



## Budget Status Update – FY 09/10 Proposed Budget and FY 10/11 Work Plan

---

August 24, 2009

1



## This is not the Final Budget Hearing

---

- Purpose of Meeting
  - Provide Board with an update on FY 09/10 Proposed Budget process
  - Provide Board with an update on status of work plan to achieve sustainable budget by FY 10/11
  - Provide an update on review of Indigent Defense costs and structure

2



## Goal for Today's Meeting

---

- Receive Board direction on Policy Discussion Issues in advance of FY 09/10 Budget Hearings
- Receive Board direction on next steps in evaluating cost of Indigent Defense

3




## Update on FY 09/10 Budget process

---

- We are at a specific point in time with many variables still in play
  - Books closed Friday
  - Lack of clarity regarding outcome of State Budget process
  - Early retirement incentive not in play
  - Uncertainty regarding local revenue
  - Prop 1A Suspension
- Numbers provided in Attachment A –Summary of Tiered Reductions and Attachment B – Revised Five Year Forecast are still being refined
- Departments evaluating reductions and impact of ability to absorb them on service levels

4



## Status of work plan to achieve sustainable budget by FY 10/11

---

- Issues and Challenges
  - Departments are lean
  - Reductions impacting services
  - We are working in a closed system
  - Savings that one department can't achieve must come from somewhere else
  - Budget reductions are occurring incrementally – not smooth process
  - Equity issues

5



## Tier 1 & 2 Targets (FY 09/10)

---

- Departments have submitted plans to achieve Tier 1 & 2 savings of \$4.8M
- Some plans are detailed
- Some plans are generic
- Tier 1 (FY 09/10) reductions taken out in Proposed Budget
- Tier 2 (FY 09/10) reductions will be taken out at Addenda
- Departments are responsible for living within resulting reduced budgets (BOS Policy B-1)
  - Will require full quarterly review of Departmental budgets

6



## Tier 3 Target (FY 10/11)

---

- Tier 3 reductions of \$5.6M needed to reduce the projected FY 10-11 shortfall and future years projected shortfalls
- Early Retirement Incentive Plan could affect Tier 3 reductions
- Implementation of Tier 3 plan should be finalized by November
- The longer departments wait to make cuts, the deeper the cut

7



## Attachment A – Summary of Tiered Reductions to date (8/24/09)

---

- Departments have exceeded original Tier 1 & 2 Target of \$4.8M by \$628K
- Almost 60% of reductions in Tier 1 & 2 are sustainable
- Departments still have additional reductions of \$1.9M to reach the Tier 3 Target of sustainable reductions

8



## Bottom Line – Revised Fiscal Forecast (Attachment B)

---

- Current tiered savings identified result in an approximate \$850,000 surplus in FY 2009-10
- If this surplus was placed in Contingency and rolled forward to FY 2010-11 the projected deficit for FY 2010-11 is \$657,009
- FY 2011-12 deficit of \$6.9M
- FY 2012-13 deficit of \$12.4M
- FY 2013-14 deficit of \$17.9M

9



## Still High Degree of Uncertainty

---

- Suspension of Prop 1A could result in a loss of \$7.2 M in FY 09/10
- Local Revenue very difficult to predict – not much known until end of 1<sup>st</sup> Quarter
- State Budget process is not over, large revenue gaps exist

10



## Departments Plans – Tier 1 & 2 Mandatory Time Off (Furloughs)

---

- 10 day
  - CAO
  - Treasurer-Tax Collector
  - Assessor
  - Human Resources
  - IT
  - Public Defender
  - Surveyor
  - Agriculture
  - Development Services
  - Veterans
  - Library
  
- ≤5 day or only with some classifications
  - County Counsel
  - Probation
  - Sheriff
  - Human Services

11



## Department Plans - Tier 3 Fee Increases

---

- Treasurer-Tax Collector
  - Increased business license fee
- Surveyor
  - Increased map checking fees
- Development Services
  - Increased permit fees

12



## Department Plans - Tier 3 Early Retirement Incentive

---

- Two plan option: Cash/Retirement Health Plan and Retirement Health Plan
- Bargaining Groups notified
- Department Heads notified
- Discussion with vendors for Retirement Health Plans
- Will have more information on outcome of offering by September
- Possible contract with vendor on September 15 Board agenda

13



## Department Plans - Tier 3 Service Impacts

---

- Some departments were unable to reach their sustainable target savings for FY 10/11 or did not provide a specific plan for achieving these reductions
- Need service impact review of those departments
  - How lean are they
  - What is the impact of the additional reductions on service levels

14



## Evaluation of Service Levels

---

- Workload and output analysis of each service unit within department
- Comparison with other counties and departments
- Look for outside measurement studies
- Can efficiencies be achieved by working with other departments especially in providing administrative and fiscal support

15



## Policy Discussion Issue #1

---

- Are targets compromising desired service levels?
  - Targets are a starting point, the numbers are what the numbers are
- When target cannot be met then need to focus on department defense of core service workload
  - Departments need to clearly articulate the fiscal and program impacts of tiered reductions

16





## CAO Recommendation #1

---

- CAO recommending that the BOS direct departments that have not met or submitted a non specific plan to achieve their Tier 3 target to submit a specific plan by September 4, that meets their sustainable targets 100% and explains the fiscal and service impacts of the required reductions

17



## Next Step

---

- The Chief Administrative Office will review these plans and return during the September budget hearings with recommendations for the Board regarding the impact of tiered plans on service levels and operational efficiency

18



## Policy Discussion Issue #2

---

- Is this the time to look at potential fee increases to help departments reach their tiered targets?
  - Treasurer/Tax Collector
    - Increased business license fees
  - Surveyor
    - Increased map checking fees
  - Development Services
    - Increased permit fees

19



## CAO Recommendation #2

---

- Request that the Board provide conceptual approval for departments to move forward with fee increase proposals
- If the Board is not supportive of fee increases, direct departments to provide a plan by September 4, incorporating appropriation reductions instead of increased revenues

20



## Next Step

---

- If fee increase conceptually approved
  - The Chief Administrative Office will work with departments to prepare respective Board agendas
- If fee increase not conceptually approved
  - Departments revise Tier 3 plan to reflect additional reductions

21



## Policy Discussion Issue #3

---

- Should the County actively pursue Proposition 1A Loan Securitization
  - Board has given direction to consider State “borrowing” of Proposition 1A revenue as permanent
  - If lost, then how can the County recoup these funds
    - Securitization option should be seriously considered
  - Final information on securitization will not be available until after Final Budget Hearings

22



## CAO Recommendation #3

---

- Request that the Board provide conceptual approval to actively explore securitization option with full assessment of risks and benefits

23



## Next Step

---

- If exploration conceptually approved, the Chief Administrative Office will work with Treasurer-Tax Collector, Auditor-Controller, and County Counsel and report back to the Board on September 17<sup>th</sup> on status of securitization process to date
- If exploration not conceptually approved or if securitization not viable, the Chief Administrative Office will incorporate the loss of revenue into addenda and bring back options for back filling loss which may include:
  - Fund balance exceeding projections
  - Animal Shelter funding
  - Capital Designations
  - Logan Building Proceeds
  - Reductions to reserves

24



## Policy Discussion Issue #4

---

- If final fund balance is higher than anticipated, how should these funds be spent?
- Some options (remembering that these are one time revenues and should only be used for one time expenses or revenue shortfalls)
  - Backfill Prop 1A property tax loss
  - Increase contribution to the Road Fund
  - Increase appropriations to contingency to provide additional safety net for economic uncertainties
  - Other

25



## CAO Recommendation #4

---

- If Prop 1A securitization does not occur, utilize any additional fund balance to partially offset the one-time revenue loss
- If Prop 1A securitization does occur, put additional funds in appropriations for contingency to provide safety net for economic uncertainties

26



## Next Steps

---

- Chief Administrative Office to incorporate final fund balance into addenda
- Chief Administrative Office to evaluate departments' performance in estimating their final budget targets and report back to Board in addenda

27



## Update on review of Indigent Defense costs and structure

---

- Separate Powerpoint presentation

28



## Next Steps

---

- Provide direction on Policy Discussion Issues #1 thru #4
  - Final budget hearings are scheduled to begin on September 17, 2009 and will incorporate the policy direction from today

29



## End of presentation

---

Board questions and comments

30