The background of the slide is a dark blue topographic map with white contour lines. In the lower-left corner, there is a grey compass rose with a white needle pointing towards the top-left. The compass rose is labeled with 'N', 'NW', 'NE', 'S', and 'SE'.

# **Sutter County FY 2011-12 Budget Outlook**

# Current Year: FY 2010-11

- ▶ Focus on General Fund
- ▶ Property Tax Revenue & Major Revenues coming in on budget
- ▶ Salaries & Benefits will come in slightly under-budget
  - **+\$765,000**

# Current Year Summary

- ▶ Based on Mid-Year Budget Review...
- ▶ Ending fund balance will be **\$1.3M**
- ▶ Compares to a more typical ending balance of approximately **\$12.0M** available last year (and about **\$11.0M** last several years)

# State-Related Assumptions for FY 2011-12:

- ▶ **NO** major changes in funding from the State of California
- ▶ If they reduce funding, they eliminate the mandate
- ▶ New Realignment will be an “even-trade” with Counties

# FY 2011-12 Revenue Projections

- ▶ Assumes **5% decrease** in property taxes
- ▶ Assumes sales taxes remain **flat**

# FY 2011-12 Overview

▶ Beginning GF balance approx **\$1.3M**

▶ GF Revenues of **\$50.1M**

▶ Total GF Revenues of **\$51.4M**

■ Assumes no drawdown of reserves

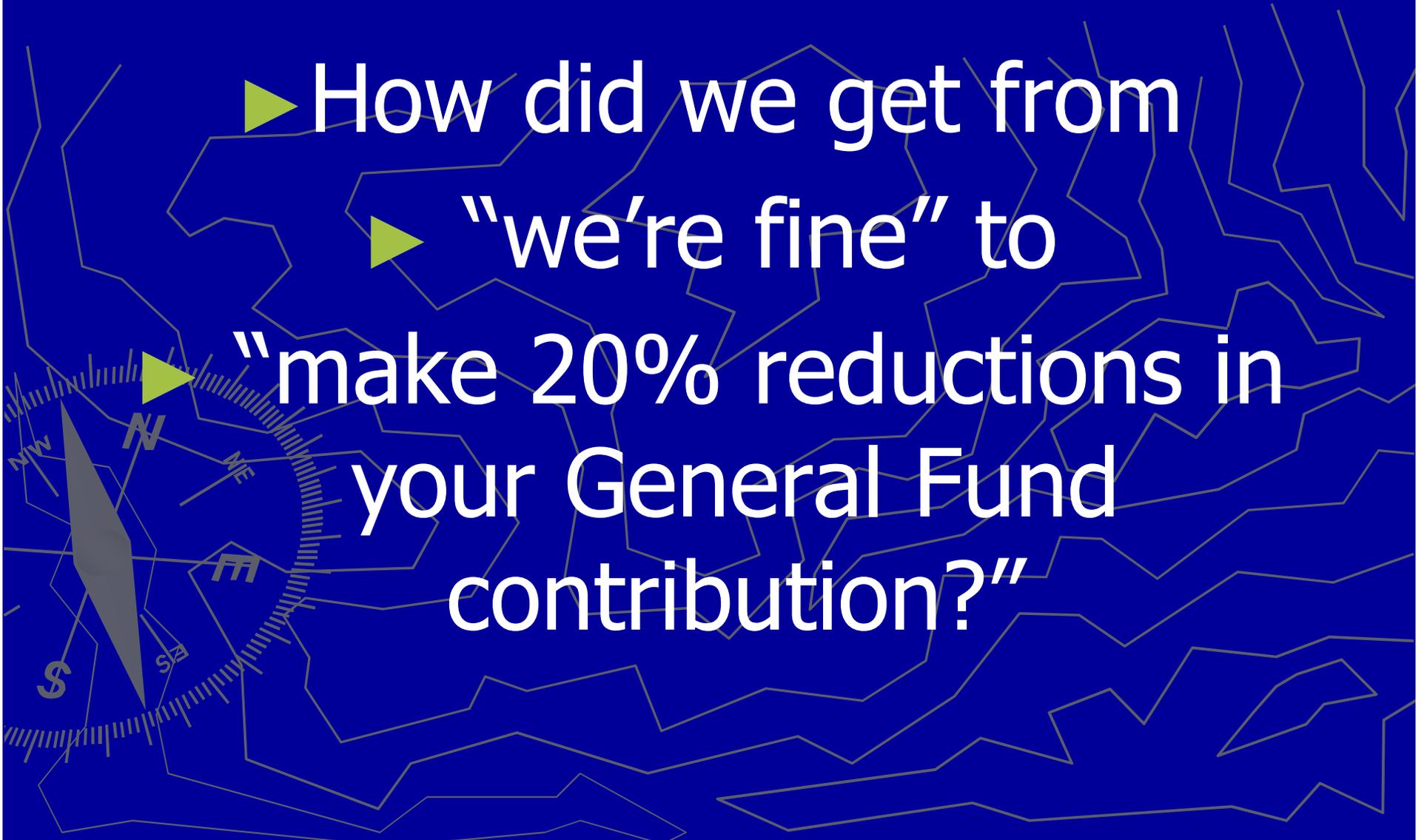
▶ Status Quo Expenditures of **\$65.7M**

▶ Leads to estimated deficit of **\$14.3M**

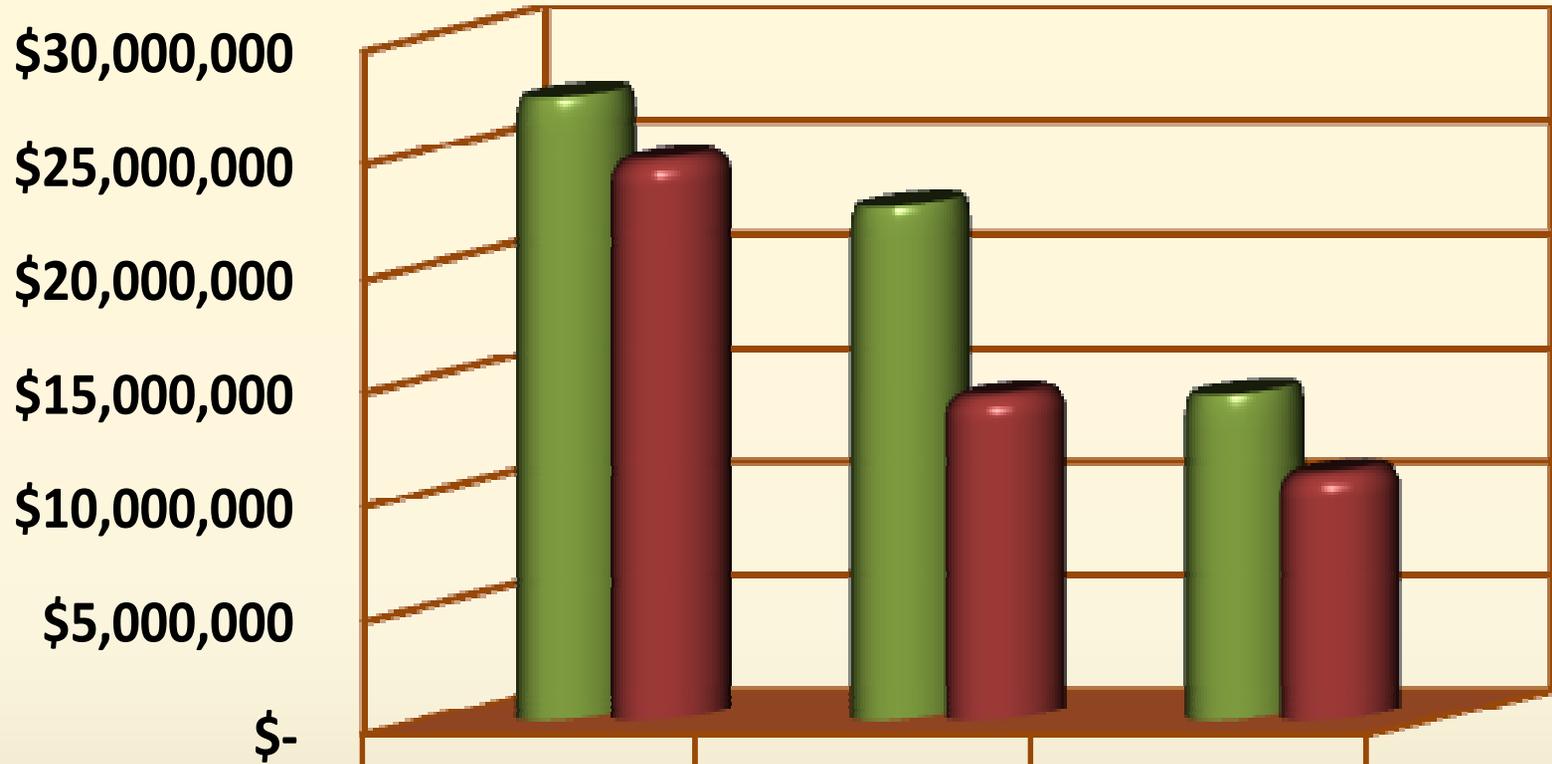
■ Use of reserves could help balance budget but will not reduce structural deficit

# Ouch!

- ▶ How did we get from
  - ▶ “we’re fine” to
  - ▶ “make 20% reductions in your General Fund contribution?”



# Reserves



	2008-2009	2009-2010	2010-2011
 Budgeted GF Reserves	\$27,300,000	\$22,600,000	\$14,300,000
 "Liquid" Reserves	\$24,600,000	\$14,300,000	\$10,900,000

# Pressures on Budget – Closing Gaps

- ▶ We closed the budget gap in FY 2010-11 with three primary strategies:
  - We made budget cuts of approximately \$5.0M
  - We used approximately \$4.9M of reserves
  - We budgeted the end-of-year fund balance more aggressively (about \$4.0M more than usual)
- ▶ But reserves don't last forever and the fund balance won't be available next year.

# Pressures on Budget - Salaries

- ▶ Salaries and benefits comprise ~51% of General Fund costs.
- ▶ No countywide salary increases since December 2008.
- ▶ Employees voluntarily gave up salary increases promised to them in June or December 2009
- ▶ Law Unit has given up salary increases promised for June 2010 plus add'l three years.

# Pressures on Budget - Salaries

- ▶ Total increase in salaries from FY 2008-09 actuals to FY 2011-12 projected (assumes no further reductions in staff) = \$3.7 M, or 7% increase



# Pressures on Budget - Health

- ▶ After seven years of level premiums, health insurance costs increased 15% in FY 2010-11 and we're projecting a 20% increase for FY 2011-12
  - Increase from FY 2008-09 actual to FY 2011-12 projected = \$2.9 M, or 38%
  - One-year increase from FY 2010-11 budgeted to FY 2011-12 projected = \$1.5M

# Pressures on Budget - Pensions

- ▶ Total pension increases from FY 2008-09 actual to FY 2011-12 budgeted = \$1.4 M, or 11%.
- ▶ This includes both employer and employee share.
- ▶ Law Unit employees agreed to pick up their share of pension costs, about \$300K for next year.
- ▶ Despite all the attention it receives, pension costs are not affecting the budget as dramatically as health care costs are.

# Pressures on Budget – Property Taxes

- ▶ Property taxes (including secured, unsecured, supplemental, escapes, and in-lieu) totaled \$24.0 M in FY 2008-09.
- ▶ Property taxes in FY 2011-12 are projected to be \$21.4 M, a \$2.6 M drop over the three-year period.
- ▶ Property values may be stabilizing, but we won't have better estimates until April or May.

# Pressures on Budget – Sales Taxes & Franchise Fees

- ▶ Sales taxes (including General sales taxes and Prop 172 public safety sales taxes) totaled \$10.2 M in FY 2008-09.
- ▶ Sales taxes in FY 2011-12 are projected to be \$7.5 M, a **decrease of \$2.7M** over the three-year period.
- ▶ Franchise fees totaled \$2.2 M in FY 2008-09.
- ▶ They're projected to remain flat at \$1.6 M in FY 2011-12 (**a decrease of \$600K** over three years)

# Net Impact

- ▶ Three largest revenue sources are declining by \$5.9 M over three years.
- ▶ Three largest costs are increasing by \$8.0 M over three years.
- ▶ These pressures alone account for \$13.9 M of the estimated \$14.3 M deficit.
- ▶ This is the rationale for asking departments to make 20% reductions in the GF portion of their budgets.