

GENERAL FUND FISCAL PROJECTIONS

**COUNTY OF SOLANO
 GENERAL FUND 5-YEAR FISCAL PROJECTION
 FY2011/12 Recommended Budget**

(In Millions of Dollars)

	FY2010/11 Projection	FY2011/12 Recommended Budget	FY2012/13 Projected Budget	FY2013/14 Projected Budget	FY2014/15 Projected Budget
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a) General Fund Beginning Balance	39.978	32.720	25.000	25.000	25.000
b) To General Reserve	6.212	0	0	0	0
c) From General Reserve	6.000	6.000	4.600	3.600	3.600
d) From Accrued Leave Payoff Designation	0.800	0.960	0.800	0.800	0.800
e) From Deferred Maintenance Designation	0.510	0.000	0.000	0.000	0.000
f) Net Change in Reserves (c+d+e-b)	1.098	6.960	5.400	4.400	4.400
g) TOTAL AVAILABLE FINANCING (a+f)	41.076	39.680	30.400	29.400	29.400

h) Operating Revenues	187.646	175.562	180.485	183.001	186.640
i) Operating Expenditures (excluding Contingency)	196.002	195.241	197.573	200.283	204.429
j) General Fund Contingency	0	20.000	20.000	20.000	20.000
k) Total Operating Expenditures (i+j)	196.002	215.241	217.573	220.283	224.429

l) Operating Revenues	187.646	175.562	180.485	183.001	186.640
m) Operating Expenditures (excluding Contingency)	196.002	195.241	197.573	200.283	204.429
n) Structural Deficit (l-m)	(8.356)	(19.679)	(17.088)	(17.282)	(17.789)

o) **PROJECTED ENDING FUND BALANCE (g+n)** **32.720**

Solano County uses Five-Year Fiscal Projections to provide insight into future trends for General Fund Revenues and Expenditures. Doing so allows the County to work proactively with departments to address potential program impacts in future years.

The Five-Year Fiscal Projections includes General Fund Third Quarter projections for the FY2010/11 Budget and the FY2011/12 Recommended Budget. From this starting point, expenditures and revenues are forecast through FY2014/15. While projections beyond 2015 are possible, it is more difficult to provide a meaningful forecast longer than three years out in light of the constantly changing dynamics of the economy and the State budget.

The Projections focus on the General Fund's revenues and expenditures. Expenditures include contributions to Public Safety, Health and Social Services, the County's Maintenance of Effort for the Courts, as well as all other programs requiring General Fund support. The expenditures are then compared to the County's revenues.

Revenue Assumptions - from General Revenue projections:

- Current Secured Property Taxes are projected to decrease by 3% in the FY2011/12 Recommended Budget, increase by 2% per year for FY2012/13 and FY2013/14, and increase by 3% in FY2014/15.
- Current Unsecured Property Tax revenue reflects a decrease of 1.5% in FY2011/12 when compared to the FY2010/11 Adopted Budget, and then increase by 2% each of the next three years. However, there are a significant number of appeals from large businesses that may impact these projected revenues.
- Sales Tax in the unincorporated areas of the County are projected to be slightly lower in FY2011/12 when compared to FY2010/11, which included some one-time audit recoveries and adjustments not expected to occur in FY2011/12. Sales Tax revenues are then expected to gradually increase through FY2014/15.
- Property Transfer Tax is projected to stay flat, as real estate activity is expected to continue being depressed.
- Interest Income is reduced drastically for FY2011/12 due to interest yields of less than 1%; however, the interest yields, and correspondingly interest earnings, are projected to increase over the next three years.
- Homeowners Property Tax Relief is projected to remain flat.
- Redevelopment Pass-Through is projected to decrease 2% in FY2011/12 as compared to the FY2010/11 Adopted Budget, increase 2% in FY2012/13 and FY2013/14, and increase by 3% in FY2014/15.
- Disposal Fees are projected to increase by 5% in FY2011/12 due to an increase in tonnage fees for 2011. These revenues are expected to remain flat through FY2014/15.
- Excess Tax Loss Reserves of \$8 million is budgeted in FY2011/12, and \$7.5 million projected for each year thereafter.
- The projections do not assume any increases in Departments' revenues because there are too many unknowns in Federal and State governments' budgets and the continuing uncertainties regarding the economy.

The County Budget is financed with General Revenues (refer to budget unit 1101, which accounts for revenues not attributable to a specific County service or department), beginning Fund Balance, the use of certain one-time revenues and general reserves, if necessary. The FY2011/12 Recommended Budget includes the use of \$960,000 from the Accrued Leave Payoff designation. Another funding source used in past years, the Deferred Capital Maintenance designation, has been depleted. In FY2011/12, the County Administrator will work towards developing a plan for the replenishment of general reserves, including the Accrued Leave Payoff designation and the depleted Deferred Maintenance designation.

In addition to General Revenues, the County budget is financed by State Sales Tax and VLF Realignment funds for Health and Social Services and Proposition 172 revenues for Public Safety. While most of these revenues do not go into the General Fund, they indirectly impact the General Fund in that the need for General Fund contribution/support by the departments receiving these funds may be reduced as these revenues increase. The FY2011/12 Recommended Budget includes Realignment revenues of \$36.8 million, a \$0.9 million increase from the FY2010/11 Adopted Budget. The FY2011/12 Recommended Budget also includes \$24.8 million in Proposition 172 revenues, an increase of \$0.3 million.

As it has been in the past, one of the assumptions in the projection is that the County will begin future fiscal years with a General Fund beginning Fund Balance. This assumption may not be valid going forward, in light of the economic downturn and the housing market meltdown. Year-end fund balance for June 30, 2011 is projected to continue to be much lower than in the previous year.

It is assumed that \$6 million from the General Fund Reserve will be used in FY2011/12 to keep the General Fund budget balanced. The 5-year Projection indicates this is the last year a drawdown of \$6 million will be possible, unless the actual FY2011/12 Fund Balance ends up being more than the projected \$32.7 million (including a \$20 million Contingency).

Expenditure Assumptions:

- Retirement costs are projected to continue to increase at an average of 2.5% per year.
- Health insurance costs are also projected to continue increasing 5% per year.
- General Fund Contribution.
 - General Fund support for Public Safety is projected to increase from \$90.8 million in the FY2011/12 Recommended Budget to \$96.9 million in FY2014/15, a \$6.1 million increase taking into consideration salary increases per Memoranda of Understanding with labor units and an initial staffing phase for the new jail.
 - The projections reflect no increases in General Fund contributions to other funds for projected increases in Retirement, Health Insurance and Liability Insurance. The projections assume increases in these and other increase in costs of salaries/benefits will be absorbed by the departments through revenue increase or labor cost reductions.
- Any increases in Departments' expenditures for Services and Supplies and other cost categories are assumed to be absorbed by the Departments through further reductions in costs and/or revenue increases or raising new revenues.

The County's FY2011/12 Recommended General Fund Budget is balanced with revenues of \$175.56 million, draw downs of \$6 million from the General Reserve and \$0.96 million from the Accrued Leave designation, and a General Fund beginning Fund Balance of \$32.72 million. The FY2011/12 Recommended Budget of \$215.2 million includes \$20 million in Contingency.