



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: County Executive
Office & Auditor-
Controller
Department No.: 012
For Agenda Of: 2/9/10
Placement: Departmental
Estimated Time: 2 hours
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Michael F. Brown, County Executive Officer
Director(s) Robert Geis, CPA, Auditor-Controller
Contact Info: Jason Stilwell, Assistant CEO/Budget Director, 568-3413
Theo Fallati, CPA CPFO, Assistant Auditor-Controller, 568-2102
SUBJECT: Fiscal Year 2010-2011 Budget Workshop: Defining the Problem

County Counsel Concurrence

As to form: N/A

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- a) Receive a report on the County of Santa Barbara's projected budget for Fiscal Year 2010-2011 entitled "Defining the Problem" (Attachment 1); and
- b) Receive the Fiscal Year 2009-2010 Adopted Cost Center Performance Plan (Attachment 2) and General Fund Contribution Inventory (Attachment 3) to be used as budget analysis tools.

Summary Text:

This is the first in a series of budget workshops that will be held as part of the Fiscal Year 2010-2011 (FY 2010-11) budget development process. The information and tools provided at this hearing are intended to assist the Board of Supervisor's (Board) policy deliberations in anticipation of the next budget workshop entitled "Potential Service Level Impacts," which will be held on February 22, 2010. Departments are in the process of developing budget requests; these workshops are designed to help guide the process. In FY 2010-11, the County will see increased expenditure demands along with continued slowing revenues, which will once again necessitate budget reductions to bring the budget into balance. This workshop will present an analysis of the major expenditure drivers and revenue

projections. The County Executive Office will also provide the Board with tools designed to assist with budget reduction decision making.

Background:

In order to present the Board with a balanced Fiscal Year 2010-2011 Recommended Budget, the County must close the projected budget gap. Unlike the previous two budget cycles, which saw flat or declining revenues, the FY 2010-11 gap is primarily the result of expenditure growth. To maintain current budgeted staffing levels in FY 2010-11, it would cost the County an additional \$38.7 million: the cost of salaries would increase by \$13.6 million and employee benefits would increase by \$25.1 million. Of this \$25.1 million increase in benefits, the most notable components are the cost of maintaining the current level of retirement benefits (\$20.1 million), rising health insurance premiums (\$2.8 million), and an extended unemployment benefit period increasing insurance premiums (\$1.0 million).

Revenues are expected to decrease by 1.4% in FY 2010-11 from the FY 2009-10 budget. The chart below summarizes FY 2010-11 projections of local discretionary revenue sources as well as Proposition 172 Public Safety Sales Tax.

General Fund Discretionary Revenues	2009-10 Estimated	2009-10 Budget	2009-10 Est Act to Budget	2010-11 Proposed Budget	10-11 Bud to 09-10 Est	10-11 Bud to 09-10 Bud
Secured Property Tax	111,736,046	112,000,000	-0.2%	110,600,000	-1.0%	-1.3%
Property Tax In-lieu of VLF	41,986,460	42,065,000	-0.2%	41,656,000	-0.8%	-1.0%
Documentary Transfer Tax	2,000,000	1,700,000	17.6%	2,000,000	0.0%	17.6%
Supplemental Property Tax	2,000,000	2,800,000	-28.6%	2,200,000	10.0%	-21.4%
Transient Occupancy Tax	5,837,535	5,727,000	1.9%	6,000,000	2.8%	4.8%
Local Sales Tax	6,867,608	6,817,000	0.7%	7,100,000	3.4%	4.2%
Prop 172	24,564,313	24,874,000	-1.2%	25,000,000	1.8%	0.5%
Interest Income	2,244,000	2,681,571	-16.3%	1,300,000	-42.1%	-51.5%
	197,235,962	198,664,571	-0.7%	195,856,000	-1.2%	-1.4%

A full analysis of the main drivers of the projected FY 2010-11 budget gap is presented in the attached report entitled “Defining the Problem” (see Attachment 1).

Two tools are provided through this workshop to assist with budget reduction decision making: the FY 2009-10 Adopted Cost Center Performance Plan (CCPP) and a General Fund Contribution (GFC) Inventory. Both are included as attachments to this letter.

General Fund Contribution Inventory

The General Fund Contribution (GFC) represents the portion of the County’s budget funded by local discretionary revenue. Attachment 2 provides the FY 2009-10 Adopted GFC budgets allocated by Functional Area, department, and division. To summarize, the total GFC adopted in the FY 2009-10 budget is approximately \$197 million. Of this amount, 44% funds Public Safety, 13% funds Law & Justice, 13% funds Support Services, 11% funds Health & Public Assistance, 8% funds General County Programs, 7% funds Community Resources & Public Facilities, and 4% funds Policy & Executive services. The intent of the GFC Inventory is to facilitate the Board’s analysis of current GFC allocations for the FY 2010-11 budget process, and to guide the discussion regarding potential service level impacts at the February 22, 2010, budget workshop. Accordingly, only those divisions receiving GFC are shown in the GFC Inventory, making it easy to quickly identify which activities are funded by the County’s discretionary revenue sources.

Cost Center Performance Plan

The purpose of the CCPP is to display all County programs, along with the budgeted resources and performance measures, to assist the Board with decision making regarding resource allocation. The CCPP displays department structures in an organization chart format, with department as the highest level, followed by division, sub-division, and, finally, program. At each of these organizational levels, total budget, General Fund Contribution (GFC), and FTE are presented. In the annual budget, financial and FTE data is presented at the department, division, and sub-division levels. In large departments, sub-divisions may contain multiple programs, and by presenting these data at the lower program level in the CCPP, the Board and the public can gain a more thorough understanding of how resources are allocated across the County.

The CCPP was first presented to the Board in June 2009 to accompany the FY 2009-10 Recommended Budget. A revised CCPP is presented as Attachment 3 to illustrate departmental information per the FY 2009-10 Adopted Budget.

Attachments:

- 1 – Defining the Problem
- 2 – General Fund Contribution Inventory
- 3 – Cost Center Performance Plan

Authored by: Rachel Lipman, CEO Analyst, 568-3411

cc: Department Directors
Assistant CEOs
CEO Analysts
Recognized Employee Organizations