



COUNTY OF YOLO

Office of the County Administrator

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June 12, 2012

Yolo County Board of Supervisors
625 Court Street, Room 204
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Subject: County of Yolo Recommended Budget 2012-13

Dear Members of the Board of Supervisors:

With this letter, I submit for your consideration the 2012-13 Yolo County Recommended Budget. It is presented as the County Administrator's recommended budget and adjusts departmental expenditures and revenues for the coming fiscal year, meeting State requirements and addressing Board of Supervisors adopted policies. On June 12, and 13 if needed, the Board of Supervisors has scheduled public hearings to consider this recommended spending plan at which time the Board may add, delete or modify this recommended budget. This letter is intended to highlight some of the expectations and assumptions used in creating the budget. The board agenda item presented on June 12 will include a staff report describing the significant changes, pending issues and areas of risk that comprise the recommended budget in greater detail.

Total expenditures for the county are recommended in the amount of \$334,786,668 with general purpose revenues of \$56,444,456 which represents a reduction of \$1,408,338 from the 2011-12 estimated general purpose revenue. Capital expenditures are recommended at \$2,540,495. The Recommended Budget results in a 2012-13 net operating budget (total budget less internal transfers, capital projects and debt service) of \$299,736,653.

This budget reflects known revenue and expenditure projections for the 2012-13 budget year; however, it does not include any other State Budget related adjustments. This baseline budget is designed as a temporary bridge until a more permanent strategy is developed after the passage of the State Budget. We anticipate these changes will be addressed at the County's Adopted Budget hearings, which could occur as early as August; however, the actual date will be dependent upon final State Budget adoption.

The 2012-13 budget represents the fifth annual budget since the onset of the recession, is balanced, and the only positions scheduled for layoff can be retained if AB 109 funds are allocated to the subject departments. However, it is based on assumptions that agreements will be reached with our labor groups to continue labor cost savings. If labor cost savings are not maintained it is likely additional cuts and layoffs will be necessary at midyear. Additionally, due to the interconnected nature of the County and the State, once final action on the State Budget is taken it is possible additional layoffs may be necessary.

It is recommended the Board of Supervisors defer further program reductions, restorations or augmentations until the Adopted Budget hearing, at which time additional information including updated revenue trends, final State Budget actions, labor agreements and 2011-12 closing fund balance information will be known.

The recommended budget also relies upon the assumptions noted below.

Maintain the current General Fund reserve levels. The 2008-09 and 2009-10 budgets relied heavily on the use of one-time funds, including most notably the General Fund reserve, to fund ongoing program needs. For 2010-11, the Board of Supervisors directed that the remaining General Fund reserve be maintained for unexpected emergencies, and in 2011-12, the General Fund reserve was augmented to be compliant with the Board policy on Fund Balances and Reserves. It is recommended that the General Fund reserve continue to be maintained at its current level and reviewed at Adopted Budget hearings for possible augmentation in accordance with the Board's Reserve Policy.

Creation of an adequate contingency. The 2012-13 fiscal year includes many known budget risks. The State Budget, an evolving indigent health care program, changes to mental health services funding, and unstable revenue projections represent key concerns as staff constructs the 2012-13 budget. As an example, several public safety budgets include the need for additional 2011 Public Safety Realignment revenue. While we know the funding is available, it requires the Community Correction Partnership to determine its use. In addition to the aforementioned risks, specific uncertainties identified for 2012-13 include:

- State budget
- AB 109 implementation
- Indigent Healthcare Program (CMSP) implementation
- Continued labor concessions
- Delta related analysis and advocacy
- Assessment appeal outcomes
- Continued effects of the economy

To prepare for unexpected fiscal actions, the preliminary estimate includes a \$2 million General Fund contingency.

More information will be available on a number of variables at the time of the Adopted Budget hearings, including the State Budget, actual closing fund balances and revenue trends. These variables will be considered in the recommended contingency level included in the Adopted Budget. Budgeted contingency is available for Board appropriation throughout the 2012-13 year should unexpected needs arise. Any unused contingency may also provide additional funding flexibility in crafting the 2013-14 budget.

Creating a solid base for long term financial planning. Although economists and other experts conclude the recession has ended, the economy is fragile and unemployment remains high. California's recovery will be slow with governmental revenue recovery lagging behind the remainder of the economy. By maintaining the existing General Fund reserve, seeking to increase the General Fund contingency at Adopted Budget hearings and including a balanced array of cost reductions comprised of program restructuring, elimination of vacant positions and employee concessions throughout the organization, the proposed budget scenario supports long term financial planning.

Budget Forecast

Current economic and budget projections describe an uncertain future. Even as the economy proceeds through a gradual recovery, Yolo County continues to experience unprecedented unemployment levels and slow job growth. Similar to the 2011-12 budget, the 2012-13 budget continues to reflect flat local general purpose revenues and a reduction in certain grant programs such as vertical prosecution and pre-trial programs.

Background

The figures below describe historic year trends for net operating budgets and total workforce. Since the recession began in 2008-09, revenues and expenditures have dropped by nearly \$15 million (Figure 1) and funded positions have dropped by 436 (30%). The number of Yolo County employees per 1,000 residents is now the lowest in more than twenty years (Figure 2).

Figure 1. Ten Year Trend – Yolo County Budget

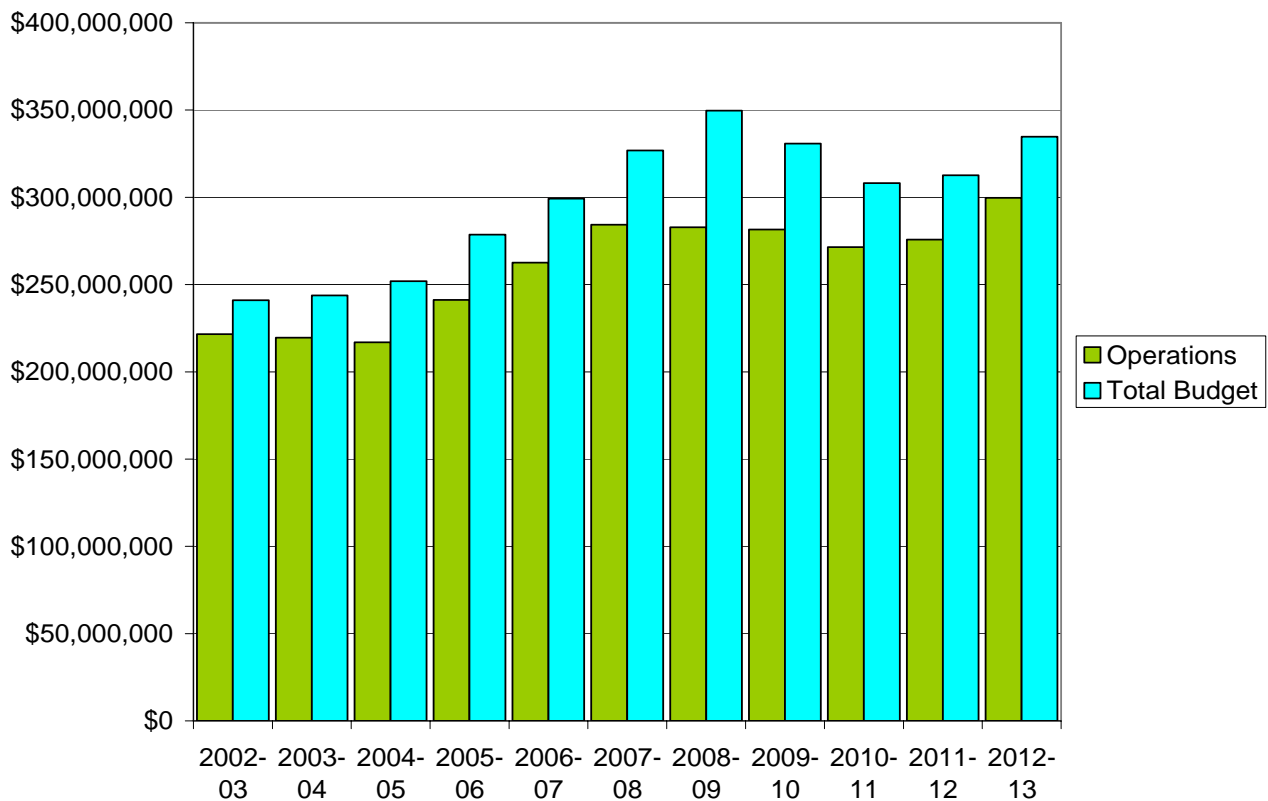
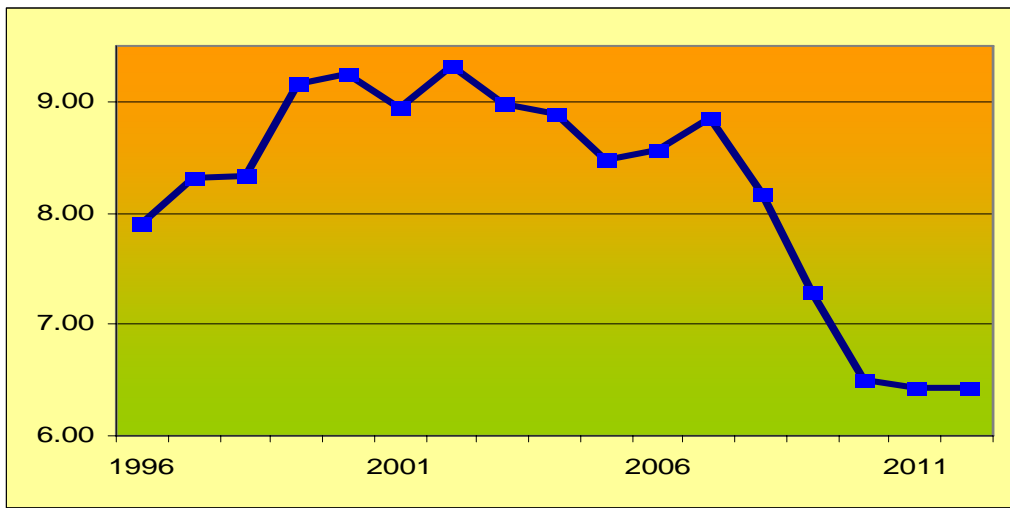


Figure 2. Number of Employees per 1,000 residents



There are signs of improvement on the horizon. Some County revenues, notably Public Safety, Sales Tax and Realignment revenues have also stopped their steep declines and have begun a slow recovery.

Figure 3. Total Spending by Program Area

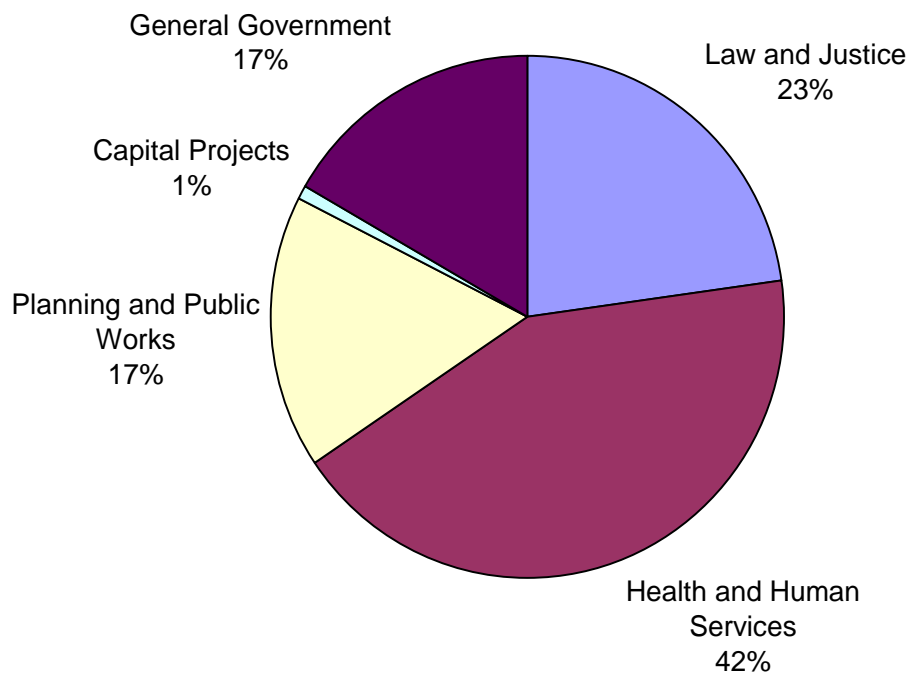


Figure 4. General Fund Spending by Program Area

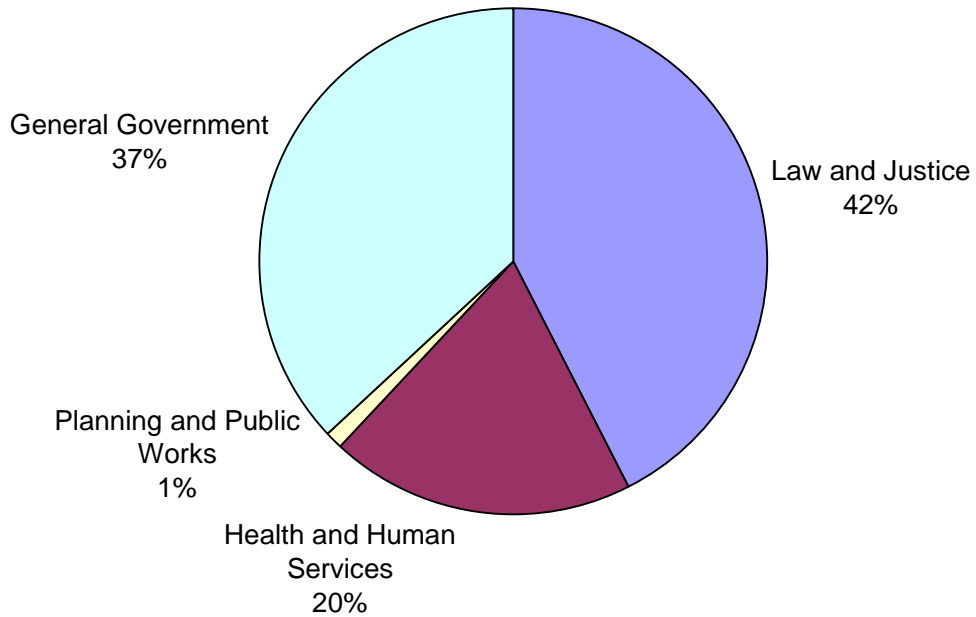


Figure 5. Sources of Total County Funds

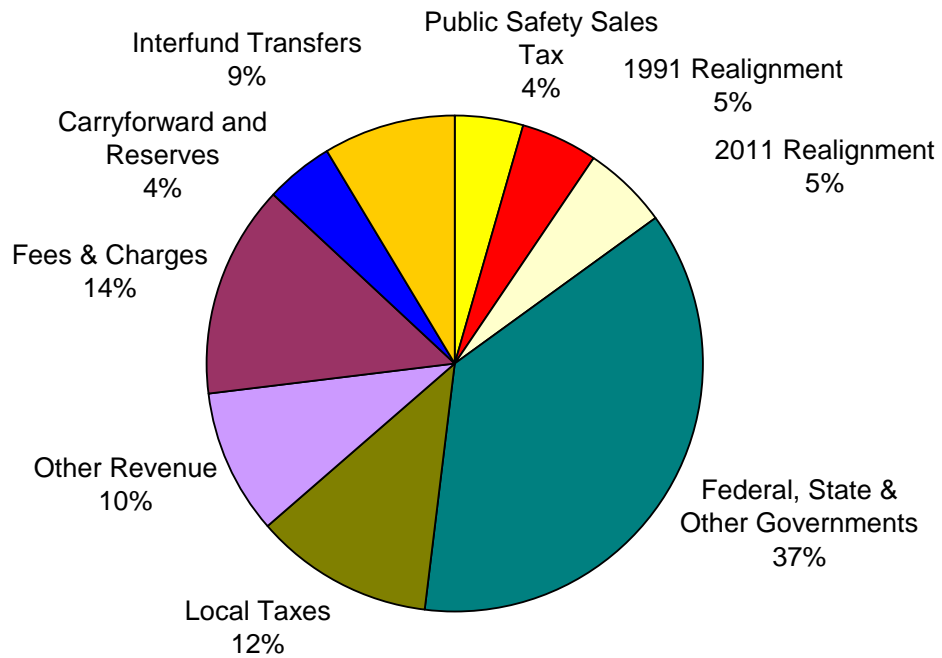
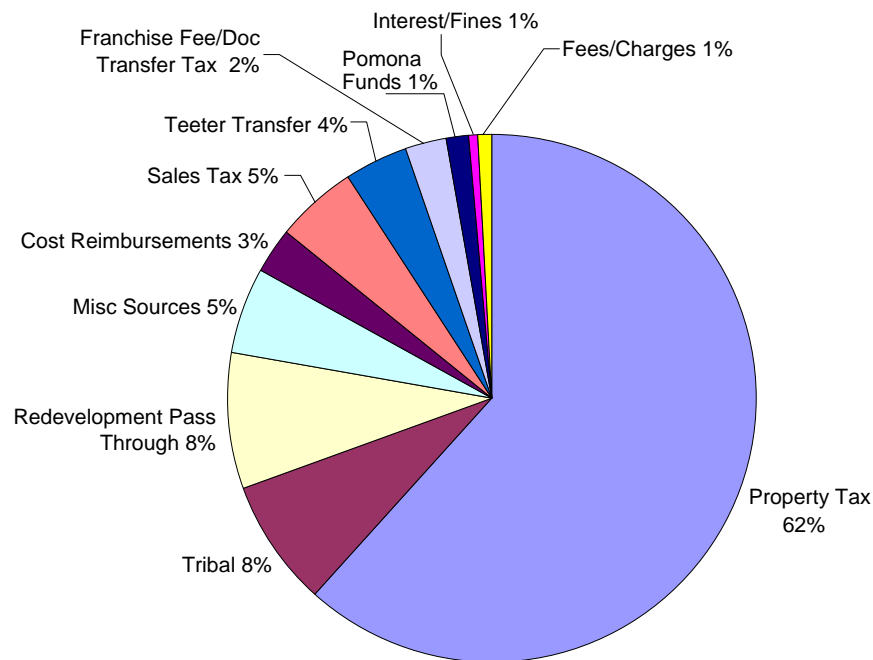


Figure 6. Sources of County General Fund



Fiscal Year 2012-13 Recommended budget

The Yolo County budget is composed of seven major funds and a large number of smaller special funds, internal service funds, enterprise funds, debt service and capital project accounts. The recommended budget includes:

General Fund	\$32,641,145
Employment & Social Services Fund	\$71,292,254
Public Safety Fund	\$71,122,894
Medical Services and Indigent Healthcare Funds	\$23,664,713
Mental Health Fund	\$20,308,752
Road Fund	\$20,591,763
Library Fund	\$6,232,833
Child Support Services	\$5,927,356
Cache Creek Area Plan	\$1,120,526
Interfund transfer from General Fund	\$30,141,145

The total budget of all funds pays for a wide variety of services, programs and projects that are financed by many revenue sources including grant funds, State and Federal revenues, and numerous fees that are acquired in exchange for providing requested services to members of the public. When all of these funds and sources are combined, and internal transfers are taken out to avoid double counting, the fiscal year 2012-13 recommended budget totals \$334,786,668.

Pomona Funds

Though Pomona Funds have historically been appropriated separately from the budget, for 2012-13, with the Board of Supervisors concurrence, and similar to 2010-11 and 2011-12,

\$786,000 million in Pomona Funds have been allocated in the recommended budget in support of indigent healthcare.

Capital Improvements and Debt Service

The capital improvement budget is financed by State grants, development impact mitigation fees, Accumulative Capital Outlay funds and certain special revenue funds. The recommended budget for capital improvements is \$2,540,495.

Road Fund Projects are proposed in the amount of \$10.4 million.

Debt service remains low – only \$2,740,325, representing less than 1% of the total budget. Debts currently being paid include the West Sacramento County Service Center, the District Attorney’s building, Davis Library and the Megabyte property tax computer system.

Reserves

During years when the County was experiencing growth, primarily in property taxes, the Board of Supervisors put aside funds to be spent as necessary in recessionary times, which helped moderate reductions in 2008-09 and 2009-10 and preserve core county services. Since 2010-11, the recommended budget has maintained the remaining reserve as well as modestly increasing it in accordance with this Board’s Fund Balances and Reserves policy. This reserve is to be used in the event of a catastrophic event or major unexpected cost and serves as a fiscally prudent backstop to more than \$300 million in County expenditures.

The recommended maintains the following remaining reserve balances:

General Fund Reserve	\$4,341,665
Reserve for Unfunded Liabilities	\$890,000
Other Post-Employment Benefits (OPEB) Trust	\$500,000
Reserve for Other Post Employment Benefits	\$600,000

The County of Yolo continues to benefit from an engaged, skilled and dedicated workforce who should be recognized for their ongoing commitment to quality, service and integrity. I wish to thank our department heads, budget staff, the Auditor-Controller and fiscal staff throughout the County whose hard work contributed to the creation of this budget. I also wish to acknowledge the Board of Supervisors for focusing attention on long term financial planning which already is showing dividends as the County’s fiscal health begins to strengthen.

Respectfully submitted,



Patrick S. Blacklock
County Administrator

County of Yolo

Recommended Budget 2012-13 & Annual Report 2011-12

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