COUNTY EXECUTIVE OFFICER'S MESSAGE

April 27, 2008

The Honorable Board of Supervisors

County of Santa Barbara

105 E. Anapamu Street

Santa Barbara, California 93101

Dear Chairman Carbajal and Board Members:

The Fiscal Year 2008-09 Operating Plan, which includes the recommended budget, is submitted for your review and consideration. This letter of transmittal and message includes an overview of the recommended budget, major issues and challenges facing the County, key initiatives and the economic environment in which the budget was developed. The budget summary, key actions to address the Board's Goals and Organizational Values and five-year projections follow this letter.

Budget at a Glance

Dollars in Millions	2006-07 Actual	2007-08 Adopted	2007-08 Estimated	2008-09 Recommended
Total Revenues	$700.9	$731.2	$721.5	$738.1
Other Financing Sources	$73.5	$94.9	$100.1	$54.7
Total Sources	$774.4	$826.1	$821.6	$792.8
Total Expenditures	$690.4	$760.2	$754.3	**$759.3**
Designated for Future Use	$85.8	$65.8	$67.3	$33.5
Total Uses	$776.2	$826.0	$821.6	$792.8
Staffing FTEs	4,222	4,351	4,281	4,135

Overview

The Fiscal Year 2008-09 Recommended Expenditure Budget for all funds totals $759.3 million. This represents an increase of $5 million, or 0.66% more than the amount estimated to be spent in Fiscal Year 2007-08.

The number of County employees, as measured by Full Time Equivalents (FTE), decreases by 216 FTE from the FY 2007-08 Adopted Budget and 146 FTE from the estimated actual FY 2007-08 budget.

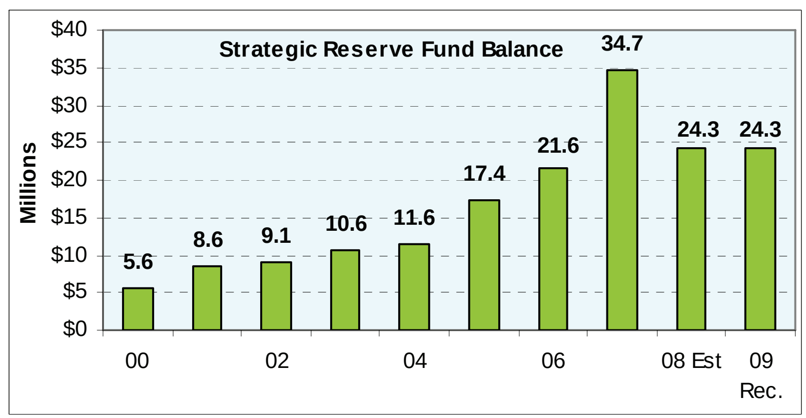
The County budget is balanced in accordance with the definition of a balanced budget adopted by the Board of Supervisors: "Available funding sources shall be at least equal to recommended appropriations; and as a general rule, the year-end undesignated General Fund balance should not be used to fund ongoing operations, but could be used to fund designations such as the Strategic Reserve and the General Fund Contingency." Every effort has been made in this proposed budget to maintain essential core services and to adhere to the Board's strategic priorities However, this proposed budget is fragile and could be impacted by a number of factors.

The Fiscal Climate

On the national level, the economy appears to be in a recession spurred by a slowdown in the housing market; the spreading effects of the collapse of the sub-prime mortgage market and resulting losses in the financial markets due to securitization of high-risk loans; tightening credit standards and the lowest consumer confidence in the past five years. Locally, the County has experienced a surge in foreclosures, a decline in residential sales and lower property values in certain areas of the County. This has resulted in an increased number of reassessments lowering property values which has impacted the County's property tax revenues. It is not certain how much further the housing market will fall.

Strategic Reserve

In FY 2007-08, recognizing that the growth in property tax revenues was declining, the County determined that undesignated FY 2006-07 year-end fund balance would be placed in the Strategic Reserve. This action increased the reserve by nearly $10 million, bringing the balance to a total of $34.7 million. However, during FY 2007-08, shortfalls in the Sheriff (-$3.4 million) and Alcohol Drug and Mental Health (-$6.9 million) departments were funded through transfers from the Strategic Reserve, bringing the balance to an estimated $24.3 million at June 30, 2008. The County's goal is to attain and maintain thirty days working capital, now approximately $34 million, in the Strategic Reserve through annual allocations of

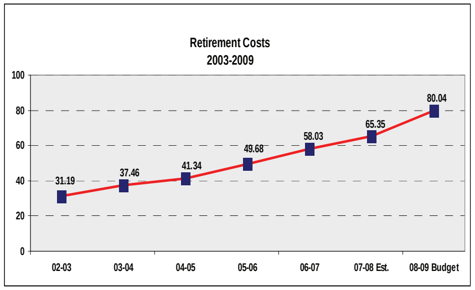


$1.5 million. Due to fiscal constraints in FY 2008-09, no appropriation to the Strategic Reserve is possible. The County remains short of the $34 million goal and the recommended budget does not include any new allocation to the Strategic Reserve in FY 2008-09.

Federal and State Government Funding Reductions

Funding reductions by the Federal and State governments are extremely probable, particularly since the State is trying to balance a $20 billion shortfall. Those possible reductions have not been included in this proposed budget and as in past years will be addressed at the time that they are known.

Retirement Costs



The most significant impact on the County budget results from increased retirement costs. The Santa Barbara County Employees Retirement System Board, a separate legal entity with fiduciary responsibility for the employee retirement funds, has adopted the June 30, 2007 actuarial valuation and approved a new actuarial methodology with revised actuarial assumptions, which will result in a significant ongoing cost increase to the County. At the time of budget preparation, the Retirement Board had not adopted employer rates applicable to the FY 2008-09 budget and therefore the amounts included in the budget and in the chart ($80 million) are an estimate only.

Retiree Health Benefits

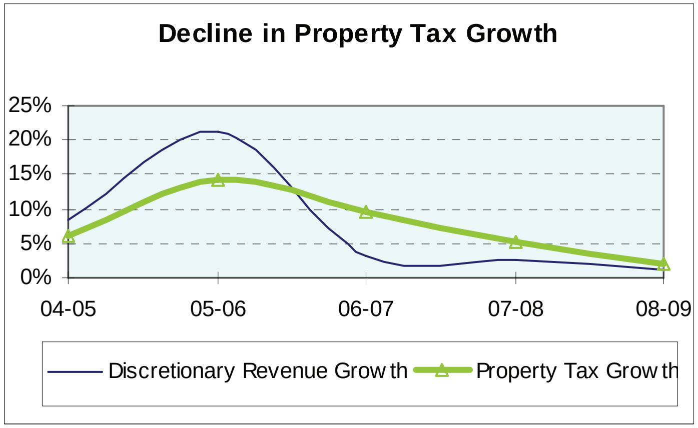
The Retirement System currently administers a post-retirement medical program for retired members and their eligible dependents. The program provides a healthcare subsidy of $15 per month per year of service for retired members of the system who participate in a County sponsored health plan. For those who do not participate in a County sponsored health plan, the Retirement System provides a taxable $4 per month per year of service. Benefits are paid from a Health Coverage Reserve and a Supplemental Health Coverage Reserve valued at $ 94 million at June 30, 2006.

The federal Internal Revenue Code prohibits payment of non-pension benefits from retirement funds. Therefore, in FY 2007-08, the County, as the plan sponsor, has requested all reserve accounts be included as valuation assets and has requested that an appropriate contribution rate be calculated that encompasses this change. This action will directly reduce the Unfunded Accrued Actuarial Liability of the pension fund thereby reducing the employer rates. On July 1, 2008, the County plans to assume responsibility for payment of the health care subsidy to retirees, estimated at $7 million annually. The County anticipates that a portion of this cost will be offset through a reduction in currently budgeted employer rates in the proposed FY 08-09 budget. The remaining amount will be discussed during the FY 2008-09 budget hearings at which time the employer rates for FY 2008-09 will have been adopted.

The County and other employer plan sponsors are now in the process of determining a formal plan to establish a separate qualified trust in keeping with IRS rules and a premium structure for pre-funding the benefits.

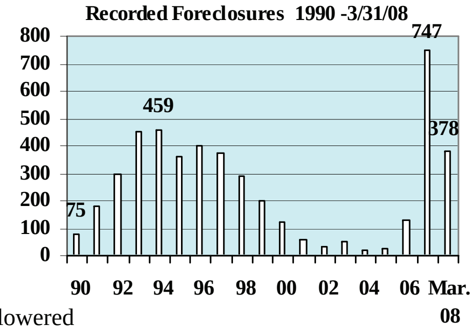
Discretionary Revenue

The County has experienced a sharp decrease in the growth of discretionary revenues which are the primary source of funding for core public safety operations such as Sheriff's patrol, the County jails, District Attorney and Public Defender, and maintenance of the County's physical infrastructure and property. The largest source of discretionary revenue is the local secured property tax which at $110 million comprises 56% of total discretionary revenues of $196 million. Since 2005, local secured property tax growth has declined from a high of 11% to an estimated 6.8% in FY 2007-08 and is projected at just under 3.8% in FY 2008-09. Similarly, because of the slump in the housing market, real estate transfer taxes has declined 27% from one year ago, dropping from $4.4 million to $3.2 million and is expected to decline yet further in FY 2008-09 to $2.7 million. This overall decline in the growth of discretionary revenues, coupled with the increased retirement costs described in this letter, has required reductions in all County departments.



Increase in Foreclosures

The number of foreclosures throughout Santa Barbara County increased from 18 in 2004 to 747 in 2007, with 378 foreclosures recorded through March 2008. Recorded Notices of Defaults increased from 811 in 2006 to 2,111 in 2007, an indication that the number of foreclosures will be higher in 2008. In addition to the hardship to owners, foreclosures impact the local economy by lowering property values and contributing to declining property tax growth. The Assessor lowered property assessments (Section 51) on 175 parcels in 2006, 7,197 parcels in 2007, and projects that this number will increase to 13,000 parcels in 2008 and 17,000 parcels in 2009.



Service Reductions due to Fiscal Constraints

The Board of Supervisors adopted budget principles in fall 2007 to guide the preparation of the FY 2008-09 budget. Due to the significant fiscal challenges facing the County, these included direction to County departments to submit a balanced budget within a specific General Fund target, absorb retirement increases and submit additional reductions equivalent to 5% of General fund allocation. These strategies proved to be essential in arriving at a balanced budget. The Board conducted a budget workshop in February 2008 at which time potential service level reductions were identified. The Board provided direction to continue to incorporate the identified reductions in the recommended FY 2008-09 budget. These reductions and associated service level impacts are summarized in an attachment at the end of this section and are also described in each department's budget. The Alcohol Drug and Mental Health Services, Sheriff and Probation Departments are particularly impacted.

Alcohol Drug and Mental Health Services' Budget Balancing Actions

The Department's FY 2008-09 overall operating budget will decrease by $8 million to $64 million from the estimated expenditures in FY 2007-08 and significant reductions in programs are required to balance the FY 2008-09 budget. While revenues have increased for Mental Health Services Act programs funded through Proposition 63 revenue (1% tax on personal income over $1 million to fund expansion of county-operated mental health services), funding for core adult mental health services, and recently implemented crisis services, has not kept pace with costs. In FY 2007-08, the continued decline in revenues and demand for additional services led to a shortfall of $6.9 million in adult mental health services. In order to end the year with a balanced budget, and provide time for a phase down of services, the Board of Supervisors approved a $6.9 million one-time transfer from the County's Strategic Reserve Fund.

At the time of budget preparation, with a slowing economy, declining growth in the County's property taxes, higher retirement costs, and an anticipated assumption of retiree health care costs, coupled with a lower strategic reserve, the County's discretionary revenues could not support an ongoing shortfall and all County departments, including Alcohol, Drug and Mental Health Services, were required to submit a balanced budget for FY 2008-09. In order to present a balanced budget, the Department is reducing staff by 69.2 Full Time Equivalent (FTE) positions, lowering contracts with community providers by $4.3 million from current levels in the Adult Division and $0.6 million in the Alcohol and Drug Division, and implementing other administrative actions to reduce costs and streamline the delivery of services. The FY 2008-09 recommended budget does not include an anticipated $3 million cost settlement with the State and $2.5 million is currently earmarked in the Audit Exceptions Designation to meet a portion of those costs. Detailed information for the Department begins on page D-145.

Sheriff Department's Budget Balancing Actions

The Sheriff Department's FY 2008-09 operating budget will remain flat as compared to FY 2007-08 estimated actual expenditures, with a minor increase of $96,000 compared with the FY 2007-08 estimated actual expenditures. Level operating expenditures are the result of structural service reductions required to meet the balanced budget principle in the context of a slowing economy and increasing labor and commodity costs. The main challenges for FY 2008-09 are flat public safety sales tax revenues (Proposition 172) and a General Fund Contribution which cannot cover the increase in labor and commodity costs. Based on the low rate of new growth in revenues, the Sheriff Department's budget includes a reduction in funding of 23.4 full time equivalents (FTE), lower overtime and extra help usage, a 50% decrease from the information and technology budget, and overall tightening of the services and supplies budget, which remain level despite increasing prices. Service reductions are anticipated primarily in the Administration and Support division of the department, the Aviation Unit and the Gang Unit. Lower overtime and extra help usage, may also present challenges department-wide including patrol, criminal investigations and custody operations.

Probation Department's Budget Balancing Actions

The Probation Department's FY 2008-09 operating budget increases by $2.2 million compared to the estimated FY 2007-08 budget. The FY 2008-09 General Fund Contribution increases by a slightly higher amount, $2.3 million, however, with flat public safety sales tax revenues (Proposition 172) and lower Federal and State reimbursements, the Department must implement several measures to balance the budget. The major operational change is the conversion of the 58 year old Santa Barbara Juvenile Hall (SBJH) into a Special Use Juvenile Hall - Booking Facility, described on page A-16. Other reductions include lowering funded staffing by 4.0 FTE, reducing counseling services provided by Alcohol Drug and Mental

Health Services at the Los Prietos Boys Camp and Boys Academy and providing these services by staff within a modified program. Additionally, the Lompoc and Santa Maria Juvenile Drug Courts are reduced by one officer and cases are supervised by one officer and both the Juvenile Investigations unit and the Juvenile Placements unit in Santa Maria is reduced by one officer. Counseling and Education Centers, already reduced by the consolidation of the Lompoc and the Santa Maria programs in FY 2007-08, will lose Probation and Mental Health staff. While not expected to reduce the number of minors served, reductions will require modifications in the services provided.

Debt

In April 2008, Standard and Poor's Rating Services upgraded the County's rating on outstanding COPs to 'AA' from 'AA-'. In supporting this upgrade, the rating agency cited the County's proven track record of funding ongoing expenditures with ongoing revenue and prudent financial practices. The County's long term debt has declined over the past three years and with a pending new issuance of $25.4 million, the ratio of debt to assessed value is estimated to be 0.16%, and per capita debt will increase from $180 in 2007 to $219 in 2008.

> S & P cited the County's track record of very strong reserves, healthy finances and low overall debt levels and concluded that the long term credit worthiness of the County reflected an experienced management team with strong financial policies.

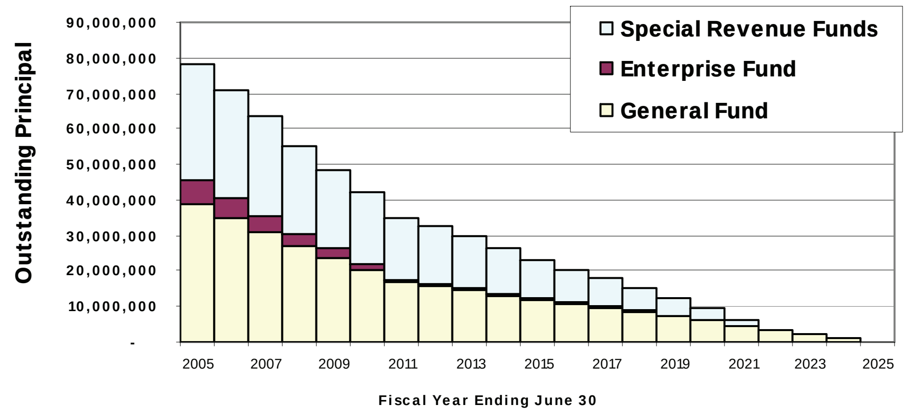
The County's long term debt is comprised of $63.47 million in certificates of participation for financing of capital improvements, $5.1 million for capital leases for the Alcohol Drug and Mental Health's Lompoc Children's Clinic and Crisis Center in Santa Maria and financing of copiers and equipment; $7.8 million for financing of the Laguna Wastewater Treatment Plant and $110,000 in other loans.

Long Term Debt (Principal) as of June 30

($ millions)	2004	2005	2006	2007	2008 (Est.)
Certificates of Participation	65.81	78.06	70.83	63.47	56.46
Pending COP issuance					25.40
Capital Leases	1.57	1.40	3.38	5.05	3.82
Laguna Wastewater Treatment Plant	9.00	8.62	8.23	7.83	7.44
Long Term Settlements	1.03	0.70	0.37	0.11	0.00
Other loans	0.07	1.12	1.03	0.01	0.01
	77.47	89.89	83.84	76.46	93.12
Assessed Value	41,265	44,821	49,490	54,522	58,470
Debt/Assessed Value Ratio	0.19%	0.20%	0.17%	0.14%	0.16%

In June 2008, the County plans to issue approximately $25.4 million in Certificates of Participation (COP) to finance capital projects for the County as follows: $6.0 million for Landfill Liners for the Tajiguas Landfill; $14.5 million for Isla Vista Redevelopment Projects; $2.1 million for the debt service reserve fund and $2.3 million for the capitalized interest fund. There is no expected impact to the General Fund due to this issuance since payments for the Isla Vista redevelopment projects will be funded through a tax increment and the Tajiguas Landfill project will be paid for via Solid Waste tipping fees. This will bring the County's long term debt to $93 million.

Certificates of Participation
Outstanding Principal by Fund Type



Through prudent planning and careful debt issuance, long term debt remains low and affordable in relation to assessed value. Principal and interest payments on funds borrowed will decline from $12.9 million in FY 2006-07, to $11.2 million in FY 2007-08. More information on the County's debt policy and Certificates of Participation is available in Section F of this Operating Plan.

Other considerations which could impact the FY 2008-09 recommended budget include:

- Settlements with the State for completed audits in Alcohol Drug and Mental Health Services of past years ($3 million). This would normally be funded through reserves set aside for this purpose in the Department's budget, however, there is no available funding. The Recommended Budget proposes that $2.5 million be designated in the Audit Exceptions Designation for this purpose. It is anticipated that the remaining $500,000 would be funded during FY 2008-09.

- Funding a County Jail: The County has applied for a State grant to assist in the cost of building a north county jail, which if approved and accepted would require a County match and a commitment to pay for ongoing operations.
- Paying down the Unfunded Accrued Actuarial Liability in the pension plan.

Conclusion

As of this writing, the proposed budget FY 2008-09 is balanced. However, this budget is extremely fragile and requires continuing restraint on spending in order to preserve the County's fiscal health for the coming year. The decline in the real estate market is projected to continue through FY 2008-09 and will impact the growth of property tax revenue and real estate transfer taxes which are the main sources of funding for many core County services.

The County is fortunate to have many dedicated department heads who worked diligently to comply with the reductions required to produce a balanced budget. As a result of the retirement of former Assistant CEO/Budget Director Ken Masuda, Dr. Jason Stilwell was appointed to fill this critical vacancy in a particularly difficult year. The Board of Supervisors deserves special thanks this year because it has patiently and consistently dealt with the impending financial challenges through the quarterly financial report process, the annual budget principle setting process, and the special budget workshop conducted in February 2008. There are also many employees in the departments who labor over complex details of budget control and preparation to ensure that the underlying numbers and other facts are correct.

County departments and Auditor-Controller staff are commended for collaborating with this Office to produce an operating plan that has been recognized for its ability to provide useful information to decision-makers and citizens. The document before the Board reflects the contributions made by many individuals, including, but not limited to, staff managed by Assistant CEO/Budget Director Jason Stilwell, Principal Fiscal and Policy Analyst Zandra Cholmondeley, and Auditor-Controller Robert Geis.

Respectfully submitted,

Michael F. Brown,

County Executive Officer

The Strategic Plan

Santa Barbara County's Strategic Plan provides the overarching guide that defines and measures the expected results of County government services, and allocates resources to deliver these results through County programs and projects. The Strategic Plan includes six General Goals, three Organizational Values and six broad Policy Plan Areas that enable the County to achieve its priorities. The County's Plan Priorities are derived from a Strategic Scan which surveys trends within the community and categorizes them into Key Indicators. Major County programs and priorities for FY 2008-09, as well as current year accomplishments, are described in departmental budget pages (Section D).

The six County Goals initially adopted by the Board of Supervisors on April 21, 1998 and revised on November 21, 2006 are:

- **Goal 1**: An efficient professionally managed government able to anticipate and to effectively respond to the needs of the community.
- **Goal 2**: A safe and healthy community in which to live, work, and visit.
- **Goal 3**: A community that is economically vital & sustainable.
- **Goal 4**: A high quality of life for all residents.
- **Goal 5:** A County government that is accessible, open, and citizen-friendly.
- **Goal 6**: A community that fosters the safety and well-being of families and children.

The County's "ACE" Organizational Values of *accountability*, *customer service*, and *efficiency* are a critical component of the Strategic Plan. The Organizational Values represent important principles and embody a work ethic that is embedded in all County efforts. Together, the Goals and ACE Values provide a foundation for the County's strategic planning process. While the context for public policy is constantly evolving, the organization's values and broader purpose reflect the fixed ideals of ethical public service.

The Strategic Scan

To effectively monitor regional progress and inform public policy, the County periodically develops a Strategic Scan. The Scan surveys economic, demographic, political, legal, and other trends, which are categorized into Key Indicators. Current Key Indicators include: Housing; Demographic and Economic Change; Environmental Quality; Agriculture; the County's Financial Stability; Transportation and Mobility; and Health, Social Service, and Public Safety.

The next Scan is scheduled for summer 2008, however, budget reductions proposed in this document, combined with as yet unknown reductions resulting from State budget cuts, may require postponement to a future time. This project will involve updating the Key Indicators highlighted in the 2005 Scan and determining whether any new trends or challenges have emerged. A summary of each Key Indicator follows:

Housing

The high price of housing in the County, especially in the South Coast region, makes home ownership difficult for many individuals and families. The recent correction in the housing market has placed upward pressure on rents, which have grown steadily over the last few years. High housing prices and rents lead to a high cost of living, which deters local business growth and expansion. Meanwhile a strong demand for low-wage workers in hospitality, retail, and other service industries continues to attract low-income families who may live in crowded and potentially unhealthy conditions.

Demographic and Economic Change

The makeup of Santa Barbara County's population, workforce, and economy is undergoing rapid change. The South Coast is losing jobs and population, including families with school-age children. New residents on the South Coast are more affluent and older than those they are replacing. The North County continues to be the County's growth area, with a rising Hispanic population. These changes require the County to anticipate and respond to the needs of a growing and evolving population.

Environmental Quality

The County's extensive open space, diverse environmental resources, and superior air quality attract residents, tourists, and businesses. These resources support fragile ecosystems, provide outdoor recreational opportunities, and bolster property values throughout the County. Air quality has consistently improved over the last twenty years and water quality remains good. Maintaining the region's environmental quality remains a high priority for the County.

Agriculture

The agricultural industry contributes significantly to the regional economy, with the total value of all agriculture products produced in the County surpassing $1 billion for the second year in a row. At the same time, a competitive global marketplace and trade policies have increased the pressure on County agriculturalists to intensify crop production and adopt new technologies to remain successful. County regulatory systems must be flexible and swiftly able to adapt to market changes.

The County's Financial Stability

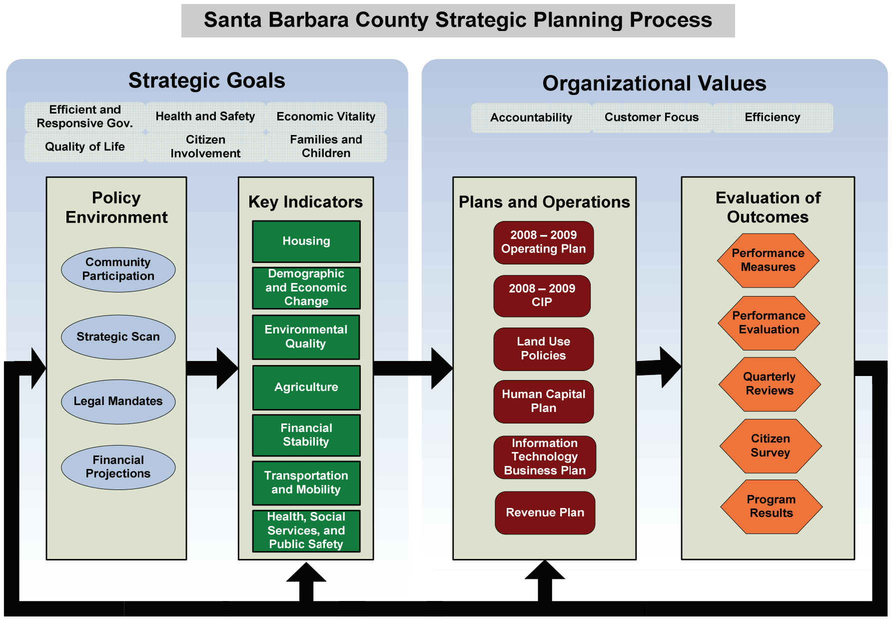
Recent economic trends, such as the declining value of residential real estate, threaten Santa Barbara County's financial capacity and its ability to continue delivering high-quality services to the public. As a result, the County is experiencing a leveling of discretionary revenues, while expenditures continue to climb. If this trend continues, and expenditures progress at the current pace, the County will experience a structural deficit that will continue into the foreseeable future.

Transportation and Mobility

A discrepancy exists between job growth and housing in many parts of the County. This fact, coupled with an increasing number of drive-alone motorists and development patterns that spatially separate residential subdivisions from many of the daily goods and services that households purchase, has resulted in higher traffic volumes on local roads and on Highway 101 from Oxnard to San Luis Obispo. Congestion can harm air quality, hinder economic development, slow emergency responses, and decrease the general quality of life for local residents and visitors.

Health, Social Services, and Public Safety

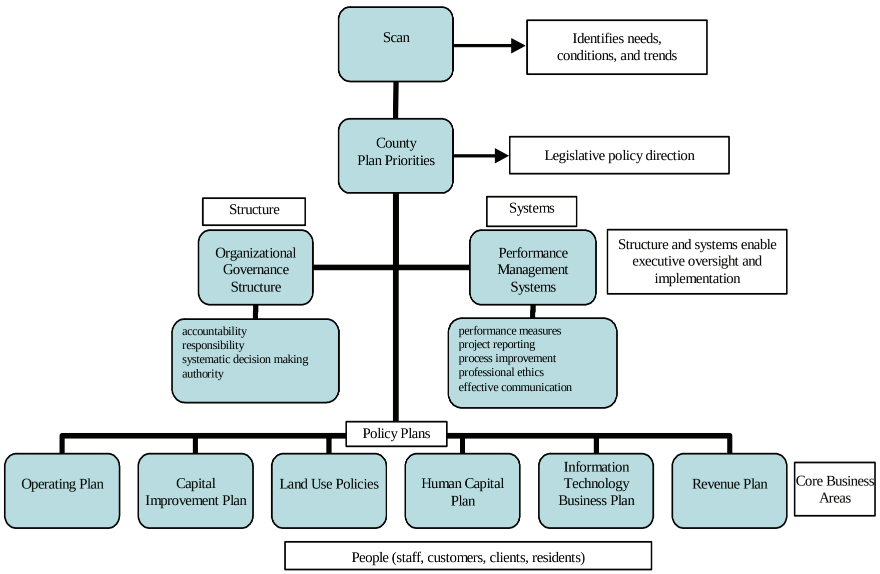
Demographic changes throughout the County, particularly in the North County, have increased the demand for social services, health care, and public assistance. In addition, Santa Barbara County faces new pandemic, environmental, and man-made threats that require intensified monitoring, prepared first responders, and the efficient use of limited County resources to ensure that the public is healthy and safe.



Alignment, Investments, and Measuring Outcomes

In order for the County to effectively achieve its Strategic Goals and respond to Key Indicators, initiatives are identified, developed, and prioritized for implementation. This ensures that departmental work focuses on addressing the County's most pressing issues, while maintaining the fundamental core values of good governance and quality public service. The Scan provides a framework to present and discuss these initiatives and develop public policy. Additionally, the development of the County's budget provides an opportunity for departments to discuss ongoing initiatives and describe the impact on the Key Indicators and the Strategic Goals.

Current efforts to develop a performance management framework will allow policy makers to better understand the outcomes that policies, projects, and operations have on the Key Indicators. Ultimately, the goal of the County's Strategic Planning Process is to align County financial resources with Strategic Goals and Key Indicators, and to use performance management systems to measure the results of County actions. Based on these outcomes, adjustments can be made to plans, policies, and investments to better address needs.



Goal 1: An Efficient Professionally Managed Government Able to Anticipate and to Effectively Respond to the Needs of the Community.

Annually Governing Magazine grades each of the 50 U.S. states based on a number of critical factors, including the "people" factor in effective governance. In the March 2008 article entitled: Grading the States '08 – The Mandate to Measure, key "people factors" were graded and were part of the final grade assigned to each state:

- Strategic Workforce Planning
- Hiring
- Retaining Employees
- Training and Development
- Managing Employee Performance

Highlighted for each state were a number of initiatives and changes that were identified by Governing as good business:

- Competitive and flexible classification and compensation structures that include pay-for-performance and non-base-building incentives and accountable performance management and performance evaluation systems that engage employees;
- Training and development programs aligned with organizational values, mission, and vision;
- Creative human capital strategies to attract and retain quality talent in a rapidly-diminishing available workforce
- Effective Workforce and Succession Plans, including elements that ensure knowledge transfer as older employees move toward retirement; and
- Organizational restructuring initiatives designed to better align organizations and improve service delivery.

It is these very types of initiatives on which the County of Santa Barbara has been focusing in recent years.

Key Initiatives

The Leadership Project: Implemented in January 2007, this Project is the new classification, compensation, and performance management system for the County's executives and managers. The Project was designed to:

- Align County's leadership with achieving the County's ACE Values: Accountability, Customer-focus, and Efficiency;
- Support a Countywide focus on the delivery of excellent customer service;
- Modernize and streamline human resources business systems; and
- Strongly link management compensation to the achievement of business results and the delivery of quality services to the public.

The Leadership Project streamlined the management classification and compensation system and corresponding pay ranges and replaced them with broad, flexible, competency-based job classifications and broad, competitive pay bands. The Leadership Project ensures the achievement of important business objectives and customer-service results by employing a strong performance planning and goal-setting process and strongly linking individual performance to pay.

In October 2007 the Leadership Project was recognized by the Society for Human Resource Management (SHRM) with a Strategic HR Award. Alongside the Harley-Davidson Motor Company and the Coca-Cola Company, the County of Santa Barbara was recognized for creating and implementing a modern structure and the flexibility needed to support strategic change in the organization. SHRM identified the Leadership Project as "an innovative classification, compensation and pay-for-performance system for the county's leadership that's designed as a strategic mechanism embedded with the organizations' values."

After one year of experience, the Leadership Project has achieved significant outcomes including: Setting and achieving significant goals designed to improve customer relations and service delivery throughout the County's 25 departments and completing significant projects related to:

- Sound leadership and effective management of public emergency situations
- Successful acquisition of new revenue streams and funding sources for services provided
- Increased use of technology to improve public access to services
- Implementation of new programs and services
  - Modernization of business systems
  - Implementation of streamlined services
- Conscientious pay decisions made by each department head that resulted in 2008 compensation decisions falling well within planned financial parameters
- Strong accomplishment of key objectives of the Leadership Project including:
  - 95% completion of performance planning linked to achieving business results
  - 99% collaboration between managers and their supervisors in planning for result achievement
  - 96% set clear action items for work priorities and competency development
  - 98% set two or more customer-oriented goals
  - 100% goals with measurable or observable outcomes
  - 98% of the goals, when achieved, will improve customer service

In FY 2008-09, the Leadership Project will continue to be monitored and evaluated to ensure efficacy and that it continues to support improved customer service delivery throughout the County.

The Clerical Classification and Compensation Project: This new, skill-based classification and compensation structure is designed to further support and implement the Board's direction to provide excellent customer service to the Santa Barbara community. The new structure affects 900 clerical employees and implements broad, flexible classifications that provide the organization with significantly greater operational flexibility. It implements performance planning aligned with achieving service delivery results while providing staff with greater skill and career development opportunities. Movement in pay is achieved through successful job performance coupled with the acquisition and demonstration of proficiency in a variety of critical office skills. The Project also provides talented individuals with opportunities to transition into higher-level County careers, which will assist the County's workforce and succession planning efforts.

Employees' University Realignment: To ensure that the County's training and development programs support the Board's direction, a major realignment effort is currently underway. The Employees' University (EU) was implemented in 1998 and, since that time, the curriculum has remained relatively unchanged. At the same time, the Board has refocused the organization, created a CEO structure, identified the key values of the organization, and adopted a number of significant initiatives that require the support of a rigorous training and development program. Beginning in 2008, the County will undertake a comprehensive review of the EU to identify the courses to be modified, retained, eliminated, or added and ensure all future course curriculums:

- Are aligned with the CEO structure, support and reinforce ACE Values, and have a strong customer-service orientation;
- Reflect modern business practices and support innovation, creativity, and continuous organizational improvement;
- Support department business needs and operations as well as specific County initiatives such as the Leadership Project and the Clerical Classification and Compensation Project; and
- Include a strong accountability element for producing measurable results.

Human Resources Restructure: Through a collaborative labor-management endeavor, a unique countywide human resources delivery system was designed and is in the process of being implemented. The new system moves County Human Resources from a highly decentralized environment that lacked consistency, accountability, and professional proficiency to a hybrid model designed to create improved service levels to departments and ensure consistent and accountable human resources practices throughout the organization. The new model includes:

- A strong consultative relationship between the department HR staff and CEO/Human Resources;
- Clearly-defined authorities;
- A shared service model component for smaller departments that currently lack a dedicated human resources professional;
- A strong dotted-line reporting relationship to CEO/HR; and
- All the supporting policies, procedures, protocols, and technology needed to highly professionalize human resources throughout the County.

In addition, a new rigorous and robust training program for human resources professionals is in the process of being designed to ensure modern and strategic human resources capabilities throughout the organization. The new human resources structure was unanimously adopted by the Board of Supervisors and recognized as a model that will improve accountability, efficiency, and consistency throughout the County while ensuring quality service delivery to departments.

Human Capital Challenges

The County of Santa Barbara is increasingly confronted with significant human capital challenges specifically in the area of attracting and retaining the talent required to provide quality customer service to the community. The high cost of housing in Santa Barbara, issues associated with commuting such as rising gas prices, wear and tear on vehicles, and work/life balance, a shrinking pool of qualified talent to populate the workforce, and high competition in specific markets such as nursing, engineering, legal, and other key professional levels of work, all impact the County's ability to be competitive in the search for talent.

The County is taking a proactive and strategic approach to addressing these human capital challenges. Balancing fiduciary accountability with the provision of competitive salaries and benefits, the County is embarking on a number of changes focused on overcoming human capital challenges. First and foremost, the County continues to tenaciously examine its business systems, the way it does business, its processes and internal rules to make significant changes that will position the County to be a completive employer. Where compensation and benefits are considerably lower than the marketplace, the County is making strategic improvements within budgetary constraints and with the goal of improving service to the community.

In the past year, the County has undertaken a number of significant projects to help address these human capital challenges:

- Implemented new, flexible classification and compensation systems designed to adequately compensate the workforce while ensuring improved customer service and achievement of key business objectives.
- Changed health plan carriers to better manage the cost of healthcare for both the workforce and the organization; and will move forward implementing an innovative onsite health clinic program to further reduce future costs.
- Implemented a new, modern Employment Center technology that provides greater flexibility in marketing County positions, accepting resumes and applications, and managing pre-employment data.
- Acquired a Human Resources Information System (HRIS) to improve efficiency in human resources processes and facilitate strategic workforce related decision making and other efficient and effective uses of human resources technology. Implementation of the new comprehensive workforce data system will eliminate duplication and non-value added human resources processes.
- Began the design of a Workforce Plan and implemented strategies to identify critical County positions, create and sustain a talent pipeline, plan recruitments more thoughtfully and strategically, and incorporate succession planning and knowledge replacement elements into planning efforts.
- Continues to work with labor to review the County's classification and compensation structure to modernize systems and position the County to be a more competitive employer.

By continuing to modernize human resources practices and balancing human capital decision making with budgetary constraints, the County is becoming better positioned to resolve its human capital challenges and is increasingly able to attract and retain the talent necessary to provide quality services to the community.

Performance Measurement

The County Executive Office has completed an upgrade of the program performance measure database beginning with a thorough review of all performance measures. This resulted in a reduction of 307 performance measures, from 1,250 to 943, the addition of three countywide measures, and increasing users by 146, from 200 to 346, across the organization. Advanced Management of Performance and Projects (AMPP) enables users to receive, evaluate and report data through schedules and graphs, measure progress against goals, objectives, critical issues, policy plans and performance targets, and demonstrate how resources are aligned to service delivery. The second phase to upgrade the County's project reporting system will begin in FY 2008-09. This will involve converting more than 350 projects that are in the existing system to AMPP. The project reporting upgrade provides the ability to link projects to performance measures (target scoring) and monitors duration, cost, and priority.

New Information Technology Department

On June 9, 2006, the Board of Supervisors received a report from the Blue Ribbon Budget Task Force that recommended that the County clarify and strengthen information technology governance to ensure that projects and processes are implemented in a coordinated fashion. The Task Force also recommended that the County expand the use of technology to provide improved services both within the organization and to external customers.

On February 12, 2008, the Board adopted the FY 2008-11 Information Technology Strategic Plan which was designed to respond to Task Force recommendations. In order to focus on implementing the Strategic Plan initiatives and enhancing the County's overall IT capability, the Information Technology Department was created by merging the IT Program located in the County Executive office with key components of the Technical Services Division of the General Services Department.

The new IT Department will focus on improving data analysis and reporting capabilities to provide enhanced decision-making, enterprise-wide application development and support, IT infrastructure management and implementation of the IT Strategic Plan.

The Department is also actively engaged in activities that support the County's public safety organizations: Using Homeland Security grant funds ($120,000), the department will examine the feasibility of establishing a countywide radio communications platform that is common to all agencies, including federal, state and local agencies, as well as special districts. The department will also work with the Office of Emergency Services to define and develop an IT-related business continuity and disaster recovery program and identify opportunities to use technology to enhance Emergency Operations Center (EOC) operations. More information on key IT projects for FY 2008-09 is shown under Goal 5.

Self-Insured Liability Insurance Program

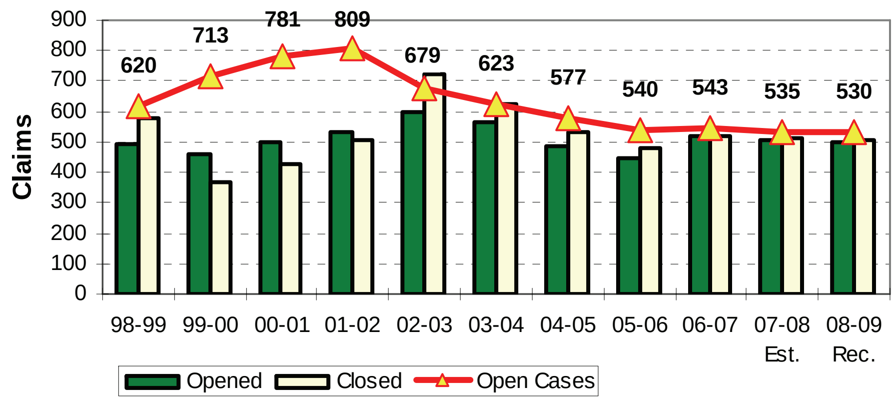
The County is self-insured for General Liability claims and purchases excess insurance coverage for losses in excess of $500,000 per incident. In addition, the County purchases "first dollar" coverage for the traditional risks such as property damage, earthquake and pollution liability. The County also purchases insurance for aviation and employee bond.

General Liability costs increased $2.5 million from $4.7 million in FY 2003-04 to an estimated $7.2 million in FY 2008-09. The major contributors to this increase are excess insurance coverage costs and increased legal fees. The increase in excess insurance premiums has occurred for various reasons, including such catastrophic events as the hurricanes of 2005 that drive the insurance market conditions, as well as loss development year over year which incorporates the County's increased legal fees and paid losses. Moreover, the excess program has to keep pace with the increased cost of litigation and other associated factors that are analyzed by an actuary to ensure that the excess program remains fiscally sound. Program costs are estimated to increase by $1.1 million, a 17% increase in FY 2007-08 due to higher paid losses and legal fees when compared to FY 2006-07. The County HIPAA program moved to the Liability fund in FY 2006-07. HIPAA expenses are included in the program costs described above and are offset by additional fund revenue.

To provide management better insight, the County continues to use a "Watch List" which identifies high exposure claims and is reviewed monthly to help contain costs, facilitate early claims resolution and highlight any unusual trends. Notably, open general liability claims have decreased by 31% since FY 2003-04 which should have a positive affect on the overall general liability costs in future years.

Workers' Compensation

After several years of rising Workers' Compensation costs, annual program expenses for the past 6 years have been reduced from the all time high in FY 2002-03. FY 2008-09 program expenses are planned to be $13,404,000 or 3% less than in FY 2002-03. We attribute these decreases to a reduced number of new claims and recently passed legislation that has helped contain medical expenses, as well as implementation of several programs outlined below. The cost improvements over the past five years are significant given the passage of AB 749 which increased the maximum weekly disability payment by 87% during this same 6 year period. It is estimated that the impact of legislative changes has been fully realized and projections indicate that workers' compensation claim costs will now be increasing based upon current medical, legal and indemnity rates.



Workers' Compensation program expenses are budgeted at $13,404,000 for FY2008-09, an increase of $226,000 or 2%, over FY 2007-08 estimated actual of $13,178,000 primarily due to increases in legal and claim administration expenses. The estimated liability of the Workers' Compensation program, based on actuarially derived future costs, is projected to increase to $30,000,000 at June 30, 2009, showing a 12% increase over June 30, 2007. Utilization review efforts, combined with improved data analysis and intensive monthly review of Workers' Compensation costs and trends, continue to contain costs, reduce the number of litigated claims and reduce open claims as shown below:

FY 2008-09 Legislative Priorities

The Board of Supervisors adopted the County's 2008 Legislative Platform in January 2008. Similar to previous years, the emphasis of the platform will be on the continued advocacy related to (1) funding assistance for large-scale infrastructure projects that safeguard the public and promote a high-quality of life for residents and (2) stable and sufficient funding for the cost of providing mandated services.

In FY 2007-08, the County was successful in obtaining federal funding for the following: $280,000 for a study by the Army Corps to identify the best repair solution to the Santa Maria Levee; $215,000 to complete the pre-engineering and design phase and initiate the construction phase of the Lower Mission Creek Flood Project; $967,000 for design phase to relocate and replace the water treatment plant at Lake Cachuma.

For 2008, the County will request funding for these particular projects:

- Construction phases of Mission Creek,
- Construction phase of the Santa Maria Levee,
- Construction phase of the water treatment plant at Cachuma,

- Design phase for Goleta Beach and the permeable pier,
- Renovations and rehabilitation of the Lompoc Veterans' Building and
- A recreation center in Cuyama.

The County will also continue to advocate for the re-indexing of Medicare rates to providers (clinics operated by the Public Heath Department) and the timely reimbursement of mental health claims by the State. The county will also seek a sponsor to introduce legislation to remove the sunset date of January 1, 2009 for the Maddy EMS Fund. The guiding principles of this year's platform are efficient service delivery/operations, fiscal stability, inter-agency collaboration and local control.

Goal 2: A Safe and Healthy Community in Which to Live, Work and Visit

Maddy Fund

SB 635, which allowed the County to establish a local Maddy Fund, became law on January 1, 2005 and was extended by AS 2265 for an additional two years to sunset on January 1, 2009. A Maddy Fund provides for surcharges on certain court fines for the purpose of funding uncompensated emergency medical and trauma care to the under- and uninsured. Funds collected are passed through to local hospitals and physicians to partially offset the cost of emergency room and trauma services provided to such clients.

According to the Hospital Association of Southern California, the provision of uncompensated emergency and trauma care by local hospitals results in net losses of approximately $8 million countywide. This number is anticipated to increase as the number of under- and uninsured continues to rise and the costs to keep a full compliment of specialist physicians on-call for all patients continues to increase.

Since the inception of the Santa Barbara County Maddy Fund, collections have gradually increased and are now approximately $1.7 million in annual revenue. In Fiscal Year 2006-07, a total of $1,736,706 was collected. Of that total $968,377 has been distributed to physicians and $610,447 to hospitals. The County Public Health Department retains 10% of the funds collected to administer the fund.

As a condition of the previous two bills, the County pursued alternative funding through a ballot measure, Measure S, which would have levied a parcel tax on homeowners and businesses to support emergency and trauma care. The measure was unsuccessful.

California State Assembly Member Pedro Nava has indicated his desire to work with healthcare providers on new legislation which would provide for ongoing collection of court fines to support the emergency medical and trauma care system. The County is hopeful that this legislation will provide for emergency medical and trauma care funding into the future.

New County Jail

The need for a new County jail facility was identified over 20 years ago and subsequent Grand Jury reports have reiterated that need. Since 1986 the Jail has been under a court-ordered population capacity, placing the Sheriff in a position to release offenders early or not put them in jail at all in order to meet the conditions of the order. Efforts to build a north county jail began with the 1991 North Santa Barbara County Correctional Master Plan. The North County Jail project is the largest project presented in the Capital Improvement Plan.

In 2007, a Blue Ribbon Commission on Jail Overcrowding was formed by the Sheriff and has recently concluded its work. The Blue Ribbon Commission recommends a blended approach to improving public safety in the community. This approach requires prevention, intervention and recovery programs as well as enforcement. An additional number of jail beds to accommodate the population growth is necessary for implementation of the Blue Ribbon Commission's recommendations. The latest needs assessment showed a need of approximately 600 additional beds by 2010.

The Sheriff's Department has also sought alternative opportunities to incarceration and creation of additional bed space in other facilities. In FY 2007-08, the Sheriff's Department, with Board of Supervisors' approval, converted the Santa Maria Branch Jail from Type I to Type II, which added 39 beds within the classification type and allowed the Branch Jail to house inmates longer than the 96 hour limit on Type I facilities. Additionally, the County contracted with the City of Lompoc for the use of the Lompoc Booking Facility, which allows holding inmates up to 96 hours and in some cases eliminates the need to transport the inmates to one of the other jail facilities. The Department is pursuing other alternatives to alleviate jail overcrowding, which include both options for more secure facilities as well as preventive programs and programs to reduce recidivism.

In March 2008, Santa Barbara County authorized a grant application for jail construction funds pursuant to Assembly Bill 900, which was passed in 2007 and authorizes $1.2 billion for construction or expansion of county jails and secure community reentry facilities. The proposed facility is a Type II county jail with 304 beds. If awarded, 75% of the capital investment for the project will be reimbursed by the State. The total capital cost of the project is estimated at approximately $80 million and the total additional operation cost is estimated at $13 million in today's dollars and growing at an annual rate of 5.5%. In order to satisfy the grant conditions, the County will be obligated to begin operations of the New County Jail within 90 days from the date of completion. According to the New Jail Planning Study, performed by County staff in 2005, the most feasible option for financing of the ongoing operations is an increase in the transaction and use tax (commonly known as a sales tax). It is estimated that a countywide ½¢ tax would generate $30 million annually.

Santa Maria River Levee

The County of Santa Barbara and the City of Santa Maria continue to aggressively pursue funding for the repairs of the Santa Maria River Levee. Development of the Federal

Emergency Management Agency (FEMA) Flood Map has been delayed by FEMA, offering an extended window to repair the most strategic portions of the Levee.

A major hurdle was achieved by inclusion of $280,000 of Federal Funding in the 2008 U.S Army Corps of Engineers (Corps) Budget, which will allow the Corps to complete a report that would outline the required repairs and costs. City and County staff, working through elected representatives and respective Legislative advocates, will seek additional funds for 2009.

The storms of January 2008 proved the value of the County's preparations especially in light of the Zaca fire. Predictions of increased runoff from the Zaca Fire area were accurate, as there were several flow events in January 2008. Recent flow events this winter underscore the need to strengthen the Levee not only to avoid the economic impacts of the looming flood insurance costs, but to provide the necessary protections for the City of Santa Maria.

Goal 3: A Community that is Economically Vital & Sustainable

Santa Barbara County Redevelopment Agency

The Santa Barbara County Redevelopment Agency manages efforts to rehabilitate and revitalize Isla Vista. The Agency is a separate political entity from the County with a Board of Directors comprised of the same five elected officials as the Board of Supervisors. The Agency's objectives in Isla Vista are to develop a balanced, robust and economically viable commercial core; create attractive housing to meet the needs of residents and appeal to a range of housing sizes and income levels; improve deficient public infrastructure and to eliminate blight.

A number of important projects were completed in FY 2007-08 including: adoption of the Isla Vista Master Plan by the Board of Directors; acquisition of key sites in downtown Isla Vista for redevelopment; securing planning permits for public/private partnership at 909 Embarcadero Del Mar; façade improvement project at 6530 Pardall Road; purchase and rehabilitation of 20 affordable housing units at Parkview Apartments in partnership with the

County Housing Authority and the selection of the Pardall Road streetscape design, with construction scheduled for Summer 2008.

The Agency is poised to receive $14.5 million from a Certificate of Participation issuance in FY 2007-08 to fund public parking lot improvements, installation of parking meters in downtown Isla Vista, completion of additional Façade Program projects, and Pardall Road improvements including wider sidewalks, new landscaping, and improved bicycle/pedestrian facilities. The proposed work program for FY 2008-09 also includes development of public/private partnerships to redevelop key sites in downtown Isla Vista and completion of the Isla Vista Master Plan certification with the Coastal Commission

The University of California, Santa Barbara, Long Range Development Plan (LRDP)

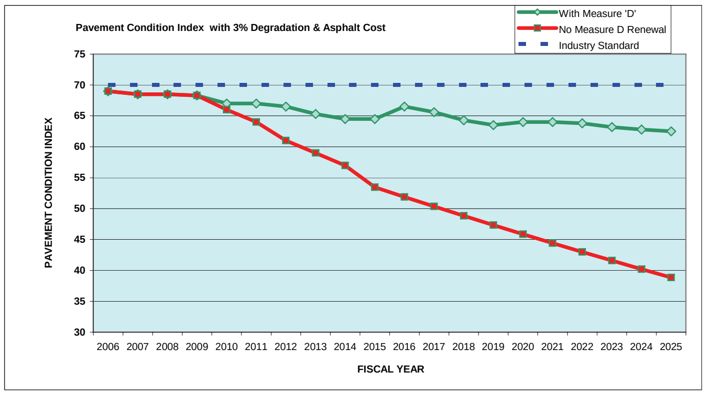
Each University of California campus is required by State law to maintain a Long Range Development Plan (LRDP), a document that defines the general framework for land use and physical development within a specific timeframe. An LRDP also provides communities surrounding UC campuses with information they need in order to address challenges resulting from overall increases in campus development. UCSB started the process of updating its current LRDP during Spring 2007 with a public process to outreach to community individuals and organizations. Campuses prepare LRDPs based on their academic goals and the projected number of students for an established future date. Each LRDP indicates how a campus will accommodate the student population along with the faculty and staff required to support that student population. The Regents approve each LRDP and its accompanying Environmental Impact Report (EIR), which evaluates the impact of the proposed development. An EIR has been prepared to evaluate the environmental impacts of a LRDP. The County will prepare comments on the EIR, particularly related to the University's impacts on: County roadways, regional housing needs, property taxes, sales tax, commercial development, and other infrastructure and services. UCSB is located in the Coastal Zone and requires California Coastal Commission approval.

Future of Measure D Funding

The primary sources of annual revenue to address the repair and maintenance of the County's transportation infrastructure system needs are State gas taxes and Measure D local sales tax. Measure D was passed in 1989 and provides for ½-cent sales tax revenue over 20 years.

The Measure D ½-cent sales tax expires on June 30, 2009. Sales tax revenues will continue to be collected until the program's sunset date in April 2010. In 2006, the Santa Barbara County Association of Governments approved an extension of the sales tax for 30 more years and an increase of the tax from a ½ cent to ¾ cent. This revised sales tax measure was placed on the November 2006 General election ballot, but it did not receive a 2/3-majority approval by voters. A ½-cent reauthorization measure has been developed and will be placed on the 2008 General election ballot as Measure A.

The County's share of Measure D funds for Fiscal Year 2007-08 is estimated at $7.4 million and is typically utilized for the Pavement Preservation Program to extend pavement life through periodic seal coating, resurfacing and patching of the existing asphalt surfaces. The identified backlog of road maintenance needs totals $155 million for the next five years. In addition, this important local funding source provides leveraging opportunities for obtaining State and Federal funding to help maintain the County's transportation infrastructure, provides for construction materials for the Corrective Maintenance Program and funds various alternative transportation programs throughout the County.



The chart projects the pavement condition as if the sales tax were extended beyond 2010 as well as the condition if the sales tax were not extended beyond 2010. The industry standard for pavement condition index (PCI) is 70 and without the Measure D sales tax revenue, the County's ability to reach this standard for local roads would drastically decline, requiring significantly more money to repair roads in the future. It is important to note that without the reauthorization of Measure D—or another local funding source to take its place—the leveraging capabilities of this local revenue source will be lost, jeopardizing millions of dollars from State and Federal funding programs.

Uniform Rules Update

The California Land Conservation Act of 1965, or the Williamson Act, guides California's effort to preserve agricultural land and open space for future generations. The legislation provides tax relief to landowners who voluntarily enter into Agricultural Preserve contracts for a minimum ten year period, thereby ensuring that contracted land remains in agriculture. Approximately 73% (550,000 acres) of the agriculturally zoned land in Santa Barbara County is enrolled under the provisions of the Williamson Act program. The Uniform Rules serve as the local rules and procedures for implementing the Williamson Act's Agricultural Preserve Program in Santa Barbara County.

To incorporate recent changes in State regulations and ensure continued and expanded participation in the County's Agricultural Preserve Program, the Office of Long Range Planning, in cooperation with the Agricultural Commissioner's Office and the Agricultural Preserve Advisory Committee updated the Uniform Rules, which the Board of Supervisors unanimously adopted in FY 2007-08.

Housing Element

The Housing Element is one of seven required elements of the General Plan and, according to State law, must meet the existing and projected housing needs of all economic segments of the community. FY 2008-09 marks the transition from the completion of the 2003-2008 Housing Element update to the preparation of the 2009-2014 Housing Element update. In FY 2008-09, the Office of Long Range Planning will review amendments to State housing law, existing County housing policies, and other related land use policies for the purpose of revising the Housing Element. Further, the revisions will detail how the County's land use policies address the State mandate to provide housing opportunities to all economic segments of the community who work within the unincorporated area of the County.

To meet the statutory deadline, a Draft 2009-2014 Housing Element and required environmental review of action items contained therein will be submitted to the State in the first quarter of FY 2009-10.

Goal 4: A High Quality of Life for All Residents

Goleta Beach County Park

In January 2008, the Board of Supervisors approved a plan that will address long-term erosion issues in order to preserve the valuable beach environment and popular amenities of this park through the construction of a permeable pile pier adjacent to the existing pier designed to slow the down coast flow of sand. The permit application and environmental document for this project are anticipated to be reviewed by the California Coastal Commission (CCC) in late FY 2007-08. Upon approval of the permit by the CCC, the County will move forward with the EIR process with the CCC for the permeable pile pier project in FY 2008-09. The total cost of this project is estimated at $10,102,000. Parks has secured approximately $1,970,000 in funding for this project, leaving an unfunded balance of $8,132,000. Parks is currently pursuing all available grant sources such as the US Army Corps of Engineers to fill this funding gap.

Cachuma Lake

The Lake is located on federal land utilized by both local water purveyors as a drinking water supply and the County as a recreational park. Improvements are slated to preserve the lake and its surrounding environment to facilitate the continuation of both uses. As a result of a biological opinion issued by the National Marine Fisheries Service, the Federal Bureau of Reclamation will retain lake water at Cachuma and subsequently release additional water for the protection of habitat for the endangered steelhead trout. Due to the federally-required raising of the lake level, or "surcharge", various existing park facilities will be impacted around the lake, including the water treatment facility ($2,700,000). Some of the required funding for these surcharge-related improvements will be provided by federal and state grants (approximately $620,000). Additional funding ($2.1 million) will be pursued for FY 2008-09 from various State and federal sources (including State Proposition 50 grants and additional Federal Bureau of Reclamation funding) to begin construction of the new facility.

The Cachuma Lake Recreation Area is an important recreational destination for Southern California. Thousands of visitors annually visit the lake to boat, fish, camp, and enjoy the scenic beauty of the lake nestled within the Santa Ynez Mountains. Cachuma Lake provides local residents the opportunity to enjoy the lake and its recreational amenities without traveling great distances. Therefore, it is of the utmost importance that these recreational opportunities are not lost.

Prevention of the Introduction of the Quagga Mussel to Lake Cachuma

The quagga mussel is a non-native aquatic nuisance freshwater mollusk originating in Eastern Europe that clogs waterways, undermines healthy lake ecosystems, and creates costly maintenance for water resource agencies. Quagga mussels cause the greatest economic damage when they infest pipes, pumps, or other components of municipal and industrial water supply systems, or power plant cooling systems. In addition to the potential damage to water purveyance systems, quagga mussels can seriously disrupt and negatively affect the ecosystem of freshwater lakes and rivers. The spread of the quagga mussel in California is becoming a significant concern due to the economic impacts associated with their introduction and proliferation. Adult mussels enter a water body through adherence to surfaces, such as boat hulls, and microscopic forms can be carried in bilges by recreational boats.

In order to thwart the possible introduction of the quagga mussel in Cachuma Lake, County Parks Department staff has developed protocols for inspections, decontamination, quarantines, and procedures for boats wishing to launch on the Lake. The cost for these protocols is estimated at $209,000 annually and a proposal to impose an additional fee on boat launching and washing that could increase revenue by approximately $69,000 is being considered. The Parks Department will continue to work diligently with the State Department of Fish and Game as well as other agencies that are involved in quagga prevention for additional funding sources and will utilize new science and prevention techniques as they become available.

Additional Outdoor Recreational Opportunities

During the middle of Fiscal Year 2006-07 the County acquired a 200-acre parcel, the San Marcos Foothills Preserve; this designated open space will be maintained by Parks. County Parks will also open the new Providence Landing Park in south Vandenberg Village in early FY 2008-09. In addition, completion of a 26-acre park in the Rice Ranch neighborhood of Orcutt is expected in June 2008. Walter Capps Park, a bluff-top park located in Isla Vista, is also in the planning and construction stages.

Point Sal State Beach

The County of Santa Barbara and Vandenberg Air Force Base have reached an agreement to reopen Point Sal Road as a trail, allowing public access to Point Sal State Beach and Park which has been closed to the public for more than one year. The Park is described as one of the most rugged and remote State Parks with pristine sand and a wind-protected cove. Point Sal Road, a nine-mile road located in Santa Barbara County near Guadalupe, passes through Vandenberg Air Force Base, a high security area. Since the 1998 El Niño storms, no vehicles have been allowed, however hikers and cyclists were allowed to use the road until the end of 2006, when use was prohibited due to security concerns. Under the agreement, the County has agreed to assume responsibility for improvements, particularly to sections of the trail that have been washed out in rainstorms, and to erect fencing to separate the trail from base property, as well as trail marking, and emergency evacuations. The trail will be closed by Vandenberg Air Force Base during times of heightened security. The County will pursue alternative access routes to the Park.

Goal 5: A County Government that is Accessible, Open, and Citizen-Friendly

Social Services Benefits Service Center

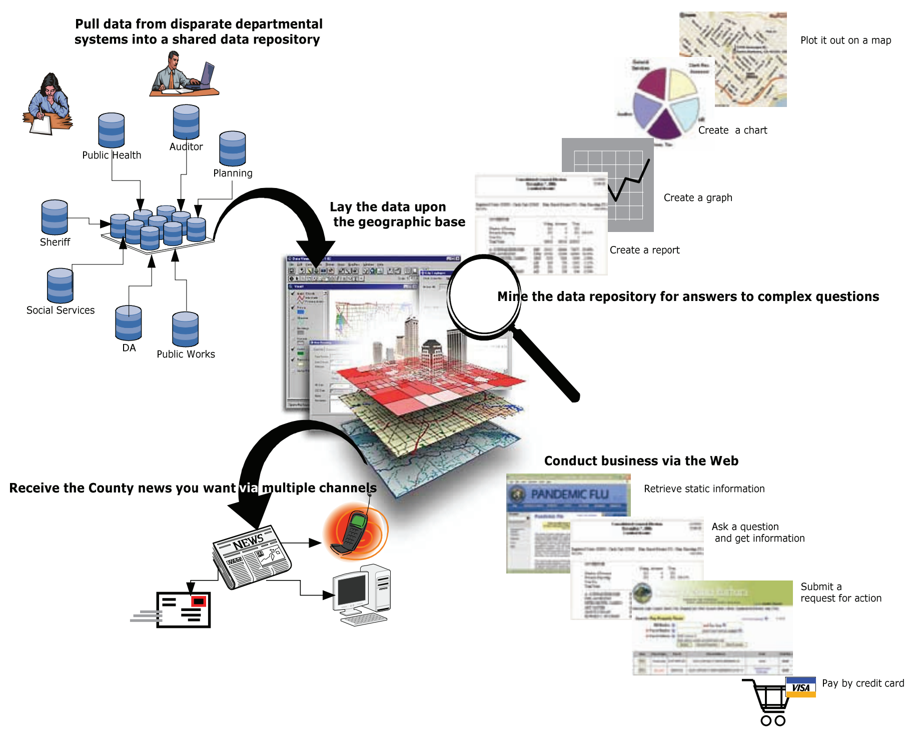
To increase efficiency and responsiveness to Medi-Cal and Food Stamp recipients, Social Services will open a Benefits Service Center – a public sector call center – in September 2008. This new way of doing business is a growing trend across California counties to take advantage of three technological advances – automated eligibility determination systems, document imaging and filing systems, and interactive voice/telephone systems. The Social Services Department expects to improve customer service, achieve greater efficiency and better accountability, and improve employee job satisfaction. The Benefits Service Center will be located in North County and is expected to reduce turnover and employee commute times.

Pursuing implementation of a Benefits Service Center is fiscally prudent as this new way of doing business insulates the county against growing caseloads. Investing now to build the infrastructure necessary to embrace technological efficiencies positions the county to be able to deliver higher quality customer service, improve staff morale, and handle projected caseload growth for approximately six years within the current staffing levels for these program areas.

Information Technology Initiatives

In FY 2008-09, the new IT department will focus on five initiatives:

- Data for Decision-Making: Making County data more easily available for analysis and reporting both internally and to external customers
- Geographic Information System (GIS) Stabilization and Expansion: Tying County data to geographic coordinates for analysis, reporting and mapping
- e-Government
  - Website Enhancement: Making it easier for the public to conduct business and find information via the County's web site
  - Online Applications Deployment: Putting in place the applications that provide the information and services the customer wants and making them available over the Web
- IT Governance: Determining how best to organize IT resources, fund IT initiatives and ensure the County realizes maximum value for IT investments
- IT Employee Excellence: Developing plans and programs to recruit, train, develop and retain qualified information technology experts



Goal 6: A Community that Fosters the Safety and Well-Being of Families and Children

Alcohol and Drug

A countywide Methamphetamine Prevention Summit was convened in December 2006 and attended by more than 200 interested community members. The outcomes of the Summit resulted in the creation of a broad representative Network to continue developing strategies to address the problem in three specific focus areas: Educated Communities and Professionals; Meth-Free Families and Children; and Safe Neighborhoods. The Network commenced work in spring 2007 and is developing recommendations in each of the focus areas. One of the Network's strategies is to facilitate the development of a coordinated data system by the new Information Technology Department. This would allow County departments to share information in order to identify clients served by multiple departments, and to identify possible areas of collaboration to serve clients more efficiently. Shared demographic information remains a key focus currently being explored subject to privacy laws. The Network plans to present their recommendations to the Board of Supervisors in fall 2008.

Detoxification Services

County residents with years of substance use often experience severe withdrawal symptoms as they attempt to cease addictive behavior. Detoxification services offer a safe and supportive environment and are provided to ensure that the health risks associated with this withdrawal are significantly reduced. In FY 2007-08, the Alcohol Drug and Mental Health Services Department, through a non-profit Community Based Organization, added a new detoxification site with 6 beds in the Lompoc Valley area, bringing the total number of beds available countywide to 26 beds, and helping to alleviate current delays in accessing these services. These services are funded through State programs, local grants and fees.

A new residential site was also added in Lompoc for pregnant and parenting women with children that will increase the bed capacity by 14, increasing the number of available beds to 33 at an increased cost of $220,000. Upon completing a detoxification stay, pregnant and parenting women are at a higher risk of relapse sometimes due to the uncertainty of their living situations. The availability of residential treatment and transitional housing for women with children accomplishes the parallel benefits of improving treatment success for parenting or pregnant women and creating a stable living environment for children affected by parental substance use.

Citizenship and Identity Documentation Requirements for Medi-Cal Eligibility

The Federal Deficit Reduction Act of 2005 required proof of citizenship/national status and identity as a condition of Medi-Cal eligibility if citizenship is claimed at time of application or annual renewal. This requirement affects 72% of existing Medi-Cal recipients, or approximately 43,000 people, within Santa Barbara County. The California Department of Health Services issued implementation guidelines in June 2007, and counties, including Santa

Barbara, began the implementation process. Changes to statewide automation have taken time, but will eventually allow automated electronic birth record matches and tracking compliance with this requirement. Santa Barbara County will begin full and final compliance with this requirement in April 2008 with new applications and for annual renewal packets mailed in that month. It will take until May 2009 to complete this process for all current existing recipients. However, this law has a substantial ongoing workload impact for processing Medi-Cal applications. Initial early results show that, although the application process has been lengthened, virtually all clients affected by this requirement, who are otherwise determined eligible for Medi-Cal, are eventually able to comply with the citizenship and identity documentation and receive their Medi-Cal benefits.

Impacts will be realized in other county departments – those who receive Medi-Cal reimbursement for services rendered. The Medi-Cal program pays for a variety of medical services for children and adults with limited income and resources. If an individual cannot provide citizenship and identity documentation, there is likely to be a shift from Medi-Cal to other County services. For example, there may be an increase in the use of county health clinics as individuals look for treatment options for the uninsured and Alcohol, Drug and Mental Health Services could lose revenue as restricted benefits do not include mental health services.

Probation Services

As a result of declining revenue, the Probation Department is proposing to change the certification of the Santa Barbara Juvenile Hall (SBJH) from a 24 hour a day or 7 day a week Detention Facility to a Booking Facility and Special Purpose Juvenile Hall. All youth, under this proposal, would be detained and all Title 15 Regulations and mandated services would be provided at the Santa Maria Juvenile Hall (SMJH). The Santa Barbara Booking Facility would be staffed for up to 10 hours per day, seven days per week during the highest density booking hours. During these hours, local law enforcement would bring arrested youth to the SBJH where Probation staff would complete a booking criteria and intake assessment. Persons who meet the booking criteria would be transported to SMJH by Probation staff. Staff at the SMJH would transport wards daily to Santa Barbara for court hearings. Visitation by parents and guardians, as well as attorney interviews, would be available via video conferencing from the SBJH to the SMJH to mitigate the commute concerns (approximately 68 miles) for parents, guardians and counsel.

After normal operating hours, law enforcement would contact Intake staff at SMJH and provide the booking and probable cause information needed for a booking decision. If the youth meets booking criteria, the on-call staff in Santa Barbara would meet law enforcement and transport the youth to SMJH. If the booking criteria are not met, law enforcement would release the youth to a parent or legal guardian. The Home Supervision/Electronic Monitoring Program and the new Alternative Detention Program would remain on the South Coast. These two programs are part of the Juvenile Services Division programs at the SBJH.

The Economic Context of the Fiscal Year 2008-09 Recommended Budget

The U.S. Economy

The economy has been battered by the slump in the housing market, the collapse of the sub-prime market, tightening credit requirements, rising fuel prices and low consumer confidence and is hovering on the brink of a recession.

Gross Domestic Product (GDP): The gross domestic product measures the value of all goods and services produced in the United States and is considered the best barometer of the country's economic health. For 2007, the U.S. economy grew 2.2%, after adjusting for inflation, the slowest growth rate in five years. GDP increased by just 0.6% in the fourth quarter of 2007, and the economic slowdown is expected to extend through 2008.

Leading Economic Indicators (LEI): Used by economists to predict recessions and expansions, LEI increased 0.1% in March 2008 after declining five consecutive months, for an overall 3.3% annual rate of decline in the index since March 2007. The overall decline in the LEI is seen as a signal of a recession, however, the most recent improvement is viewed as a tentative signal that the economy may not weaken further in the second half of 2008.

Employment: The unemployment rate declined in March 2008 to 4.8 % from 4.9% in February. The unemployment rate is expected to remain at low levels and not rise above 4.8%.

Inflation: The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. Statistics released in April 2008, show that the overall consumer price index rose 4% in March 2008, on a year over year basis, while core CPI, which excludes food and energy, rose by 2.4%. Analysts expect the core CPI to fall to 2% and to remain steady throughout 2008.

Interest Rate: The Federal Reserve Bank has countered a recession by reducing the federal funds rate from 5.25% in June 2007, to 2% in April 2008. These rate reductions and federal efforts to ease the credit crisis may help mitigate the impacts from sub-prime lending. Rates are expected to remain stable for 2008 but could decline further if leading economic data shows further weakness.

Productivity: Productivity has slowed down since the levels of 2002, the beginning of an expansionary period. Productivity increased by 1.9% in the fourth quarter from the previous quarter's rate of 1.8% and is expected to remain at approximately 2% in 2008.

Federal Budget Impacts

President Bush released the Federal Fiscal Year 2009 Requested Budget on February 4, 2008 totaling $3.1 trillion. The County is concerned about proposed spending reductions in various agencies that would impact operations and service delivery at a local level. Such proposals include a reduction in the $1 million of Payment in Lieu of Taxes that the County receives for the 717,000 acres of federal land contained within its boundary and uses to fund a multitude of County services; reduction in HUD for the Community Development Block grant (County currently receives about $2 million); reductions within the Center for Disease Control and Prevention that would equate to about $150,000 worth of funding to the County for public health preparedness including preparation for the pandemic influenza; elimination of the State Criminal Alien Assistance Program which reimburses the County Sheriff's Department for incarceration of illegal criminal aliens ($600,000) and various reductions to programs within Social Services that would remove funding for staff of the Adult Homeless Outreach program, reduce job assistance to clients under the Workforce Investment Act and reduce funding to child welfare services and In-Home Supportive Services, which helps elderly and disabled clients remain within their homes rather than in institutions.

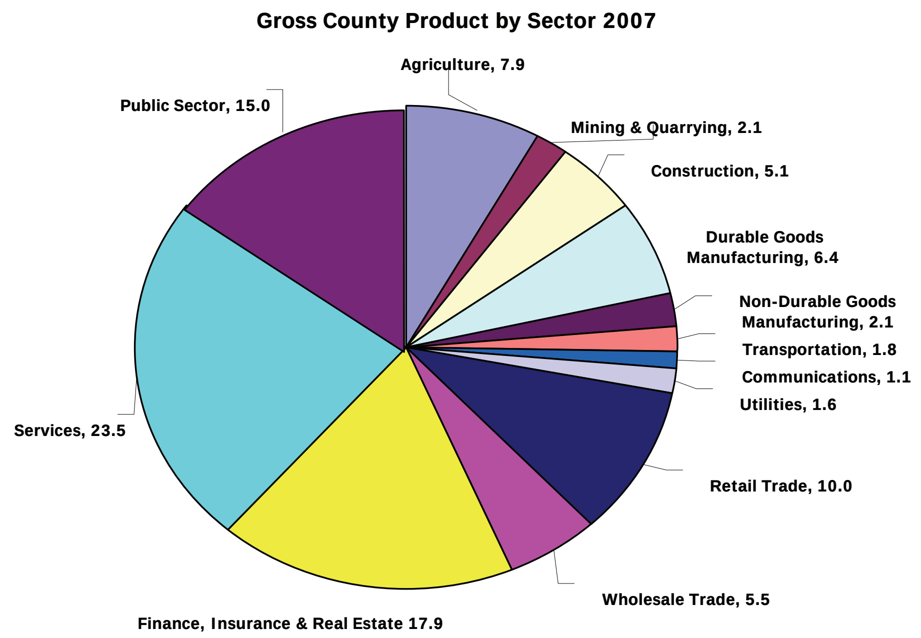
The State Budget

The Governor released the Proposed FY 2008-09 Budget on January 10, 2008 citing a current year deficit of $3 billion and a projected shortfall of $14.5 billion. To address these fiscal issues, the Governor declared a fiscal emergency which required the Legislature to act within 45 days. On February 16, 2008, six bills were enacted to achieve current year savings of about $2 billion, including deferring cash payments to the County for mental health services, social services and street and roads repair from anywhere from one to five months. Large cuts were also made to education and Medi-Cal. However, a further decline in State revenues due to rising energy costs and depressed home sales is projected at a $1.5 billion loss, leaving the State in the same fiscal condition prior to the enactment of emergency budgetary legislation.

The Proposed FY 2008-09 Budget includes the early release of 22,000 State prisoners, a proposal to increase property insurance by 1.25 percent to fund fire suppression services and policy changes within the CalWORKs program to increase minimum work requirements via imposing sanctions on families and the closure of 48 State parks. Specific proposals that are of concern to the County include reductions in Mental Health Managed Care, the California Children's Services and Multi-Services Senior programs administered by Public Health, the Citizens Option for Public Safety/Juvenile Justice Crime Prevention Act which funds grants to the District Attorney and Sheriff's Departments, and programmatic reductions in social service programs.

Local Economic Conditions FY 2008-09

Santa Barbara County's economy is expected to remain stable with slight growth (1%) in 2008 with Real Gross County Product increasing approximately 1.6%-1.9% through 2010. Real Gross County Product (GCP) is the total value of the goods and services produced in the county. Per capita Gross County Product for Santa Barbara County in 2007 was $53,100. The output of the various economic sectors of Santa Barbara County making up the Gross County Product is shown in the following chart. The table of selected economic indicators provides a snapshot of Santa Barbara County's economy at the end of 2007.



A net total of 1,600 new jobs were created in 2007, mainly in the Other Services sector which added 1,442; followed by the Public Sector with 942 jobs and the Agriculture sector with 442 jobs. Trade, transportation and utilities remain the top private employment sector for 2007, with over 28,316 jobs in the County (see Section B for the Top Employers in the County). In 2008 overall job growth is projected to remain low.

Table of Selected Economic Indicators -Santa Barbara County						
	2002	2003	2004	2005	2006	2007
Total Jobs	179,642	182,192	184,925	188,192	187,892	189,492
Non-Farm Jobs	165,408	166,008	168,917	171,942	173,073	175,098
Average Salary ($)	33,710	34,975	36,652	38,672	40,350	41,242
Unemployment Rate	4.2%	5.1%	4.7%	4.4%	4.1%	4.4%
Retail Sales (real increase)	1.4%	2.0%	2.9%	0.2%	-2.1%	-2.2%
Source: Santa Barbara County Economic Outlook 2008						

Top Employment Sectors

Retail Trade employed 20,275 people in 2007, a decline of 0.1% from 2006. Total taxable sales (which includes food and beverage taxable sales, home furnishings and appliances, auto supply and fuel, wholesale, and retail sales) increased 1.6% over 2006. However, in the unincorporated area of the County, retail sales tax revenue decreased by 5.0% compared to 2006.

Tourism: Employment in accommodation services, including hotel/motel operations and food service, **accounts for approximately 22,683 jobs countywide**. Approximately 11 million tourists visited Santa Barbara County in FY 2006-07 and spent an estimated $1.443 billion. On Santa Barbara's South Coast, hotel/motel occupancy rates increased by 1% to 73% in 2007 from 2006 and hotel/motel sales in the County increased 8.6% in FY 2006-07.

Agriculture is one of the top employment sectors with **12,300 workers** employed in 2007 and is the County's major producing industry with a gross production value in 2007 of just over $1 billion, an 8.6% increase over 2006. The top three commodities were strawberries $313.5 million, broccoli $131.1 million and wine grapes $99.9 million.

Construction is also an important part of the County's employment sectors, employing **10,467 workers** with an estimated average salary of $44,944. New housing construction permits continued a ten year decline with 850 permits issued in 2007.

Employment in the government sector was 37,033 people in 2007, an increase of 2.6% over 2006. This sector includes persons employed in local, state and federal agencies, the military, education and special districts such as water and sanitation.

Real Estate: Residential sales volume declined by 12.5% in 2007 compared to 2006. With the median home price in the County at $771,463, an increase of 5.3% from 2006, less than 10% of the population could afford to purchase a median priced home in the County. Foreclosures are increasing, particularly in the Cities of Santa Maria and surrounding areas in the north. However, economists project that the real estate sector will improve in 2009.

Summary: The outlook for Santa Barbara's economy is stable with slight growth in most areas. The real estate and housing markets show continued weakness in 2008 but the outlook for 2009 is somewhat brighter. The high cost of housing on the South Coast is still an area of concern, since this drives up wages, hinders employee recruitment and retention, and contributes to traffic congestion.

Note: Section B of this document provides detailed information on selected economic indicators of the Santa Barbara County economy and on top employers in the County.

The FY 2008-09 Recommended Budget

All Funds Revenue

Summary of Financing Sources

$ in Millions	2006-07 Actual	2007-08 Adopted	2007-08 Est Actual	2008-09 Rec.
Taxes	220.7	225.7	232.0	236.7
Licenses Permits & Franchises	17.2	19.4	16.8	17.7
Fines Forfeitures and Penalties	11.0	11.3	12.4	11.1
Use of Money and Property	18.4	12.6	15.3	12.3
Federal and State	267.5	283.6	269.3	280.5
Charges for Services	194.2	208.1	206.4	215.7
Miscelleneous Revenue	44.3	42.2	42.3	41.3
Revenue Sub-total	773.3	802.8	794.6	815.3
Less Intra Couty Revenues	-72.4	-71.7	-73.1	-77.2
Revenue Total	700.9	731.1	721.5	738.1
Plus Other Financing Sources	73.5	94.9	100.1	54.7
Source of Funds Total	774.4	826.0	821.6	792.8

The All Funds Revenue total of $738.1 million is less than Total Sources of Funds ($792.8 million) because the latter includes Other Financing Sources of $54.7 million. These are prior year revenues that had been set aside for future use.

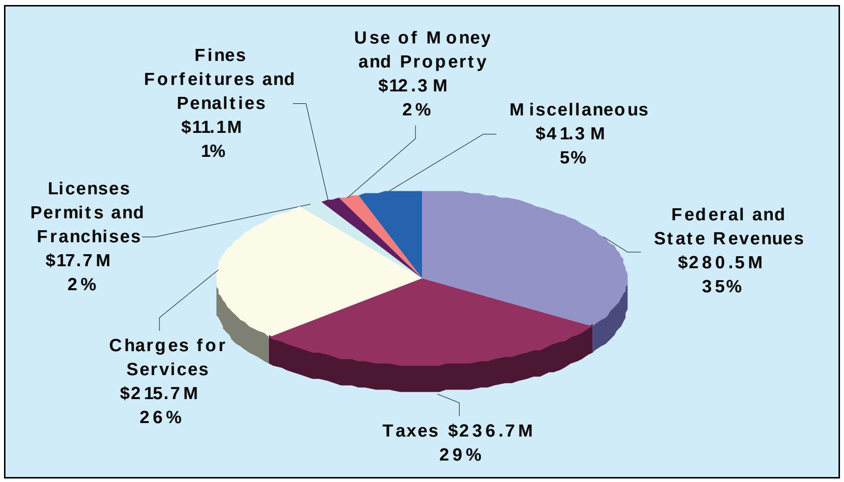
Significant areas of revenue change include the following:

Revenues from Taxes increase by $4.7 million or 2% from estimated FY 2007-08 amounts to $236.7 million. Tax revenues as a percent of all revenues remain at 32%. Current Secured Property Tax revenues are projected to increase by 3.8% or $4 million providing additional funding for the County General Fund, Fire Fund, and county service areas. This reflects a decline in the growth of secured property tax revenues from 11.3% in FY 2005-06, 10.6% in FY 2006-07, an estimated 6.8% in FY 07-08 to 3.8% in FY 2008-09. This most recent decline in growth reflects the combined effects of foreclosures, credit tightening and the slowdown in the County's real estate market.

Supplemental Property Taxes, which are the initial billings following the transfer of property, are expected to fall by $1.2 million in FY 2008-09; and the number of sales is expected to decline.

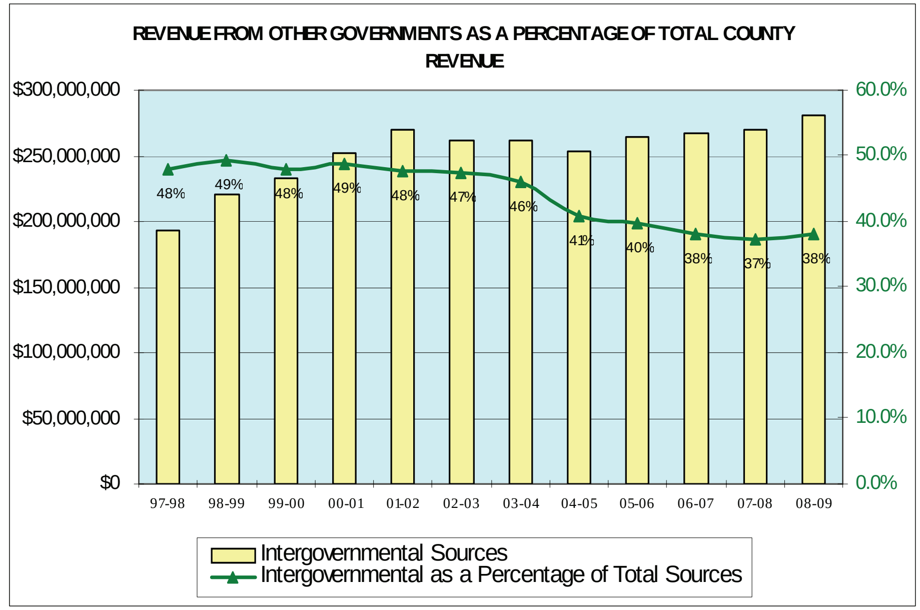
Charges for Services increase by $9.3 million or 4.5% to $215.7 million. The largest increase is in Public Health where a retroactive rate increase in Federally Qualified Health Center eligible services and an increase in the number of patients receiving clinic services are expected to increase revenues for Medi-Cal patient service by $1.4 million; and in Alcohol Drug and Mental Health Services where services to children will boost the Medi-Cal and Early Periodic Screening Diagnosis and Treatment (EPSDT) revenue by $0.9 million. Other large revenue increases in FY 2008-09 are in Public Works for an increase in Solid Waste tipping fees of $1 million, and waste water collection fees in the Laguna County Sanitation District of $0.4 million.

Revenues from Licenses, Permits and Franchises increase by $0.9 million, or 5.3% to $17.7 million in FY 2008-09. This reflects increases in cable franchise fees and in gas and electric franchise fees. Road encroachment permit fees are up in the Public Works Department due to a fee revision in FY 2007-08. The chart below shows the percentage of total revenues by category of revenue.



For FY 2008-09 Federal and State Revenues are expected to increase by $11.2 million or 4.2% to $280.5 million from the FY 2007-08 estimated actual of $269.3 million. The largest increase, $6.1 million, goes to social programs for food stamps, foster care, adoption assistance and in home-supportive services in the Social Services Department. Other increases are for state realignment $1.8 million, funding for certain mental health services provided through the Mental Health Services Act $1.5 million, and a $0.6 million increase in funding for public safety services.

Federal and State Revenues, including Federal and State revenue passed through the local Association of Governments to the County, are the largest revenue category. As shown in the chart on the next page, in the last ten years the proportion of Federal and State revenue to all revenues has fallen from 49% in FY 1998-99 to 38% in the recommended FY 2008-09 budget.



Local Discretionary Revenues

The FY 2008-09 Recommended All Funds Revenues are $738.1 million. Of these total revenues, the locally elected Board of Supervisors has some discretion over the allocation of about 27% or $196.3 million. This latter revenue figure, mostly from local taxes, is called local discretionary revenue.

The table on the next page summarizes the General Fund discretionary revenues available in FY 2008-09 and compares them with prior fiscal periods. Detailed information is further provided on page C-5. Property taxes, retail sales taxes, and transient occupancy taxes are the three major local sources of revenue generated from the performance of the local economy. Property taxes, including taxes on property transfers, and State subventions for homeowners and State payments that partially recognize local property tax losses due to land in agricultural preserves, make up 87% of total discretionary revenues.

Major Sources of Local Discretionary Revenues

In the Recommended FY 2008-09 Budget, revenues increase $2.4 million from the FY 2007-08 estimated actual total of $193.9 million. This increase occurs primarily because of a $3.7 million increase in secured property tax revenues which are based on the assessed value of land and buildings. However, this increase is down from the $10.9 million increase in FY 2006-07 and the $6.6 million estimated increase between FY 2006-07 and FY 2007-08.

With the exception of a $1.5 million or 3.7% increase in Property Taxes in lieu of the Vehicle License Fee, most other discretionary revenues are declining. Property Transfer Taxes, which reflect the value and volume of property sales, and are a predictor of future property tax growth, are expected to fall by $0.5 million, roughly 17% in FY 2008-09. Similarly, retail sales tax revenues, which represent 6% of local discretionary revenues, are expected to fall by $0.8 million to $11.1 million in FY 2008-09 due to the slowdown in spending in the local economy. Transient Occupancy Tax (TOT) revenues, which represent 3% of total discretionary revenues, are expected to increase slightly, by $0.1 million to $6.4 million.

Discretionary Revenues	04-05 Actual	05-06 Actual	06-07 Actual	07-08 Estimated	08-09 Rec.
Property Taxes	94.2	107.6	118.0	124.1	126.5
Property Transfer Tax	5.0	4.5	4.4	3.2	2.7
Property Tax In-Lieu of VLF	28.0	36.1	37.1	39.8	41.3
Retail Sales Tax	9.1	9.9	11.5	11.9	11.1
Transient Occupancy Tax	4.8	5.6	6.6	6.3	6.4
Motor Vehicle Taxes	0.1	0.0	0.0	0.0	0.0
Other Sources*	10.0	19.5	11.4	8.5	8.4
Total	**151.2**	**183.2**	**189.1**	**193.9**	**196.3**

The County is required by law to match or provide maintenance of effort for Federal or State programs and grants, or in the case of courts, to provide a county subsidy for a function, which by law, is a State function. In this area, the three largest contributions go to Social Services, payments to the state to support the Superior Court, and Public Health. Other functions requiring support from the General Fund include jails and juvenile halls which are subject to State court oversight and minimum State standards for staffing and other operating activities, District Attorney and Public Defender costs involving the prosecution and defense of adults and juveniles in court, conducting elections and payments for utilities and long and short-term debt. As a result, the funding available from discretionary revenue for municipal type services such as sheriff patrol, parks, local roads, discretionary human services, libraries, and planning, and support services such as payroll, human resources, and building maintenance is extremely limited. Further, constitutional taxing and spending limits such as Proposition 13 (property tax limitation), Proposition 62, Proposition 98 and Proposition 218 significantly constrain the Board from increasing discretionary revenues.

Use of Other Financing Sources

On page C-1 (the All Funds Budget Summary), the "Total Use of Funds" amount of $792.8 million exceeds anticipated revenues of $738.1 million by $54.7 million. The difference is made up of "Other Financing Sources" which are funds other than anticipated revenues that help to pay for proposed expenditures and balance the proposed budget.

Revenue Total	$738,101,394
Other Financing Sources	
Sale of Fixed Assets	$15,000
Release of Reserves & Designations	$36,004,358
Use of Prior Fund Balance	$18,698,120
Source of Funds Total	$792,818,872

Two-thirds of these other financing sources are funds previously collected as revenues and set aside for specific purposes that are now being released for those purposes; these releases of "reserves and designations" total $36 million. The other major funding source is funds which are neither reserved nor designated but are available for use in the upcoming year. These uses of "prior fund balance" total $18.7 million. The sale of fixed assets at $15,000 provides the balance of available funding.

The County budget also sets aside (designates) funds for future uses. The "Designated for Future Uses" amount of $33.5 million on page C-1 is for this purpose.

Fund Balance: County General Fund

A positive unreserved and undesignated fund balance may accumulate at the end of each fiscal year due to unspent appropriations and/or revenues received in excess of estimates. It has been the County's policy not to use this balance to fund ongoing operations. Further, during the past two years, anticipated revenues have also funded a base level of deferred maintenance and strategic reserve appropriations, with the fund balance available for one-time purchases and additional discretionary allocations to designations such as those set up for potential litigation and non-COLA salary and retirement increases. Due to a decline in revenues in FY 2007-08, in the FY 2008-09 Recommended Budget, no unreserved, undesignated fund balance is available.

General Fund Unreserved, Undesignated Fund Balance

$ in Millions	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
Adopted/Recommended	$9.95 M	$8.56 M	$16.20 M	$11.43 M	$0.0 M
Actual/Estimated Use	$1.39 M	($7.64 M)	$4.77 M	$11.43 M	$0.0 M
Net Available	$8.56 M	$16.20 M	$6.84 M	$0.0 M	$0.0 M

All Funds Expenditures

Summary of Financing Uses

Summary of Financing Uses				
Character of Expenditures $ in Millions	**2006-07 Actual**	**2007-08 Adopted**	**2007-08 Est. Actual**	**2008-09 Rec.**
Salaries and Benefits	388.5	424.8	421.0	441.2
Services and Supplies	246.7	259.5	266.8	261.7
Public Assistance Payments	46.4	52.7	48.4	49.0
Contributions	13.1	15.1	14.1	14.5
Principal and Interest	12.9	11.2	11.0	10.5
Depreciation Expense	6.2	6.6	6.6	6.7
Insurance Claims	2.9	2.7	2.7	2.9
Damages and Losses	0.8	1.2	1.3	1.1
Audit Settlements	0.0	0.0	0.0	0.0
Operating sub-total	717.5	773.7	771.8	787.5
Less Intra-County revenues	-72.4	-71.7	-73.1	-77.2
Operating Total	645.1	702.0	698.7	710.3
Plus Capital Assets	45.3	58.2	55.6	49.1
Expenditure Total	690.4	760.2	754.3	**759.3**
Designated for Future Uses	85.8	65.8	67.3	33.5
Total Uses of Funds	776.2	826.0	821.6	792.8

The FY 2008-09 Recommended All Funds Expenditure Budget of $759.3 million includes Capital Assets of $49.1 million. The total expenditure budget is less than the total use of funds of $792.8 million, because $33.5 million is set aside for future use. The expenditure budget is $5 million or 0.7% more than the amount estimated to be spent in FY 2007-08 of $754.3 million. The increase is almost entirely due to a $20.2 million increase in employee salary and benefits, explained below. County departments cut back $5.1 million on services and supplies, which include professional services, computer purchases, furniture and fixtures and office equipment and supplies. Public Assistance Payments increase by $0.6 million from the estimated due to a 5% COLA for foster care families and group homes. Expenditure changes are also summarized by functional areas and departments later in this section.

Salaries and Benefits

Salaries and benefits make up 62% of recommended County operating expenditures (which excludes amounts spent on capital assets). For FY 2008-09, salary and benefit costs will increase $20.2 million, a 4.8% increase, over the FY 2007-08 Estimated Actual salaries. This increase comes despite a 3.7% workforce reduction of 159.9 FTE from the estimated staffing level in FY 2007-08 and is driven by a significant increase in retirement costs and lesser increases in health insurance, equity and cost of living adjustments. Salaries as a percentage of the County's FY 2008-09 operating expenditure budget increase by 1.8% compared with FY 2007-08 actual results and 1.6% compared with the adopted budget.

Percent of Operating Budget spent on Salaries and Benefits

$ in Millions	2006-07 Actual	2007-08 Adopted	2007-08 Est. Actual	2008-09 Rec.
Salaries and Benefits	388.5	424.8	421.0	441.2
Operating Expenditures	645.7	703.0	699.8	710.3
Salaries % Operating Exp	**60.2%**	**60.4%**	**60.2%**	**62.1%**

Details of staffing decreases by department are shown in the table on page A-23 and a 10-year summary table of staffing is shown on page C-28.

Pension Costs

The County's annual contribution to pensions for the county workforce has increased 22.5%, from an estimated $65.4 million in FY 2007-08 to $80.1 million in 2008-09. The County's retirement contribution is paid to the Santa Barbara County Employees Retirement System and contribution rates are recommended by the System's actuaries and the Board of Retirement. In FY 2007-08, the System adopted a new actuarial methodology and revised assumptions which, when applied to the June 30, 2006 actuarial valuation, substantially increased retirement rates. Retirement rates used in the FY 2008-09 budget are based on the revised June 30, 2006 valuation since those rates were the most recent available rates at the time of the FY 2008-09 budget preparation. The Retirement Board recently adopted new rates based on the June 30, 2007 valuation, however these rates may be subject to further revision. When the final rates are determined, the Board of Supervisors must adopt the rates within 90 days of July 1, 2008.

The Budget: Full Time Equivalent (FTE)

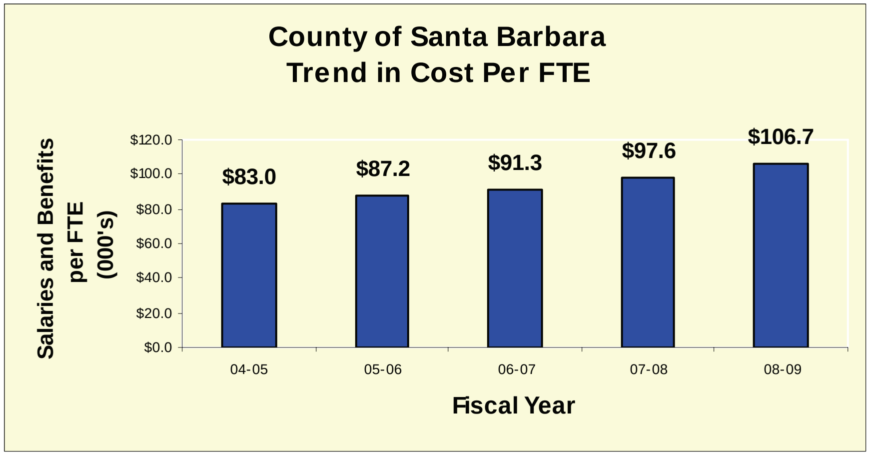
Full Time Equivalent (FTE) Changes

A position is defined as an authorized annual unit of employment allocated by the Board of Supervisors.

A full-time equivalent (FTE) is the percentage of time per year that a position is filled. For example, a full time position that is funded for 12 months (1 fiscal year) is equivalent to one (1) FTE; a full time position that is funded for 6 months or a half-time position funded for a full year is equivalent to a .5 FTE. Unlike positions, FTEs include all regular, extra-help, and contract employees, regardless of the percent time worked.

Although most positions included in the FY 2008-09 departmental operating budgets are fully funded, this does not mean that all positions will be filled for the number of months the positions are budgeted. Vacancies occur because of turnover and lead-time required to advertise, test, check references and interview candidates. The normal budgetary savings from attrition can only be used by departments to hire temporary, part-time or contractual help to perform the functions of a position while recruitment is underway.

The cost per FTE increased because of a sharp increase in the County's retirement contribution, negotiated salaries, health premiums and workers compensation. The proportion of skilled technical and professional staff needed to run the County has grown over time causing entry level salaries to go up. The County must compete against private sector employers and other jurisdictions for candidates with the same skill sets.



Full Time Equivalent (FTE) : FY 2007-08 Adopted to FY 2008-09 Recommended

Staffing declines by 216 FTE in the FY 2008-09 recommended budget, or 5% from the FY 2007-08 Adopted Budget. These reductions in funded staffing levels mitigate cost increases in salaries and benefits.

- Alcohol Drug and Mental Health Services has the largest reduction, 69.2 FTE, mainly in Adult Mental Health Services and Alcohol and Drug Programs, part of a larger restructuring effort to meet reduced State revenues for core adult mental health services (see details in D pages.)
- General Services, down by 36.3 FTE, has restructured operations and transferred the divisions of Customer Support, Network and Operations, Technical Shop and Communications, a total of 36 FTE, along with 4 FTE from the Financial Services Division, to the new Information Technology Department. The Department also moved the Cable Television Program with 3 FTE to General County Programs, consolidated fleet services by adding 4 FTE from Public Works, and consolidated the County's real property services by adding 2.6 FTE from Public Works. In FY 2007-08, the Department added an Energy Manager position (1 FTE) (see details in D pages.)
- Planning and Development cut 29.5 FTE's due to the decline in the housing market and low permit revenues. Reductions are mainly in the Building and Safety, Development Review, Energy and Administration Divisions.
- Sheriff cut the funded staffing level by 23.4 FTE to mitigate cost increases and flat Prop 172 revenues. The reductions are in the Administration and Support Division, the Aviation Unit and the Gang Unit.
- Public Health reduced the funded staffing level by 21.3 FTE. The reductions are in the Administration and Support, Family Health and Primary Care and the Community Health Divisions
- Public Works reduced the funded staffing level by 18.2 FTE in the Transportation and Surveyor divisions, transferring 6.6 FTE to General Services as described above, and reducing funded FTE's by 11.6 due to lower fee revenues resulting from the slowdown in the housing and building sectors of the local economy.
- Child Support Services reduced the funded staffing level by 11.8 FTE due to flat revenues from the State.
- District Attorney cut 10.8 FTE in Deputy District Attorneys and Truancy Officers as a result of declining revenues, especially revenue from Prop 172 sales tax
- Clerk-Recorder-Assessor reduced FTE by 9.3, mainly in the Recorder and Assessor Divisions.
- Social Services reduced funded staffing by 7 FTE, reflecting reductions in the Administration and Support, Systems and Programs Development, and Social Programs Divisions.
- Information Technology has the largest apparent increase of 46 FTE which is comprised of 40 FTE transferred from General Services (explained above) and 7 FTE associated with GIS and computer support transferred from General County Programs to form a consolidated IT function. To meet funding reductions, 1 allocated position was not funded for a net total of 46 FTE. Accordingly, these are not new positions but are a consolidation of positions from other departments.
- All other departments have made staffing reductions under 5 FTE, except the Fire Department which has no FTE reductions.

Full Time Equivalent Position Changes by Department

Functional Area/Department	FY 07-08 Adopted	FY 07-08 Estimated	FY 08-09 Rec.	Change Adopted to Rec.
Policy and Executive				
Board of Supervisors	23.0	22.4	22.5	(0.5)
County Executive Office	23.6	23.5	22.8	(0.8)
County Counsel	45.5	45.5	42.3	(3.2)
	92.1	**91.3**	**87.6**	**(4.5)**
Law & Justice				
Court- Special Services	0.0	0.0	0.0	0.0
District Attorney	138.0	140.3	127.2	(10.8)
Public Defender	71.4	76.3	68.1	(3.3)
	209.4	**216.6**	**195.3**	**(14.2)**
Public Safety				
Fire	285.3	285.6	285.3	0.0
Probation	383.6	383.3	379.3	(4.3)
Sheriff	699.4	703.0	676.0	(23.4)
	1,368.2	**1,371.9**	**1,340.5**	**(27.7)**
Health & Public Assistance				
Alcohol, Drug & Mental Health	332.6	292.7	263.4	(69.2)
Child Support Services	102.4	103.0	90.6	(11.8)
Public Health Department	534.9	535.6	513.6	(21.3)
Social Services	648.5	645.8	641.4	(7.1)
	1,618.3	**1,577.2**	**1,509.0**	**(109.3)**
Community Resources				
Agriculture & Cooperative	32.9	33.7	32.3	(0.6)
Housing & Community Dev.	13.0	10.9	12.3	(0.8)
Parks	85.4	85.4	83.1	(2.3)
Planning & Development	149.3	137.7	119.7	(29.5)
Public Works	332.2	313.3	314.0	(18.2)
	612.7	**580.9**	**561.4**	**(51.4)**
Support Services				
Auditor-Controller	57.9	54.9	54.3	(3.6)
Clerk-Recorder-Assessor	118.4	118.2	109.0	(9.3)
General Services	157.5	157.7	121.1	(36.3)
Human Resources	30.9	28.8	29.9	(1.0)
Information Technology*	0.0	0.0	46.0	46.0
Treasurer-Tax Collector	50.5	49.4	49.5	(1.0)
	415.1	**408.9**	**409.9**	**(5.2)**
General County Programs				
General County Programs	35.0	33.8	31.0	**(4.0)**
Total	**4,350.9**	**4,280.8**	**4,134.6**	**(216.3)**

All Funds Operating Expenditures by Functional Area

Significant Changes from FY 2007-08 Estimated Actual

The County's recommended FY 2008-09 expenditures are $759.3 million, a $5 million (0.66%) increase over the FY 2007-08 estimated actual of $754.3 million. The increase occurs primarily in the functional areas of Community Resources and Public Facilities ($2.6 million), Health and Public Assistance ($1.6 million), and Policy and Executive ($1.2 million). Slight increases in the Law and Justice ($0.9 million), Public Safety ($0.6 million), and General County Programs ($0.2 million) functional areas help to offset the decrease in the Support Services functional area ($2.2 million). The main cost drivers of the increase and decrease in these functional areas are summarized below by department. Significant changes by department are explained more fully in Section D.

Policy and Executive Functional Area

The Policy and Executive functional area increased $1.2 million (15.7%) from an FY 2007-08 estimated actual of $7.8 million to an FY 2008-09 recommended of $9.0 million.

Board of Supervisors: There are no significant changes from the FY 2007-08 estimated $2.4 million to FY 2008-09 recommended $2.7 million. The total increase is $0.3 million (12.7%).

County Executive Office: There are no significant changes from the FY 2007-08 estimated $2.9 million to FY 2008-09 recommended $3.0 million. The total increase is under $0.2 million (6.0%).

County Counsel: The most significant Policy and Executive functional area increase for FY 2008-09 recommended budget is in the County Counsel department at $0.8 million (29.0%) to $3.4 million from $2.6 million. The increase is a result of a substantial rise in the retirement rate and salary adjustments, mitigated by a reduction in funded positions. In addition, $0.3 million of the increase is a result of an annual $0.5 million allocation for outside counsel. The outside counsel expenditures are estimated at only $0.2 million in FY 2007-08.

Law and Justice Functional Area

The Law and Justice functional area increased $0.9 million (2.2%) from an FY 2007-08 estimated actual of $41.0 million to an FY 2008-09 recommended of $41.9 million.

Court Special Services: There are no significant changes from the FY 2007-08 estimated $14.8 million to FY 2008-09 recommended $14.7 million. The total decrease is $0.1 million (0.4%).

District Attorney: Although there are no apparent significant changes from the FY 2007-08 estimated $16.7 million to FY 2008-09 recommended $16.9 million, an increase of $0.2 million (1%), the Department has to offset salary and benefit increases of $1.3 million through the reduction of 13.2 FTE. This results in decreased ability to provide a variety of functions.

Public Defender: The largest Law and Justice functional area increase for the FY 2008-09 recommended budget is in the Public Defender department up $0.8 million (8.5%) to $10.3

million from an estimated actual of $9.5 million, primarily from $1 million from salary and benefit increases. The total increase was offset through the use of a one-time designation for capital projects ($0.7 million) and $0.3 million reduction in Extra Help

Public Safety Functional Area

The Public Safety functional area increased $0.6 million (0.3%) from an FY 2007-08 estimated actual of $195.4 million to an FY 2008-09 recommended of $196 million.

Fire: The most significant Public Safety functional area increase in the FY 2008-09 recommended budget is in the Fire Department with an increase of $3.8 million (7.6%) from the FY 2007-08 estimated actual to $53.1 million resulting from higher operating costs especially in salaries and benefits. The FY 2008-09 increase includes $2.4 million in planned capital improvement projects: $1.51 million to replace self contained breathing apparatus units, $0.3 million for mobile data computer equipment for all emergency response vehicles, $0.3 million to replace a bulldozer, $0.3 million for Station 23 modular replacement and $0.2 million to upgrade a helicopter operations fuel truck. The Department has no significant change in FTEs.

Probation: The FY 2008-09 recommended budget is up $2.1 million (5.2%) to $43.7 million from an estimated actual of $41.6 million, primarily due to increases in salaries and benefits ($2.9 million). The total increase is offset by reductions in overtime to backfill positions in 24-hour detention facilities and contractual services from the completion of a new case management computer system, IMPACT.

Sheriff: The most significant decrease in the Public Safety functional area for the FY 2008-09 recommended budget is in the Sheriff's Department with a $5.3 million (5.%) decrease, to $99.2 million. The decrease is the result of a $5.4 million reduction in capital project expenditures offset by an increase of $0.5 million from salaries and benefits. Funded positions decrease 27 FTE from current levels.

Health and Public Assistance Functional Area

The Health and Public Assistance functional area increased $1.6 million (0.6%) from an FY 2007-08 estimated actual of $286.6 million to an FY 2008-09 recommended of $288.2 million.

Alcohol, Drug, and Mental Health Services: The FY 2008-09 recommended budget is reduced by $8.3 million (11.5%) to $64.2 million from the FY 2007-08 estimated actual of $72.5 million. The largest reduction is in the Adult Mental Health Division where current services offered to both insured and uninsured patients exceed available revenues. The reductions are mainly in contracted services, down by $5.3 million, and in department staffing levels, down 29.4 FTE from the FY 2007-08 estimated level, and down 69.2 FTE from the FY 2007-08 adopted budget. At the same time, $1.5 million in additional funding is available for specific programs funded through Proposition 63, the Mental Health Services Act.

Child Support Services: There are no significant changes at the all funds level from the FY 2007-08 estimated $9.65 million budget. The department offset salary and benefit increases through the reduction of 12.5 FTE.

Expenditure Summary By Department				
$$ in Millions	Adopted FY 07-08	Est. Actual FY 07-08	Rec. FY 08-09	Est/Rec $ Incr/Decr
Policy & Executive				
Board of Supervisors	$2.5	$2.4	$2.7	$0.3
County Executive Office	$3.0	$2.9	$3.0	$0.2
County Counsel	$3.3	$2.6	$3.4	$0.8
Sub-Total	$8.7	$7.8	$9.0	$1.2
Law & Justice				
Court Special Services	$14.6	$14.8	$14.7	-$0.1
District Attorney	$16.3	$16.7	$16.9	$0.2
Public Defender	$9.5	$9.5	$10.3	$0.8
Sub-Total	$40.5	$41.0	$41.9	$0.9
Public Safety				
Fire	$46.3	$49.3	$53.1	$3.8
Probation	$41.4	$41.6	$43.7	$2.1
Sheriff	$96.7	$104.5	$99.2	-$5.3
Sub-Total	$184.4	$195.4	$196.0	$0.6
Health & Public Assistance				
Alcohol, Drug & Mental Health Svcs	$72.6	$72.5	$64.2	-$8.3
Child Support Services	$9.9	$9.7	$9.7	$0.0
Public Health	$84.2	$81.1	$84.6	$3.5
Social Services	$128.1	$123.3	$129.8	$6.5
Sub-Total	$294.9	$286.6	$288.2	$1.6
Community Resources & Public Facilities				
Agriculture & Cooperative Extension	$3.8	$3.6	$3.8	$0.2
Housing & Community Development	$4.8	$8.5	$5.3	-$3.2
Parks	$13.5	$11.9	$11.4	-$0.5
Planning & Development	$25.3	$20.8	$21.0	$0.1
Public Works	$94.9	$90.6	$96.5	$5.9
Sub-Total	$142.3	$135.4	$138.0	$2.6
Support Services				
Auditor-Controller	$5.0	$4.7	$5.4	$0.7
Clerk-Recorder-Assessor	$19.6	$16.6	$17.6	$1.0
General Services	$26.8	$28.1	$20.3	-$7.8
Human Resources	$6.4	$6.8	$6.8	$0.0
Treasurer-Tax Collector-Public Adm.	$6.0	$5.8	$6.1	$0.3
Information Technology	$0.0	$0.0	$3.6	$3.6
Sub-Total	$63.8	$62.1	$59.9	-$2.2
General County Programs	$25.6	$26.1	$26.3	$0.2
Expenditure Total	$760.2	$754.3	$759.3	$5.0

Public Health: The FY 2008-09 recommended budget is up $3.5 million (4.3%) to $84.6 million from an estimated actual of $81.1 million, primarily caused by increases in salaries and benefits ($4.3 million) from retirement rate adjustments, merit and equity increases and COLAs, offset by miscellaneous reductions. Increases in salary and benefit costs were mitigated by a reduction of 22 FTE.

Social Services: The FY 2008-09 recommended budget increases $6.5 million (5.2%) to $129.8 million, from the prior year estimated actual of $123.3 million. This is driven by a $3.5 million increase in salaries and benefits, a $2.4 million increase in foster care assistance payments which include COLAs, increases to foster care families and Adoption Assistance payments and In-Home Supportive Service payments which increase by $0.9 million due to higher client levels and COLA increases for providers.

Community Resources and Public Facilities Functional Area

The Community Resources and Public Facilities functional area increases $2.6 million (1.9%) from an FY 2007-08 estimated actual of $135.4 million to an FY 2008-09 recommended of $138 million.

Agriculture and Cooperative Extension: No significant changes at the all funds level from the FY 2007-08 estimated $3.6 million to FY 2008-09 recommended $3.8 million, increase of $0.20 million (5.5%).

Housing and Community Development: The FY 2008-09 recommended budget declines by $3.2 million (37.4%) to $5.3 million from the prior year estimated actual of $8.5 million due to anticipated completion of several affordable housing projects; most notably St. Vincent's Apartments and construction of 175 units that will serve low and very low-income families and seniors. Staffing increase by 1.4 FTE to fill vacancies for Property Management compliance.

Parks: There are no significant changes from the FY 2007-08 estimated $11.9 million to the FY 2008-09 recommended $11.4 million, a decrease of $0.5 million (4.1%), resulting from a $0.9 million decrease in the capital budget caused by the completion of the Cachuma Lake boat launch ramp project in FY 2007-08, offset by a $0.4 million increase in salaries and benefits. FTEs are down by 2.3 due to the elimination of the Safety Officer position (1 FTE) and an increase in expected salary savings target from 2% to 4% (1.3 FTE).

Planning and Development: There are no significant changes from the FY 2007-08 estimated $20.8 million to FY 2008-09 recommended $21 million, decrease of $0.2 million (0.7%). The decrease is due to slowing permit activity during FY 2007-08 and continuing through FY 2008-09. The Department cut 18 FTE.

Public Works: The FY 2008-09 recommended budget will grow by $5.93 million (6.54%) to $96.53 million, from the prior year estimated actual of $90.60 million primarily due to capital budget projects ($1.40 million), maintenance of the Goleta slough ($0.90 million), salary and benefit increases ($2.70 million), Countywide cost allocation ($0.41 million) and increased road maintenance materials ($0.35 million). The slight increase of 0.7 FTE in FY 2008-09 is mostly due to maintaining a decreased level of FTE from 2007-08 within the Transportation Division (14.6) based upon a continued reduction in Federal and State revenues.

Support Services Functional Area

The Support Services functional area decreases $2.19 million from an FY 2007-08 estimated actual of $62.07 to an FY 2008-09 recommended of $59.88 million.

Auditor Controller: The FY 2008-09 recommended budget rises $0.72 million (15.24%) to $5.43 million from an estimated actual of $4.71 million, as a result of increases in salaries and benefits ($0.60 million) from retirement contribution increases, merit increases, COLA increases and filled vacant positions in late FY 2007-08.

Clerk Recorder Assessor: The FY 2008-09 recommended budget is up $0.99 million (5.9%) to $17.6 million over an estimated actual of $16.6 million, primarily because of increases in salaries and benefits ($0.8 million) from retirement contribution increases, merit increases and COLA increases. Increased retirement cost benefits and other salary and benefits increases were mitigated by reducing 9.2 FTE.

General Services: The most significant reduction in the Support Services functional area in the FY 2008-09 recommended budget is in the General Services department at $7.8 million (24.1%) from the estimated actual of $28.1 million to $20.3 million. This decrease is primarily caused by the consolidation of the Technical Services division from General Services to combine with other County programs to form the new Information Technology Department resulting in a decrease of 36.5 FTEs.

Human Resources: No significant changes from the FY 2007-08 estimated to the FY 2008-09 recommended $6.8 million, just a slight decrease of $0.01 million (0.18%) resulting from a combination of a $0.5 million decrease due to the completion of a large human resources management information technology project offset by an increase of $0.5 million in the operating budget.

Information Technology: The Information Technology department is new in FY 2008-09 with a recommended budget of $3.6 million and 46.0 FTEs drawn from other departments.

Treasurer-Tax Collector: No significant changes from the FY 2007-08 estimated $3.6 million to FY 2008-09 recommended $3.8 million, increase of $0.20 million (5.49%). The FY 2008-09 recommended budget is up $0.3 million (5.01%) to $6.1 million from $5.8 million. The variance is caused by an increase in salaries and benefits.

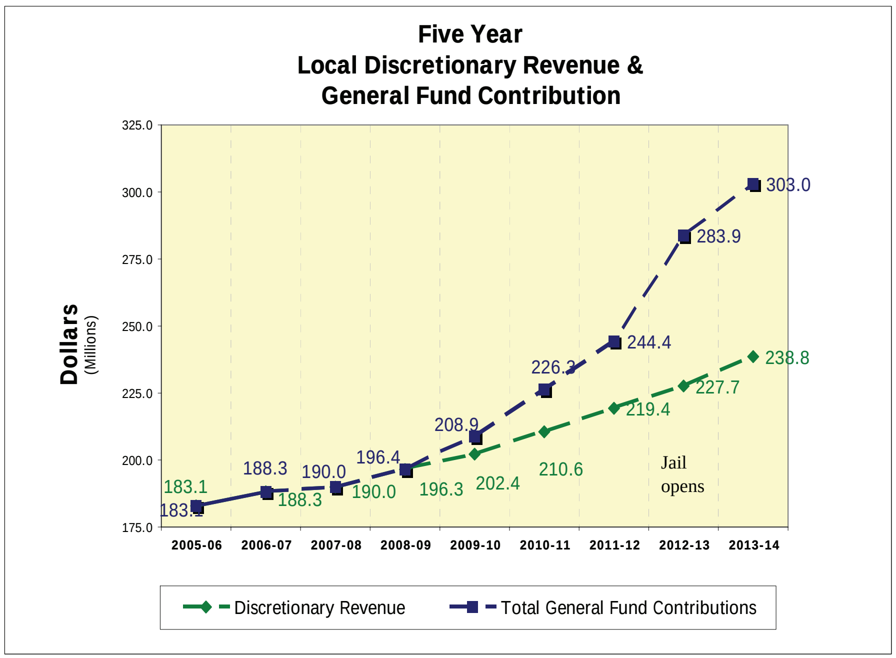
General County Programs Functional Area

General County Programs: No significant changes at the all funds level from the FY 2007-08 estimated $26.1 million to FY 2008-09 recommended $26.3 million, increase of $0.2 million (0.6%).

Five Year General Fund Financial Forecast

Introduction and Summary

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 here with the Recommended Budget. The forecast in the Recommended Budget is intended to provide a context that may be helpful in weighing the financial consequences of current year decisions. In keeping with prior forecasts, the revenue projections focus on discretionary General Fund revenues. Discretionary revenue is derived from local taxes, especially taxes on property and property transactions. On the expenditure side, the forecast projects the use of those discretionary revenue for salaries and benefits, maintenance of effort requirements, and other specific uses directed by the Board of Supervisors.



This chart demonstrates a dramatic and increasing future structural deficit for the County unless decisive action is taken now. The forecast revenue-expenditure gap is driven by:

- A projected need to continue funding double-digit increases to the retirement fund (and assumes no new benefit increases to employees),
- Beginning funding of retiree medical payments in accordance with the new GASB 45 provision,
- Increased general fund contribution to the Fire Department to maintain levels of service,
- Increased maintenance of effort (MOE) payments to the Departments of Social Services and Public Health, and
- Construction and operation of a new County jail.

These costs are ongoing and exceed the available ongoing discretionary revenue by $6.5 million in FY 2009-10 and by more than $64 million in FY 2013-14. Taken together, these costs will result in other services having to shrink and/or new revenue sources, from the growth of the economy, fee increases, and voter approved tax increases, having to occur.

An Alternate Scenario

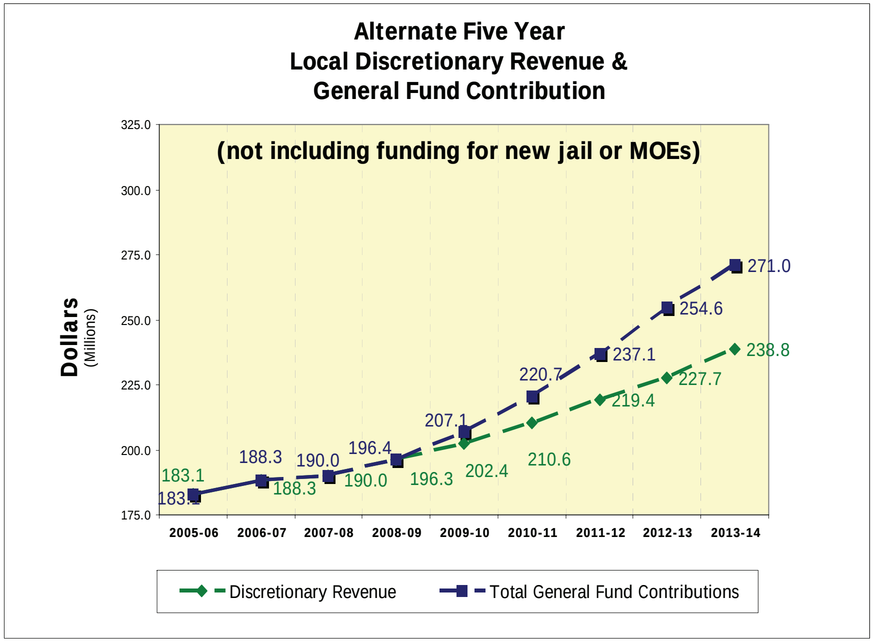
Two of the largest growth factors are the increased maintenance of effort payments for Social Services and Public Health and the construction and operation of a new County jail. An alternate scenario can be considered that assumes these costs will be borne by a source other than County local discretionary revenue.

The Social Services and Public Health cost increases occur for different reasons. Social Services cost increases are driven by caseload growth and the resulting increase in County matching funds, and by a State freeze on administrative cost adjustments; these could be addressed at the local and State level. The Public Health cost increases are due to a basic imbalance between medical costs and Medi-Cal and FQHC (Federally Qualified Cost Centers) reimbursements. This is a State and Federal budget issue.

The Social Services Department projects increases in program costs beginning in FY 2009-10. Although postponed, without proposed reimbursement rate increases, Public Health will exhaust its special revenue fund balance by FY 2012-13, creating a $7.0 million funding shortfall that will require General Fund assistance through FY 2013-14. A major policy issue is raised here: Should the County reduce these services where possible to match revenue targets, reduce other programs to provide funding, or implement new or expanded revenue sources to preserve these programs?

The new jail project may require a vote of the people to provide funding for construction and operations. The jail construction costs begin in FY 2010-11 with certificate of participation payments of $2.4 million. Operations begin in FY 2012-13, costing $16.4 million and growing by 5.5% annually thereafter.

Thus there is an alternate scenario that assumes State and Federal budgets eliminate the County's increasing maintenance of effort (MOE) costs and that voters approve funding for the construction and operation of a new jail. This alternative scenario is depicted as a separate chart. The future structural deficit is still projected in this scenario. Rather than a $6.5 million gap in FY 2009-10 the shortfall is reduced to $4.7 million and decreases from $64 million to $32.2 million in FY 2013-14.



Forecast Revenue Detail

The revenue forecast is positive through the forecast period as a result of the County's unique blend of taxable property where values continue to increase although by a much more gradational rate than in recent years. Beginning in FY 2012-13 the revenue sharing agreement with the City of Goleta results in the County's share of retail sales tax collected within the City limits to drop from 50% to 30% and the County's share of transient occupancy tax collected within the City limits to drop from 40% to zero. This results in an ongoing projected revenue decrease of $2.75 million.

Given historical revenue patterns and available forecasts for local and state economic data, a minimal increase in discretionary revenues of 1.0% is estimated in FY 2008-09, compared to estimated FY 2007-08, followed by further increases in the 3.1% to 4.8% range in subsequent years. The FY 2008-09 increase is driven primarily by a projected 3.71% increase in secured property tax revenues which will generate approximately $4 million in new tax revenues offset by flat or declining revenues in nearly all other categories.

FIVE-YEAR DISCRETIONARY REVENUE PROJECTIONS

FY 2008-09 through FY 2013-14

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	FY 13-14 Projected
Secured Property Tax	$89.933	$99.695	$105.500	$106.275	$110.223	$114.081	$119.500	$125.475	$132.376	$139.656
Unsecured & Unitary Property Tax	6.628	7.003	7.05	7.027	7.037	7.178	7.321	7.468	7.617	7.769
Supplemental Property Tax	9.635	6.159	4.900	5.715	4.520	4.520	4.520	4.746	4.983	5.232
Property Transfer Taxes	4.461	4.414	3.100	3.220	2.700	2.754	2.864	3.007	3.158	3.316
Retail Sales Tax	9.872	11.502	10.500	11.899	11.090	11.367	11.651	11.943	11.491	11.779
Transient Occupancy Tax	5.631	6.591	5.900	7.014	6.426	6.522	6.620	6.720	4.820	4.893
Property Tax In Lieu of MVL Fees	32.169	37.090	39.300	39.790	41.279	42.724	44.753	46.991	49.575	52.302
Franchise Fees	2.755	3.155	2.850	3.000	3.562	3.633	3.706	3.780	3.856	3.933
Interest Earnings	4.149	3.148	2.000	2.068	1.500	1.500	1.500	1.000	1.500	1.500
Other Revenue	17.864	9.543	8.890	8.319	7.992	8.072	8.153	8.234	8.317	8.400
TOTAL	**183.097**	**188.300**	**189.990**	**194.327**	**196.329**	**202.351**	**210.588**	**219.363**	**227.693**	**238.779**
Dollar Change Per Year		**$5.203**	**$1.690**	**$4.337**	**$2.002**	**$6.022**	**$8.237**	**$8.775**	**$8.330**	**$11.087**
Cumulative Change from FY 06-07 Actual		**$5.20**	**$6.89**	**$11.23**	**$13.23**	**$19.25**	**$27.49**	**$36.27**	**$44.60**	**$55.68**
GROWTH RATES:										
Secured Property Tax	16.75	10.86	5.82	6.60	3.71	3.50	4.75	5.00	5.50	5.50
Unsecured & Unitary Property Tax	4.08	5.66	0.67	0.34	0.14	2.00	2.00	2.00	2.00	2.00
Supplemental Property Tax	43.34	-36.08	-20.44	-7.21	-20.91	0.00	0.00	5.00	5.00	5.00
Property Transfer Taxes	-10.96	-1.05	-29.77	-27.05	-16.15	2.00	4.00	5.00	5.00	5.00
Retail Sales Tax	8.57	16.51	-8.71	3.45	-6.80	2.50	2.50	2.50	2.50	2.50
Transient Occupancy Tax	16.95	17.05	-10.48	6.42	-8.38	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	3.74	3.50	4.75	5.00	5.50	5.50
Franchise Fees	12.22	14.52	-9.67	-4.91	18.73	2.00	2.00	2.00	2.00	2.00
Other Revenue	118.98	-46.58	-6.84	-17.28	-27.47	1.00	1.00	1.00	1.00	1.00
TOTAL % Change from Prior Yr	**21.39**	**2.84**	**0.90**	**3.20**	**1.03**	**3.07**	**4.07**	**4.17**	**3.80**	**4.87**

Revenue Projection Assumptions

Secured Property Tax

Over the past 10 years, annual increases in the assessed value of property have ranged from three to eleven percent. Recent increases have been in the upper end of the range due to accelerated housing prices countywide. Secured tax revenues for FY 2007-08, budgeted at 5.8% growth, are now estimated to be 6.6% higher. For FY 2008-09, the forecast, based on projections of tax roll value increases by the Clerk-Recorder-Assessor, is 3.71%, followed by increases in the 3.5% to 5.5% range for the following years of the forecast. These lower estimates are due to reductions in the level of price appreciation and sales volume in the residential housing market, and the reduction of some residential assessed values (Section 51).

Unsecured and Unitary Property Taxes

Unsecured tax revenues have remained stable in recent years. The biggest variable is the level of activity of contractors for various satellite ventures at Vandenberg Air Force Base. Changes here could cause fluctuations in future unsecured property tax values, and thus future unsecured tax revenues. Unitary taxes – which are based on State assessments of railroads, inter-county pipelines and telephone (including fiber optic) cables running through the county – have shown some growth. These revenues are projected to remain flat in FY 2008-09. The forecast supposes modest 2% annual increases for both beginning in FY 2009-10.

Supplemental Property Taxes and Property Transfer Taxes

Both revenues are directly dependent on property sales prices and the number of transactions. Property transfer taxes (PTT) are levied at $1.10 per $1,000 of the sales price of the property transferred. Thus, they are a leading indicator of future secured property tax growth. The FY 2007-08 budget projected a significant (30%) decline in this revenue source and the year-end estimate is a 27% decline. For FY 2008-09, a further decline of 16% is projected, followed by modest increases in subsequent years.

In prior years, the gap between when the property transfer tax was paid and the supplemental property tax bill was mailed ranged up to 350 days, resulting in a significant lag between the receipt of the transfer tax and increased supplemental revenue. During the past three years the Assessor's Office has reduced this gap to under 100 days. The FY 2007-08 estimated and FY 2008-09 projected decreases in property transfer taxes are reflected in subsequent declines in supplemental tax revenues of 7% and 21% respectively. However, because the PTT is based on the sales price and the supplemental tax depends on the change in assessed value, changes in PTT revenue will not necessarily be mirrored in supplemental tax receipts.

Retail Sales Tax

The basic forecast is for modest growth of 2.5% per year. These estimates are based on the annual UCSB Economic Forecast. While new retail development in Orcutt is planned, the forecast does not include any new revenue from these sources because it appears the main projects will be annexed to the City of Santa Maria as a tradeoff for receiving water and that all the sales tax revenue generated will be taken by the City. The FY 2008-09 budget includes a drop of 6.8% due to slowing consumer confidence and the resultant decrease in retail sales.

Transient Occupancy Tax

The revenue is highly dependent on the state of the economy, tourism, and the availability of rooms in the unincorporated portion of the County and in the City of Goleta (until the Transient Occupancy Tax sharing agreement with the City ends in FY 2011-12). Future growth is projected at 1.5% annually. No significant additional growth is expected unless new rooms in the unincorporated portion of the County are built.

Property Tax In-lieu of Motor Vehicle License Fees

Prior to FY 2004-05, the County received a share of vehicle license fee revenues collected statewide based on a population formula. Beginning with FY 2004-05 and into the future, the State, as part of a complicated revenue reduction and refunding plan, has replaced (swapped) this source with property taxes. A portion of the property tax revenues that are taken from local governments to fund schools are returned to cities and counties in lieu of vehicle license fees. From a FY 2004-05 base, now adjusted, revenue growth will be based on property tax growth. Thus, future increases in these revenues mirror secured property tax revenue projections.

Franchise Fees

About 45% of these revenues come from cable television franchises, the other 55% are from gas and electric utilities. The estimated FY 2007-08 franchise fees are 4.9% less than FY 2006-07 actual. Higher cable franchise fee revenues that reflect cable rate increases to users had fueled growth in this revenue however, rising cable franchise fee revenues were offset by lower natural gas prices that affected gas and electric utility company gross receipts and therefore franchise payments. The forecasted growth for FY 2008-09 spikes by 18.73% but future year revenues are relatively flat because the projection is that cable franchise user fee increases will moderate and that revenues from gas and electric companies, which are based on their gross receipts and therefore commodity prices, especially natural gas, will also show only moderate increases over the five year period as prices continue to adjust.

Interest Income

For FY 2007-08, this amount moved from an adopted $2.1 million to an estimated $1.5 million. The drop is due to two factors: 1) lower fund balances and a smaller Strategic Reserve and thus less capital to earn interest, and 2) lower interest rates as the Federal Open Market Committee (FOMC) has continued to reduce the federal funds rate target, which is the interest at which banks lend to other depositary institutions, with a series of large reductions since January 22, 2008 that dropped the rate to 2.25% as of March 19, 2008. Thus the County is earning a smaller interest rate applied to a smaller balance. The FY 2008-09 projection assumes the FOMC will not continue the sharp rate declines; if interest rates continue to decline this revenue item will likely not meet budget estimates. For future years, rather than attempt to project interest rates the forecast assumes interest income will remain constant.

Other Revenues

This category has three main components: 1) State payments, other than payments in lieu of vehicle fees, that are in lieu of local property taxes, 2) cost allocation revenue (internal charges) for structure and equipment use, and 3) Federal payments in lieu of property taxes. State payments average $1.6 million a year and have not been growing; Federal payments have been growing slightly and are about $1 million. Cost allocation revenue fluctuates between $1.5 and $2.3 million. For planning purposes, cost allocation revenue estimates are at the low end of this range. Together, these and the remaining revenues that comprise the category of Other Revenue generate approximately $8.0 million per year and are projected to remain flat over the forecast period.

Forecast Expenditure Detail

The expenditure forecast depicts how the local discretionary revenue is spent. Local discretionary revenue is primarily spent as base budgets, for General Fund departments, to fund operations. The remaining local discretionary revenue is either designated for one-time needs or used to fund maintenance of effort requirements. The forecast is comprised of three categories: 1) non-salary cost increases, 2) maintenance of effort increases, and 3) salary and benefit increases.

Total local discretionary revenue is appropriated in three broad ways. First, in FY 2008-09 the base budget for General Fund departments (the General Fund target) totals $160.6 million. Second, the budget earmarks $6.7 million for certain future uses including litigation, deferred maintenance, and audit settlements. Third, the remaining $29.0 million available in local discretionary revenue is recommended to be appropriated for maintenance of effort requirements or, in the case of the Alcohol, Drug, and Mental Health Services Department as well as the Road Fund, payments to non-General Fund departments for specific services – in this case CARES North, and a local match for transportation funding.

The Five Year Expenditure Projections table includes both actual and projected numbers. The actual numbers, including those in the recommended 2008-09 budget, are to the left of the double vertical lines while forecast projections are to the right of the double vertical lines. The top portion of the table includes aggregate numbers of the three uses of discretionary revenue.

The details of that spending are at the bottom portion of the table. The numbers in the grey box are presented only for historical comparison and are part of the aggregate numbers in the top section of the table.

FIVE-YEAR EXPENDITURE PROJECTIONS

FY 2008-09 through 2013-14

Salary & Benefit Costs (Dollars in Millions)	*FY05-06 Actual*	*FY06-07 Actual*	*FY07-08 Adopted*	*FY08-09 Recommend*	*FY09-10 Projected*	*FY10-11 Projected*	*FY11-12 Projected*	*FY12-13 Projected*	*FY13-14 Projected*
Departmental Targets - GF base budget	134.0	143.2	155.6	160.6	160.6	170.1	183.6	198.3	230.5
Contribution to Designations	21.3	19.4	14.7	6.7	6.5	7.6	7.6	7.6	7.6
MOE payments to non-GF depts	27.8	30.4	30.5	29.0	30.5	33.8	36.9	40.3	47.8
Appropriation of Prior Year Revenue	0.0	-4.8	-10.8	0.0	0.0	0.0	0.0	0.0	0.0
Non-Salary increases					0.5	2.4	6.0	22.7	4.9
MOE increases					1.8	1.4	1.6	5.5	1.5
Salary and benefit increases					9.0	11.0	8.8	9.5	10.6
Annual Total	**183.100**	**188.272**	**189.999**	**196.367**	**208.877**	**226.346**	**244.397**	**283.943**	**302.986**
Other Future Year Impacts									
BASE GROWTH RATES:									
Target % change		6.9%	8.6%	3.2%	5.9%	14.3%	16.6%	25.6%	24.1%
TOTAL % Change from Prior Yr		**2.8%**	**0.9%**	**3.4%**	**6.4%**	**8.4%**	**8.0%**	**16.2%**	**6.7%**
GFC Calculation									
	Grey information is included within numbers above but are here for historical detail								
Non-Salary Cost Increases									
Proposition 172 Fire Backfill (Fire staffing)	0.44	0.42	0.57	0.48	0.50				
Fire Department level of service	2.86	2.60	2.63	1.87			8.70	6.30	4.00
Budgeted Strategic Reserve Allocation									
Completed COP payments							-2.70		
Jail COP						2.40			
New jail operations								16.40	0.90
Maintenance of Effort Increases									
MOE: Social Services Mandate Match	9.10	11.27	11.27	8.40	1.80	1.40	1.60	0.00	0.00
MOE: Courts Mandate Match	7.72	7.61	7.61	7.60					
MOE: ADMHS mandate match	1.60	1.85	1.85	3.15					
MOE: Public Health Mandate Match	8.12	8.33	8.33	8.06				5.50	1.50
MOE: Roads Match	1.25	1.35	1.41	1.82					
Salary & Benefit Increases									
Salaries	2.87	1.54	7.05	4.67	1.81	4.75	2.84	2.94	3.04
Equities/Market		0.39	-	-	0.76	0.81	0.84	0.87	0.90
Health	0.26	0.55	1.66	0.44	0.69	1.03	1.01	1.16	1.34
Retirement	2.26	1.73	3.44	2.71	2.96	4.24	3.85	4.29	5.08
OPEB					2.77	0.22	0.23	0.25	0.27
Total Annual GFC Increase	**36.48**	**37.63**	**45.82**	**39.19**	**11.30**	**14.85**	**16.36**	**37.70**	**17.03**
Total Cumulative $ Change from FY 06-07 Actual			**45.82**	**85.02**	**96.32**	**111.17**	**127.53**	**165.23**	**182.26**

Note: New Jail Operations costs of $16.40 million in the table above include both $10.6 million for jail operation costs and $5.8 million for overcrowding prevention programs

Non-salary cost increases include the Proposition 172 backfill, maintaining the fire department's level of service, certificate of participation payments, and costs of a new County jail.

- The Proposition 172 backfill increases general fund contribution to public safety departments that are losing Proposition 172 revenue to the Fire Department as a result of a 5 year, 1 and ½ percent per year shift in revenues that will ultimately cost $2.19 million annually.
- The Fire Department level of service is based on the Fire Department's five-year financial plan that shows the Department will have expenditures that exceed its revenue starting FY 2011-12 and that the Department will require an additional $19 million per year to maintain levels of service by FY 2013-14.
- Certain General Fund certificates of participation payments are complete in FY 2010-11. This results in a savings to the General Fund of $2.7 million annually if there is no new issuance.
- The costs of the new County jail begin with capital costs in FY 2010-11 ($2.4 million) and operational costs beginning in FY 2012-13 ($16.4 million growing 5.5% annually thereafter).

The maintenance of effort increases are projections from the five-year financial forecasts of the Public Health and Social Services funds plus projections for the courts facilities mandate, the Alcohol, Drug and Mental Health Services Department, and the Road Fund.

- The local match requirements for Social Services will cost $13.2 million annually by FY 2011-12, an increase of $4.8 million from FY 2008-09 as caseloads grow.
- The General Fund contribution to the Alcohol, Drug, and Mental Health Services Department is assumed to continue unchanged covering the local match requirement plus additional General Fund contribution for CARES North.
- In FY 2012-13 the Public Health fund will deplete its fund balance and, to maintain current service levels, will need additional General Fund support of $5.5 million annually growing to $7.0 million annually in FY 2013-14.
- The local match to the Road Fund to secure intergovernmental revenue for transportation improvements is anticipated to remain unchanged; however Measure D, the local transportation sales tax expires during the forecast period and its replacement, Measure A, even if passed by the voters, will result in less revenue to the Road Fund. A future Board of Supervisors may determine additional General Fund contribution is required to maintain an adequate and safe transportation network.

The salary and benefit increases include anticipated personnel related expenditures. They are determined based on negotiated Memoranda of Understanding (MOUs), estimated costs of maintaining equity or market rates for County employees, health insurance and retirement benefit cost projections and, beginning in FY 2009-10, the new cost to the County to provide retiree medical coverage. Through the five-year period only moderate changes are forecast. Behind these moderate increases are four assumptions: 1) no net increase in FTE, 2) no further enhancement of health or retirement benefits, 3) no significant cost spikes for cost of living adjustments over the 3.5% budgeted each year, and 4) equity or market rate adjustments of no more than 1% of the annual salary budget paid from local discretionary revenues.

- Salary cost estimates for FY 2008-09 incorporate terms of negotiated MOUs and include an estimated 3.5% salary adjustment for non-union employees. This could be less if the Board of Supervisors freezes management salaries. It will also be mitigated because under the Leadership Project only a few executives and managers will receive excellent ratings that would result in a 3.5% increase; others will receive less. MOUs for the sheriff's managers, probation officers, and deputy district attorneys expire in FY 2008-09 and the other MOUs expire in future fiscal years.
- Equity adjustments, also called market rate adjustments, are funds anticipated to be needed to enable the County to remain competitive in hiring and retaining employees. The estimated costs of these adjustments are one-percent of the salaries paid from local discretionary revenues or approximately $800,000 annually.
- Health insurance amounts assume that the County's obligation to pay 100% of the lowest cost premium continues. Health insurance costs have been rising at a staggering rate jumping 29% in FY 2006-07 and another 47% in FY 2007-08. The FY 2008-09 budget includes a 6% increase. The forecast projects health insurance costs will increase 15% annually as the County continues to implement cost avoidance and reduction strategies.
- Retirement costs are set by the independent Retirement Board and paid by the County. The annual increases have been between ten and seventeen percent since FY 2005-06. The forecast assumes continuing increases approximating thirteen percent annually over the next five years. This results in an annual increase of between $3.0 million - $5.0 million of General Fund contribution annually. Each year's Retirement Board actuarial study may include unforeseen costs due to market returns and the effects of demographic changes that are not reflected in these projections.
- Other Post Employment Benefits (OPEB) is likely a new cost to the County beginning in FY 2009-10 as the County assumes the costs of retiree medical coverage. The entire cost of OPEB is estimated to be $7.3 million in FY 2009-10, with local discretionary revenues paying $2.77 million of that amount, and increasing by 7.8% annually.

FY 2008-09 Capital Budget

Proposed FY 2008-09 Capital Improvement Program (CIP) and Capital Budget

The CIP and annual Capital Budget supports Goal I of the Santa Barbara County Strategic Plan, "An efficient, professionally managed government able to anticipate and to effectively respond to the needs of the community" and are key elements of the County's adopted management strategy of long-range financial planning. The CIP provides the mechanism for estimating capital requirements; setting priorities; planning, scheduling, and implementing projects; developing revenue policy for proposed improvements; monitoring and evaluating the progress of capital projects; and informing the public of projected capital improvements and unfunded needs. The CIP displays projects and funding for a five-year period. Funding for projects in the first year of the CIP is included in the Recommended Budget.

FY 2008-09 Capital Budget

The recommended FY 2008-09 operating budget includes $54.9 million for capital projects which are funded by 96 different sources. The FY 2008-09 Capital Budget, with estimated operating costs attributable to completed capital projects, is included in Section E of this document and in the Five-Year Capital Improvement Program (July 1, 2008 – June 30, 2013). As the CIP is prepared and presented earlier in the fiscal year than the operating budget, there are timing differences and other changes from the Proposed CIP to the Recommended Budget. This is primarily due to the variables inherent in capital project planning and implementation, such as delays and change orders which create variances from the Proposed CIP to the Recommended Budget. Additionally, the Recommended CIP reflects final recommended budget amounts for the County departments which could impact CIP funding positively or negatively. This year, in light of budget constraints, departments adjusted their CIP for FY 2008-09 to reflect reductions in their respective budgets. These reductions impacted transportation projects, parks projects, capital maintenance projects, resource recovery and waste management projects and remodeling of the Santa Barbara County Courthouse Annex. The proposed capital budget for FY 2008-09 includes both new and carryover discretionary General Fund (GF) allocations.

Of the total FY 2008-09 amount of $54.9 million, carryover allocations, amounts not spent in FY 2007-08 to be rebudgeted for FY 2008-09, total $21.0 million. The table to the right summarizes the CIP amounts by functional group and department and reflects a net decrease of $2.5 million from the amount in the Proposed FY 2008-13 CIP of $57.4 million.

FY 2008-09 CIP Budget by Functional Group	Total
Law and Justice	
Public Defender	$67
Function Total	**$67**
Public Safety	
Fire	$485
Probation	$18
Sheriff	$1,223
Function Total	**$1,726**
Health and Public Assistance	
Alcohol, Drug & Mental Health	$100
Social Services	$150
Function Total	**$250**
Community Resources and Public Facilities	
Parks	$1,665
Planning and Development	$234
Public Works	$36,319
Function Total	**$38,218**
Support Services	
Clerk-Recorder-Assessor	$2,536
General Services	$6,876
Human Resources	$133
General County Programs	$5,125
Function Total	**$14,670**
Total	**$54,931**

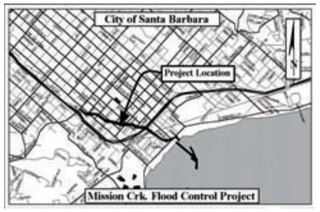
Description of Significant Capital Projects

Transportation Projects ($21.0 million) - This group includes projects focused on preventive maintenance, structure repair and replacement, storm damage repair, roadway and traffic improvements and building of bike lanes. Examples include roadway preventive maintenance ($8.5 million); bridge repair and rehabilitation ($6.0 million); repairs to concrete curb, gutter, roadway improvements ($2.2 million); storm damage repair ($2.6 million); sidewalks and pedestrian ramps countywide ($0.9 million) and other small projects ($0.8 million).

Landfill –Tajiguas Landfill Phase 2A Liner ($3.6 million) - The installation of a low permeability liner over approximately 12 acres into the back canyon is a key component of the second phase of the approved and permitted Tajiguas Landfill expansion. The project will also include the installation of a liquid collection system above and below the liner. The liner and liquid collection systems are required by state regulations to protect groundwater. A private contractor will perform the final grading and installation of the liner and liquid collection system.

Landfill – Tajiguas Landfill Phase 2B Liner ($2.3 million) - Also in the second phase of the Tajiguas Landfill expansion, this project consists of the installation of a low permeability liner over approximately 6.3 acres into the back canyon and installation of a liquid collection system above and below the liner. The installation of the liner and liquid collection systems are described above. The project will be funded through tipping fees.

Channel – Mission Creek Flood Control Project, S.B. ($3.0 million) - Located along Mission Creek from Canon Perdido St. to Cabrillo Blvd. in the City of Santa Barbara, the Lower Mission Creek project improves various channel locations with widenings and bridge replacements in order to increase capacity. A park-like, open space environment is incorporated in the design. Completion of this project will reduce flooding and property damage adjacent to lower Mission Creek during large storm events.



Landfill – Heavy Equipment Replacement Program ($2.6 million) - This program replaces heavy equipment for the Resource Recovery and Waste Management Division's Tajiguas Landfill, Santa Ynez Valley Recycling and Transfer Station, South Coast Recycling and Transfer Station, and two Cuyama Valley Transfer Stations. The periodic replacement of heavy equipment is critical to the efficient management and ongoing operation of the landfills and transfer stations. Dependable and efficient equipment is needed in the busy, highly corrosive business of refuse and recycling management.

Integrated HAVA Compliant Voting System ($2.0 million) The County plans to acquire a State certified voting system that meets the requirements under the Help America Vote Act (HAVA). The precinct level optical scan voting equipment for Santa Barbara County was purchased in 1999 with an average life span of seven years. These machines are past their average life expectancy and are beginning to experience a higher rate of malfunctions that require higher levels of maintenance. In addition, the current system requires that additional procedures be in place in order for the current system to meet the State certification requirements. A new generation of optical scan equipment has been developed with greater operating and security enhancements. The new generation of optical scan equipment also allows for integration with our ADA compliant voting systems (AutoMarks), creating greater efficiencies in the maintenance and operation of the two systems.

Isla Vista Downtown Public Parking Lot ($1.9 million) - This project involves land acquisition and construction for a surface parking lot in downtown Isla Vista. The parking lot will serve downtown Isla Vista and mixed use redevelopment projects. The parking lot is critical for the approved in-lieu parking fee program. The consolidated downtown parking lot will allow a more efficient land use pattern and facilitate private development. The project is identified in the Isla Vista Master Plan approved by the Board of Supervisors (BOS) in August 2007.

Isla Vista Streetscape Improvements ($3.1 million) - This is a streetscape improvement project for Pardall Road, Isla Vista's "main street", considered the center for commercial and social activity. The goal of this project is to stimulate private investment in the community by improving the public space in downtown Isla Vista. The proposed improvements to the 3-block length of Pardall Road include wider sidewalks, safety improvements, and landscaping. The project is a joint effort between the Redevelopment Agency and County Public Works Department.

LCSD – Tertiary Holding Improvements ($1.5 million) - This project will provide improved short term storage of recycled water and better maintain water quality for recycled water to users. This involves the installation of tanks at the plant and modifications to existing piping and pumping systems. Tanks will minimize maintenance currently required for existing storage ponds by eliminating evaporation, keeping wind from depositing dust and debris, as well as blocking algae growth, and providing thermal protection. The current rate structure is being developed to take into account the future cost of this project so that at the time the project begins there will be sufficient funds to execute this project.

HMGP 1505-45-19 SBCH Seismic Retrofit ($1.5 million) - The Santa Barbara Courthouse was designated a National Historic Landmark in April 2005 and subsequently. the Administrative Office of the Courts conducted facility surveys in their process to transfer county court facilities to the California Judicial Council. The Seismic Assessment for this facility identified areas of deficiency and this project upgrades the seismic connections of court support space in portions of the building. Work will comply with the US Department of the Interior Standards for the care of historic properties.

Emergency Operations Center ($1.0 million) - This project builds a permanent Emergency Operations Center (EOC) on a yet to be determined site and would encompass approximately 12,000 square feet, which will meet projected needs for the next 20 years. The new EOC/hangar facility may also be used during non-emergency periods as a training center, particularly for disaster related training. An EOC is the "Nerve Central" during local disasters serving as the official policy making and agency coordinating command post and serves as the hub for official disaster related communications with the Federal Emergency Management Agency, State Office of Emergency Services, Coast Guard, Red Cross, fire districts, health care providers, utility companies, shelter providers, cities and local officials.

Capital Maintenance Projects (08-09 Major) ($1.0 million) - This project is a combination of many projects as identified in the Facility Capital Maintenance Program. All projects are estimated to cost $100,000 or more (capitalized maintenance) and are further divided into categories such as: 1) Carpet and Flooring Replacement; 2) Roof Replacement and Repair; 3) Electrical Systems upgrades; 4) Heating/Ventilation/Air Conditioning (HVAC) Systems; 5) Interior/Exterior Painting and Paint Repair; 6) Parking Lot/Sidewalks/Fence Replacement/Repairs; 7) Plumbing Repair and Replacement; and, 8) Signs/Door Hardware/Cabinets/Window Repair/Replacement. Historically, actual funding has averaged about $625,000 annually. As a result, planned projects are undertaken as funding allows and resulting unfunded projects are postponed to future years as new higher priority projects are added.

Cachuma Lake Recreation Area Improvements ($0.7 million) - This project includes several infrastructure and revenue enhancement improvements to the recreation area as follows: Infrastructure: sanitation plant and lift station upgrades; water plant relocation and upgrade; Apache Area group camping improvements; RV site upgrades; vault toilet buildings to replace portables; remodel existing mobile home pads to accommodate RV's; restroom renovations to comply with ADA; erosion and drainage improvements; replacement of deteriorated log booms; installation of a shower building to replace lost showers in restrooms; sewer main relining; installation of automated irrigation system; new water main and fire protection system; new water storage reservoir and improvements to existing reservoir.

Progress on Facilities Repair and Maintenance

For the past eight years, the County has focused on its backlog of maintenance and repair projects for public buildings and facilities by allocating General Fund contributions totaling $2.5 million per year to the Capital Maintenance Designation ($2.0 million – approximately $1.5 million to General Services and $0.5 million to Parks) and the Capital Designation ($0.5 million – used for small unbudgeted projects and potential cost overruns). However, due to budget constraints, the CIP recommends General Fund contributions of $1.5 million to the Deferred Maintenance Designation, $58 thousand to the Roads Designation, and $0.5 million to the Capital Designation to be recommended for inclusion in the FY 2008-09 Operating Budget.

General Services has been working from a project list originally compiled in FY 1999-00 which identified a $15 million maintenance backlog. Between FY 1999-00 and 2006-07 the county spent $4.3 million on facilities repair and maintenance, reducing the backlog to $8.7 million in FY 2007-08. This has been accomplished through a combination of completed projects, projects no longer required and new projects.

In FY 2006-07, an updated Master Facilities Plan Assessment Survey identified projects to be included in the Capital Maintenance Program list of projects. The increase or decrease in the maintenance backlog is dependent on a number of factors, including yearly Capital Maintenance funding, number of new facilities brought online, ability of staff to keep up with the rate of deterioration of County infrastructure and the cost of labor and materials.

Summary of General Fund Reductions

In past years requests by departments for restorations and budget expansions have appeared at the end of this section. Unfortunately, and given the current constraints, expansions would only be possible by reducing other programs or further application of diminishing reserves. It should be noted that each of the reductions are summarized in the table which follows.

Total FY 2008-09 Reductions and Impact

A	B	C	D	E	F
Dept	**Program**	**Description of Reductions**	**Recommended Reductions**	**FTE**	**Service Level Impact Description**
Ag & Coop Ext	Ag Advisory Committee	Projects for agricultural planning solutions such as residential ag unit, ag viability and mapping support costs.	-$96,000	0.00	None
Ag & Coop Ext	Oak Tree Program	Elimination of the Ag Program Specialist - Oak Tree Program (-$106,967) and increase Office Assistant II from 75% to 90% ($8,500)	-$98,567	-0.90	The regulatory components of the Oak Tree Ordinance and complaints will continue to be a priority for department; however, due to the loss of this position, the department will no longer carry out the voluntary planting and educational components.
Ag & Coop Ext Total			**-$194,567**	**-0.90**	
Auditor-Controller	Property Tax Systems Develop	Eliminate the funding and hiring of one third of a Financial Systems Analyst in the Treasurer's department that was to be dedicated to the Property Tax System project.	-$35,290	0.00	The effect will be a delay in the completion of the property tax system that is vital to the generation and collection of Property Taxes.
Auditor-Controller	Cost Accounting	Reduce a Cost Analyst position.	-$90,355	-1.00	This reduction will greatly impact the department's ability to efficiently review fees, prepare the countywide cost allocation plan, and produce financial statements on an accurate and timely basis. The reduction will impact the available resources needed to calculate and provide the department's requested indirect cost rate proposals on a timely basis. The reduction will affect other departments as there will be less available resources to support departments during the countywide budget process. A GF Revenue Loss is likely due to a reduction in the cost allocation revenue.
Auditor-Controller	Financial Reports Systems Develop	Eliminate the funding and hiring of one Financial Systems Analyst.	-$105,870	-1.00	This reduction will impact the department's ability to operate and improve the complex countywide systems of financial reporting and budget development. A GF Revenue Loss is likely due to a reduction in the cost allocation revenue.
Auditor-Controller	Payroll	Unfund the Payroll Division Chief position and not hire a replacement.	-$174,476	-1.00	The effect will be increased risks in the payroll area and less resources to apply to the HRIS/Payroll integration project. A GF Revenue Loss is likley due to a reduction in the cost allocation revenue.
Auditor-Controller	Property Tax System Dev (50%) /Financial Accntng Syst (50%)	Release of Designations	-$334,000	0.00	Deplete the department's systems replacement designations by one half in order to continue with the existing levels of development for the Property Tax and FIN WEB applications. These designations would not last past 2009-10.
Auditor-Controller Total			**-$739,991**	**-3.00**	
BoS	Third District	Delete one vacant .5 FTE Office Asst	-$25,000	-0.5	Reduction of support to 3rd District Supervisor.
BoS Total			**-$25,000**	**-0.5**	
CEO	Assess Appeals	Budget for receipt of revenue	-$24,000	0.00	Assessment appeal fees typically occur but in past years have not been budgeted as the revenue is volatile and may not materialize; budgeting the fees counts on the revenue and additional reductions will need to occur if no assessment appeals fees are received
CEO	Executive	Elimination of Management Audit	-$53,500	0.00	The Board and Blue Ribbon Budget Task Force had recommended completing one management audit each fiscal year to review, on a rotating basis, a department's operations and to develop recommendations for improvement of operations; that will not occur
CEO	Executive	Additional revenue from RDA	-$77,634	0.00	Properly charge CEO staff to RDA project development, implementaiton, and oversight
CEO	Executive & Budget and Research	Reduce FTEs	-$305,948	-2.30	Workload allocated to other executive staff in departments; remaining staff to absorb additional duties; potentially slower response to departments, the Board, and the public
CEO Total			**-$461,082**	**-2.30**	
Clerk-Recorder-Assessor	Assessor	Reduced FTEs	-$274,000	-3.60	Timely processing of assessable events, potential backlogs that may reduce the value added to property tax roll, longer supplemental billing time resulting in short term reduction of supplemental tax revenue, re-work in all 3 tax departments from roll corrections.
Clerk-Recorder-Assessor	Elections	Reduced FTEs	-$178,091	-2.80	No service level impact due to anticipated temporary workload reduction (assumes no elections in first half of calendar year 2009)
Clerk-Recorder-Assessor	Clerk-Recorder	Reduced FTEs	-$242,936	-5.10	May adversely impact walk-in customer's wait time and increase time to record and mail back recorded documents.(assumes no more than 85,000 recordings)
Clerk-Recorder-Assessor Total			**-$695,027**	**-11.50**	
County Counsel	Administration	Furniture	-$16,000	0.00	This reduction eliminates ergonomic upgrades to the furniture within the County Counsel's office
County Counsel	Administration	Computers	-$22,513	0.00	Computers and Software line item budget for 08-09 includes only the maintenance of existing software and hardware. There will be no purchases of hardware in FY08-09.
County Counsel	Administration	Training	-$30,000	0.00	In order to maintain licenses to practice law, attorneys are required to attend continuing legal education. This reduction eliminates training budget for the attorneys. In order to maintain their licensing, the attorneys will have to pursue training on their own on as needed basis for their certification.
County Counsel	Litigation	Unfund 0.8 FTE Attorney	-$78,852	-0.80	Unfunds of a vacant attorney position. If filled, this position would be used for mandated Child Welfare Services cases and for general litigation. The reduction results in increased workload for existing Child Welfare Service attorneys and may require use of outside counsel for some general litigation.
County Counsel	Litigation	Unfund 2.0 FTE Legal Secretary	-$158,695	-2.00	There are expected to be two vacancies in the Legal Secretary positions. The positions handle the secretarial workload for Land Use Advisory and Facilitations, Worker's Compensation, Juvenile Dependency, and provide backup to numerous other assignments. Loss of the legal secretary positions results in County Counsel having 4 secretaries for 28 attorneys [a ratio of 7:1] With vacations, sick leave and other time off, coverage will be compromised and delays in filing legal documents may result.
County Counsel Total			**-$306,060**	**-2.80**	

Total FY 2008-09 Reductions and Impact

A	B	C	D	E	F
Dept	**Program**	**Description of Reductions**	**Recommended Reductions**	**FTE**	**Service Level Impact Description**
District Attorney	Criminal Prosecution	Three Deputy District Attorney positions eliminated	-$346,514	-3.00	Loss of three Deputy DA's would diminish targeted efforts to protect victims of elder abuse, domestic violence and sexual assault, collapsing special units. Cases would be reassigned to general misdemeanor caseloads, along with prosecution of crimes involving gangs.
District Attorney	Truancy Intervention	Program restricted to 2 Social Workers, one north and one south county, reducing services by 67% countywide.	-$417,411	-5.00	Seriously diminishes collaborative effort with junior and high schools to reduce juvenile crime through multi-stage program involving truants and their parents to secure attendance in school.
District Attorney	Criminal Prosecution	2 Deputy DA's, 1.5 Investigative staff, 1.5 legal support positions and related operating expenses	-$566,561	-5.00	Curtailments would require DA to significantly restrict community protection efforts to the more serious misdemeanor vioations and felony case referrals from law enforcement. More cases would be rejected, court continuances that affect judicial, law enforcement and witness schedules would increase, and reduced sentences would occur due the need to plea bargain cases.
District Attorney Total			**-$1,330,486**	**-13.00**	
DSS	Adult Aging Network	Eliminate the Adult & Aging Network program	-$84,587	0.00	Elimination of the Adult & Aging Network. The Network provides a collaborative venue for County agencies and CBOs to work together on joint projects, while providing direct services (including preventative) to the adult disabled and senior populations countywide. In addition, the Network collects, analyzes and publishes data annually on the status of older and disabled adults in SB County utilized by many CBOs for funding opportunities.
DSS	General Relief - Categorical Aid	Reduced General Relief programs	-$113,967	0.00	Proposed reductions in categorical aid payments will hold General Relief cost per case under $140.00. CalWORKs proposed cuts in Employment Services contracts, may limit DSS's ability to leverage CalWORKS funding for employable GR clients to obtain Employment services, thus increasing GR program cost. Due to volatile nature of GR population, declining economic conditions could cause GR caseload to increase, in turn increasing categorical aid. cost per case.
DSS	Food Stamp Employment & Training (FSET)	Eliminate Food Stamp Employment Training program	-$220,359	-1.28	The FSET program requires Food Stamp recipients, who are categorized as able-bodied adults without dependents, to participate in a three month employment training program as a condition of receiving Food Stamp aid. The allocation amount, without General Funds, is insufficient to run the program. Therefore, the department will forego this program which has been seen as complimentary to the County's welfare reform initiatives and "work first" approach to self-sufficiency. (The 1.28 reduction in FTEs were shifted to Medi-Cal where funding and caseload justified these FTEs)
DSS	CalWORKs	Reduced contract with Arbor Employment Services Contract; Cancel contract with BEST for vocational testing, cancel contract with VTC Enterprises for employment services; and reduced Cal Learn Child Care services	-$345,395	0.00	Reduce services for employment contracts; cancel contracts for vocational testing, and reduce Cal Learn Child Care services. Reductions to meet various CalWorks contracts for assessing and training welfare-to-work participants could result in not meeting program mandates including conducting program orientations, Job Club, appraisals and assessment training
DSS Total			**-$764,308**	**-1.28**	
Fire	Hazardous Matls Unit	Eliminate stand-by and overtime for hazardous materials specialists to respond to incidents	-$22,077	0.00	Investigations of incidents and oversight of clean-up activities will only occur during normal business hours. In addition, other Haz Mat program inspections etc. will be delayed while specialists investigate complaints and/or incidents. Fee increase to restore this service to be proposed to the Board prior to budget hearings.
Fire	Hazardous Matls Unit	Eliminate 1 position from the Business Plan, Hazardous Waste Generator, Underground Storage Tank and Haz Mat Emergency Response programs.	-$76,108	-1.00	Fewer inspections of regulated facilites will result in increased risks to the community & emergency responders during haz mat incidents. It will take longer to respond to requests from businesses. Fee increase to restore this service to be proposed to the Board prior to budget hearings.
Fire	Operations	Reduction of General Fund Contribution to the Fire Department	-$670,000	0.00	This base reduction in GFC results in the fire district funding a greater amount of Fire Department operations. The fire district funding is projected to be insufficient beginning FY 2011-12 to fund current level of operations. Fire Department capital needs are underfunded.
Fire Total			**-$768,185**	**-1.00**	
General Services	Property Management and Capital Projects	Eliminate Professional services budget	-$40,000	0.00	Eliminates the budget for appraisal, architect, and engineering services for property management and capital project issues. Decisions may be made without the benefit of appropriate level of expertise.
General Services	South County and North County Maint.	Reduced extra help in the two programs South County Maintenance and North County Maint	-$20,000	0.00	Less work completed on facilities work order system and eliminate extra help hours being used to assist the implementation of the facilities work order system in the county.
General Services	Office of the Director	Eliminate customer service training	-$15,000	0.00	Customer training is traditionally provided to the entire department and invited guests of other departments; eliminate funding for "All Hands" quarterly meetings.
General Services	South County and North County Maint.	Eliminate building maintenance standby hours & callbacks from 10:00 pm to 7:00 AM	-$37,000	0.00	No standby staffing for routine maintenance at night; if not an emergency request the request will wait until the following work day. Standby staffing for emergency requests is unaffected
General Services	Administration	Eliminate budget for extra help in adminstration	-$20,000	0.00	Payments to vendors will be slower than usual.
General Services	Mail Services	Reduced extra help in mailroom services	-$27,734	0.00	Increased delay in delivery of mail and lower level of surplus furniture assistance
General Services	various	Reduce Department training budget	-$32,950	0.00	Eliminates over 75% of the training budget for the entire department
General Services	South County and North County Maint.	Reduce janitorial services provided to non-public areas in county buildings	-$70,000	0.00	Reduce janitorial service level by vacuuming only once every 2 weeks in private office areas, compared to the once weekly service given now.
General Services	Systems Maintenance & Development	Eliminates the entire budget for planned computer replacements.	-$45,000	0.00	Could result in lower efficiency or program difficulties encountered by using older model computers.
General Services	South County and North County Maint.	Reduce building maintenance budget	-$119,190	0.00	Some building maintenance projects will be delayed from an already delayed-schedule.

Total FY 2008-09 Reductions and Impact

A Dept	B Program	C Description of Reductions	D Recommended Reductions	E FTE	F Service Level Impact Description
General Services Total			**-$426,874**	**0.00**	
Housing	Property Mgmt	Professional Services - Legal Services	-$12,000	0.00	Reduction in public outreach efforts may result in less timely responses to issues requiring legal and/or investigative services as these services are brought in-house.
Housing	Property Mgmt	Reduce a Planner (Compliance Officer) by 25%	-$25,786	-0.25	Tasks will be performed by extra-help staff, with no anticipated service level reduction insofar as quality of service rendered. Timeliness of will be impacted, however, in peak workload periods.
Housing	Administration	Professional Services - Public Outreach	-$31,000	0.00	Will impact contracts with investigation agencies and outside consultants and reduce public outreach.
Housing	Property Mgmt	Unfund 1 Housing Program Specialist Sr, backfilled by 50% Extra Help	-$69,032	-1.00	Compliance and monitoring tasks of this position will be performed by .5 FTE extra-help staff. Timeliness of HCD's response to compliance issues will be impacted in peak workload periods.
Housing Total			**-$137,818**	**-1.25**	
Human Resources	Administration	Reduce use of outside contractors	-$5,100	0.00	Limits use of outside expertise to advise CEO/HR on labor law, retirement, compensation, and other areas.
Human Resources	Administration	Reduces the funds available to pay for leadership assessments for County managers.	-$9,000	0.00	Reduces the availability of leadership assessments used to develop County managers. This reduction will impact the use of this assessment tool for the purpose of developing and improving the leadership capacity of County managers.
Human Resources	Employee Benefits	Eliminate Service Award Pins	-$12,000	0.00	This will eliminate the service award pin program that recognizes employees' service to the County
Human Resources	Administration	Reduce the funds available to pay for executive level leadership assessments	-$20,000	0.00	Reduces the funding for leadership assessments used to recruit for critical leadership compentencies in management and executive candidates.
Human Resources	Employees' University	Eliminate Leadership Congress	-$20,000	0.00	This eliminates a Leadership training event for County managers and executives.
Human Resources	Recruiting & Testing	Reduce use of contract recruiters	-$20,000	0.00	Limits use of contract recruiters and may delay recruitments for specialized and executive vacancies.
Human Resources	Recruiting & Testing	Downgrade a recruiter position	-$30,000	0.00	Reduces the scope and level of responsibility of this position, which will increase the workload of other Senior Recruiters and will impact their ability to conduct complex recruitments in a timely manner.
Human Resources	Recruiting & Testing	Eliminates a recruiter position from CEO/HR's recruiting division.	-$88,000	-1.00	The reduction of a recruiter position will reduce service to County Departments impacting workforce and recruitment planning including increased recruitment timeframes.
Human Resources Total			**-$204,100**	**-1.00**	
P & D	Public Counter	Delete counter Planner and add .25 to part-time position ($64,493), loss of case processing revenue (-$41,489)	-$23,004	-0.75	Reductions at the public counter will slow the processing of simple counter permits, and reduce the hours that the public counter is staffed.
P & D	Administration	Delete Planning Process Analyst	-$68,340	-0.50	Will greatly reduce the amount of staff training and development of tools for permit processing.
P & D	Admin	Mapping/GIS support	-$71,125	-1.00	Work will be distributed among remaining staff. FTE reduction may result in longer turn around time for completing assignments.
P & D	General Plans	Delete Planner III & increase Housing Contract	-$77,321	-1.00	Will decrease the available level of effort to update the general/community plans and special projects.
P & D	Adminis/Ag Plann	Delete support staff for public hearings and the ag program	-$77,935	-1.50	Will result in shorter reception desk hours, delays in responding to requests for public documents and slower response to accounting inquiries.
P & D	Special Projects	Delete Planner I/II	-$86,745	-1.00	Will decrease the available level of effort to update the general/community plans and special projects.
P & D	South County Counter/case processing	Planner	-$105,000	-1.00	Position provides flexibility in case there was an increase in counter activity or land development permits.
P & D Total			**-$509,470**	**-6.75**	
Parks	South County Open Spaces	Reduction of maintenance for South County undeveloped open space parcels	-$10,000	0.00	Potential increase in the number of complaints regarding the level of service for maintenance of undeveloped open space parcels in South County.
Parks	Cachuma Lake	Reduction of restroom cleaning contract	-$30,000	0.00	Potential increase in the number of complaints regarding the level of service for restroom maintenance
Parks	North & South County Day Use Parks	Reduce tree maintenance contractual services in the North and South County day use parks	-$32,750	0.00	Potential increase in incidences of trees failing and limbs falling.
Parks	Cachuma Lake	Reduction of trout plants at Cachuma Lake	-$49,000	0.00	Potential long-term reduction in visitation due to impact on those who visit the lake for fishing.
Parks	Administration	Elminination of Department Safety Officer position	-$88,000	-1.00	Would shift the current responsibilities of the Department Safety Officer, including managing the safety program and the lifeguard program to other Parks staff (Operations Managers).
Parks	Various	Increase in salary savings target from 2% to 4%	-$130,657	-3.36	If 4% salary savings target is not met, this would mean reductions in other Parks programs (i.e., landscape maintenance, tree trimming, etc.), which could have a noticeable impact to the public.
Parks Total			**-$340,407**	**-4.36**	
PHD	Environmental Health Ocean Water	Reduce or eliminate ocean water sampling	-$14,236	0.00	Ocean water testing will be reduced or eliminated in non-AB411 months (November-March); shift BEACH grant funding to support mandated summer testing per AB411.
PHD	HIV/AIDS	Reduce HIV/AIDs subcontractors, other items	-$23,000	0.00	A reduction in pass through dollars to CBOs will result in decreased case management and prevention services related to HIV/AIDS.
PHD	Housekeeping	Reduce .75 FTE Lead Housekeeper position	-$25,918	-0.75	Lead Housekeeper is retiring. Outsourcing janitorial services will provide savings to the Department and a reduction in FTEs. Service levels will be maintained.
PHD	Information Technology	Eliminate .50 FTE Data Entry position	-$32,000	-0.50	Current staff have been able to meet deadlines and maintain workload levels with the help of the supervisor. Temporary help may need to be used to ensure deadlines impacting revenue are met.
PHD	Public Health Laboratory	Reduce Lab Tech, Sr to .50 FTE	-$33,018	-0.50	Water testing completed by this position will be decreased to mandatory levels, resulting in ocean water testing 7 months/year at beaches with more than 50,000 visitors annually (instead of 12 months/year), and reduced availability for testing domestic water. There are alternative community providers for domestic water testing.

Total FY 2008-09 Reductions and Impact

A	B	C	D	E	F
Dept	**Program**	**Description of Reductions**	**Recommended Reductions**	**FTE**	**Service Level Impact Description**
PHD	Women's Infants Children	Reduce WIC Admin Services Clerk to .50 FTE	-$37,518	-0.50	The clerk serving the WIC Director and WIC program will have less availability, resulting in longer waits for processing program bills, presentation preparation, and other administrative tasks. The WIC Director will complete more duties independently.
PHD	HIV/AIDS Education	This adjustment will eliminate general fund pass-through support to HIV/AIDs subcontractors for education and prevention.	-$50,000	0.00	In the early 1990s, the Board of Supervisors set aside General Fund for HIV/AIDS education & prevention. The Public Health Department contracts with three community based organizations totaling $50,000. HIV/AIDS grant funding will not be affected by the loss of these dollars.
PHD	Clinical Laboratory	Eliminate .50 FTE Clinical Lab Specialist (SB)	-$51,123	-0.50	Position has been open for more than a year and was being held for a possible expansion of the Lompoc Clinic laboratory (also on hold).
PHD	Maternal, Child, and Adolescent Health program	Eliminate .75 FTE Public Health Nurse	-$53,477	-0.75	This position is currently vacant. The long-term impact of the loss of this position will be addressed through refining standards and priorities for services delivered. Services to the highest risk clients will be maintained. Federal revenue generated by this position ($32,300) will be lost.
PHD	Clinical X-Ray	Eliminate 1.0 FTE OA in Radiology	-$59,400	-1.00	With retirement of the incumbent, a re-engineering of the patient registration efforts in Radiology will be used to manage patients, phones, and processing. Efforts will be shared with the co-located PHD laboratories.
PHD	Human Services	Eliminate administrative services clerk in the Human Services cost center.	-$45,000	-1.00	Reduce the administrative support to the Human Service's programs. Existing staff will assume the workload.
PHD	Fiscal & Compliance	Suspend Practice Management Training Position	-$80,000	-1.00	Delay for one year the implementation of an important department initiative to ensure that clinic office staff and providers are fully trained on the financial aspects of the practice management system and all financial and cash collection policies and practices.
PHD	Clinical X-Ray	Eliminate 1.0 FTE Radiology Technician	-$84,525	-1.00	Impact to clinic and community should be minimal. The new digital radiology (PACS) system (installed March 08) will change the way patents are registered and X-rays are processed, allowing for reduction in Radiology workforce.
PHD	Primary Care Administration	Eliminate 1.0 FTE Departmental Assistant	-$88,543	-1.00	Combine the responsibilities of two positions under one PHD Program Administrator. With the right candidate, should be little or no impact to service programs.
PHD	Cuyama Clinic	Close and eliminate Public Health primary care services at the Cuyama Clinic.	-$92,000	0.00	There is low patient utilization (only 162 patient visits in FY 06-07) and patients are seen for minor conditions. Those with chronic or more acute conditions are already traveling for care. Efficiencies can be gained if medical staff do not travel and stay in Santa Maria to see patients.
PHD	PHD Administration	Eliminate 1.0 FTE Program Coordinator position	-$93,815	-1.00	The core duties of this position will be re-distributed to other staff. Contract services will be retained for duties that can't be provided by existing staff.
PHD	Housekeeping	Contract out Housekeeping	-$103,067	-4.00	Outsourcing janitorial services will provide cost savings and a reduction in FTE. Services levels will be maintained.
PHD	Environmental Health Retail Food Program	This adjustment will eliminate the EHS fee waiver for temporary food facilities operated by non-profit organizations.	-$107,000	0.00	The current Environmental Health fee resolution for the California Retail Food Code includes fees for Temporary Food Facilities for "For Profit" organizations. The non-profit organizations which meet certain criteria are waived the fee. It is estimated that the waived fees for appx. 579 annual facility events and booths total $107,000. The Board of Supervisors would be asked to approve a revised fee schedule.
PHD	Multi-Purpose Seniors Services Program	This adjustment will eliminate the Multi-Purpose Seniors Services Program (MSSP).	-$107,000	-8.50	This program provides in-home case management and purchases services for 180 - 200 low-income seniors who are at risk of nursing home placement. State and Federal funding of $857,000 to support these services is lost with elimination of this program. Additionally, this program is on the Governor's list of 10% funding cuts.
PHD	Geriatric Assessment Program	This adjustment will eliminate the Geriatric Assessment Program (GAP).	-$121,000	-1.00	This short-term assessment and case management program will no longer be available to provide 18 home visits and 11 information and referral contacts monthly to low-income seniors. Although this nurse position is currently filled, the department can reassign to a vacant position.
PHD	Primary Care Clinics	Suspend Electronic Medical Record (EMR) Program	-$188,000	0.00	Delay for one year eliminates project management costs and avoids revenue loss in clinics resulting from involving providers and staff in project teams to plan for implementation (that would take time away from patient care).
PHD Total			**-$1,489,640**	**-23.00**	
Probation	Community Education Centers (CEC)	Reduced Extra Help Officers at the CEC in SB	-$38,206	0.96	The Counseling and Education Center (CEC) in Santa Barbara has an enrollment of 20 minors with an average daily attendance of 13.33 minors. The regular staff is a Deputy Probation Officer Sr., a Juvenile Institutions Officer Sr. and an Office Assistant Sr. Additionally the program is budgeted for 2 half time extra help JIO's. This reduction would eliminate the extra help JIO's, leaving an average staffing ratio of 1 staff per 7 minors. On days when attendance reaches full capacity the ratio of supervision staff to minors is 1 to 10. By comparison Juvenile Hall staffing ratio is 1 to 10. Additionally the program has a teacher and teacher's aide. Loss of the extra help JIO's would mean that the Office Assistant would call the homes of truants. General programming might be restricted to a smaller area of the campus than is currently used. Scheduling Aggression Replacement Training (ART), Los Compadres, and Domestic Violence groups will be more challenging. Drug testing will be done only before or after school.

Total FY 2008-09 Reductions and Impact					
A	B	C	D	E	F
Dept	Program	Description of Reductions	Recommended Reductions	FTE	Service Level Impact Description
Probation	Community Education Centers	Reduced a Juvenile Institutions Officer (JIO) at the CEC in SM	-$26,458	0.96	This is the newly consolidated Santa Maria and Lompoc Community Education Center (CEC) which operates at the Betteravia Center. One of three Juvenile Institutions Officers (JIO) will be reduced, leaving a staff of one Deputy Probation Officer Sr., one JIO Sr., two JIOs and one Office Assist Sr. Additionally there are teachers, teachers' aides and mental health staff on site. The campus has a capacity of 44 and an average daily attendance (ADA) of 28. Based on ADA the ratio of supervision staff to minors is 1 to 7. On days when enrollment reaches full capacity, the ratio of supervision staff to minors is 1 to 11. For comparison, the ratio of staff in the Juvenile Halls is 1 to 10. This site is challenged by the need to transport minors from and to Lompoc and search minors for weapons and drugs. Currently two, vans are used to transport minors from Lompoc and if the JIO position is reduced only one van would be used. Additionally, the loss of this position will reduce supervision on field trips and at times when other staff is completing Medi-Cal billing information.
Probation	Juvenile Drug Court	Reduced a Deputy Probation Officer in Lompoc	-$60,852	0.96	This would reduce one Deputy Probation Officer (DPO) and consolidate all North County Juvenile Drug Court minors under the supervision of one DPO located in Santa Maria. Juvenile Drug Court caseloads in Santa Maria and Lompoc are 16 and 13 minors, respectively. A consolidated caseload would be 29. The Juvenile Drug Court caseload in Santa Barbara is 18. This reduction will result in less supervision and lower testing of juvenile substance abusers. In Juvenile Drug Court, caseloads can go up to 30 minors; Juvenile Probation Mental Health caseloads can go up to 20.
Probation	Juvenile Investigations	Reduced a Deputy Probation Officer in SM court services	-$55,432	0.96	This will reduce one of 6 Deputy Probation Officer (DPO) Investigators serving the Santa Maria Juvenile Court. Five investigators would share the current work load. Probation would request the Court's support to modify the current report formats and consider a short form of the Disposition and other reports. Consideration could be given to combining a Placement Review Report with any other report that is ordered 60 days prior to the review hearing. Department policy requiring disposition reports for all minors recommended for Camp could be modified. Review of Teen Court fees and the use of the current Probation subsidy to the program should be conducted.
Probation	Juvenile Services	Reduced a Deputy Probation Officer (DPO) placement officer in SM	-$63,289	0.96	This is a reduction of 1 of 4 Deputy Probation Officer Sr.'s who prepare dispositions and review reports for the Court, supervise placement wards, and make mandated monthly home visits to minors in group home placements throughout the state of CA. This will leave 3 DPO Sr.'s, one each in Santa Barbara, Santa Maria and Lompoc with responsibility for court reports, supervision services, and making group home visits. The number of minors in placement has been declining for the last ten years. Currently there are 45 minors in placement. If the number of placements stays constant, two placement DPO Sr.'s in the Santa Maria office are not necessary.
Probation	Adult Services, Clerical Support	Reduced an Office Assistant in Santa Barbara & an Office Assistant in Santa Maria.	-$108,721	1.93	The reduction of support staff, one each from SM and SB, will require sworn staff to spend more time entering data and less time on offender contact. The impact per officer should be minimal, however, the overall result will be a decrease in most of Probation's Key Performance Indicators.
Probation	Los Prietos Boys Academy	Reduced an ADMHS Family Counselor (MFT) & 0.5 Intake Release Specialist (IRS)	-$144,857	0.48	Eliminating one ADMHS Family Counselor (MFT) impacts the Aggression Replacement Training (ART), a Restorative Justice initiative, and individual counseling. In order to maintain the ART groups, Probation will reassign the task to remaining staff. Counseling will be shared among the two remaining MFT assigned to the Camp program, and the Restorative Justice initiative will be re-evaluated.
Probation	Juvenile Justice Crime Prevention Act (JJCPA)	Reduced JJCPA to match revenues	-$250,000	0.00	The JJCPA program funds the Truancy Program, School Based Officers, Aftercare for wards in Camp or Placement and the Early Intervention Program in Juvenile Services. Staff from ADMHS, District Attorney, Probation and 4 community based organizations are funded by JJCPA, which is administered by the Probation Department. Due to increases in salaries and benefits and reduction in Federal Title IVE revenue, an additional $250,000 must be reduced from the budgets of the existing services so that the cost of the JJCPA programs will not exceed the State grant of $1,337,931. If this reduction is not taken, then an additional $250,000 of Probation Programs must be reduced to maintain JJCPA services. The nature of the budget reductions will be determined by the Juvenile Justice Coordinating Council (JJCC) and presented to the Board of Supervisors.
Probation	Santa Barbara Juvenile Hall	Changes Santa Barbara Juvenile all (SBJH) into a 10 hour per day booking facility with after hours call-back	-$954,596	8.69	This would change the certification of the SBJH from a 24/7 Detention Facility to a Booking Facility/Special Purpose Juvenile Hall. All youth will be detained at the SMJH. All Title 15 Regulations and mandated services would be provided to these youth at SMJH. The SB Booking Facility would be staffed up to 10 hrs/day, 7 days/wk during the highest density booking hours. During these hours, local law enforcement would bring arrested youth to SBJH for booking. JH staff would receive the youth and complete a booking criteria and intake assessment. If the youth meets booking criteria, she/he would be transported to SMJH by Probation staff for further processing. During off hours, law enforcement would contact Intake Staff at SMJH and provide the booking and probable cause info needed for a booking decision. If the youth meets booking criteria, SMJH staff would contact on-call staff in SB who would meet law enforcement and transport the youth to SMJH. If the youth did not meet established booking criteria, law enforcement would proceed with release to parent.
Probation Total			**-$1,702,411**	**15.90**	
Public Defender	Adult Legal Services	Reduce 1 Deputy Public Defender, 1 Paralegal and 1 Departmental Analyst and various service and supplies accounts related to staff.	-$326,121	-2.94	These reductions will impact support for the Department's ability to provide the minimal level of constitutionally mandated representation.

Total FY 2008-09 Reductions and Impact					
A	B	C	D	E	F
Dept	**Program**	**Description of Reductions**	**Recommended Reductions**	**FTE**	**Service Level Impact Description**
Public Defender Total			**-$326,121**	**-2.94**	
Public Works	Proj Clean Water	Transfer Excess Fund Balance	-$40,500	0.00	No Service Level Impact
Public Works	Proj Clean Water	Suspension of various program elements NPDES	-$80,400	0.00	Unable to fulfill requirements of State issued NPDES permit. Anticipate receiving Coastal Impact Assistance Program grant for half of the reduction. The remaining reduction to be funded by designations within the Project Clean Water fund.
Public Works	Mapping - GIS	Unfund Mapping GIS Supervisor	-$115,000	-1.00	Supervision of the Public Works GIS program to be assumed by County Surveyor. It is anticipated that there will be minimal impacts to the department.
Public Works	Lighting	Return GF Contribution from NC Lighting	-$173,550	0.00	No Service Level Impact
Public Works Total			**-$409,450**	**-1.00**	
Sheriff	Aviation	TIER ONE Reduce Aviation flight hours by 25% from 400 to 300	-$38,250	0.00	Fewer flight hours for aviation resources - reduced on-duty time
Sheriff	Human Resources	TIER ONE Layoff one Polygrapher position	-$46,750	-1.00	Lower capability to perform polygraphs on potential employees
Sheriff	Aviation	TIER TWO: Zero fund mechanic position	-$83,377	-1.00	Eliminates second mechanic position in department. Leaves unit with only one mechanic.
Sheriff	Sheriff Executive	TIER ONE Convert existing Public Information Specialist into full fledged PIO	-$104,730	-1.00	Reduction of one Sheriff Sergeant position from the department. Removes the experienced law enforcement officer quality from the PIO position and replaces it with a civilian counterpart.
Sheriff	Forensics	TIER ONE Shift two Forensic Detective positions into civilian Technician positions	-$106,097	0.00	No change in FTE or service level once new staff are trained.
Sheriff	various	TIER ONE 2 Utility Worker positions vacant	-$111,134	-2.00	One vacancy is in Special Services, which may result in fewer delivery runs and affect the efficiency of the interoffice mail. The other is in Jail Operations, which has an unknown effect until the vacancy is assigned to a unit.
Sheriff	various	TIER ONE Lower overtime	-$123,500	0.00	Overtime removed covered mandatory sworn training & academy assistance
Sheriff	Patrol Operations	TIER TWO Zero Fund Montecito CRD position	-$126,334	-1.00	Eliminates Community Resource Office from Montecito Community.
Sheriff	various	TIER ONE Lower Extra Help needs	-$139,768	0.00	Extra help staff include Cadets, specialists and retired sworn staff that assist in filling department needs
Sheriff	Custody Ops	TIER ONE Custody Lieutenant position vacant	-$162,872	-1.00	Reduces Custody Lieutenant positions by one. Will require a reorganization of staff and may reduce levels of service based which current positions are left vacant
Sheriff	Criminal Records	TIER ONE Reduced Staffing in Criminal Records unit	-$197,462	-3.75	Operation of Criminal Records will reduce from 20 hours per day, 7 days a week to 10 hours per day, 7 days a week. Reduces level of service to Patrol and Custody Operations in data entry and database searches. Greater burden on Consolidated Dispatch to meet off-hour needs
Sheriff	Sheriff Management	TIER ONE Chief Deputy position vacant	-$235,135	-1.00	Reduces Chief Deputy positions from three to two. A Reorganization of the department will be required. The ability to respond to new situations and shifting workloads may be reduced.
Sheriff	Training	TIER ONE Zero Fund two Deputy Training Officers	-$246,141	-2.00	Presence at academies eliminated
Sheriff	Special Operations	TIER TWO Zero Fund two Gang Team Deputies	-$247,266	-2.00	Ability to response to gang threats or develop an anti-gang strategy is reduced. Gang force becomes smaller and potentially less effective
Sheriff	Aviation	TIER TWO Zero Fund two Deputy Observer positions	-$256,299	-2.00	Flight hours capacity is reduced from two crews to one crew plus ground support. Eliminates ability to launch two aircraft simultaneously
Sheriff	Patrol/Civil	TIER ONE 2 Deputy Lieutenant positions vacant	-$365,624	-2.00	Reduces Patrol Lieutenant positions. Will require a reorganization of staff and may reduce levels of service based which current positions are left vacant
Sheriff Total			**-$2,590,739**	**-19.75**	
Treasurer-Tax Collector	Representative Payee Program	Unfund Acctg Asst Senior Position	-$62,989	-1.00	Service will be reduced to the mentally ill requiring a representative payee to handle their finances. Could result is higher rate of homelessness in the county.
Treasurer-Tax Collector	Public Guardian	Unfund Public Guardian Investigator Position	-$65,993	-1.00	Service will be reduced to the elderly and mentally ill requiring conservatorship
Treasurer-Tax Collector	Secured Tax Collection	Delete FSA Analyst II Position	-$128,919	-1.00	Collecting property taxes is a mandated function. Losing staff will reduce expert knowledge and leave county vulnerable should an unplanned emergency occur within county.
Treasurer-Tax Collector Total			**-$257,901**	**-3.00**	
Grand Total			**-$13,679,637**	**-83.43**	

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