



HEALTH SERVICES DEPARTMENT

PUBLIC HEALTH & MENTAL HEALTH DIVISIONS

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DATE: December 12, 2008

TO: Board of Supervisors and
Chief Administrative Officer

FROM: Neda West, Director
Health Services Department *Neda West*

SUBJECT: Departmental Budget Reduction Recommendations

Background

In October 2008, the Board of Supervisors merged the Public Health and Mental Health Departments into a single Health Services Department, with new leadership to be provided by a Director of Health Services and a Chief Financial Officer. The primary focus of this new leadership, with critical support from the CAO's Office, has been to rapidly assess, understand, and improve the fiscal situation for the Department, with particular emphasis on the Mental Health Division.

Unfortunately, current economic downturns and serious problems at the State level are negatively impacting Health Services Department revenues. From July through November 2008, health realignment revenue, as well as some specific program funding, has seriously declined. The estimated FY 08-09 realignment revenue shortfall in Public Health, when compared with the amount included in the adopted budget, is approximately \$700 – \$800K. The estimated FY 08-09 realignment revenue shortfall in Mental Health is approximately \$250K. Current fiscal projections for Mental Health for FY 08-09 indicate a potential net budget shortfall of over \$1.5M resulting from this realignment revenue decline, other overstated revenues and understated expenditures in the adopted budget, continued billing system problems during the first half of the year, and various other factors.

In response to declining revenues and associated net budget shortfalls projected at the County level, the Board of Supervisors approved, at its meeting on November 18, 2008, the reduction of over ninety (90) position allocations County-wide, including seven (7) position allocations within the Health Services Department. During discussion of that item, the Board requested the Health Services Director to return on December 16, 2008 to make recommendations for any further reductions that may be needed within the Health Services Department.

Recommendations

The recently appointed Director and Chief Fiscal Officer for the Health Services Department have determined that there will be inadequate revenue to fund all expenditures identified in the Department's Fiscal Year 2008-2009 budget, creating a potential serious budget shortfall. Action must be taken immediately to respond to projected reductions in health realignment revenue, as well as other budget shortfalls. The Department is identifying and implementing a variety of cost-saving measures and is taking active steps to maximize recovery of available funding. As shared in the written report to the Board on November 18, 2008, numerous steps are being taken to ensure appropriate fiscal monitoring and management and to resolve billing system problems specifically within the Mental Health Division.

The Department has begun authorizing voluntary time off and will explore the feasibility of a mandated furlough in the future. The potential effects of a mandatory furlough need to be carefully explored to prevent unacceptable consequences on required services (communicable disease control, animal services, crisis intervention, psychiatric health facility operations, billing operations, etc.).

Consolidation of office space is being pursued in order to reduce leased facility expenditures. The following activities are in process:

- Relocation of Public Health Alcohol/Drug Program (ADP) staff into the current Health Services facility in South Lake Tahoe now occupied only by Mental Health staff, with sharing of costs for that facility by ADP (resulting in estimated annual savings to MH over \$55K).
- Evaluation of ability to terminate lease of Mallard Lane facility, with movement of MH staff to other existing Health Services locations (estimated to save approximately \$185K annually for lease and other associated expenses such as utilities, janitorial, garbage, and security).
 - Potential relocation of some MH staff into PH Spring Street facilities (possibly crisis staff who work closely with the Psychiatric Health Facility/Crisis Residential Facility)
 - Potential relocation of MH staff into existing Golden Center facility on Placerville Drive

Contract services are being carefully evaluated, with the support of County Procurement and the CAO's Office, and only essential contracts are being recommended for renewal. Contract processing functions are being merged and contract development/monitoring systems are being improved. Steps are also being taken to resolve billing system issues, improve fiscal processes, and increase revenue collection. The Department has also initiated the process of merging/streamlining other critical administrative and fiscal functions such as personnel processing, technology support, purchasing, and payroll.

Despite steps such as the above, the requirement for large, sustainable expenditure reductions results in the need for position allocation reductions.

Given the magnitude of the potential budget shortfall in the Health Services Department (if current operations were to continue without implementing significant change), a substantial number of position reductions are recommended. A total of twenty-nine (29) regular positions, as well as many extra-help positions, have been identified and are listed in the tables that follow. The proposed reduction in force is expected to achieve approximately \$700,000 in FY 08-09 savings, with on-going annual savings over \$1.8 Million.

Health Services Department Proposed Personnel Reduction Lists

Table 1. Regular positions proposed for reduction in force.

Position	Status	Management	Supervisory	Line	Total
Current Total		22.0	25.6	185.9	233.5
Percent Total		9.4%	11.0%	79.6%	
Total Proposed Position Change (as shown below):		-3.0	-5.0	-21.0	-29.0
Administrative Secretary	Vacant			-1.0	-1.0
Community Health Advocate	Filled			-1.0	-1.0
Fiscal Assistant I/II	Filled			-1.0	-1.0
Fiscal Services Supervisor	Filled		-1.0		-1.0
Health Education Coordinator	Vacant			-3.0	-3.0
Health Program Manager	Vacant	-1.0			-1.0
Licensed Vocational Nurse	Filled			-1.0	-1.0
MH Clinician IA/IB/II	4 Filled			-6.2	-6.2
MH Program Coordinator IA/IB/II	2 Filled		-3.0		-3.0
Manager of MH Programs	Filled	-1.0			-1.0
MH Worker I/II	Vacant			-2.6	-2.6
Office Assistant I/II	1 Filled			-1.5	-1.5
PH Nurse Prac / Phys Assistant	.5 Filled			-0.7	-0.7
PH Preparedness Div. Manager	Filled	-1.0			-1.0
Program Assistant	Vacant			-1.0	-1.0
Public Health Nurse I/II	Vacant			-1.0	-1.0
Sr. Office Assistant	Vacant			-1.0	-1.0
Supervising Public Health Nurse	Filled		-1.0		-1.0
Revised Total		19.0	20.6	164.9	204.5
Percent of Total		9.3%	10.1%	80.6%	

Table 2. Extra-help positions proposed for termination.

Extra Help Position	Status	Management	Supervisory	Line	Total
				See Note	
Fiscal Assistant I/II	Filled			-5	-5
Medical Office Assistant I/II	Filled			-4	-4
Mental Health Aide	Filled			-1	-1
MH Clinician IA/IB/II	Filled			-5	-5
Total					-15

Note: The extra-help count reflects the number of individuals to be terminated from extra-help status; most of these individuals work part-time and/or variable schedules.

The proposed personnel allocation reductions come from both the Public Health and Mental Health Divisions, from a number of different program areas, and from all levels within the organization. The Health Services Department is developing comprehensive plans for the continued delivery of existing medical and mental health services, utilizing the 204.5 regular position allocations, plus some extra-help positions, that will remain in the Department. There will be changes in the way that services are delivered in order to increase efficiency and best utilize available resources to serve our clients and the community.

Even with the changes and reductions identified above, current year budget shortfalls are predicted. The Public Health Division has sufficient fund balance to offset current year expenditures that may exceed current year revenues. The Mental Health Division does not have available fund balance. Therefore, it may be necessary for the Mental Health Division to utilize health and welfare realignment revenue that would normally be distributed to others, such as Public Health and Human Services. Realignment regulations allow the annual transfer of up to 10% of realignment revenues between local trust funds. The Department is working closely with the CAO's Office to evaluate these options and will return to the Board at a future date to formally request authorization and to propose specific transfer amounts, should these options become necessary.

Board Action Requested

1. Adopt the attached Resolution modifying the Authorized Personnel Allocation for the Health Services Department.
2. Recommend that the Director of Health Services report back to the Board in February 2009 with fiscal updates and any additional recommendations for cost savings.