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The County of El Dorado

Chief Administrative Office



330 Fair Lane
Placerville, CA 95667-4197

Gayle Erbe-Hamlin
Chief Administrative Officer

Phone (530) 621-5530
Fax (530) 626-5730

September 10, 2010

TO: Board of Supervisors
FROM: Gayle Erbe-Hamlin, Chief Administrative Officer
RE: Agenda Item # 10-0990
FY 2011-12 Structural Deficit

Background

After closing out FY 2009-10 and making final adjustments to the 2010-11 Budget, we now face a projected \$11 million deficit in FY 2011-12, and an increasing deficit projected for each of the following four years. At this Budget Workshop, we seek further direction from the Board on strategies to balance next year's budget.

As directed at the July workshop, the CAO office has been meeting with departments to identify the estimated 110 general fund position reduction (reduced from the projected 150 positions to reflect the update to the five-year deficit projection) and associated service reductions necessary to close next year's projected budget deficit. While next year's budget deficit may be plugged with one-time funds, a larger concern is the ongoing structural deficit shown in the five-year projections. Simply put, we need sustainable reductions for FY 2011-12 in order to tackle the growing deficit in outlying years.

We have repeatedly talked about "Resetting the Organization." With the looming structural deficits, now seems to be the optimal time to solidify strategies to deal with the 2011-2012 deficit and to reset the organization for future years. By establishing those strategies now, the Board could provide direction to staff on dealing with next year's deficit and provide the leadership to set priorities for the future.

By the end of this year, we anticipate that the County will be reduced in number of staff positions by more than 20% since the economic downturn began. Service levels and discretionary programs will be dramatically reduced. We have made changes within the

organization to increase efficiency through more focused management, consolidation of facilities, and improving processes. We will continue to search to find greater efficiencies within the organization. However, the savings we will continue to seek through more efficient operations—whether through streamlining, contracting out services, or more effective use of technology—will simply not provide the level of cost-cutting needed to close a \$11 million gap.

We are now facing those very difficult decisions we were all hoping to avoid. We now need to evaluate all discretionary activities and programs assuming protection of service levels in law and justice. Law and justice departments are clearly a priority service area for the Board and our citizens. Nevertheless these functions utilize more than 60% of general fund resources. We will be extremely challenged to significantly distribute the necessary cuts away from law and justice to other areas of the organization without the elimination of valued discretionary programs, such as senior programs.

As I said in July the tradeoffs are terrible: senior programs versus deputies on the street.

Fiscal Options - This workshop will provide information on a series of options to address the looming deficit and prepare for the future. Your primary options are: to eliminate discretionary programs or reduce service levels; use one-time funds and/or reserves to fill the gap for a limited time; or some combination of the two. Wild cards are concessions from labor and the unfinished State Budget.

Timelines – We need to identify the first stage of program cuts for the FY 2011-12 to allow position elimination by January 2011. This round of actions handles budget deficits that are now apparent. We assume that additional action will be necessary by March 2011, offset by any sustainable savings achieved through the bargaining process and to respond to the impacts of a finalized State budget.

When the economy does begin to turn around, we need to be prepared with established strategies and priorities. We will not be in a position to just add back the positions that have been lost – or add back programs that have been cut. We need to figure out now how to handle increased activity levels without adding back the staff positions. We need to figure out now what the County operation should look like in the future. Your direction on actions to tackle cuts for FY 2011-12 will provide the groundwork for future strategies.

Board Action Requested

1. Direct the Chief Administrative Officer to proceed with preparations to reduce staffing levels by an anticipated 110 general fund positions along with associated service reductions;
2. Recommend that the Chief Administrative Officer return to the Board on November 8, 2010, to implement the first round of personnel reductions.