County of El Dorado

330 Fair Lane, Building A
Placerville, California
530 621-5390
FAX 622-3645
www.edcgov.us/bos/

Legislation Text

File #: 09-0728, **Version:** 2

Health Services Department, Mental Health Division, recommending Chairman be authorized to sign Budget Transfer adjusting the Division's revenues and appropriations to be consistent with year-end projections for Fiscal Year 2008-2009. (4/5 vote required) (Cont'd 6/2/09, Item 29)

The proposed Budget Transfer will result in accounting adjustments to: 1) record the Fiscal Year 2007-2008 General Fund advance to Mental Health of $3,319,000 as a contribution to Mental Health in Fiscal Year 2008-2009; and, 2) transfer $328,787 from Public Health Division Fiscal Year 2008-2009 realignment funds to the Mental Health Division in accordance with Board Resolution 045-2009, adopted on February 16, 2009. These adjustments are necessary to prevent a negative Fiscal Year 2008-2009 ending fund balance in the Mental Health Special Revenue Fund 11-110-001 (SRF 001).

FUNDING: General Fund $3,319,000 and Public Health Realignment Funds $328,787

BUDGET SUMMARY:		
Total Estimated Cost	$3,647,787	
Funding		
Budgeted	$	
New Funding	$3,319,000	General Fund
Other	$ 328,787	PH Realignment
Total Funding Available	$3,647,787	
Change To Net County Cost		

Fiscal Impact/Change to Net County Cost:
The $3,319,000 General Fund amount was previously designated for Mental Health; the amount is now requested to be recorded as a contribution. The $328,787 of Public Health realignment funds was previously budgeted in Public Health contingency; the Public Health Division will utilize other funding sources as needed to maintain core services.

Reason for Recommendation:
On October 14, 2008, the Board created the Health Services Department, merging together the previous Mental Health and Public Health Departments. Consistent with Board of Supervisors Policy B-1, Budgetary Control and Responsibility, the newly appointed leadership of the Health Services Department notified the Board on December 16, 2008 and again on February 23, 2009 that a serious budget shortfall was anticipated to occur in FY 2008-09 in the Mental Health Division's SRF 001, supporting all of the Division's non-Mental Health Services Act (MHSA) programs. The Division's MHSA fund remains fiscally sound, with a positive fund balance and fully funded prudent reserve. At both meetings, the Department recommended and the Board approved significant reductions in staffing and other costs; however, the Board was advised that despite such cost cutting measures, a

serious budget deficit would still occur in FY 08-09 in SRF 001 due primarily to the significantly overstated revenues in the budget that would not be realized.

The Department's February 23rd presentation to the Board included the following recommendations:

- Adopt resolution authorizing transfer from Health & Welfare Realignment (up to 10% from Public Health and Social Services).
- Convert an amount from prior $3,319,000 advance from General Fund (considered a loan) into a contribution from General Fund, enabling adjustment of the MH negative fund balance to $0 at FY 2008-09 year-end.

Resolution 045-2009 was adopted by the Board authorizing the recommended realignment transfer, "subject to an analysis of consequences to impacted departments to be brought back to the Board." The second recommendation was not implemented in February, pending further analysis and understanding of the Mental Health Division's fiscal situation.

In February, the Division noted that the negative year-end fund balance for SRF 001 was expected to be as much as $3.1 million, and that this amount could vary depending upon a variety of factors, particularly the Division's ability to transform service delivery to MHSA funded programs, and the receipt of potential one-time and prior year revenues (mainly from prior year billings, cost settlements, etc.).

The Division's current fiscal year end estimate is that SRF 001 is likely to end with a negative fund balance of $3.3 to $3.4 million. Realignment revenue has continued to decline, approval of MHSA plans and transition of clients to approved MHSA programs has been extremely challenging (particularly in view of the staff reductions that have occurred), and significant one-time and prior year revenues have not been received (and may not be able to be accrued by year-end).

In view of our current projections, it is clear that the Mental Health Division is in no position to re-pay the prior year advance (loan) from the General Fund of $3,319,000. Accordingly, the Board is requested to approve the attached budget adjustment and authorize the previous $3,319,000 advance to be converted to a contribution in order to bring the SRF 001 fund balance to $0 at FY 2008-09 year-end. The Board is also requested to approve the transfer of $328,787 Public Health realignment to Mental Health. Public Health will be able to maintain core services with other available funding. No realignment transfer from Social Services is requested.

If the Board approves this recommendation, but any portion of these amounts is determined to not be required to bring Mental Health's SRF 001 fund balance to $0 when the FY 2008-09 books close in August 2009, it is recommended that any such excess amount be retained/recorded in the SRF 001 FY 2009-10 budget as Fund Balance, matched by an equal amount of Appropriation for Contingencies. Any such amount that may be recorded in this manner would reduce the Division's otherwise substantial cash needs (for cash flow purposes).

Limited discussion of the Mental Health Division's cash needs occurred during the special Cash Workshop held with the Board on May 26, 2009. With zero fund balance, the Mental Health Division will continue to require significant cash from the General Fund (for cash flow purposes, pending reimbursement of expenses) during FY 2009-10. Estimates of continuous cash float that may be needed by Mental Health currently range from $2.5M to $3.5M, depending upon the assumed speed of reimbursement from the State and other sources.

Steps taken, and on-going actions by the Mental Health Division to reduce costs, maximize traditional revenues, appropriately utilize authorized MHSA revenues, and establish fiscal/management systems and controls enabled the Division to submit a balanced budget for FY 2009-10. The Division is also developing a projected cash flow plan for the upcoming year. We are closely monitoring events unfolding at the State level and will soon advise the CAO and Board of fiscal issues/funding changes that are anticipated to further impact the Department’s budget and cash flow situation for FY 2009-10.

Action to be taken following Board approval:

1. Chairman to sign Budget Transfer.
2. Auditor-Controller to post Budget Adjustments in FAMIS.
3. Auditor-Controller, in coordination with Mental Health Division, to post appropriate accounting adjustments necessary to result in an ending fund balance of zero in Mental Health SRF 11-110-001.
4. Any excess amount from Budget Transfer (Item 1 above) not required to achieve zero fund balance (Item 3 above) to be reflected as positive fund balance in Mental Health SRF 001, matched by a corresponding Appropriation for Contingency in the FY 2009-10 addenda budget for Mental Health SRF 001

Contact: Neda West, Health Services Department

CAO COMMENTS

Department's are obligated to follow BOS Policy B-1 as follows:

B-1 Policy Requirements:
- maintain expenditure levels within approved budget
- collect full amount of revenues budgeted
- initiate budget adjustments in a timely manner so budget record reflects estimated revenues and appropriations

Department head options include:
- lower expenditure levels
- speed up revenue collections
- request a transfer from contingency

Actions have been taken by the Department to stem the projected overrun as follows:

December 16, 2008 - Department reported to Board and lowered expenditure levels in the form of staff reductions and other cost savings. Department also advised the Board of projected revenue shortfalls in realignment funds and state revenues with a projected total budget shortfall of $1.5 million for Mental Health.

February 23, 2009 - Department reported to Board and lowered expenditure levels, increased potential revenues (realignment transfer), and requested a General Fund contribution. Department projected a budget shortfall in Mental Health of $2.4 to $3.1 million. The General Fund contribution was not implemented at that time pending pending further analysis of the Mental Health Division's fiscal situation. A workshop was originally set for May 18, 2009 and was later rescheduled to occur as part of the June budget workshops.

Since that time, the Department has had ongoing discussions with the CAO regarding their updated budget projections. A budget transfer was not submitted sooner pending the Department's further refinement of specific revenue and expenditure projections.

CAO notes that submission of a budget transfer at this time does not allow adequate time for the Board to require the Department to make additional mid year adjustments. Had the budget transfer been submitted in a more timely manner it would have provided the Board the opportunity, if they wished, to require the Department to make further adjustments in expenditures to be consistent with the receipt of its revenues.

May 25, 2009 - Department prepared a Board agenda item for the June 2 agenda requesting a budget transfer to adjust for the projected revenue shortfalls and over-expenditures. Additional time was required to finalize the budget transfer document and the item was continued to June 9.

ALTERNATIVE BUDGET TRANSFER ADJUSTMENT:
Pursuant to BOS policy B-1, the CAO may submit a transfer request to the Board to reduce the Department's estimated revenue shortfall and projected expenditure overrun by a reduction to General Fund Contingency. Such a transfer would decrease the estimated FY 2008-09 General Fund carry over fund balance by $3.3 million (from $9.7 million to $6.4 million) and require offsetting reductions in the Proposed FY 2009-10 budget.