



AGENDA SUBMITTAL TO SOLANO COUNTY BOARD OF SUPERVISORS

ITEM TITLE: Receive and consider taking action on the County Administrator's recommendations outlined in this report for Budget Workshop #4 for additional Budget Reductions (continued from October 26, 2010); Consider deletion of 3 additional vacant positions; Consider deletion of 7.65 filled positions; and Consider acceptance of an additional \$1 million reduction in General Fund Net County Cost to the Department of Health & Social Services		BOARD MEETING DATE December 7, 2010	AGENDA NUMBER
Dept: Contact: Extension:	County Administrator's Office Birgitta E. Corsello Assistant County Administrator 6107	Supervisorial District Number ALL	
	Published Notice Required?	Yes _____	No <u> X </u>
	Public Hearing Required?	Yes _____	No <u> X </u>

DEPARTMENTAL RECOMMENDATION:

It is recommended that the Board of Supervisors:

1. Receive an update on the County General Fund budget and the status of efforts to achieve an additional \$6 million in annualized General Fund reductions for FY2010/11.
2. Receive and consider taking action on the County Administrator's recommendations outlined in this report for Budget Workshop #4 for additional budget reductions to address the General Fund structural deficit with FY2010/11 reductions and for FY2011/12 reductions to be effective July 1, 2011. (Discussion continued from 10/26/10)
3. Receive an update on the 54.1 FTE vacant positions identified as "Pending Further Consideration" (continued from October 26, 2010) and consider deletion of an additional 3.0 FTE vacant positions, and holding 9.5 FTE vacant positions pending separate Board consideration of proposed specific department reorganizations; and direct Human Resources to prepare and return to the Board with a resolution to amend the allocation list. (Attachment A)
4. Receive and consider taking action on 7.65 FTE filled County positions recommended for deletion in FY2010/11 (discussion continued from October 26, 2010); and direct Human Resources to prepare and return with a resolution to amend the allocation list. (Attachment B)
5. Authorize the Director of Human Resources to initiate procedures required for the Board to formalize layoffs to take effect by March 2011.
6. Receive and consider initial outline of proposed actions by the Department of Health & Social Services (H&SS) to reduce an additional \$1 million in General Fund Net County Cost

in FY2010/11 (Attachment C) and to return to the Board on December 14, 2010 with a detailed report on implementing proposed changes.

7. Direct the County Administrator and Director of Human Resources to continue meeting and conferring with recognized employee organizations to mitigate layoffs while closing the County's structural deficit.
8. Direct the County Administrator to bring back with the Midyear Financial Report additional budget and program reduction targets for departments to address the projected structural deficit for the FY2011/12 Requested Budget.

FINANCING:

Since the Board Budget Workshop meetings of September 21, 2010 and October 26, 2010, the Auditor-Controller, the County Assessor's Office, the Treasurer-Tax Collector and the County Administrator (CAO) have continued to review and analyze the FY2010/11 County General Fund revenue projections in the Adopted Budget. The revenue figures continue to be holding for the key General Fund revenue sources such as property taxes and interest income. The Proposition 172 sales tax revenue figures for the first quarter of the fiscal year appear to be within the anticipated budget. However, concern remains on the property tax assessed values for Solano County have not yet stabilized given the large number of assessment appeals in process for residential and commercial properties with an unclear outcome. In addition, the current State budget does not include the extension of continuing the increased Vehicle License Fees (typically referred to as Realignment funding) beyond FY2010/11, which can and will affect a critical funding source that funds H&SS programs. Consequently, the County Administrator and Auditor-Controller are continuing to closely monitor revenues and anticipate that the Midyear Financial Report in February will have updated revenue forecasts that will take into account the outcome of the December 10, 2010 property tax deadline and six months of sales tax data for Proposition 172, and the status of State Realignment revenues for H&SS.

Following the State election in November, new estimates of the projected State budget shortfall for FY2010/11 and FY2011/12 have been prepared and released indicating the State now faces a deficit in excess of \$25 billion. The current Governor has called for a special legislative session to address the budget, although it is not anticipated that there will be budget changes prior to January 2011 when the newly elected Governor Brown takes office. It remains unclear what actions the State Legislature will take in the coming months to address the State structural deficit or how those actions could ultimately affect State funded programs administered by the County. The projected County General Fund structural deficit for FY2010/11 and FY2011/12 currently anticipates continued state and federal funding, so any corrective actions required to address potential state impacts have not been included in the current recommendations. Reductions in this report do not reflect any changes that may be forthcoming from the State or Federal government and will need to be addressed separately when the impacts are known.

Furthermore, it should be noted that the Adopted FY2010/11 State budget included reductions and statutory changes to In-Home Support Services (IHSS) programs that could result in a \$210,000 in County General Fund savings, but this has not been reflected in the County's budget reduction figures at this time pending the outcome of efforts to address the reduction/loss of Federal Medical Assistance Program (FMAP) funds for the IHSS program in FY2010/11.

SUMMARY/DISCUSSION:

Background

The FY2010/11 Adopted County Budget is \$793,183,837 (excluding Internal Service Funds, Enterprise Funds, other agencies and special districts under the Board's control). The FY2010/11 Adopted General Fund budget is \$228,326,977. The General Fund budget is a balanced budget for the current year and includes a combination of ongoing revenues and expenses as well as one-time revenue sources and one-time expenses. The budget as balanced relies on one-time revenues to offset approximately \$18 million in expenses. The Board of Supervisors has directed that the County Administrator's Office and County departments identify a means to address the General Fund structural deficit of \$18 million over the next three years. The Board requested recommendations be developed for consideration that would address at least \$6 million in annualized reductions for their consideration on October 26, 2010, with a second \$6 million to be addressed a part of the FY2011/12 Recommended Budget.

During the Board Budget Workshop #3 on October 26, the Board considered a number of recommendations that if approved would further reduce County General Fund program costs intended to help achieve the initial targeted reduction of \$6 million annualized General Fund program cost reductions. The Board took action to delete 23.7 FTE vacant positions resulting in an estimated \$625,000 in General Fund savings (Attachment D) and requested additional recommendations regarding 54.1 FTE other vacant positions identified as "Pending Further Consideration" for Board consideration on December 7, 2010. The Board considered and deferred decisions regarding 11.65 FTE filled positions to December 7, to allow additional time for the effected Departments and the County Administrator to identify possible staff alternatives. The Board also considered potential reductions and the elimination of continued funding to a number of nonprofits beginning July 1, 2011. The Board heard testimony from representatives of several of the nonprofit organizations over potential loss of funding in FY2011/12 and the loss of their ability to leverage the County funds to match other funding sources. The Board asked the CAO and H&SS to collect additional information before further consideration of the recommended reductions for FY2011/12 in General Fund contributions to nonprofits. The CAO has received with the assistance of H&SS, additional information on the leveraging of County funds by nonprofit agencies, which is provided in Attachment E for Board consideration.

The following are summaries of the data provided in the attachments to this report and reflect updated recommendations for Board consideration and action at this time.

Updated Recommendations on Vacant Positions

Attachment A is an update on the 54.1 FTE vacant positions considered by the Board on October 26, plus a correction of 1.0 FTE for a total of 55.1 FTE. At this time the County Administrator is recommending the Board support the deletion of 3.0 additional FTE vacant positions in H&SS and direct Human Resources to prepare and return with a resolution to amend the position allocation list. The estimated savings from this action is an additional \$247,387 to the General Fund. The updated report on vacant positions reflects 9.5 FTE vacant positions that are on hold pending separate Board consideration and action on proposed organizational changes from the effected Departments, which are intended to further reduce program costs and change departmental operations. The other 42.6 FTE vacant positions listed in the attachment include an additional review and justification and cost figures. Of the 42.6 FTE positions, there are 33.6 FTE in H&SS recommended at this time to be filled because many of which are fully or partially offset by State and Federal revenues and a number of the positions are needed to staff the recently completed public health clinics. The remaining 9.0 FTE positions are in other County departments with either

off-setting revenues and could be filled or in a General Fund department that has asked to have the position held until the preparation of the FY2011/12 Requested Budget to allow for further program and service level reviews.

Update on Recommendation for Deletion of Additional Positions

On October 26, a total of 13.65 FTE filled positions were recommended for elimination. On November 2, the Board took action to eliminate two of these positions that were Limited Term Ag/Weights and Measures Aides due to loss of funding. Attachment B reflects an update to the October 26 table and reflects a revised CAO recommendation to delete 7.65 FTE filled positions, which would result in an estimated FY2010/11 savings of \$656,561. The savings figures anticipate an effective date for layoffs by March 2011. If the Board supports this recommendation at this time, Human Resources will need to be directed to prepare and post seniority lists and prepare an amendment to the County Position Allocation List to be brought back on December 14, 2010 for Board action.

Budget Reduction Strategy Overview for FY2011/12 Contributions to Nonprofit and outside agencies

During the Board Budget Workshop on October 26, the Board considered the CAO recommendation to reduce or eliminate funding for a number of programs, effective July 1, 2011. At the Board meeting a number of representatives from the nonprofit provider community expressed concerns regarding the proposed reductions or elimination of their funding in FY2011/12 and indicated that the County funds were used to match other funding sources to provide services. The Board requested that additional information be collected before further consideration of reductions in contributions to nonprofit and other agencies.

The CAO has reviewed the Board records, background information and history of the current General Fund contribution to other agencies. The Board in 2007 made a three year commitment to use County General Funds to backfill programs that were created by Master Settlement Fund revenues. Given the FY2010/11 General Fund structural deficit and the projected shortfall for FY2011/12, the Board is asked to consider discontinuing the commitment of funding for FY2011/12 and provide the recipients long lead times to prepare for the changes. This is a policy decision, which will affect the amount and range of cuts that will need to be made to other county services and programs in FY2011/12. The Board requested that additional information be collected by H&SS and the County Administrator on the use and potential matching/leveraging of County Contributions to programs considered for reduction. Attachment E reflects the data collected by H&SS in response to this request. Attachment F reflects the program funding recommendations made October 26 to reduce or discontinue funding effective July 1, 2011. Notice of reductions to funding outside agencies, if approved as outlined, would enable the County to provide an eight-month notice affording agencies time to seek other funding sources and/or to effect an orderly transition out of the service.

Summary of Health & Social Services preliminary proposal for additional \$1 million reduction in General Fund Contribution for FY2010/11

On October 26, 2010 the Board requested that the CAO in conjunction with the Department of H&SS to prepare options to reduce the County General Fund Contribution by \$1 million (approximately 3%) from the \$31 million in funding for health and social service community programs and directed that the staff report back to the Board on December 7, 2010.

Attachment C reflects detailed information and the initial proposal submitted by H&SS staff and reviewed with the CAO. The \$1 million will be achieved through a number of program realignments

and organizational changes designed to increase the cost recovery of several programs currently funded by the County General Fund as well as a number of staff reductions. H&SS has been instructed to prepare and bring forward on December 14, 2010 the staff report for the reorganization and staff changes and the associated documents to implement the concepts included in the preliminary plan provided in this Board report. The CAO is in support of the proposal as outlined although cautious and concerned over the ability of the Department to realize the amount of additional revenue projected; however, it is worth moving the efforts forward. In the coming months, the CAO and Auditor-Controller will closely monitor the results of efforts to increase cost recovery through new revenues. Should the revenue increases not materialize as envisioned by H&SS, the Department will be asked to identify at Third Quarter reduction alternatives to achieve the \$1 million General Fund contribution reduction for FY2010/11 as requested.

The table below summarizes budget reduction recommendations by department for this report.

Ag Commissioner / Weights & Measures – Reduction in programs with discretionary level of service, reduction of 0.5 FTE.
Assessor / Recorder – Separate organizational report on December 7, 2010 to address reduction in programs with level of service changes due to changing workload.
Auditor-Controller – Hold vacant position and ask department to look at organizational changes to address changing work demands as part of the FY2011/12 Budget.
CAO Other County Funds – Reductions to various discretionary programs in FY2010/11 and FY2011/12, including deletion of General Fund contributions to CASA for FY2011/12, anticipated reductions in funding for other Public Defense, details reflected in Attachment F lines 50, 57, 62.
General Services – Reduction in programs on hold pending additional information on organizational changes to the department. To be brought back at Midyear Financial Report.
Health & Social Services – Reduction in funding for discretionary programs and programs with discretionary levels of services in FY2010/11 and FY2011/12. Refer to Attachment on Reductions to MSA funding for FY2011/12 & Attachment C proposal for additional \$1 million reduction in General Fund Net County Cost FY2010/11 for H&SS.
Library – Separate organizational report to address structural deficit over two year cycle on December 7, 2010 Non General Fund Department
Treasurer / Tax Collector / County Clerk – Reduction of discretionary program through deletion of 1.0 FTE filled position in FY2010/11. (Refer to Attachment F line 434)

ALTERNATIVES:

Alternatives the Board of Supervisors could consider:

1. The Board could choose to do nothing at this time and take no additional actions to reduce General Fund expenditures toward the \$6 million annualized goal for FY2010/11 and wait until FY2011/12 Budget Hearings. While the General Fund has a structural deficit of \$18 million for FY2010/11, the County Budget is balanced using one-time revenues. This option is not recommended because based on the past two years of budget experience, County revenues remain volatile in this economic downturn while projections for expenditures have some certainty of increasing given existing labor related contracts. A delay will defer the effective date of reductions and the potential to generate additional savings in the current fiscal year that could offset a portion of the projected shortfall/structural deficit for

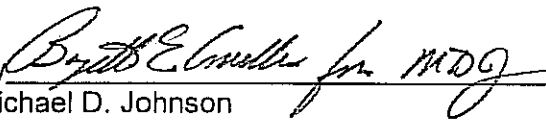
FY2011/12. In addition, this report includes a number of recommendations that, if approved, affect contracts for services where a longer lead time for giving notice is advisable.

2. The Board could choose to defer actions to reduce General Fund expenditures to another date later in FY2010/11, such as during the Midyear Financial Report, when more information regarding state and local revenues may be available which could be positive or negative in nature. This option is not recommended for similar reasons stated above.
3. The Board could choose to not accept the recommendations for General Fund budget reductions included in this report and adopt alternative reductions to achieve the initial \$6 million desired in annualized cuts.
4. The Board could choose to increase the amount of the budget reductions approved at this time beyond the proposed \$6 million in this report and propose reductions that would cut up to the full \$18 million General Fund structural deficit.

OTHER AGENCY INVOLVEMENT:

The County Administrator's Office has worked with department heads utilizing the information shared with the Board to develop the recommendations in this report.

DEPARTMENT HEAD SIGNATURE:

By 
Michael D. Johnson
County Administrator

Attachments

- Attachment A: Recommendation on Vacant Positions
- Attachment B: Budget Workshop Proposed Position Deletions
- Attachment C: H&SS Preliminary Proposal to Reduce County General Fund by \$1 million
- Attachment D: Summary of Approved Board Actions from Budget Workshop #3
- Attachment E: H&SS Leveraged Funds Report
- Attachment F: Summary of Pending Recommendations from Budget Workshop #3