



Budget Bulletin

County of Yolo

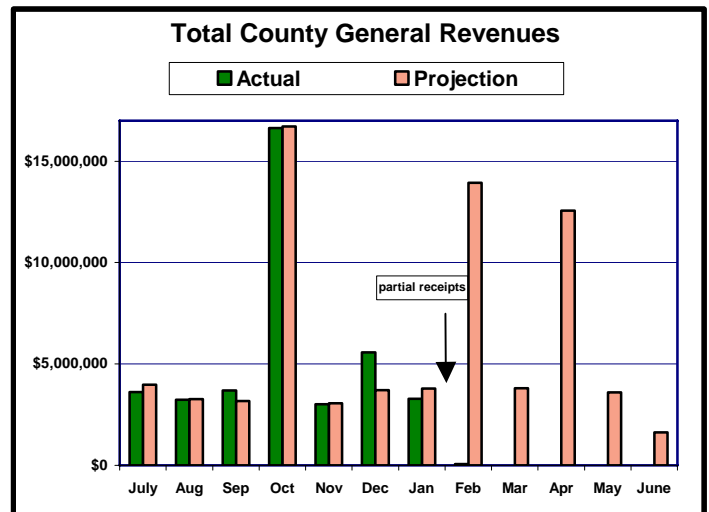
March 2007

General Revenues

General revenues are on target to meet the amounts projected in the 2006-07 Budget. General revenues consists of the top 4 unrestricted and partially restricted revenue sources, which are projected to generate approximately \$75 million in 2006-07. This is 25% of the total funding for the \$299 million budget.

The charts and narrative on page 3 of this report illustrate the comparison of actual and forecasted general revenues for the month of January, the most recent month to report the receipt of all revenue. The receipt of these revenues in the county's treasury may be delayed by up to two months from when they were initially collected. To accurately compare figures the amounts are shown under the month that they were first collected at the state or retail site.

- Total receipts for the month of January were \$503,868 (13.3%) less than the projected amount of approximately \$3.79 million. The shortfall was primarily the result of a \$480,112 shortfall in Realignment revenue. General sales tax was short of projection by \$96,642. Public safety sales tax was also short of projection by \$59,269. An increase in property tax revenue of \$132,155 partially offsets a portion of the overall shortfall. While there is a revenue shortfall for the month, the year-to-date total is an increase of \$541,918.



2006-07 Actual Versus Projected County General Revenues

Revenue Source	JANUARY				YEAR-TO-DATE			
	Projection	Actual	Change	Percent Change	Projection	Actual	Change	Percent Change
Property Taxes	\$ 88,190	\$ 220,345	\$ 132,155	149.9%	\$ 13,457,310	\$ 13,892,359	\$ 435,049	3.2%
General Sales Tax	\$ 355,532	\$ 258,890	\$ (96,642)	-27.2%	\$ 1,356,990	\$ 1,437,854	\$ 80,864	6.0%
Public Safety Sales Tax	\$ 1,217,517	\$ 1,158,249	\$ (59,269)	-4.9%	\$ 9,251,617	\$ 9,170,401	\$ (81,216)	-0.9%
Realignment Revenue	\$ 2,130,619	\$ 1,650,507	\$ (480,112)	-22.5%	\$ 13,633,211	\$ 13,740,432	\$ 107,221	0.8%
Total	\$ 3,791,858	\$ 3,287,991	\$ (503,868)	-13.3%	\$ 37,699,128	\$ 38,241,046	\$ 541,918	1.4%

State Budget

As reported in the Department of Finance, March Finance Bulletin, the state's year-to-date revenues are \$847 million (1.4%) below the amount estimated in the budget. This is a modest decrease that will certainly be monitored by the Department of Finance and state officials in preparing the 2007-08 budget.

Job growth in 2006 was stronger than anticipated averaging a monthly gain of 21,700 jobs. The state's unemployment rate remains at low relatively low levels at 4.8 percent.

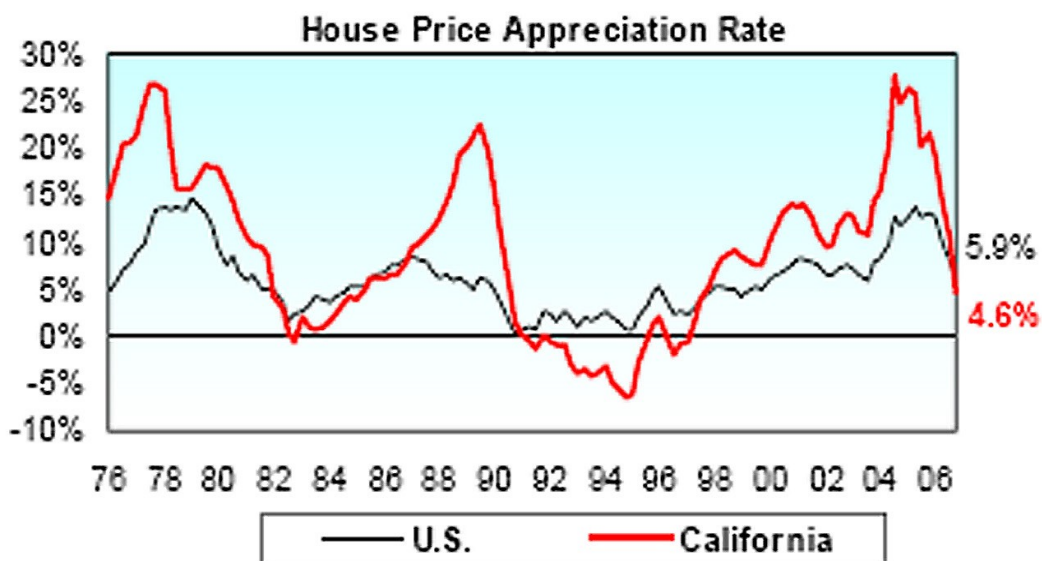
As described in prior Budget Bulletins, the state still faces a sizeable and growing budget gap beginning in 2007-08. As reported by the Legislative Analyst Office, the state will face shortfalls of \$5 billion in both 2007-08 and 2008-09, "which will require significant actions to eliminate". These gaps could widen if the economy stalls.

Economic Update

There is substantial evidence that the economy is slowing, primarily as a result of the decline in the residential housing market; however, employment remains strong. Consumer confidence and spending remain positive and are not anticipated to compound the impacts on the economy from the housing sector slowdown.

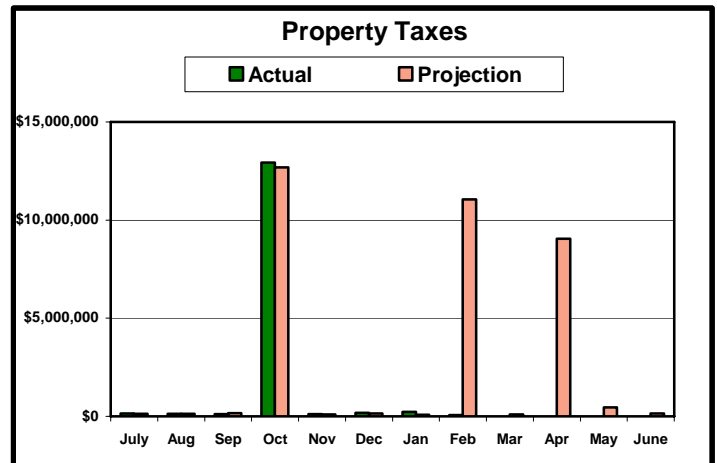
In its first quarterly report of 2007, the UCLA Anderson Business School Forecast predicts that the California and U.S. economies are headed for a "soft landing". The slowdown in the housing sector alone will not trigger a recession. However, other pundits have identified economic indicators that warn of the possibility of a recession in 2007.

The following chart illustrates the rapid decline in the appreciation rate for residential housing and provides a historical perspective on the decline.

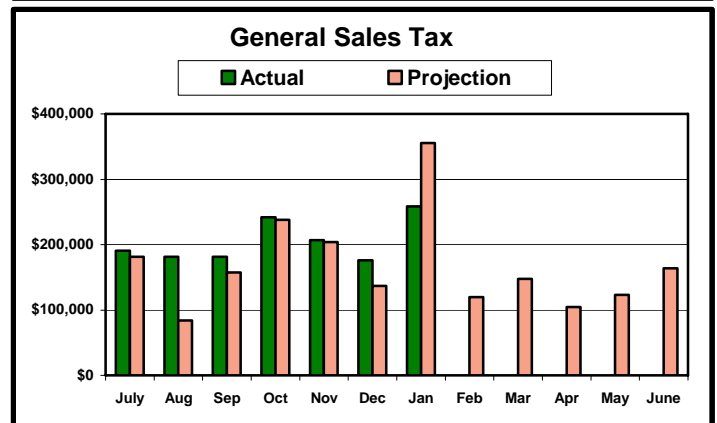


Twelve-month changes, as of the fourth quarter 2006. Source OFHEO

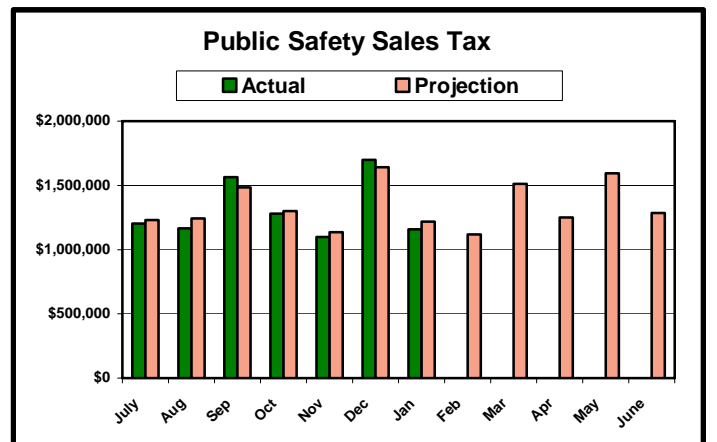
- Approximately \$13.9 million (38%) of the year's \$36.1 million in property tax revenue has been received to date. The year-to-date actual revenue is \$435,049 (3.2%) greater than the amount projected in the budget. The current slowdown in the housing market is not anticipated to significant impact 2006-07 property tax revenue; however, if there is a more drastic or prolonged slump, future property tax revenue could be impacted. Staff will continue to closely monitor the housing market and other economic indicators.



- General sales tax revenue is projected to reach the amount estimated in the budget. The \$80,864 increase for the year-to-date is a modest amount and is does necessarily signify any long-term trend. Sales tax is directly linked to consumer spending and the strength of the economy. Total projected revenue for 2006-07 is \$2.01 million.



- Public safety sales tax for the year-to-date is \$80,864 (0.9%) below budget. Absent any significant slowdown in the economy, this source of revenue is on target to meet the year's revenue estimate. Total budgeted revenue for 2006-07 is \$16.01 million and is a critical source of funding for law and justice services.



- For the year-to-date, Realignment revenue is \$107,221 above projection. This increase includes the allocation of \$1.4 million in the "growth" portion of this revenue source received in February. Total budgeted revenue is \$20.89 million.

