

EL DORADO COUNTY CALIFORNIA

Chief Administrative Office

February 9, 2009

Memo To: Board of Supervisors

From: Gayle Erbe-Hamlin, Chief Administrative Officer



Subject: February 10, 2009 Agenda Item #23

RE: State Budget Crisis and upcoming Mid Year Budget Review

For some time now I have been reporting to the Board on the inaction of the State Legislature in resolving the State Budget Crisis. On top of this growing State problem the County is still facing a projected \$11M general fund deficit for FY 09/10. When the Board directed me to take extreme measures to deal with the State deferral of payments I understood that direction to also pertain to the upcoming fiscal year. On February 23, 2009 my staff and I will be presenting the Mid Year Budget Review to the Board. In addition to looking at overall departmental operations within the County we have identified a number of budget areas that we expect to focus on in order to preserve core functions of County service. This memo serves to outline those focus areas and receive any Board direction or feedback prior to their formal presentation on February 23, 2009.

Mandatory 5 day Temporary Layoff/Furlough – item #34 on the February 10th Agenda requests the Board approve a Mandatory 5 day Temporary Layoff/Furlough (MTL/F) for most County employees. The salary value of this is estimated to be \$1.4M across all funds. If an additional 10 days are approved for FY 09/10, that would equate to an additional \$2.8M. The potential savings of these actions for the General Fund could be \$645K for FY 08/09 and \$1.3M for FY 09/10. Savings to other funds in FY 08/09 include \$250K for DOT, \$260K for Human Services, \$240K for Health Services, and \$52K for Child Support Services. These figures would be double in FY 09/10 if the Mandatory 10 day Temporary Layoff was adopted. Implementing a MTL/F is a reduction of salary for effected employees, employees who have not had a salary adjustment for the past two years. These savings are one time in nature and not ongoing

Combining Departments/Support Services – the administrative cost of doing business can be reduced by combining like departments and streamlining activities. Preliminary discussions have occurred between the CAO, DOT and General Services to have most of General Services functions absorbed into DOT. Possible salary savings would occur from the reduction of administrative overhead. Additionally, economies of scale could be achieved by having the larger, well established organization of DOT taking over program and administrative services. Early estimates indicate at least \$400K annually could be saved through this reorganization. Additional areas being evaluated in the upcoming week are combining administrative support services for some of the smaller Departments.

Does it make sense for each of the smaller Departments to be doing their own payroll and bill paying processes or could these be done more cost effectively in a centralized process? Any savings in these areas would be ongoing.

Eliminate beneficial but non-mandatory programs and contributions – over time, as funding has allowed, the County has expanded services and supports and program contributions in a number of areas. Examples of these are: Elder Protection Unit, Senior Legal Services, Aid to Fire, counseling in the schools, County Promotions, satellite library services not fully supported by special taxes, Sr. Day Care and Sr. Nutrition sites, Long Range Planning related to General Plan implementation, Public Counter Services within Development Services, Museum and additional support for the Road Fund. Serious review of the County's ability to fund these programs and services in this economic downturn while core functions are stretched indicates that it may not be possible to do both. Savings from reductions in these areas would be ongoing.

Suspend Discretionary Building projects – several major building projects are on the books, the West Slope Animal Shelter (\$6.5M) and the West Slope Sheriff remodel (\$735K). While the current bidding climate may be ideal, moving forward with either of these projects at this time is not warranted when our highest need is for flexibility and cash reserves. Both programs are in acceptable temporary quarters and this issue could be revisited at Budget time.

Rate Holiday/Contribution suspension – certain levels of confidence have been established for Risk Management Funds and Retiree Health. Lower contributions to these funds may be possible while still protecting the County and meeting accounting guidelines. For instance, the Retiree Health Fund will have \$15M by FY 08/09 end, a better position than most all other California Counties due to a strong commitment by the Board to fund this unfunded liability. Suspending contributions to this fund in the upcoming FY is projected to equate to a savings of \$6M across all funds. Payments for existing retirees would come from the existing fund. This would be a one time savings.

Use of ongoing but undesignated funds – the County receives Tobacco Settlement funds in the amount of \$1.5M and will receive Casino revenues of \$2.5M beginning in December 2009. The best use of these funds may be to fill the final budget gap or deal with State budget impacts rather than any program expansion. If not needed then the funds should be reserved for future investment in County infrastructure.

Severance Packages – a variety of options are being deployed by surrounding counties to encourage long term higher cost employees to retire or leave and in one case just to achieve a general reduction in force. Additional service credit is only one of these options. These tools can be utilized with some value if the vacated position is not filled. We are evaluating these options and others to determine if they have benefit to us.

Other areas that might provide opportunities for cost savings that are outside of the budget process:

Changes in bargaining unit MOUs – currently the County uses a definition of overtime that recognizes all hours including sick time, vacation time, etc. to determine overtime. Other options are available to the County that only recognizes actual work time. Possible savings from changing this definition are \$800K annually. This savings would be ongoing in nature. Additionally, most of the current management MOUs allow for the optional cash out of management leave. Changing management leave to a take it or leave it position would help with cash flow and budget. This could impose a hardship on those employees who have reached their capped vacation accruals and find it difficult to take the time off due to workload. Another area being evaluated is the possibility of converting the retiree health benefit to a health savings account.

I will go over each of these issues and receive feedback and direction from the Board relative to the use of these and any other options in the Mid Year Budget Review process and preparation for the FY 09/10 Budget at the February 10, 2009 Board meeting during discussion of Agenda Item #23.

Cc Louis Green, County Counsel
Joe Harn, Auditor-Controller