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FY 08/09 Mid Year Budget  
Projection and Balanced Budget  
Recommendations for FY 09/10

**Board of Supervisors  
February 23, 2009  
CAO Presentation**

# FY 08/09 Mid Year Summary

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- Since July 2008 total FTE's have been reduced by 172; an ongoing annual value of \$13.5M.
- The overall vacancy rate in November 2008 was 144 FTE. The overall vacancy rate as of February 2009 is 89 FTE for a decrease of 38%.
- Projected FY 08/09 Carry Over Fund Balance is \$6.4M, a 57% decrease from the Final FY 07/08 Carry Over Fund Balance of \$15M. In FY 06/07 it was \$27M.
- Year End General Fund revenue is estimated to fall short of budget by 3%

# FY 08/09 Mid Year Summary

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- Non-departmental revenues are projected to be \$5.1M below budget
- Departmental revenues are projected to be \$1.7M below budget
- The majority of departmental shortfalls in revenue are offset with associated projected savings expenditures

# CAO Direction to Department Heads

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- Target your Mid Year projections to be within 2-3% of your final budget performance. Travel, office supplies, extra help, contracts, staff development, memberships and all other related costs should all be limited to only absolutely required purchases. You should also be looking at efficiencies and effectiveness measures that result in cost savings.
- Department Heads will need to fully defend their final budget performance at a line item level. Your conservative management of budgets and accurate budget projections are critical. We need to know as precisely as possible what the final fund balance will be at this point in order to set our FY 09/10 budget process on the right path.
- I fully expect that Department Heads are looking to contribute the maximum to the budget process not just meeting minimum targets. We need everyone to help pull this boat to shore and achieve a balanced budget. My staff and I are prepared to make the reductions if needed, however you have the programmatic knowledge to make the best choices as to priorities.

# FY 08/09 Mid Year Projections

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- Identified overall targeted reductions of \$3.6M (equals cost of 45 FTEs).
- 2<sup>nd</sup> half of year salary/benefits projections higher than 1<sup>st</sup> half due to retiree health and worker compensation costs not being posted prior to the books closing at mid year (means \$5.5M will hit all in 2<sup>nd</sup> half).

# CAO FY 09/10 Balanced Budget Policy Recommendations

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- Establish departments' FY 09/10 NCC targets based on their FY 08/09 Mid Year savings estimates
- Utilize funds held in trusts to the extent possible i.e. Aid to Fire and Retiree Health
- Evaluate the use of mandatory temporary layoff, such as Christmas closure, as a tool for departments to achieve their NCC target
- Add no new positions or programs unless 100% funded over 3 years
- Set aside undesignated Casino Revenue for revenue shortfalls, unanticipated State impacts, improving facilities and up grading information technology

# Departmental NCC Targets

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- Departments' have projected savings in their budgeted NCC for FY 08/09.
- Board has directed departments also achieve the value of a 5 day mandatory temporary layoff.
- CAO recommends that departments' budgets be reduced to reflect those projections to offset loss of revenue in Department 15.
- CAO recommends that those projections be used to establish the NCC target for departments in FY 09/10.

# Utilize Funds Held in Trusts to the extent possible

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- Termination of Aid to Fire contract would result in the trust amount of \$962,570 being used as the last year payment. This is a difference of \$428K from what was budgeted in FY 08/09.
- Declaration of a rate holiday in FY 09/10 for pre-funding of Retiree Health results in a GF savings of \$4.3M and \$2M in non-GF based on 5 year forecast.
  - An additional \$1.5M may be needed based on information received late last week if pre funding continued in FY 09/10.
  - \$17M will be in the Retiree Health trust account by end of FY 08/09.
  - Cost of actual retiree medical costs estimated at \$1.5M for FY 09/10 recommended to come out of trust.
  - Downside of rate holiday is that non-general fund departments and grantors are not charged for the cost of the full employee compensation package. These funds are lost forever. Additionally there can be a negative impact on the ability to borrow, especially bonds.
  - Ongoing, the retiree health benefit should be discontinued for new hires.

# Evaluate the use of mandatory temporary layoff

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- Departments will be challenged to achieve targeted NCC.
- Department will need tools to deploy to achieve targets, including mandatory temporary layoffs.
- Across the board mandatory temporary layoffs, such as Christmas closure, will be evaluated as departments prepare their FY 09/10 budgets.

# No new positions or programs

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- Require departments to live with in their current personnel allocations
- If staffing changes are required do it within current allocations
- Only exception would be for positions or programs that can show 100% revenue offset for at least 3 years

# Set Aside Undesignated Casino Revenue

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- Unanticipated revenue shortfalls
- State Budget/special election impacts
- County facilities need energy efficiency upgrades in order to decrease annual utility costs
- Aspects of IT infrastructure need improvements and upgrades in order to maintain organizational effectiveness and operational integrity

# CAO FY 09/10 Balanced Budget Recommendations

	FY 09/10	FY 10/11	FY 11/12	FY 12/13
<b>Starting Shortfall Based on Five Year Projection</b>	<b>(11,971,322)</b>	<b>(13,333,964)</b>	<b>(15,366,741)</b>	<b>(16,263,524)</b>
<b>Department Mid-Year Target Reductions</b>	<b>3,600,000</b>	<b>3,600,000</b>	<b>3,600,000</b>	<b>3,600,000</b>
<b>Eliminate Aid to Fire</b>	<b>1,391,371</b>	<b>1,488,767</b>	<b>1,592,981</b>	<b>1,704,490</b>
<b>Reduce GF Contribution for Roads (Budgeted @ \$2M)</b>	<b>85,000</b>	<b>800,000</b>	<b>1,550,000</b>	<b>2,000,000</b>
<b>Retiree Health Options</b>	<b>4,269,826</b>	<b>4,376,572</b>	<b>4,485,986</b>	<b>4,598,136</b>
<b>Tobacco Settlement Revenue</b>	<b>1,500,000</b>	<b>1,500,000</b>	<b>1,500,000</b>	<b>1,500,000</b>
<b>Casino Revenue</b>	<b>-</b>	<b>1,068,625</b>	<b>1,987,774</b>	<b>2,000,000</b>
<b>Casino Revenue Public Safety</b>	<b>500,000</b>	<b>500,000</b>	<b>500,000</b>	<b>500,000</b>
<b>Reserve/Contingency Reductions</b>	<b>625,125</b>	<b>-</b>	<b>-</b>	<b>210,898</b>
<b>Temporary Animal Shelter Cost Savings</b>			<b>150,000</b>	<b>150,000</b>
<b>Total</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>

# CAO Recommendations to achieve a balanced budget in FY 09/10

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- Direct departments' Net County Cost targets for FY 09/10 be set based on departments' FY 08/09 Mid-Year savings estimates as detailed in Attachment B
- Direct that the contract for Aid to Fire be terminated and that the trust account be utilized for the final year of payment
- Direct that a General Fund contribution for roads be set at \$1,915K
- Direct the implementation of a rate holiday for Retiree Health pre-funding and payment of current year retiree costs from the existing Retiree Health Fund
- Direct that the Retiree Health benefit be eliminated for all new hires
- Direct that tobacco settlement revenue be used to fund current operations in FY 09/10 and be used to do so until FY 11/12
- Direct that no new positions or programs be added unless they are 100% revenue offset for at least 3 years
- Direct that decisions regarding undesignated Casino Revenue be reserved until FY 09/10 budget hearings
- Direct the CAO return on March 3rd with resolutions for mandated temporary layoffs specific to departments as outlined in Attachment B
- Direct the CAO return on March 10<sup>th</sup> with budget transfers to reduce departmental budgets to reflect FY 08/09 Mid-Year savings estimates

# Conclusion

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- Respectfully request Board of Supervisors move CAO Recommendations