

**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 Cash Deferral Update and Associated Requested Actions**

Last week I informed the Board of the action by the State Controller to defer certain payments to the County. At that time the Board directed me to take extreme measures to preserve the integrity of the County's fiscal position. In responding to that direction my staff and I have met intensely with the Departments of Health and Human Services over the past week since that is where the major deferrals are occurring. The deferral of gas tax is being managed by the Department of Transportation by cutting back on spending on goods and focusing on work staff can do without goods.

Since last week I have continued to maintain a hard hiring freeze in the Departments of Health and Human Services that freezes the 24 vacancies in Health and 31 in Human Services and any extra help. This will assist those Departments with cash flow.

We have also reviewed all service contracts in both Departments that are impacted by the State payment deferrals and where possible we have directed the contracted agencies to plan to terminate the provision of services within 30 days. In the interim we are suspending services rather than terminate the contracts because of the significant additional administrative costs and time delay associated with reinstating the contracts should the State funding flow in the near term.

Should the cash deferral continue for more than a month we will proceed with termination as appropriate. The Departments are using the suspension process to identify all the issues involved with terminating services, many of which are court ordered and provided in lieu of incarceration. This action has a potentially significant negative impact on local non-profits that provide alcohol-drug and Medi-Cal mental health services. Critical services will continue to be provided under the contracts supporting mandated Child Protective Services, however Human Services will evaluate all referrals as to necessity.

I am also requesting the Board approve a Mandatory Temporary Layoff/Furlough for most employees (see Agenda Item #34). This is projected to equate to \$240K in salary savings for Health Services and \$260K for Human Services in the current year. Some of

this savings will be offset by loss of revenue. It is highly likely that additional Mandatory Temporary Layoff/Furlough days will be necessary next fiscal year for both Health Services and Human Services. This option will be discussed further on February 23, 2009.

Additionally, I have also directed the Departments of Human Services and Public Health Division of Health Services to identify the impact of shifting 10% of their current year realignment allocation, as allowed by legislation, to offset projected cash and budget deficits in the Mental Health Division of Health Services. This could equate up to \$900K in total for both Departments. Both Human Services and the Public Health Services Division have been preparing for this shift and the impact it will have on their programs. More on this will be presented in the Mid Year Report scheduled for February 23, 2009.

Both Health Services and Human Services have been moving staff to programs with cash reserves or cash flow such as MHSA and fully federally funded programs such as weatherization services. I have also asked both Departments to immediately review all of their facility leases and where possible consolidate operations and not renew leases. Health Services and Human Services have already identified \$45K/month worth of leases and associated costs that they are in the process of saving.

Finally, I am recommending the Board direct the Health Services Director to return on February 23, 2009 with at least a 10% reduction of force in the Mental Health Division that equates to at least 10 positions. The Mental Health Division continues to struggle to identify a way to manage a continuing cash and projected budget deficit position on top of the \$3.3M advance at FY 07/08 year end. Just as the Development Services Department had to face a dramatic reduction of staff in order to meet budget constraints and then determine how to prioritize services, the Mental Health Division's fiscal position and lack of ability to fully project when it will be able to correct itself means that it must first act and then evaluate and manage the consequences rather than the other way around.

The Public Health Division currently has a positive cash balance and is anticipating ending the year within budget, relying on fund balance to close any gaps. They are reviewing all programs to determine efficiencies and cost savings in anticipation of reductions in and shifts of realignment revenues in current and subsequent years. At this time we are not recommending the Board direct any additional position reductions in Public Health, however the Department may chose to recommend ones at the February 23<sup>rd</sup> meeting in order to better position themselves for next year. A more in depth review of the Public Health Division will be provided at the February 23, 2009 meeting by the Department Head.

I will update the Board on any new developments relative to this issue at the February 10, 2009 meeting. A separate memo on the State Budget Crisis/Mid Year Review aspect of this agenda item has been sent to you.

Please do not hesitate to contact me with any questions.

Cc    Louis Green, County Counsel  
      Joe Harn, Auditor-Controller  
      Doug Nowka, Human Services  
      Neda West, Health Services  
      Jim Ware, DOT