Mental Health Services Act	10,261,631	7,848,818	-23.51%	10,389,591	1.25%
Intermountain Fair	776,587	711,295	-8.41%	26,758	-96.55%
Library	1,389,147	1,355,547	-2.42%	0	-100.00%
Opportunity Center	4,579,966	4,272,402	-6.72%	4,861,358	6.14%
Public Assistance	100,119,039	95,728,357	-4.39%	105,081,240	4.96%
Roads	31,895,864	19,717,487	-38.18%	21,919,043	-31.28%
Child Support	7,802,751	7,067,723	-9.42%	8,292,640	6.28%
Public Safety	61,575,728	55,975,259	-9.10%	63,439,086	3.03%
Public Health	21,216,536	17,521,971	-17.41%	16,885,677	-20.41%
Internal Service Funds	26,561,215	20,386,080	-23.25%	35,479,826	33.58%
Enterprise Funds	15,009,229	4,634,959	-69.12%	23,766,295	58.34%
Air Pollution Control	1,943,816	1,676,051	-13.78%	1,388,682	-28.56%
CSA #1 County Fire	6,348,528	5,492,277	-13.49%	6,362,440	0.22%
Shasta Co. Water Agency	484,862	309,411	-36.19%	394,128	-18.71%
IHSS Public Authority	359,456	374,821	4.27%	459,750	27.90%
All Others	555,684	166,944	-69.96%	794,263	42.93%
Grand Total	403,412,369	340,870,582		405,746,894	
Increase <Decrease>		-62,541,787	-15.50%	2,334,525	0.58%

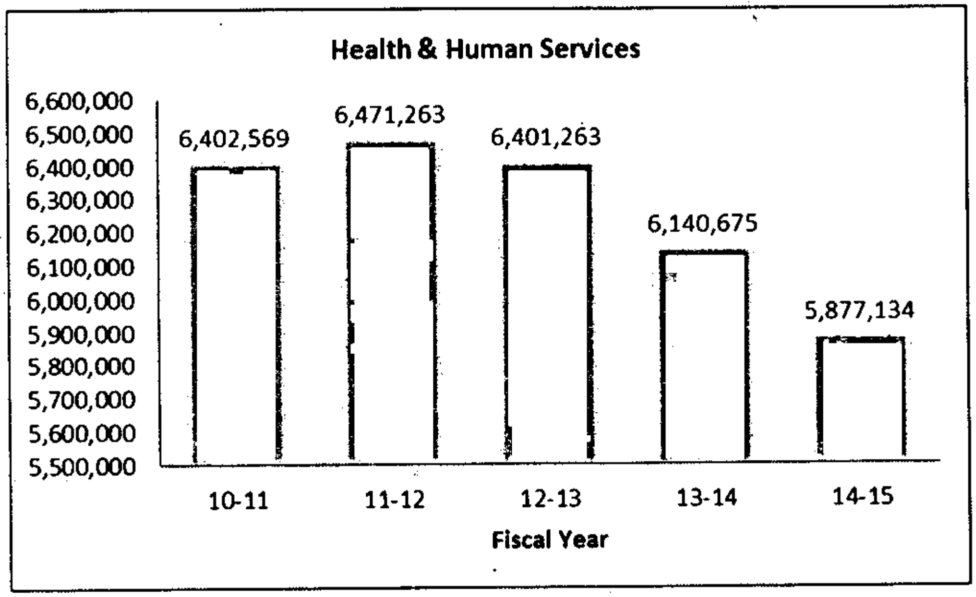
Fiscal Year 2014-15 General Fund subsidies to operating departments outside the General Fund total $33,299,938, as follows:

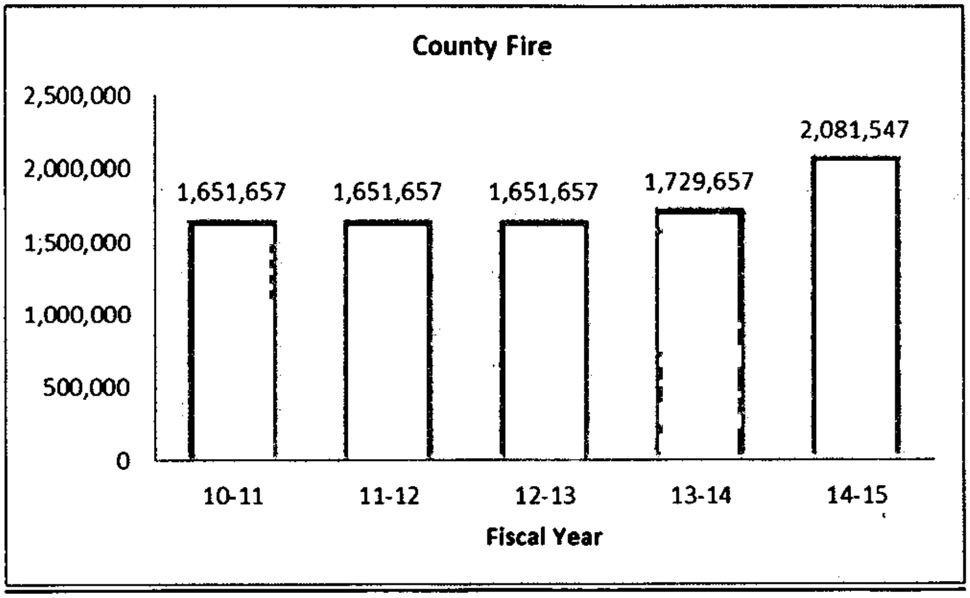
GENERAL FUND TRANSFERS-OUT 2014-15			
Public Safety	$	23,573,457	70.79%
Social Services	$	4,903,673	14.73%
Mental Health	$	294,990	0.89%
Public Health	$	609,589	1.83%
County Fire	$	2,081,547	6.25%
Resource Mgmt	$	1,457,840	4.38%
Capital Proj & ADA	$	182,960	0.55%
IHSS	$	68,882	0.21%
Others	$	127,000	0.38%
Total	***$***	***33,299,938***	***100.00%***

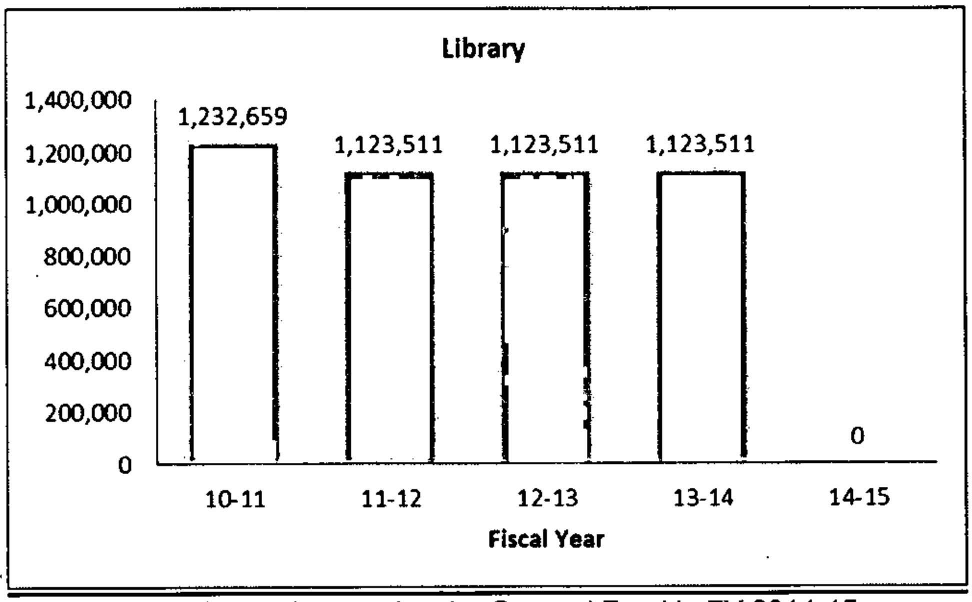


A comparative look at General Fund subsidies including the adopted subsidy for Fiscal Year 2014-15 is included below:

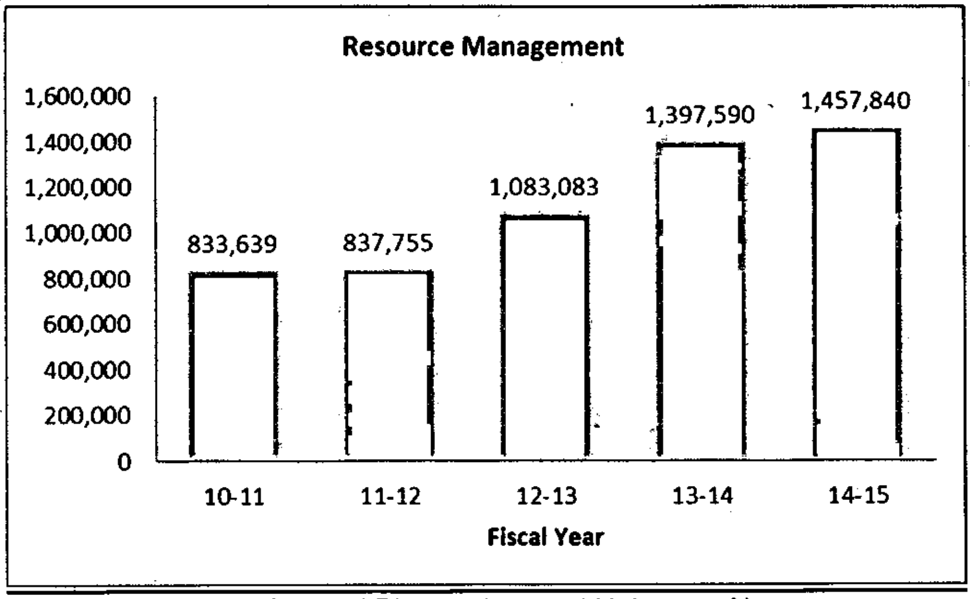




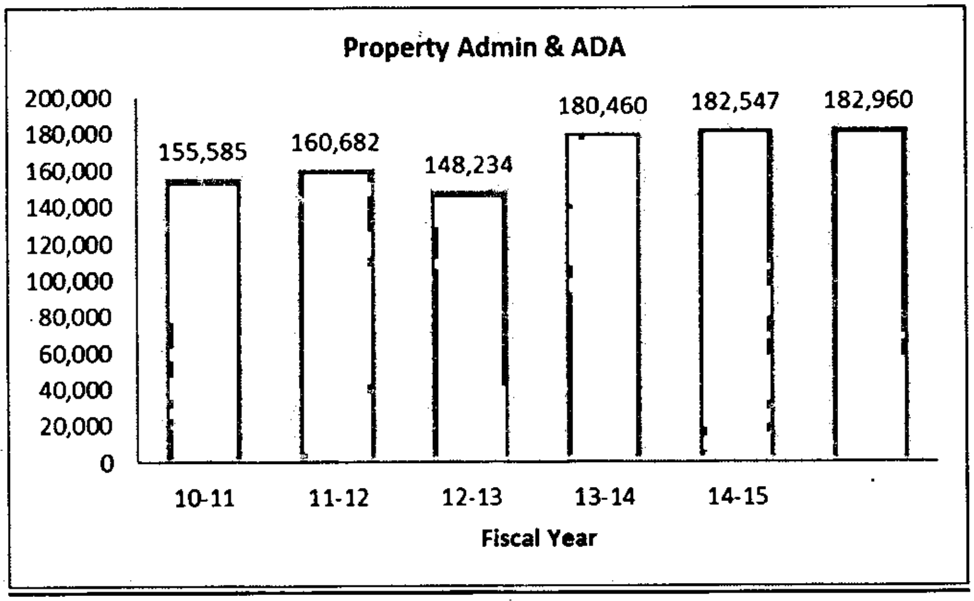


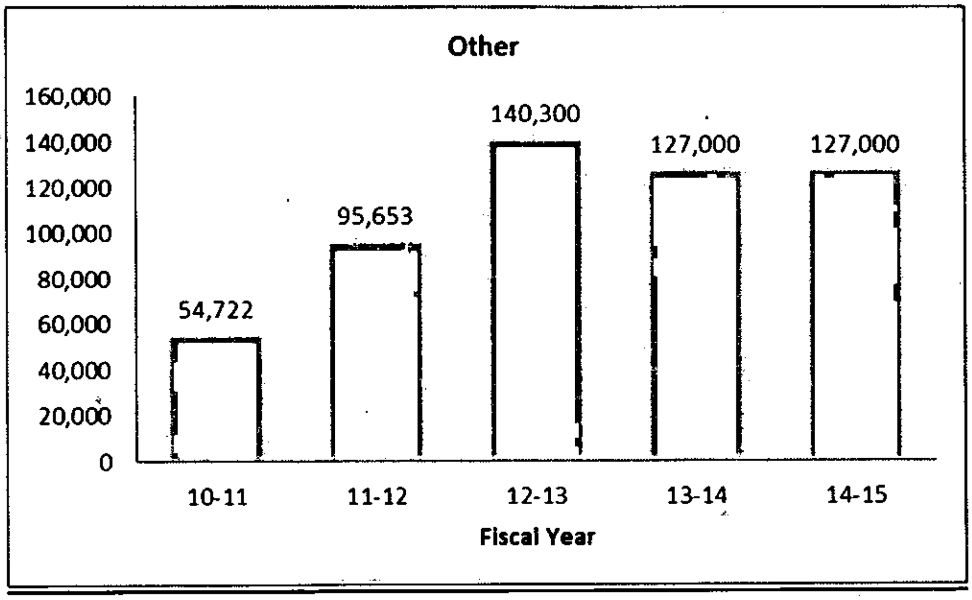


The Library budget unit moved to the General Fund in FY 2014-15



Increase due to the General Plan update and Nuisance Abatement





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. SB 485 became law and changed how the cooperative state/county Weighmaster inspection program is managed. This bill requires Sealers to add several additional inspection requirements to their Weighmaster inspections in order to confirm that junk dealers are in compliance with newer requirements that apply to the buying and selling of non-ferrous metals. This bill is meant to be an additional tool to fight the proliferation of metal thefts in the state.

The department plans to present an amendment to the Board of Supervisors before June 30, 2014 to amend the department's current fee schedule. If approved, these changes should add approximately $33,000 in fee revenue to the department annually.

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 2013-14 there were 108,643 locally assessed properties in Shasta County with a taxable value of $15,058,743,748 generating more than $150 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 2.79 percent in taxable value and property tax revenue over the previous year.

CAPITAL PROJECTS

The Capital Projects budget (Land, Buildings and Improvements) includes 7 projects totaling $2.2 million: 1) Placer Street DPW Upper-N Remodel, $363,548; 2) MHSA Breslauer Remodel, $1.3 million; 3) Mental Health Building Roof, $25,000; 4) Opportunity Center Transit Shelter, $50,000; 5) Jail Phase-1 Hot Water System Upgrade, $185,000; 6) Social Services Cascade Building Addition, $250,000; and 7) Facilities Management Building Roof, $45,000. Each project is funded by a dedicated funding stream and none require a General Fund contribution.

Additionally, planning is underway for a new adult rehabilitation facility. This multi-year project includes appropriations of $2 million in 2014-15. 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 requested at status quo for the FY 2014-15 Requested Budget, or $6.3 million. Salaries and Benefits are also status quo at $360,436. Services and Supplies are requested at $1.4 million, a 3.1 percent reduction compared to the FY 2013-14 Adjusted Budget. Other Charges are requested at $3.7 million, a 14.8 percent increase ($485,652) due to increased Central Service A-87 charges and a requested increase of $440,230 (13.8 percent) in the CAL FIRE administrative contract in order to fund Engine 43, and related staff, located at the CAL FIRE station on Airport Drive (this is a county-funded engine). 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 2013-14 the contract was budgeted at $3,192,238 but projections for actual costs are currently at $2,560,000.

The department has requested $800,000 in replacement capital assets for FY 2014-15, a decrease of $426,933, or 34.8 percent, from the FY 2013-14 Adjusted Budget. The requests for FY 2014-15 replacement capital assets include one fire engine for Airport Station 43, one water tender for Volunteer Fire Company (VFC) 33 Bella Vista, two four-wheel drive trucks for administration (one for training and one for fleet), and two Lifepak (15 cardiac monitor defibrillators) for VFC 11 Hat Creek.

Revenue totals for FY 2014-15 are requested at just over $5.2 million, an increase of 14.5 percent, or $666,282 from the FY 2013-14 Adjusted Budget. This is primarily due to a one-time prior period expenditure adjustment (Risk Management rate refund) in the amount of $324,743 and an additional request of $711,899 in General Fund transfer-in support above the recommended three percent increase, to fund Engine 43 (this is a county-funded engine located at CAL FIRE station on Airport Drive) for the entire 2014-15 fiscal year.

The FY 2014-15 Requested Budget General Fund support is $2,493,446 compared to $1,729,657 in the FY 2013-14 Adjusted Budget (compared to $1,651,657 in the FY 2012-13 Adjusted Budget which was increased by $78,000 to fund the increased Volunteer Firefighter Per Call Stipend from $6 to $12 as approved by the Board on January 15, 2013). General Fund support had declined from a high of just over $2.1 million in FY 2007-08 to $1.6 million in FY 2012-13. However, County Fire continued to provide the same level of services to communities by relying on fund balance. Continued reliance on fund balance to balance the budget could cause the department's fund balance to be depleted by FY 2015-2016 and/or could eventually impact services in the future. The department requests a use of fund balance for FY 2014-15 in the amount of $1,105,534 but projects to return $856,251 to fund balance at the end of FY 2013-14. If the department ends FY 2014-15 as projected there will be approximately $1.15 million remaining in fund balance.

The CEO recommends reducing the General Fund transfer-in by $411,899, or 16.5 percent, which will increase the department's use of fund balance in the same amount. This General Fund support will still allow for a three percent increase over the FY 2013-14 Adjusted Budget, as well as a one-time augmentation of $300,000.

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.

In the 2014-15 Requested Budget the department assumes that there will be one election, the regularly scheduled Gubernatorial General Election in November, 2014.

HEALTH AND HUMAN SERVICES

The combined budgeted fund balance draw for FY 2014-15 from the Social Services, Mental Health, and Public Health reserves is approximately $3.9 million, which is $1.7 million higher than the projected draw for FY 2013-14. The requested HHSA budgets are conservative; however, the reserves could become too low to sustain future years of fund balance draw absent revenue growth or relief from non-mandated services.

There are continued immediate concerns relative to the Mental Health budget. If anticipated revenues don't materialize, HHSA will need to consider taking action in addition to what is proposed in the FY 2014-15 budget. The HHSA budget request for FY 2014-15 includes a proposal to transfer approximately $1.3 million from Social Services 1991 realignment and $481,412 from Social Services 2011 realignment to Mental Health to offset a shortfall in the hospitalization and institutional care areas of the Mental Health budget as well as continued delays in receipt of cost settlement revenue. Since March 2012, costs for acute hospitalization and Institutes for Mental Diseases (IMDs) have stayed at the higher levels. Costs in these categories are projected to be approximately $1 million higher in the current year and $1.2 million higher in the budget year than the FY 2012-13 actual expenditures. Most of the IMD cost is ineligible for Medi Cal reimbursement and, thus, must be supported within department realignment funds. Efforts to curb costs in this area have been somewhat successful and will continue, 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.

Another significant concern is the responsibility for those with mild to moderate diagnosed mental health illnesses. Currently, services for this population are administered by health plans, while counties, through managed care, are responsible for those diagnosed with severe mental health illnesses. With the State's continuing efforts to divert costs to counties, discussions are occurring about shifting responsibility for those with mild to moderate diagnosed mental health illnesses to counties with no additional funding attached. Shasta County is working closely with the County Mental Health Director's Association (CMHDA) to participate in these ongoing discussions and ensure county mental health departments' are represented.

INTERMOUNTAIN FAIR

In FY 2011-12, the California Department of Agriculture, Division of Fairs and Expositions funding was eliminated from the state budget. Since this loss of funding the Intermountain Fair has been using fund balance to balance their budget. On January 28, 2014, the Board of Supervisors approved the County to enter into an agreement with the Intermountain Fair Heritage Foundation to lease the Intermountain Fair Grounds and operate the annual County fair.

PUBLIC DEFENDER

The FY 2014-15 budget requests appropriations of $3.77 million, which is $245,449, or 7 percent, more than the $3.52 million FY 2013-14 Adjusted Budget. Salaries and Benefits are requested at almost $3.2 million, compared to $2.94 million in the FY 2013-14 Adjusted Budget, primarily due to the one-time increase in Other Post-Employment Benefits (OPEB), and standard increases in retirement and health insurance. Services and Supplies are requested at $514,357, status quo. Central Services A-87 charges have increased 19.2 percent over the FY 2013-14 Adjusted Budget, from $60,764 to $72,436.

Revenues are requested at $214,556, which is $20,839, or 10.8 percent, more than the FY 2013-14 Adjusted Budget. This increase is due a one-time Risk Management rate rebate in the amount of $61,433. More importantly, there is a projected 12.2 percent decrease in Public Defender 2011 Realignment revenues, from $94,536 to $83,123, which includes estimated growth funds to be received in FY 2014-15 in the amount of $17,782 (down from $23,919 in FY 2013-14), along with a 31.2 percent decrease in realignment revenue allocated from the Community Corrections Partnership (CCP) Executive Committee in the amount of $45,000 (from $91,808 in FY 2013-14) to help fund an extra-help Social Worker position ($36,000) and financial support to help fund one full-time attorney position and one full-time social worker position dedicated to realignment ($9,000); the department is using $87,877 in realignment restricted fund balance leaving a $14,719 balance. The net county cost is requested at $3.55 million, which is a 6.7 percent increase ($224,610) from the FY 2013-14 Adjusted Budget. However, due to thoughtful and efficient operations throughout the year the department projects $124,552 in savings at the end of FY 2013-14.

Except for two minor technical changes that do not change the net county cost, the CEO recommends the budget as requested by the department head, including extending the sunset date for the CCP-funded attorney to June 30, 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 decrease Public Safety Augmentation (Prop 172) revenue in the same amount that was offset by the one-time Risk Management rate rebate, $2.7 million. The District Attorney, Chief Probation Officer, and the Sheriff have worked diligently to provide a FY 2014-15 budget that protects public safety and fulfills their core missions with consideration for the County's overall fiscal health.

Funding for public safety subvention programs such as booking fees, small and rural sheriff's grants, COPS, SAFE, CalMMET, juvenile reentry, juvenile justice, Youth Offender Block Grant, and juvenile probation is now funded with 2011 Realignment and the funding source is constitutionally protected via Proposition 30 approved by the state's voters on November 6, 2012. State revenue projections have been realized and stable since FY 2011-12.

Total Adopted FY 2014-15 appropriations for the public safety group are $63.4 million, an increase of $3 million from the current year primarily due to the new and expanding county duties and obligations related to 2011 Realignment (such as continuing to expand enrollment at the Community Corrections Center/Day Reporting Center and the Sheriff's Work Release Program, implementing two new specialty courts (Behavioral Health Court and Re-Entry Court), as well as increasing enrollment of low-level offenders in to programs, services, and treatment) and increased operational costs for the new Juvenile Rehabilitation Facility. Revenues from all sources total $57.1 million, including $23.5 million from the General Fund and $10.8 million from Public Safety Augmentation. To balance his budgets, the Sheriff will utilize a little over $2.6 million in fund balance, the District Attorney will use $1.1 million in fund balance, and the Probation Department will use $2.5 million in fund balance. However, of these amounts, which total a little over $6.3 million, $3.1 million is from Restricted fund balance accounts such as 2011 Realignment, asset forfeiture, and SB 678 (revenue from the state related to shared savings by reducing the number of adult felony probationers who return to prison) and $1.6 million is from Public Safety Augmentation reserves ($348,943 in also allocated for FY 2013-14 projected overages in the Probation, $267,337, and the Jail, $81,606, budgets); therefore the three department's request a use of Public Safety fund balance in the amount of $1.3 million in order to balance their FY 2014-15 budgets and of this amount $1.25 million is from FY 2013-14 projected budget savings.

	District Atty		Probation		Sheriff		Total Public Safety	
2014-15 Rec. Exp.	7,032,305		16,824,613		39,582,168		63,439,086	
County Contribution (GF)	51.68%	3,633,980	21.89%	3,683,569	41.07%	16,255,909	37.16%	23,573,458
Prop. 172	12.01%	844,641	12.28%	2,066,820	20.03%	7,926,521	17.08%	10,837,982
Subtotal GF & Prop. 172	***63.69%***	***4,478,621***	***34.18%***	***5,750,389***	***61.09%***	***24,182,430***	***54.24%***	***34,411,440***
Other Revenue Sources	20.35%	1,430,887	50.85%	8,555,219	32.24%	12,762,221	35.86%	22,748,327
(Falls To) or Uses Fund Balance		1,122,797		2,519,005		2,637,517		6,279,319

JUVENILE REHABILITATION FACILITY OPERATIONS

The new Juvenile Rehabilitation Facility is opened and received juvenile wards on January 25, 2014. This budget requests funding to operate the new facility (which is more than twice the size of the former facility and can hold up to 90 wards, as compared to 56) for the first full FY. Total FY 2014-15 requested appropriations will increase by 13.5 percent, or $588,230, from $4.37 million to $4.95 million. Salaries and Benefits will increase by 14.2 percent, or $403,869, from $2.84 million to $3.24 million, primarily due to a request to add two new Juvenile Detention Officer I/II positions (five were added in FY 2013-14), but also increases in termination/special pay, extra-help, overtime, worker's compensation experience, and a one-time increase in Other Post-Employment Benefits. Services and Supplies will also increase by 10.1 percent, or $144,855, due to increases in miscellaneous insurance, office expense, professional & special services, special department expense, professional counseling services, and professional administration. A-87 Central Services Charges will increase by 40.8 percent, or $39,506, from $96,758 to $136,264. No new capital assets or equipment are requested.

Requested revenues of almost $4.18 million will increase by 8.2 percent, or $315,573, from the FY 2013-14 Adjusted Budget, which is primarily due to a one-time risk management rate refund in the amount of $394,434. Proposition 172 support has decreased by $207,475, or 21.9 percent, but General Fund support has increased by $73,209 (3 percent) from $2.44 million to $2.51 million. The department requests to use $780,511 in fund balance in their FY 2014-15 Requested Budget, of which $180,752 is Youthful Offender Block Grant restricted fund balance, leaving a request of $599,759. This budget was balanced in FY 2013-14 by using $569,645 in Proposition 172 Reserves and is projected to end the FY on budget.

The CEO recommends increasing the Prop 172 support in the amount of $599,759 to balance this budget.

PUBLIC WORKS

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

The FY 2014-15 **Road Fund** includes expenditures in the amount of $21.9 million and revenues in the amount of $17.7 million. Expenditures exceed revenues by approximately $4 million and will be covered by fund balance. Some of the larger projects that the department plans to undertake in FY 2014-15 are: Hawthorne Avenue Shoulder Widening, Dry Creek Road Widening, Smith Bottom Road at ACID Canal Bridge Replacement, and Old Oregon Trail Left Turn Lane Addition. The department is also adding an Assistant Engineer position to assist with the increase in water quality mandates.

The **Facilities Management Division** is financed through charges for service to user departments and does not receive General Fund support. The Division has requested that its singular Structural Crafts Worker be reclassified to a Mechanical Crafts Worker. The Division will also be replacing the asphalt shingled roof of their shop with a metal roof.

Effective July 1, 2013, the Facilities Management Division of Public Works took over the management of all of the County's fleet operations. **Fleet** had previously been managed by the Department of Support Services. In order to reduce the Division's retained earnings, rates charged to departments that utilize Fleet's services have been decreased.

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.

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 requesting, and the County Executive Officer supports the addition of an Environmental Health Technician I/II to review Environmental Health permits and perform field work that does not require a Registered Environmental Health Specialist certificate. 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 the addition of an Agency Staff Services Analyst I/II and additional funding for process service to address nuisance complaints generated by the cultivation of medical marijuana. The Board approved the addition of a Building Inspector III in FY 2012-13 to address nuisance complaints related to medical marijuana. The General Fund trans-in for the Building Department has increased from $102,768 in FY 2012-13 to $264,011 for FY 2014-15.

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 $455,000 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. To date, approximately $40,500 has been spent on the update.

TITLE III PROJECTS

Title III was extended by Congress for FY 2013-14. Last year, it was anticipated that FY 2012-13 would be the last year for the Secure Rural Schools Act. With the extension, projects will be awarded in July 2014. A budget amendment will be necessary to account for this extension. The future of the Secure Rural Schools Act legislation is unknown.

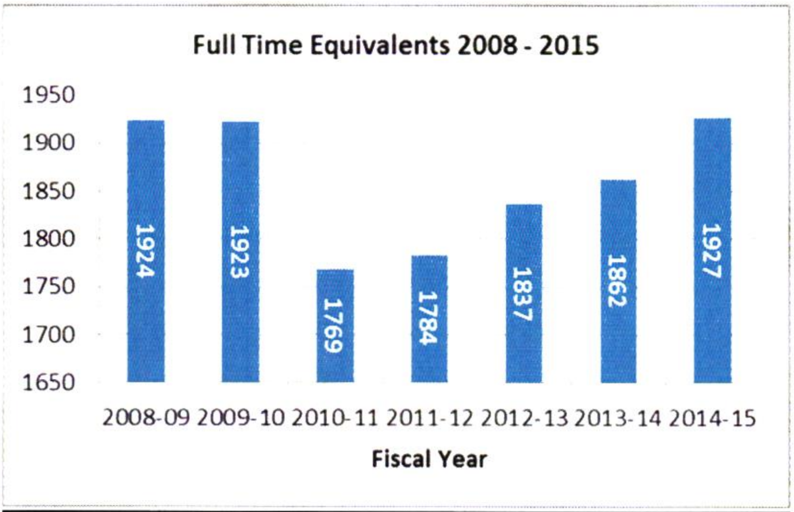
TRIAL COURTS

The County worked closely with the City of Redding, the local Court, and the Administrative Office of the Courts (AOC) on siting the **new courthouse building**. The County and the AOC executed a Purchase Acquisition Agreement whereby the AOC 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 Adopted 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 AOC to extend our holding over in the Public Safety Building until, at a minimum, December 31, 2015. Future costs will include yet unknown expense to relocate county-staff, although the CEO continues to research 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 $5 million.

VETERANS HALLS

Projects scheduled for FY 2014-15 include exterior painting of the Fall River Mills Veterans Hall, parking lot re-striping and interior painting of the Burney Veterans Hall, and foyer door repairs of the Redding Veterans Hall. In FY 2013-14 the heater at the Fall River Mills Veterans Hall was replaced.

COUNTY WORKFORCE



The Adopted Budget provides for a workforce of 1,927 full-time-equivalents (FTE's). This includes a net increase of 24 FTE's. The sunset date for 2 positions will be amended; one is extended to June 30, 2015, and the other sunset date is removed. A new classification in the Health & Human Services budget units, a Fiscal Services Supervisor, is referred to Support Services-Personnel for further study.

As of May 17, 2014, total vacancies were 211, or 11 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 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 recommended changes to the number of Full-Time Equivalents:

Position Changes Recommended 2014-15	
New Positions	
Alcohol & Drug Programs	1
Facilities Management	0
IHSS-In-Home Support Svcs	1
Juvenile Hall	2
Mental Health	1
Mental Health Svcs Act	1
Perinatal Svcs	1
Public Defender	0
Public Health	3
Resource Management	2
Roads	1
Social Services	15
	+28
Delete Positions	
CCS - Calif Children's Svcs	-1
Child Support Services	-2
Intermountain Fair	-1
	-4
Net Change to Position Allocation	**+24**
Extend Sunset Dates	
Public Defender	1
Social Services	1
	+2

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 $97 million, the unallocated savings is approximately 8 percent. In the aggregate the anticipated savings are: Housing $34,157; General Fund $249,292; Public Safety $1.1 million; and Health and Human Services $6.1 million.

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 downtown 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 2010-11, on average the PERS-Miscellaneous rate increased less than 1 percent a year, and the PERS-Safety rate increased 2.5 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 an 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, 2013, is $171 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 was increased to 2 percent effective July 1, 2013. The combined assets of the two OPEB-Trusts, as of June 30, 2013, are $25 million. Additionally, one-time additions to the OPEB-Trusts are made when funding is available; an additional $5.6 million will be transferred to the Trusts in July 2014.

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 FY 2014-15 Adopted Budget attempts to address potential harm from State take-backs. The County could receive significantly more or less than projected upon State budget amendments. The Governor's Budget proposed to use the revenue from temporary tax increases to pay down debt, save for a rainy day, and increased spending for education, the environment, public safety, public works, affordable health care, and CalWORKS.

The Governor signed a balanced, on-time state budget on June 20, 2014. Some key components of the spending plan include paying down debts and liabilities; investing in education and health care; and shoring up the state "Rainy Day Fund."

The CEO monitors the State's spending plan and keeps 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 worked diligently to control spending in the previous fiscal year to create fund balance carryover for FY 2014-15. The CEO allowed every General Fund department to submit a requested budget with 3 percent growth. The CEO also recommended a 3 percent increase in the subsidy to non-general fund budgets. 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 12 percent reduction ($9 million) in the year ending June 30, 2014, which will result in a fund balance carryover of $10.0 million.

Total funding requirements for the General Fund, which includes the subsidy to non-general fund departments, is $71,579,616. This will be offset by revenue, $61,550,986, leaving a structural imbalance of $10,028,630. This will be offset by use of fund balance 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 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.