

BUDGET MESSAGE

County of Sutter

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Office of the County Administrator

June 13, 2006

To: The Honorable Board of Supervisors

Re: Budget Tabulation for Fiscal Year 2006-2007

As directed by the Board of Supervisors pursuant to sections 29060 – 29062 of the Government Code, I am submitting herein my recommendations for the allocation of resources we project to be available to Sutter County for Fiscal Year 2006-07. The required tabulation, which is summarized in greater detail later in this memorandum, has been prepared based on current State laws. The only proposal in the Governor's May revision which is included in this tabulation relates to the Road Fund and is discussed below. By action of the Board of Supervisors to approve the tabulation, it becomes the official Proposed Budget for Sutter County.

Although many California counties are experiencing difficult fiscal times, and Sutter County is experiencing some of the same pressures, as the result of the Board of Supervisors' consistency in budgeting conservatively, and maintaining healthy reserves, we believe the County remains in a position to provide high quality services, provide competitive, yet responsible, benefits to its valued employees, and maintain solid reserves, keeping Sutter County on solid financial ground.

This year's tabulation maintains the Board's conservative budgeting approach. No new programs or service expansions are proposed other than those necessary to meet Federal and State mandates. We have, however, added some new positions to meet growing workloads and eliminated others. The tabulation also includes a significant use of one-time funding for specific projects that must now go forward.

In reviewing our recommendations, please consider the following:

- PERS Costs. As has been explained previously, the annual county PERS contribution will rise and fall annually based primarily on a mix of how well PERS investments perform, and the cost of providing the benefits approved by the County. When compared to the FY 2005-06 Adopted Budget, the FY 2006-07 total county PERS contribution decreases by \$527,023. It should be noted that this decrease is lessened by the cost of the addition of new position costs and projected salary increases due to standard merit increases.
- FY 2006-07 State Budget. As of this writing, the Legislature has not passed a State budget for FY 2006-07, consequently, it is difficult to predict how counties will be affected. In Fiscal Year 2004-05, the Governor reached an agreement with counties, cities, and special districts, which was ultimately approved by the voters and is now known now as Proposition 1A. While the agreement is complex, its key feature is that local governments would contribute approximately \$1.3 billion to the State in FY 2004-05 and FY 2005-06, and in exchange would receive Constitutional protection against future State revenue raids and cost shifts, including relief from unfunded State mandates. Proposition 1A

states that in FY 2006-07, the State will begin to repay the State mandate (SB 90) costs that have been deferred from prior years. Additionally, counties are made whole through a property tax shift, which takes the place of the VLF "backfill," whereby the bulk of VLF revenues taken by the State are swapped for property taxes. Many of these points of agreement have been implemented over the past two years, and no longer present a budget issue to current and future years (i.e., the VLF Gap Loan was re-paid in full in FY 2005-06; the \$1.3 billion statewide county contribution was made in FYs 2004-05 and 2005-06 and therefore does not affect FY 2006-07). However, a few points will remain with Counties for at least the foreseeable future. The "VLF-Property Tax Swap" will remain. State mandates continue to be a significant point of discussion, and it remains to be seen whether the State will attempt in FY 2006-07 to present a new interpretation, both of how mandates are funded and of how prior year unfunded mandates will be repaid, under Proposition 1A.

If the adopted State budget impacts the County in a way that will require policy changes to the Proposed Budget approved by the Board of Supervisors, we will recommend appropriate actions to the Board as quickly as possible.

- State Revenue Transfers and Cost Shifts. Though not as prevalent in the current FY 2006-07 State budget discussions, primarily due to the State's projections for increased revenues in the coming year, the State continues to wrestle with a continuing budget crisis. As you will no doubt recall, the State has historically dealt with its budget problems by transferring revenue from, or shifting costs to, counties, deferring payments of money it legally owes counties, and forcibly borrowing money from counties. Some of the State's actions receive considerable media attention (such as the \$1.3 billion "gap loan" of Vehicle License Fee revenue counties and cities were required to make the State in Fiscal Year 2003-04), while others (such as the \$31 million shift of Undesignated Court Fees from counties to the State and the elimination of the Property Tax Administration Program which funded 3.5 positions in the Assessors office) have gone largely unnoticed by the public. However, the cumulative effect of these actions is significant. This year, two significant items we are currently watching are a possible "deal" regarding Booking Fees and a potential new interpretation by the State of the State mandate requirements under Proposition 1A (discussed below).
- Responding to Decreases in State Funding. One of the major policy issues facing the Board in this, and in future budgets, is whether or not to continue to fund positions with County discretionary funds that have previously been covered by State funding. Historically when positions have been added due to the availability of State, or other external, funding, they have been allocated as limited-term positions, with the understanding that should the funding source discontinue, the position would be eliminated. In the FY 2006-07 budget we are recommending that the County fund four positions previously funded by the State (three in the Assessor's budget and one in the Anti-Drug Enforcement budget). This recommendation is not made lightly, but after analysis of the benefits of the positions compared with the cost of the positions, and with the understanding that some funding may be renewed in the future. However, it is our opinion that maintaining these four positions is of critical benefit, not just to the County, but to the community as a whole.

This policy issue is likely to become more prevalent in the future as the State seeks to pass additional costs along to local governments in unobtrusive ways. We have seen this happen over the years with the Child Support Services budget. Currently the programs that we see most vulnerable to this include departments that rely upon a variety of grants to fund programs that are very important to local communities, such as the Library, the Sheriff, Probation, and the District Attorney. However, we also see this strategy beginning to be played out in the Mental Health and Social Services budgets.

- GASB 34. Beginning in FY 2004-05 the budget has been prepared to conform to the General Accounting Standards Board's Statement 34 (GASB 34). This was a permanent change to our budgeting process. This year's budget includes 70 Special Revenue Funds, the majority of which were not budgeted prior to FY 2004-05. As a result, the budget document is larger and more complex. Therefore, caution should be exercised in making numerical comparisons with budgets prepared in prior years.

GASB 34 typifies a trend we are increasingly seeing in government. Basically, local governments are being required to devote considerable time and energy to comply with new Federal or State financial reporting and monitoring requirements which, from our perspective, provide little or no benefit to the public. An example of this may be seen in Funds 0305 & 0311. These are the budgets for two fire districts, CSA-F and CSA-D. We note for the Board and the public that the budgeted undesignated fund balance is not the same as that included in the financial reporting documents. This is because these two funds borrowed money from the County's general fund for apparatus acquisitions. Consequently, for accounting reporting purposes, the rules require that the liability be included in the fund, but not the offsetting asset, making the undesignated fund balance in each individual fund appear to be lower than it would appear if the funding had been obtained from another source.

- GASB 43 & 45. In 2004, the Governmental Accounting Standards Board (GASB) issued two statements, 43 & 45 that will have a future impact on how specific benefits are reflected in the County's financial reports. The effect of neither of these statements is included in the tabulation submitted to the Board for FY 2006-07 because they will take effect in future years. Because the accounting entries are based on assumptions and actuarial calculations, we have retained a firm to prepare the estimates required, and are providing them with the information they require to do their calculations.
- Reserves and Designations. In conformance with comments from the Independent Auditor, we have begun in this budget to categorize as a designation of fund balance some fund equity that has previously been referred to as a reserve. Except in the general fund, and a few other rare instances, individual funds generally do not have general reserves, but rather excess fund equity is designated for future expenditures. Related to this change in budget practice, we are relying less on the Contingency appropriation to balance funds, and more on designations of fund equity. We will continue to work with the Auditor-Controller's office to ensure that in the General Fund, and in all funds, fund equity is appropriately categorized.
- Status of County Accounting Disagreements. Over the past two fiscal years, several key issues have been raised and debated between the Board of Supervisors and the Auditor-Controller. Although the Independent Auditor has made determinations that agree with our recommendations, and, as part of her audit for the Board and Grand Jury, has made recommendations that would properly correct the County's books, as of this writing, many of these errors and problems have yet to be corrected by the Auditor-Controller. This tabulation has been prepared with the knowledge that these issues remain unresolved. Reasonable assumptions, based on the Independent Auditor's recommendations, and using the best information available at this time, have been made in the preparation of individual budget units, as well as the County budget as a whole. However, it should be emphasized that final resolution has not been reached on many accounting and budget-related issues.

The next few years will present many challenges. Fortunately, we have many assets – particularly our dedicated and creative County employees – which I am confident, will enable us to meet these challenges.

SUMMARY OF FY 2005-2006 TABULATION

Overall, the budget requirement for the recommended County operations in FY 2006-07 totals \$190,072,260, which is an increase of \$20,582,127 (12.1%) from the FY 2005-06 Adopted Budget. The following table summarizes the recommended budget for the primary operating funds of the County. The table does not include the Special Revenue Fund budgets that, as previously discussed, have been included in the budget to comply with GASB 34. With few exceptions, expenditures are not made directly from these special revenue funds. Instead, revenue from them is transferred to the funds listed below. Consequently, a large "double count" would occur if the special revenue funds were included in the totals.

Generally, the increases in expenditures are necessary to fund some program mandates from the Federal and State governments, plant acquisition projects, bridge replacement and related road projects, to comply with employee bargaining agreements, and the comprehensive general plan process. The plant acquisition budget includes both re-budgeted projects, some of which have adjusted cost estimates due to the increased cost of construction materials, and new projects, including \$800,000 to retain architectural services in the design of a building to consolidate general county government functions. Overall, the total number of employee positions has not changed from the FY 2005-06 Adopted Budget.

	2005-06 ADOPTED	2006-07 RECOMMENDED	CHANGE	
			DOLLARS	PERCENT
General	\$54,670,503	\$58,124,272	\$3,453,769	6.3%
Road	\$6,650,240	\$20,596,409	\$13,946,169	209.7%
Special Aviation	\$635,926	\$802,548	\$166,622	26.2%
Fish & Game	\$22,583	\$17,466	-\$5,117	-22.7%
Bi-County Mental Health	\$22,131,715	\$24,205,380	\$2,073,665	9.4%
Health Services	\$12,513,420	\$12,073,750	-\$439,670	-3.5%
Welfare/Social Services	\$30,512,362	\$31,886,927	\$1,374,565	4.5%
Trial Courts	\$5,390,646	\$5,335,871	-\$54,775	-1.0%
Public Safety	\$22,046,388	\$21,373,323	-\$673,065	-3.1%
Capital Projects	\$453,176	\$456,676	\$3,500	0.8%
Enterprise	\$211,164	\$1,949,505	\$1,738,341	823.2%
Internal Service	\$9,584,975	\$8,932,761	-\$652,214	-6.8%
Special Districts	\$4,667,035	\$4,317,372	-\$349,663	-7.5%
Total County	\$169,490,133	\$190,072,260	\$20,582,127	12.1%

Each year, we emphasize that the General Fund includes five budget units which appropriate the General Fund's "contribution" to the Mental Health, Health, Welfare/Social Services, Trial Court, and Public Safety Funds. These appropriations are also budgeted in the five receiving funds, so technically the appropriations

are double-counted. The following chart shows the magnitude of this double-count. It should be noted here that since these appropriations are intended to demonstrate the cost to the general fund for the operations in each of these funds on an annual basis, it is critical that each year only the exact amount required to offset the aggregate unreimbursed cost of the budgets in each fund should be shown.

	2005-06 ADOPTED	2006-07 RECOMMENDED	DIFFERENCE
Mental Health	\$1,400,000	\$1,545,035	\$145,035
Health	\$7,550,954	\$7,175,179	-\$230,740
Welfare/Social Services	\$1,714,221	\$2,011,885	\$297,664
Trial Court	\$2,530,818	\$2,527,608	-\$3,210
Public Safety	\$12,861,245	\$12,747,291	-\$113,954
TOTAL	\$26,057,238	\$25,803,907	-\$50,240

General Fund

The total General Fund requirements are recommended at \$58,124,272, which is an increase of \$3,453,769 (6.3%) compared to the FY 2005-06 Adopted Budget. Given the number and variety of budget units and programs in the General Fund, there are many factors involved in this increase. Broadly speaking, the major factors are the inclusion of the estimated cost to update the County's General Plan, increases in the General Fund contribution to the Welfare/Social Services and Trial Court Funds, decreases in the General Fund contribution to the Health and Public Safety Funds, increases in salaries and benefit costs due to approved employee bargaining agreements and new positions, and rising operational costs in areas such as supplies, utilities, and fuel.

Due to the instability of the State's finances the past three years, very few new positions have been added to General Fund departments. During the same time period, the growth in the two cities, and the County, continues to increase workloads and service demands upon those county departments providing direct services to the public. With a better financial outlook at the State, and because of careful financial management at the county level, this budget adds six positions to General Fund Departments, and removes the limited-term status of another two and one half positions. On the other hand, State funding for the Department of Child Support Services continues to erode resulting in a loss of seven vacant positions. The following positions are recommended to be funded: In the Assessor's Office, an Auditor-Appraiser II, an Appraisal Aide, and an Assessment Technician III, all limited-term positions previously funded under the Property Tax Administration Program, to be made permanent; in the County Administrator's Office an Administrative Analyst I/II to meet the increased workload; in the Community Services Department, two Principal Planners, one to handle the increased workload occasioned by the processing of Measure M related applications, and the other to handle the Comprehensive General Plan Update; in the Farm Advisor's office, one Office Assistant II to provide adequate clerical staffing for the professional positions contributed by UC Davis; in the Clerk/Recorder's Office, one Staff Analyst; in the Library, one limited-term Library Assistant I/II to provide bi-lingual assistance in the literacy program.

Due to the continued lack of State funding for this particular program, it is recommended that the Department of Child Support Services eliminate four allocated and funded, but unfilled, positions (one Staff Services Specialist (DP), one Secretary III, one Child Support Specialist I/II, and one Account Clerk I/II) and three unfunded positions (one Supervising Child Support Specialist, one Child Support Specialist III, and one Child Support Specialist I/II).

Road Fund

The total Road Fund requirements are recommended at \$20,596,409, which is an increase of \$13,946,169 (209.7%) compared to the FY 2005-06 Adopted Budget. Total estimated Available Financing is also recommended at \$20,596,409. The recommended revenues for this budget include funding estimates based on the Governor's May Revised budget as shown below.

The FY 2006-07 budget reflects notable increases in both revenues and expenditures. This is primarily due to additional bridge projects for FY 2006-07, and related revenue from the Federal Bridge Replacement Program. The department currently anticipates the replacement of the Garmire, Cranmore, and O'Bannion Bridges over Snake Slough. Road repairs and overlays to various county roads are also budgeted. Upon finalization of the budget in the fall of 2006, the Department will bring present a Road Work Plan outlining all projects to be funded. These projects will include bridge replacements as well as road rehabilitation and overlays.

AB 2928 Traffic Congestion funding was re-instated to counties in the State's FY 2005-06 budget. It is anticipated that this revenue will be fully funded by the State again in FY 2006-07, and that revenues withheld from counties by the State in prior years will be repaid. Therefore, \$1,000,000 in AB 2928 Traffic Congestion funding is included in the FY 2006-07 Road Department budget.

Special Aviation Fund

The total Special Aviation Fund requirements are recommended at \$802,548, which is an increase of \$166,622 (26.2%) compared to the FY 2005-06 Adopted Budget. Total available financing also increases by \$166,557. This budget reflects appropriations for safety fencing and lighting to provide for increased security at the facility, and funding for a drainage improvement project. Revenues to fund recommended appropriations are derived from Cal-Trans and FAA grant funding, and from a cancellation of prior year reserve funds.

Fish and Game Fund

The total Fish and Game Fund requirements are recommended at \$17,466, which is a decrease of \$5,117 (22.7%) compared to the FY 2005-06 Adopted Budget. The decrease from the prior year is primarily due to a decrease in the estimated Undesignated Fund Balance.

Bi-County Mental Health

The total Bi-County Mental Health Fund requirements are recommended at \$24,205,380, which is an increase of \$2,073,665 (9.4%) compared to the FY 2005-06 Adopted Budget. This is due to a \$281,908 increase in A-87 costs, a \$900,000 increase in the FICS contract (line-item 53100), and a \$140,000 increase in children's residential treatment (line-item 53211). Other line items have remained relatively stable. One new position is recommended for FY 2006-07, a Medical Fiscal Manager, to oversee the Division's fiscal operations and supervise the Business Office fiscal staff. The budget also includes a recommendation to purchase one replacement full-size four-door sedan and one new four-door sedan. Both vehicles will be used for client transport.

\$200,000 is budgeted for the completion of the last phase of the Mental Health building remodel (the psychiatric health facility, psychiatric emergency services and some minor changes in adult outpatient) which was begun in FY 2005-06. It is anticipated that this project will be completed in early FY 2006-07.

The Mental Health Services Act (MHSA), passed in November 2004 is one of the most significant policy issues facing this division. During the first phase of implementation of the MHSA, an additional \$1.75 million dollars annually will be made available to expand programming. This funding will reside in a separate budget unit, and may not be used to offset shortfalls in the operation of existing mental health programs. In late May, the State approved the Bi-County proposal. The Department anticipates presenting for approval an amendment to the FY 2006-07 budget in July of 2006, which will request appropriation of the associated funding, and will include the allocation of new positions.

Health Fund

The total Health Fund requirements are recommended at \$12,073,750, which is a decrease of \$439,670 (3.5%) compared to the FY 2005-06 Adopted Budget. This fund includes the County Health Division, Human Services Administration, California Children's Services, and Non-County Health Providers budget units as well as Health Care General, which is a revenue account budget unit. Due to the decrease in the net unreimbursed cost of this fund, which is due primarily to decreases in the Health Division and in California Children's Services, the County Contribution to the Health Fund decreases by \$375,775.

Within the Health Division, we are recommending the elimination of one vacant, yet funded, position, and the addition of one and one-half new positions in FY 2006-07. A Health Program Specialist requested to coordinate the County's Wellness Program is recommended as a half-time position. Additionally, it is recommended that the vacant and hard-to-fill, yet funded, position of Clinical Lab Scientist be deleted and a new Licensed Vocational Nurse (LVN) position be added. Additionally, we are recommending \$8,100 to purchase Fixed Asset medical equipment (Colposcope unit) for the Primary Care Clinic. It is important to note that expenses related to the provision of medical care to the Sutter County Jail continue to account for some of the largest cost areas in this budget unit. As noted in the past, these are costs that the County has little control over.

Welfare/Social Services Fund

The total Welfare/Social Services Fund requirements are recommended at \$31,886,927, which is an increase of \$1,374,565 (4.5%) compared to the FY 2005-06 Adopted Budget. This fund includes all of the budget units administered by the Welfare Division of the Human Services Department including Welfare Administration, In-Home Supportive Services (IHSS), Special Circumstances, Temporary Assistance to Needy Families (TANF), TANF Foster Care, Refugee Cash Assistance, Aid for Adoption, General Relief, and Welfare/Social Services General.

The increase in the Welfare/Social Services Fund is primarily the result of increased In Home Supportive Services (IHSS) provider payments and benefits, which is the result of a negotiated agreement, reached in FY 2005-06. The budget also reflects increases in TANF – Family Group and Aid for Adoptions costs due to increased caseload. We are recommending that one half-time Social Worker I/II position be eliminated, and one full-time Vocational Assistant position be added effective 7/1/06; and that two full-time Social Worker III/Vocational Counselor positions be eliminated, and two full-time Social Worker III positions be added effective 10/1/06. These staffing changes reflect State program changes within the Employment Services division.

Trial Court Fund

The total Trial Court Fund requirements are recommended at \$5,335,871, which is a decrease of \$54,775 (1.0%) compared to the FY 2005-06 Adopted Budget. This fund contains the operational budgets for Sheriff's Court Bailiffs, Public Defender, Superior Court, and Probation.

Compared to the FY 2005-06 Adopted Budget, two of these budgets increase, Probation and Public Defender. The Probation Department is recommended to add a Deputy Probation Officer I/II to improve overall services to adults in order to counteract caseloads which continue to increase both in number and severity of crimes committed, particularly due escalating gang activity within the community. The Public Defender's Office is recommended to retain an additional attorney to handle increased caseload.

Public Safety Fund

The total Public Safety Fund requirements are recommended at \$21,373,323, which is an decrease of \$673,065 (3.1%) compared to the FY 2005-06 Adopted Budget. The Public Safety fund was created during the 1993-94 fiscal year, as a result of Proposition 172, which increased the sales tax by one-half cent and dedicated the resulting revenue to public safety. The fund includes the operating budgets for the Sheriff's Department, the District Attorney, the Bi-County Juvenile Hall, the Delinquency Prevention Commission, and Fire and Emergency Services. The decrease in the Public Safety Fund is primarily the result of reductions in Workers' Compensation and County Contribution to Health Insurance.

Of the two positions being recommended in the Sheriff's department, one is a Patrol Lieutenant in the budget for the Live Oak Contract to be funded by the City of Live Oak; the other is a Patrol Lieutenant in the Communications budget to be the second-in-command to the division commander and is offset by the elimination of a Sergeant Detective position. The two positions recommended in the District Attorney's budget include an Assistant Chief Investigator, offset by the elimination of a Senior Criminal Investigator position, and the conversion of a Limited Term Deputy District Attorney position to a permanent position to better assist with the increased caseload including the increased demand for services by other governmental agencies.

Capital Projects Fund

The total Capital Projects Fund requirements are recommended at \$456,676. This fund was created in FY 2001-02 to account for costs of the design and construction of the new Human Services building. Plans and Specifications, as well as an updated cost estimate for the construction of the building, will be completed in the 2006-07 fiscal year and presented to the Board of Supervisors for consideration. The budget represents a fund balance previously transferred from the General Fund for start-up costs, and a potential transfer-in from the Welfare Fund.

Enterprise Fund

The total Enterprise Fund requirements are recommended at \$1,949,505. Sutter County Waterworks District #1 is the County's only Enterprise Fund. Budgeted operating revenues do not include enough revenue to meet the non-cash Depreciation Expense of \$120,697; therefore, this budget is balanced with the recommendation to include an "Undesignated Fund Balance 7/1" of \$1,859,581, which represents the overall net assets of the District. In the past, these assets have been removed from the Final Budget by the Auditor-Controller, without approval of the Board of Supervisors. It should be noted that the value of the net assets of the District is an estimate, which is calculated based on the Net Assets of the District as presented in the draft of the County's

Annual Financial Report for June 30, 2005. The method of budgeting for this district is under review, as is the current fee structure.

Internal Service Funds

The total Internal Service Fund requirements are recommended at \$8,932,761, which is a decrease of \$652,214 (6.8%) compared to the FY 2005-06 Adopted Budget. Funds included in this total include: Information Technology, Fleet Maintenance, Vehicle Replacement Program, Liability Insurance, and Workers' Compensation Insurance. The decrease in these funds is primarily the result of a one-year reduction in the Liability Insurance ISF and lower Workers' Compensation premium costs.

Special Districts

The total Special Districts requirements are recommended at \$4,317,372, which is a decrease of \$349,663 (7.5%) compared to the FY 2005-06 Adopted Budget. Special Districts include County Service Areas, which provide fire protection; water agency operations and zones of benefit; lighting districts; public facility impact fee funds; the Rio Ramaza Community Services District; and the El Cerrito Drainage District. Historically, individual special district budgets fluctuate from year to year.

FORMAT OF THE TABULATION

The tabulation is formatted in such a way as to become the County's Proposed Budget, and is intended to provide the type of information that Board members and citizens need to make informed decisions regarding the allocation of available funds to meet the County's diverse operational needs during the next year. In the tabulation each budget unit's Executive Summary contains a narrative divided among three headings. This information is intended to provide sufficient background to permit the average person to understand what is occurring in each budget program. Information shown under the Description and Department Request headings is intended to be the communication from the department head to the County Administrator and Board of Supervisors regarding their perspective and estimates of need for the coming year and the basis on which they have made those estimates. Under Description we present the services provided by the budget; under Department Request we present the department's original request and the basis on which it was made. Under CAO Recommendation we present the position of the County Administrative Office relative to the department's original request, including a statement indicating whether the department head concurs with the CAO's recommendation. In addition, should there be any policy issues which the Board needs to address in that program, they will be identified.

As in the past, and in conformance with the Budget Manual issued by the State Controller's Office, the budget for most departments is shown on a "Schedule 9" form which includes columns for: (1) Actual revenues & expenditures for FY 2004-05, (2) Actual figures for FY 2005-06 as of April 30, 2006, (3) the FY 2005-06 Adopted Budget, (4) the FY 2005-06 Budget as amended by the Board of Supervisors during the fiscal year (as shown in the County's accounting system as of April 30, 2006), (5) the Department's Request for FY 2006-07, and (6) the CAO's Recommendations. It should be noted that in this year's tabulation, Column (4) may not accurately reflect Board action as some amendments approved by the Board have yet to be entered into the system, and some which have been entered may not accurately reflect Board action.

As explained above, the tabulation presented to the Board of Supervisors contains 70 special revenue funds as a requirement of GASB 34. In most cases, these special revenue funds do not include accompanying descriptions or recommendations. This is because, in most cases, no expenditures are made directly from them.

RECOMMENDATIONS FOR THE PROPOSED BUDGET FOR FISCAL YEAR 2006-2007

The recommendations and comments, along with the accounting tabulations, are submitted to you, the Board of Supervisors, for your consideration. Upon your approval, this document will constitute the Proposed Budget for Fiscal Year 2006-2007. Pursuant to State law, a notice of your scheduled hearings will appear in the local newspaper at least 10 days prior to those hearings. It is anticipated that copies of the Proposed Budget will be available to the public when your Board acts to approve it, 14 days in advance of the hearings.

Approval of these tabulations as the Proposed Budget by your Board will:

- Authorize continuation of normal operating expenditures by County departments pursuant to mandates or existing levels of locally determined services until such time as a Final Budget is adopted.
- Authorize the Proposed Budget for FY 2006-2007 to be made available to the public as an appropriate source of information regarding budgetary actions recommended for consideration during Final Budget Hearings.

Unless specific exceptions are made by your Board, approval of the Proposed Budget will not authorize any additions or deletions of County positions or the expenditure of any funds for fixed assets, capital outlays, or proposed new programs contained in this document. I have recommended some specific exceptions below. In each case, I consider these exceptions to be essential to County and departmental operations.

It is therefore RECOMMENDED that the Board of Supervisors:

1. Approve the enclosed recommendations and tabulations as the Sutter County Proposed Budget for Fiscal Year 2006-2007.
2. Set noticed Public Hearings commencing June 27, 2006, at 9:00 a.m. at the Veterans' Memorial Building in Yuba City, and continuing as required for a 14-day successive period, regarding the adoption of the Final Budget, and request that each department head be in attendance for the review of his/her budget(s).
3. Direct the County Administrative Officer to have sufficient copies of the approved Proposed Budget available to meet public demand.
4. Authorize the Public Works Department to proceed with the weather-sensitive projects set forth in the Plant Acquisition and Building Maintenance budgets. These projects, which are specifically identified in the budgets, need to be completed during the summer months to avoid adverse weather.
5. Authorize the Public Works Department to proceed with the Plant Acquisition projects, which were included in the FY 2005-2006 budget, and re-budgeted in this year's recommended budget. Those projects are identified in the Plant Acquisition budget.
6. Authorize the Public Works Department to proceed with road projects that were approved by the Board in FY 2005-06.
7. Authorize the Information Technology Department to purchase fixed assets as needed for workflow purposes during the July 1, 2006 to October 1, 2006 period.

8. Authorize the Personnel Department to delete the Clinical Lab Scientist position from the Human Services Department – Health Division position allocation schedule effective July 1, 2006; and authorize the Human Services Director to recruit for, and fill, the recommended Licensed Vocational Nurse position effective July 1, 2006.
9. Authorize the Personnel Department to delete the half-time Social Worker I/II position from the Human Services Department – Welfare/Social Services Division position allocation schedule effective July 1, 2006; and authorize the Human Services Director to recruit for, and fill, the recommended full-time Vocational Assistant position effective July 1, 2006.
10. Authorize the Director of Child Support Services to fill the funded Child Support Attorney I/II/III position in Child Support Services effective July 1, 2006.
11. Authorize the Community Services Director to recruit and fill the two Principal Planner positions in the Community Services Department effective July 1, 2006.
12. Authorized Fleet Management to initiate the purchase of the two sedan vehicles recommended in the Mental Health budget effective July 1, 2006.
13. Until a more formal policy is set by the Board of Supervisors, the Auditor/Controller is directed, after all other accounting entries are made for FY 2005-06, and prior to closing the books, to bring the fund balance of Funds 12 through 15 to zero by returning any excess revenue to the general fund.

Respectfully submitted,



LARRY T. COMBS
County Administrative Officer

TABLE 1

Comparison of Budget Requirements by Fund and Groups of Funds

	2005-06 ADOPTED	2006-07 RECOMMENDED	CHANGE	
			\$	%
BASIC COUNTY OPERATING FUNDS				
General	\$54,670,503	\$58,124,272	\$3,453,769	6.3%
Road	\$6,650,240	\$20,596,409	\$13,946,169	209.7%
Special Aviation	\$635,926	\$802,548	\$166,622	26.2%
Fish & Game	\$22,583	\$17,466	-\$5,117	-22.7%
Bi-County Mental Health	\$22,131,715	\$24,205,380	\$2,073,665	9.4%
Health Services	\$12,513,420	\$12,073,750	-\$439,670	-3.5%
Social Services	\$30,512,362	\$31,886,927	\$1,374,565	4.5%
Trial Courts	\$5,390,646	\$5,335,871	-\$54,775	-1.0%
Public Safety	\$22,046,388	\$21,373,323	-\$673,065	-3.1%
Capital Projects (4100)	\$453,176	\$456,676	\$3,500	0.8%
Total Requirements	\$155,026,959	\$174,872,622	\$19,845,663	12.8%
ENTERPRISE & INTERNAL SERVICE FUNDS				
Sutter County Waterworks District #1 (4400)	\$211,164	\$1,949,505	\$1,738,341	823.2%
Fleet Management ISF (4580)	\$1,622,764	\$1,652,906	\$30,142	1.9%
Information Technology ISF (4581)	\$3,546,142	\$3,696,334	\$150,192	4.2%
Vehicle Replacement Fund ISF (4585)	\$323,080	\$175,623	-\$147,457	-45.6%
Liability Insurance ISF (4590)	\$849,295	\$803,961	-\$45,334	-5.3%
Workers' Comp Insurance ISF (4591)	\$3,243,694	\$2,603,937	-\$639,757	-19.7%
Total Enterprise & ISF	\$9,796,139	\$10,882,266	\$1,086,127	11.1%
SPECIAL DISTRICT FUNDS GOVERNED BY THE BOARD OF SUPERVISORS				
County Service Area G (0301)	\$689,853	\$658,261	-\$31,592	-4.6%
County Service Area F (0305)	\$2,011,612	\$1,881,247	-\$130,365	-6.5%
County Service Area C (0309)	\$266,294	\$158,985	-\$107,309	-40.3%
County Service Area D (0311)	\$214,034	\$135,595	-\$78,439	-36.6%
Urban Area Street Lighting District (3000)	\$38,827	\$29,100	-\$9,727	-25.1%
Tierra Buena Sewer C.S.D. (0314)	\$501	\$0	-\$501	-100.0%
Sutter County Water Agency (0320)	\$459,822	\$142,240	-\$317,582	-69.1%
Sutter County Water Zones 1-13 (0324-0334)	\$849,475	\$1,170,902	\$321,427	37.8%
Co Consolidated Street Lighting District (0340)	\$121,595	\$119,299	-\$2,296	-1.9%
El Cerrito Drainage District (0390)	\$543	\$540	-\$3	-0.6%
Stonegate Sewer Improvement (0394)	\$288	\$1,108	\$820	284.7%
Rio Ramaza County Service District (0395)	\$8,306	\$13,365	\$5,059	60.9%
Sutter County Landscape - Wildwood (4011)	\$5,885	\$6,730	\$845	14.4%
Total Special Districts	\$4,667,035	\$4,317,372	-\$349,663	-7.5%
OTHER SPECIAL REVENUE FUNDS (includes double-counts)				
Other Special Revenue Funds	\$41,954,861	\$41,185,881	-\$768,980	-1.8%
Total Other Special Revenue Funds	\$41,954,861	\$41,185,881	-\$768,980	-1.8%
GRAND TOTAL	\$211,444,994	\$231,258,141	\$19,813,147	9.4%

**TABLE 2
APPROPRIATION AND REVENUE ANALYSIS**

APPROPRIATION ANALYSIS BY OBJECT			
PROPOSED BUDGET BASIC OPERATING FUNDS			
(Excluding Enterprise, Internal Service, Debt Service and Special District Funds, and other Special Revenue Funds)			
FY 2006-07 RECOMMENDED			
APPROPRIATION OBJECT	GENERAL FUND	OTHER FUNDS	GRAND TOTAL
Salaries & Benefits	\$18,816,053	\$48,896,361	\$67,712,414
Services & Supplies	\$7,455,780	\$26,638,457	\$34,094,237
Other Charges	\$28,235,894	\$39,327,118	\$67,563,012
Fixed Assets	\$2,284,300	\$430,285	\$2,714,585
GROSS	\$56,792,027	\$115,292,221	\$172,084,248
Intrafund Transfers	\$417,135	\$0	\$417,135
NET	\$57,209,162	\$115,292,221	\$172,501,383
Contingencies	\$750,000	\$451,054	\$1,201,054
TOTAL APPROPRIATIONS	\$57,959,162	\$115,743,275	\$173,702,437
Increases in Reserves	\$165,110	\$548,399	\$713,509
TOTAL REQUIREMENTS	\$58,124,272	\$116,291,674	\$174,415,946

REVENUE ANALYSIS			
DESCRIPTION	FY 2005-06 Adopted	FY 2006-07 Recommended	% OF TOTAL REVENUE
Total Taxes	\$22,126,434	\$23,942,256	12.17%
Licenses, Permits & Franchises	\$3,184,691	\$2,974,200	1.51%
Fines, Forfeitures & Penalties	\$642,340	\$628,086	0.32%
Use of Money & Property	\$2,227,040	\$1,859,818	0.95%
Intergovernmental Revenues	\$73,152,762	\$89,745,770	45.63%
Charges for Current Services	\$64,515,984	\$65,842,622	33.47%
Miscellaneous Revenues	\$3,044,042	\$2,679,294	1.36%
Other Financing Sources	\$15,000	\$15,000	0.01%
SUB-TOTAL	\$168,908,293	\$187,687,046	
Fund Balance Available as of July 1 (General Fund)	\$6,745,853	\$6,700,000	3.41%
Liquidation of Reserves (General Fund)	\$860,141	\$2,312,304	1.18%
GRAND TOTAL	\$176,514,287	\$196,699,350	100.00%