Response to Questions on the FY 2012 Budget

Request By: Supervisor Foust

Question: Mark-up of the FY 2012 budget occurred on April 12, 2011. As of July 1, 2011, "the combined revenue and disbursement balance, after funding obligations and Managed Reserve is $59.25 million." What portion of the increased revenues and/or decreased expenses that contributes to the $59.25 million was known to staff as of April 12, 2011?

Response: The $59.25 million surplus is the result of a combination of higher than budgeted revenues (an increase of $50 million or 1.5%) and a net savings in expenditures of approximately $10 million.

The *FY 2011 Third Quarter Review* that was presented to the Board of Supervisors in March represented staff's estimate of FY 2011 year-end receipts. At that time, revenue estimates were increased over $22 million. Estimates for Personal Property Taxes, Recordation Taxes, Sales Taxes, and building permits and inspection fees were increased. The better-than-projected year-end FY 2011 revenue reflects some modest improvements in the economy – especially in the areas of Sales Tax receipts, building and inspection fees and Business, Professional and Occupational Licenses (BPOL) tax receipts.

At the *FY 2011 Third Quarter Review*, Sales Tax receipts were increasing just 1.5 percent. After the Third Quarter Review, monthly Sales tax receipts rose at an average rate of 7.3 percent. For the fiscal year, Sales Tax receipts increased 3.5 percent over the FY 2010 level. The issuance of building permits was also stronger than expected after the Third Quarter Review and revenue at year-end was up over 18 percent. BPOL Tax receipts are not known until the last quarter of the fiscal year and staff relies on models to predict revenue. Businesses file and pay their BPOL Taxes simultaneously on March 1 based on the prior year's gross receipts. Filings are received via mail and must be reviewed before collections are recorded. FY 2011 BPOL Taxes were up 4.7 percent over the FY 2010 level, which had declined 1.0 percent. Bank Franchise Tax receipts also added to the surplus. Revenue from this tax is always received from late May through June. FY 2011 receipts were the result of excess reserves due to Troubled Asset Relief Funds (TARP) and reduced bank lending.

The savings in County expenditures are a result of close management of agency spending and were achieved as a result of operational efficiencies and closely managed staffing resources.