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FOR IMMEDIATE RELEASE
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Sutter County Proposed Budget Cuts General Fund $9.2 Million, Includes 16 Layoffs

Sutter County continues to adapt to the changed American economy. On Friday, County Administrative Officer Stephanie J. Larsen recommended bridging a $12.5 million General Fund gap in the coming fiscal year by eliminating or freezing 83 positions.

The Fiscal year 2011-12 Recommended Budget would result in layoff notices for 16 employees and three employees would see their pay cut from full-time to half-time. In addition, 13.5 vacant positions will be eliminated altogether and 53.5 vacant positions will remain unfilled, in the proposed budget scenario.

The Recommended Budget for FY 2011-12 totals $230.9 million. The General Fund comprises $62.0 million of this amount. These numbers were $250.4 million and $71.2 million, respectively, in FY 2010-11, and therefore represent decreases of $19.5 million, or 7.8% for the total budget and $9.2 million, or 12.9%, for the General Fund. A drawdown of $3.3 million from reserves is required in order to balance the General Fund budget.

“This is the first time since 1992-93 that this office has recommended a significant number of layoffs to achieve a balanced budget,” said Ms. Larsen. “Because of the conservative fiscal policies of the Board of Supervisors, Sutter County developed a healthy reserve fund that has helped it through the first three years of the Recession. But our reserve fund is shrinking and we must make fundamental changes to address the structural deficit.

“Counties all over the state are adapting to the long-term economic downturn,” Ms. Larsen continued. “Significant pay and benefit concessions made by employees in bargaining, and the difficult but necessary downsizing by departments have significantly reduced the County’s structural deficit.”

In February, Ms. Larsen informed the Board of Supervisors that the General Fund deficit was expected to be about $14.3 million, but projections for property tax receipts and carryover funds from the current fiscal year are now slightly higher than originally estimated.

The General Fund deficit is driven by a reduction in property tax and sales tax revenues, and increasing costs in pension contributions and health insurance.

The $9.2 million decrease in the General Fund is not as steep as the $14.3 million originally envisioned in February because the estimated fund balance forward is looking
more favorable ($4.6 million vs. an estimated $1.5 million in February) and the secured property tax roll will be declining by less than originally anticipated (a 3% decline rather than 5%). This means that budget reductions in the Recommended Budget are not as drastic as originally feared.

Nevertheless, because 51% of the General Fund consists of salary and benefits costs, it is not possible to achieve a $9.2 million decrease in the budget without affecting staffing.

The layoff picture would have been worse had it not been for concessions from County employees. All employees gave up 3 percent pay increases they had previously negotiated. In addition, each bargaining unit agreed to significant changes to the pension system, picking up a share of the cost for their own pensions, and agreeing to a two-tier pension system that will see reduced benefits—and lower costs to the County—for new hires.

Depending on what steps are taken to resolve an impasse over how to balance the State of California budget, which has a $10.8 billion deficit, the budget picture for Sutter County could turn gloomier. For instance, a temporary increase in Vehicle License Fees and sales taxes will expire June 30. Unless that funding is somehow replaced by the state, there will be a $1 million shortfall in funds intended to help finance the cost of the law and justice system.

More than 35 County employees took advantage of an early retirement incentive program approved by the Board of Supervisors in May. The savings from that program have not yet been included in the Recommended Budget, but Ms. Larsen anticipates that the impacts will reduce the number of county employees forced to take layoffs. She will provide a revised budget recommendation which includes savings from the early retirement program before the start of budget hearings later this month.

The Board of Supervisors will begin budget hearings on June 21 at the Sutter County Veterans’ Hall. The Board will consider the CAO’s Recommended Budget and receive testimony from the public before adopting a Final Budget.