

Budget Message

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County of Sutter

Office of the County Administrator

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June 7, 2011

To: The Honorable Board of Supervisors

Re: **Recommended Budget for FY 2011-12**



In 1839, Johann Augustus Sutter established a fort at the confluence of the Sacramento and the American Rivers. Sutter's Fort became a thriving trading post and a regular stop for Americans venturing into California, several of whom Sutter employed. Besides providing him with a profitable source of trade, this steady flow of immigrants provided Sutter with a network of relationships that offered some political protection when the United States seized control of California in 1846, at the outbreak of the Mexican War. The discovery of gold in the American River in 1848 did not benefit Sutter. In fact, it became his downfall. Suddenly, all of Sutter's workmen abandoned him to seek their fortune in the gold fields. Squatters swarmed over his land, destroying crops and butchering his herds. Rushing mobs of gold seekers tore out fences that got in their way. Whenever fences got torn down,

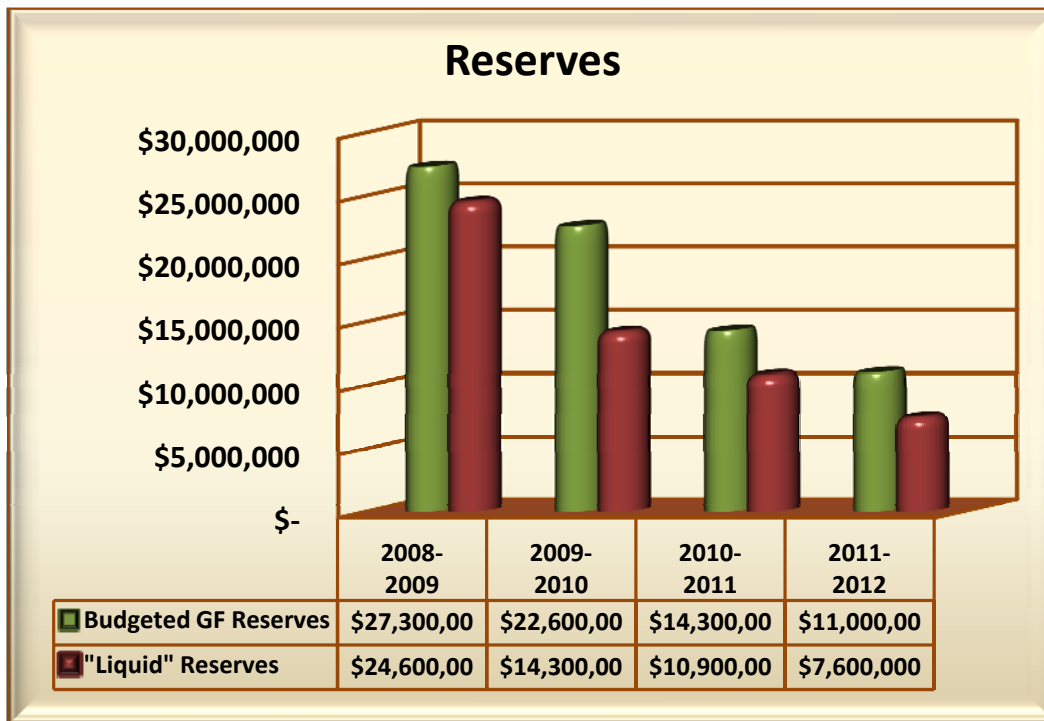
Sutter's animals broke out. Sutter tried, with partners, to become a merchant to the miners but his partners cheated him and his creditors pursued him. He tried to sell some of his land, but demand was low and his real estate agents also cheated him. In late 1849, Sutter sold his fort for \$7,000. He moved to Hock Farm, near Yuba City, with his wife and children.

By 1852, Sutter was bankrupt. In 1865, Sutter's home at Hock Farm was burned down by a disgruntled worker. For fifteen years afterwards, Sutter petitioned Congress for reimbursement of his losses associated with the Gold Rush, but little was done. On June

16, 1880, Congress adjourned, once again, without action on a bill which would have given Sutter \$50,000. Two days later, Sutter died in a Washington D.C. hotel.

John Sutter did not weather the changes in economic fortune that occurred after the onslaught of the Gold Rush. We believe that his namesake county will face its challenges better. Sutter County had two mini-Gold Rushes within the space of a decade: the Dot-Com boom of the late 1990s (followed by the Dot-Com bust of 2001) and the housing boom of the mid-2000s (which began to decline in 2007 and which was punctuated by a devastating stock market downturn in 2008). During the good times, Sutter County resisted the siren call to dramatically ramp up programs and services. Instead, the County prudently built up its reserves. By FY 2008-09, the County's total Reserves and Designations stood at \$27.3 million for the General Fund. It is generally recommended that a public entity retain 15% of its total budget for a fund in reserves. At that time, Sutter County's held a healthy 34.9% of its total General Fund budget in reserves.

Since then, however, the County has had to draw down on its reserves three years in a row to balance the budget. By FY 2010-11, the reserves stood at approximately half of what they had been a just two years earlier. Despite some significant budget-cutting (to be described in more detail in the following pages), we will need to draw down on reserves a third time to balance the budget for FY 2011-12.



Reserves are one-time savings that cannot underwrite ongoing expenditures forever, so we are forced by the economy and current circumstances to make significant cuts in our budget. In February, our office estimated a \$14.3 million budget deficit in the County's \$71.2 million General Fund budget.

Because of this, we instructed departments to submit budget scenarios representing a 20% reduction in General Fund contributions from the status quo level of funding. This has been very difficult for both our department heads and our employees, since Sutter County has enjoyed stable funding for many years. In developing the Recommended Budget, CAO staff has approached it with three goals: (1) minimize impacts in public services, (2) minimize staffing reductions, and (3) minimize the draw downs on reserves.

Summary of Recommended Budget

The Recommended Budget for FY 2011-12 totals \$230.9 million.¹ The General Fund comprises \$62.0 million of this amount. These numbers were \$250.4 million and \$71.2 million, respectively, in FY 2010-11, and therefore represent decreases of \$19.5 million, or 7.8% for the total budget and \$9.2 million, or 12.9%, for the General Fund. A drawdown of \$3.3 million from reserves is required in order to balance the General Fund budget.

The \$9.2 million decrease in the General Fund is not as steep as the \$14.3 million originally envisioned in February because the estimated fund balance forward is looking more favorable (\$4.6 million vs. an estimated \$1.5 million in February) and the secured property tax roll will be declining by less than originally anticipated (a 3% decline rather than 5%). This means that budget reductions in the Recommended Budget are not as drastic as originally feared. Nevertheless, because 51% of the General Fund consists of salary and benefits costs, it is not possible to achieve a \$9.2 million decrease in the budget without affecting staffing. For the first time since FY 1992-93, the Recommended Budget for Sutter County includes a significant number of layoffs.

Staffing Changes

The Recommended Budget includes a few additions in funding for 8.5 new and re-funded formerly-frozen positions, only 1.5 of which are General Fund. These include:

New Positions

Child Support Services

- 1.0 Child Support Specialist I/II

Community Services

- 1.0 Kennel Assistant in the Animal Control Division

Health

- 1.0 Supervising Public Health Nurse
- 1.0 Office Assistant I/II

¹ Excluding dependent special districts and internal service funds.

New Positions

Public Works

- 0.5 Central Services Assistant I in the Purchasing Division (replaces a full-time Central Services Assistant III)

Welfare

- 4.0 Public Assistance Specialist I's

Most importantly – important because layoffs affect the lives of our employees – the Recommended Budget includes the elimination of 16 currently-filled positions, plus reductions in hours for three additional positions. These are shown in the tables below:

Eliminated Filled Positions

Agricultural Commissioner

- 1.0 Office Assistant II

Assessor

- 1.0 Auditor-Appraiser II
- 1.0 Assessment Technician II

Auditor-Controller

- 1.0 Executive Secretary I

Clerk-Recorder

- 1.0 Deputy Clerk-Recorder II

District Attorney

- 1.0 Legal Secretary II

Farm Advisor

- 0.5 Office Assistant (reduced from full-time to half-time)

Human Resources

- 0.4 Safety Coordinator in the Workers' Compensation Division (reduced from full-time to 0.6 FTE)

Human Services Administration

- 1.0 Information Security and Compliance Manager

Information Technology

- 1.0 Executive Secretary I

Eliminated Filled Positions

Public Works

- 1.0 Custodian in the Building Maintenance Division
- 1.0 Groundskeeper in the Building Maintenance Division
- 1.0 Office Assistant II in the Building Maintenance Division
- 1.0 Central Services Assistant III in the Purchasing Division (to be replaced by a half-time Central Services Assistant I)
- 1.0 Associate Civil Engineer in the Water Resources Division

Sheriff

- 2.0 Deputy Sheriffs in the Sheriff-Coroner budget
- 1.0 Food Service Worker in the Jail budget

Treasurer-Tax Collector

- 0.5 Treasurer-Deputy Collector (reduced from full-time to half-time)

Staffing reductions also include the elimination of 13.55 vacant positions and an additional 53.8 FTE positions which will be held vacant and unfunded. The list of vacant unfunded positions is rather lengthy, but is included in its entirety here so that we can track the cumulative impact of the recession on Sutter County staffing levels. Although the elimination or defunding of these vacant positions does not result in layoffs, the inability of departments to fill these positions still has a significant impact on the operational abilities of their respective departments.

Vacant Unfunded Positions

Assessor

- 1.0 Assistant Assessor

Child Support Services

- 1.0 Information Systems Coordinator
- 1.0 Chief Child Support Attorney

Clerk-Recorder-Registrar of Voters

- 1.0 Deputy Clerk-Recorder III

Community Services

- 1.0 Hazardous Materials Specialist in Community Services Administration
- 1.0 Senior Planner in the Planning Division

***Vacant Unfilled
Positions***

County Administrative Officer

- 1.0 Senior Analyst

District Attorney

- 1.0 Deputy District Attorney
- 2.0 Senior Criminal Investigators
- 0.5 FTE Victim Advocate

Human Resources

- 1.0 Assistant Human Resources Director

Human Services

- 1.0 Administrative Services Manager

Information Technology

- 1.0 Deputy Director of Information Technology

Library

- 1.0 Library Services Coordinator
- 1.0 Supervising Library Technician
- 1.0 Library Assistant I
- 0.5 Library Technician

Mental Health

- 1.0 Intervention Counselor I in the Mental Health Division
- 0.85 FTE Medical Clerk in the Mental Health Division
- 1.0 Medical Records Supervisor in the Mental Health Division
- 2.4 Mental Health Therapists I in the Mental Health Division
- 0.4 FTE Mental Health Therapist III in the Mental Health Division
- 1.0 Psychiatric Technician in the Mental Health Division
- 2.0 Intervention Counselors I in the Mental Health Services Act budget
- 1.4 Mental Health Therapist I in the Mental Health Services Act budget
- 2.0 Resource Specialists in the Mental Health Services Act budget

Vacant Unfilled Positions

Probation

- 1.0 Deputy Probation Officer III
- 1.0 Probation Aide

Public Works

- 1.0 Highway Engineering Technician II in the Public Works Administration Division
- 3.0 Public Works Maintenance Supervisors in the Roads Division
- 2.0 Public Works Maintenance Worker Trainees in the Roads Division
- 2.0 Public Works Equipment Operators in the Roads Division
- 3.0 Custodians in the Building Maintenance Division
- 1.0 Building Services Worker in the Building Maintenance Division

Sheriff

- 1.0 Criminal Records Technician in the Communications Division
- 1.0 Supervising Public Safety Dispatcher in the Communications Division
- 1.0 Public Safety Dispatcher in the Communications Division
- 1.0 Patrol Lieutenant in the Sheriff-Coroner budget
- 5.0 Deputy Sheriffs in the Sheriff-Coroner budget

Treasurer-Tax Collector

- 1.0 Treasurer-Deputy Collector in the Treasurer's Division
- 1.0 Treasurer-Deputy Collector in the Office of Revenue Collections

Eliminated Vacant Positions

Auditor-Controller

- 1.0 Accountant II (to be replaced by the conversion of a Limited-Term Accountant II to a permanent position for no net loss in staffing)

Health

- 1.0 Account Clerk I/II
- 0.5 Health Program Specialist
- 2.0 Licensed Vocational Nurses

Eliminated Vacant Positions

Health

- 0.6 Office Assistant II
- 0.7 Physician
- 1.0 Public Health Aide

Mental Health

- 1.0 Intervention Counselor I

Mental Health Services Act

- 2.75 Intervention Counselor I's
- 1.0 Mental Health Worker I
- 0.75 Office Assistant II
- 0.25 Psychiatric Technician
- 1.0 Resource Specialist

Funding Risks and Items Not Included in Recommended Budget

Vehicle License Fee (VLF) Public Safety Funding

The Recommended Budget includes some inherent risks. In 2009, the State Legislature temporarily increased vehicle license fees and sales taxes, and dedicated those funds to a variety of County-provided Law and Justice programs such as Small and Rural County Sheriff Law Enforcement, COPS, and several Juvenile Justice/Probation programs. These funds amount to approximately \$1.0 million annually for Sutter County. The temporary tax increases are slated to expire June 30 of this year. Governor Jerry Brown promised voters that he would not increase taxes without a vote of the people, but was unsuccessful in convincing the necessary two-thirds majority in the Legislature to place an extension measure on the June 7th ballot. The Recommended Budget assumes that either the temporary taxes will be extended, or that the State will provide an alternative funding source for these programs. We are not likely to know whether the funding is available until the State finalizes its own FY 2011-12 budget, which could be several months after the beginning of the fiscal year. If the State fails to provide funding, the County Administrative Office will need to return to your Board with revised budget recommendations.

Animal Shelter

Because of the volatile nature of Animal Control discussions with Yuba City and uncertainty regarding the future of the animal shelter project, the Recommended Budget does not include funding for construction of the new animal shelter.

Animal Shelter

We believe that the project is now slated to proceed on course, and that the County will be able to break ground later this year. The County's estimated share of the Animal Shelter construction project is approximately \$1.1 million. When the Public Works Department is ready to award bids, the County Administrative Office will return to your Board with a recommended budget amendment.

Voluntary Early Retirement Incentive Program

In order to minimize the number of employees who will lose their jobs due to the County's budget crunch, the Board approved a proposed Voluntary Early Retirement Incentive Program (VERIP) in May 2011. Those Sutter County employees of retirement age with more than five years of County service are eligible to receive a \$10,000 retirement incentive payment if they choose to retire by June 30, 2011. Departments will be required to leave all but the most critical positions vacant for one year. Because the deadline for declaring intent to retire (May 31st) is after the date that this budget book will go to press, the savings from the VERIP are currently unknown. Once the fiscal impacts of the VERIP are known, the County Administrative Office will provide amended budget recommendations to your Board. The goal would be to present amended budget recommendations in time to rescind some of the layoff notices.

Major Budget Impacts

This section includes discussions of a number of issues which have had a significant impact on the County budget.

Employee Concessions

Beginning in November 2010 with the Law Unit and continuing through May 2010 with Management, Elected Officials, and Confidential employees, all County employees are now covered by new bargaining agreements. The General, Supervisory, and Professional Unit chose to open up a contract which did not expire until December 2011 in order to come to agreement on salary and benefits concessions.

All groups agreed to enact a Tier 2 retirement plan that would substantially reduce benefits for new County employees. Public Safety employees will now be covered by a 2% @50 retirement plan instead of the current 3% @50 plan. New Miscellaneous employees will be covered by a 2% @60 plan instead of the current 2.7% @55 plan. Retirement income will be calculated using an average of the salary for the three

Employee Concessions

highest consecutive years of service instead of the single highest year.

Current and future Public Safety employees will now contribute the full 9% of the employee's share of the pension contribution. Previously, Sutter County paid the employee's share. In return, the County agreed to implement a new 11-step salary system which added three new longevity steps to the existing 8-step salary system. Because of historical turnover rates, it is estimated that the savings from employees picking up their share of retirement costs will outweigh the costs of the additional salary steps.

Miscellaneous employees have a slightly different plan that also has employees picking up their share of pension costs, but Miscellaneous employees will phase in this provision over a three-year period. Instead of new longevity steps, Miscellaneous employees will receive a salary increase in an amount that compensates them for the increased pension costs. Miscellaneous employees receive salary increases of 2% in April 2011, 3% in December 2011, and 1.5% in December 2012. Their pension contributions will increase by 3%, 3%, and 2%, respectively, at the same time intervals. The cumulative effect is a 6.5% salary increase over a three-year period but an 8% reduction to pay for retirement contributions. The salary/pension swap is cost-neutral to the County.

These pension reform provisions met the Board's objectives to move to lower-cost pension plans, base pension payments on the average of the three highest years of income rather than the single highest year, and to have employees pick up their share of cost for pension contributions.

The most important piece of the bargaining agreements for FY 2011-12, however, was that all employees agreed to give up 3% raises that they would have received under their previous bargaining agreements. The Law and Fire Units agreed to forego 3% increases that had been promised to them in Summer 2010, and the remaining bargaining units agreed to forego 3% increases they would have received in December 2010. They had already deferred raises they would have received in 2009. All employees agreed to forego any increases for 2011, 2012, and 2013. By the end of the three-year contract period, Sutter County employees will have gone

Employee Concessions

without a raise for five consecutive years. Without these savings, the County's deficit would have been much higher and the budget reductions would have been much more severe.

Special Revenue Funds

As was done last year, if departments have special revenue funds that can legally be used for discretionary purposes, we have recommended that these funds be drawn in the same proportions that the General Fund is drawing down its reserves. The following three departments have met or exceeded this target amount. The draw downs include \$128,151 from Sheriff's Assessment Fees, \$131,450 from the Assessor's Property Tax Administration Program fund, and \$113,300 from the District Attorney's Asset Forfeiture, Local Anti-Drug Abuse funds, including a statewide legal settlement with the Target Corporation. The Sheriff will be using his Assessment Fees to fund a Legal Specialist position and avoid additional staffing reductions.

It is recommended that budgeted special revenue funds be transferred to the department operating budgets at the beginning of the fiscal year. Any unexpended funds in the departments' budgets at the end of FY 2011-12 should be used to decrease the County's General Fund contribution to that budget.

Health Insurance

The County's participation in the Tri-County Schools Insurance Group (TCSIG) has saved the County millions of dollars per year as compared to the cost of CalPERS health insurance. There was no increase in health insurance premiums over the last seven years. However, for a number of years, TCSIG was drawing down on reserves to keep health insurance costs stable. For FY 2011-12, a 13.3% increase in health insurance costs has been incorporated into the Recommended Budget. This is in addition to a 14% increase which took place in FY 2010-11.

There are no increases for dental, vision, or life insurance premiums.

Vehicle Replacement and Fleet Management

A total of four vehicles are included in the Recommended Budget. One patrol vehicle will be funded through the Sheriff's Assessment Fees Special Revenue Fund. Welfare has budgeted three replacement vehicles and will be releasing

***Vehicle Replacement
and Fleet Management***

six vehicles in exchange. There is no direct General Fund cost associated with the purchase of these vehicles.

Each year, Fleet Management rates each vehicle's condition on a letter scale from A through E. Typically, a vehicle rated D or E will be recommended for replacement. This year, only those vehicles rated at the bottom of the list are being recommended for replacement and several vehicles, including patrol cars, are being deferred to next year for replacement.

***SunGard Personnel-
Payroll-Financial
Management-Budget-
Purchasing System***

On March 31, 2009, your Board approved a contract with SunGard LLC to update and integrate the County's aging financial management systems. The new system will ultimately combine all five functions into one integrated and up-to-date software system. The project was split into two phases: Phase I includes the majority of the Personnel and Payroll modules, as well as an intermediate upgrade of the financial management system. Phase II will include the Purchasing and Budget modules, the remainder of the Personnel and Payroll modules, and conversion to the most current version of the Financial Management system. Phase I is over a year behind schedule. It is now expected to "go live" in early FY 2011-12. Phase II should also be completed during FY 2011-12, if the Information Technology Department's limited staffing permits. A total of \$40,500 is being re-budgeted in FY 2011-12. These costs include \$10,500 in the Auditor-Controller's budget for extra-help staffing for two months, and a re-budget of \$30,000 for extra-help in the County Administrative Office to implement the budget module.

Sheriff – Coroner

The Sheriff's eight budget units represent 22.6% of all General Fund expenditures.² Of necessity, the Sheriff's Office also bears the greatest share of budget cuts. In FY 2010-11, the Sheriff-Coroner's budget held three Deputy Sheriff positions vacant and unfunded. For FY 2011-12, the Recommended Budget assumes that three additional vacant positions will be left unfunded (a Patrol Lieutenant and two Deputy Sheriff positions) and an additional two Deputy Sheriff positions will be laid off. The cumulative effect over two years is the loss of eight law enforcement positions.

² Two of the Sheriff's eight budget units, the Inmate Welfare Fund and Court Bailiffs, have no General Fund contribution.

Sheriff – Coroner

The current public safety staffing level is already 11% below that of thirty years ago, when the total County population was approximately 55,000 (according to the 2010 census, the County's current population is approximately 96,000). In 1982, the Sheriff-Coroner budget unit had 52 total public safety positions. Currently, public safety staffing stands at 46.5 positions (two of which are paid through grant funds).

These staffing levels severely constrain the Sheriff's ability to provide effective patrol coverage to the unincorporated areas of Sutter County and to the southern portion of Yuba City. Patrol duties are being stretched increasingly thin due to the need to reassign patrol deputies to detective duties for homicides and other serious cases. As of this writing, there are currently nine accused murderers in the county jail whose cases must be investigated. To compound matters, when detectives are required to attend court hearings, patrol staffing gets stretched even thinner.

In recognition of the dangerous nature of public safety jobs, law enforcement officers have extended leave programs above and beyond those available to non-safety employees. Several deputies are currently on leave for a variety of reasons, but primarily due to work-related injuries. A few are on long-term leave and may eventually be on permanent disability. These positions are not backfilled. One deputy has been off duty for nearly two years. This places even more pressure on the Sheriff's limited patrol and detective staffing.

The Sheriff believes that the staffing levels in the Recommended Budget are insufficient to provide adequate public safety services.

Jail

The Jail budget also has been affected by cumulative staffing reductions. In FY 2010-11, the Jail budget held three Correctional Officer positions vacant and unfunded. For FY 2011-12, the Recommended Budget proposes to eliminate one Food Service Worker position. The cumulative effect over two years is the loss of four positions. Although the goal is to staff the jail at a level that provides a ratio of one Correctional Officer per 20 inmates at any given time, current conditions (which would be continued in the Recommended Budget) provide a staffing ratio of one Correctional Officer per 27 inmates. The impact of the reduced staffing is already being felt in terms of less-favorable jail inspection reports from the Correctional Standards Authority.

Welfare Administration

Unlike many other budget units within the County, funding for Welfare Administration appears stable and is not endangered by any of the competing budget scenarios being considered in the State Legislature. The responsibilities of the Welfare and Social Services Division include eligibility determinations for assistance programs, CalWORKs employment services, child and adult protective services, and other related activities as mandated by state and federal law.

Regulatory changes to the Cal-Fresh (food stamps) program have expanded eligibility to households that were historically ineligible for the program. The U.S. Department of Agriculture's most recent participation rates for California indicate that only 50% of eligible Californians receive Cal-Fresh benefits. This represents an estimate of approximately 2.2 million eligible Californians not served. California's overall Supplemental Nutritional Assistance Program (SNAP, Cal-Fresh in California) participation rate was ranked second to last in the nation and the state's participation rate among the working poor, at 31%, is ranked last. Additional outreach is being strongly encouraged by the federal government to increase participation in the Cal-Fresh program.

Although Medi-Cal is referred to as one program, it has approximately 200 different categories with varying requirements and complex budgeting, which creates multiple budgets within a single family's case. Both Medi-Cal and Cal-Fresh have seen dramatic caseload increases over the last six years³ while staffing has remained stagnant. In one of the rare additions to County staffing this year, the Recommended Budget includes four new Public Assistance Specialists to process the increased caseload. We anticipate that some of these new positions may be filled by internal transfers of existing County staff, thus reducing the number of employees the County will be forced to lay off.

Animal Control

Last year, the Animal Control budget included the elimination of two Animal Control positions because Yuba City capped its contribution to Animal Control at less than the actual cost of providing services. After many ups and downs, including being on the brink of terminating services to Yuba City, the two cities and the County have agreed to a "Ten Point Plan" for the short and long-term provision of animal control services. The plan addresses the creation of a new Animal

³ CalFresh households have more than doubled, from 2,012 in October 2004 to 4,258 in October 2010. The number of Medi-Cal households has increased by 31.5%, from 6,208 in October 2004 to 8,166 in October 2010. These figures represent ongoing cases. During this time period, the same 29 FTE positions have managed the rapidly growing caseloads for both programs.

Animal Control

Control Joint Powers Authority, key cost allocation provisions, and the eventual transition of lead agency responsibility for Animal Control from Sutter County to Yuba City. Three provisions in the Ten Point Plan have immediate impact on Animal Control for FY 2011-12: Yuba City has removed its artificial cap on Animal Control costs, the County has agreed to delete all A-87 costs from the Animal Control budget other than utilities and building maintenance costs, and the jurisdictions have agreed to fund a vacant Kennel Assistant position that had been defunded in prior years. The Kennel Assistant will provide a constant daily presence at the animal shelter, will supervise the work of the inmate-trustees, will assist the public by giving them access to view adoptable animals, and will assist in routine duties at the shelter such as feeding the animals, cleaning kennels and cages, and assisting the Animal Control Officers with the in-processing of new animals.

The County Administrative Office will be working with the Community Services Department, the Public Works Department, and the Cities of Yuba City and Live Oak to determine cost-effective improvements which can be made in the provision of animal control and animal shelter services between now and the time the new animal shelter can be constructed. If additional funding is needed for the improvements, the County Administrative Office will return to your Board with amended budget recommendations.

Capital Projects

Capital projects in the Recommended Budget include \$1.7 million in continuing projects and \$507,000 for six new projects. The new projects range from \$27,000 for the installation, surveying, and leveling of five County-maintained river gauge monitoring stations to \$308,000 for an expansion of the Agricultural Commissioner's offices (this includes relocation of staff). Of the \$1.7 million in continuing projects, approximately \$150,000 (an ongoing cost for the jail fuel tank removal/remediation project) will be funded from the General Fund.

What's Different This Year in the Recommended Budget Presentation

Because the depth of the budget cuts exceeds anything the County has experienced in the last two decades, we have made several revisions to the standard budget book format. The "Requested" column has been eliminated from the budget tables. It would be unfair to department heads to characterize the 20% budget reduction scenarios they were required to submit as a "requested budget". For similar reasons, we have eliminated the

traditional sentence at the end of each budget narrative which indicates whether the department head concurs with the CAO budget recommendation or not. This year, we assume that none of the department heads concur with their budget recommendations. Wherever possible, we have attempted to describe prior year budget cuts, the impact of the recommended budget cuts on public and internal services, and to describe what further service impacts will be necessitated if additional cuts are made to a given budget.

Emerging Issues

This section outlines two issues that have the potential for significant impacts on the County budget in the future: jail expansion and public safety realignment.

Jail Expansion

Four years ago, the State Legislature passed Assembly Bill 900, the Public Safety and Offender Rehabilitation Services Act of 2007, which allocated \$2.4 billion to construct 8,600 jail beds: 7,600 as cells and 1,000 as dormitory beds. The original bill required a 25% local match and also required the County to agree to be a re-entry facility for state prisoners. Approximately \$750 million was made available in the first phase of funding. The County conducted a needs assessment, which recommended a 42-bed expansion project. Estimated at that time at \$7.3 million, the project would not only provide 42 additional beds, but would create a female exercise area, remodel and expand the nurses' station and sick bay (still at its original 1978 two-bed capacity despite a quintupling in average daily population since then), and upgrade the kitchen. Although Sutter County submitted a grant request at that time, funding was not awarded.

This year, the Legislature recently enacted AB 94, which lowers the local match requirement to 10%. Acting as a re-entry facility for the State is still a preference in ranking grant requests, but is no longer mandatory.

If Sutter County received a grant award, the County would be able to construct a 42-bed expansion to the jail and make other needed upgrades for less than \$1.0 million in upfront costs. The expansion would not require any additional Correctional Officers because the current maximum security facility design anticipated the addition of a new housing pod, which can be monitored from the existing control room. Any expansion of population capacity would necessarily increase costs for utilities, food, clothing, and medical care, but in this case would be accomplished at far less additional cost than would be required by the average jail expansion project.

In March 2011, the Legislature also enacted AB 109, the 2011 Realignment Legislation addressing public safety. This bill

Jail Expansion

(which does not become effective until related appropriations are made) “realigns” certain low level offenders, adult parolees, and juvenile offenders from state to local jurisdiction. Funding resulting from this bill may be able to be used to mitigate some of the increased costs of the jail expansion.

There are many unknowns at this point, such as how competitive Sutter County’s project would be in comparison to projects proposed by other counties, whether the new grant will consider in-kind matches, how much the additional costs of running the expanded facility would be, whether realignment will be funded and at what level, and whether realignment funding would cover some or all of the costs of the jail expansion.

Public Safety Realignment

In January, new Governor Jerry Brown proposed a “vast and historic” realignment of government services in California, transferring authority and responsibility to cities, counties, special districts, and school boards. The Governor proposed to eliminate duplicative administration of services, limit overhead costs, and allow for locally determined priorities while maintaining statewide goals and objectives.

For public safety, AB 109 realigns correctional duties for specified felony offenders to local governments and includes intent language to provide revenues to cover the related costs. Another key provision of AB 109 is that it shifts all offenders released from prison who do not have current convictions for serious or violent felonies, who are not “third strikers”, and who are not high-risk sex offenders to post-release supervision by counties rather than the state parole board. Post-release supervision is to be implemented in a manner consistent with evidence-based practices to reduce recidivism. In addition, the bill provides expanded authority to county correctional administrators to use home detention electronic monitoring programs to supervise jail inmates, authorizes counties to contract with the California Department of Corrections and Rehabilitation for the purpose of housing felony offenders, requires each county to develop an Executive Committee of its Community Corrections Partnership to recommend to its Board of Supervisors a plan to implement realignment and maximize the investment in evidence-based correctional sanctions and programs.

Funding the programs has become problematic. The Governor’s original proposal called for a five-year extension of sales taxes and vehicle license fees which were increased in 2009. The Governor hoped to place a measure on the June

***Public Safety
Realignment***

2011 ballot for citizen approval which would extend the taxes, but the proposal required the concurrence of two Republicans in each house of the State Legislature, which did not happen. In the meantime, counties were concerned that funding would be reduced or substantially eliminated at the end of the five-year period. A State constitutional amendment that would guarantee funding to counties has been proposed. The May Revise continues to call for a five-year extension of the aforementioned taxes. As of this writing, the current proposal being suggested in Sacramento is for the Democrats to pass the tax extension without Republican concurrence and then ask the voters to retroactively approve the tax extensions on the November 2011 ballot. It is unclear, however, what happens if the Legislature approves the tax extensions and the voters subsequently reject them.

The State Budget

The State budget is currently facing an estimated \$10.8 billion deficit for FY 2011-12. Legislators continue to be at an impasse regarding ways to permanently resolve the State's chronic budget deficit. The State also continues to find new and creative ways to extract money from local government rather than fix its own problems. For example, many believe that the proposed Realignment scheme will fund less than the actual costs of providing the "realigned" services, and continued ongoing funding is shaky. County government is greatly affected by the decisions made in Sacramento. It is not possible to predict what will ultimately be included or excluded from the State's budget, so the Recommended Budget you see before you does not attempt to anticipate potential State budget cuts. If the State budget that is ultimately adopted by the Legislature has significant impacts on the County budget, we will return to your Board with recommended revisions at that time.

In Summary

Although the national economy and even the California statewide economy show signs of recovery, inland counties such as Sutter continue to be mired in recession. Sutter County's unemployment rate remains stubbornly high; it stood at 22.9% as of March 2011⁴. Our median household income in 2008 was \$49,146 as compared to a statewide average of \$61,017.⁵ This Recommended Budget for FY 2011-12 is the second in what

⁴ SOURCE: U.S. Bureau of Labor Statistics

⁵ SOURCE: U.S. Bureau of the Census

is likely to be several years of constrained budgets. Although we face challenges in the upcoming years, we also have opportunities to find new and creative ways of providing services to our citizens.

Respectfully submitted,

A handwritten signature in blue ink that reads "Stephanie J. Larsen". The signature is written in a cursive style with a large, stylized initial 'S'.

Stephanie J. Larsen
County Administrative Officer

