BOARD OF SUPERVISORS
AGENDA LETTER

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Agenda Number:

Department Name:	CEO & Auditor-Controller
Department No.:	012 & 061
For Agenda Of:	2/19/08
Placement:	Departmental
Estimated Tme:	75 minutes
Continued Item:	No
If Yes, date from:	
Vote Required:	Majority

TO: Board of Supervisors

FROM: Department Director(s): Michael F. Brown, County Executive Officer; Robert Geis, CPA, Auditor-Controller
Contact Info: Jason Stilwell & Julie Hagen
568-3413 568-2126

SUBJECT: **Fiscal Year 2007-2008 Second Quarter Budget and Financial Update**

County Counsel Concurrence
As to form: N/A

Auditor-Controller Concurrence
As to form: Yes

Recommended Actions:

That the Board of Supervisors:

A. Accept and file, per the provisions of Government Code Section 29126.2, the Fiscal Year 2007-08 Financial Status Report as of December 31, 2007, showing the status of appropriations and financing for all departmental budgets adopted by the Board of Supervisors,

B. Accept and file a report on the Governor's Proposed FY 2008-09 Budget with emphasis on possible impacts on County departments, and

C. Accept and file updated five year financial forecasts for Public Health (fund 0042), Alcohol, Drug, and Mental Health Services (fund 0044), Social Services (fund 0055), Fire Department operations (funds 0001 and 2280--Fire Protection District), the Road Fund (0015), and the County General Fund (fund 0001).

Summary Text:

This agenda item consists of three parts: 1) the second of four quarterly financial status reports for Fiscal Year 2007-2008, 2) a report on the Proposed Federal Budget and Governor's Proposed 2008-2009 Budget emphasizing potential impacts on County service levels, and 3) a summary report on five year financial forecasts for key funds.

Background:

Financial Status Report

The second quarter of the 2007-2008 fiscal year ended December 31, 2007. Immediately thereafter, financial and budget staff began analyzing the mid-year financial status of the County's various departments and funds. The goal is to uncover any budget or financial variances and to quickly address the situation and report the variance to the Board of Supervisors.

One tool is to hold Monthly Projection meetings (MOPROs). In January, staff conducted MOPROs with departments during which the department's actual performance was compared to their budget for the first six months of this fiscal year. Major differences (variances) between budgeted and actual amounts through December 2007 are described below and reported in Attachment A. In addition issues that may likely pose potential budgetary challenges for departments during the remainder of the year are highlighted.

GENERAL FUND SUMMARY

The General Fund report (Attachment A, page A-1) shows a positive variance of $1,223,221. The largest variance is the negative variance in the Clerk, Recorder, Assessor's Department resulting from the unfunded costs of undertaking the February 2008 election. The State has not committed to reimbursing these costs. The Sheriff Department had a negative variance of $1,643,509 as of December 31, 2007; as reported to the Board in January, the Sheriff is on track to exceed the Department's appropriation by $3.7 million and the Board agreed to transfer up to $3.4 million from the Strategic Reserve to enable the Sheriff to end the year with a balanced budget. Finally, General Revenues are slightly exceeding projections which offset these two large negative variances.

Looking forward to the end of the fiscal year. All General Fund departments anticipate ending the year within adopted appropriation limits except the Sheriff, and the Clerk, Recorder, Assessor. The District Attorney also believes its budget will end the year negative but show only a slight negative variance at mid-year.

GENERAL FUND DEPARTMENTS

There are twenty-one General Fund departments. Of these, only nine departments show variances over $300,000 on the Projected Annual Status Report (Attachment A, page A-1). This report compares six months of actual revenues and expenditures, adds department projections for the next six months, and compares these totals to budgeted amounts. The causes of the variances in these nine departments are described below.

- Probation: The department has a positive variance of $344,845 and anticipates ending the year within budget. Probation expects a Proposition 172 revenue shortfall of $400,000 but is managing expenditures within the department's available revenue.
- Fire: Fire has a positive variance of $389,930 primarily resulting from staff vacancies. The department anticipates ending the year with a positive variance. Certain staffing vacancies will continue through March at which time the department plans to over hire for the academy.
- Sheriff: The report shows the Sheriff having a negative variance of $1,643,509. The variance is primarily a result of having more staff than

budgeted. The department anticipates a further increase in staffing costs for the remainder of the fiscal year as staff retire, trainees are hired, and deputies fill shifts; thus there will be severance costs, training costs, and staffing costs (and overtime) to maintain levels of service. The department expects to end the year with a negative variance of no more than $3.7 million, will reduce expenditures by at least $300,000, and has approval from the Board to receive a transfer of up to $3.4 million from the Strategic Reserve.

- Planning and Development: Planning and Development shows a positive variance of $596,972 which primarily results from staff reductions the department took in anticipation of the continuing housing slowdown and therefore reduction in discretionary fee revenue. The department anticipates ending the year with no budget variance.
- Housing and Community Development: The department has a positive variance of $449,142 resulting from salary savings. The department expects to end the year with a positive variance.
- Auditor-Controller: The Auditor-Controller has a positive variance of $322,719 resulting primarily from salary savings due to vacancies. The department anticipates certain unbudgeted expenditures prior to the end of the year but expects to end the year with a positive variance.
- Clerk, Recorder, Assessor: This department has a negative variance of $2,121,697 resulting primarily from the costs of the unbudgeted February primary election. The department plans to end the year with no variance other than the cost of that election. The State has not committed to funding the election nor is the cost for the election in the Governor's proposed budget. It remains possible the State will fund the election, otherwise the election could be funded with unanticipated general revenue (discussed two bullets below).
- General Services: General Services shows a positive variance of $442,405. This variance is a result of unanticipated revenue but the department is on target to end the year with a positive variance.
- General Revenues: General revenues have a positive variance of $2,005,072. The variance primarily results from higher than budgeted transient occupancy tax revenues, supplemental property taxes, and a positive variance in sales tax revenue. General revenues should end the year ahead of budget projections with a positive variance.

SPECIAL REVENUE FUNDS AND OTHER FUNDS SUMMARY

The primary concern with the special revenue funds remains fund 0044 Alcohol, Drug, and Mental Health Services. The fund is burdened by the State's delinquency in making Medi-Cal payments. Other variances in the special revenue funds are positive or will end the year within budget (see pages A-2 to A-4 in Attachment A).

OTHER FUNDS DETAIL

- Children and Families First (0010): First Five continues to have stronger revenue than anticipated. Although a timing variance masks the additional revenue, First Five anticipates ending the fiscal year with a $700,000 surplus.
- Road Fund (0015): the Road Fund shows a negative variance of $389,855. Public Works has made certain expenditure reductions and anticipates Proposition 1B revenue that will enable the fund to end the year within appropriation limits.
- Health Care (0042): the report presents a negative variance of $336,470 but this fund will likely end the year at budget as Public Health anticipates receiving budgeted revenues.
- ADMHS (0044, 0047, 0048): Fund 0044 has a structural deficit and a proposed budget reforecast was presented to the Board on February 5, 2008. Attachment A shows Fund 0044 with a projected negative variance of $14.9 million, 0047 with a negative variance of $484,763, and Fund 0048 with a negative variance of $547,449. These variances are all primarily driven by revenue shortfalls or State payment delays.
- TSAC (0046): the Tobacco Settlement fund shows a positive variance of $609,851, due to timing differences in the payment of allocated funds from what was budgeted. All allocated funds are expected to be fully expended by June 30th. Revenue from the Master Settlement Agreement (MSA) that will be made available for Fiscal Year 2008-2009 allocations will be received on April 15th.
- Affordable Housing (0065): this fund of Housing and Community Development is benefiting from unanticipated revenue coupled with a delay in certain expenditures. The fund will likely end the year with a positive variance.
- Sandyland (3000): this negative variance of $997,658 results from a change in the scope and timing of the Sandyland Seawall project. A budget revision request will be presented to the Board reflecting this change. The fund will end the year with no variance.
- Isla Vista RDA (3100): this fund is dedicated to the Isla Vista Redevelopment Project Area. As of December 31, the fund has a positive variance of $909,733 due to higher property tax receipts.

Federal and State Proposed Budgets

President Bush released the Federal Fiscal Year 2009 budget on February 4, 2008. The Governor's proposed fiscal year 2008-2009 budget was submitted on January 10, 2008. Staff has reviewed the budgets and analyzed potential impacts on County service levels, revenues, and residents.

President's Budget Request

President Bush released the Administration's Budget Proposal for Fiscal Year 2009 on February 4, 2008, proposing spending of $3.1 trillion. Highlights of proposed funding for specific departments include:

- Department of Homeland Security funding of $44.3 billion, a 7.6 percent increase over 2008, to be spent on hiring additional Border Patrol agents, constructing additional border fencing; expanding personnel to conduct raids on businesses using illegal immigrants and expanding E-Verify, the Employment Eligibility Verification Program. FEMA's budget of $10 billion is included within this Department. Funding to state and local governments for Homeland Security grants is significantly reduced---$1.9 billion as compared to $3.5 billion in 2008. The President's Budget proposes eliminating the State Criminal Alien Assistance Program, as it has for the last several years (which is included within the Department of Justice budget).
- Department of Justice, State and Local Law Enforcement Assistance budget is $404 million (compared to $1.759 billion estimated for FY08) and again proposes consolidating more than 70 State and local law enforcement assistance programs into four grant programs, with funding allocated as follows: Violent Crime Reduction Partnership Initiative - $200,000,000; Byrne Public Safety and Protection Program - $200,000,000; Violence Against Women Program - $280 million; and Child Safety and Juvenile Justice Program - $185 million. $4 million is proposed for the COPS program.
- Department of Agriculture funding of $94 billion. Funding of nearly $60 million to prevent and control avian influenza is included within the budget. However, funding to prevent the Glassy-Winged Sharpshooter/Pierce's Disease and Sudden Oak Death in California is not included.
- Department of Housing and Urban Development budget includes a reduction in the Community Development Block Grant program (from $3.6 billion to $2.9 billion); the elimination of the $99 million toward the Revitalization of Severely Distressed Public Housing (HOPE VI) program; a $49 million increase for Homeless Assistance Grants ($1.6 billion total); a $262 million increase in the HOME Investment Partnership program ($1.9 billion total) and a decrease of $195 million for Housing of the Elderly ($540 million total).
- Department of Health and Human Services funding of $70.4 billion, a 2.5 percent reduction. This includes reduced funding of $1.1 billion to Health Resources and Services Administration, but does include $585 million for national preparedness for the influenza pandemic. Center for Diseases Control funding is reduced by about $300 million and Substance Abuse and Mental Health Services reduced by about $200 million. Medicaid grants to states are estimated at $216 billion. Total proposed funding for Medicare in FY 2008 is $420 billion, $30 billion greater than the FY 2008 figure. State Children's Health Insurance Program (SCHIP) is proposed for reauthorization for five years and is funded at $5.3 billion, or a level to ensure the program's "original intent" of covering children with family incomes up to twice the poverty level (or 200 percent below the federal poverty level), which equates to about $42,400 for a family of four. About 18 states, including California, cover children with family incomes above that level. California

currently covers children below 300 percent of the Federal poverty level, which would require an additional $2-3 billion in federal funding to sustain this level of coverage. Social services programs are also included within this department's budget. Specifically, Administration for Children and Families has a proposed reduction of $0.8 billion, Temporary Assistance for Needy Families has consistent funding of $17 billion (California receives 22 percent of the programs appropriations), and Payments to the States for Foster Care and Adoption Assistance has consistent funding at $6.8 billion

- Department of the Interior funding levels remain about the same at $10.6 billion. Included within this budget includes $968 million for the Bureau of Reclamation ($1.15 billion last year), the Payments in Lieu of Taxes ($195 million compared to $229 million estimated for 2008) and $850 million for Wildland Fire Management.
- US Army Corps of Engineers new federal funding of $4.7 billion, roughly the same as last year, not including an additional $5.8 billion emergency request for New Orleans. Within the funding, $2.475 billion is allocated for Operation and Maintenance, and $1.402 billion for Construction. Currently, the Santa Maria Levee and Lower Mission creek are not included within the budget. The Budget states that the intent of the Corps funding request is to focus on the "highest-performing projects, rather than new starts, and thereby complete them sooner."
- Department of Transportation funding of $71.1 billion.
- The overall projected deficit will increase to $410 billion, largely due to the economic stimulus package awaiting approval by Congress.

Governor's Proposed Budget

Governor Schwarzenegger released the Proposed Fiscal Year (FY) 2008-2009 Budget on January 10, 2008 to address the State's current and anticipated fiscal condition, namely a $3.3 billion deficit in the current fiscal year and a projected $14.5 billion deficit in FY 08-09, barring any fiscal reforms. In addition to the deficit, the State faces potential cash flow issues in March, July and August totaling $8.7 billion. The Administration has promulgated corrective action to close the budgetary shortfall including:

- Declaration of a fiscal emergency and special legislation session to consider mid-year adjustments (Legislature has until February 23, 2008 to act or other routine business of the Legislature (consideration of bills, etc.) ceases.
- Implementation of a ten percent "across the board" reduction to most General Fund programs effective March 1st, 2008 (more than half are in the health and human services category). Reduction of spending in most state programs totaling $4 billion.
- Suspension of the prepayment of Economic Recovery Bonds scheduled for 2008-2009 ($1.5 billion). Sell the remaining $3.3 billion of bonds by end of February 2008.
- Accruing tax revenues received in 2009-2010 to 2008-09 ($2 billion).
- Reducing current year spending on K-14 education ($400 million) and suspending Proposition 98 minimum guarantee education funding in 2008-2009 ($4 billion).
- Delay disbursements totaling $8.7 billion for K-12 schools, community colleges and government programs (highlights of County programs impacted noted below):
    - One to five month delay in gas tax disbursements for local streets and roads. County estimates possible impact of $3 million ($600,000 a month for five months) on Public Works. The Department may need to temporarily borrow, with interest, from the General Fund.
    - One to two month delays in payments to counties for Medi-Cal administration and social services programs. County Social Services

estimates its cash balance of $2.5 million in July will become a negative $1 million at July 31st and negative $4.5 million at August 31st.

- o Alcohol, Drug and Mental Health Services already has incurred interest charges of $500,000 for FY 2006-07 as a result of borrowing from the General Fund and will incur interest charges of approximately $700,000 in FY 2007-08 due to late payments by the State. A further delay of two months for advance payments for Managed Care ($107,100), EPSDT ($1.7 million) and Medi-Cal Administration ($300,000) would exacerbate this financial situation by impacting the Department's operating cash flow, likely resulting in additional cash advances from the General Fund. The Department's limited realignment funds (used to match Medi-Cal (FFP) will be redirected from services for this administrative expense.

▪ Proposition of a Constitutional amendment related to budget reform, referred to as the Budget Stabilization Act (not included as part of the special legislative session).

- o Revenues in excess of a long-term average rate of growth are deposited in a Revenue Stabilization Fund to be used to transfer to the General Fund in years with a shortfall and used for one-time purposes in years with excess revenues.
- o Automatic reductions in State spending: Reduction of annual appropriation levels corresponding to deficit including reductions of service levels or rate of payments in entitlement programs.

The Proposed Budget includes General Fund spending of $101 billion, a 2.3 percent decrease over last fiscal year. As in prior years, 90 percent of the budget is concentrated in three areas; education (51 percent), health and human services (29 percent) and corrections and rehabilitation (10 percent). General Fund revenues represent nearly $103 billion, a 1.7 percent increase over last year. Revenue sources remain consistent, personal income tax (55 percent), sales tax (28 percent) and bank and corporate tax (11 percent). Should the Proposed Budget, including mid-year reductions, be enacted, the Department of Finance has estimated the State's operating deficit to be $2.8 billion in FY 2009-2010, $2 billion in FY 2010-2011 and $1.2 billion in FY 2011-2012.

The economic situation underlying this forecast is largely predicated upon the declining performance in the housing and associated residential real estate and mortgage markets, compounded by rising energy prices. According to the Proposed Budget Economic Outlook (Department of Finance), single-family housing permits in the third quarter of 2007 were only about one-third of their level in the third quarter of 2005 and existing home sales, about half of their level two years ago. The inventory of homes has increased (the number of unsold homes on the market amounted to 16.3 months of sales at the October 2007 sales rate compared to 7.2 months of sales in October 2006) while the median home price has decreased by 9.9 percent from the prior year. Monthly job gains slowed considerably in the first ten months of 2007 and the unemployment rate increased from 4.8 percent in March 2007 to 5.6 percent in September and October 2007. Non-farm payroll employment is forecast to increase 0.7 percent in 2008, 1.0 percent in 2009 and 1.6 percent in 2010, as compared to 0.8 percent in 2007. Personal income, which makes up 55 percent of the State's tax base, remained strong and helped to offset the declining economic performance of the housing market. It was 5.8 percent higher than a year earlier in the first half of 2007 (compared to 6.5 percent growth in 2005 and 2006) and is projected to grow 4.8 percent in 2008, 5.2 percent in 2009, and 5.4 percent in 2010, as compared to 5.6 percent in 2007.

It is also important to note the decline in taxable sales, which drives the State's budget and also contributes to the budgets of the County's public safety departments (District Attorney, Fire, Parks, Probation, Public Defender and Sheriff). As reported by the Department of Finance within the Proposed Budget, after growing by 7.4 percent in 2005, taxable sales increased by only 4 percent in 2006 and 0.8 percent in the first three quarters of 2007. Part of the decline is presumed to be based on weaker vehicle sales (new vehicle registration fell in 2006 and in the first nine months of 2007) and sales at home improvement outlets. Taxable sales are projected at 3.4 percent in 2008 and 4.6 percent in 2009.

It is within this economic context that the Governor prepared the Proposed Budget. During the Fiscal Year 2007-2008 Proposed Budget, the Governor emphasized adult and juvenile corrections reform, healthcare reform and the use of infrastructure bonds. FY 08-09 continues many of these themes as well as includes other proposals to resolve the budget deficit, some of which are highlighted below.

Corrections: To achieve savings of $18 million in FY 2007-2008 (to exceed $758 million by 2009-2010), the Governor proposes (1) the early release of 22,000 state prison inmates considered to be non-violent, non-serious and non-sexual offenders who are within 20 months of their original release date and (2) no longer actively supervising such offenders on parole (placed on "summary parole") effective March 1st, 2008.

Social Services: The Administration proposes CalWORKs reform including such changes as family sanctions (imposed when a participating adult does not comply with minimum work requirements of the program) and time limits for aided children to achieve savings of $74 million in 2007-2008 and $389 million in FY 2008-2009 and to increase the State's overall work participation rate.

Strategic Growth Plan: Infrastructure bonds are proposed for placement before the voters in 2008 for water storage and conveyance ($11.9 billion), K-12 education ($6.4 billion), higher education ($7.7 billion) and courts ($2 billion). The Budget also proposes to create a Strategic Growth Council to coordinate state agencies activities to promote environmental sustainability, economic prosperity and quality of life, including implementation of AB 32, the California Global Warming Solutions Act of 2006.

Wildland Firefighting Initiative: The Administration's Plan to create a stable funding sources for wildland firefighting by purchasing additional firefighting equipment over six years and increase staffing of seasonal firefighters and emergency services personnel for CAL FIRE, OES and CA National Guard through a 1.25 percent surcharge on all residential and commercial property insurance statewide. The Administration estimates that the average homeowner pays $900 a year on insurance and that this proposal would assess an additional $11.25 annual on insurance premiums for this purpose. The revenue generated in FY 08-09 ($104.9 million) would be allocated for these specific purposes:

(1) CAL FIRE $77.8 million
  - Add 1,100 seasonal firefighters to staff all 336 state fire engines with four member crews during peak and transitional fire seasons; Installation of GPS on equipment; Purchase of eleven helicopters over six years and backfilling the budget to prevent closure of twenty one engine fire stations, and eleven conservation camps.

(2) OES $12.1 million
  - Purchase 26 fire engines over five years and maintain 131 additional engines; add 9.2 positions to enhance OES response to wildland fires and backfill the budgets for Fire and Rescue Mutual Aid and Warning Center/IT sections.

(3) Guard $9.2 million
  - Add 36 positions to provide 24/7 coverage and full-time helicopter crews (one crew in Northern CA and one crew in Southern CA); purchase two C-130J aircrafts over tow years and purchase three Fire hawk systems over three years.

While the Proposed Budget is one snapshot in time of possible scenarios and subject to significant revisions before the May Revise and before final adoption by the Legislature (June-August), a compilation of some of the possible impacts of this budget to County departments is included for your consideration. Given the $14 billion deficit, these proposals are considered viable options to close the budget shortfall. As such, the County Executive Officer has instructed departments to consider these proposals while preparing their budgets.

Five Year Forecasts

The Board receives, on an annual basis, forecasts of the key funds of the County. These include 1) the County General Fund, 2) Public Health, 3) Alcohol, Drug, and Mental Health Services, 4) Social Services, 5) Fire, and 6) the Road Fund. These funds are the largest of the County's funds and examining the financial projections of these funds can assist the Board in ascertaining the future financial condition of County.

A summary of these forecasts is in the following table. Following is a more detailed summary of each forecast.

General Fund	Public Health	ADMHS	Social Services	Fire	Road
The forecast depicts slowing revenue growth and reduced service levels in fiscal year 2008-2009 with those lower service levels continuing through the forecast period.	The health of this fund has improved since the last report, but beginning in fiscal year 2008-2009, expenditures are expected to increase faster than revenues creating an increasing deficit.	The forecast assumes significant changes will be made during fiscal year 2008-2009 to balance the department's budget and General Fund Contribution will increase.	The forecast projects this fund's expenditures will increase faster than its revenues as costs increase and caseloads grow.	The department is able to sustain existing service levels during the next two years by using existing fund balance to cover operational costs. However, the Fire District fund balance will then be depleted in fiscal year 2010-2011.	This forecast is improved from prior Road Fund forecasts due to strategic initiatives to address the structural deficit in the Road Fund. Voter consideration of a Measure D reauthorization has a significant impact on the Fund.

GENERAL FUND FORECAST

Five year forecasts of discretionary General Fund revenues and their uses are provided twice a year; at the mid-point of the fiscal year and with the proposed budget. The forecast in the Proposed Budget is intended to provide additional information that may be helpful in weighing the financial consequences of current year decisions.

Discretionary revenue is derived from local taxes, especially taxes on property and property transactions. On the expenditure side, the forecast projects changes in total salary and benefit costs, and then calculates that proportion of total salaries and benefits funded with discretionary General Fund revenues. The expenditure forecast also projects significant non-salary costs.

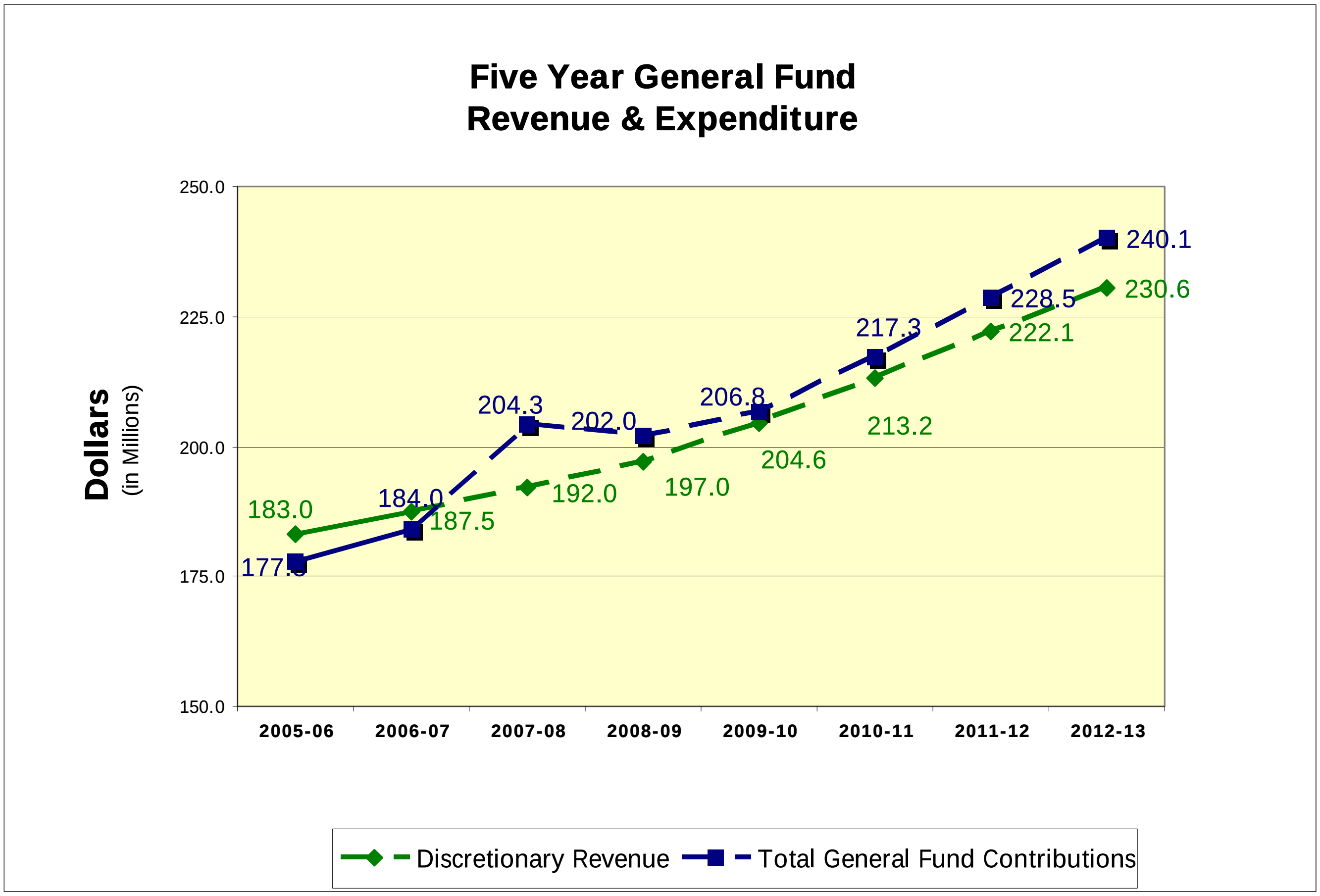
Five-year fiscal year 2008-2009 through fiscal year 2012-2013 discretionary revenue projections

Revenue Source (Dollars in Millions)	FY05-06 Actual	FY06-07 Actual	FY07-08 Budget	FY07-08 Estimated	FY08-09 Projected	FY09-10 Projected	FY10-11 Projected	FY11-12 Projected	FY12-13 Projected
Secured Property Tax	$89.933	$99.695	$105.500	$106.164	$110.411	$115.379	$120.860	$126.903	$133.882
Unsecured & Unitary Property Tax	6.628	7.003	7.05	6.718	6.852	6.989	7.129	7.272	7.417
Supplemental Property Tax	9.635	6.159	4.900	5.568	5.011	5.011	5.262	5.525	5.801
Property Transfer Taxes	4.461	4.414	3.100	3.220	3.218	3.283	3.414	3.585	3.764
Retail Sales Tax	9.872	11.502	10.500	11.873	11.670	11.962	12.261	12.567	12.131
Transient Occupancy Tax	5.631	6.591	5.900	6.454	6.551	6.649	6.749	6.850	4.953
Property Tax In Lieu of MVL Fees (1)	32.169	37.090	39.300	39.791	41.383	43.245	45.299	47.564	50.180
Franchise Fees	2.755	3.155	2.850	2.969	3.028	3.089	3.151	3.214	3.278
Interest Earnings	4.149	3.148	2.000	1.879	1.500	1.500	1.500	1.000	3.000
Other Revenue	17.782	8.791	8.882	7.351	7.425	7.499	7.574	7.649	7.726
TOTAL	**183.015**	**187.548**	**189.982**	**191.987**	**197.049**	**204.606**	**213.197**	**222.128**	**232.133**
Dollar Change Per Year		**$4.533**	**$2.434**	**$2.005**	**$5.062**	**$7.557**	**$8.592**	**$8.931**	**$10.004**
Cumulative Change from FY 06-07 Actual		**$4.53**	**$6.97**	**$8.97**	**$14.03**	**$21.59**	**$30.18**	**$39.11**	**$49.12**
GROWTH RATES:									
Secured Property Tax	16.75	10.86	5.82	6.49	4.00	4.50	4.75	5.00	5.50
Unsecured & Unitary Property Tax	4.08	5.66	0.67	-4.07	2.00	2.00	2.00	2.00	2.00
Supplemental Property Tax	43.34	-36.08	-20.44	-9.60	-10.00	0.00	5.00	5.00	5.00
Property Transfer Taxes	-10.96	-1.05	-29.77	-27.05	-0.05	2.00	4.00	5.00	5.00
Retail Sales Tax	8.57	16.51	-8.71	3.23	2.50	2.50	2.50	2.50	2.50
Transient Occupancy Tax	16.95	17.05	-10.48	-2.08	1.50	1.50	1.50	1.50	1.50
Property Tax In Lieu of MVL Fees	14.83	15.30	5.96	7.28	4.00	4.50	4.75	5.00	5.50
Franchise Fees	12.22	14.52	-9.67	-5.90	2.00	2.00	2.00	2.00	2.00
Other Revenue	117.97	-50.56	1.04	-20.33	1.00	1.00	1.00	1.00	1.00
TOTAL % Change from Prior Yr	**21.34**	**2.48**	**1.30**	**2.37**	**2.64**	**3.84**	**4.20**	**4.19**	**4.50**

(1) FY 05-06 number does not include one-time payment of underestimated FY 04-05

Given historical revenue patterns and available forecasts for local and state economic data, a moderate increase in discretionary revenues of 2.64% is estimated in fiscal year 2008-2009 followed by further increases in the 3.84% to 4.50% range in subsequent years. The fiscal year 2008-2009 increase is driven primarily by a projected 4.0% increase in secured property tax revenues which will generate approximately $4.25 million dollars in additional tax revenues and $1.6 million in new property tax revenues in lieu of motor vehicle fees.

The following chart describes the additions to the Strategic Reserve in fiscal years 2005-2006 and 2006-2007. The draw from Strategic Reserve is denoted by the spike in Total General Fund Contributions in fiscal year 2007-2008. This draw was primarily utilized for the budget challenges in the Sheriff's and Alcohol, Drug, and Mental Health Departments. This forecast assumes the draw to be a one-time event and that these two departments will decrease to targeted levels in fiscal year 2008-2009 and beyond. That targeted level for Alcohol, Drug, and Mental Health Services includes an increase in General Fund Contribution percentage as described below. Social Services projects an increase in General Fund Contribution as described below; that increase is included in the chart below.

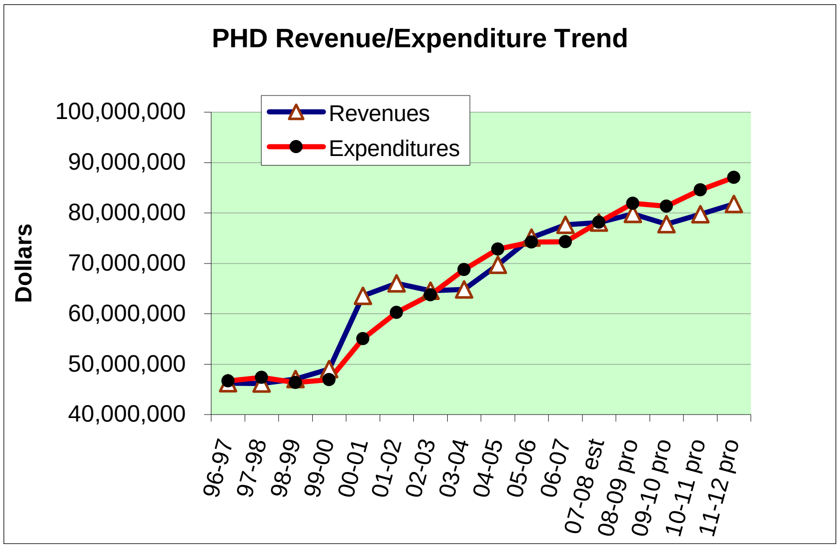


This forecast chart does not include increased General Fund Contribution for the operation of a new jail facility or other large new locally funded expenditures nor does it include increases to the Strategic Reserve. The expenditures primarily assume that certain budget reductions occurring in fiscal year 2008-2009 will lead to a new lower base of County services funded by General Fund Contribution and that these levels of service would continue through the period of the forecast.

This five-year forecast includes, for the first time, the impact of the City of Goleta's 10-year revenue neutrality agreement adjustment. Today the County receives 50% of retail sales tax generated in the City of Goleta. Beginning in fiscal year 2012-2013 the County will receive 30% of retail sales. This results in an actual decline of sales tax revenue of $436,000 in fiscal year 2012-2013 compared to fiscal year 2011-2012. Similarly, the County receives 40% of transient occupancy taxes from hotels in the City of Goleta through fiscal year 2011-2012. Beginning in fiscal year 2012-2013, the County will receive none of this revenue which is projected to be a net revenue reduction of $1.9 million when comparing fiscal year 2012-2013 to fiscal year 2011-2012 for that revenue source.

PUBLIC HEALTH FORECAST

This preliminary update to the fund's forecast does contain potential measures to partially mitigate some of the department's projected $2.4 million in fiscal year 2008-2009 retirement rate increases. The forecast does not incorporate any impacts from the following: 1) The Governor's proposed fiscal year 2008-2009 budget reductions; 2) The Governor's Health Care reform proposal, or; 3) Any reductions due to a loss of general fund contribution. However, this forecast does contain a modest estimate of increased Medi-Cal revenues from a planned, but not guaranteed, scope of service rate increase. As a result, the health of this fund has improved since the last report, but beginning in fiscal year 2008-2009, expenditures are expected to increase faster than revenues (mostly due to salaries and benefit pressures) and create an increasing deficit, as shown in the following chart and table:



PHD Revenue/Expenditure Trend and Change in Fund Balance					
	FY 07-08 *Projected*	FY 08-09 *Projected*	FY 09-10 *Projected*	FY 10-11 *Projected*	FY 11-12 *Projected*
Revenues	78,087,154	79,784,847	77,806,384	79,760,055	81,779,139
Expenditures	78,189,718	81,908,702	81,355,404	84,603,013	87,026,146
Capital/Designated Expenditures	1,068,243	759,732	-	-	-
Change in Fund Balance	(1,170,807)	(2,883,587)	(3,549,020)	(4,842,958)	(5,247,007)
Ending Fund Balance	16,965,200	14,081,613	10,532,593	5,689,635	442,628

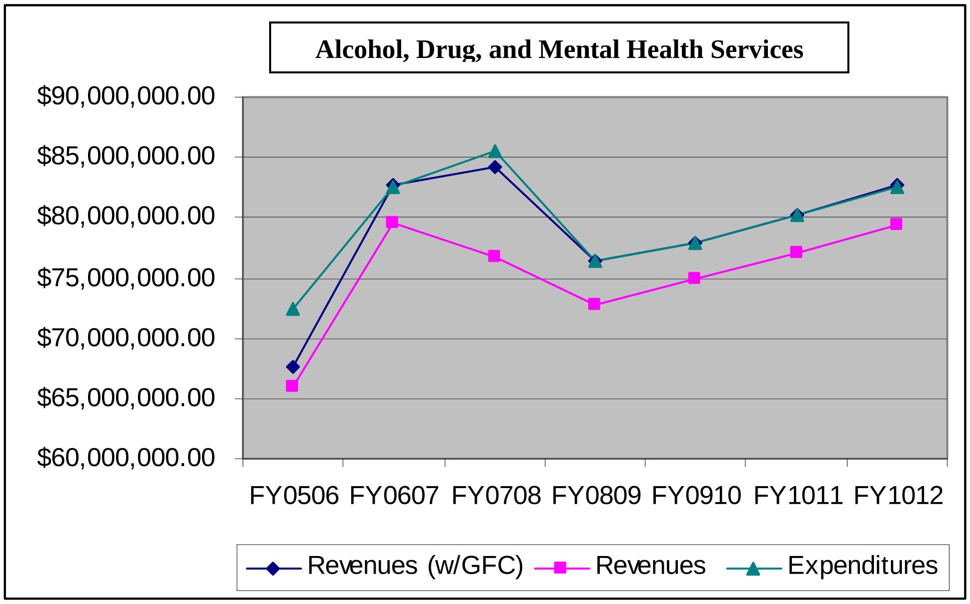
The revenue-expenditure trend data assumes that the department will continue to provide its current levels of service with the same mix of department programs and contracted service providers. Beginning with the 2008-2009 fiscal year, expenditures are expected to outpace revenues.

ALCOHOL, DRUG, MENTAL HEALTH SERVICES FORECAST

This preliminary update to the Department's forecast is prior to the completion of the ADMHS recommended fiscal year 2008-2009 budget and does not contain specific measures to mitigate any of the fiscal year 2008-2009 retirement rate increases. In addition, the forecast does not incorporate any impacts from the Governor's proposed fiscal year 2008-2009 budget reductions. In addition, the forecast projects an increase in the General Fund Contribution for fiscal year 2007-2008 and rates of General Fund Contribution in future years which are greater than the previous 2.1% (4.8% in fiscal year 2008-2009 and 3.8% in future years). This additional General Fund Contribution may not be possible given existing General Fund Contribution expenditures have to be reduced to meet available revenue.

This forecast does assume that significant changes will be made during fiscal year 2008-2009 to balance the department's budget. These changes will mainly impact the Adult Mental Health Division. The details of these required changes are not yet known and the Department is currently working with

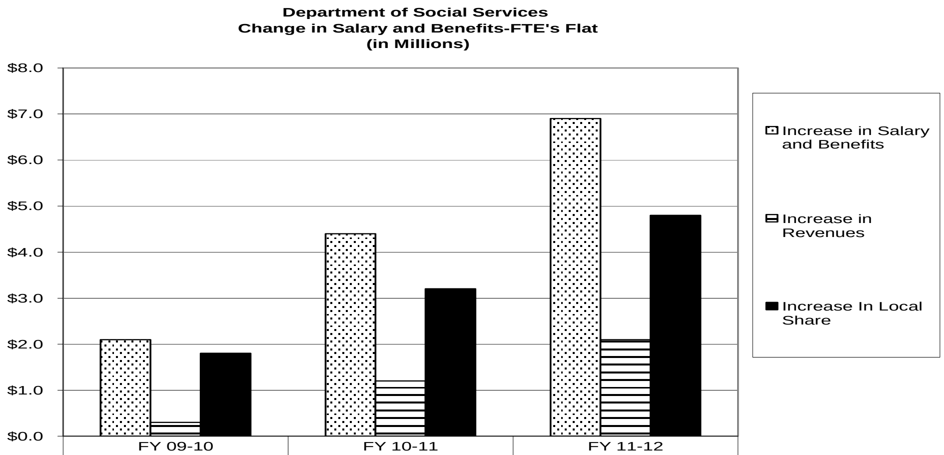
Community Based Organizations to determine necessary changes to the current system of delivering mental health services. As a result, the level of revenues and expenditures in fiscal year 2008-2009 are anticipated to decline, as shown in the following chart and table:



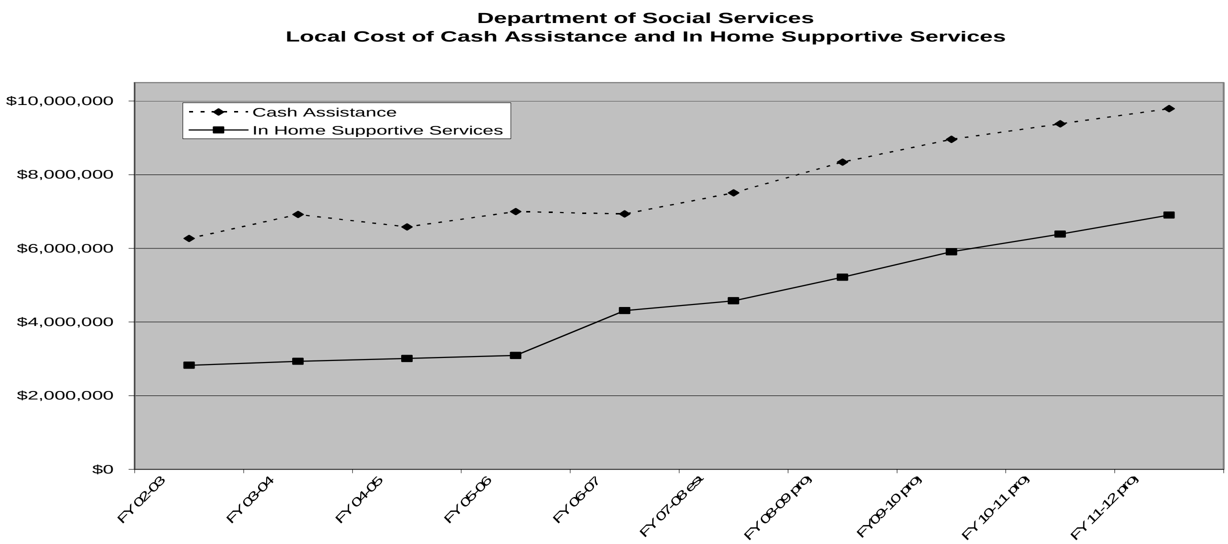
Alcohol, Drug, and Mental Health Services Revenue/Expenditure Trend and Change in Fund Balance					
	FY 07-08 *Projected*	FY 08-09 *Projected*	FY 09-10 *Projected*	FY 10-11 *Projected*	FY 11-12 *Projected*
Revenues	$76,712,492	$72,712,492	$74,893,867	$77,140,683	$79,454,903
Expenditures	85,472,170	76,348,117	77,875,079	80,211,332	82,617,672
Change in Designations	1,281,866	-	-	-	-
General Fund Contribution	7,477,812	3,635,625	2,995,755	3,085,627	3,178,196
Net Financial Impact	-	-	14,542	14,978	15,428

SOCIAL SERVICES FORECAST

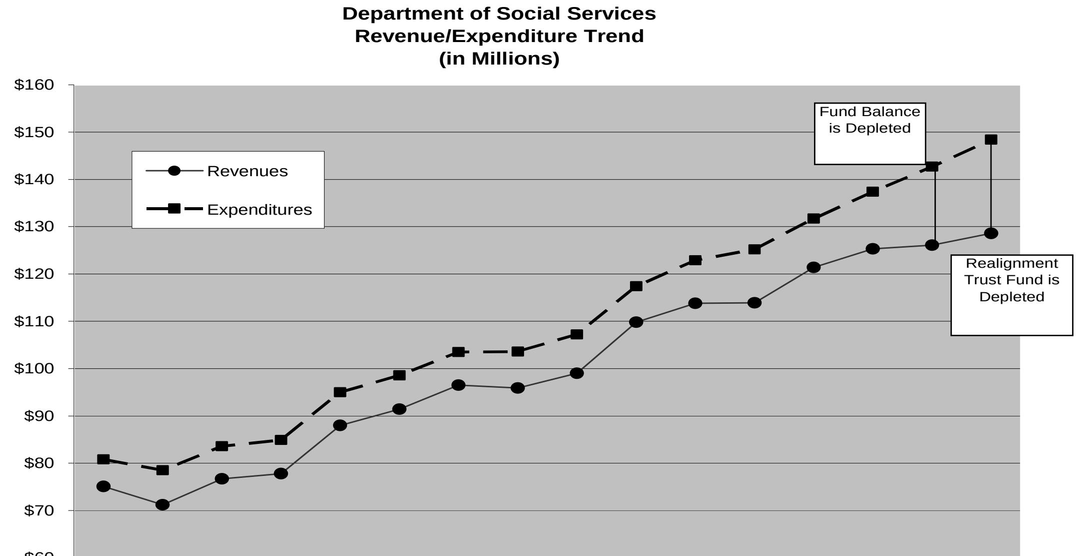
The Department of Social Services is projecting that this fund's expenditures will increase faster than its revenues. This increase is due primarily to three factors; 1) The increase in Board approved COLAs are increasing at a higher level than available revenues 2) Caseloads are still projected to increase thereby increasing mandated cash assistance programs 3) In Home Supportive Services Individual Provider costs are increasing due to wage adjustments and increased hours. The forecast does not include any budget reductions proposed in the Governor's Fiscal Year 2008-09 budget.



	FY 09-10	FY 10-11	FY 11-12
Increase in Salary and Benefits	$2.1	$4.4	$6.9
Increase in Revenues	$0.3	$1.2	$2.1
Increase In Local Share	$1.8	$3.2	$4.8



These increases in local cost will result in the fund balance of the Department of Social Service's Special Revenue Fund and Realignment Trust Fund being depleted in fiscal year 2009-2010 and fiscal year 2010-2011 respectively widening the gap between revenues and expenditures by $5.5M and $8.4M in fiscal year 2010-2011 and fiscal year 2011-2012. To reduce the additional funding needed from the General Fund and without depleting the Department's Fund Balance the Department would need to reduce staffing by approximately 75 FTE's prior to June 30, 2011. This reduction would result in a loss of $5.2M in Federal funding and a deficit of approximately $1.2M due to Maintenance of Effort Requirements, leaving the County at risk of legal action by the State. Additionally, caseloads are projected to continue to grow leading to significant declines in customer service.



	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08 est.	08/09 proj.	09/10 proj.	10/11 proj.	11/12 proj.
Revenues	$75.1	$71.2	$76.7	$77.8	$88.0	$91.4	$96.5	$95.9	$99.0	$109.8	$113.8	$113.9	$121.4	$125.3	$126.1	$128.6
Expenditures	$80.8	$78.5	$83.6	$84.9	$95.0	$98.6	$103.5	$103.6	$107.2	$117.4	$122.9	$125.2	$131.7	$137.4	$142.7	$148.4

A summary of the Department forecast for this fund is shown below:

Department of Social Services

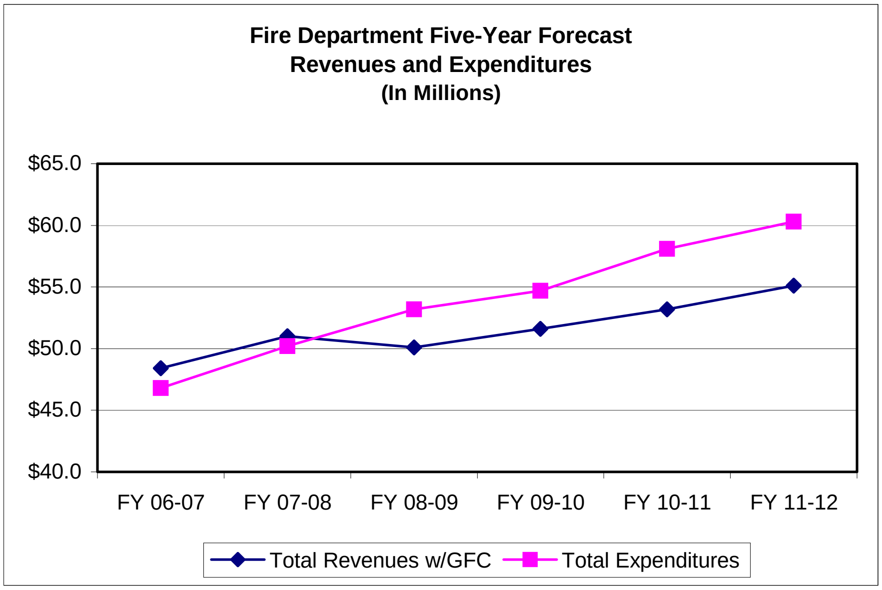
Fund 0055

(In Millions)

	Revenue/Expenditure Trend and Change in Fund Balance				
	FY 07/08	**FY 08/09**	**FY 09/10**	**FY 10/11**	**FY 11/12**
	Est. Actual	**Requested**	**Projected**	**Projected**	**Projected**
Revenues, including County Contribution	$125.2	$131.1	$134.8	$137.3	$139.9
Expenditures	$124.8	$131.6	$137.4	$142.8	$148.3
Change in Fund Balance	$0.4	($0.5)	($2.6)	($5.5)	($8.4)
Ending Fund Balance	$3.0	$2.5	($0.1)	($5.6)	($14.0)

FIRE FORECAST

The long-range health of the Fire Department/Fire District has deteriorated since the last annual report presented to the Board. Current assumptions result in the department being able to sustain existing service levels during the 2008-2009 and 2009-2010 fiscal years only by using existing fund balance to cover operational costs. However, the Fire District fund balance will then be depleted in fiscal year 2010-2011 with a resultant $7 million deficit at the end of fiscal year 2011-2012. The slow down in property tax growth, Prop 172 Public Safety Sales Tax revenues and a $670K decrease in the base General Fund Contribution beginning in fiscal year 2008-2009 combined with increased retirement and health insurance costs, the addition of the 3rd Battalion Chief post and ongoing capital needs and equipment replacements contribute to the depletion of the Fire District fund balance in the out years.



Fire Department - Revenue/Expenditure Trend and Change in Fund Balance

	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12
Revenues	45,436,068	48,437,879	48,145,078	49,547,505	51,061,830	52,947,345
General Fund Contribution	3,008,782	2,577,100	1,963,700	2,032,430	2,103,565	2,177,190
Expenditures	46,541,419	50,215,182	52,062,445	53,299,037	55,743,026	58,697,411
Capital/Designated Expenditures	245,000	-	1,090,000	1,395,000	2,320,000	1,582,000
Change in Fund Balance	1,658,431	799,797	(3,043,666)	(3,114,103)	(4,897,633)	(5,154,875)
Ending Fund Balance	8,229,531	9,029,328	5,985,662	2,871,559	(2,026,074)	(7,180,949)

The Fire Department has historically deferred capital improvements in order to allocate sufficient dollars to on-going operations to sustain service levels. However, the Department can no longer afford to continue deferring capital improvements and is projecting to use approximately $6.4M over the next five years on facility improvements and apparatus acquisitions. This still leaves approximately $54M in unfunded capital projects (primarily station rebuild projects).

While the overall picture is challenging for the Fire Department in the out years, it should be noted that this is a conservative estimate and as always, the further out the projections, the more likely it is that actual revenues and expenditures will vary. There are several major revenue sources and expenditure categories outside of the control of the Department that could fluctuate significantly over the next five years. The Department continually monitors these sources and uses and adjusts the five year forecast accordingly.

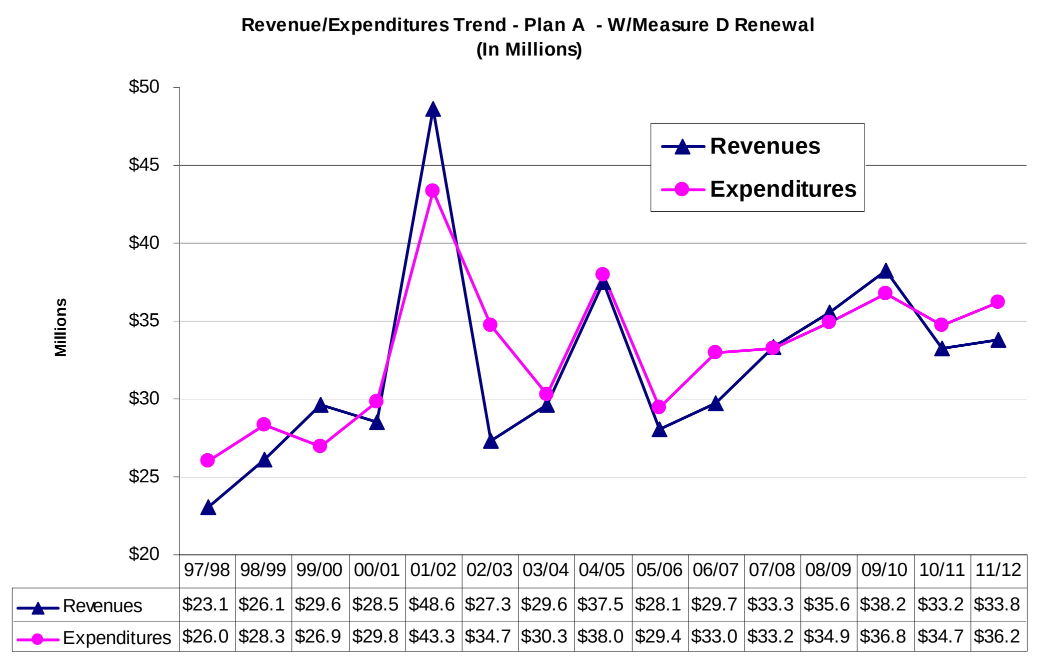
ROAD FUND FORECAST

The forecast for fiscal years 2007-2008, 2008-2009 and 2009-2010 indicates that Public Works is having success in its strategic initiative to address its structural deficit in the Road Fund. The initiatives have included reducing staffing, services and supplies and capital maintenance to bring expenditures into alignment with revenues and a focus on the need to continue to restructure and reduce levels of service provided to address increasing costs beginning fiscal year 2010-2011.

Measure D, a primary revenue source for the Road Fund will be presented to the voters for reauthorization during this forecast period. As such, the Road Fund forecast includes two scenarios depicted as Plan A and Plan B. Plan A assumes voters approve a sales tax measure funding local transportation. Plan B assumes the measure fails.

PLAN A – with Measure D

Revenue/Expenditure Trend and Change in Fund Balance-With Measure D Renewal						
	FY 06-07 *Actual*	FY 07-08 *Estimated*	FY 08-09 *Budgeted*	FY 09-10 *Projected*	FY 10-11 *Projected*	FY 11-12 *Projected*
Revenues	29,670,483	33,266,060	35,575,780	38,195,997	33,214,214	33,813,057
Expenditures	16,893,335	19,493,363	17,650,949	18,241,663	18,595,373	19,550,189
Capital Expenditures	16,089,000	13,719,277	17,229,062	18,597,000	16,065,000	16,668,000
Change in Fund Balance	(3,311,852)	53,420	695,769	1,357,334	(1,446,159)	(2,405,132)
Ending Fund Balance	8,709	62,129	757,898	2,115,232	669,073	(1,736,059)



	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12
Revenues	$23.1	$26.1	$29.6	$28.5	$48.6	$27.3	$29.6	$37.5	$28.1	$29.7	$33.3	$35.6	$38.2	$33.2	$33.8
Expenditures	$26.0	$28.3	$26.9	$29.8	$43.3	$34.7	$30.3	$38.0	$29.4	$33.0	$33.2	$34.9	$36.8	$34.7	$36.2

Plan A - Assumptions:

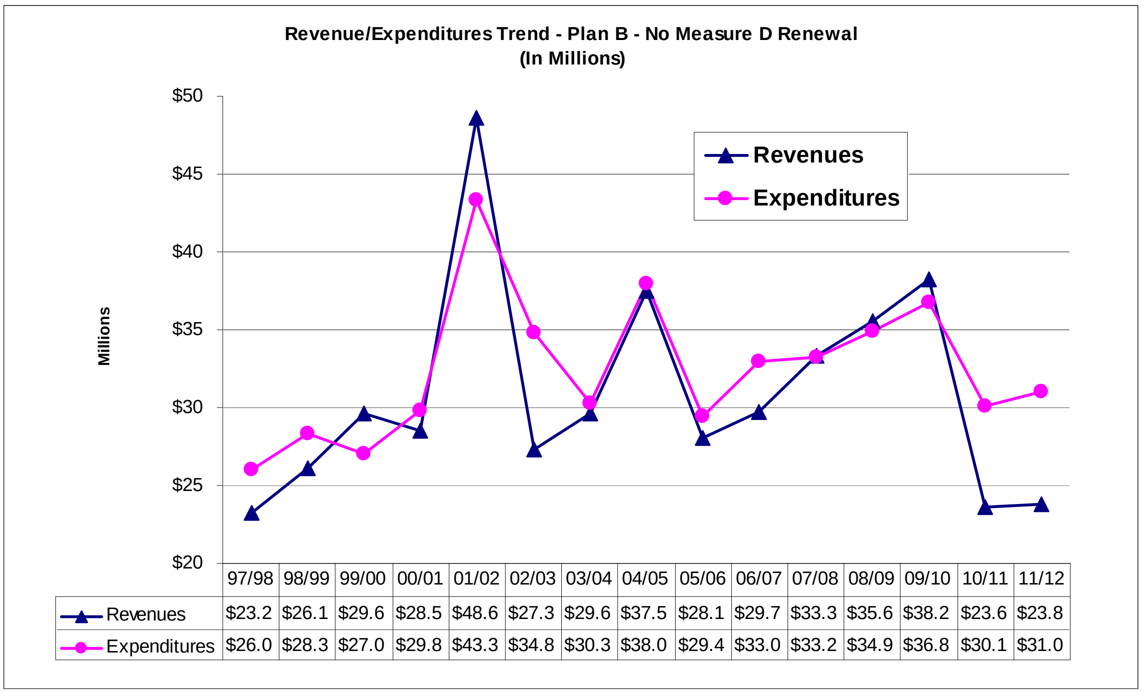
- Measure D – In fiscal years beginning 2010-2011 Measure D will be reduced by 40% due to the reallocation of the local share. If Measure D is renewed, the amount of funding that the County will receive will be reduced due to commitments made to various interest groups to fund alternative transportation and transit.
- Transportation Development Act (TDA) Pass through – Assumptions include reductions in road maintenance operations due to increasing unmet transit needs, such as Clean Air Express and the Breeze services. Funds previously allocated to the Road Fund will be reallocated to transit needs outside of the Road fund.
- Gas Tax – No increases, assumptions include reducing gas tax by 1% each year. The Department is experiencing a reduction in Gas Tax due to higher efficiency vehicles being on the road
- Capital – reducing State, Federal and local grants due to reduction of Measure D as a local match. In addition, if Measure D is renewed many of the State and Federal grant monies for this area will be directed towards the widening of US 101 through Santa Barbara and Montecito
- State Funding – the five year projections assume that the State will continue to fund Proposition 42 each year and the Department will receive Proposition 1B funds as scheduled
- General Fund Contributions – the 5 Yr projections assume that the General Fund will continue to support the Road Fund with $500,000 in Road Designation and the MOE for Measure D ($851,000) and Proposition 42 ($442,000). It is not anticipated that the MOE match for Measure D will decrease with a renewal of Measure D.

Plan A - Impacts:

- Pavement Condition Index (PCI) – less preventive maintenance performed on roads will lower the PCI, which will result in more cost in future to bring roads back into a state of pavement preservation
- Fixed Assets – Projections may not adequately provide for replacement of equipment and vehicles
- Disaster funding – Due to the inability of the Road fund to provide local funding for initial response and permanent restoration, the Road fund will require an alternative funding source in able to respond to damages caused by declared or undeclared disasters.

PLAN B – Without Measure D

Revenue/Expenditure Trend and Change in Fund Balance-Without Measure D Renewal						
	FY 06-07 *Actual*	FY 07-08 *Estimated*	FY 08-09 *Budgeted*	FY 09-10 *Projected*	FY 10-11 *Projected*	FY 11-12 *Projected*
Revenues	29,670,483	33,266,060	35,575,780	38,195,997	23,648,445	23,831,257
Expenditures	16,893,335	19,493,363	17,650,949	18,241,663	18,595,373	19,550,189
Capital Expenditures	16,089,000	13,719,277	17,229,062	18,597,000	11,503,000	11,266,000
Change in Fund Balance	(3,311,852)	53,420	695,769	1,357,334	(6,449,928)	(6,984,932)
Ending Fund Balance	8,709	62,129	757,898	2,115,232	(4,334,696)	(11,319,628)



Plan B – Assumptions:

- Measure D – In fiscal years beginning 2010-2011 Measure D will be eliminated and no alternative funding source is identified.
- Transportation Development Act (TDA) Pass through – Assumptions include reductions in road maintenance operations due to increasing unmet transit needs, such as Clean Air Express and the Breeze services. Funds previously allocated to the Road Fund will be reallocated to transit needs outside of the Road fund.
- Gas Tax – No increases, assumptions include reducing gas tax by 1% each year. The Department is experiencing a reduction in Gas Tax due to higher efficiency vehicles being on the road
- Capital –Significant reductions in State, Federal and local grants due to loss of Measure D as a local match. The forecast assumes no alternative local funding source to be used as a match.
- State Funding – The five year projections assume that the State will continue to fund Proposition 42 each year and the Department will receive Proposition 1B funds as scheduled

- General Fund Contributions – the five year projections assume that the General Fund will continue to support the Road Fund with $500,000 in Road Designation, the MOE for Proposition 42 ($442,000). It is also assumed that the Board of Supervisors will continue to contribute $851,000 (previous MOE for Measure D) to the Road Fund.

Plan B – Impacts:

- Pavement Condition Index (PCI) – less preventive maintenance performed on roads will lower the PCI, which will result in more cost in future to bring roads back into a state of pavement preservation
- Fixed Assets – Projections may not adequately provide for replacement of equipment and vehicles
- Disaster funding – Due to the inability of the Road fund to provide local funding for initial response and permanent restoration, the Road fund will require an alternative funding source in able to respond to damages caused by declared or undeclared disasters.
- Beginning 2010-2011, if the Road fund is unable to secure alternative funding, Public Works will need to reduce maintenance operations and capital technical & support staff.

Fiscal and Facilities Impacts: Actual and hypothetical impacts are stated in the Board letter.

Attachments:

A – Projected Annual Status Reports

B - Potential Impacts to County Departments

C – Powerpoint presentation

Authored by: Jason Stilwell and Sharon Friedrichsen

cc: Each Department Head
Deputy/Assistant County Executive Officers and CEO Fiscal and Policy Analysts
Recognized Employee Organizations

Projected Annual Status Report

As Of: 12/31/2007
Accounting Period: CLOSED

0001 General Fund Type: General

Department	Financing Sources: Projected Actual	Financing Sources: Annual Adj Budget	Financing Sources: Projected Variance	Financing Uses: Projected Actual	Financing Uses: Annual Adj Budget	Financing Uses: Projected Variance	Variance: Favorable/ (-)Unfavorable
011 Board of Supervisors	7,949.00	7,949.00	0.00	2,454,295.12	2,482,535.00	28,239.88	28,239.88
012 County Executive Office	1,064,599.00	1,012,797.00	51,802.00	3,950,936.08	3,960,875.00	9,938.92	61,740.92
013 County Counsel	5,215,840.62	5,078,503.00	137,337.62	7,320,965.95	7,281,703.00	-39,262.95	98,074.67
021 District Attorney	7,447,996.49	7,600,504.00	-152,507.51	17,532,741.48	17,620,222.00	87,480.52	-65,026.99
022 Probation	22,797,390.68	22,592,817.75	204,572.93	41,698,982.00	41,839,254.75	140,272.75	344,845.68
023 Public Defender	3,052,971.27	3,227,533.00	-174,561.73	9,402,219.75	9,545,340.00	143,120.25	-31,441.48
031 Fire	47,127,413.30	47,224,151.00	-96,737.70	49,307,145.62	49,793,813.00	486,667.38	389,929.68
032 Sheriff	66,349,072.06	66,504,466.83	-155,394.77	98,878,801.00	97,390,686.83	-1,488,114.17	-1,643,508.94
041 Public Health	2,755,487.21	2,676,272.40	79,214.81	5,609,468.87	5,565,058.40	-44,410.47	34,804.34
051 Agriculture & Cooperative Ext	1,847,518.06	1,878,712.00	-31,193.94	3,636,360.94	3,789,364.00	153,003.06	121,809.12
052 Parks	7,318,230.51	7,210,165.53	108,064.98	11,697,009.79	11,564,984.53	-132,025.26	-23,960.28
053 Planning & Development	15,189,130.34	15,536,913.94	-347,783.60	21,232,011.26	22,176,766.94	944,755.68	596,972.08
054 Public Works	3,506,954.67	3,797,168.00	-290,213.33	4,189,269.44	4,480,968.00	291,698.56	1,485.23
055 Housing/Community Develop	1,606,271.90	1,691,072.00	-84,800.10	1,882,025.66	2,415,968.00	533,942.34	449,142.24
061 Auditor-Controller	2,959,541.06	2,900,105.00	59,436.06	6,873,756.78	7,137,040.00	263,283.22	322,719.28
062 Clerk-Recorder-Assessor	14,758,102.99	15,727,579.00	-969,476.01	26,007,088.30	24,854,867.00	-1,152,221.30	-2,121,697.31
063 General Services	11,558,696.94	11,185,404.00	373,292.94	18,969,393.58	19,038,506.00	69,112.42	442,405.36
064 Human Resources	2,533,278.12	2,635,100.00	-101,821.88	4,654,415.72	4,943,839.00	289,423.28	187,601.40
065 Treasurer-Tax Collector-Publi	3,065,869.93	3,288,761.00	-222,891.07	6,090,348.87	6,272,992.00	182,643.13	-40,247.94
990 General County Programs	1,674,823.83	1,684,357.00	-9,533.17	82,466,546.47	82,540,341.21	73,794.74	64,261.57
991 General Revenues	191,981,896.43	189,977,220.28	2,004,676.15	176,534.07	176,930.07	396.00	2,005,072.15
Fund Totals	413,819,034.41	413,437,551.73	381,482.68	424,030,316.75	424,872,054.73	841,737.98	1,223,220.66

A-1

Projected Annual Status Report - Fund Type

As Of: 12/31/2007
Accounting Period: CLOSED

Fund Type/Fund	Financing Sources: Projected Actual	Financing Sources: Annual Adj Budget	Financing Sources: Projected Variance	Financing Uses: Projected Actual	Financing Uses: Annual Adj Budget	Financing Uses: Projected Variance	Variance: Favorable/ (-)Unfavorable
General							
0001 General	413,819,034.41	413,437,551.73	381,482.68	424,030,316.75	424,872,054.73	841,737.98	1,223,220.66
Fund Type Totals	413,819,034.41	413,437,551.73	381,482.68	424,030,316.75	424,872,054.73	841,737.98	1,223,220.66
Special Revenue							
0010 Children and Families First	7,179,204.85	7,705,204.22	-525,999.37	8,294,012.52	8,484,897.22	190,884.70	-335,114.67
0015 Road	38,555,972.42	38,797,759.00	-241,786.58	38,939,535.35	38,791,467.00	-148,068.35	-389,854.93
0040 Public and Educational Acces	265,434.28	258,775.41	6,658.87	296,554.41	296,604.41	50.00	6,708.87
0041 Fish and Game	21,005.61	20,966.02	39.59	15,376.85	24,475.02	9,098.17	9,137.76
0042 Health Care	81,619,515.76	82,546,560.49	-927,044.73	84,123,387.07	84,713,961.49	590,574.42	-336,470.31
0043 CA Health-Indigents Program	286,952.28	286,796.00	156.28	287,585.82	287,589.00	3.18	159.46
0044 Alcohol,Drug,&Mental Hlth Sv	56,819,806.18	72,747,775.00	-15,927,968.82	70,365,723.89	71,405,994.00	1,040,270.11	-14,887,698.71
0045 Petroleum Department	359,434.00	359,504.26	-70.26	306,437.77	377,840.26	71,402.49	71,332.23
0046 Tobacco Settlement	8,255,220.12	9,220,128.99	-964,908.87	7,645,368.84	9,220,128.99	1,574,760.15	609,851.28
0047 Substance Abuse & Crime Pr	1,544,989.00	2,859,500.00	-1,314,511.00	2,047,448.00	2,877,196.00	829,748.00	-484,763.00
0048 Mental Health Services Act	6,414,109.26	8,193,700.00	-1,779,590.74	9,194,151.83	10,426,294.00	1,232,142.17	-547,448.57
0052 Special Aviation	1,277,653.36	1,276,212.27	1,441.09	1,297,623.71	1,298,685.27	1,061.56	2,502.65
0055 Social Services	125,871,883.39	128,716,510.82	-2,844,627.43	129,143,050.93	132,195,606.82	3,052,555.89	207,928.46
0056 SB IHSS Public Authority	6,989,398.10	7,145,790.94	-156,392.84	6,930,711.26	7,146,228.94	215,517.68	59,124.84
0057 Child Support Services	9,760,842.60	9,922,482.67	-161,640.07	9,808,821.20	9,989,394.67	180,573.47	18,933.40
0061 Fisheries Enhancement	20,550.34	20,072.38	477.96	19,817.37	28,645.38	8,828.01	9,305.97
0062 Local Fishermen Contingency	30,331.57	26,766.20	3,565.37	34,277.20	47,027.20	12,750.00	16,315.37
0063 Coast Resource Enhanceme	2,089,213.87	2,040,662.35	48,551.52	2,536,149.14	2,527,366.35	-8,782.79	39,768.73
0064 CDBG Federal	2,074,270.32	2,074,256.00	14.32	2,074,256.00	2,074,256.00	0.00	14.32
0065 Affordable Housing	3,884,126.80	3,634,990.46	249,136.34	3,534,446.51	3,864,012.46	329,565.95	578,702.29
0066 Home Program	839,111.52	710,229.11	128,882.41	1,037,717.20	1,110,379.11	72,661.91	201,544.32
0069 Court Activities	14,521,451.20	14,699,501.79	-178,050.59	14,445,797.05	14,691,952.79	246,155.74	68,105.15
0070 Crim Justice Facility Constrt	1,299,060.55	1,372,410.18	-73,349.63	1,367,224.58	1,385,322.18	18,097.60	-55,252.03
0071 Courthouse Construction SB6	1,186,387.78	1,221,808.58	-35,420.80	1,196,367.86	1,221,809.58	25,441.72	-9,979.08
0075 Inmate Welfare	1,086,092.23	1,009,413.75	76,678.48	1,068,826.49	1,057,236.75	-11,589.74	65,088.74
2120 CSA 3	1,070,218.52	1,084,698.58	-14,480.06	1,105,774.19	1,102,549.58	-3,224.61	-17,704.67
2130 CSA 4	37,423.73	35,116.91	2,306.82	41,685.27	42,080.91	395.64	2,702.46
2140 CSA 5	103,979.08	101,973.64	2,005.44	116,599.68	114,822.64	-1,777.04	228.40
2170 CSA 11	144,211.82	142,056.37	2,155.45	366,295.55	303,181.37	-63,114.18	-60,958.73
2185 Mission Canyon Swr Svc Chg	505,504.08	503,058.63	2,445.45	546,021.90	556,070.63	10,048.73	12,494.18
2220 CSA 31	74,943.73	79,214.28	-4,270.55	73,354.34	97,452.28	24,097.94	19,827.39

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Projected Annual Status Report - Fund Type

Fund Type/Fund	Financing Sources Projected Actual	Financing Sources Annual Adj Budget	Financing Sources Projected Variance	Financing Uses Projected Actual	Financing Uses Annual Adj Budget	Financing Uses Projected Variance	Variance: Favorable/ (-)Unfavorable
Special Revenue							
2230 CSA 32	25,234,964.00	25,234,964.00	0.00	25,234,964.00	25,234,964.00	0.00	0.00
2242 CSA 41	91,788.96	91,643.71	145.25	138,289.69	118,885.71	-19,403.98	-19,258.73
2270 Orcutt CFD	204,157.21	191,646.28	12,510.93	273,342.59	272,524.28	-818.31	11,692.62
2271 Providence Landing CFD	98,421.00	100,000.00	-1,579.00	142,483.51	167,856.00	25,372.49	23,793.49
2280 Fire Protection Dist	28,687,984.37	28,685,896.03	2,088.34	30,435,973.03	30,448,568.03	12,595.00	14,683.34
2400 Flood Ctrl/Wtr Cons Dst Mt	5,826,686.15	5,798,596.31	28,089.84	6,149,356.57	6,325,586.31	176,229.74	204,319.58
2420 SBFC Orcutt Area Drainage	137,327.62	104,453.89	32,873.73	151,382.89	151,382.89	0.00	32,873.73
2430 Bradley Flood Zone Number	39,133.75	37,569.59	1,564.16	39,204.13	43,978.59	4,774.46	6,338.62
2460 Guadalupe Flood Zone Numb	89,354.10	85,157.95	4,196.15	110,188.07	118,060.95	7,872.88	12,069.03
2470 Lompoc City Flood Zone 2	591,553.17	556,948.74	34,604.43	650,462.81	664,906.74	14,443.93	49,048.36
2480 Lompoc Valley Flood Zone 2	295,109.97	293,068.84	2,041.13	332,947.40	337,075.84	4,128.44	6,169.57
2500 Los Alamos Flood Zone Num	131,988.63	133,626.66	-1,638.03	161,382.34	168,021.66	6,639.32	5,001.29
2510 Orcutt Flood Zone Number 3	430,686.97	417,297.91	13,389.06	521,082.98	533,354.91	12,271.93	25,660.99
2560 SM Flood Zone 3	1,279,305.62	1,241,335.51	37,970.11	1,370,479.93	1,404,390.51	33,910.58	71,880.69
2570 SM River Levee Maint Zone	680,923.94	681,521.07	-597.13	837,776.46	836,824.07	-952.39	-1,549.52
2590 Santa Ynez Flood Zone Num	372,440.43	372,497.64	-57.21	533,116.59	552,813.64	19,697.05	19,639.84
2610 So Coast Flood Zone 2	8,128,502.91	8,091,043.35	37,459.56	10,164,181.82	10,186,403.35	22,221.53	59,681.09
2670 North County Lighting Dist	559,035.36	557,537.25	1,498.11	593,811.89	590,289.25	-3,522.64	-2,024.53
2700 Mission Lighting District	7,223.99	7,144.75	79.24	7,729.88	7,888.75	158.87	238.11
3000 Sandyland Seawall Maint Dist	1,049,470.95	2,013,110.81	-963,639.86	2,064,181.89	2,030,163.81	-34,018.08	-997,657.94
3050 Water Agency	3,503,695.40	3,213,431.28	290,264.12	3,924,453.94	3,931,150.28	6,696.34	296,960.46
3060 Water Agency Special	694,467.45	727,577.00	-33,109.55	827,855.94	901,784.00	73,928.06	40,818.51
3100 SB RDA - Isla Vista Proj	3,213,356.88	2,298,780.18	914,576.70	2,895,782.09	2,890,938.18	-4,843.91	909,732.79
3102 SB RDA Housing-Isla Vista P	1,028,600.41	916,842.05	111,758.36	973,254.49	973,290.05	35.56	111,793.92
Fund Type Totals	456,564,477.59	480,665,586.10	-24,101,108.51	486,794,084.71	496,651,630.10	9,857,545.39	-14,243,563.12
Debt Service							
0036 Municipal Finance Debt Svc	8,738,956.23	8,808,666.00	-69,709.77	8,833,790.35	8,831,645.00	-2,145.35	-71,855.12
3108 SB RDA - Debt Svc	441,166.54	437,261.00	3,905.54	433,414.13	438,415.00	5,000.87	8,906.41
Fund Type Totals	9,180,122.77	9,245,927.00	-65,804.23	9,267,204.48	9,270,060.00	2,855.52	-62,948.71
Capital Projects							
0030 Capital Outlay	28,591,014.91	28,877,177.89	-286,162.98	34,242,872.91	33,621,560.39	-621,312.52	-907,475.50
0034 2005 COP Capital Projects	7,963,717.75	7,656,241.63	307,476.12	7,631,756.67	7,623,377.63	-8,379.04	299,097.08

Projected Annual Status Report - Fund Type

Fund Type/Fund	Financing Sources: Projected Actual	Financing Sources: Annual Adj Budget	Financing Sources: Projected Variance	Financing Uses: Projected Actual	Financing Uses: Annual Adj Budget	Financing Uses: Projected Variance	Variance: Favorable/ (-)Unfavorable
Capital Projects							
Fund Type Totals	36,554,732.66	36,533,419.52	21,313.14	41,874,629.58	41,244,938.02	-629,691.56	-608,378.42
Enterprise							
1930 Resource Recovery & Waste	33,854,959.39	33,751,363.00	103,596.39	33,506,744.78	33,751,365.00	244,620.22	348,216.61
1935 County Transit	304,633.47	348,430.00	-43,796.53	167,111.02	348,430.00	181,318.98	137,522.45
2870 Laguna Co Sanitation-Genera	7,504,628.50	7,419,114.00	85,514.50	7,149,227.49	7,419,114.00	269,886.51	355,401.01
Fund Type Totals	41,664,221.36	41,518,907.00	145,314.36	40,823,083.29	41,518,909.00	695,825.71	841,140.07
Internal Service							
1900 Vehicle Operations/Maintena	10,098,628.75	9,923,753.00	174,875.75	11,048,444.55	11,051,931.00	3,486.45	178,362.20
1910 Medical Malpratice Self Ins	386,468.00	359,000.00	27,468.00	393,203.69	705,153.00	311,949.31	339,417.31
1911 Workers' Comp Self Insuranc	16,376,575.30	16,098,981.00	277,594.30	13,768,272.98	13,357,469.00	-410,803.98	-133,209.68
1912 County Liability-Self Insuranc	8,193,969.82	8,140,143.00	53,826.82	6,857,809.54	7,342,763.00	484,953.46	538,780.28
1913 County Unemp Ins-Self Ins	355,568.91	408,809.00	-53,240.09	381,466.63	408,809.00	27,342.37	-25,897.72
1914 Dental Self-Insurance Fund	2,751,608.09	2,701,004.00	50,604.09	2,652,787.06	2,701,004.00	48,216.94	98,821.03
1915 Information Technology Srvcs	7,755,451.79	7,598,911.00	156,540.79	7,591,992.79	7,782,309.00	190,316.21	346,857.00
1919 Communications Services-IS	4,210,703.58	3,771,652.00	439,051.58	4,032,035.60	3,848,557.00	-183,478.60	255,572.98
1920 Utilities ISF	5,641,805.36	5,312,943.00	328,862.36	5,660,612.93	5,312,943.00	-347,669.93	-18,807.57
Fund Type Totals	55,770,779.60	54,315,196.00	1,455,583.60	52,386,625.77	52,510,938.00	124,312.23	1,579,895.83
All Funds Total	1,013,553,368.39	1,035,716,587.35	-22,163,218.96	1,055,175,944.58	1,066,068,529.85	10,892,585.27	-11,270,633.69

ATTACHMENT B

Potential Impacts to County Departments

Department	Proposal	Impact
Community Resources & Public Facilities		
Parks	Close 48 state parks out of the 278 existing parks, and reduce seasonal lifeguards by 50% at beaches in Orange, San Diego and Santa Cruz counties to achieve budget savings of $1 million in 07-08 and $13 million in 08-09.	While not a County park, La Purisima Mission State Historic Park is located within the County and subject to closure.
Public Works	(1) Proposition 42 fully funded at $1.5B including $83M for loan repayment of Prop 1A in 2006. (2) $4B for existing Prop 1B programs funded in 2007 Budget Act and $200M for State/Local Partnership program and $500M for Trade Corridors program	The Department would receive about $1.4M under Prop 42 that could be used for road maintenance and storm drains. However, Prop 42 requires a local match of $442,000. While the Budget includes $4.7B to Prop 1B, there is no proposed allocation to local streets and roads, about $1.8M to the County. The inclusion of Prop 42 and the omission of Prop 1B net to a neutral impact.
Health and Public Assistance		
Alcohol, Drug and Mental Health Services	(1) Ten percent reduction in Mental Health Managed Care (2) Reduction of Drug Medi-Cal provider rates.	-$71,400 (Ten percent of $714,000). Reduces funds available for inpatient acute care and will require the department to redirect limited realignment funds to cover these services. Direct impact will be on service providers (community-based organizations) depends on volume of services provided. Indirect impact on ADMHS will be the 15% Admin Fee, approx. $40,000 based on prior years.
Public Health	Ten percent cut to Medi-Cal provider rates and managed care rates for savings of $66.8M in 07-08 and $1.2B in 08-09	-$100,000 loss of funding (PHD status as FQHC exempts it from provider cuts so clinic services are not as impacted).
Public Health	Reinstatement of quarterly status reports for children and parents on Medi-Cal eligibility (report income every 3 months to ensure eligibility)	Potential for some Medi-Cal eligible individuals to become disenrolled and services not covered. May result in some unreimbursable costs to PHD.

Public Health	Ten percent cut to CA Children's Services and Child Health Disability prevention Administration and Treatment	-$395,000. Proposed cut is implemented in a manner that the County share of cost will increase despite any efforts to reduce program costs such as reduced staffing and service levels.
Public Health	Reduction of $11M from AIDS programs and formulary changes to remove certain drugs included under the AIDS Drug Assistance Program	-$25,000 pass-thru dollars to community-based organizations for case management and prevention services for HIV/AIDS and -$70,000 to PHD and loss of treatment options.
Public Health	Ten percent cut to Multi-Services Seniors Program	-$85,700 and 1 FTE. Caseload will decrease from 200 to 180 clients with longer waiting lists and reduced level of service.
Public Health	Ten percent cut to dental disease prevention	-$14,000 and .25 FTE. Reduced dental/nutrition education services and decrease in number of children served at eligible schools from 13,000 to 11,700.
Public Health	Decreased funding for pandemic influenza preparedness	-$79,000 with will result in reduced education and training exercises/drills
Public Health/First 5	Healthy Families reduction of plan rates by five percent, increase premiums and co-pays for subscribers above the 150 percent of federal poverty level and $1,000 annual cap on dental benefits to achieve savings of $41.9M in 08-09.	-$10,000 loss to PHD. Impacts to oral health of children in terms of fewer children receiving service, less effectiveness treatment and fewer providers, which is already scarce, due to a five percent reduction in provider rates.
Social Services	In addition to policy changes to the CalWORKs program, the Proposed Budget reflects funding reductions to specific social service programs.	See the following spreadsheet on potential impacts to Social Services.

Law and Justice Public Safety		
Office of Emergency Services	(1) $2.4M in 07-08 and $9M in 08-09 reductions to OES Disaster Assistance Program. (2) $3.1M in 07-08 and $8.1M in 08-09 reductions for OES local criminal justice grant programs for Domestic Violence, War on Methamphetamine, Vertical Prosecution Block Grant and Sexual Assault Felony Enforcement. (3) Increased funding for regional operational readiness (staffing), reductions in Fire and Rescue Mutual Aid Program offset by Wildland Firefighting Initiative and reductions in OES Plans and Preparedness Program.	Unknown fiscal impact, but potential impact to service levels. (1) Delays in processing and payments of disaster reimbursement claims from local governments. (2) Less grant funding available to County departments for programs. (3) Assistance received by State OES may change based on funding scenarios.
District Attorney (and Sheriff)	$23.8M reduction in Citizens Option for public Safety/Juvenile Justice Crime Prevention Act program to reduce local law enforcement grant amounts to ten percent (grants awarded on population basis to district attorney and sheriff/police departments)	COPS- Ten percent less for COPS (payments decline from $100,000 to $90,000) for Sheriff's Department
Fire	$44.7M and 361 position reduction to CAL FIRE offset by Wildland Firefighting Initiative	-$500,000. About ten percent cut to contract--Fire Department is considered one if six contract counties that enter into a contract with the State CAL FIRE to provide suppression services to State lands.
Fire	No restoration of Indian Gaming Special Distribution Fund ($30M vetoed in FY 07-08 Budget)	-$452,300 for paramedic/firefighter post position at Station 32 that has received SDF grant monies.
Probation	Reduction of $24.6M for local assistance grant funding including reduction of $4.5M to the Mentally Ill Offender Crime Reduction grant program and $20M reduction to juvenile probation and camps programs	Fiscal amount unknown at this time, but possible service level, including contracts with community-based organizations, feasible. Per enacted FY 07-08 Budget, juvenile non-violent offenders (2-5) will be returned to the County from the State and local detention/monitoring costs may exceed State allocated cost per juvenile.

Public Defender	New charges from the State for pre-sentencing mental health evaluations of clients previously paid by the Courts	-$40,000-50,000 new expense incurred by Department
Sheriff	$3.5M reduction in Booking Fees by reducing reimbursements to sheriff departments	Ten percent less to Sheriff, but the Department is legally able to purse the difference in fees from the cities.
Sheriff	No restoration of Indian Gaming Special Distribution Fund ($30M vetoed in FY 07-08 Budget)	-$650,000 for deputy patrol 24/7, about five deputies, that has received SDF grant monies.
Support Services		
Clerk-Recorder-Assessor	Reimbursement for cost of February 5, 2008 Presidential Primary	-$1,500,000 While election costs are not included within the Proposed Budget, the Administration and Department of Finance report that costs will be included once they are known (unsure if it will be in May Revise or later)
Clerk-Recorder-Assessor	$3.9M reduction in Open Space (Williamson) Act subventions including reducing reimbursement to counties by ten percent for property tax revenues lost	-$65,000 Administration was unsuccessful in vetoing entire subvention in FY 07-08. Ten percent cut may be feasible.

Santa Barbara County Department of Social Services
List of Significant Potential State Budget Actions/Reductions
For the Governor's Proposed FY 2008-09 Budget

MAJOR ADMINISTRATIVE REDUCTIONS

FFP= Federal Financial Participation

	Program	Proposed Action(s)	Projected Loss of State Funds	*Potential* Loss of Match Dollars	*Potential* FTE Reductions	*Potential* Consequences
1	Adult Protective Services	$6.1 million Statewide- State General Funds	$72K	$52K FFP		Elimination of all Tangible Services and various contracts with community organizations that serve at risk seniors.
2	Medi-Cal Eligibility	Elimination of funding for caseload growth and increase in salary and benefit costs as well as reducing base funding by 2.5%. Reinstatement of quarterly status reporting in the program and elimination of continuous eligibility for children	$239K	$239K FFP	7 FTEs out of 130.8 line FTEs	Reduction of 7 FTE's while mandating additional workload. This will result in higher caseloads. Without efficiency measures, delays in initial and ongoing eligibility will take place. This will result in clients either not being discontinued timely or delays in determining eligibility of clients in need of health care. The efficiencies of a call center will allow the Department to manage the increased caseloads.

	Program	Proposed Action(s)	Projected Loss of State Funds	*Potential* Loss of Match Dollars	FTE Reductions	Consequences
3	Non Assistance Food Stamps	$14.4 million Statewide- State General Funds	$167K	$162K FFP	5 FTEs out of 55.6 line FTEs	Reduction of 5 FTE's. This will result in higher caseloads. Without efficiency measures, this would delay the provision of Food Stamp benefits for families and children. These cuts would force hungry families to wait longer for the Food Stamp benefits for which they are eligible placing increased demands on community food banks. This would also cause increased benefit errors which could put the State and County at risk for Federal performance penalties.
4	Child Welfare Services	$83.7 million Statewide- State General Funds	$579K	Between $0-$607K FFP Depending on Service Eliminated	0-14.00 FTEs out of 57.3 line FTEs	Reduction of 1) the majority of supportive services provided to children in CWS; 2) 14 FTE's or 3) a combination of cuts. Either way reducing funding in this program will leave children in potentially life-threatening situations and reduce the ability to prevent or reduce time spent in foster care placements. This will ultimately increase State and County costs due to cost sharing mandates under the Foster Care assistance program.

	Program	Proposed Action(s)	Projected Loss of State Funds	*Potential* Loss of Match Dollars	*Potential* FTE Reductions	*Potential* Consequences
5	Foster Care Assistance	10% rate reduction for foster family and group homes and 5% rate reduction for foster family agencies				Reductions in the rate paid to foster care placement agencies will result in fewer placement options for children. This will require children be placed in higher cost institutions which are primarily out of county. This will ultimately increase County costs.
6	In Home Supportive Services Administration	$10.2 million Statewide-State General Funds	$75K	$103K FFP	2 FTEs out of 14.4 line FTEs	Reduction of 2 FTE's. This will result in higher caseloads. The IHSS program is growing at astounding rates while being consistently under funded. This continued growth is a reflection of a growing population of seniors and people with disabilities who wish to remain in their own home rather than be institutionalized. This cut will reduce the County's ability to administer this program as well any other program mandates such as timely intakes or frequent requests to conduct welfare checks of IHSS recipients during State declared times of emergency.

1 They budget contains many major program changes aimed at reducing grants and/or numbers of clients eligible.

2 Many of the client focused program changes will increase the Department's workload, for which there is no proposed additional funding.