

Board of Supervisors

Special Meeting

July 27, 2009

Purpose: Review outcome of State Budget Process, provide direction to staff and take action as needed relative to managing the County budget in the current fiscal year, or subsequent years including possible amendments to the proposed budget for FY 2009/2010.

Note: Board adopted Proposed Budget 2009/10 on June 30th

Agenda:

1. Outcome of Proposed Budget decisions & Revised 5 Year Forecast
(Attachment 1) – Laura Schwartz
2. Outcome of State Budget Negotiations (Attachment 2) – Mike Applegarth
3. Next Steps – Gayle Erbe-Hamlin
 - a. Prop 1A Suspension (\$6.3M) – It’s a Rainy Day!
 - i. Assume Payback
 1. Securitization - local agencies may sell their Proposition 1A receivables/state will pay all of the costs of the securitization, including payment of an interest rate of up to 8%.
 2. Borrow other County funds to offset loss, for example:
 - a. Use of Reserve - \$2.1 M (Lowers Reserves/Contingency from 8% to 6.6% - still 1.3% higher than FY 02/03
 - b. Use of Capital Contingency \$2.2 M
 - c. Use of Logan Building Proceeds \$2 M (component of ACO Fund)
 - ii. Don’t Assume Payback
 1. Absorb loss all at once or over time?
 2. Will funds be borrowed again for additional 3 years

- b. Local Revenue Reductions – Sales Tax, Property Tax, Prop 172, VLF
 - i. Inability to accurately predict local revenue
 - ii. 5 Year Forecast predicts an ongoing structural deficit starting 2010/2011
 - 1. Continued drop in General Fund revenue and most likely department revenue
 - 2. Many department savings are based on furlough amounts
 - 3. Other future cost impacts – CalPERS increase 2011/12
 - iii. Need to address deficit with sustainable reductions
 - 1. Program Elimination/Savings (Attachment 3)
 - a. Indigent Defense
 - b. Non mandated programs
 - 2. Position Reductions (Attachment 4)
 - a. RIF
 - b. Retirement Incentives w/ elimination of positions accepting offer
 - 3. Restructuring
 - a. Review functional groups administration/ fiscal support needs – already working in Land Use and Development and Health & Human Services Departments
 - b. CalPERS pick up by employees – bargaining issue
 - c. Amador Model (Attachment 5) – bargaining issue
- c. Uncertainty at State
 - i. Budget passed by still blue pencil
 - ii. Structural inadequacies of plan
 - iii. Continued slide of State revenues and their inability to predict
 - 1. Animal Shelter funds \$6 M
 - 2. Contingency

4. Board Discussion

ATTACHMENT 1



The County of El Dorado

Chief Administrative Office

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Gayle Erbe-Hamlin
Chief Administrative Officer

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DATE: July 23, 2009
TO: Board of Supervisors
FROM: Gayle Erbe-Hamlin, Chief Administrative Officer
RE: FY 2009-10 Budget Reduction Plan

On Tuesday, July 21, 2009, the Board asked for more detailed information about department plans to achieve the initial "furlough targets" (referred to as Tier 1 reductions) that have already been taken out of the Proposed FY 2009-10 Budget and Tier 2 reductions that have yet to be taken out of the budget. The following summary provides these plans by department, along with a breakdown of sustainable and one-time only reductions.

It should be noted that Tier 1 and Tier 2 savings are needed as a direct result of the decline in local revenues, primarily property and sales tax. Direction was given to departments to achieve at least half of the combined Tier 1 and Tier 2 savings with sustainable cuts. Many departments have reached a point where any further sustainable reductions could result in core functions not being performed. Those departments are utilizing a furlough, which is one-time in nature, to reach their target. The Chief Administrative Office continues to look at options for program reductions as revenues continue to decline and will report back to the Board in August with additional recommendations. This plan document is an attempt for across the board cuts which total \$3,073,520 in sustainable reductions and \$1,790,284 in one-time reductions.

The Chief Administrative Office is recommending that the Board take the following actions:

- 1) Adopt this plan document and direct the CAO to implement these reductions during the Addenda process.
- 2) Direct the Chief Administrative Office to return on August 10th with a revised personnel allocation deleting position vacancies identified in this plan
- 3) Direct the Chief Administrative Office to return on August 10th seeking direction on any actions to date and additional recommendations for specific program reductions relative to State actions or further declines in local revenues.

Please note that many of these plans include a line item titled "reduce salaries". This is a reduction in the total salaries and benefits budget for the department and will be achieved either through the deletion of vacant positions or further reductions in force. This is not an across the board salary reduction for current employees.

Board of Supervisors – \$40,412

Increased Revenue	Decreased Appropriations	Sustainable	One-time	Total
	Reduced operating expenses	23,531		23,531
	Reduced salaries	4,883		4,883
Additional revenue		12,000		12,000
		40,414	-	40,414

Chief Administrative Office – \$101,792

Increased Revenue	Decreased Appropriations	Sustainable	One-time	Total
	10 day furlough		50,896	50,896
	Reduce salaries	50,896		50,896
		50,896	50,896	101,792

Auditor/Controller - \$148,874

Increased Revenue	Decreased Appropriations	Sustainable	One-time	Total
	Reduce salaries	148,874		148,874

Treasurer/Tax-Collector - \$89,026

Increased Revenue	Decreased Appropriations	Sustainable	One-time	Total
	10 day furlough		44,513	44,513
	Reduce operating expenses	35,250		
	Reduce extra-help	9,263		9,263
		44,513	44,513	89,026

Assessor - \$129,408

Increased Revenue	Decreased Appropriations	Sustainable	One-time	Total
	10 day furlough		88,738	88,738
Increased trust revenue		10,310		10,310
	Reduce salaries	78,428		78,428
		88,738	88,738	177,476

County Counsel - \$129,408

Increased Revenue	Decreased Appropriations	Sustainable	One-time	Total
	5 day furlough		32,352	32,352
Increased revenues from Elder Protection case			33,000	33,000
	Leave Deputy Co. Counsel position vacant for 6 months		64,000	64,000
		-	129,352	129,352

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Human Resources - \$33,894

Increased Revenue	Decreased Appropriations	Sustainable	One-time	Total
	10 day furlough		16,947	16,947
	Reduce salaries	16,947		16,947
		16,947	16,947	33,894

Information Technologies - \$242,398

Increased Revenue	Decreased Appropriations	Sustainable	One-time	Total
	10 day furlough		121,199	121,199
	Reduce IT telephone/data wiring appropriations	45,000		45,000
	Reduce salaries	76,199		76,199
		121,199	121,199	242,398

Recorder Clerk / Elections - \$91,634

Increased Revenue	Decreased Appropriations	Sustainable	One-time	Total
	Reduce operating expenses	66,200		66,200
Increase use of trust revenue			17,000	17,000
Net of increase in recording fees and decrease in marriage license fees			11,323	11,323
		66,200	28,323	94,523

District Attorney - \$365,560

Please note that the District Attorney has agreed to reduce salaries but will continue to look at other options and make any necessary changes during the Addenda process.

Increased Revenue	Decreased Appropriations	Sustainable	One-time	Total
	Reduce salaries	365,560		365,560

Public Defender - \$144,648

Increased Revenue	Decreased Appropriations	Sustainable	One-time	Total
	10 day furlough		72,324	72,324
	Reduce salaries	72,324		72,324
		72,324	72,324	144,648

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Sheriff - \$1,840,892

Increased Revenue	Decreased Appropriations	Sustainable	One-time	Total
FY 2008-09 unspent Rural counties funds			409,000	409,000
	Furlough Savings		157,000	157,000
	Move fiscal staff back to Fair Lane. Save on rent/utilities	92,000		92,000
	Eliminate 3 Correction Officer vacancies	300,000		300,000
	Reduce overtime in transportation unit	100,000		100,000
	Eliminate 3 vacant Dispatcher positions	243,000		243,000
	Eliminate 1 vacant Sheriff Technician and 1 vacant Sr. Sheriff's Technician	152,000		152,000
	Eliminate 3 vacant Sheriff Deputy positions	390,000		390,000
		1,277,000	566,000	1,843,000

Probation - \$458,910

Increased Revenue	Decreased Appropriations	Sustainable	One-time	Total
	3 day furlough value		68,837	68,837
	Reduced salaries and operating costs	390,073		390,073
		390,073	68,837	458,910

Surveyor - \$90,220

Increased Revenue	Decreased Appropriations	Sustainable	One-time	Total
	10 day furlough		45,110	45,110
	Reduced operating costs	25,110		
Increased fees for map checks		20,000		20,000
		45,110	45,110	90,220

Agriculture - \$48,540

Increased Revenue	Decreased Appropriations	Sustainable	One-time	Total
	4 day furlough		9,708	9,708
	Reduce salaries	12,683		12,683
	Reduce operating costs	6,879		6,879
Increased noxious weed funding through California Dept. of Food & Ag			19,270	19,270
		19,562	28,978	48,540

DOT General Fund - \$102,210

Increased Revenue	Decreased Appropriations	Sustainable	One-time	Total
	Reduced operating costs	51,105	51,105	102,210

Development Services - \$275,190

Please note that the Mandatory Temporary Layoff resolution that the Board adopted on Tuesday, July 21, 2009 only implements a 5 day mandatory temporary layoff. Employees must take these 5 days prior to January 1, 2010. The Department will re-evaluate revenues at that point to determine if another 5 days is necessary to meet targeted reductions.

Increased Revenue	Decreased Appropriations	Sustainable	One-time	Total
	10 day furlough		137,595	137,595
	Hold Dept. Analyst position vacant	50,000		
	Shift one Sr. Planner 50% to Human Services for HCED work		45,000	
Fee increases		25,000		
	Position reductions	20,000		20,000
		95,000	182,595	277,595

Environmental Management - \$112,706

Increased Revenue	Decreased Appropriations	Sustainable	One-time	Total
Revenue from DS for fiscal support services			14,292	14,292
	Eliminate vacant Office Assistant position	34,079		34,079
	Unfund 6.5 months of the vacant Environmental Health Manager		64,335	64,335
		34,079	78,627	112,706

UCCE - \$9,492

Increased Revenue	Decreased Appropriations	Sustainable	One-time	Total
	Reduce annual contract for services with the Regents of the University of California	9,492		9,492

Health Services - \$79,484

Increased Revenue	Decreased Appropriations	Sustainable	One-time	Total
Increased use of animal services resulting in collection of additional revenue		40,000		40,000
	Rent and utility decreases based on reduced leased facilities	34,700		34,700
	Reduce salaries		5,000	5,000
		74,700	5,000	79,700

Veteran Affairs - \$16,456

Increased Revenue	Decreased Appropriations	Sustainable	One-time	Total
	10 day furlough		8,228	8,228
Use of additional trust fund revenues		8,228		8,228
		8,228	8,228	16,456

Human Services - \$114,744

Increased Revenue	Decreased Appropriations	Sustainable	One-time	Total
	Furlough Savings		54,121	54,121
	Reduce extra help in Public Guardian rep payee program	22,369		22,369
	Reduce operating expenses		137	137
Shift staff to funded programs			38,117	38,117
		22,369	92,375	114,744

Library - \$117,306

Increased Revenue	Decreased Appropriations	Sustainable	One-time	Total
	10 day furlough		58,653	58,653
	Reduce salaries	18,653	40,000	58,653
		18,653	98,653	117,306

Child Support - \$24,968

Increased Revenue	Decreased Appropriations	Sustainable	One-time	Total
Increase collection revenues		12,484		12,484
	Reduce salaries		12,484	12,484
		12,484	12,484	24,968

Revised 5 year forecast as of 7/24/09

EL DORADO COUNTY CALIFORNIA General Fund Revenue and Appropriation Projection

	FY 2010	FY 2011	Projected FY 2012	FY 2013	FY 2014
REVENUES					
Property Tax	\$ 57,327,347	\$ 57,046,511	\$ 55,789,067	\$ 54,559,915	\$ 53,358,419
Other Local Taxes	30,495,431	30,335,382	30,176,608	30,019,099	29,862,848
Licenses/Permits/Franchises	4,343,104	4,408,393	4,475,546	4,569,041	4,639,407
Fines/Forfeitures/Penalties	838,952	845,311	851,764	858,313	864,958
Use of Funds/Property	263,288	278,886	279,491	280,101	280,718
Intergovernmental Revenue	55,079,708	56,027,902	57,549,678	58,916,753	60,547,118
Charges for Service	15,133,862	15,326,756	15,475,354	15,627,010	15,801,344
Other Revenue	4,350,877	3,129,727	3,129,794	3,129,862	3,129,930
Transfers from Other Funds	19,511,200	19,682,200	19,835,735	20,125,309	20,366,488
Total Current Revenues	\$ 187,343,768	\$ 187,081,069	\$ 187,563,036	\$ 188,085,403	\$ 188,851,231
Appropriation from Fund Balance	6,699,634	5,170,000	5,370,000	5,510,000	5,650,000
Total Revenues	\$ 194,043,402	\$ 192,251,069	\$ 192,933,036	\$ 193,595,403	\$ 194,501,231
Discretionary Revenues	\$ 113,438,419	\$ 110,384,350	\$ 109,313,428	\$ 108,214,467	\$ 107,146,860
Departmental Revenues	80,604,984	81,866,719	83,619,608	85,380,936	87,354,370
Total Revenues	\$ 194,043,403	\$ 192,251,069	\$ 192,933,036	\$ 193,595,403	\$ 194,501,231
APPROPRIATIONS (Category)					
General Government	\$ 23,608,777	\$ 24,659,958	\$ 25,581,676	\$ 26,561,214	\$ 27,556,160
Law and Justice	80,252,408	83,015,289	86,131,469	89,367,604	92,728,353
Development Services	18,534,072	19,426,096	20,135,991	20,872,267	21,635,919
Health/Human Services	48,894,826	50,438,870	52,198,637	54,021,061	55,908,417
Nondepartmental	24,079,422	19,997,756	20,408,525	20,825,857	21,259,923
Total Appropriations	\$ 195,369,505	\$ 197,537,969	\$ 204,456,297	\$ 211,648,004	\$ 219,088,773
APPROPRIATIONS (Object)					
Salaries/Benefits	\$ 119,389,034	\$ 124,194,649	\$ 129,162,435	\$ 134,328,932	\$ 139,702,090
Operating Expenses	51,351,945	52,821,123	54,351,302	55,943,819	57,567,186
Fixed Assets	891,581	918,328	945,878	974,255	1,003,482
Other Financing Uses	28,500	-	-	-	-
Transfer to Other Funds	18,538,445	14,233,869	14,486,683	14,750,998	15,016,016
Appropriation for Contingency	5,170,000	5,370,000	5,510,000	5,650,000	5,800,000
Total Appropriations	\$ 195,369,505	\$ 197,537,969	\$ 204,456,297	\$ 211,648,004	\$ 219,088,773
Revenue Surplus/(Shortfall)	\$ (1,326,103)	\$ (5,286,899)	\$ (11,523,261)	\$ (18,052,601)	\$ (24,587,543)
Designated for Capital Projects	\$ 2,189,664	\$ 2,189,664	\$ 2,189,664	\$ 2,189,664	\$ 2,189,664
General Reserve	\$ 9,607,776	\$ 8,615,736	\$ 8,939,854	\$ 9,263,010	\$ 9,599,344
\$ Needed for 5% General Reserve	\$ 8,615,736	\$ 8,939,854	\$ 9,263,010	\$ 9,599,344	\$ 9,947,122
Additional Funds to Reach 5%	\$ 992,041	\$ (324,119)	\$ (323,156)	\$ (336,334)	\$ (347,778)
Total Revenue Surplus/Shortfall	\$ (334,062)	\$ (5,611,018)	\$ (11,846,417)	\$ (18,388,935)	\$ (24,935,321)

FY 2010-2014

Property Tax Growth at -2.25% for FY 2009-10, -.05% for remaining 4 years
 Sales Tax reduced 19% from projected FY 2008-09 total. Reduced 1% for remaining 4 years
 All other discretionary GF revenues flat
 Fund Balance = Contingency carry-over based on FY 2008-09 year-end projection
 Funding of \$2M for roads in FY 2009-10, \$1M for FY 2011-2014
 Charter 504 additional set-aside of \$500,000 reduced to \$0
 Department Tier 1 & Tier 2 cuts are included

ATTACHMENT 2

State Budget Summary and Policy Discussion
July 27, 2009

Background:

Following the announcement last week that the Governor and Legislative leaders had struck a deal to close the State's \$26.3 billion budget gap, it was reported that the deal included:

- 1) Taking a significant share of the tax increment used to finance Redevelopment Agencies (RDA)
- 2) An RDA extension and securitization proposal allowing the State to take and additional 10% of RDA tax increment.
- 3) Taking the local government share of the Highway Users Tax Account (HUTA) and;
- 4) Borrowing a portion of local government property tax through a suspension of Proposition 1A of 2004.

As originally conceived the HUTA take and Proposition 1A suspension were tied to or "triggered" by the success or failure of the RDA extension/securitization proposal. In other words, if the RDA securitization plan failed to generate sufficient revenue for the State, the local HUTA share and local property taxes will automatically be available to help fill the remaining gap in the State budget.

Recent Developments:

After marathon sessions in the Senate and Assembly late last week, the potential impacts to local governments have significantly changed. The HUTA take and RDA extension/securitization proposals were not adopted as part of the final budget package. The Legislature did pass ABX4 14 which suspends Proposition 1A. The bill included an urgency clause and takes effect upon signature of the Governor. An overview of Proposition 1A is included as Attachment A

Suspension Provisions:

In addition to passing ABX4 14 suspending Proposition 1A, the Legislature also passed ABX4 15 which includes local government securitization and State repayment provisions. The bill:

- 1) Directs county auditors for FY 2009-10 to generally reduce local agency property tax allocations by 8%.
- 2) Requires those funds to be placed in a Supplemental Revenue Augmentation Fund for use by County Offices of Education.
- 3) Includes an extreme hardship provisions for local agencies on the verge of bankruptcy. Local agencies may petition the California Department of Finance (DOF). The DOF may grant hardship suspension reductions or eliminations

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totaling up to 10% of the total suspension amount in any county. Any hardship amounts will be reallocated to all of the other local agencies in the county so the total suspension amount (within the geographic territory of a county) remains the same.

- 4) Provides for state-financed securitization of the Proposition 1A suspension reduction amounts. Local agencies may sell their Proposition 1A receivables (the state's repayment obligation to them) to a joint powers authority. The JPA would then sell bonds to investors which would be backed by the receivables. The bond proceeds will be used to pay for the purchase of the receivables from the local agencies. Local agencies would be "made whole" as soon as the securitization occurs. The state will pay all of the costs of the securitization, including payment of an interest rate of up to 8%. Bonds must include call provisions for 2010-11 and 2011-12. Lowest cost financing is required and the terms of the securitization are subject to the approval of the State Treasurer and Director of Finance.
- 5) Allows local agencies to be repaid by the state directly as an alternative to joint securitization. Local agencies with adequate resources and/or better credit ratings than the state may finance their suspension amounts on their own, and the state will offer an interest rate (set by the DOF) above the Pooled Money Investment Account Rate, subject to a 6% cap.
- 6) Includes a deadline of June 30, 2013 for the state to repay local governments. The bill includes a state General Fund appropriation to pay for all of the costs of bond redemption, and to repay any local agencies that did not participate in the joint securitization.
- 7) Provides that the state payment obligation to local governments shall take priority over all other obligations of the state except for payments to schools and debt service on general obligation bonds during 2012-13. Authorizes bondholders or local agencies to bring a mandamus action in the California Supreme Court to compel payment if any of these obligations remain unpaid after June 30, 2010.

El Dorado County Impacts:

Prior to adoption of the county's FY 2009-10 Proposed Budget it was estimated that an 8% shift in property taxes would cost the county General Fund \$6.3 million. The Proposed Budget did not account for the suspension of Proposition 1A.

It is not known at this time what local agencies may seek a hardship reduction or elimination of their Proposition 1A suspension amounts. The total amount of the Proposition 1A shift from local agencies is approximately \$21 million. Hypothetically, a 5% hardship reduction could result in an additional \$1 million suspension to other (non-hardship) local agencies.

Issues for Consideration:

Securitization

The state's credit rating is currently just above junk bond status and may go lower. Securitization under the JPA plan (described in point #4) relies on the state's credit rating, which means that the cost of borrowing will be higher. However, the interest rate

with this option caps at 8% which is higher than the alternative, self-finance option (described in point #5) which caps at 6%.

Additional Budget Impacts

Attachment B contains a description from the Regional Council of Rural Counties of other state budget decisions that could adversely impact counties. Counties can plan on the reduction or elimination of funding for key programs such as Rural Sheriff's Grants, COPS, Williamson Act subventions, and Proposition 36 treatment. Counties may also face an increased share costs as a result of state budget reforms in health and human services.

In addition to these county-specific impacts, the state budget remains unbalanced. The elimination of the HUTA "take" and offshore oil drilling revenue potentially creates significant holes in the state budget. The new state budget also contains sizable promises for future education funding, and failed to address a \$1.2 billion cut originally slated for state corrections.

Given that significant shortfalls likely remain in the state budget, it is conceivable that the state will again look to local governments as a source of revenue or as a "partner in pain" thus passing on larger share of costs in the future.

Policy Questions:

- 1) Does the Board of Supervisors consider the Proposition 1A suspension property tax reduction a loan and not a permanent "take"?
- 2) If the Board considers the Proposition 1A reduction a loan to the state, how confident is the Board that the loan will be repaid by 2013?
- 3) If the Board believes the loan will be repaid, does the Board wish to participate in the joint securitization or an alternative financing mechanism?

Attachment A
Proposition 1A Overview:

Proposition 1A, *Local Government Finance*, was an amendment to the California Constitution passed by 84% of voters in the November, 2004 General Election. Proposition 1A was intended to restore financial predictability and stability to local governments.

The measure:

- Strengthened prohibitions against unfunded state mandates by requiring the state to suspend state mandates in any year the Legislature does not fully fund them.
- Expanded the definition of state mandates to include transfer of responsibility of a program for which the state previously had full or partial responsibility.
- Prohibited the state from:
 - Reducing the local Bradley Burns Uniform Sales & Use Tax rate, limiting existing local government authority to levy a sales tax rate, or altering its method of allocation. Any change in how property tax revenues are shared among local governments within a county must be approved by two-thirds of both houses of the Legislature.
 - Shifting property taxes from local governments to schools or community colleges.
 - Decreasing Vehicle License Fee revenue from the 0.65% rate without providing replacement funding to cities and counties.

Proposition 1A provided two significant exceptions to the above restrictions regarding sales and property taxes.

First, beginning in FY 2008-09, the state may suspend provisions of Proposition 1A in order to shift a limited amount of local government property tax revenue to schools and community colleges if:

- 1) The Governor proclaims that a shift is needed due to a severe state financial hardship;
- 2) The Legislature approves the shift with a two-thirds vote of both houses. The bill containing the suspension must not contain any other provision.
- 3) The Legislature enacts a law providing for full repayment of the “borrowed funds” plus interest within three years.

Proposition 1A may not be suspended for more than two fiscal years during any period of 10 consecutive fiscal years. The amount of the shift may not result in a total ad valorem property tax revenue loss to all local agencies within a county that exceeds **8 percent** of the total amount of ad valorem property tax revenues that were allocated among all local agencies within a county in the last fiscal year. The state must repay local governments for their property tax losses, with interest within three years. The Legislature may not suspend Proposition 1A during any fiscal year if property tax revenue borrowed under a previous Proposition 1A suspension has not been fully restored to local governments.

Second, Proposition 1A allows the Legislature to approve voluntary exchanges of local sales and property tax revenues among local governments within a county.

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Attachment B

Major Changes by Program Area

The following is a more detailed overview of certain aspects of the Budget Package that are relevant to counties and rural areas.

Administration of Justice, Corrections and Law Enforcement

Public Safety Funding Realignment. The revised budget package retains a funding scheme that was created in February. As such, several public safety programs (Booking Fees, Rural Sheriffs Grants, Citizens' Option for Public Safety, etc.) no longer rely on funding from the General Fund and instead, are supported from a temporary increase in the vehicle license fee. This increase is set to expire in June of 2011. It should be noted that vehicle license fee revenues have dramatically fallen, resulting in reductions to most of these public safety programs.

Department of Justice Lab Use Fees. The Department of Justice (DOJ) operates a number of criminal forensic laboratories for use by local law enforcement. The Budget Conference Committee reduced the DOJ's budget by \$20 million and to make-up for this loss, the DOJ was instructed to implement a fee schedule and bill users accordingly. The revised budget package does not contain the imposition of fees and the \$20 million reduction has been restored to DOJ.

Corrections Reform. The Budget Package provides for further General Fund reductions to the Department of Corrections and Rehabilitation. The Legislature has committed to address the specifics of this reduction when it reconvenes in August. Among the options available for discussion include:

- Revising property and drug crimes to be misdemeanors (this will result in more persons being incarcerated in county detention facilities);
- Authorizing targeted commutations;
- Making prison and parole reforms;
- Further eliminating inmate and parolee rehabilitation programs; and,
- Implementing alternative custody options, most likely GPS/home detention.

The revised budget package does not implement the early release of state prisoners; however, this remains an issue before the federal courts and further deliberation in the Legislature.

Reduction to the Courts. The Budget Package provides for a \$169 million unallocated reduction to the Administration of the Courts. It is widely expected this will result in trial courts going dark one day per month, thus impacting jails and other county personnel. In addition, a variety of court-related fees will be increased to cover the costs of court operations.

Education

Education Funding and Proposition 98. The Budget Package maintains Proposition 98 funding at the constitutionally-required minimum for 2009-10 and 2010-11. Further

flexibilities will be granted to schools beyond those given in February, including suspension of the High School Exit Exam as a requirement for graduation for students with disabilities beginning in 2009-10, authorization for school districts to reduce the number of instructional days to 175 per year through 2012-13, suspension of the requirement to purchase newly adopted instructional materials through 2012-13, an allowance for school districts to sell surplus property not purchased with state funds and use proceeds for general fund purposes for nearly three years, and several other components to grant school districts wide latitude to deal with funding reductions.

Due to the failure of Proposition 1B on the May 19th ballot, the need to settle the debate regarding the difference of the minimum funding guarantee of Proposition 98 under one type of test versus another continued to be an open issue. In prior budget years, when one type of test was used rather than another, education districts may have received less funding than under the other type of test. This difference is known as the maintenance factor. The revised budget package includes a maintenance factor guarantee for the back payments for 2005-2009 fiscal years, for a total realized amount of \$11.2 billion in the 2008-09 fiscal year. Additionally, the concept of the maintenance factor is certified, guaranteeing that the bump to Proposition 98 funding will become part of the baseline, thus increasing the Proposition 98 requirement for every year into the future.

Higher Education. The Budget Package includes \$2 billion in cuts to University of California and California State University, but grants reimbursement authority of \$1.2 billion in federal ARRA funds.

The revised budget package also achieves about \$700 million in savings from Community Colleges, partially offsetting the reduction with \$130 million in federal funds, \$80 million from a fee increase from \$20 to \$26 per unit, and providing the Community Colleges Categorical Program flexibility by allowing funding from selected programs to be moved to better meet the needs of the districts.

Elections

Special Statewide Election - County Reimbursement. The Budget Package does not include monies for the State's share of conducting a special election on May 19, 2009 for voters to consider a variety of budget-related measures. It is unclear when reimbursement will be made.

Environmental Protection

Integrated Waste Management Board. The Budget Package eliminates the Integrated Waste Management Board and transfers the functions and duties of the Waste Board out of the California Environmental Protection Agency into the newly-created Department of Resources Recovery in the Resources Agency. Furthermore, the administration of 'the bottle bill', currently in the Resources Agency in the Department of Conservation, will be placed under this new Department.

General Government

Diversion of Redevelopment Agency Funds. The Budget Package relies on the diversion of \$1.7 billion from redevelopment agencies over the next two years. Aspects of this diversion was ruled illegal earlier this year and the package attempts to address the court's objections. However, subsequent litigation is expected. RDA's are funded by property tax increment financing, which is derived from the increase in property tax revenues in the redevelopment project area after the initiation of the RDA. The tax increment is used to fund the RDA projects and administrative costs. Under current law, RDAs have an expiration date, a time that their activities should stop, unless they have a new finding of blight. If not, then all tax property revenue would revert to the local agencies, including counties.

Suspension/Modification/Deferral of State Mandates. The Budget Package defers \$65.6 million in payments for mandate claims for costs incurred in the 2004-05 through 2007-08 fiscal years. Those payments will remain the responsibility of the state, but will be deferred to an undetermined future time. Forty-three mandates will be suspended for the 2009-10 fiscal year because they will go unfunded, including the 5-day holding period requirement under the animal adoption mandate (thereby having local governments abide by a three-day hold) and several mandates related to law enforcement training, criminal justice, and health and human services. The revised Budget Package does retain \$76.4 million to fund essential law-enforcement, tax administration, the Open Meeting Act, and voting process mandates to avoid suspending those mandates for the 2009-10 fiscal year.

The Budget Package requires the Department of Finance (DOF) to submit recommendations by April 1, 2010 on how to streamline and simplify the mandates reimbursement process to make it more cost effective. The DOF will also be required to work with the California State Association of Counties (CSAC) to review all funded mandates relating to elections and submit a report in October 2009 with suggestions on how to streamline the reimbursement process for those mandates.

Williamson Act. The 2009-10 Budget adopted in February reflected a 10% reduction (\$34.7 million) to the Williamson Act. The Budget Conference Committee eliminated the Williamson Act subvention payments for one year. The revised Budget Package includes Williamson Act payments with an additional 20% reduction from the \$34.7 million. As such, Williamson Act payments total \$27.8 million for the 2009-10 fiscal year.

Health and Human Services

Children's Dental. The Budget Package upheld the previously proposed suspension of the Children's Dental Disease Prevention program for a General Fund savings of \$2.9 million. This long-established program operates in 31 counties and serves approximately 300,000 preschool and elementary school children annually. The loss of this program will have farther-reaching effects in rural counties where its existence is the backbone to the entire service provider network for all dental care in rural areas.

Centralization of Eligibility. The revised budget package requires the Department of Health Care Services (DHCS) and the Department of Social Services (DSS) to develop a single comprehensive statewide eligibility determination process for CalWORKs, Medi-Cal, and the Supplemental Nutrition Assistance Program (SNAP) (previously the federal Food Stamp Program). Currently, enrollment and eligibility establishments are implemented by counties. Once DHCS and DSS create the criteria to be used for enrollment and eligibility-determination, it will be procured through a standard “request for proposal” process. While this change is predicted to bring cost-savings in the out years, it is likely to incur large up-front costs. Neither the initial costs nor the future savings are well known or understood.

Emergency Medical Services/Poison Control. The revised budget package rejects the Administration’s proposal to eliminate all General Fund support for the California Poison Control System (CPCS). Instead, the package reduces General Fund support by 50 percent, from \$5.9 million to \$2.95 million. The CPCS is a statewide network of free evaluation and assistance in cases involving exposure to poisonous or hazardous substances.

Healthy Families. The revised budget package rejects both the Administration’s proposed elimination of the Healthy Families Program and reduction in eligibility from the existing 250% to 200% of the federal poverty level. Instead, the package reduces General Fund support by \$124 million for the Managed Risk Medical Insurance Board (MRMIP) and adopts intent language that other entities (like First 5) provide the additional funding necessary to keep the program intact. Additionally, the Budget Package eliminates all funding for Healthy Families Certified Application Assistance for a General Fund savings of \$2.7 million, as well as reductions in Proposition 99 funding to various programs.

Medi-Cal. The Budget Package eliminates the small and rural hospitals 10% Medi-Cal rate reduction exemption for a \$7.2 million savings. It spares only those hospitals deemed “critical access” hospitals. Certain Medi-Cal payments made to private hospitals participating in the California Hospital Financing Waiver and the Distressed Hospital Fund have also been reduced by 10%, for an \$23 million and \$23.9 million respectively General Fund savings. The Budget Package also contains a series of changes to prescription drug programs for General Fund savings of approximately \$109 million. Finally, the Budget Package includes an unallocated Medi-Cal reduction of \$323.3 million General Fund and another \$1 billion reduction based upon the assumption of collection of longstanding unreimbursed federal Medi-Cal claims.

Mental Health. The revised budget package creates a process by which County Mental Health Plans can draw down increased federal reimbursement for certain mental health services within the Medi-Cal Program. This will make \$50 million in federal funds available in 2009-10 and possibly more in future years to those counties that choose to participate in the program.

Public Health. The Administration proposed eliminating all General Fund support for community clinic programs. The revised budget package rejects the proposed elimination and instead makes a 30% reduction to a series of programs, including a \$2.2 million reduction to Rural Health Clinics, as well as reductions to Seasonal Migratory Worker Clinics, American Indian Clinics, and the Expanded Access to Primary Care program.

Human Services

CalWORKS. The Budget Package rejects the proposed elimination of CalWORKS, and instead reduces nearly \$528 million from the program (\$375 million of which is from the county single allocation). To mitigate this reduction, the package allows local control to streamline services such as time-clock limitations and delays implementation of new programs. Additionally, the Budget Package exempts counties from the imposition of penalties for their failure to meet federal requirements. Finally, the Budget Package also rejects previous proposals for grant reduction, safety net elimination, and child-only elimination.

Starting in 2011 several changes will be implemented into the CalWORKS program, including a self-sufficiency review to be conducted by counties, noncompliance sanctions, time limits for receiving aid, and prohibitions against automatic cost-of-living adjustments.

Child Support. The Budget Package creates an augmentation of \$18.7 million (\$6.4 million in General Fund) so that local child support agencies can maintain caseworker staffing levels. This is projected to recoup \$14.4 million (\$6.6 million General Fund revenue) in public assistance costs as well as collect an additional \$70 million in child support payments. The up-front dollars for this program will be allocated from revenue stabilization funds appropriated in the 2009-10 Budget.

Foster Care. The Budget Package approves a 10% rate reduction for group homes, foster family agencies, and other funding tied to these programs for a total savings of \$26.6 million General Fund. These reductions will cause a loss of nearly \$15 million in federal funds and \$21 million in county match. Additionally, the Budget Package rejects the 10 percent reduction to the Supplemental Clothing Allowance and the Specialized Care Increment rates proposed by the Administration.

In-Home Support Services (IHSS) Fraud Prevention. The Budget Package made major policy changes to attempt to decrease fraud within the IHSS program, as well as changes to eligibility and funding for cost savings. The Budget Packet adopts major policy changes to enhance program integrity, including fingerprinting and criminal background checks requirements, unannounced visits for high-risk cases, timesheet changes, and enhanced fraud detection and prevention. While many of these new activities will fall on counties and county staff such as requiring counties to train staff in specific fraud-prevention efforts, the package does provide \$10 million for local anti-fraud investigations and activities.

In-Home Support Services (IHSS) Programmatic Changes. The Budget Package realizes a \$94.2 million savings from the elimination of the share-of-cost “buy out” whereby the state was paying the difference between the higher Medi-Cal share-of-costs and the IHSS share-of-costs for certain recipients and by limiting eligibility for certain services to only those with a higher level of need.

Proposition 36. Under the passage of the Substance Abuse Crime Prevention Act (Proposition 36) in 2000, non-violent drug offenders are to receive drug treatment rather than incarceration. Proposition 36 appropriated \$120 million from 2001-02 through 2005-06. Since 2006, the state has provided limited General Fund monies to counties for Proposition 36 and the Offender Treatment Program (OTP). Regardless of funding levels, counties are required to continue to provide these services.

The Budget Package eliminates all funding (\$90 million) for Proposition 36 in the 2009-10 Budget but continues funding for the OTP at only \$18 million. In reducing the OTP portion, the revised budget package allows for the replacement of OTP funds from federal sources.

Statewide Automated Welfare System (SAWS). The revised budget package reduces \$4.5 million from the SAWS maintenance and operation budget and allows county consortiums implementing SAWS the flexibility to make funding allocation changes within their annual budgets to account for this reduction.

Supplemental Security Income/State Supplementary Payment (SSI/SSP). The revised budget package reduces maximum monthly grants to the minimum federally-allowed level for aged/disabled couples to \$1,407 per month, and reduces the payment for individuals to \$845 per month for a \$115.9 million General Fund savings in 2009-10. These reductions are in addition to reductions made in February 2009. Additionally, several changes will be made to automatic cost-of-living adjustments beginning in the 2011 calendar year.

Resources

CAL FIRE/State Responsibility Area Fees. The revised budget package provides \$985 million for fire protection within CAL FIRE from a variety of funding sources, which reflects a \$20 million dollar reduction from the budget adopted in February.

The Governor’s proposal for an Emergency Response Initiative, funded through a 4.8% surcharge on all residential and commercial property insurance statewide, is not included in the budget package. In addition, fees levied upon the owners of structures in State Responsibility Areas are not included in the revised budget package.

State Parks. The revised budget package maintains General Fund support for the operation of state parks at \$134 million which reflects a reduction of \$9.5 million. The budget package also includes a loan from the Off-Highway Vehicle Trust Fund to the General Fund of \$22 million for the support of State Parks. Earlier in the year the Administration proposed eliminating General Fund support for State Parks which would

have effectively closed approximately 220 state parks. The Administration's effort was rejected; however, it should be noted that it is anticipated the General Fund reduction in the revised budget package may result in some park closures. There are current estimates that up to 30 parks may close based on visitation levels and other criteria as determined in the coming weeks and months.

Transportation

Diversion of the Local Gas Taxes. Since receiving voter approval in the 1970's, cities and counties have received a portion of the state excise gas tax levied on motor fuels known as the Highway Users Tax Account (HUTA). Currently, cities and counties receive roughly 6 cents per gallon and these proceeds are used for a variety of transportation purposes including support of the public works departments, operations and maintenance, and construction. In the last few hours of the 30 hour marathon debate, counties scored a victory as the proposed diversion of the local government portion of the HUTA was removed from the Budget Package. The two trailer bills to enact the HUTA diversion, totaling \$1.7 billion over two years (AB 30 xxxx) and to provide for a ten year repayment scheme (AB 24 xxxx) were approved in the Senate but were not considered or approved in the Assembly.

Proposition 1B. In 2006, the voters approved Proposition 1B which provides general obligation bond monies for a variety of transportation purposes. The bond, as passed in 2006 allocated \$2 billion to cities and counties for the Local Streets & Roads (LSR) program. Of that amount, \$700 million remains available for appropriation, with approximately \$443 million still available to counties.

Proposition 42. As adopted in February, the 2009-10 State Budget fully funds Proposition 42 at an estimated \$1.7 billion. Proposition 42 monies are derived from the sales taxes collected on motor fuels and can be used for specific local transportation purposes. These payments are made quarterly; however, the Budget Package delays the October 2009 and January 2010 payments to May 31st, 2010. This deferral totals \$288 million, of which \$144 million is from counties.

ATTACHMENT 3

Department	Program	FTE's	NCC	NCC as % Appropriation	Other Funding Amount	Tied to Program
BOS	District 1	2.00	198,438	100%		
	District 2	2.00	198,733	100%		
	District 3	2.00	198,822	100%		
	District 4	2.00	198,672	100%		
	District 5	2.00	224,489	100%		
	Clerk	4.00	402,375	93%	29,252	Yes
CAO	Administration	9.00	1,433,527	100%		
	Economic Development	1.00	115,434	70%	50,000	No
	Procurement & Contracts	7.00	409,129	79%	106,965	Yes
Auditor-Controller	Administration	2.25	396,107	99%		
	Property Tax	3.55	288,711	48%	308,700	Yes
	Financial Reporting	6.80	780,794	94%	48,794	Yes
	Payroll	2.00	233,407	100%		
	Accounting	11.00	978,786	97%	33,300	Yes
Treasurer-Tax Collector	Tax Collector	14.17	1,082,547	51%	1,043,931	Yes
Assessor	Discovery	8.00	633,354	100%		
	Inventory	7.00	608,005	100%		
	Appraisal	12.00	1,260,389	100%		
	Assessment	5.00	108,643	20%	427,500	Yes
	IT & GIS	2.00	300,086	97%	10,500	Yes
	Administration & Management	4.00	466,057	100%		
County Counsel	Public Guardian	1.00	68,364	40%	103,000	Yes
	Elder Protection	1.00	180,960	100%		
	Children's Protective Services	2.00	321,624	100%		
	Planning & Land Use	1.00	163,397	100%		
	DOT/Ambulance	2.00	14,318	4%	340,500	Yes
	Management	2.00	465,191	100%		
	Human Resources & Sheriff	1.00	179,846	100%		
	All other departments	2.00	200,438	66%	104,000	Yes
Operations Support	5.00	453,972	100%			
Human Resources	Operations Support	2.55	316,891	100%		
	Labor Relations	1.33	174,361	100%		
	Employee Benefits	2.30	259,571	100%		

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Department	Program	FTE's	NCC	NCC as % Appropriation	Other Funding Amount	Tied to Program
Information Technologies	Administration	5.00	710,899	90%	75,000	No
	Application Support	14.55	1,222,710	83%	253,900	Yes
	PC Desktop & Office Support	3.35	298,946	95%	15,500	Yes
	Communications	2.30	195,310	25%	574,000	Yes
	Promotions	-	840,411	100%		
	Contingency	-	7,094,157	100%		
	PH - CFMG contract (Jail/Juv Medical)	-	2,223,052	100%		
	Contribution to DOT	-	2,071,991	100%		
	Animal Shelter	-	1,736,973	100%		
	Bond Debt	-	1,503,539	100%		
County Promotions	DHS - Aging & Adult Continuum of Care	36.94	1,050,582	25%	3,116,363	
	PH - EMSA (Emerg Medical Services Agency)	3.50	501,288	100%		
	Salary (Charter 504 increases)	-	500,000	100%		
	Aid to Fire Districts	-	335,537	100%		
	EDWPA	-	266,937	100%		
	INRMP	-	250,000	100%		
	DHS - Housing, Community & Economic Dev	10.05	209,268	2%	10,513,070	
	Resource Conservation Districts	-	147,435	100%		
	LAFCO	-	131,738	100%		
	Contribution to parks	-	110,000	100%		
Department 15	Outside audit services	-	80,970	100%		
	DHS - IHSS Public Authority	3.30	68,868	5%	1,416,669	
	DHS - Community Programs	18.85	63,366	1%	4,527,687	
	Human Services - Community Programs	-	63,366	100%		
	TRPA	-	40,000	100%		
	Grand Jury report printing	-	8,500	100%		
	American River Authority	-	5,000	100%		
	Pow Wow	-	5,000	100%		
	Logging Days	-	3,000	100%		
	Recorder-Clerk Elections	16.00	41,786	2%	1,721,607	Yes
Recorder-Clerk		7.50	1,153,456	90%	130,950	Yes
	Grand Jury	-	98,747	100%		
Superior Court MOE	Court Facilities	-	424,000	100%		
	Indigent Defense	-	1,189,000	100%		

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FY 2009-10 PROPOSED BUDGET - PROGRAM LIST BY DEPARTMENT

06/18/2009

Department	Program	FTE's	NCC	NCC as % Appropriation	Other Funding Amount	Tied to Program
District Attorney	Core Prosecution	51.82	5,670,908	82%	1,224,515	Yes/No
	Real Estate Fraud	0.79	35,665	30%	85,000	Yes
	Elder Advocacy	1.51	13,342	13%	90,000	Yes
Public Defender	Operations	21.00	2,622,459	91%	254,786	No
	Trials	-	90,000	100%		
Sheriff	Administration	12.66	3,717,421	88%	498,905	Yes/No
	Grants	2.00	70,119	3%	2,580,552	Yes
	Custody	147.00	14,312,410	84%	2,652,253	Yes
	Patrol Services	180.00	17,035,574	73%	6,218,026	Yes/No
	Support Services	53.34	7,305,562	90%	775,668	Yes
Probation	Administration	6.00	1,718,488	94%	109,380	Yes
	Operations/Support Services	17.00	1,260,774	99%	10,750	Yes
	Juvenile Probation Services	23.00	913,344	41%	1,314,940	Yes/No
	Adult Probation Services	22.00	1,299,435	63%	772,850	Yes/No
	Juvenile Detention Facilities	53.50	4,647,452	86%	735,900	Yes
	Juvenile Court Commitments	-	109,200	100%		
Surveyor	Administration	2.20	539,715	100%		
	Survey Activity	3.80	276,277	77%	84,000	Yes
	LMIS/GIS	9.00	703,727	86%	115,000	Yes
Agriculture	Pesticide Use Enforcement	3.00	39,360	13%	259,716	Yes
	Agriculture	5.00	214,975	30%	503,980	Yes
	Weights & Measures	1.40	33,880	23%	112,319	Yes
	Wildlife Services	1.30	104,798	75%	35,189	Yes
	Agriculture Commission	0.80	67,447	75%	22,631	Yes
Development Services	Administration	7.00	1,481,086	100%		
	West Slope Building Services	16.35	28,163	2%	1,480,490	Yes
	West Slope Inspection Services	4.95	425,623	83%	87,591	Yes
	SLT Inspection Services	1.10	62,248	58%	45,115	Yes
	Inspections TRPA	0.45	13,071	31%	28,582	Yes
	Current Planning Services	14.70	433,743	28%	1,099,646	Yes
	Long Range Planning Services	2.80	100,591	47%	112,060	Yes
	Ordinance / Zoning Services	1.00	111,100	100%		
	Code Enforcement	1.45	138,327	73%	50,000	Yes
	Commercial Grading	1.75	47,142	17%	223,500	Yes
	Planning Commission	0.50	49,247	100%		

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FY 2009-10 PROPOSED BUDGET - PROGRAM LIST BY DEPARTMENT

06/18/2009

Department	Program	FTE's	NCC	NCC as % Appropriation	Other Funding Amount	Tied to Program
Transportation	Facility Services	31.00	4,259,711	91%	435,140	Yes
	Property Services	-	316,056	85%	55,638	Yes
	County Engineer	-	578,000	47%	650,576	Yes
Environmental Management	Park Operations	1.00	213,932	78%	60,460	Yes
UCCE	Operational Support	0.34	29,956	100%		
	Home Economics	0.34	45,987	100%		
	4-H	0.94	95,208	100%		
	Agriculture	1.10	95,815	100%		
	Natural Resources	0.50	39,614	100%		
Public Health	Animal Services	21.00	1,258,732	52%	1,143,433	Yes
Human Services	Public Guardian	11.00	562,664	50%	567,717	Yes
	Social Services Administration	232.22	394,288	1%	36,266,772	Yes
Veteran Affairs	Veteran Affairs	4.00	346,109	90%	37,465	Yes
Library	Central Administration & Support	7.70	725,415	92%	60,000	Yes
	Main Library - Placerville	7.00	516,829	85%	94,066	Yes
	South Lake Tahoe Library	5.50	16,955	4%	440,967	Yes
	Cameron Park Library	4.25	88,264	23%	302,457	Yes
	Georgetown Library	1.00	14,961	13%	96,767	Yes
	El Dorado Hills Library	5.00	39,688	7%	499,267	Yes
	Pollock Pines Library	0.60	50,344	91%	5,167	Yes
	Bookmobile	-	375	100%		
	Literacy	-	210	100%		
	Law Library	-	34,320	100%		
	Museum	1.00	104,776	91%	10,500	Yes

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ATTACHMENT 4

	2009-10 NCC	% of total NCC	100% of Projected FY 2010-11 Shortfall	50% of Projected FY 2010-11 Shortfall
BOS	1,401,323	1.55%	86,705	43,352
CAO	1,907,194	2.10%	118,005	59,003
A/C	2,603,314	2.87%	161,077	80,538
Treasurer	1,038,034	1.14%	64,227	32,113
Assessor	3,287,797	3.63%	203,428	101,714
County Counsel	1,983,406	2.19%	122,721	61,360
Human Resources	750,823	0.83%	46,456	23,228
Information Technologies	1,611,488	1.78%	99,709	49,854
Promotion	840,411	0.93%	51,999	26,000
Recorder Clerk	1,146,536	1.26%	70,940	35,470
Subtotal	16,570,326	18.27%	1,025,267	512,633
Grand Jury	98,747	0.11%	6,110	3,055
Courts	944,133	1.04%	58,417	29,208
District Attorney	5,496,856	6.06%	340,111	170,055
Public Defender	2,640,135	2.91%	163,355	81,677
Sheriff	41,518,531	45.78%	2,568,903	1,284,452
Probation	9,719,238	10.72%	601,365	300,682
Subtotal	60,417,640	66.62%	3,738,260	1,869,130
Surveyor	1,474,609	1.63%	91,239	45,620
Agriculture	436,190	0.48%	26,989	13,494
DOT - County Engineer & GS	5,102,662	5.63%	315,720	157,860
Development Services	2,359,876	2.60%	146,014	73,007
Environmental Mgt	102,569	0.11%	6,346	3,173
UCCE	301,838	0.33%	18,676	9,338
Subtotal	9,777,744	10.78%	604,985	302,492
Health - Animal Control	1,208,414	1.33%	74,769	37,384
Veterans	337,881	0.37%	20,906	10,453
Human Services	864,577	0.95%	53,495	26,747
Library	1,533,483	1.69%	94,882	47,441
Child Support Services	(24,968)	-0.03%	(1,545)	(772)
Subtotal	3,919,387	4.32%	242,507	121,253
Total Department	90,685,097		5,611,018	2,805,509

INTEROFFICE MEMORANDUM

TO: GAYLE ERBE-HAMLIN
FROM: MIKE APPEGARTH
SUBJECT: RETIREMENT INCENTIVE OPTIONS
DATE: 7/26/2009

On Friday, June 26 you asked me to research the universe of retirement options. Since then I have completed extensive internet research attempting to identify California local governments that have contemplated or implemented retirement incentives. Using that information I contacted several counties to further identify their experiences with retirement incentives. Debbie Kal from Human Resources has also assisted in the effort by questioning her CALPELRA (California Public Employee Labor Relation Association) network.

I have identified three retirement incentives:

1. Traditional "Golden Handshake"

California Government Code Section 20903 allows a local agency to amend its CalPERS contract to provide two years additional service credit to a retiring member because of an impending mandatory transfer, demotion or layoff. In order to provide the addition two years of service credit, the county would need to:

- a) Designate the job classification(s), departments(s), or unit(s) eligible for this benefit. Any employee in the designated unit or classification is eligible for the two years credit if all other requirements are met.
- b) Designate a time period of 90 to 180 days during which an eligible member must retire to receive the additional service credit.
- c) Certify that the Board has determine that because of an impending curtailment of, or change in, the manner of performing service, the best interests of the county would be served by granting such additional service credit.
- d) Certify that the Board is electing to become subject to the provision of Section 20903 because of impending mandatory transfers, demotions, and layoffs that constitute at least 1% of the designated job classification, department, or organizational unit resulting from the curtailment of, or change in the manner of performing its services.
- e) Certify that it is the Board's intention at the time Section 20903 becomes operative that any vacancies created by retirements under this section or at least once vacancy in any position in any department or other organizational unit shall remain permanently unfilled thereby resulting in an overall reduction in the workforce of such department or organizational unit.
- f) Certify each member's eligibility to receive the additional service credit and non-receipt of unemployment insurance payments during the specified period.

2. Cash Incentive

Several counties including San Bernardino, Sonoma, and San Luis Obispo have considered or implemented cash incentives to encourage early retirement.

San Bernardino model:

- Employee must be eligible for service retirement (age and years of service).
- CAO may exclude from eligibility classifications or positions assigned to organizational units that must remain filled.
- Employee retiring before specified date receives \$250 for each completed quarter of a year of current continuous service in a regular county position.
- The money is paid in five annual payments (in July of each year) after retirement.
- The number of employees who may participate in the program is limited to no more than 5% of total staff in each department, unless otherwise approved by the CAO.
- If more than 5% of department staff apply, eligibility for the incentive is based on years of service.
- Unless waived by the CAO, vacant positions created through early retirement incentives are not filled for five years.
- Departments may fill vacated positions if other positions with equivalent cost savings remain vacant for a period of five years.
- Retirement incentive payments to employees who return to work in any capacity are suspended until the employee again separates from county employment.
- Retirement incentive payments are not considered compensation earnable for purposes of calculating benefits or contributions for the county retirement system.

Sonoma County model:

- Employee must be eligible for service retirement (age and years of service).
- Employee's job classification or a related classification has been selected for an allocation reduction by the department and approved by the CAO.
- Incentive available for specified window of time.
- Incentive payment is paid out as extra salary in his/her last pay period in a pay status prior to retirement (paid while individual is still employed).
- County and employee agree to pay respective retirement contributions on this amount.
- Employee is eligible for a sliding scale incentive payment based on the effective date of his/her retirement. Employee receives:
 - \$6300 if retiring June 16-June 29
 - \$6000 if retiring June 30-July 13
 - \$5700 if retiring July 14-July 27
 - \$5400 if retiring July 28-August 10
 - \$5100 if retiring August 11-August 24
- Employee is subject to normal taxation.
- Employees returning to regular county employment (excludes extra help) are required to repay any received retirement incentive.

- Unless waived by the CAO, vacant positions created through early retirement incentives are not filled for two years.

San Luis Obispo model

- Employee must be eligible for a service retirement.
- Employee is eligible for a sliding scale incentive payment based on the effective date of his/her retirement. Employee receives:
 - \$15,000 if retiring May 8-June 30
 - \$7,500 if retiring October 16-December 31.
- The total amount of the incentive is added to the employee's last paycheck as cash unless the employee elects to have some or all added to their 457 Deferred Compensation Plan.
- Employees may not work for the county while receiving retirement, with the exception of extra help.
- Vacant positions not filled.

3. Retirement Health Savings Plan

Other public agencies have established Retirement Health Savings (RHS) plans as an incentive for early retirement. RHS is an employer sponsored plan that gives employees a way to set aside dollars on a tax-free basis to pay for medical expenses in retirement.

ICMA-RC (International City/County Management Association Retirement Corporation) offers the VantageCare Retirement Health Savings Plan. Highlights of this plan include:

Plan Funding

Examples of funding mechanisms when the RHS is utilized as a retirement incentive include¹:

- Fixed dollar amount per year of service with a “not to exceed” amount
- Bi-weekly base pay × years of service with a “not” to exceed amount
- Fixed dollar amount flat contribution
- Mandated employee contribution of all or a percentage of unused sick or vacation leave (with or without a cap)

Employer contributions made to the RHS plan are exempt from Federal Insurance Contributions Act (FICA) taxation, saving the employer up to 7.65% of the amount contributed.

When used as a retirement incentive, employer contributions would be due at retirement or at some other prearranged date.

Contributions are invested in Vantagepoint Mutual Funds.

¹ It is possible to establish an RHS plan with mandatory pre-tax employee contributions as an alternative to county-funded retiree health.

Eligibility

The county can determine eligibility for the RHS early retirement incentive by specifying age criteria, years of county service and the ability to freeze/eliminate positions for a certain length of time.

Benefit to Employees:

Contributions are pre-tax and assets grow in a tax-deferred account. Withdrawals are tax-free when used for the participants (including spouse and dependent) qualified medical expenses. Eligible medical expenses are listed in Publication 502 of Section 213 of the Internal Revenue Code (summary attached).

Accounts balances are transferable to the surviving spouse and dependents of deceased participants.

Employees can choose and/or alter the all allocation of funds in their account at any time. Vantagepoint funds include actively managed funds, model portfolio funds, index funds and lifecycle funds.

Fees

Participants pay a .03-0.4% annual asset based fee and a \$25 annual fee.

Legal Basis:

The legal basis for the RHS integral part trust stems from several private letter rulings (PLRs) issued by the Internal Revenue Service (IRS) which allow non-profit organizations, including state and local government bodies, to establish "funds" which are deemed to be an "integral part" of the organization. In order for a trust to qualify as an "integral part" of the employer, the employer must exert "substantial control" directing the plan and must have "substantial financial involvement." Additionally, the RHS plan is considered a Health Reimbursement Arrangement (HRA) and is fully compliant with the most recent HRA guidelines (issued in 2002, 2005 and 2006).

In FY 2007-08, Amador County has successfully implemented an Early Retirement Incentive through ICMA-RC. In Amador:

- Each employee taking the incentive received \$1,000 per year of time worked for Amador County deposited in the RHS plan.
- According to Amador County Human Resources staff, the plan helped some employees bridge the gap between retirement and Medicare.
- The incentive was offered in March, and employees had to commit by July 1, and retire by December 31.
- 163 people were eligible, 24 took the incentive.
- Employees had to sign an agreement acknowledging that they could not be re-hired as a regular county employee once retired.
- Vacancies positions not filled (with some exceptions for critical positions).

IRS Code Section 213(d) Eligible Medical Expenses

An eligible expense is defined as those expenses paid for care as described in **Section 213 (d)** of the Internal Revenue Code. Below are two lists which may help determine whether an expense is eligible.

For more detailed information, please refer to **IRS Publication 502** titled, "Medical and Dental Expenses." If tax advice is required, you should seek the services of a competent professional.

Deductible Medical Expenses

- Abdominal supports
- Abortion
- Acupuncture
- Air conditioner (when necessary for relief from difficulty in breathing)
- Alcoholism treatment
- Ambulance
- Anesthetist
- Arch supports
- Artificial limbs
- Autoette (when used for relief of sickness/disability)
- Birth Control Pills (by prescription)
- Blood tests
- Blood transfusions
- Braces
- Cardiographs
- Chiropractor
- Christian Science Practitioner
- Contact Lenses
- Contraceptive devices (by prescription)
- Convalescent home (for medical treatment only)
- Crutches
- Dental Treatment
- Dental X-rays
- Dentures
- Dermatologist
- Diagnostic fees
- Diathermy
- Drug addiction therapy
- Drugs (prescription)
- Elastic hosiery (prescription)
- Eyeglasses
- Fees paid to health institute prescribed by a doctor
- FICA and FUTA tax paid for medical care service
- Fluoridation unit
- Guide dog
- Gum treatment
- Gynecologist
- Healing services
- Hearing aids and batteries
- Hospital bills
- Hydrotherapy
- Insulin treatment
- Lab tests
- Lead paint removal
- Legal fees
- Lodging (away from home for outpatient care)
- Metabolism tests
- Neurologist
- Nursing (including board and meals)
- Obstetrician
- Operating room costs
- Ophthalmologist
- Optician
- Optometrist
- Oral surgery
- Organ transplant (including donor's expenses)
- Orthopedic shoes
- Orthopedist
- Osteopath
- Oxygen and oxygen equipment
- Pediatrician
- Physician
- Physiotherapist
- Podiatrist
- Postnatal treatments
- Practical nurse for medical services
- Prenatal care
- Prescription medicines
- Psychiatrist
- Psychoanalyst
- Psychologist
- Psychotherapy
- Radium Therapy
- Registered nurse
- Special school costs for the handicapped
- Spinal fluid test
- Splints
- Sterilization
- Surgeon
- Telephone or TV equipment to assist the hard-of-hearing
- Therapy equipment
- Transportation expenses (relative to health care)
- Ultra-violet ray treatment
- Vaccines
- Vasectomy
- Vitamins (if prescribed)
- Wheelchair
- X-rays

Eligible Over-the-Counter Drugs

- Antacids
- Allergy Medications
- Pain Relievers
- Cold medicine
- Anti-diarrhea medicine
- Cough drops and throat lozenges
- Sinus Medications and Nasal sprays
- Nicotine medications and nasal sprays
- Pedialyte
- First aid creams
- Calamine lotion
- Wart removal medication
- Antibiotic ointments
- Suppositories and creams for hemorrhoids
- Sleep aids
- Motion sickness pills

Non-Deductible Medical Expenses

- Advancement payment for services to be rendered next year
- Athletic Club membership
- Automobile insurance premium allocable to medical coverage
- Boarding school fees
- Bottled Water
- Commuting expenses of a disabled person
- Cosmetic surgery and procedures
- Cosmetics, hygiene products and similar items
- Funeral, cremation, or burial expenses
- Health programs offered by resort hotels, health clubs, and gyms
- Illegal operations and treatments
- Illegally procured drugs
- Maternity clothes
- Non-prescription medication
- Premiums for life insurance, income protection, disability, loss of limbs, sight or similar benefits
- Scientology counseling
- Social activities
- Special foods and beverages
- Specially designed car for the handicapped other than an autoette or special equipment
- Stop-smoking programs
- Swimming pool
- Travel for general health improvement
- Tuition and travel expenses a problem child to a particular school
- Weight loss programs

Ineligible Over-the-Counter Drugs

- Toiletries (including toothpaste)
- Acne treatments
- Lip balm (including Chapstick or Carmex)
- Cosmetics (including face cream and moisturizer)
- Suntan lotion
- Medicated shampoos and soaps
- Vitamins (daily)
- Fiber supplements
- Dietary supplements
- Weight loss drugs for general well being
- Herbs

ATTACHMENT 5



**AMADOR COUNTY
ADMINISTRATIVE AGENCY**

County Administration Center
810 Court Street ▪ Jackson, CA 95642-9534
Telephone: (209) 223-6470
Facsimile: (209) 257-0619
Website: www.co.amador.ca.us

NEWS RELEASE

For more information, contact:

Terri Daly, County Administrative Officer
(209) 223-6470
tdaly@co.amador.ca.us

Amador County Changes Hours Open to the Public for Fiscal Year 2009/2010

Effective July 6, 2009 Amador County will be adjusting the hours that it will be open to the public. The new hours will be Monday-Thursday, 8:00 am – 5:00 pm, closed on Friday. This change will impact all public service counters and public phone numbers, but not Public Safety. Emergency Services will still be available.

The schedule modification is the result of a cooperative effort between the Board of Supervisors and several employee bargaining units to absorb the budget reductions caused by a faltering economy while maintaining a full range of services to the community.

Staff will be working a 9/36 plan, nine hours a day Monday – Thursday, which is a four hour reduction in pay (10%) each week.

Future cuts will be determined by the direction taken in the upcoming State budget. It is anticipated that the State's budget solutions may cause layoffs that are tied to specific funding sources and program cuts within affected departments.

Departments that have evening and weekend hours such as Library, Animal Control, Public Works/Road Crew and Law Enforcement will be making other schedule modifications. Appointments may be made with individual departments outside of the new hours to accommodate urgent situations.

Details for specific departments or buildings are available on the County's website at: www.co.amador.ca.us