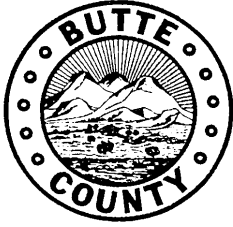


BUDGET MESSAGE

**CHIEF ADMINISTRATIVE OFFICE
COUNTY OF BUTTE**



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MEMORANDUM

June 10, 2008

To: The Honorable Chairman and Members
Butte County Board of Supervisors

From: C. Brian Haddix 
Chief Administrative Officer

Subject: Proposed Budget for the 2008-2009 Fiscal Year

Attached for consideration by the Board of Supervisors is the Butte County Proposed Budget for fiscal year 2008-2009, which will begin on July 1, 2008. Budget hearings have been scheduled to begin on June 24th to facilitate the adoption of a final budget at the beginning of the next fiscal year. This proposed budget provides the basis for those hearings.

The fiscal discipline exercised by the Board of Supervisors and County departments has resulted in a solid financial foundation from which Butte County can endure a weakened economy. Proposition 1A, adopted by California voters in 2004, provides stability at the local level and the ability to exercise fiscal control and planning. The Proposed Budget for next fiscal year, enclosed herein, recommends an overall decline of 1.18 percent with the General Fund declining by 0.92 percent. As explained in the following *"Overview of Fiscal Year 2008-2009 Proposed Budget,"* discretionary resources have decreased 1.2 percent in this budget year.

Table 1, on the following page, summarizes the Proposed Budget by fund.

Table 1
Proposed Budget for Butte County
Fiscal year 2008-2009 – All Funds

	Adopted	Proposed	Percent
	<u>2007-2008</u>	<u>2008-2009</u>	<u>Change</u>
General	130,980,832	129,775,675	-0.92%
Welfare	138,678,211	141,732,685	2.20%
Public Health	27,652,446	25,918,073	-6.27%
Behavioral Health	49,802,931	48,957,111	-1.70%
Child Support Services	9,155,465	9,024,906	-1.43%
Road Operations	30,152,808	22,180,213	-26.44%
Debt Service	5,235,150	4,054,126	-22.56%
Capital Projects	6,333,243	11,279,758	78.10%
Equipment Replacement	1,501,843	596,021	-60.31%
ISF Equipment			
Replacement	533,478	582,095	9.11%
State COPS Programs	999,466	943,106	-5.64%
Water Services	901,770	2,080,449	130.71%
Library	3,076,516	3,126,126	1.61%
Fish & Game	47,894	54,780	14.38%
Less Than Countywide			
Funds	20,533,764	20,262,230	-1.32%
TOTAL	425,585,817	420,567,354	-1.18%

The recommended budget for Public Health is \$25,918,073. The primary cause of the change in Public Health funding is declining use of Public Health Realignment and other revenues allocated by the State of California for public health services.

The recommended budget for Behavioral Health is \$48,957,111. The Behavioral Health Department is currently adjusting its budget to address a structural deficit caused by declining State revenues. The proposed budget for Behavioral Health represents a placeholder budget that removes vacant positions and transfers others from unfunded programs to funded programs. The proposed budget for Behavioral Health does not completely address the structural budget deficit (ongoing costs exceeding ongoing revenues), therefore, an adjustment to this proposal that ensures a structurally balanced budget for the Behavioral Health Fund will be forwarded to the Board of Supervisors prior to the commencement of budget hearings.

The recommended budget for Child Support Services reflects a decrease of 1.43 percent due to continued declines in State of California allocations for this program. The budget for Road Operations is decreasing by approximately 26.44 percent due to reduced Federal Bridge Replacement funding (approximately \$5.6 in 2008-2009 compared to approximately \$14.5 million in 2007-2008). The County had a large (\$8 million) bridge replacement project budgeted in 2007-2008 that accounts for the major difference in funding.

The budget for Debt Services is recommended to decrease by 22.56 percent due to the final payoff of the Workers Compensation Advance Funding loan in May, 2008.

The Capital Projects budget, as proposed, reflects the projects contained within the Capital Improvement Program, including improvements to several County Veterans Halls, design and construction of a new Public Health building serving North County residents, improvements to

the recently acquired General Services building, construction of an evidence building for the Sheriff's Office, and major improvements to the Bangor Fire Station.

The recommended budget for Libraries is 1.61 percent over the current budget year. The recommended Library budget reflects a 21 percent increase over the last two years.

Downturn in the Building Industry and Housing Market: Though the impact on property tax collections from the downturn in the housing market has not impacted Butte County as others, the slowdown is felt in the County as it relates to revenue generated through the Development Services Department to support staffing and operations. Due to the drastic decrease in departmental fee revenues, which is a result of the downturn in the building industry and fee rates not set to recover costs for providing services, the Department is eliminating 17 positions in the Proposed Budget. The reductions will likely impact processing time for planning and building projects, and may slow response to requests for building inspections and code enforcement complaints, and there may be less staff available to respond to questions from the public.

State Budget and Governor's Revision. The recommendations contained in the Proposed Budget are based upon the best available information at the time it was prepared. The budget proposed by Governor Schwarzenegger in January 2008 contained several issues that could impact Butte County. On May 14, Governor Schwarzenegger released the May Revision to his January budget proposal, modifying some of the items contained in the County Proposed Budget. The State Legislature is considering those recommendations as the Proposed Budget is being published. Several aspects of the State Budget, as revised, could impact Butte County:

The Governor's Budget Proposal for the fiscal year beginning July 1, 2008 contains the following potential impacts to the County:

- 10% cuts for several important public safety subventions including the Citizens Option for Public Safety, Juvenile Justice Crime Prevention, Rural and Small County Sheriffs, booking fees, and others.
- Cuts to the Medi-Cal program including benefit reductions, eligibility changes and rate reductions.
- Rolling back the state contribution to In-Home Supportive Services wages to \$8.00/per hour plus \$0.60/hour for benefits and reducing domestic and related services for some recipients of In-Home Supportive Services.
- 5% reduction to CalWORKs grants and a variety of policy changes that would reduce the number of people receiving benefits.
- Postpones the 3rd payment in the reimbursement of mandate costs incurred by counties prior to July 1, 2004.
- 10% reduction to the State's Williamson Act subventions to the County.
- Reductions to Proposition 36 Substance Abuse Offender Treatment Program subventions.
- Reductions to Early and Periodic Screening, Diagnosis and Treatment program services and funding.
- Reductions to funding for AIDS, Communicable Disease, Immunization, Child Protective Services, and Adult Protective Services programs.

- Reduction to Food Stamp benefits and administrative funding.

Positive Impacts

Every year is a "tight" budget year since there are never enough funds available to fulfill the many legitimate needs of the community. Nonetheless, there are some positive developments in the budget, as recommended, which include:

- Maintaining staffing levels in the Assessor's Office through backfill of lost State grant funds for property tax administration.
- Providing funding for the 3rd year of the Butte General Plan 2030 process.
- Adding a Training Officer position to the Fire Department to work directly with the Volunteer Program, per the recommendation in the Standards of Cover Study completed in FY 2007-2008.
- Providing for critical maintenance and improvements to County facilities.
- Fully funding the Equipment Replacement Plan and the purchase of front-line Sheriff and Fire vehicles.
- Sustaining the recent expansion of public access hours in every branch of the County library system.

Five-Year Fiscal Forecast

The adoption of a budget provides resources for the next fiscal year. However, the decisions made within the context of that one-year adoption may have ramifications several years out. Therefore, it is always prudent to view financial decisions in a manner more consistent with long range planning.

Table 2, below, provides an analysis of the recommendations contained in the proposed budget and the likely fiscal impacts those recommendations would have on Butte County over the next five (5) years. The primary factors in enabling Butte County to demonstrate long-term fiscal health is the adoption of Proposition 1A and the prudent budget decisions made in recent years when the economy was stronger. These factors provide stability to County government revenues and enable the Board to engage in fiscal planning with some certainty.

Table 2
Five-Year Fiscal Forecast
Through Fiscal Year 2012-2013
General Fund Only

GENERAL FUND	Proposed Budget 2008-2009	Forecasted Budget 2009-2010	Forecasted Budget 2010-2011	Forecasted Budget 2011-2012	Forecasted Budget 2012-2013
ESTIMATED DEMAND:					
Appropriation for Employee Compensation	70,668,089	72,020,394	74,206,750	76,661,454	79,453,407
Appropriation for Other Expenditures	59,107,586	59,038,789	60,162,702	61,117,166	62,438,959
Restricted Revenue	<u>32,188,117</u>	<u>32,912,307</u>	<u>33,763,565</u>	<u>34,642,190</u>	<u>35,535,478</u>
Net - Demand For Resources	97,587,558	98,146,875	100,605,887	103,136,430	106,356,888
ESTIMATED RESOURCES:					
General Fund Carryover From Prior Year	12,517,074	12,500,000	12,500,000	12,500,000	12,500,000
Property Taxes	48,278,221	49,704,484	51,158,362	53,631,665	56,228,288
Sales Taxes	17,950,248	18,488,755	19,043,418	19,614,721	20,203,162
Other Discretionary Revenues	<u>18,842,015</u>	<u>17,703,514</u>	<u>18,076,448</u>	<u>18,108,345</u>	<u>18,659,990</u>
Net - Available Resources	97,587,558	98,396,754	100,778,227	103,854,731	107,591,441
Budget Surplus at Year End	\$ 0	\$ 249,878	\$ 172,340	\$ 718,301	\$ 1,234,553

Table 2 demonstrates a V-shaped trend for the next five (5) years. Although there is a slight dip in the next couple of years the forecast shows the County coming out of it within the five year timeframe. If the State economy doesn't begin to improve by the end of 2008 then the County will likely need to make further adjustments to its financial plans in the following budget year.

Forecasts are not precise predictions of the future, they are indicators of trends and demonstrate a likely scenario. There are changes that could be made and will be made during the next five years that will impact the figures contained in this forecast to keep Butte County's budget balanced. The financial forecast, though, enables the Board of Supervisors to make short-term decisions comfortable in the knowledge that those decisions are treated favorably over time.

Acknowledgments

This budget document reflects the work of hundreds of people throughout Butte County's organization and several thousand staff-hours in preparation. The efforts put forth by all department heads and their staffs in crafting their individual budgets, and the cooperation displayed in working with the Chief Administrative Officer's staff in finalizing budget recommendations, is appreciated. Butte County has been well-served by the staff of the Administrator's Office in putting this budget document together. Capably led by **Greg Iturria**, Chief Financial Officer, the staff continued their excellent performance of this difficult, annual task. Deputy County Administrators **Sang Kim**, **Shari McCracken**, and **Andy Pickett**, Principal Management Analysts **Meegan Condon** and **Brett Miller**, and Support Services Manager **Victoria Cowles** are also appreciated, as are their dedicated long hours to ensure the accuracy of the recommendations made.

Recommendations

The Proposed Budget provides Butte County with a prudent spending plan, balanced with the revenues available to the County and provides the foundation for the conduct of hearings as required by California law. It is recommended that the Board of Supervisors accept this Proposed Budget as the basis for budget hearings, which have been scheduled to begin on Tuesday, June 24 and, under California law, can last no longer than ten (10) days. Subsequent to those hearings, the Board of Supervisors may adopt a budget that is smaller, but no larger, than the accountings made at the conclusion of the hearings.

Attachment

cc: Department Heads
Elected Officials