



County of Santa Cruz

AUDITOR-CONTROLLER'S OFFICE
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AGENDA: September 25, 2001

September 18, 2001

Board of Supervisors
 County of Santa Cruz
 701 Ocean Street
 Santa Cruz, CA 95060

Dear Members of the Board:

SUBJECT: FINAL BUDGET ACTIONS FOR 2001-2002 FISCAL YEAR

This document is the County Final Budget for fiscal 2001-2002. It reflects the actions taken on the proposed budget from June 18 through June 26, 2001 plus the year end carry forward encumbrance balances.

The budget total is \$396 million, excluding the special districts under your control which total \$136 million. The general fund budget is \$332 million. The total number of positions authorized is 2,758.39. This budget provides reserves/designations for roads, the health facility repayment, the Federally Qualified Health Care phase out and emergencies. Total general contingencies of \$7,654,914 consist of \$5,870,917 restricted and reserved contingencies and undesignated general contingencies of \$1,783,997. During the first two months of the fiscal year, we have posted a reduction in transient occupancy tax collections, interest earnings, and projected sales taxes. Accordingly, these revenues estimates have been recalculated and reduced by \$2.3 million.

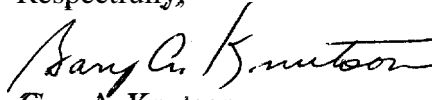
As you know, the national and **high** technology economy has been moving ever and ever closer to being declared a recession. Because of this situation the Federal Reserve has reduced interest rates many times since December and income tax refunds have been made to stimulate the economy. These economic problems are now even more uncertain after the terrorist actions of September 11, 2001 leaving thousands injured and killed, and billions of dollars in property damage. In keeping with these uncertainties and the **risk** associated with the future of the utility tax, your Board needs to exercise fiscal restraint and maintain or even add to its reserves to provide for the continuity of services. Because of your fiscal restraint and availability of one-time monies, the County has been awarded a long term bond

A2 rating from Moody's Bond Rating Agency and a SP+1 short term rate from Standards and Poor's Bond Rating Agency. These ratings have a very positive effect on the County's ability to borrow at lower rates. On September 6, 2001, the County sold its Tax and Revenue Anticipation Notes of \$16 million at an interest rate of 2.489% compared with a rate of 4.28% last year. You should be aware however, that the many uncertainties associated with this year's budget are likely to have **an** effect on our ability to maintain this level of fiscal health.

It is now therefore recommended that your Board of Supervisors take the following actions:

- 1) adopt the resolution approving the 2001-2002 budget for County funds and Special Districts Governed by the Board of Supervisors per Exhibit A.
- 2) cancel various appropriations due to insufficient funding as shown on Exhibit B.
- 3) adopt the attached resolution establishing the 2001-2002 appropriations limitations for the County and Special Districts Governed by the Board of Supervisors per Exhibit C.

Respectfully,



Gary A. Knutson
Auditor-Controller

RECOMMENDED



Susan A. Mauriello
County Administrative Officer

Attachment

cc: County Administrative Officer
County Counsel