Five Year Projection

September 13, 2010

Five Year Projection

As of June 22	FY 2010-2011	FY 2011-2012	FY 2012-2013	FY 2013-2014	FY 2014-2015
Revenues	195,438,929	184,894,510	186,523,502	188,383,614	190,370,853
Appropriations	195,438,929	200,053,040	207,143,876	214,499,959	222,122,183
Total	0	(15,158,529)	(20,620,374)	(26,116,345)	(31,751,330)
Revised 7/26					
Revenues	193,736,113	183,702,221	185,418,870	187,267,489	189,198,906
Appropriations	195,248,053	200,053,040	207,143,876	214,499,959	222,122,183
Total	(1,511,940)	(16,350,818)	(21,725,007)	(27,232,470)	(32,923,277)
Addenda					
Revenues	200,744,474	187,464,482	189,178,887	190,945,091	192,725,900
Appropriations	200,744,474	198,434,228	205,545,330	212,806,545	220,329,807
Total	0	(10,969,746)	(16,366,443)	(21,861,454)	(27,603,907)

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Total	0	(10,969,746)	(16,366,443)	(21,861,454)	(27,603,907)
Variance					
Revenues	5,305,545	2,569,972	2,655,385	2,561,477	2,355,047
Appropriations	5,305,545	(1,618,812)	(1,598,546)	(1,693,414)	(1,792,376)
Total	0	(4,188,783)	(4,253,931)	(4,254,891)	(4,147,423)

Primary Reasons for Variance

- FY 2010-11 changes due primarily to increased fund balance offset with increase to contingency
- FY 2011-12 assumes $4.8M of FY 2010-11 carryforward additional Contingency (one-time funds) being set aside as Designation for Capital Projects (placeholder only)
  - Notice Designation for Capital Projects increases from $1.8M to $6.6M

Primary Reasons for Variance

- Beginning in FY 2011-12 sustainable ERI savings of approximately $3.3M are anticipated, and deficit is decreased accordingly

Changes to Fund Balance Assumptions

- Fund balance was initially projected to equal the prior year's Contingency carryforward only
  - Assumes no department savings
  - Assumes no increased revenues
- Historically fund balance carryforward has always included some department savings and/or increased revenues
- Revised 5 year assumes $2M of sustainable carryforward fund balance each year

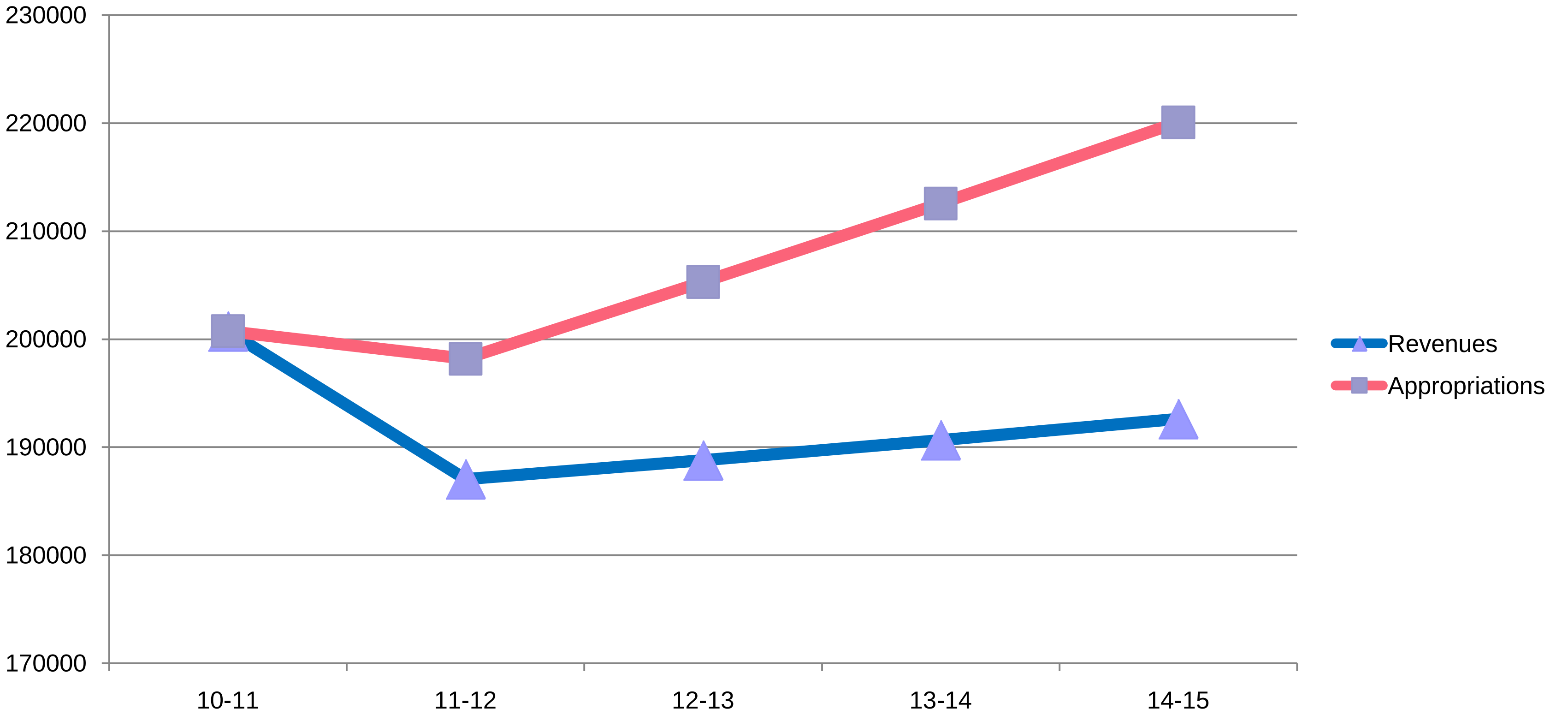
Revenue Assumptions

- Property Tax
  - Reduced by 4% in FY 2011-12
  - Reduced by 0.5% for remaining 3 years
- Sales Tax
  - 1% decline each year
- All other discretionary revenue sources remain flat
- Departmental revenue increases an average of 2% (primarily related to Human Services)

Appropriation Assumptions

- Salaries and Benefits increase 4% primarily related to assumed increases in CalPERS expenses
- Operating expenses increase 3%
- General Fund contribution of $1.5M each year to the Road Fund
- General Fund contributions to Community Services programs remains at FY 2010-11 level with 3% growth
- No additional General Fund contributions for Capital Projects or Parks

Conservative Assumptions



Contingency & Reserves

- Contingency remains at 3% of adjusted general fund appropriations
- Reserve remains at 5% of adjusted general fund appropriations
- Fund balance assumes $2M in sustainable carryforward and 100% rollover of Contingency funds

Current 5-Year Projected Shortfalls

	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
Shortfall	0	(10,969,746)	(16,366,443)	(21,861,454)	(27,603,907)

- Shortfalls are primarily structural
  - Related to insufficient revenue to fund ongoing operational expenses
- Use of one-time revenue or one-time savings will not help future year deficit, but will only "buy time"

One time example

- Example A – Use of one time revenue
  - Utilize $4.8M of carryforward fund balance (current placeholder in Designation for Capital Projects) to help fill the gap in FY 2011-12

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
Shortfall	(10,969,746)	(16,366,443)	(21,861,454)	(27,603,907)
Reserve	4,800,000			
New Shortfall	**(6,169,746)**	**(16,366,443)**	**(21,861,454)**	**(27,603,907)**

Sustainable Savings Example

- Example B – Sustainable savings
  - Reduce 110 positions in FY 2010-11 resulting in 100% cost savings by July 1, 2011
    - Assumes $100K savings per position

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
Shortfall	(10,969,746)	(16,366,443)	(21,861,454)	(27,603,907)
Savings	11,000,000	11,440,000	11,897,600	12,373,504
New Shortfall	**30,254**	**(4,926,443)**	**(9,963,854)**	**(15,230,403)**

Sustainable vs. One Time

- Sustainable

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
Shortfall	(10,969,746)	(16,366,443)	(21,861,454)	(27,603,907)
Savings	11,000,000	11,440,000	11,897,600	12,373,504
New Shortfall	**30,254**	**(4,926,443)**	**(9,963,854)**	**(15,230,403)**

- One time – Buys time

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
Shortfall	(10,969,746)	(16,366,443)	(21,861,454)	(27,603,907)
Reserve	4,800,000			
New Shortfall	**(6,169,746)**	**(16,366,443)**	**(21,861,454)**	**(27,603,907)**

Next Steps

- 5 year projection is a tool
- Will be updated if major assumptions change
- Will be updated with adopted FY 2010-11 budget numbers
- Will be updated at mid-year to include any additional sustainable savings or use of one time funds

Board Comments

- *Thank you!*