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Date 3:52 pm, Apr 22, 2011

April 25, 2011 Meeting



Budget Update

April 25, 2011



History

- July 26, 2010 – Legistar item 10-0584
 - **Reset Expectations:** “... reset the citizens’ and the organization’s expectations on what services we can deliver, how we deliver those services and the availability of those services.”
 - **Expect the Worse and Know That It Will Be Even Worse:** “...our costs exceed our available resources”
 - **The Problem is Structural and Requires Sustainable Reductions:** “We can use every one-time only dollar we have and still not solve this fiscal problem.”
 - **No Way to Avoid a Major Impact on Law and Justice Departments:** “...there is no way to significantly redistribute the necessary cuts away from law and justice to other areas of the organization without causing catastrophic failure in some of our core government services.”



Remember.....

- A balanced budget is a “closed system”
- Any “give back” to one program will result in a “take-away” from another



Board plan adopted on 11-15

- Board Plan Adopted 11-15

Projected FY 2011-12 Shortfall History

Date	Action	Impact on Deficit	Projected Deficit
Proposed Budget			\$15,158,529
July 21, 2010	Tax role closed 2% below assumed budget resulting in additional deficit	1,192,289	
	<i>Revised shortfall projection</i>		16,350,818
July-Dec.	Board approved Early Retirement Incentives	(3,412,799)	
September	Increased fund balance assumptions	(2,000,000)	
Addenda	<i>Revised shortfall projection</i>		10,938,019
November 15,	Board approved reductions	(3,980,000)	
	<i>Revised shortfall projection</i>		6,958,019
Mid-Year	Increased Fund Balance projection	(3,192,444)	
Mid-Year	Decrease to Contingency & Reserve	(282,175)	
Mid-Year	Misc. adjustments at Mid-Year	(203,113)	
	<i>Revised shortfall projection</i>		3,280,287
April 5, 2011	Assumes pending PERS reductions	(1,969,524)	
	<i>Revised shortfall projection</i>		1,310,763
April 20	Recommended budget submittals	(915,479)	
	<i>Revised shortfall projection</i>		395,284



BOS Policy Decision #1

USE OF ONE TIME FUNDS



Fund Balance – What is it?

- Fund balance is the amount “left over” in the checking account at the end of the year
- We consider fund balance a revenue source and we appropriate every dollar in the next year’s balanced budget

Fund Balance Example

FY 2010-11

FY 2011-12

Total Projected
Revenues

\$201,614,352

Total Projected
Expenses

\$186,481,908

Fund Balance

\$ 15,132,444

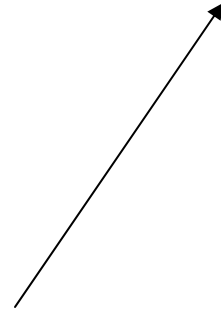
Total Revenues

\$194,207,460 *

Total Expenses

\$194,207,460

* Includes \$15,132,444 fund balance





Fund Balance Projection

- Current projection of \$15.1M
- On going
 - \$5.1M in FY 2010-11 unspent contingency
 - \$3.6M in departmental savings and additional non-departmental revenues
- One time
 - \$4.8M in FY 2010-11 unspent contingency
 - \$1.6M in department savings and additional non-departmental revenues



FY 2011-12 Use of Fund Balance

- On going
 - \$5.1M in FY 2010-11 unspent contingency
 - Rolled into FY 2011-12 Contingency
 - \$3.6M in departmental savings and additional non-department revenues
 - Currently utilized to balance operating budget



FY 2011-12 Use of Fund Balance

- One time
 - \$4.8M in FY 2010-11 unspent contingency
 - Recommend putting in Designation for Capital Projects (One-time for one-time)
 - \$1.6M in department savings and additional non-departmental revenues
 - Currently utilized to balance operating budget (one-time for ongoing expenses)



Policy decision for the Board

- Is it appropriate to utilize \$1.6M in one-time funds to balance the FY 2011-12 budget?
- Use of one-time funds is a band-aid
 - Appropriate to use if one-time dip in revenues
 - Appropriate to use to “buy time” to implement cost savings measures
- Board could choose to set these funds aside for one-time expenditures and find additional sustainable cuts to close the gap



One time funds example

- Use of one time revenue
 - Utilize \$1.6 of one-time fund balance to help balance department budgets in FY 2011-12

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Shortfall	(1,600,000)	(9,003,042)	(14,339,524)	(19,673,630)	(25,319,417)
One-time	1,600,000	0	0	0	0
New Shortfall	0	(9,003,042)	(14,339,524)	(19,673,630)	(25,319,417)



Sustainable cuts example

- Balance the budget with \$1.6M in sustainable cuts

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Shortfall	(1,600,000)	(9,003,042)	(14,339,524)	(19,673,630)	(25,319,417)
Cuts	1,600,000	1,664,000	1,730,560	1,799,782	1,871,774
New Shortfall	0	(7,339,042)	(12,608,964)	(17,873,848)	(23,447,643)

One Time vs. Sustainable

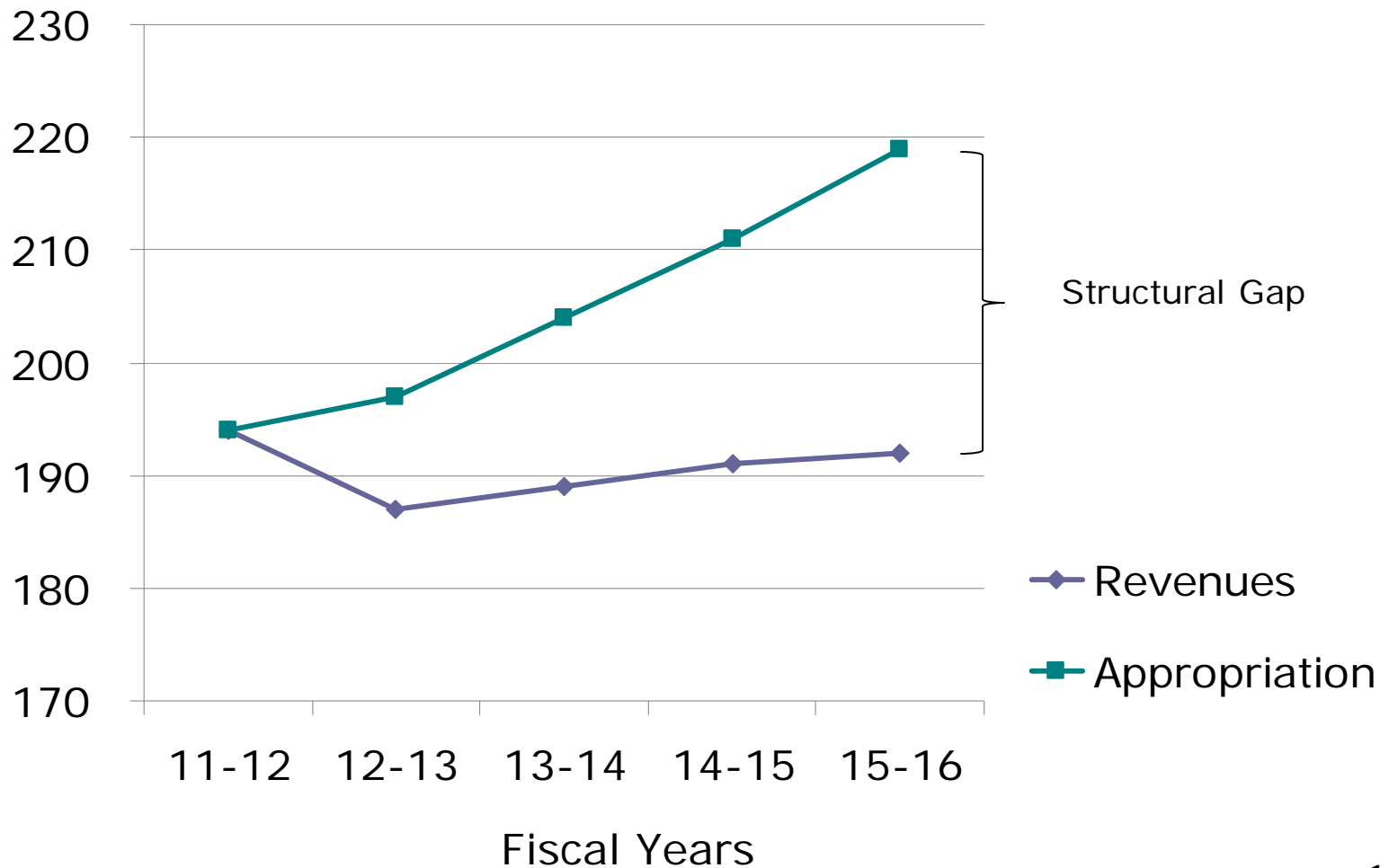
One-Time

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Shortfall	(1,600,000)	(9,003,042)	(14,339,524)	(19,673,630)	(25,319,417)
One-time	1,600,000	0	0	0	0
New Shortfall	0	(9,003,042)	(14,339,524)	(19,673,630)	(25,319,417)

Sustainable

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Shortfall	(1,600,000)	(9,003,042)	(14,339,524)	(19,673,630)	(25,319,417)
Cuts	1,600,000	1,664,000	1,730,560	1,799,782	1,871,774
New Shortfall	0	(7,339,042)	(12,608,964)	(17,873,848)	(23,447,643)

General Fund Structural Budget Gap





CAO Recommendation

- Use \$1.6M in one-time dollars to help balance the Recommended FY 2011-12 budget
- “Buy time” for the books to close in order to have final fund balance figures as well as updated property tax information
- Board to provide direction on sustainable reduction strategies for the future



Important to remember....

- Still much uncertainty surrounding State impacts
- One-time dollars provide important cash flow throughout the year
- As our “savings account” dwindles, the County may have to borrow funds



Other One-Time Funds Projected for FY 2011-12

- Animal Shelter funds \$6M
- Designations for Capital Projects \$6.6M
 - Assumes BOS appropriates an additional \$4.8M of FY 2010-11 Fund Balance
- General Reserve \$8.8M
- Contingency \$5.3M



BOS Policy Decision #2

HUMAN SERVICES
Social Services



Human Services – Social Services

- Example of what happens when one-time funds are used to support ongoing operations
- In FY 2010-11 Human Services Board approved budget included approximately \$1M in one-time funding sources to balance the budget
 - ARRA funding (\$425K)
 - Medi-Cal Administrative Activities (MAA) fund balance (\$270K)
 - State and federal reimbursement for prior year costs (\$300K)



Human Services FY 2011-12 Budget

- Human Services FY 2011-12 budget request is \$1.2M over the Net County Cost assumed in the 5-year projection
 - \$1M due to loss of one time funds
 - \$250K due to loss of State funding (Current proposal is reduction for FY 2011-12 only)
- Over the past several years revenues have not been keeping up with expenses and Social Services has back-filled this structural gap with one time funds
- Net County Cost is 4% of total Social Services Program



Effect on FY 2011-12 budget

- Current projected shortfall of \$395K includes the increase in NCC for Human Services
- 5 year projection includes this increased NCC for Human Services

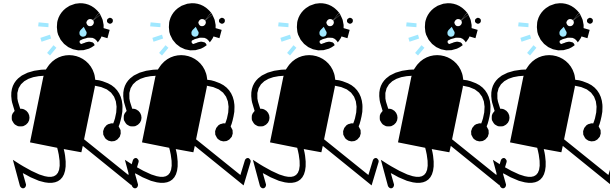


Why cuts to Social Services are difficult

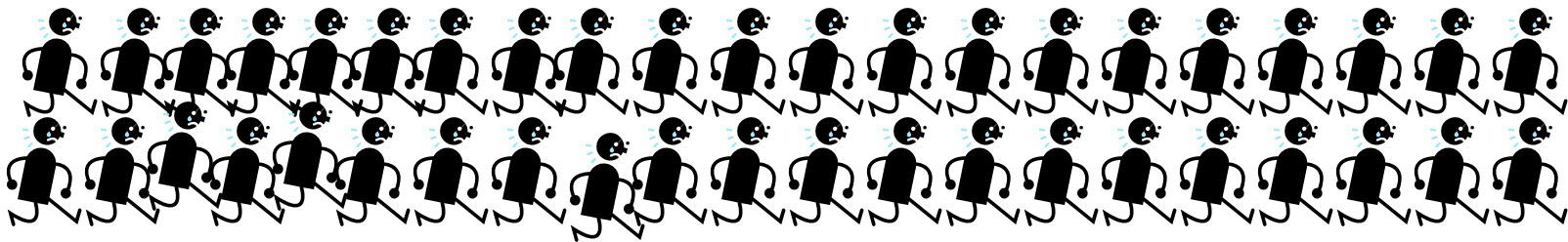
- For most General Fund departments, a cut of one dollar results in savings of one dollar
- Because of the cost sharing ratio in Social Services, for every dollar cut, approximately \$0.85 of Federal and State funds goes out the door and the County only saves \$0.15
- Many of the areas in Social Services are mandated by the State and the County has no discretion over the amount spent (General Assistance, CalWORKS, IHSS and Foster Care)
- Cuts would be to social workers and eligibility workers primarily in the area of Children's Welfare services (including CPS) and in the In Home Services Support (IHSS) administration
 - These are public safety and protection programs

Example – Assuming that cost savings equals people

- \$500,000 reduction in \$1 for \$1 Gen Fund programs
 - Need to cut 5 people @ average of \$100,000 per employee



- \$500,000 reduction in Social Services Gen Fund
 - Equates to \$3.3M in total program cuts
 - Equals 42 people @ average of \$80,000 per employee (15% County Cost Sharing Ratio = \$12,000 savings per employee)





Other Options - Community Services Programs

- Board could choose to reduce the General Fund contribution to Community Services currently at \$1.4M
- These programs are the same programs discussed in November
 - Senior Day Care
 - Senior Nutrition
 - Senior Legal Services



Policy Decision for the Board

1. Commit additional General Fund dollars to Human Services – Social Services for FY 2011-12 and direct department to continue to find ways to keep program costs at the bare minimum; or
2. Drastic reductions to programs now in order to achieve sustainable savings in FY 2011-12 and beyond; or
3. Cuts to Community Services programs; or
4. Shift realignment funding from Health Services to Human Services resulting in program cuts in Health Services



BOS Policy Decision #3

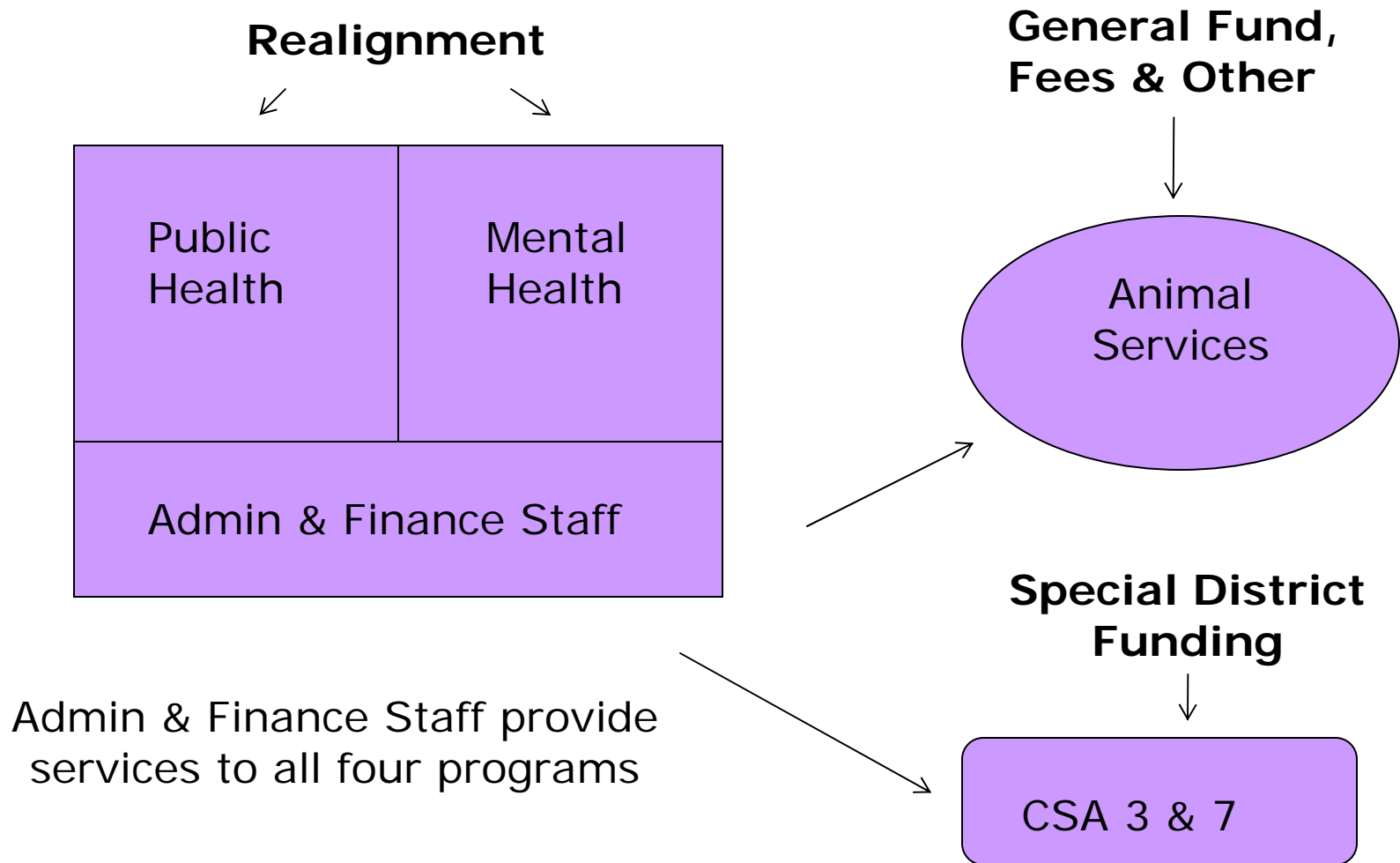
COST ALLOCATION



Health Services – Cost Allocation

- Currently Health does not have an accepted methodology in place to allocate finance and administrative costs for Animal Services and CSA 3 and CSA 7 Emergency Medical Services
- Health admin/finance staff provides services to these programs as well as core Public and Mental Health programs

Funding flows





Policy Decision for the Board

1. Direct Health to develop Auditor approved methodology in order to allocate admin/finance costs to all programs which could result in;
 - Approximately \$250K - \$500K General Fund support for Animal Services
 - Additional charges of approximately \$50K-\$100K to the CSA's for Admin/Finance services; or
2. Direct Health to use realignment funding to cover all costs for finance/admin staff which would result in reductions to Health; or
3. Direct Health to use one-time Tobacco Settlement fund balance to cover costs for finance/admin staff while developing approved methodology; or
4. Direct Health to institute costly time accounting system to track actual time spent on admin/finance and charge General Fund and CSA's based on time studies



Next Steps

- Chief Administrative Office will continue to review and refine FY 2011-12 Recommended Budget
- Budget books to be completed by end of May
- Functional group meetings with BOS members first week of June
- Budget special meetings to begin June 6



Next Steps

- Board Strategic Planning session in August to discuss long term one-time needs and County priorities
 - General Plan Implementation
 - Rails and Trails projects
 - Technology needs
 - Facilities



Recap of BOS Policy Decisions

1. One Time Funding

1. Utilize \$1.6M to “buy time” until Addenda; or
2. Set aside for one-time use and provide direction on sustainable cuts

2. Human Services

1. Commit additional General Fund dollars to back-fill one-time revenues; or
2. Drastic reductions to Child Welfare Services and IHSS Admin; or
3. Cuts to Community Services Programs



Recap of BOS Policy Decisions

3. Health Services

1. Develop Auditor approved methodology to allocate admin/finance costs resulting in costs to the General Fund and CSA's; or
2. Utilize realignment funding to cover these services; or
3. Utilize one-time funds to cover costs and develop methodology for future years when one-time funds are gone; or
4. Implement costly time accounting system to charge actual time spent to General Fund and CSA's



End of Presentation

QUESTIONS AND COMMENTS