

# Budget Message

Larry T. Combs  
County Administrative Officer

*County of Sutter*  
*Office of the County Administrator*

*... established 1850*

June 30, 2009

To: The Honorable Board of Supervisors

Re: Proposed Budget for Fiscal Year 2009-10

***“Sutter home values down 45% from November 2006 peak”***

***“Dow Jones plunges 47% since June 2008 high”***

***“LAO estimates State deficit at \$24.3 billion”***

***“California out of cash sometime in July”***

***“Economists see recession lasting well into 2010”***

Virtually every financial headline holds grim news. The national economy is sputtering, unemployment is growing, and home values have been plunging. In response, families are eliminating unnecessary expenditures, causing businesses to fail and sales tax revenue to plummet. The State of California and its polarized Legislature have continually passed get-out-of-town budgets, postponing the hard decisions. Their day of reckoning is here, and it will undoubtedly affect Sutter County's finances.

Sutter County has been preparing for this moment for 18 years. In 1991, my Proposed Budget for FY 1991-92 included giving lay-off notices to 21 employees in the Sheriff's Office and the Library. Although we ultimately were able to save all 21 positions, it was a difficult position to put our employees in. When County employees are laid off (or even threatened with lay-offs), their families suffer and our local economy suffers. We didn't want this to happen again.

For the last 18 years, the Sutter County Board of Supervisors has increased reserves at every opportunity, saving unexpended funds at the end of a fiscal year and setting aside one-time windfalls. More importantly, the Board of Supervisors has resisted the urge to expand County programs to unsustainable levels. While the State acted as if high-flying stock markets and soaring home prices were going to last forever and increased spending accordingly, the Sutter County Board of Supervisors continued its conservative course.

This path has served the County and its citizens well. As of July 1, 2008 (final figures for the current fiscal year are unavailable until after final close-out), the County held \$27.3 million in General Fund reserves and designations and an additional \$25.2 million in reserves and designations in other funds. We knew that another economic downturn was inevitable someday, and we planned to be prepared for it. Barring drastic State actions, our reserves can last us 3-5 years.

There are a number of reasons for concern:

- Locally, falling property values and a rise in foreclosures, coupled with the shrinking economy, has led to a decline in property and sales tax revenues.
- The State's budget crisis can no longer be ignored or papered-over. The State has an estimated \$24 billion gap that is unlikely to be closed without severe budget cuts that will slash County functions.
- In addition to the State's budget crisis, it has a cash-flow crisis. As of this writing, the State Treasurer estimates that the State's wallet will be empty by mid-July – if not sooner. Governor Schwarzenegger has vowed to shut down State government altogether rather than rely on ruinous emergency borrowing. However, the State has made numerous proposals to defer payments to counties for programs that we, as subdivisions of the State, are required to provide on the State's behalf.

## Home Values and Property Tax Revenues

Homes: the long-standing foundation of the American dream. Until recently, Americans could count on a slow but steady rise in home appreciation. As everyone knows, home prices soared in the middle years of this decade. When the bubble burst, many Americans found themselves owing more than their homes were worth, or found themselves in adjustable mortgages they couldn't afford. Unable to afford or sell their homes, many of these homeowners were forced into foreclosure.

An increasing number of foreclosures has accelerated the decline in housing values, triggering resales at lower prices and significantly decreasing assessed valuations. The Assessor and the County Administrative Officer project a 5% decline in total assessed valuation for FY 2009-10, countywide – an estimated loss of \$600,000 to the Sutter County General Fund compared to FY 2008-09. The decline in property taxes also affects the Road Fund, the County Service Areas offering fire protection services, and several special districts providing lighting, drainage, and water services.

The housing market is the most critical component of personal net worth for most citizens. There are a total of 22,714 households in Sutter County, the vast majority of which – 18,897 – are located in Yuba City. As of April 2009, the median housing value for Sutter County was \$151,173, a steep 34.2% decline over the last 12 months.<sup>1</sup> Still, neither Sutter County nor nearby Sacramento County make the “top 10” list in California for declines in housing value.<sup>2</sup>

Have home prices bottomed out? Is a market recovery on the way? It's virtually impossible to tell. As the graph below shows, Yuba City median home values have

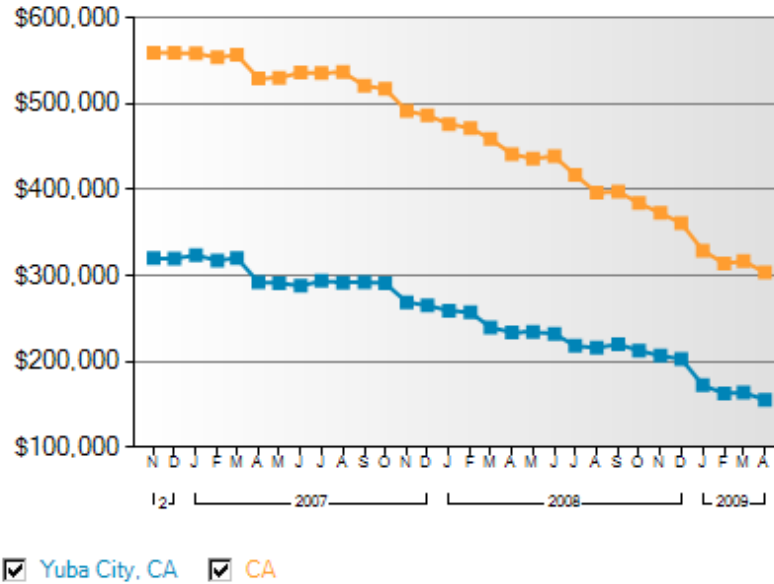
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<sup>1</sup> Housing market data cited in this document was obtained from RealtyTrac.com.

<sup>2</sup> The top five counties nationwide in foreclosure activity are Clark County (Las Vegas), NV; Osceola County (Kissimmee), FL; Lee County (Ft Myers), FL; Nye County (Tonopah), NV; and Madera County, CA. The top ten California cities are: Adelanto, San Jacinto, Elk Grove, Calexico, Bonita, Heber, San Bernardino, Delano, Imperial, and Winnetka. Sutter County ranks 32<sup>nd</sup>.

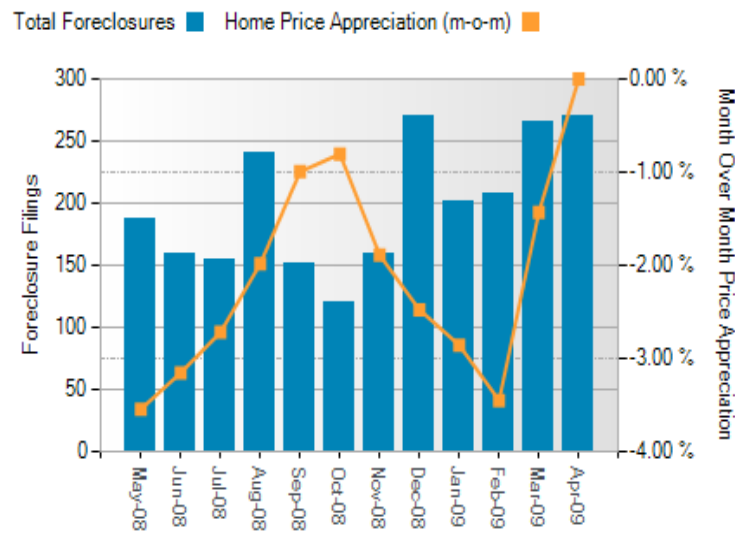
steadily declined from \$320,100 in November 2006, to \$234,100 in April 2008, to \$155,628 today.

### YUBA CITY MEDIAN HOME VALUE TREND: NOVEMBER 2006 – APRIL 2009



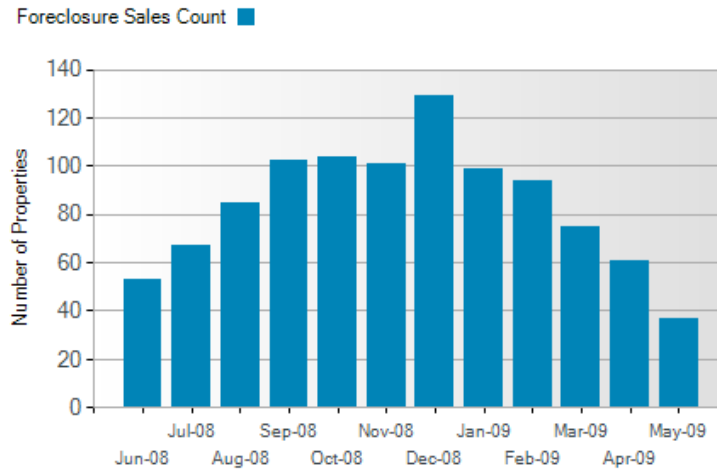
Foreclosure activity has bounced around in the last year, with no clear trend. For Sutter County, total foreclosure filings have moved from 185 in May 2008, to a low of 120 filings in October 2008, to a high of 270 filings in both December 2008 and April 2009.

### FORECLOSURE ACTIVITY AND HOME PRICE INDEX



It appears that foreclosure sales may have peaked in December 2008. Sutter County foreclosure sales rose from 56 in May 2008 to 134 in December 2008, declining steadily to 37 as of May 2009.

## FORECLOSURE SALES COUNT



Foreclosure rates are currently highest in Live Oak (1 in 76 housing units received foreclosure filings in April 2009) and lowest in Nicolaus (only 1 in 373 homes received filings). Yuba City is in the middle of the pack, with 1 of every 129 homes receiving foreclosure filings:

Community	# of Homes Receiving Foreclosure Filings in April 2009
Live Oak	1 in 76 housing units
Sutter	1 in 90
Meridian	1 in 118
Yuba City	1 in 129
Robbins	1 in 143
Pleasant Grove	1 in 206
Nicolaus	1 in 373

### The National Economy and Sales Tax Revenues

As citizens increasingly find their jobs in jeopardy and their net worth shrinking due to declining home values, they're cutting back on discretionary spending. This has resulted in the closing of such well-known business names as Mervyn's, McMahon's, Kay Bee Toys, and Gottschalks. As discretionary spending declines, so do state and local sales tax revenue.

Sales taxes represent significant portions of the County General Fund, the Public Safety Fund, and Health & Welfare Realignment Funds. In the County General Fund, sales taxes are, along with property taxes, one of the County's few discretionary sources of revenue. General Fund sales taxes are projected to decline by \$400,000 in FY 2009-10 compared to anticipated actual receipts that will be received in FY 2008-09.

A portion of the State sales tax (½%) is dedicated to Public Safety spending due to the passage of Proposition 172, the Local Public Safety Protection & Improvement Act of 1993. In Sutter County, these funds are used to augment the budgets of the Sheriff's Office, the Jail, and the District Attorney. Proposition 172 revenue is projected to decrease by \$500,000 in FY 2009-10 as compared to the prior fiscal year.

Similarly, the Health and Welfare Realignment Program was established in 1991 to transfer the financial responsibility for various mental health, public health, and social service programs from the State to local governments. This shift in financial responsibility has come to be known simply as "Realignment." State funding is provided through two dedicated revenue sources: ½% of the sales tax and a portion of vehicle license fees. Sutter County's Health, Mental Health, and Welfare programs are funded through realignment revenues. Both funded sources are projected to decrease in FY 2009-10. Vehicle license fee revenue for all three funds is anticipated to decline by \$718,000, or 10%; realignment-related sales tax revenue is anticipated to decline by \$704,000, or 8%.

## The Stock Market and Retirement Costs

The nation's economic meltdown has had a dramatic impact on the stock market, as has been widely reported. The annual contribution rate to PERS (Public Employees Retirement System) is predicated upon an assumption of a 7.75% return on investment earnings. This year, however, the Dow Jones Industrial Average plunged from 12,307 on June 12, 2008, to a low of 6,548 on March 9, 2009. It has since partially rebounded to 8,762 as of June 12, 2009. Instead of a 7.75% return on investments, PERS is facing a loss of approximately 29% over the last year (if PERS earnings were consistent with the Dow Jones Industrial Average). Even with a 15-year "smoothing" policy to stabilize employer contribution costs, there will undoubtedly be a significant increase in PERS costs in FY 2011-12. It is important to note that these are not one-for-one changes. In other words, a 30% decrease in investment earnings does not automatically result in a 30% increase in PERS rates.

PERS contribution rates are based upon the investment experience three years earlier. Thus, the rate for FY 2009-10 will experience a nominal increase of 0.228% for Miscellaneous members and 1.465% for public safety members, based upon PERS' status as of June 30, 2007. This year's wild stock market gyrations will not be reflected in our contribution rates until FY 2011-12, and will depend upon PERS' investment status as of June 30, 2009. On June 17, 2009, the PERS Board of Administration adopted a modified version of their smoothing policy that would reduce the potential increases in PERS rates as a result of the stock market downturn.

## Summary of the Proposed Budget

This year's Proposed Budget contains a new look, intended to be more reader-friendly and easier to understand. Major increases and decreases in each budget are shown in bullet point format. Budget narratives are now more comprehensive, detailing the mission of each department, the challenges each faces, explanatory detail of budget changes, and goals for the future. We hope you will appreciate the work that every department has invested in making the County's budget more understandable to its readers.

The proposed FY 2009-10 budget for Sutter County totals \$250.7 million in unduplicated costs<sup>3</sup>, of which \$75.1 million, or 29.9%, is General Fund costs. Due to concerns about the potential impacts of the State budget, this Proposed Budget is largely status quo in nature. There are no net new positions (although a few are being transferred from one budget unit to another), no new programs, and only one new capital project will be funded from the County General Fund.

The Proposed Budget utilizes \$5.0 million from designations to balance the budget, and \$1.7 million for one-time expenditures such as information technology, capital projects, equipment, and the General Plan Update. After these drawdowns, the General Fund Appropriation for Contingencies would remain at \$750,000, the balance in the Designation for Future Appropriations would remain at \$4.0 million, and there would be an estimated \$7.5 million balance<sup>4</sup> in the Designation for Capital Projects. The General Fund General Reserve, which is used to cover cash flow issues during dry periods and to provide funding for unforeseen emergencies, remains at \$1.1 million. Other General Fund reserves and designations total \$5.9 million. Altogether, projected General Fund contingencies, reserves, and designations total a healthy 25.6% of the General Fund total.

Capital improvements in the Recommended Budget include \$2.2 million in continuing projects and \$1.5 million for six new projects. The new projects range from \$25,000 to re-route a waterline to Whiteaker Hall to \$350,000 to upgrade the minimum-security unit at the Jail (more detail below). Only one project will be funded from the General Fund: \$250,000 to update the County Facilities Master Plan (also described in more detail below).

Key issues addressed in the FY 2009-10 Proposed Budget include:

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<sup>3</sup> Unduplicated costs exclude dependent special districts and internal service funds.

<sup>4</sup> Exact balance will not be known until close-out of the FY 2008-09 budget.

***New Animal Shelter*** The FY 2008-09 budget included \$300,000 for design of the new Animal Shelter. On March 31, 2009, your Board awarded a bid of \$525,000 to Swatt/Miers Architects to conduct site planning, design the animal shelter, and to act as project manager for the construction project. Completion of the design and bidding of the construction contract is anticipated to take place in FY 2009-10. A total of \$160,600 has been included in the Proposed Budget to complete the design work. Separate agreements have been signed with the Cities of Yuba City and Live Oak for their proportional costs relative to the design. Payments under these agreements will begin in FY 2010-11 and continue for a period of 15 years.

***New Courthouse*** Sutter County is in the top 12 of the State's priority list for courthouse construction projects. Construction funding was made available through the sale of bonds proceeds, and the State is beginning the process of land acquisition and design for the highest-priority projects. The County and the City of Yuba City both nominated the Civic Center Boulevard site north of the Jail as the preferred location for the new Yuba City courthouse. We anticipate that CAO staff will be working with the State's Administrative Office of the Courts to negotiate the land acquisition agreement during FY 2009-10.

***Facilities Master Plan Update*** Sutter County conducted a Facilities Master Plan in 1999. This document is now outdated, as some recommended projects have been constructed, and other events of the past decade have rendered the previous recommendations obsolete. When the new Courthouse is built, the County may have the option to re-occupy the old Courthouse facilities. Some departments are overcrowded, or have their operations split between several different buildings. To better plan for the County's current and future facilities needs, we recommend updating the Facilities Master Plan. The Proposed Budget includes \$250,000 for this effort, which is consistent with the costs encountered by other counties in developing their Facilities Master Plans.



***Upgrade of Jail  
Minimum-Security  
Unit***

The Sutter County Jail currently consists of 158 minimum-security, 142 medium-security, and 52 maximum-security beds. Although the Jail frequently has more inmates than design capacity in the medium- and maximum-security areas, the minimum-security section typically is under populated. The most cost-effective solution for adding more capacity for medium-security inmates is to upgrade the security fencing around the minimum-security unit. By doing so, many of the medium-security inmates could be safely relocated to the minimum-security facility, thus freeing up valuable space for more inmates in the medium-security section. The Proposed Budget includes \$350,000 from the Criminal Justice Facilities Fund for the security fencing upgrade project.

***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 County currently has four different systems for the five functions (Purchasing currently has no information system at all, and operates with manual procedures). These systems range from 17 to 35 years in age – dinosaurs by Information Technology standards. The new system will combine all five functions into one integrated and up-to-date software system. The implementation costs of the new system span two fiscal years. The one-time costs and initial implementation costs will largely be expended in FY 2008-09. An additional \$711,848 is included in the Proposed Budget for implementation programming costs and extra-help and overtime costs for staff to oversee the transition. These costs include \$498,848 in Information Technology, \$108,000 for the Auditor-Controller, \$30,000 for the County Administrative Office, and \$75,000 for Personnel.

***Management of  
County Outpatient  
Health Clinic***

On June 30, 2009, your Board will hold a public hearing regarding a proposal to shift management of the Outpatient Health Clinic from county staff to Peachtree Clinics. Making this change in management will allow the Outpatient Clinic to qualify as a Federally Qualified Health Clinic (FQHC) and become eligible for a higher level of expense reimbursements. At present, the Outpatient Clinic loses approximately \$1.2 million per year because federal reimbursement rates do not cover expenses. If the Board approves the concept of contracting with Peachtree Clinics, staff will later return to the Board with recommendations regarding how to utilize the cost savings.

***General Plan Update*** Progress on the General Plan Update will continue in FY 2009-10. The Proposed Budget includes \$560,000 to continue the project. The Planning Division of the Community Services Department is currently developing the land use alternatives analysis, which consists of developing three scenarios: growth under the existing General Plan, a Lower Intensity Growth plan, and a Higher Intensity Growth plan. Each scenario includes analysis of the impacts of growth on traffic, drainage, etc. Once the alternatives analysis is complete, the Board will be asked to choose a preferred land use alternative. The Planning Division will then conduct an Environmental Impact Report and develop General Plan Policies consistent with the preferred alternative. The Planning Division anticipates completion of the General Plan Update by late summer or early fall of 2010.

One wild card in this scenario is the new greenhouse gas requirements that resulted from the passage of AB 32, the California Global Warming Solutions Act of 2006. General Plan Updates must include an inventory of the level of greenhouse gases that existed in 1990, what the levels are now, and how the jurisdiction intends to reduce them in the future. State regulations are still evolving. Additional studies will need to be prepared to meet the new State regulations.

***Sutter Pointe  
(Measure M) and  
Riego Road  
Interchange***

Currently, the Planning Division is finalizing the Specific Plan for Sutter Pointe, a proposed development encompassing approximately 7,360 acres of agriculture land in the southern part of the County. This project is anticipated to be presented to the Board of Supervisors for possible action on June 30, 2009. Once the Specific Plan is complete, the developers will focus on updating their Master Plan for the proposed community.

A related project is the creation of a highway interchange at the intersection of Highway 99 and Riego Road. The interchange is currently being designed by CalTrans; costs are being reimbursed by the project developers.

***Underground Storage Tank Program*** In FY 2009-10, the Underground Storage Tank (UST) program is being transferred from the Agriculture Department to Community Services. Based upon three years of experience, the logistics of having the UST segment separate from the records and administration of the overall Certified Unified Program Agency (CUPA) hazardous wastes program have been challenging. Staff from both departments now believe that the position is better placed within the overall CUPA program in Community Services and that the transfer of the inspection services portion of the UST program can be provided to the agricultural community seamlessly. A newly created Hazardous Materials Specialist position will assume the UST responsibilities in the Community Services Administration budget, while a vacant Agricultural Field Assistant position in the Agricultural Commissioner's Office will be deleted.

***Flood Insurance Rate Maps*** It is anticipated that new Flood Insurance Rate Maps will be issued in early 2010 for nearly two-thirds of Sutter County. The Water Resources Division of the Public Works Department will be participating in and managing activities such as public outreach workshops and coordinating with FEMA and the State Floodplain Coordinator.

***Court Closings and Impact on Jail/Bailiff Budgets*** The State's fiscal crisis has resulted in a Judicial Branch proposal, adopted by the Joint Conference Committee, to shut down the courts one day per month. If this proposal is enacted, Superior Court's need for bailiff hours will decrease. The Sheriff has been working with the Court Executive Officer on this issue. The Sheriff will likely need to absorb these Correctional Officer hours in the Jail operation, which is anticipated to have a positive effect by reducing the need to use overtime.

## **The State Budget**

The State budget is, quite frankly, a mess. Deep partisan divides have prevented the Legislature from solving the state's structural budget problems. Because the ultimate problem – more money going out than coming in – is never adequately addressed, budgeting has become a year-round exercise at the State level.

As an example, the State Legislature thought it had adopted the FY 2009-10 budget in February 2009 (while they were revising the FY 2008-09 budget). However, that budget deal depended upon voter approval of a number of measures that were soundly defeated in the May 19<sup>th</sup> special election. As of this writing (mid-June 2009), a 10-person Conference Committee is attempting to grapple with an estimated \$24.3 billion State

budget deficit. The State Controller has been issuing warnings that the State will be out of cash by mid-July if a budget isn't adopted promptly, but fissures have begun opening between the various factions of the State Legislature. Although it is generally accepted by all parties that the State budget process must be completed by June 30 and, as of this writing, the Legislature intends to adopt a budget the week of June 22<sup>nd</sup>, it may be challenging for that to be accomplished.

The State cannot close a budget gap of that size without cutting programs or revenue streams that affect County government. The County's general revenues, health and welfare programs, law and justice programs, and road funding may all be significantly affected by what happens in Sacramento.

The following is a round-up of the most significant proposals that have the potential to affect Sutter County:

***Enacting the  
Borrowing Provisions  
of Proposition 1A***

Proposition 1A, the Protection of Local Government Revenues Act, was passed by voters in November 2004. The proposition was intended to protect local government revenues from raids by the State. Under the provisions of Proposition 1A, the State can only tap into local government property tax revenues if two-thirds of the State Legislature declares a fiscal emergency and approves the shift of funding. This shift of local property tax revenues must be treated as a loan which must be repaid, with interest, within three years. The State may only enact these loan provisions twice within a ten-year period, and must repay the first loan before taking out a second loan. The State may borrow up to 8% of local government's share of property tax revenues.

The Governor's May Revise proposed utilizing the property tax loan provisions of Proposition 1A to raise \$2 billion statewide. Although the bipartisan Conference Committee recently rejected this option, the State's budget deficit is so great that the proposal may resurface later. If enacted, the Proposition 1A shift would result in a one-time loss of approximately \$2.0 million in property tax revenues.

***State Mandate Reimbursements***

The State Legislature frequently passes bills that require local governments to enact new programs or procedures that have a significant fiscal impact. When this happens, the State is constitutionally obligated under Proposition 1A to fully reimburse local government for the costs associated with these new mandates (or suspend or repeal the mandates). Appropriations to reimburse local governments for state-mandated programs, however, are frequently cut back or eliminated in times of state fiscal distress.

This year is no exception. The Governor's May Revise included a proposal to suspend all reimbursable mandates, except for those relating to law enforcement or property tax administration. The Conference Committee retained funding for many mandates, including the Brown Act. Funding was deleted for several mandates, such as those related to sexually violent predators, the Peace Officer Procedural Bill of Rights, and the six-day hold on pets being held in local animal shelters (reduced to three-day hold).

The Committee also approved the Governor's proposal to defer \$52 million of the \$104 million that was in the previously-adopted FY 2009-10 State budget for reimbursement of AB 3632 mandated mental health services provided by counties in FYs 2006-07 and 2007-08.

A more insidious proposal being floated by the Legislative Analyst's Office is to redraft several of the mandate laws in such a way as to let voter-approved initiatives take effect. Measures passed by voters are not required to be funded, so the mandate would remain but the reimbursement would be deleted. The Conference Committee accepted this proposal for mandates related to sexually violent predators (Jessica's Law, Proposition 83) and crime victim rights (Marsy's Law, Proposition 9).

***Cash Management***

Although the State receives both income taxes and property taxes in April, it is widely anticipated that the State will need to borrow funds to continue paying its bills after mid-July. In an effort to stay cash-solvent, the State must delay paying some of its bills. In addition to deferring \$288 million in Proposition 42 road funding payments to local government as mentioned in more detail below, the Governor also proposed deferring \$300 million in Mental Health Services Act (MHSA) funds. The MHSA deferral would allegedly be repaid and caught up by June 2010.

***Raid on Local Road Funding***

Public Works relies heavily on two sources of State funding to provide road operations and maintenance: the Highway User Tax Account (HUTA) and Proposition 42 (the Traffic Congestion Improvement Act of 2002).

HUTA is an excise tax on gasoline. The Conference Committee approved a proposal to redirect \$986 million in FY 2009-10 from local governments to the State for bond debt service. An additional \$745 million would be swept in FY 2010-11. These funds would *not* be repaid. Both counties and cities fear that this will result in a permanent loss of this local portion of the gas tax.

In addition, the Governor's Department of Finance intends to "borrow" the first two quarter payments of Proposition 42 revenue from cities and counties for cash flow purposes.

The Conference Committee appropriated the remaining \$700 million in Proposition 1B Local Streets and Roads funds to partially make up for the loss of HUTA funding. However, many counties have already committed Proposition 1B funds to specific projects (as was the original intent of the initiative), and will be unable to use these funds for general road operations and maintenance expenses.

If all proposals are enacted in their current form, Sutter County would experience a net loss of \$351,000 in road funding in FY 2009-10 and \$1.4 million in FY 2010-11. Sutter County would lose approximately \$1.9 million in HUTA funding and \$751,000 in Proposition 42 funding in FY 2009-10. Sutter would lose an additional \$1.4 million in HUTA funding in FY 2010-11 for a total loss of almost \$4.1 million over the two-year period. This loss would be partially mitigated by acceleration of Proposition 1B revenues in the amount of \$2.3 million.

***Williamson Act  
Funding***

The Williamson Act allows agricultural property owners to receive reductions in their property taxes in return for keeping their land in active agricultural production for a specified period of years. Williamson Act subventions are state funds provided to counties to mitigate the loss of property tax revenues. The Conference Committee voted to suspend Williamson Act funding for FY 2009-10, which represents a \$250,000 annual loss to Sutter County.

If this proposal is included in the final version of the State budget, CAO staff will bring a separate action item to your Board recommending termination of all existing Williamson Act contracts.

***Diversion of Local  
Public Safety Funds***

In February, the State Legislature increased the Vehicle License Fee by 0.5% and dedicated that increase to support local public safety. Several proposals related to public safety funding have recently surfaced, each redirecting approximately half of local public safety funding from counties to the State General Fund. One proposal would affect the Sheriff's Rural Law Enforcement revenue; the State Citizens Option for Public Safety revenue used for Sheriff's operations, the Jail, and the District Attorney; and local assistance programs operated through CalEMA. Another proposal would reduce all program funding in the Local Safety and Protection Account by 50% (which would include Probation programs such as the Juvenile Justice Crime Prevention Act and Juvenile Probation and Camps funds). The Conference Committee took no action on the proposal, so funding is intact for now.

***Substance Abuse and  
Crime Prevention Act***

The Conference Committee voted to eliminate funding in FY 2009-10 for substance abuse programs mandated by the passage of Proposition 36, the Substance Abuse and Crime Prevention Act of 2000 (SACPA). SACPA requires counties to provide drug offenders with substance abuse treatment programs instead of incarceration. State law does not require the State to reimburse local governments for the costs of new programs enacted by voter initiative, such as this one. Since the mandate would continue to be in effect, elimination of State funding would be a direct cost shift of \$347,479 to the County General Fund to continue SACPA programs being provided by Probation and Mental Health.

***CalWORKs and Child Welfare Services.*** One of the most widely-discussed budget-cutting moves was the Governor's proposal to eliminate the CalWORKs welfare-to-work program. The Governor also proposed to cut the child welfare allocation to counties by \$110 million. The Conference Committee voted to reject both proposals, which would have had far-reaching consequences for Welfare services and County finances.

***Medi-Cal Managed Care*** The Conference Committee did, however, adopt the Governor's proposal to cut Medi-Cal Managed Care funding in half, from \$225 million to \$113.4 million.

***Other Health & Welfare Programs*** The Conference Committee enacted various proposals to reduce or eliminate funding for various Health and Welfare programs. The proposals are too numerous to list here, but include important programs such as child care and employment services related to the CalWORKs program, increasing the share of cost in the In-Home Supportive Services program by 50%, increasing the county share of CalWORKs costs, reduced funding for the Healthy Families insurance program, restrictions in Medi-Cal services, reduced funding for Maternal and Child Health programs, and reduced grants under SSI/SSP (Supplemental Security Income/State Supplemental Payments).

As can be seen from the State-County budget issues described above, County government is greatly affected by decisions made in Sacramento. I submit this Proposed Budget for FY 2009-10 in the full knowledge that it may need to be significantly revised after the State budget is finally enacted. In summary, this Proposed Budget for FY 2009-10 can broadly be described as status quo in nature, continuing the Board's conservative approach and preserving essential reserves while the twin storms of the national economic downturn and the State budget crisis pass overhead.

## **RECOMMENDATIONS FOR THE PROPOSED BUDGET FOR FISCAL YEAR 2009-10**

These recommendations and this Budget Message are submitted to you, the Board of Supervisors, for your consideration. Upon your approval, this document will constitute the Proposed Budget for FY 2009-10.

Approval of these recommendations 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 2009-10 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. Receive and review the Proposed FY 2009-10 Budget.
2. Approve the enclosed recommendations as the Sutter County Proposed Budget for FY 2009-10.
3. Authorize the Public Works Department to:
  - a. 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.
  - b. Proceed with the Plant Acquisition projects which were included in the Adopted FY 2008-09 budget and which were re-budgeted in this year's recommended budget. Those projects are identified in the Plant Acquisition budget.
  - c. Proceed with road projects that were approved by the Board in FY 2008-09.
4. Authorize the Personnel Department to:
  - a. Add the recommended grant-funded limited-term Victim Witness Advocate I to the District Attorney's Office position allocation effective July 1, 2009; and authorize the District Attorney to recruit for, and fill, the position effective the same date.
  - b. Re-assign 1.0 FTE Correctional Officer, 0.5 FTE Secretary, and 0.15 FTE Correctional Supervisor from the Sheriff's Inmate Welfare Fund budget (0-184) to the Jail budget (2-301), effective July 1, 2009.

- c. Add one Hazardous Materials Specialist to the Community Services Administration budget (2-721) and delete a vacant Agricultural Field Assistant I/II position from the Agricultural Commissioner's Office (2-601), effective July 1, 2009.
5. 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 2008-09, and prior to closing the books on the fiscal year, 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