



COUNTY OF YOLO

Office of the County Administrator

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June 15, 2010

Yolo County Board of Supervisors
625 Court Street
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Subject: County of Yolo Recommended Budget 2010-11

With this letter I submit for your consideration the recommended budget for Yolo County for 2010-11. The recommended budget adjusts departmental expenditures and revenues for the coming fiscal year, meeting all legal requirements and Board of Supervisors adopted policies. On June 15 (16 and 17 as needed), the Board of Supervisors has scheduled a public hearing to consider this recommended budget at which time you may add, delete or modify the document as you deem appropriate.

Total county expenditures are recommended at \$308,095,342, general purpose revenues at \$57,352,546, and capital expenditures \$7,998,098. The recommended budget results in a 2010-11 net operating budget (total budget less internal transfers, capital projects, and debt service) of \$271,472,461, a decline of \$16.3 million from last year.

A number of significant issues are specifically described below for possible additional Board consideration, and direction provided may modify the recommended budget. These issues were identified following the May 5th workshop as staff completed final department budget reviews and continued to validate budget projections. Once adopted, the recommended budget will serve as the interim spending plan until Final Budget hearings can be completed following adoption of the 2010-11 State Budget. While this may occur as early as August, it is more likely to be delayed further depending upon State actions.

Though the recommended budget is based on the trend data available, more complete information will become available in the coming months and may support adjustments if revenues increase or decrease significantly. It is therefore recommended the Board seek to defer further program restorations or augmentations until the Final Budget hearings, at which time additional information, including revenue trends, State Budget actions and 2009-10 closing fund balance information will be known.

Since the Board of Supervisors' workshop on May 5th, there have been several changes which modified slightly what was then described as Scenario A. First and foremost, staff completed a line by line budget review with departments achieving significant savings in services and supplies expenditures. These savings were used to fully fund the Chief Assistant District Attorney position and offset the need to use asset seizure funds without any additional layoffs. Included below is a summary of additional issues the Board may wish to review when deliberating the recommended budget.

Issues for Consideration:

- **Trapper**—The recommended budget includes funding for the Trapper position after the U.S. Department of Agriculture (USDA) provided a reduced contract amount of \$28,323 to provide coverage in the unincorporated area only. USDA has indicated cities may contract directly for Trapper services within the incorporated areas and this information has been shared with the City Managers.
- **Veterans Services Reorganization**—The recommended budget maintains the two existing staff positions within Veterans Services. It also assumes Veterans Services will continue in their current physical location while supervision and oversight is transferred from the Public Guardian/Public Administrator to the County Administrator's Office which already has management staff co-located in the same building as Veterans Services.
- **Information Technology (IT)**—The recommended budget reduces the number of layoffs within IT from the five projected as part of the budget scenario adopted by the Board on May 5th to three. Staff have worked with departments including the Library and the Department of Employment and Social Services (DESS) to identify non-General Fund funding strategies to maintain two of the positions which would otherwise have been laid off.
- **Realignment Transfers**—The recommended budget includes the transfer of \$1.425 million (documented in Appendix I) among the Health, Social Services and Mental Health Accounts in order to fund caseload increases in mandated social services programs and is based on the most cost-effective use of available resources to maximize client outcomes. This funding transfer balances the Board's interest in maintaining essential safety net services with meeting required General Fund and local fund maintenance of effort and match requirements within the Health, DESS and Alcohol, Drug and Mental Health (ADMH) departments.
- **District Attorney Grant Funded Programs**—With the decrease in State revenues, staff has noted an increasing reliance on General Fund revenues to maintain these programs. Appendix J identifies the General Fund augmentation needed to maintain these grant funded programs. The recommended budget includes the additional General Fund allocation needed to maintain these programs.
- **Elections Reimbursement**—The May Revise continues to include full reimbursement for elections costs. The recommended budget includes funds for the November election, as well as reimbursement for the special election and the June primary. Though both the Governor's January and May Revise budgets include this funding, staff remains concerned that it may be deferred as part of a final State Budget solution and thus is a significant General Fund risk for 2010-11.
- **Public Defender Staffing Augmentation**—As part of the May 5 workshop, the Board restored the Chief Assistant District Attorney position. To maintain parity in attorney allocations, the recommended budget includes funding an Assistant Chief Deputy position within the Public Defender's Office, effective October 1. The October 1 date is included for two reasons. One, it preserves flexibility in responding to possible risks associated with the State Budget and secondly, the Public Defender will be able to fund this position through reductions in service and supply line items.
- **Sheriff Special/Restricted Fund**—Following the May 5 workshop, the Sheriff indicated concern with the use of COPS (Community Oriented Policing Services) revenue (\$200,000).

Staff has reviewed the relevant code sections and determined that, as identified in the statute, COPS money must be appropriated by the Board at a public hearing in which the written requests for these funds, submitted to the Board by the Sheriff and the District Attorney can be considered. As this has not yet occurred, the recommended budget does not appropriate these COPS funds. In addition, the recommended budget includes the use of approximately \$500,000 in restricted special funds out of a total of \$2,310,442 available within these fund balances for 2010-11. To the extent the Board would like to restore or augment the Sheriff's budget, these funds may be available (with some restrictions). It is recommended the Board revisit the use of all special funds as part of Final Budget hearings. If actual fund balances or revenue trends are higher than projected, it is recommended the Board seek to replace these special funds with fund balance or ongoing revenues where possible.

- **Jail/Juvenile Hall ADMH Services**—The scenarios proposed on May 5 included the use of inmate welfare funds to fund additional mental health services provided by ADMH at the Jail. These services are also provided at the Juvenile Hall. Following the May 5 workshop, staff worked with the Sheriff's Department to examine both the programs and funding options. It is recommended these programs continue and be funded through the Health budget. These programs are funded in the recommended budget.
- **Judicial Benefits**—The recommended budget contains funding for ¼ year of benefit payments. These benefits are paid as cash to fund health, vision and dental, as well as life insurance for Yolo County judges. This combination of funding is a legacy of the past funding responsibility of the Courts by the County. The total cost to the County was \$40,162 in 2009-10. These funds supplement the \$134,313 paid by the State of California for judicial benefits. Recently, the Administrative Office of the Courts (AOC) completed a study of the disparity of judicial compensation and benefits. A summary of the report is being prepared for members of the Board. It is recommended this item be reviewed prior to final budget deliberations.
- **Agriculture Department MOE**—State funding received by the Agriculture Department requires the County maintain a five year rolling average in local support. If the County fails to maintain this level of local support the State can withhold funding in future years. There is however, an alternative remedy available to the County. The County can formally declare a fiscal emergency has prevented the County from being able to fund its local portion as a result of economic hardship, such as loss of property tax, etc. This declaration is subject to State review, and although valid, the State could still choose to withhold funding. The recommended budget does not meet this minimum funding threshold, by \$67,000. Staff recommends the Board revisit this issue as part of Final Budget hearings and either augment local funds as necessary to meet the funding requirement or alternatively, declare a fiscal emergency for these purposes.
- **Yolo County Healthcare for Indigents Program (YCHIP)**—The recommended budget includes \$4.4 million in operating funds budgeted for YCHIP. In the 2009-10 current year, total YCHIP costs are projected to be more than \$6 million, which will exceed both the operating budget of \$3.2 million and the earmarked contingency funds of \$1 million. In fact, the YCHIP shortfall is likely to require the largest portion of the General Fund contingency in the current year. We anticipate policy changes implemented on June 1st to significantly reduce next year's enrollment and expenditures for the coming year.
- **Assessor Staffing Augmentation**—The recommended budget includes an additional commercial appraiser position within the Assessor's Office, effective October 1. The cost of

this position will be more than offset by more effectively staffing the increasing backlog of assessment appeals. The new position is not funded until October to preserve flexibility in responding to possible risks associated with the State Budget.

- **Cooperative Extension Reductions**—The recommended budget maintains the layoffs (two clerical positions) proposed by the department as part of their requested budget and further reduces support for the field assistant position by \$16,000. The Morningstar Company has provided a grant to Cooperative Extension to cover this amount. Cooperative Extension is now seeking additional funds to fully fund this position through grants in the future.
- **Planning and Public Works (PPW) Position Reallocation**—The recommended budget includes the layoff of one General Fund funded counter technician within the Planning function of PPW. PPW has recommended these funds be used to fund an accountant position within PPW's fiscal division. The new position is not funded until October 1st to preserve flexibility in responding to possible risks associated with the State Budget.
- **Teeter Funds**—The revenue the County receives annually from the Teeter program is projected at \$667,000 this year. These revenues have been budgeted extremely conservatively given the uncertainty associated with property tax collection and potential assessment appeals. Recently, these funds have been severely impacted by the housing market collapse, and only recently have shown signs of recovery. Revenues will likely be higher than projected, however the actual amounts will not be known until August, after the closing of the 2009-10 fiscal year.
- **Deficit Funds Loan and Repayment Plan**—The Board on May 5 approved a conceptual loan and repayment strategy for the negative fund balances within the Mental Health (\$6.7 million) and Public Safety (\$3.2 million) funds. Since that time, staff has worked with the Auditor-Controller to develop a specific loan and repayment plan. Through this strategy the Landfill Closure Fund provides a loan to the Mental Health and Public Safety Funds as an investment for the Landfill Closure Fund. This strategy addresses the negative fund balance concerns identified by the State Controller's Office, rating agencies and external auditors. A loan repayment schedule which includes a portion of future growth in Public Safety Fund and General Fund revenues, and Mental Health Realignment will be presented at a future Board meeting for consideration.

The recommended budget also relies upon the assumptions noted below as previously described during the May 5 workshop.

- **General Fund Reserve**—Throughout the last decade, the Board of Supervisors was able to build a sizeable General Fund Reserve which helped moderate reductions in the two previous years and maintain core services. Unfortunately, the length and depth of the economic downturn has outlasted the rainy day portion of the General Fund Reserve. The recommended budget maintains the remaining reserve in the event of a catastrophic event, major unexpected costs, and to serve as a fiscally prudent backstop to nearly \$300 million in County expenditures.
- **Special Funds/One Time Funds**—Though the recommended budget does not include the use of reserves, it does rely on some one time funds. Examples include special funds within the Sheriff's department, as well as the use of solar credit and property sales proceeds. While the recommended budget includes these fund sources, the Board should review these revenue sources again as part of Final Budget hearings. If at that time revenue trends continue to increase or actual closing fund balances from 2009-10 are higher than projected,

the Board could reduce the use of these special funds and replace them with additional revenues or available fund balances.

- **Contingency**—The 2010-11 recommended budget includes a \$2.5 million General Fund contingency. This contingency is available for Board appropriation throughout the 2010-11 year should any unexpected needs arise. Any unused contingency may also provide additional funding flexibility in crafting the 2011-12 budget and addressing the existing negative fund balances within the Mental Health and Public Safety funds. Specific significant uncertainties identified for 2010-11 include:
 - a. State Budget;
 - b. Indigent Health program;
 - c. Unanticipated outcomes from program reductions;
 - d. Unemployment costs;
 - e. Labor negotiations;
 - f. Delta related activity and advocacy;
 - g. Assessment appeal outcomes;
 - h. Continued grant funding for mission critical programs such as Probation;
 - i. Federal stimulus funding; and finally
 - j. The continued effects of the economy.

Background

On March 5, 2010, the Board of Supervisors directed staff to prepare a recommended budget based upon a planning scenario that included a balanced array of revenue allocations, program reductions and, unfortunately, layoffs. The 2010-11 recommended budget presented herein is consistent with that direction. The 2010-11 recommended budget maintains the existing General Fund Reserve of \$3.9 million and includes a General Fund Contingency of \$2.5 million which equals less than 1% of the operating budget. The recommended budget includes 48 layoffs. This number was reduced as a result of the approximately 18 employees participating in the voluntary separation program. Regrettably, Sacramento County's withdrawal from purchasing beds at the juvenile hall resulted in an increase in layoffs.

The following figures below describe historic year trends for net operating budgets and total workforce. Since the peak in 2007-08, revenues and expenditures have dropped by \$38,396,383 (9%) (Figure 1) and the number of funded positions has dropped by 408 (24%). 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

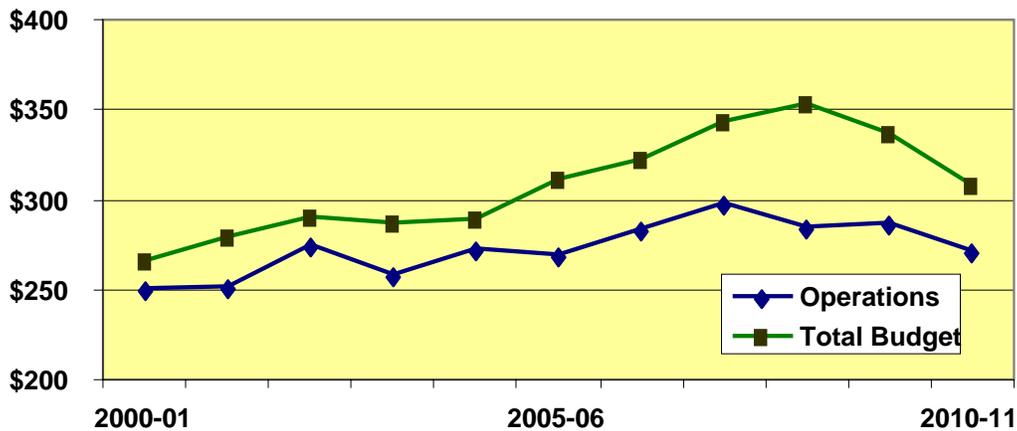
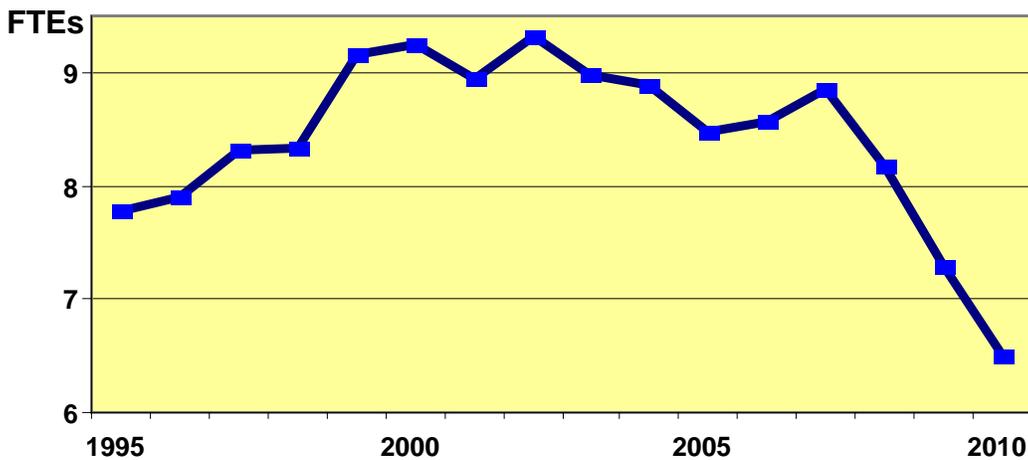


Figure 2. Number of Full Time Employees per 1,000 residents.



Though revenues are projected to decrease in 2010-11, there are signs of improvement on the horizon. The 2010 first quarter Center for Strategic Economic Research (CSER) economic report emphasizes the potential for positive growth by noting that the “Sacramento region’s economy has turned around.” Some County revenues, notably Public Safety and Realignment revenues have also stopped their steep declines and begun a slow recovery after bottoming out in October 2009. Though there are some positive signs in the economy, the projections for both local revenue and growth within the Sacramento region continue to be flat at best. CSER tempers their statement above by noting that the Sacramento region “has some of the weakest economic conditions in the State” and that positive job growth for the region is not expected until early 2011. The conclusion reached is that while the economy may start strengthening in early 2011, governmental revenue growth will almost certainly lag the broader recovery.

The recommended budget is designed to be a balanced and a stable platform upon which the County can shift its time and energy from identifying where to cut next to focusing instead on growing and strengthening for the future. The staff budget workshop notes (included within the recommended budget as Appendix H) serve as a tentative work plan for strengthening the County’s programs and fiscal resources. In addition, the Board previously directed staff to begin developing a long term financial plan. With completion of the recommended budget, staff can

focus on development of this plan with a first meeting of a departmental working group scheduled for late June. In addition, the Board's Information Technology ad hoc subcommittee has met once with a second meeting planned with a multi-department working group in July to begin development of an Information Technology Strategic Plan. The next few years will see significant time and energy focused on development and implementation of the long term financial plan, collaboration with the Cities, Tribe, University and other agencies to explore shared service opportunities, as well as cross-departmental collaborations to achieve the objectives noted in the staff budget workshop results. Though time intensive, the outcomes which include improved efficiency, enhanced customer service and a County budget that is both fiscally sustainable and increasingly resilient to future economic downturns, merit this investment.

Figure 3. Total Spending by Program Area

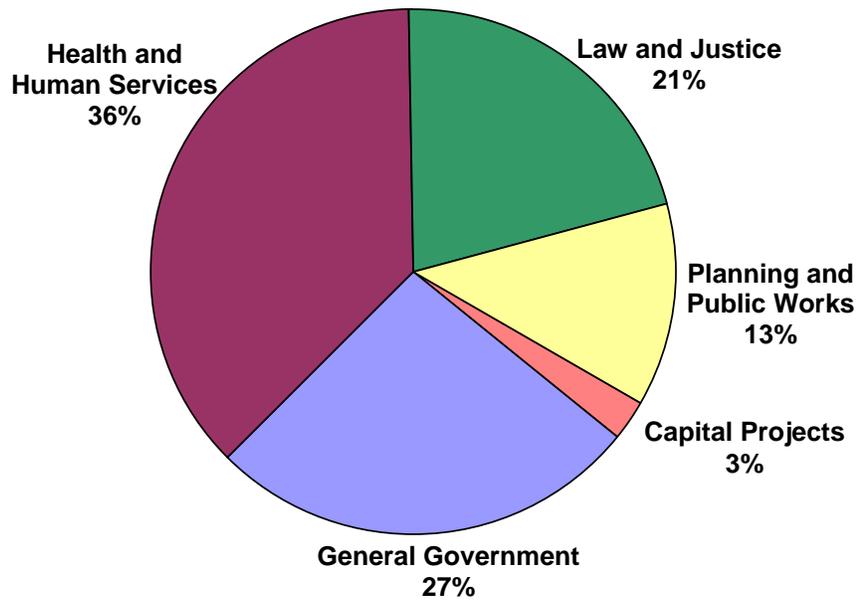


Figure 4. General Fund Spending by Program Area

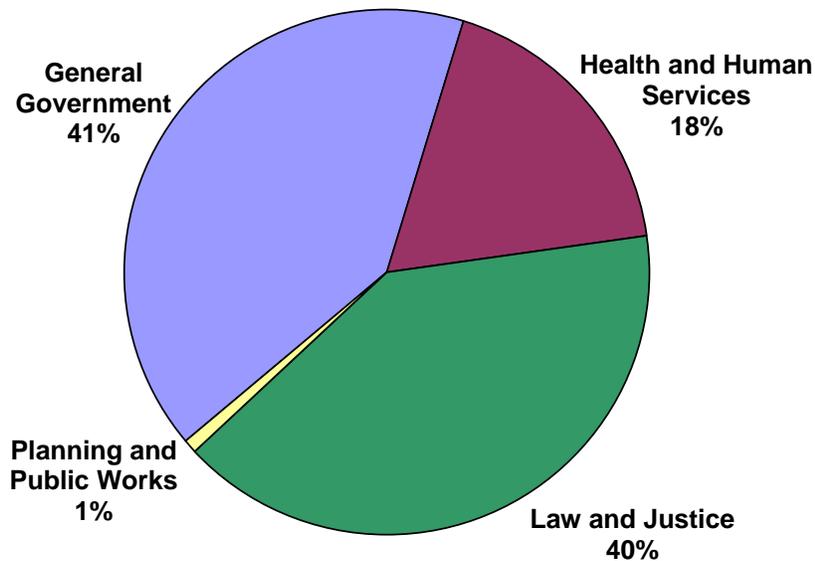


Figure 5. Sources of Total County Funds

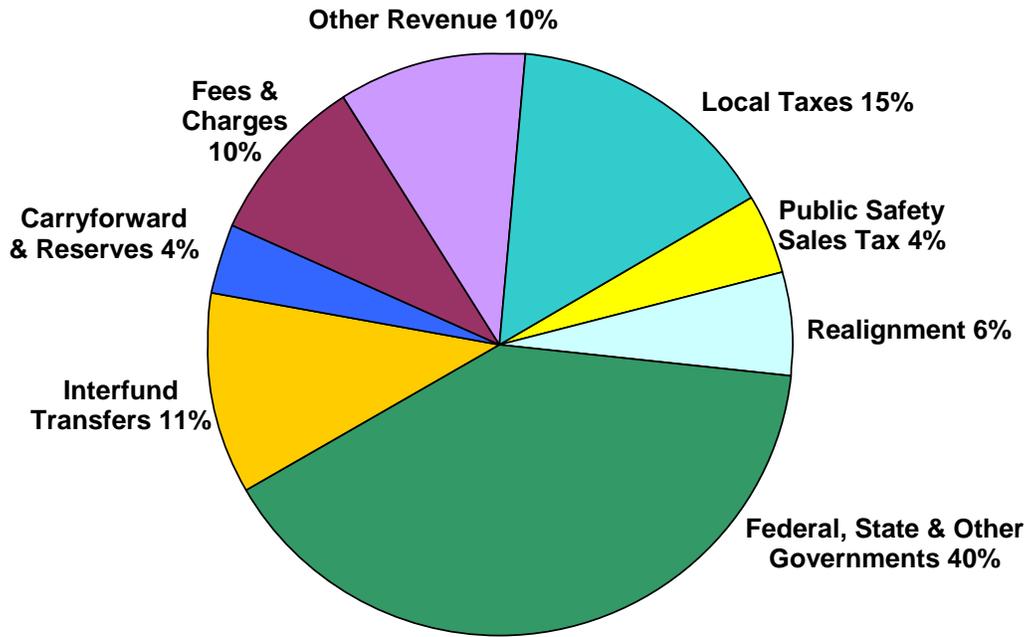
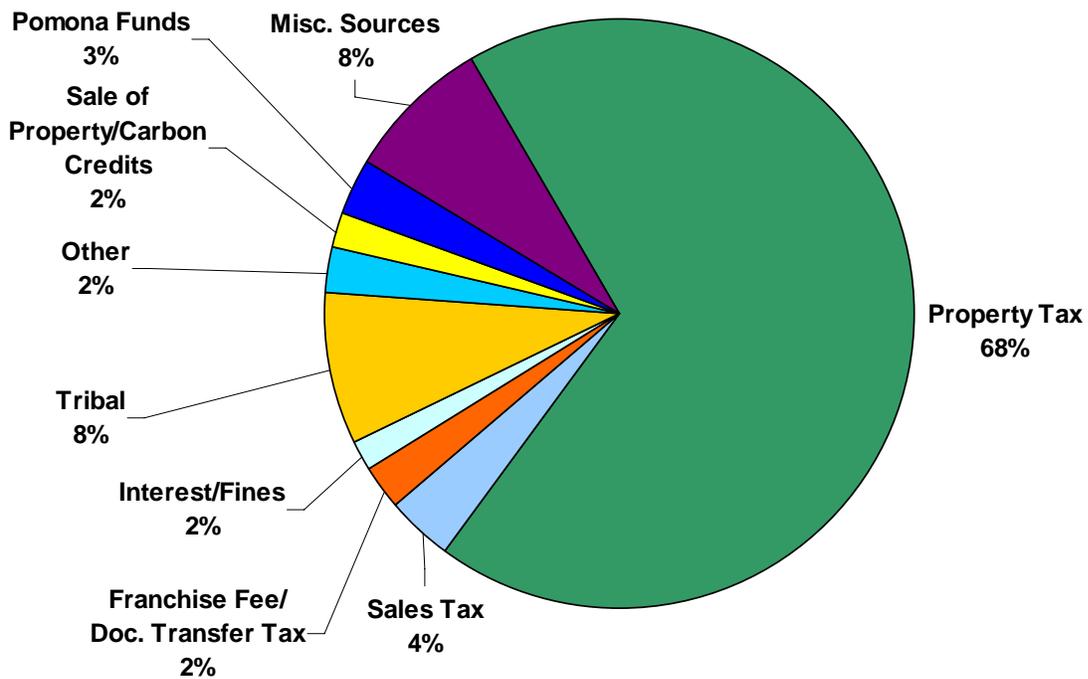


Figure 6. Sources of County General Fund



Fiscal Year 2010-11 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.....	\$56,225,745
Employment & Social Services Fund	\$75,984,241
Public Safety Fund	\$50,715,084
Medical Services and CHIP Funds.....	\$19,021,794
Mental Health Fund	\$18,757,357
Road Fund.....	\$24,023,432
Library Fund	\$ 6,012,979
Cache Creek Area Plan.....	\$2,150,839
<u>Other Funds.....</u>	<u>\$55,203,871</u>
TOTAL.....	\$308,095,342

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 2010-11 recommended budget totals \$271,472,461.

The recommended budget includes a net decrease of 146 funded positions from the previous year. Since June of 2007, the County has reduced its workforce by 408 funded positions; a 24% reduction in four years. Of the employees who are subject to layoff, all efforts are being made to find new employment locations within the County or to assist with outside employment opportunities. Detail on all county positions is provided in Appendix C.

Pomona Funds

During the May workshop the initial Pomona estimates were:

Annual Revenue.....	\$825,000
<u>Carry forward.....</u>	<u>\$700,000</u>
Total	\$1,500,000

These funds were proposed to be allocated in the following manner:

Health Department Programs.....	\$1,295,000
Children's Alliance	\$175,000
<u>Investment Fees.....</u>	<u>\$30,000</u>
Total	\$1,500,000

After the May workshop, the Auditor’s office updated the projected de-allocation amount for next year and took advantage of a one-year true-up opportunity associated with the Teeter loan repayment and energy savings carry forward funds in the current year. The result was the following modified estimate:

Annual Revenue	\$600,000
<u>Carry Forward</u>	<u>\$1,533,784</u>
Revised Total	\$2,134,339

Based on this updated amount, the following allocations are recommended:

Health Department Programs.....	\$1,499,339
Indigent Health	\$261,000
Children’s Alliance	\$175,000
Unallocated Funds	\$169,000
<u>Investment Fees.....</u>	<u>\$30,000</u>
Total	\$2,134,339

The increased funds made available as a result of the Auditor’s actions increased the allocation in the Health Department and the YCHIP program, which had a significant shortfall in revenues. As mentioned earlier, based on current year performance, the YCHIP program presents a significant fiscal risk for the coming year, and as such, we recommend increasing the YCHIP budget to \$4.4 million which results in an additional \$169,000. In previous years, Pomona funds have been appropriated separately from the recommended budget. This year, with the Board of Supervisors’ concurrence, they have been allocated in the recommended budget.

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 \$7.7 million, including the following major items:

- Renovation and expansion of the Mary L. Stephens Branch Library in Davis, in the amount of \$5.5 million
- Replacement of aged equipment, in the amount of \$393,000.
- Road Fund Projects are proposed in the amount of \$16.2 million.
- Debt service remains low – only \$786,012, representing just 0.003% of the total budget. Debts currently being paid include the West Sacramento County Service Center, the District Attorney’s building and the Megabyte property tax computer system.

Reserves

During the years when the County was experiencing growth, primarily in property taxes, the Board of Supervisors put aside funds with the expectation of spending those funds when necessary in future years. Although these reserves have been significantly drawn down over the past two years to moderate the economy’s impact, this budget does not rely on additional use of the remaining reserves for the coming fiscal year.

The recommended budget includes the following remaining reserves:

General Fund Reserve	\$3,725,628
Reserve Against Unfunded Liabilities	\$890,000
Other Post-Employment Benefits Reserve	\$1,100,000

Three years ago, the Board of Supervisors created a new reserve for Other Post-Employment Benefits (OPEB). The Governmental Accounting Standards Board (GASB), the accounting rule-making body for public entities, issued Rule 45 which requires governments to begin reflecting their post-employment benefits obligation on their balance sheets. For the County, this cost funds our commitment to provide partial payment of retiree health care premiums.

Other Agency Involvement

Staff has worked with department heads, fiscal staff, labor representatives, employees and external stakeholders to address the identified budget shortfall in a collaborative and constructive manner. Specific examples of outreach and collaboration include the Board's budget workshops, employee forums, multi-department staff budget workshops which included internal and external stakeholders, CAO provided primers for department led internal and external stakeholder engagement, and discussions with City and Tribal representatives. In addition, the County hosted a budget forum on June 4 to review potential budget impacts with City and Tribal representatives. These activities are in addition to numerous department led initiatives. It is expected these collaborative efforts will continue throughout 2010-11 as staff seeks to consider and implement the work plan described in Appendix H.

The Board of Supervisors has led a comprehensive and exhaustive process to develop the 2010-11 Budget. The issues noted above are presented for Board consideration in adopting the recommended budget as the 2010-11 Proposed Budget. With adoption of the Proposed Budget, staff will complete the implementing actions necessary to support the budget and associated strategies.

Respectfully submitted,



Patrick S. Blacklock
County Administrator