

BACKGROUND

The Auditor-Controller's Office closed the 2010-11 fiscal year in mid-August. State law requires that the budget be balanced at fiscal year end and all cost overruns addressed. The Auditor completes this process through numerous year end appropriation transfers and the recognition of additional revenue sources. As provided in state law, some of these transfers must be approved by the Board of Supervisors and are therefore included in this report. The Long Term Financial Plan anticipates a strengthened reporting process for areas of cost overrun in future years.

As required by state law, the Board must adopt a budget by October 2 of each year. The attached resolution and exhibit is based on the recommended 2011-12 budget as approved by the Board of Supervisors on June 14 and as revised by the recommendations included in this memo.

A - Year End Transfers

Appropriation transfers are required to cover expenditures in excess of approved budgets within various budget units and funds as prescribed by state law. The transfer schedule (Attachment B) includes the budget unit description and explanation of the transfer. In many cases department management covered budget overdrafts by transferring unused appropriations from within the department.

The schedule does not include transfers previously approved by the Board of Supervisors at the Midyear and 3rd Quarter budget monitor reports, or any budget units that did not spend all the funds appropriated or had revenues in excess of the original estimates as these are included in the beginning fund balances.

The Auditor-Controller has balanced various department budgets using unanticipated revenues and available fund balance. The following is a list of the most significant transfers:

- General Fund:
 - A gap of \$506,056, shown in the Auditor/Controller-Treasurer/Tax Collector budget in the Year-end Transfers schedule (Attachment A), reflects the expenditures to cover the cost of tax and revenue anticipation notes that were not budgeted. However, the schedule does not include revenue that offsets some of those expenditures, specifically: the premium of \$213,685 and estimated interest earnings of approximately \$147,300 making the net cost of borrowing \$145,071.
 - Increased costs of \$158,588 and revenue that was \$55,000 lower than budgeted in Conflict Indigent Defense, resulting in the use of \$213,588 of fund balance.
 - Cost savings of \$60,626 in General Services – Facilities was insufficient to offset the \$140,903 loss of revenue. The revenue loss was primarily due to reduced service requests from departments, hesitant to invest in facility maintenance and improvements during tight budgets.
 - Human Resources and Special Employee Services both show the use of fund balance because, after the CAO reorganization, salaries were not allocated as they had been originally budgeted due to restructuring that occurred throughout the year.
 - The use of \$278,912 in General Fund fund balance by Sheriff-Animal Services was due primarily to not receiving \$250,043 in anticipated budgeted revenue.

- Health Fund: Increased revenues of \$546,600 and \$583,925 in fund balance are being used to cover \$1,130,525 in additional expenses.
- Public Safety Fund: Increased revenues of \$854,867 and \$648,155 from the Public Safety Fund year-end balance were used to cover \$1,503,022 in additional expenses.
- Other Funds: Increased revenues of \$105,352 and \$515,940 from the year end fund balances covered \$621,292 in additional expenses. (See Attachment B for details)

Currently, the members of the Long Term Financial Plan working group are developing policies for Board of Supervisors consideration that would recognize and reward departments which successfully meet budget expectations. These policies would also strengthen budget accountability by clearly identifying situations where expenditures exceed budgeted limits.

B - Fund Balance Summary Report

The following table identifies the 2011-12 adjusted beginning fund balances for key operating funds. The adjusted beginning fund balance is the amount of fund available at year’s end, less any funds the department budgeted (as carry forward) in the 2011-12 recommended budget. The details of the adjusted beginning fund balance calculations can be found below.

Fund	Beginning Fund Balance on 7/1/11	Fund Balance Budgeted or Designated in initial 11-12 budget	Adjusted Beginning Fund Balance	Additional Fund Balance use Recommended in Final Adopted Budget	Remaining Unallocated Fund Balance
General Fund	\$4,783,835	-\$2,750,000	\$2,033,835	\$1,975,304	\$58,531
Public Safety	\$365,943	\$0	\$365,943	\$141,256	\$224,678
Social Services*	\$4,068,897	-\$1,518,773	\$2,550,144	-\$2,550,144	\$0
Health Services*	-\$753,821	\$0	-\$753,821	\$753,821	\$0
Mental Health*	-\$3,963,255	\$0	-\$3,963,255	\$0	-\$3,963,255
Library	\$1,190,000	-\$331,334	\$858,666	\$0	\$858,666
Roads	\$5,561,368	-\$1,486,748	\$4,074,620	\$0	\$4,074,620
Child Support	-\$18,515	\$0	-\$18,515	\$0	-\$18,515
Fleet Services	-\$20,986	\$0	-\$20,986	\$20,986	\$0
Unemployment Insurance	-\$268,325	\$0	-\$268,325	\$268,325	\$0
Landfill Closure Fund	\$2,638,123	\$0	\$2,638,123	\$0	\$2,638,123

* Fund includes the department operating fund and realignment fund

General Fund (Fund 110)

The general fund has a positive adjusted beginning fund balance of \$4,783,835. This amount includes \$2,750,000, which was used as a funding source in the 2011-12 recommended budget.

B-1 - Recommended action: It is recommended that the fund balance in the General Fund be allocated as follows:

	Recommended Appropriation	Running Total
Beginning General Fund fund balance		\$4,783,835
Previously designated dollars	\$2,750,000	\$2,033,835
Auditor - Unallocated short term borrowing costs	\$200,000	\$1,833,835
Indigent defense - Topete trial increased costs	\$330,000	\$1,503,835
County Counsel - non-tort litigation costs	\$170,000	\$1,333,835
Public Defender - Unallocated personnel transition costs	\$30,000	\$1,303,835
Fleet deficit (temp loan)	\$20,986	\$1,282,849
Airport deficit (temp loan)	\$32,438	\$1,250,411
Veteran's Services (restore mandated training funds)	\$1,200	\$1,249,211
Criminal Justice Fund deficit	\$494,026	\$755,185
Pomona Fund revenue estimate correction	\$428,329	\$326,856
Unemployment Insurance deficit (temp loan)	\$268,325	\$58,531
General Fund share of Landfill loan	\$34,877	\$23,654

Central Landfill Closure Fund Loan Repayment

In 2010-11 the Board of Supervisors approved a \$10.7 million loan from the Central Landfill Closure Fund to the General Fund to cover deficits within the Public Safety (\$2.6 million) and Mental Health (\$8.1 million) funds. Fiscal year 2009-10 was established as the base year for calculating the public safety and mental health loan repayment schedule. The repayment schedule, based on a projected public safety and realignment growth distribution formula, begins January 2012. The actual source of repayment is determined annually. The recommended payment schedule and source for fiscal year 2011-12 is shown below:

Payment Group	Total 2011-12 Payment	Payment Group Share of Payment	2011-12 Source of Payment	General Fund Share of Payment
Public Safety	\$169,507	\$141,256	2010-11 Fund Balance	\$28,251
ADMH	\$39,755	\$33,129	2011-12 Realignment Growth	\$6,626
Total	\$209,262	\$174,385	N/A	\$34,877

ADMH's repayment is based on estimated realignment growth, since the final figure will not be available until December/January. At that time the actual growth amount will be put into the repayment schedule and a final payment amount for fiscal year 2011-12 determined based on the agreed upon growth distribution formula.

It is important to note that since the funds used to make the central landfill loan remain in an interest bearing account with the interest continuing to accrue to the landfill closure fund, no interest payments are required.

B-2 - Recommended action: It is recommended that the aforementioned repayment schedule fund the 2011-12 loan payment.

Public Safety Fund (Fund 117) & Public Safety Grant Fund (Fund 116)

The total Public Safety Fund has a combined positive adjusted beginning fund balance of \$365,943. This balance includes a loan of \$2.6 million from the Central Landfill Closure Fund made at the beginning of last fiscal year to cover the previous year's deficit. It also includes a current deficit in Fund 116 of \$120,483, which is the result of not receiving budgeted revenue anticipated for vertical prosecution in 2010-11. The loan payment of \$141,256 brings the available fund balance to \$244,687.

B-3 - Recommended action: It is recommended that \$244,687 be allocated to a Public Safety Fund contingency consistent with the Board of Supervisors new reserve policy.

The District Attorney and DESS have agreed upon a Memorandum of Understanding that adds an additional DA Enforcement Officer to the Early Fraud Investigation unit. Funding for this position will come from the CalWORKS & Cal Fresh allocation.

B-4 - Recommended action: It is recommended that a DA Enforcement Officer position be added in the District Attorney's office to increase the investigation of welfare fraud.

Social Services Fund (Fund 111 & 167)

The Social Service fund has a positive adjusted beginning fund balance with unallocated funds of \$4,068,897.

Although \$1.4 million is from one-time 2008/09 and 2009/10 state closeout dollars, the remaining amount is from a myriad of savings and overpayments from the state. Notwithstanding, it must be noted that the department has done a commendable job attaining positive fund balances over the last two fiscal years.

Of the \$4.06 million, \$1.52 million is restricted or already designated. More specifically:

- Approximately \$420,000 is owed back to various state agencies to repay CalWORKs, Food Stamps and Foster Care debts;
- \$260,000 is held in Trust for clients;
- \$750,000 was already included to cover a state closeout;
- \$89,000 is additional realignment funds.

The remaining \$2.55 million are general fund dollars.

The department had already included \$370,000 in fund balance in their 2011-12 budget. They have also requested \$300,000 of these funds be set aside to remodel the West Sacramento facility in

preparation for the Probation Department’s co-location efforts. In addition, \$100,000 has been requested to begin planning efforts for Realignment II and AB 109 implementation. If approved by the board, these actions will reduce the available fund balance amount to \$2.1 million.

B-5 - Recommended action: It is recommended that the fund balance in the Social Service Fund be allocated as follows:

	Recommended Appropriation	Running Total
Beginning Social Service Fund fund balance		\$4,068,917
Already designated or restricted	\$1,518,773	\$2,550,144
Already included in 2011-12 budget	\$370,000	\$2,180,144
West Sac office remodel	\$300,000	\$1,880,144
Realignment II and AB109 planning efforts	\$100,000	\$1,780,144
Health Department’s 2010-11 year end deficit	\$753,821	\$1,026,323
Indigent Health 2011-12 budget adjustment	\$600,000	\$426,323
Public Authority budget deficit	\$158,000	\$268,323
Health and Human Services contingency	\$268,323	\$0

Previously there has been Board member interest in increasing the number of Child Welfare Services (CWS) workers to hopefully meet State overmatch revenue requirements and thus obtain additional funding. Due to low staffing levels over the last couple of years, a number of new practice protocols were implemented in order to take advantage of the available experienced staff. Staff believes that with the recent reduction in caseloads the current staffing levels are sufficient to achieve the department goals in CWS and maintain the safety of at risk youth in Yolo County. However new positions are being considered that would help the department manage additional projects and changes to the Department of Employment and Social Services (DESS) programs that are on the horizon, such as healthcare reform, automated computer systems like CMIPS II and document imaging.

Thus, while DESS does not recommend additional CWS positions at this time, it is recommended that a Division Manager and Fiscal Director position be added to more effectively manage the department’s \$76.7 budget. (See Attachment C for a more detailed department explanation.)

B-6 - Recommended action: It is recommended that a Division Manager and Fiscal Director position be added in DESS to more effectively manage the department’s budget.

Health Services Funds (Fund 114 & 163)

The Health Services Fund has a deficit adjusted beginning fund balance of -\$753,821. It is recommended that the Social Services fund balance described above be used to offset this negative deficit.

The department’s total deficit is the result of three primary factors: one, continued increased expenses associated with indigent health (41%); two, an unexpected reduction in revenues and higher than expected expenditure use in Children’s Medical Services (42%); and a higher than expected increase in community health expenditures (9%).

The indigent health portion of the deficit (\$308,242) is in addition to the \$2.3 million the board authorized in the prior year to assist with anticipated budget overruns. The final 2010-11 year end figure for the indigent health was \$7.3 million. The final 2009-10 year end figure was \$6.7 million.

The department is reviewing the factors related to the Children's Medical Services deficit and that of community health to determine what changes need to be implemented in the current fiscal year to avoid such shortfalls at year end.

It is recommended that \$1,353,821 in Health and Human Services Contingency be used to offset the Health Department's 2010-11 year end deficit (\$753,821) and to increase the indigent health budget (\$600,000) for fiscal year 2011-12. Since the implementation date for the Low Income Health Program (LIHP) has been delayed until July 2012 when Partnership HealthPlan of California (PHC) can help administer it, the proposed budget increase will allow for a \$6.1 million operational budget and a continued \$600,000 indigent health contingency to exist. In addition, the department is in the process of fully implementing various program efficiencies in order to stay within its targeted operational budget in the current fiscal year. (This recommended action is part of B-4, appropriating Social Service Fund fund balance.)

B-7 - Recommended action: It is recommended that an additional Outreach Specialist II (Limited Term) position be approved to assist with the Immunization Assistance Program (IAP). (See Attachment D for a more detailed department explanation.)

Mental Health Fund (Fund 196 & 165)

The Mental Health Managed Care Fund is in deficit by \$3,963,256. Of this amount, \$3.2 million is related to estimated cost settlements from 2005-11 and another \$0.8 million is due to pending SB 90 audit liabilities the department is still appealing and which were not known at the close of 2009-10.

The cost settlement report associated with 2004-05 was recently finalized. The department's appeal reduced the original audit figure from \$1.4 million to \$1.1 million, which equated to a \$315,526 reduction. The 2005-06 cost settlement report is still pending, however the department is anticipating a \$90,000 reduction from previous cost settlement estimates. As a result of these latest appeal results, ADMH is currently reassessing its future cost settlement estimates to see if adjustments will be required moving forward. Staff will update the Board with a more comprehensive report describing the remaining cost settlement related fund deficit, and any recommended actions, once this analysis is complete.

Notwithstanding, these past cost settlement adjustments and recent SB90 audit findings from 2002-03, 2004-05 and 2005-06, the department's year-to-year operational budget has been balanced for the past two years. Furthermore if realignment growth arrives as anticipated, repayment of the loan is scheduled to begin in 2012.

Library Fund (Fund 140)

The Library Fund has a positive adjusted beginning fund balance of \$1,190,000, an increase of \$264,583 over the prior year. The 2011-12 recommended budget includes use of \$331,344 of fund balance.

Road Fund (Fund 130)

The Road Fund has a positive adjusted beginning fund balance of \$4,074,620. It is common for this fund to have large fund balances as construction projects and the associated funding extend over many fiscal years.

Child Support Fund (Fund 115)

The Child Support Fund has a negative adjusted beginning fund balance of -\$18,515. This was partially the result of the full cost of new computer equipment recorded in 2010-11 but getting reimbursed for depreciation over a five year period. The remaining portion of the deficit is caused by the county being on an accrual basis for payroll and the State on a cash basis. Staff is confident that revenue will be available in the 2011-12 budget year to cover this deficit.

Child Support has reorganized its workforce over the last several years and Human Resources is currently examining the Administrative Clerk II classification and recommending a title update to Child Support Assistant. Child Support is recommending that as part of their reorganization, three new Child Support Assistant positions be allocated. These positions would be funded by state funds and would not require General Fund revenue.

B-8 - Recommended action: Add three new Child Support Assistant positions in Child Support.

Criminal Justice Fund (Fund 180)

The Criminal Justice fund began the fiscal year with a deficit beginning fund balance of \$494,026. This was primarily a result of an unanticipated court audit adjustment of approximately \$400,000 covering the period of 7/1/02 through 6/30/08. This amount must be backfilled because this fund balance was included as revenue within the 11-12 budget.

B-9 - Recommended action: It is recommended that \$494,026 of General Fund fund balance be used to cover the deficit in the Criminal Justice Fund.

Pomona Fund (Fund 154)

The Pomona fund began the fiscal year with a beginning fund balance of \$196,671. A deposit of \$232,000 was made in July to bring the fund to \$428,671. However, the Auditor determined that \$327,000 is needed to fund the Demeter Endowment Fund in accordance with previous Board direction, leaving \$101,671 as carry forward fund balance. Additional revenue of approximately \$900,000 is anticipated during this fiscal year which will bring the total amount available to \$1,001,671. The 2011-12 recommended budget includes an appropriation of \$1,430,000, thus leaving a \$428,329 shortfall.

B-10 - Recommended action: It is recommended that \$428,329 of General Fund fund balance be allocated to cover the 2011-12 shortfall.

Fleet Services (Fund 184)

The Fleet Service Fund has a deficit adjusted beginning fund balance of -\$20,986. This is a substantial improvement from 2009-10, and the department anticipates coming to the Board with

updated strategies in the near future. Fleet Services is an Internal Service Fund, and as such, expenditures should not exceed revenues generated from payments for service. The recent cost saving strategies implemented by fleets, together with the newly proposed operational changes, if approved by the Board, are anticipated to result in a more cost effective and manageable fleet operation.

B-11 - Recommended action: It is recommended that General Fund fund balance be used to eliminate the current deficit while efforts continue to strengthen the Fleet Services program.

Unemployment Insurance Fund (Fund 187)

The Unemployment Fund has a deficit adjusted beginning fund balance of -\$268,325. Historically, this fund has been relatively stable, but during the past few years it has been impacted by a large number of staff layoffs and increasing costs for the extension of time the unemployed receive benefits as enacted by the federal government.

Departments are charged rates based on past claims so there is a lag between higher charges and recouping those rates from departments. Unemployment claims have decreased the last two quarters, so increased rates to departments should cover the current deficit in the future.

B-12 - Recommended action: It is recommended that the current deficit be eliminated with an interim loan of \$268,325 from the General Fund.

C - Appropriation of Additional Funds

C-1 - Recommended action: Update appropriations of new funds recently made available to departments by the state and other revenue sources, including:

- \$500,000 in Williamson Act property assessments (\$200,000 appropriated to an Agriculture contingency to be used to meet Ag MOE as previously directed by the Board, if other funds are unavailable, \$100,000 used to restore General Fund for previous MOE contribution and \$200,000 added to General Fund Reserve in accordance with the newly adopted County reserve policy;
- \$1,459,064 to the Planning and Public Works budget to pay for consultant services, plus additional costs for staff time which will be fully reimbursed by the applicants for the Dunnigan Specific Plan;
- \$60,500 to the Sheriff and \$26,163 to the District Attorney from the State Indian Gaming Special Distribution Fund;
- \$415,000 in the CAO Administration budget for Delta work associated with revenue coming from outside revenue sources;
- All others incorporated into Exhibit 1 (Attachment B).

D - State realignment of services (AB 109, etc.) – Implementation of the state realignment of services will take further Board action. The Sheriff and Probation will return to the Board on October 11, 2011 to present 2011-12 budget and staffing revisions related to this implementation.

E - State 2011-12 Budget Triggers

The 2011-12 state budget included a so-called “trigger reductions” mechanism, by which the state will enact mid-year budget reductions should state revenues not achieve anticipated targets.

AB 121 directs the Director of the Department of Finance, by December 15, 2011, to develop an updated revenue forecast for 2011-12 general fund revenues and to compare the forecast to that prepared by the Legislative Analyst’s Office in November 2011. If the higher of those two forecasts is less than \$87,452,500,000 (i.e., revenues are short of budget act estimates by more than \$1 billion), Section 3.94(b) becomes operative and triggers reductions totaling \$601 million to occur on or after January 1, 2012.

These reductions are as follows:

Reduction	Description
\$100 million to the University of California	Unallocated reduction
\$100 million to the California State University	Unallocated reduction
\$100 million to the Department of Developmental Services	Department is directed to convene stakeholder working groups to develop savings proposals
\$100 million to Department of Social Services In-Home Supportive Services	Across-the-board 20% service hour reduction
\$72.1 million in increased county charges for youthful offender placements in Division of Juvenile Justice	Beginning January 2, 2011, counties would be charged an annual rate of \$125,000 for every youthful offender committed to a Division of Juvenile Justice facility; payments would be required for any youthful offender in DJJ’s jurisdiction on or after January 1, 2012, regardless of commitment date.
\$30 million to California Community Colleges	Results in a \$10 per unit fee increase
\$23 million to Department of Education Child Care	Across-the-board reduction of 4%
\$20 million to the Department of Corrections and Rehabilitation	Unallocated reduction
\$15.866 million to California State Library	Eliminates all state grant funding for local library services
\$15 million to the California Emergency Management Agency Vertical Prosecution Grants	Eliminates funding for District Attorneys’ Vertical Prosecution grants
\$15 million to the Medi-Cal program	Extends provider cuts and copayments to the Medi-Cal Managed Care Plans
\$10 million to Department of Social Services In-Home Supportive Services	Eliminates funding for IHSS Anti-Fraud grants

If the higher forecast projects revenues less than \$86,452,500,000 (i.e., revenues are short of budget act estimates by more than \$2 billion), Section 3.94(c) becomes operative and triggers additional reductions totaling \$1.86 billion to occur on or after January 1, 2012, as follows:

Reduction	Description
\$248 million to the Department of Education Home-to-School Transportation	Eliminates funding for the Home-to-School Transportation program
\$72 million to California Community Colleges	
\$1.5 billion to K-12 education	Eliminates seven days of school

If both sets of trigger reductions are effectuated, they will total \$2.461 billion.

SB 73 contains additional statutory direction on how the cuts to In-Home Supportive Services (IHSS), Developmental Services, and Medi-Cal Managed Care would be effectuated. The measure contains detailed provisions on the appropriation of the 20 percent reduction in authorized hours for IHSS recipients. SB 73 also establishes an IHSS Care Supplement application for recipients who believe he or she is at serious risk of out-of-home placement due to the reduction in hours. The state will develop an assessment tool for counties to use to determine who is at risk of out-of-home placement.

F - Areas for Further Analysis

- Information Technology Plan — The Information Technology workgroup is nearing completion of a draft strategic plan for Board review. This plan will likely recommend an updated funding strategy. In the interim, however, there is a need for increased investment in IT. For example, over 700 employees are now using computers older than six years old; another approximately 800 employees are using computers that are five years old. Staff recommends that \$200,000 General Fund be set aside in an IT hardware contingency. This contingency could act as seed money for the IT strategic plan by allowing replacement of the oldest hardware and equipment now; future replacement funds would then be developed over time through the new funding methodology.
- Capital Improvement Plan (CIP) — A workgroup is currently working to update the Capital Improvement Plan. Upon completion of the plan the group will work with the Long-term Financial Plan group to review and discuss funding strategies.
- Fleet Services Plan — The recently transferred Fleet Services division now under PPW has completed a major review of the organizational structure and operations. Staff will present the findings and recommendations to the Board next month. Due to the growing fleet deficit during the 2010/11 fiscal year, some immediate budget saving strategies were implemented with positive results (i.e., reductions in administrative staffing overhead, improved scrutiny of costly repairs, and additional fleet reductions). In the intervening months, PPW explored a wide array of operational alternatives, met with the fleet customers to discuss their departmental needs, and provided a menu of recommended fleet operational changes. In addition, departments were invited to participate in a new ad hoc Fleet Advisory Committee to address any customer concerns, update the county fleet policies, and to assist in the development of a vehicle replacement program.
- Long Term Financial Plan — As part of the Long-term Financial Plan project authorized by the Board, the Long-term Financial Plan group (LTFP group) identified financial policies that needed to be revised to support the County's effort toward financial sustainability. Four revised policies were approved by the Board on June 7, 2011 concerning the way the County tracks costs, calculates fees and charges out to recover its costs; they also described a plan to build the financial cushion that the County needs to provide some degree of stability when resources are insufficient to cover costs.

Other policies that will follow at a later time pertain to budgeting, grant funding, capital assets and internal control. Over time, these financial policies will gradually improve the County's cost recovery and revenue collection, as well as strengthen financial resiliency.

- State realignment of services (AB 109, etc.) — Implementation of the state realignment of services will take further Board action. Involved departments will return to the Board with future budget revisions related to this implementation.

- Labor — The current two-year concessions from employees expire June 30. Over the coming months, staff will need to determine what impact that has on our 2012-13 fiscal picture and begin discussions with bargaining units as we near April of next year. Two impacts that have yet to be formally adjusted in this budget year is the settlement reached with the Supervisor's Association regarding parity with the General Unit. Should that settlement result in budgetary constraints, additional adjustments may be necessary. Additionally, there is a previously negotiated Deputy Sheriff total compensation survey occurring in October. Should that survey result in a salary adjustment, it will be necessary to review the Sheriff's Budget to determine if any modifications are required.

G - Future Risk Factors

Though the County's fiscal condition has begun to stabilize, the budget remains at best, precariously balanced. Previous analyses have demonstrated that absent continued organizational change, the General Fund remains overcommitted in future years. In addition, in the near term, there are several risk factors as described below which may impact the budget. It is for these reasons that staff recommends maintaining strengthened fund contingencies.

- State budget—The possibility of midyear State Budget action remains as the possibility of the triggers being implemented increases.
- Realignment—With AB 109 featured most prominently, restructuring of the state and local relationship will undoubtedly lead to unanticipated outcomes and costs.
- Economy—Recent economic reports indicate suggest economic growth has slowed. While most economists suggest a second dip is unlikely, future economic conditions remain uncertain.
- Low Income Health Program (LIHP / YCHIP)—The YCHIP/LIHP program remains in transition. The budget estimates used in this memo rely on actions not yet taken, thus the final fiscal outcome is uncertain.
- Intergovernmental Transfers (IGT)—This new revenue source is subject to State timelines and may not be received in 2011-12.
- Labor Negotiations—Most labor contracts expire in 2012. Until long term sustainable contracts are executed, the largest portion of the County budget, labor costs, will be uncertain.
- Delta-related activities—There has been tremendous success in the last year in obtaining outside revenue to fund numerous research projects. That said, the continued need to participate in these planning efforts will impact the budget.
- Assessment appeal outcomes—Continued increases in the number of appeals raises the potential for reduced future property tax revenue.
- Increased reliance on grant funding/continuity—Departments such as the DA and Probation depend on grant funding to maintain staff positions. The last year has seen this grant funding threatened both at the State and Federal level.

G-1 - Recommended action: Appropriate remaining 2011-12 beginning fund balances into contingency, bringing the General Fund contingency to \$2,578,741 to mitigate any potential impacts from the State 2011-12 Budget "Triggers" or economic uncertainty.