BUDGET OVERVIEW

The FY 2012-13 Adopted Budget totals **$392,614,450**, including,

GOVERNMENTAL FUNDS

- $196,909,767 General Fund
- $121,801,714 Special Revenue Funds
- $ 17,981,383 Capital Project Funds
- <u>$ 4,393,630</u> Debt Service Funds
- <u>$341,086,494</u> Total Governmental Funds

OTHER FUNDS

- $24,657,111 Internal Service Funds
- $18,918,094 Enterprise Funds
- <u>$ 7,952,749</u> Special Districts and Other Agencies
- <u>$51,527,956</u> Total Other Funds

This represents an increase of $14.9 million, or 4 percent, when compared to the FY 2011-12 Adopted Budget. The new Animal Shelter contract with Haven Humane includes a one-time payment of $2.8 million. It is reflected twice, once in the General Fund (Animal Control), and again in Capital Project Funds for the transfer-out from Accumulated Capital Outlay to Animal Control. The new Juvenile Rehabilitation Facility ($15.1 million) is also included in Capital Projects. Approximately $10 million of the increase is attributable to Special Revenue Funds which reflect appropriations for Realignment 2011 (Public Safety).

About 80 percent of the overall budget is for non-general fund operating departments. Most have various state and federal funds earmarked for specific purposes.

In accordance with Budget Principles (the "Principles") approved by the Board which encouraged departments to realize savings in the current year to provide carryover funds for FY 2012-13, the General Fund will realize savings of $11.3 million, or 16 percent, for the fiscal year ending June 30, 2012.

The Adopted FY 2012-13 General Fund Budget is $73 million, which is approximately $1.5 million, or 2 percent, higher than the adjusted 2011-12 budget. One million of the increase is attributable to an increase in the Contingency Reserve, from $5 million to $6 million.

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

Annually, the Auditor-Controller calculates the County's Maintenance of Effort (MOE) for public safety. In FY 2011-12 the County over-matched the public safety MOE by $13.8 million, an increase of $2.9 million. The County subsidy to the combined health and human services programs has been held static over the last several years, not meeting the minimum MOE. The MOE deficit to health and human services is approximately $2.5 million.

BUDGET PRINCIPLES

On February 28, 2012, the Board of Supervisors received the FY 2011-12 Mid-Year Report, and approved the following principles for the FY 2012-13 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 status quo level of 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 2012-13.

LONG-RANGE PLANNING

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

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

DISCRETIONARY REVENUE

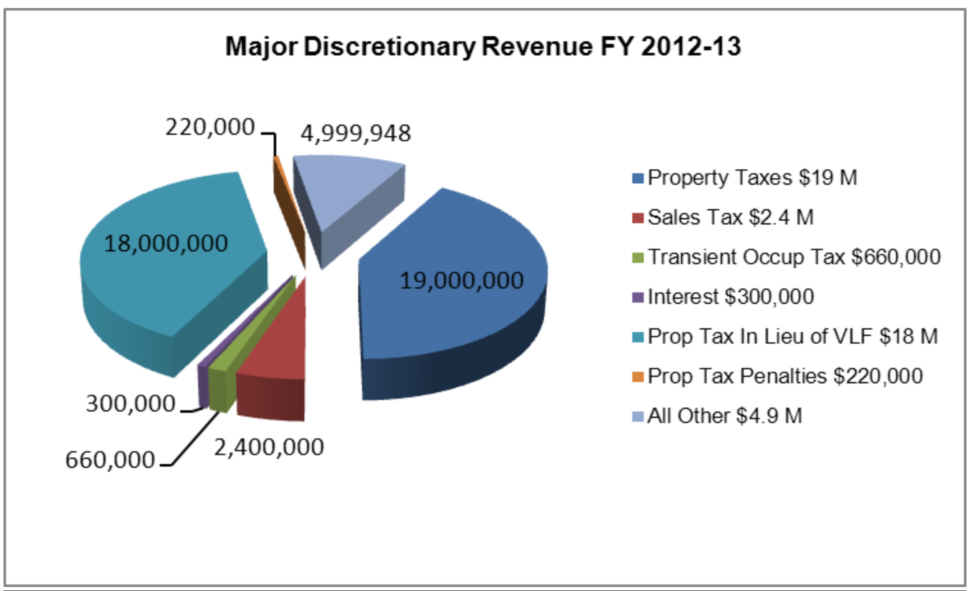
The national, state, and local economic downturn has resulted in a decline in property values, lagging sales of consumer goods and services, and a steep decline in interest rates. Shasta County continues to experience the unprecedented loss of discretionary revenue. In the year ending June 30, 2012, revenue growth was one-half of one percent; revenue is projected to decline 7.0 percent in FY 2012-13. Problematic is not only the loss of current year base revenues but the continued loss of revenue growth.

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

Discretionary Revenue	08-09-A	09-10 A	10-11 A	11-12 A	12-13 E
Taxes	44,177,149	43,972,983	42,362,880	42,332,244	41,718,000
Franchises	676,725	653,816	670,436	664,167	600,000
Fines, Forfeitures, Penalties	254,815	269,575	397,952	266,119	220,000
Money & Property	994,116	359,164	377,705	351,407	326,748
Intergovernmental Revenue	2,141,987	1,987,597	3,800,571	3,442,609	1,714,000
Charges for Services	804,281	842,902	1,309,903	1,283,134	1,000,000
Miscellaneous Revenue	710,412	8,641	1,300	19,394	1,200
Other Transfers-in	(8,194,314)	(7,569,952)	20,400	0	0
Sale of Land or Fixed Assets	12,850	48,500	0	710,000	0
Total	41,578,021	40,573,226	48,941,147	49,220,728	45,579,948
	-19.37%	-2.42%	20.62%	+0.57%	-7.40%

A=Actual, EST=Estimated Year End
**Year ending 6/30/2010 does not include a one-time transfer-in from General Revenue ($2M)*

Fiscal Year 2012-13 Adopted General Fund Discretionary Revenue totals $45.5 million, as follows:



NON-DISCRETIONARY REVENUE

In addition to our discretionary sales tax revenues, sales taxes dedicated to public health, mental health, social services, and public safety have declined dramatically.

<u>1991 Realignment (Health and Human Services)</u> sales tax and vehicle license fees (VLF) are dedicated to public health, mental health, and social services and provided the majority of matching funds for numerous state and federal funding sources. After decreasing for several years, VLF receipts are expected to be flat in FY 2012-13. Sales tax revenue is anticipated to grow slightly, with all growth funds going to Social Services to fund prior years' unpaid caseload-related cost increases. The annual realignment base for 2012-13 is projected to be $4.3 million lower than 2006-07, the last

year that the full base allocation was paid. This level of funding is only slightly above what was paid to Shasta County in 2003-04. The cumulative loss from 2007-08 through 2012-13 is estimated to be more than $23 million.

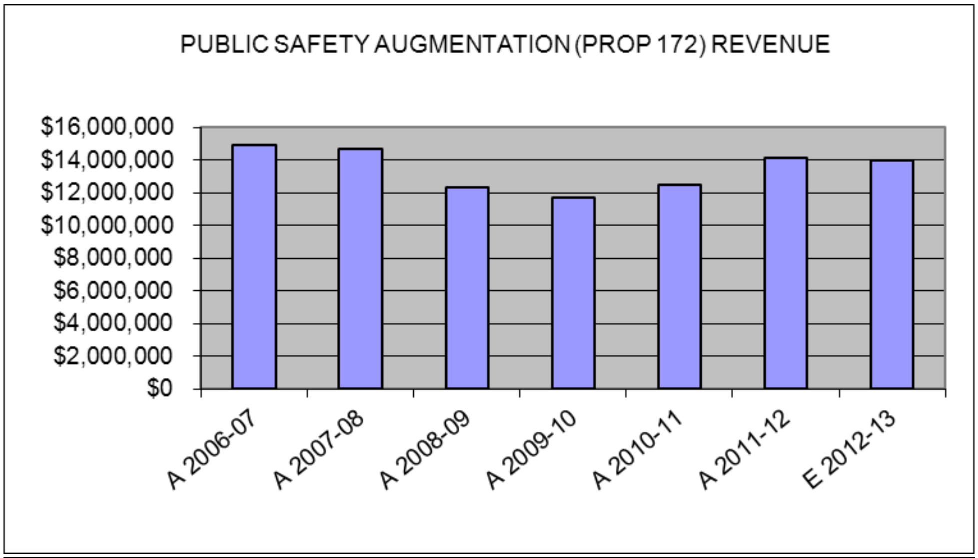
<u>2011 Realignment (Health and Human Services)</u> The final FY 2011-12 state budget realigned some previously un-realigned health and human services programs and changed the cost sharing ratio of several more. Cost sharing changes included counties paying 100 percent for the non-federal portion of Child Welfare, Foster Care, Adoptions Assistance, and Drug Medi-Cal. For FY 2011-12, 2011 realignment funding was intended to be cost neutral to counties, replacing state general funds upon prior year allocations and actual costs. However, much is still unknown about how unforeseen cost increases will be funded, how revenue will be allocated, and whether this funding mechanism will withstand legal challenges. For the budget year, the Health and Human Services budgets collectively reflect more than $18 million for the newly realigned programs.

<u>2011 Realignment (Public Safety)</u> 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, chaired by the Chief Probation Officer, presented a coordinated plan for implementing AB 109 in Shasta County to the Board of Supervisors. The Board approved the plan on September 27, 2011. A successor plan must be approved by the Board on or before June 30, 2012. Funding for the first year is expected to be $2.98 million. Funding is expected to grow to $5.9 million for FY 2012-13. The Governor is sponsoring a ballot initiative in November to provide Constitutional protection for the revenue dedicated to 2011 Realignment. This protection is vitally important to protect local government against future costs imposed on them, as well as provide mandate protection for the state.

Following two years of decline, receipts from **Public Safety Augmentation Proposition 172** (Prop 172) sales tax rebounded in FY 2010-11 and 2011-12. Adequate surplus has been achieved to initiate a pay back of a one-time loan to Public Safety from the General Reserve which was advanced in FY 2008-09 when receipts declined 15.81 percent, just over $2.3 million.

FY 2011-12 Prop 172 receipts were 13.4 percent higher than the previous year. There are signs that the economy is slowly recovering. The CEO continuously monitors Proposition 172 revenue and we will recommend taking swift action if receipts do not appear to bear out our estimates. To cushion the impact of any future decline, starting in FY 2012-13 the County Executive Officer is recommending setting aside 5 percent of the County's share of Proposition 172 receipts.

Public Safety (Prop 172) Countywide Receipts			% Inc/Dec
12-13	Estimate	$13,942,156	-1.50%
11-12	Actual	$14,160,324	+13.40%
10-11	Actual	$12,487,200	+6.34%
09-10	Actual	$11,704,078	-5.30%
08-09	Actual	$12,358,532	-15.81%
07-08	Actual	$14,679,783	-1.55%
06-07	Actual	$14,910,395	+1.36%
05-06	Actual	$14,710,672	



A=Actual, E=Estimate, R=Recommended

APPROPRIATIONS

Appropriations include a **Contingency Reserve** of $6 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 contingency reserve is recommended at $6 million, an increase of $1 million, due to the possibility of unknown election expenses in the coming year.

The **General Reserve** is approximately $8.8 million. This is **2.58 percent** of total Government Funds appropriations ($341 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. The Public Safety Fund is making payments on a loan from the General Reserve when Proposition 172 receipts declined; the balance due is approximately $370,000. Other outstanding or proposed short-term loans include: 1) CSA #6 Jones Valley Water (Elk Trail), $1 million; and, 2) CSA #23 Cragview Water, $500,000. All loans are subject to interest at the Treasury's pooled interest rate. The Auditor-Controller assisted the CEO in retiring a loan made to the Shasta Redevelopment Agency in 1997 and 1999.

YEAR-TO-YEAR COMPARISON

Departments were directed to submit a status quo budget request which could be achieved by spending reductions in FY 2011-12. For the fiscal year ending June 30, 2012, the General Fund will realize a 16 percent reduction in net-county-cost ($11.3 million).

The FY 2012-13 Adopted Budget includes General Fund appropriations of $73 million, or 2 percent more than the adjusted FY 2011-12 budget. Contributing factors include the following: an increase to the Contingency Reserve, from $5 million to $6 million; one additional position allocation in the Veteran's Service Office ($31,700); and facilities improvements to the Veteran's Halls ($116,571).

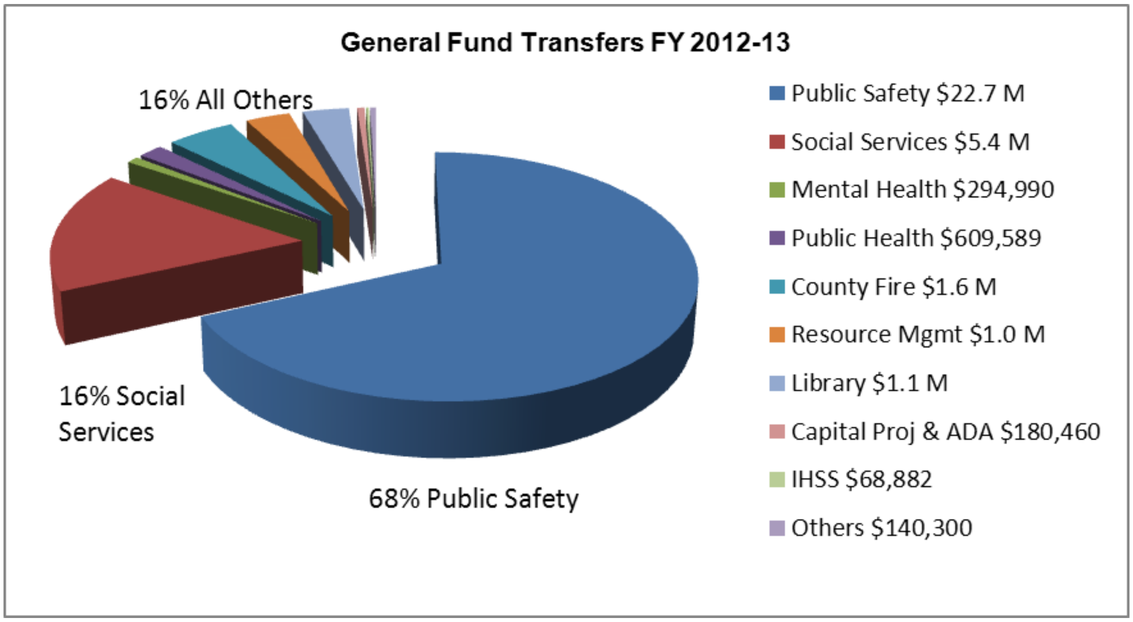
In the aggregate, the Adopted FY 2012-13 budget for ***select*** budget units, excluding special districts, totals $374.7 million, which when compared to the 2011-12 Adjusted Budget, is an increase of $3.1 million, or less than 1 percent.

The following Table compares by Fund the 2011-12 Adjusted Budget (at 01/31/2012), versus estimated expenditures at 6/30/2012, with the 2012-13 Adopted Budget for ***select*** budget units.

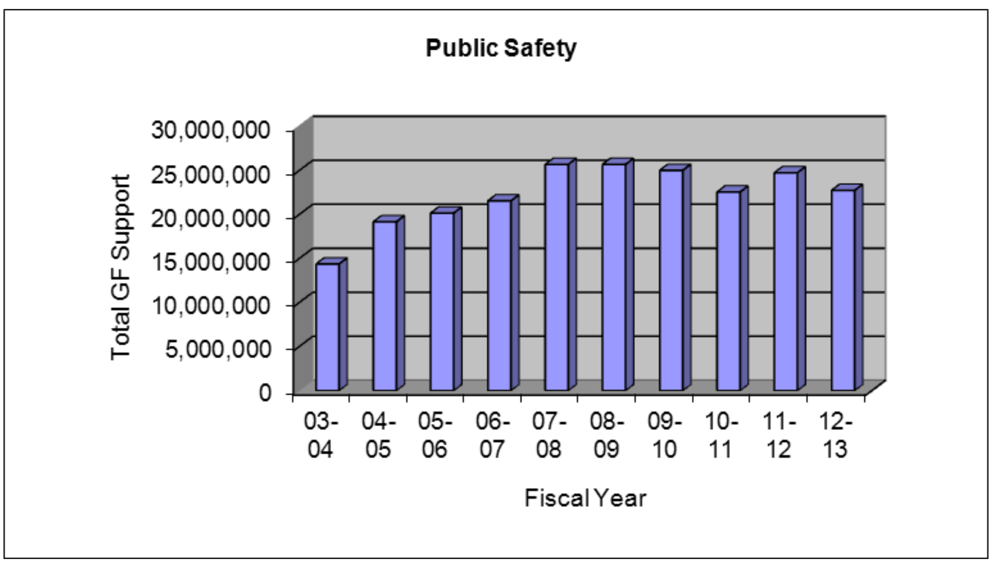
Functional Area	Adjusted 11-12	Estimate 11-12	% Inc/Dec	Adopted 12-13	% A 11-12 vs 12-13
General Fund	71,502,156	62,195,719	-13.02%	72,992,682	2.08%
Accumulated Capital Outlay	156,750	156,750	0.00%	2,800,000	1686.28%
Juvenile Hall Construction	11,963,856	1,654,797	-86.17%	15,181,383	26.89%
Land Buildings & Improvements	3,335,931	1,192,157	-64.26%	80,460	-97.59%
Resource Management	4,461,158	4,058,954	-9.02%	4,955,138	11.07%
Mental Health	21,942,240	20,830,994	-5.06%	21,175,910	-3.49%
Mental Health Services Act	12,810,250	7,509,400	-41.38%	9,963,911	-22.22%
Internountain Fair	465,700	473,687	1.72%	402,001	-13.68%
Library	1,285,935	1,301,435	1.21%	1,302,106	1.26%
Opportunity Center	4,417,503	4,002,932	-9.38%	4,477,747	1.36%
Public Assistance	90,606,664	89,518,632	-1.20%	91,540,482	1.03%
Roads	21,513,697	20,282,860	-5.72%	25,380,508	17.97%
Child Support	7,919,373	7,148,253	-9.74%	7,843,874	-0.95%
Public Safety	54,267,723	50,926,417	-6.16%	56,882,988	4.82%
Public Health	21,196,566	20,334,802	-4.07%	21,256,289	0.28%
Internal Service Funds	24,422,579	20,568,374	-15.78%	24,657,111	0.96%
Enterprise Funds	8,042,743	6,837,409	-14.99%	5,881,929	-26.87%
Air Pollution Control	3,615,264	3,490,669	-3.45%	1,239,750	-65.71%
CSA #1 County Fire	6,058,017	5,345,932	-11.75%	5,431,994	-10.33%
Shasta Co. Water Agency	160,847	145,047	-9.82%	328,775	104.40%
IHSS Public Authority	368,305	357,836	-2.84%	365,218	-0.84%
All Others	1,094,919	743,066	-32.14%	569,575	-47.98%
Grand Total	371,608,176	329,076,122	-11.45%	374,709,831	0.83%

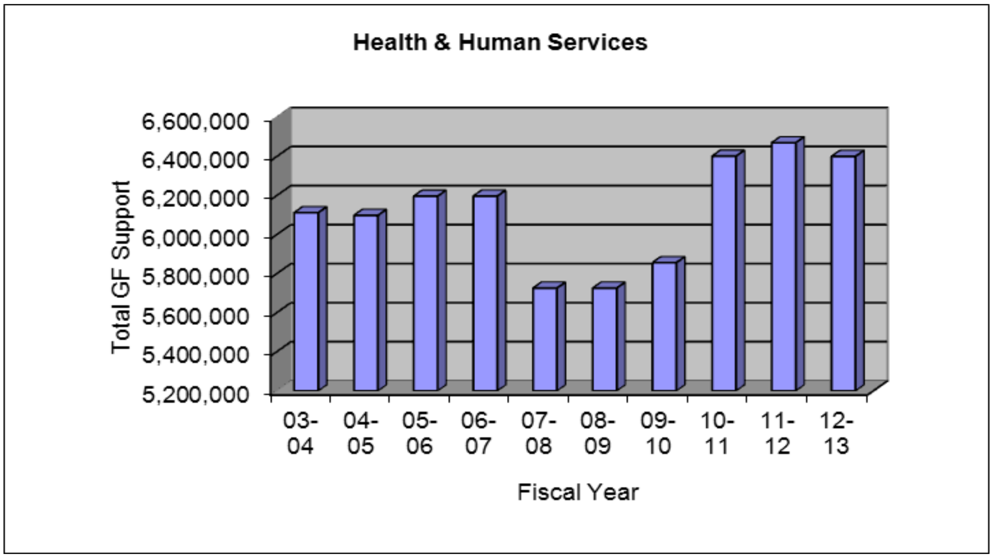
Fiscal Year 2012-13 General Fund subsidies to operating departments outside the General Fund total $33,340,775, as follows:

Public Safety (68.27%)	$22,774,851	Public Health (1.83%)	$609,589
Social Services (16.28%)	5,427,802	Mental Health (0.88%)	294,990
County Fire (4.95%)	1,651,657	Property Admin & ADA (0.54%)	180,460
Library (3.37%)	1,123,511	All Others (0.42%)	140,300
Resource Mgmt. (3.25%)	1,083,083	In-Home Support Svcs (0.21%)	68,882



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




Health & Human Services
Total GF Support
6,600,000
6,400,000
6,200,000
6,000,000
5,800,000
5,600,000
5,400,000
5,200,000
03-04
04-05
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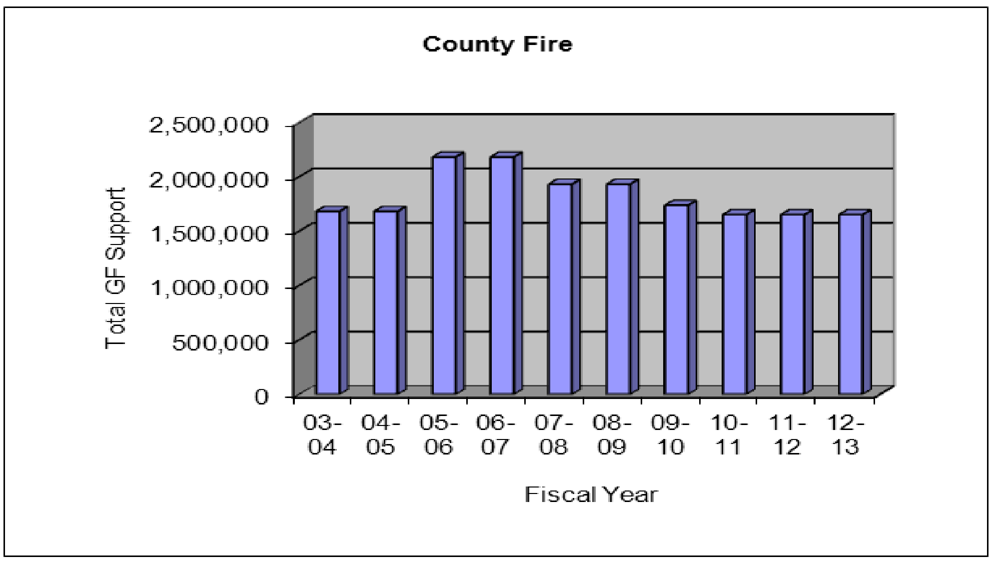
10-11
11-12
12-13
Fiscal Year


County Fire
Total GF Support
2,500,000
2,000,000
1,500,000
1,000,000
500,000
0
03-04
04-05
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06-07
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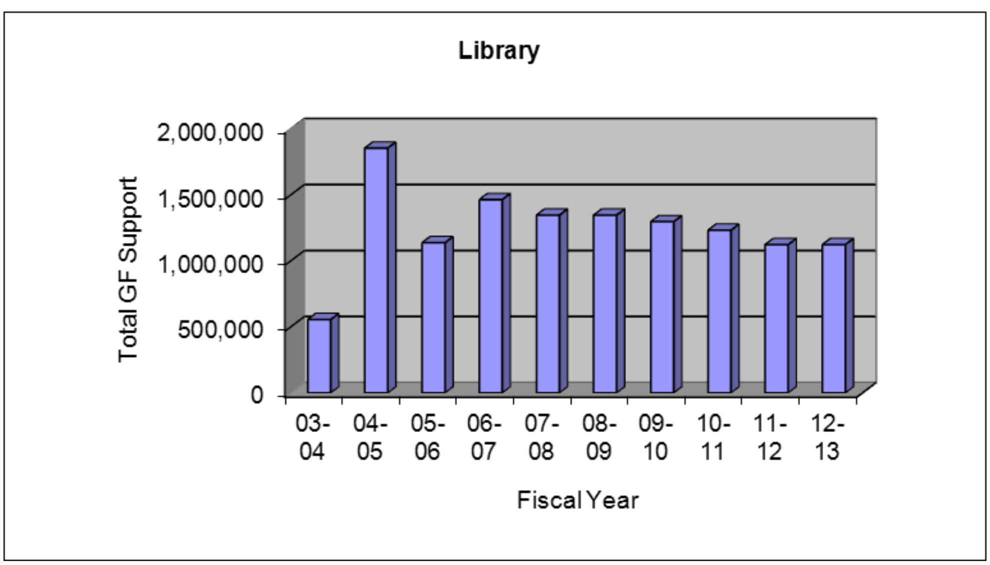
11-12
12-13
Fiscal Year


Library
Total GF Support
2,000,000
1,500,000
1,000,000
500,000
0
03-04
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07-08
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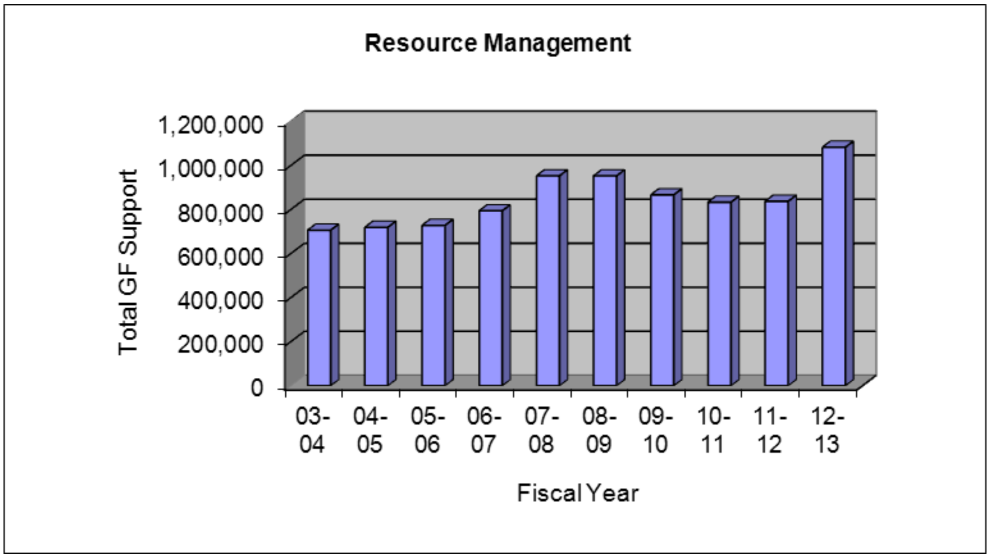
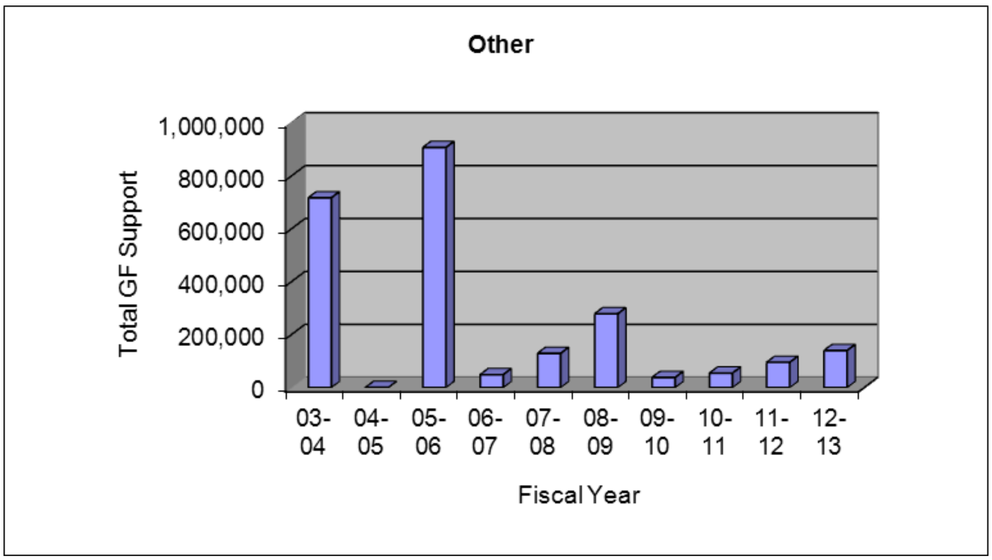
11-12
12-13
Fiscal Year





OVERVIEW OF SELECT BUDGET UNITS

ANIMAL CONTROL

The County entered in to a 25-year agreement with Haven Humane Society, Inc. (Haven) on September 20, 2011 to provide animal care, adoptions, sheltering, and licensing services effective January 1, 2013. The Sheriff's Office will retain and maintain responsibility for animal enforcement services in the unincorporated areas of the county.

The CEO recommends an increase to the Professional and Special Services expenditure account in the amount of $2.8 million in order to make the advance service payments to Haven as required in the new contract. To offset this expense the CEO also recommends an increase to the Capital Outlay Tran-In revenue account in the same amount of $2.8 million (from $3 million that had been set aside by the Board to address the animal control facility issue; the balance of $200,000 will continue to be set aside for any issues that may arise as the contracted services transition occurs during the second half of FY 2012-2013). The CEO also recommends some changes to how unallocated salary savings are budgeted in the Salaries and Benefits object level with a net cost increase of $19,210. In the aggregate the Sheriff's two General Fund budget units, Animal Control and Civil, returned a total of $37,690 to the General Fund.

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 FY 2011-12 there were 110,273 locally assessed properties in Shasta County with a taxable value of $14,852,191,369 generating more than $148 million in property tax revenue for use by Shasta County agencies that include: County government, the three cities, school districts, and other local taxing agencies. These figures represent a decrease of 3.48 percent in taxable value and property tax revenue over the previous year. This is the third straight year we have experienced a negative change in the secured and unsecured locally assessed properties.

CAPITAL PROJECTS

The Capital Projects budget (Land, Buildings and Improvements) includes 5 projects totaling $1.9 million: 1) Placer Street DPW Upper-E Remodel, $50,000; 2) Placer Street DPW Roof, $25,000; 3) MHSA Breslauer Remodel, $1.3 million; 4) Redding Vets Hall Roof; $75,000; and 5) Placer Street DPW Upper N Remodel, $390,000.

The Redding Veterans Hall roof is offset by the General Fund. The remodel projects of the Placer Street Building are offset by Roads funds. And the Mental Health Building remodel is offset by Mental Health Services Act funds.

Additionally, we broke ground on the **new juvenile rehabilitation facility** on April 24, 2012. This multi-year project includes appropriations of $15.1 million in 2012-13. When fully built-out the project is estimated to cost $18.45 million, with a County-match of $3.4 million. The County-match has been fully appropriated.

COUNTY FIRE

The FY 2012-13 adopted budget reflects a 10.3 percent decrease in appropriations, a 1 percent decrease in revenues, and is predicated on use of fund balance in the amount of $818,709. General Fund support is $1.65 million, the same level since FY 2010-11. Since FY 2007-08 the level of General Fund support to County Fire has been reduced by an accumulated total of $2.28 million, or 20.9 percent. County Fire has continued to provide the same level of services to communities. However, continued decreases to revenue could impact emergency response services in the future.

If the department ends FY 2012-13 as projected it will have approximately $1.7 million in Fund Balance. The department has requested $415,000 in capital assets for FY 2012-13, a decrease of $530,229, or 56.1 percent, from the FY 2011-12 Adjusted Budget. The new requests for FY 2012-13 include one new fire engine for Centerville Volunteer Fire Company (VFC) ($350,000), one used fire engine for Old Station VFC ($15,000), and 10 self-contained breathing apparatus replacement units ($50,000).

ELECTIONS

The FY 2012-13 adopted budget assumes that there will be one election (the Presidential Election). Shasta County's current state senator is pursuing the office of congressional representative; if he is successful, Shasta County may be forced to conduct a Special Vacancy Election. Shasta County's current state assembly member has already announced his intention to run for the office of state Senate should it be vacated, which, if successful, would trigger a second Special Vacancy Election for the office of state assembly member. Neither of these two possible special county-wide elections is included in the requested budget. The cost of these elections would fall to the General Fund.

FARM ADVISOR

The Farm Advisor requested, and the County Executive Officer supports, the addition of a full time Typist Clerk I/II position. The Farm Advisor has been operating with only one permanent clerical staff member for the past three years. The clerical shortfall has been made up by using extra help. For the past three years, six different extra help employees have been utilized. This high level of turnover has resulted in recruitment costs, seemingly perpetual training, and increased overtime.

HEALTH AND HUMAN SERVICES

The combined budgeted fund balance draw for FY 2012-13 from the Social Services, Mental Health, and Public Health reserves is over $5.2 million. 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.

Mental Health has continuing issues, such as finalizing the Mental Health Managed Care Plan agreement for counties to access federal Medi-Cal funding for community mental health services. One unknown for this process is how much realignment funding the State would take away from counties which do not choose to be a managed care provider. Further, settlement of the Katie A. lawsuit makes mental health services for foster children an entitlement. No additional funding or guidance on how to determine what services will be authorized/required has been included in the new agreement or realignment funding.

Additionally, the Governor's budget proposal to move all Healthy Families children into Medi-Cal starting in October 2012 would create an additional Medi-Cal population presumably eligible for mental health managed care benefits. The Governor's May Revision continues to anticipate this shift under the anticipated counties managed care obligation.

Unfortunately, much of HHSA's future rests with decisions at the state and federal levels in an attempt to alleviate their budget deficits. In addition, some major financial decisions will be passed to California voters, such as a ballot measure identified by the Governor to constitutionally protect revenues shifted to counties to fund 2011 realignment. The measure temporarily raises taxes.

HOUSING

Effective January 1, 2012, the California Department of Housing and Community Development transferred 268 tenant-based vouchers to the Housing Authority. This change increased the number of housing vouchers administered from 644 to 912 and expanded the service area to include the counties of Modoc, Siskiyou, and Trinity.

INTERMOUNTAIN FAIR

In FY 2011-12, the California Department of Agriculture, Division of Fairs and Expositions funding was eliminated from the state budget. With the loss of this funding the Intermountain Fair can continue to operate without additional support for two to three more years due to sufficient fund balance.

PUBLIC DEFENDER

A balanced justice system includes the obligation to properly represent those individuals accused of a crime. The County does so through a County Public Defender's Office and a Conflict Public Defender contract. Both budget units fund legal representation for persons unable to afford counsel in certain kinds of cases where life or liberty is at stake. Primary legal services are provided by staff in the County's Public Defender Office (Cost Center 207). For cases in which the Public Defender must declare a legal conflict of interest, a local, private attorney provides services through a single contract (Cost Center 203). Federal and State laws mandate that these services be provided, however, the cost of providing legal counsel to indigent clients falls mainly to the County. In cases where both the Public Defender and local contracted public defender must declare a conflict, the courts will appoint an attorney.

While every effort is made to accurately project the expense for any given fiscal year, ultimately the number and complexity of cases determine the final County cost for indigent defense. A recent case involving multiple defendants has created a significant workload in the Public Defender's Office for the past several fiscal years, and will likely result in increased professional ancillary fees in both the Public Defender's budget and the Conflict Public Defender's budget. The Adopted Budget includes a contingency reserve in the conflict public defender's budget. This reserve of $250,000 will fall back to the General Fund at the end of the fiscal year if is not needed.

PUBLIC SAFETY

As a starting point the public safety departments - District Attorney, Juvenile Hall, Probation, and the various Sheriff's budget units, were directed to budget for status quo General Fund support and an 11.3 percent increase in Public Safety Augmentation (Prop 172) revenue. The savings in salaries and benefits, due to the safety employee's willingness to work with the County to reduce spending, relieved some of the pressure on these departments to achieve a balanced budget, along with significant decreases in Central Service (A-87) charges resulting from budget cuts from the previous three years to central service departments. The District Attorney, Chief Probation Officer, and the Sheriff have worked diligently to provide a FY 2012-13 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 vertical prosecution, booking fees, small and rural sheriff's grants, juvenile probation, etc. has declined as a result of the Great Recession. In FY 2008-09 the state backfilled the loss of state General Fund support, which for Shasta County was about $5 million annually, with temporary state Vehicle License Fee (VLF) revenue. The County only realized approximately $2 million from this temporary VLF; additionally, the VLF was due to expire on June 30, 2011. The Governor then funded these subvention programs with the 2011 Realignment legislation in FY 2011-12 and, except for vertical prosecution funding which was deleted during the Governor's trigger cuts at a loss of about $80,000 to the District Attorney, revenue projections appear to be on target; about $3.7 million. Additionally, the Governor has continued his commitment to these programs and has included them in his FY 2012-13 budget.

Total Adopted FY 2012-13 appropriations for the public safety group are $56.8 million, an increase of over $9.1 million from the current year primarily due to the new county duties and obligations related to 2011 Realignment. Revenues from all sources total $57 million, including $22.9 million from the General Fund, and $12.9 million from Public Safety Augmentation. To balance his budgets, the Sheriff will utilize a little over $1 million in fund balance, the District Attorney will use $124,126 in fund balance, and the Probation Department will return $1.27 million to fund balance due to a one-time $1.3 million incentive payment from the state related to reductions in adult felony probationers returned to prison (SB 678); it is possible that during the fiscal year the Probation Department will make plans to spend these incentive funds and will return to the Board with a budget amendment to increase appropriations.

	District Atty.		Probation		Sheriff		Total	
2012-13 Adopted Expenditures	5,962,990		14,108,534		36,811,464		56,882,988	
County Contribution (GF)	59.65%	3,557,088	25.56%	3,605,605	42.81%	15,757,787	40.29%	22,920,480
Prop. 172	18.71%	1,115,492	11.58%	1,634,325	27.77%	10,221,016	22.80%	12,970,833
Subtotal GF & Prop. 172	***78.36%***	***4,672,580***	***37.14%***	***5,239,930***	***70.57%***	***25,978,803***	***63.10%***	***35,891,313***
Other Revenue Sources	19.56%	1,166,284	71.86%	10,138,674	26.67%	9,815,792	37.13%	21,120,750
(Falls To) or Uses Fund Balance		124,126		-1,270,070		1,016,869		-129,075

PUBLIC WORKS

The Department of Public Works consists of the following divisions: Facilities Management, Road Operations, and County Service Areas. Revenues for the Road Division have increased by $3.2 million and expenditures have increased by $3.9 million. The Facilities Management Division is financed through charges for service to user departments and does not receive General Fund support. The Division has experienced a decrease of $235,950 in revenues and $235,950 in expenditures as a direct result of the reduction in department project and service requests as well as reductions to controllable overhead. The Department will utilize fund balance as needed to offset shortfalls.

RESOURCE MANAGEMENT

The Department of Resource Management consists of the following divisions: Air Quality Management District, Building Division, Environmental Health Division, Planning Division and Community Education Section. Building and planning activity is relatively stable with the department concentrating on several projects, including the General Plan. A General Fund contribution of $250,000 is re-budgeted from FY 2011-12 for the General Plan update. Fund balance will be utilized to offset any revenue shortfall.

General Plan Update

By law, each California County must adopt and maintain a comprehensive, long-term general plan that governs physical development and land use within its boundaries. Shasta County has adopted a five year interval for review. The last comprehensive General Plan was adopted in 2004. On March 23, 2010 the Board of Supervisors elected to proceed with a limited General Plan update which will address the critical greenhouse gas requirement in a new air quality element and will include the mandatory housing element update with integration of both elements into the rest of the General Plan as needed. The update will include editorial updates to policy language and to County profiles (population, economic trends, etc.). The total estimated cost of the limited General Plan update is $552,000. The General Fund transfer-in to Planning was increased $500,000 in FY 2011-12 for this expense. For FY 2012-13, $250,000 is re-budgeted.

The Planning Department will continue work on the General Plan update. This includes a re-budget of $250,000 not expended in 2011-12.

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 $800,000 for activities related to relocating the Sheriff and the Probation Department from the Public Safety Building. The date to vacate the building has been extended to December 31, 2013. Future years costs will include yet unknown expense to relocate county-staff, although the CEO is actively researching co-locating staff within available County square footage. Upon completion of the new courthouse the Court will vacate the Main Courthouse/ Courthouse Annex and Justice Center; the Department of Public Works has estimated remodel of the Main Courthouse will cost upwards of $4 million.

VETERANS SERVICE OFFICE

The Veterans Service Officer requested, and the County Executive Officer supports, the addition of a full time veteran's service representative. The addition of a full time position along with increased A-87 costs has increased the Veterans Service Officer budget by approximately $30,000 as compared to the FY 2011-12 adjusted budget (a General Fund expense).

VETERANS HALLS

Two major projects are scheduled to be completed this year: the replacement of the roof of the Redding Veterans Hall and the refinish of the floor at the Fall River Mills Veterans Hall. These two projects coupled with a significant increase in A-87 costs have increased the net county cost of the Veterans Halls by approximately $115,000 compared to the FY 2011-12 adjusted budget (a General Fund expense).

COUNTY WORKFORCE

The Adopted Budget provides for a workforce of 1837.5 full-time-equivalents (FTE's). This includes a net increase of 7 FTE's. The sunset date for 49 positions will be extended from June 30, 2012, to June 30, 2013. Of these, 31 are in AB 109 programs, and 18 are in Social Services.

Various clean-up actions are recommended which have no net increase or decrease to the number of FTEs: 1) Auditor-Controller, reclassify a Clerk III to an Executive Assistant Confidential; 2) District Attorney, delete a DA Investigator and add an Investigative Technician; 3) Child Support, delete an Account Clerk III and add an Office Assistant Supervisor, 4) Sheriff, delete a Senior Sheriff Service Officer and add an Administrative Secretary; 5) Sheriff Civil, delete a Sheriff's Civil Supervisor and add a Legal Secretary; and 6) Health and Human Services, reallocate existing FTE's amongst its various cost centers with no change to the total number of FTE's.

Approved additions to the FTE's are as follows: 1) the Veterans Service Office requested one additional Veterans Service Representative to assist with its growing caseload. The additional cost will in part be offset by a reduction in extra-help hours; the remainder is a General Fund expense; 2) the Farm Advisor requested a Typist Clerk II position. The Farm Advisor has utilized extra-help in the past but the long-term use of extra-help is no longer allowed. This is a General Fund expense which will be offset in part by the reduction of extra-help hours; 3) fifteen new positions are approved in the Public Safety departments to accommodate the growing 2011 Realignment caseload. Probation requested 5 additional Deputy Probation Officers, and the Sheriff a net total of 10 new positions, in the Main/Admin unit, 2-Deputies, 1-Crime Analyst, 1-Legal Process Clerk; and, in the Detention Annex, 1-Correctional Sergeant, 4-Correctional Officers, and 1-Public Safety Service Officer.

Lastly, the Intermountain Fair requested to delete two positions, a County Fair Business Assistant and a Mechanical Crafts Worker, and Roads reflects a decrease of 8.0 FTE's due to separation of the Regional Transportation Planning Authority (RTPA). The separation of the RTPA was previously approved by the Board on April 3, 2012.

The Adopted Budget relies on $9.7 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 $92.2 million, the unallocated savings is approximately 10.5 percent. In the aggregate the anticipated savings are: General Fund $481,846; Child Support $48,854; Public Safety $1.8 million; and Health and Human Services $7.3 million.

As of April 9, 2012, total vacancies were 244, or 13.3 percent. The vacancies may be due in part 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.

EMPLOYEE BENEFITS

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

The County's share of cost for PERS retirement will undoubtedly increase due to investment losses in CalPERS holdings caused by significant investment market volatility and asset value declines for all investors. Employers are faced with increasing retirement costs at a time when local revenues are at the lowest. While rate spikes are generally cushioned by CalPERS 30-year rate smoothing methodology, they are modifying rates to recapture recent investment losses over a shorter period of time. The County's Employer share for 2012-13 increased as follows: 0.34 percent for the Miscellaneous Group (from 12.983 to 13.323); and 2.137 percent for the Safety Group (from 31.44 to 33.577).

On April 18, 2012, CalPERS announced an assumption change which included the reduction of CalPERS discount rate to 7.5 percent from 7.75 percent. Lowering their assumed rate of return on investments will result in higher rates for employers, with increases of about 1 percent to 2 percent of payroll for most miscellaneous retirement plans and a 2 percent to 3 percent increase for most safety plans. CalPERS will phase in this increase over a period of 2 years.

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

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 Unfunded Actuarial Liability as of June 30, 2011, is $175.6 million.

Although GASB does not require governmental agencies to pre-fund their OPEB liability, Shasta County is taking positive steps towards addressing OPEB. The County established two irrevocable OPEB Trusts with initial funding of $6 million each; and implemented a one percent charge, as a percent of payroll, effective July 1, 2008. OPEB Trust assets as of June 30, 2011 are $19.8 million.

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

CALIFORNIA STATE BUDGET

As of the date of this report, the State's budget shortfall for the two-year period ending June 30, 2013 is $16.7 billion. The budget deficit is exacerbated by the serious erosion in tax receipts. While the Governor's budget plan includes significant expenditure reductions, the cornerstone of his 2012-13 budget plan was a tax initiative which the voters approved in November 2012. The Legislative Analyst's office (LAO) is generally positive about the Governor's 2012-13 budget plan as it attempts to return the State Budget to balance. The LAO is troubled by the inability to reconcile their revenue estimates with those contained in the Governor's plan. It is likely the legislature will have to pursue billions of dollars of additional cuts or revenue enhancements to balance the State's budget. It would be naïve to assume that the eventual adoption of a revised State spending plan for 2011-12, or the plan for 2012-13, will not have a 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 have 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 2012-13. The CEO directed every General Fund department to submit a status quo budget, which could be realized by reductions in 2011-12, and/or 2012-13. General Fund departments will achieve a 13 percent reduction ($9.3 million) in the year ending June 30, 2012, which will result in a fund balance carryover of $11.3 million. The CEO also recommended a status quo subsidy to non-general fund budgets. Exceptions were made for those budgets with a minimum maintenance of effort (MOE).

Total funding requirements for the General Fund, which includes the subsidy to non-general fund departments, is $73,020,966. This will be offset by revenue, $60,845,060, leaving a structural imbalance of $12,175,906. This will be offset by use of approximately $11.3 million from fund balance carryover, and $780,564 from General Purpose fund balance. The carryover estimate is developed through a joint effort of staff in the Auditor-Controller's Office and the County Administrative Office.

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

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