

Fiscal Year 2010-2011 Budget Development Workshop: Defining the Problem

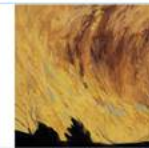
February 9, 2010



County Executive Office

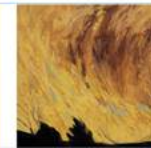
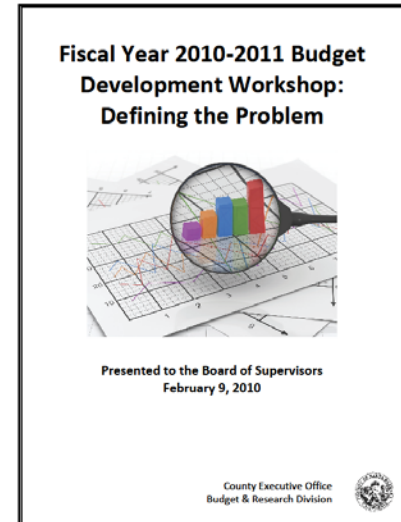
Schedule of Budget Items

- Today: Budget Development Workshop: “Defining the Problem”
- Next Item: Governor’s Proposed Budget
- 2/23: Budget Development Workshop: “Service Level Impacts”
- 4/13: Report of FY 2009-10 Third Quarter
- Mid-May: Governor’s May Revise
- 5/14: Distribute Recommended Budget Books
- 6/7 – 6/11: FY 2010-11 Budget Hearings



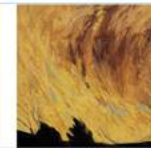
Defining the Problem: Agenda

- **Overview of the Problem**
- **Revenues**
- **Expenditures**
- **Budget Tools**
 - General Fund Contribution Inventory
 - Cost Center Performance Plan

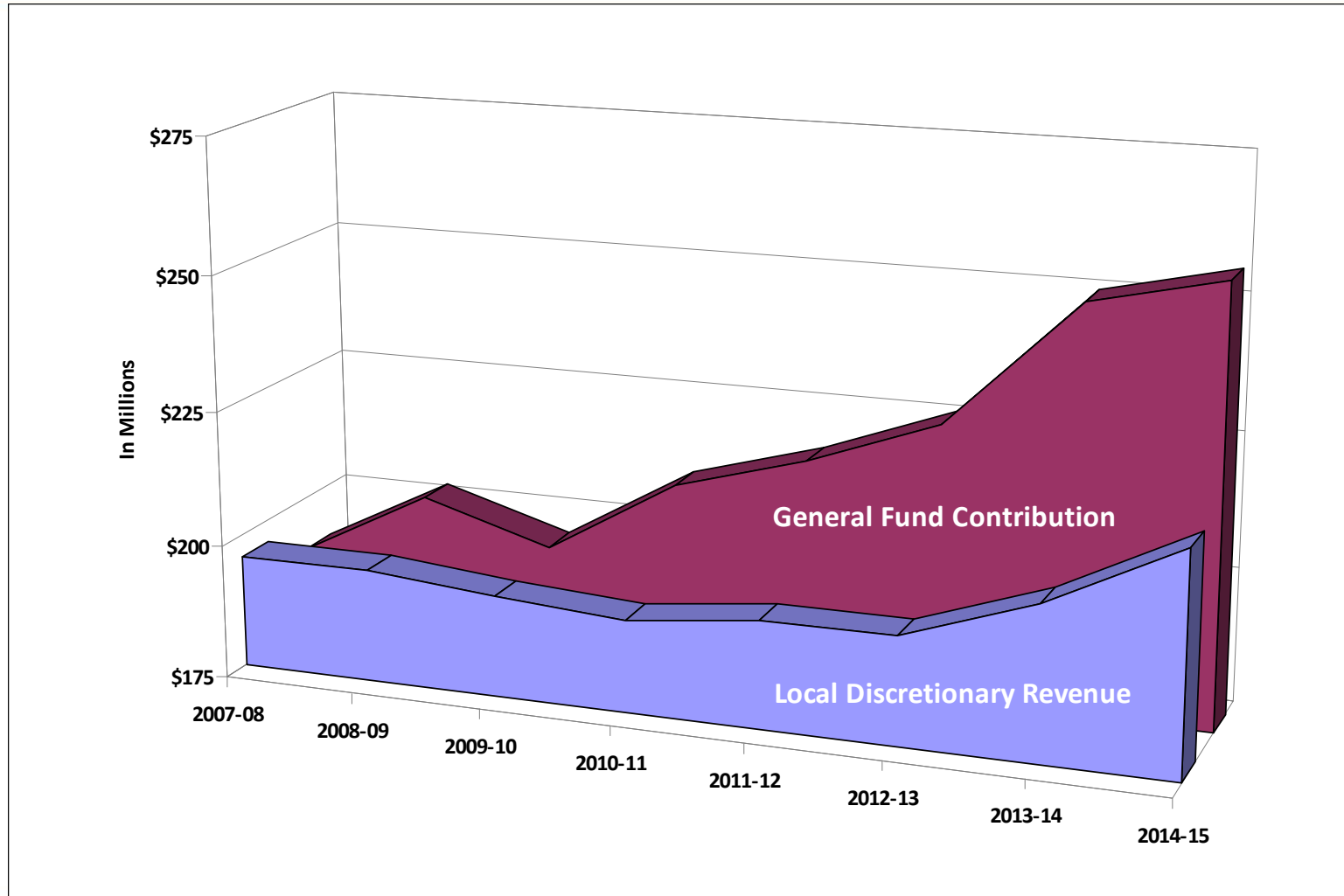


Defining the Problem: Overview

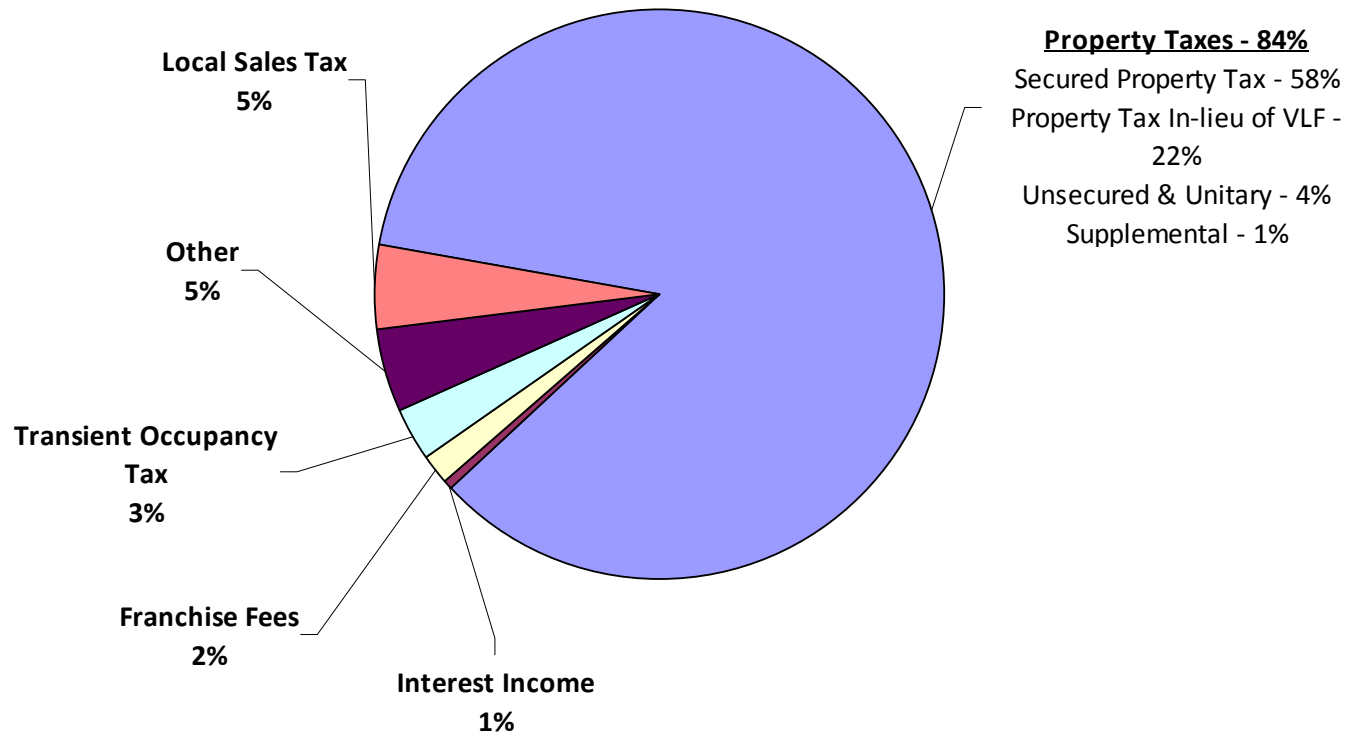
- County must close the projected budget gap to balance the budget
- Budget gap has been largely driven by revenue loss for the last 2 budget cycles
- FY 2010-11 projected budget gap largely the result of expenditure growth



Defining the Problem: Overview

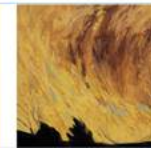


FY 2010-11 Projected Local Discretionary Revenue



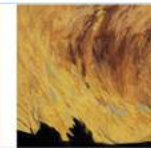
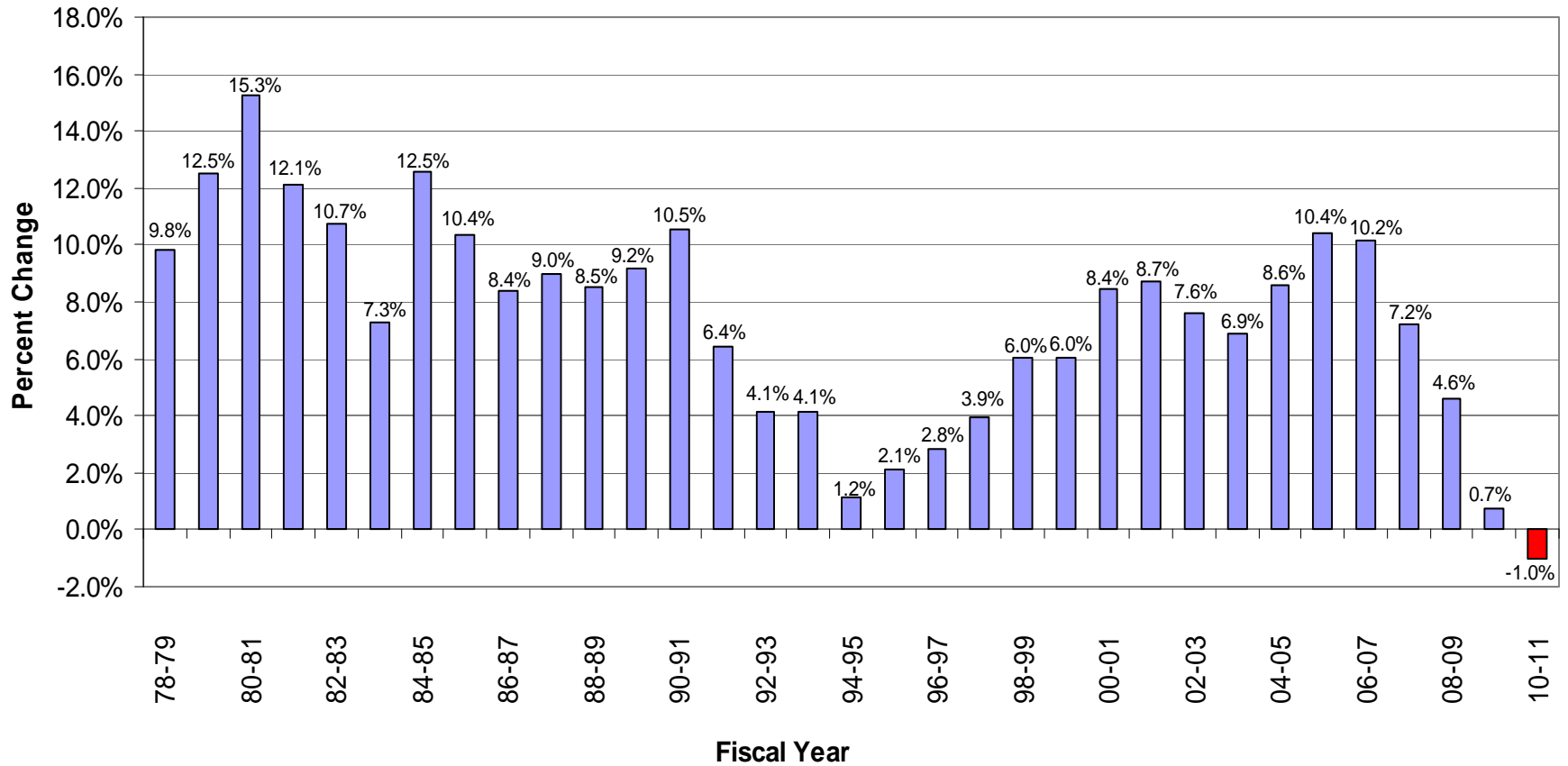
Revenue

- General Fund discretionary revenues are expected to decrease by 1.4% in FY 2010-11 from the FY 2009-10 Adopted Budget
 - Secured property tax: -1.3%
 - Property tax in-lieu of VLF: -1.0%
 - Sales tax: +4.2%
 - Transient Occupancy Tax: +4.8%

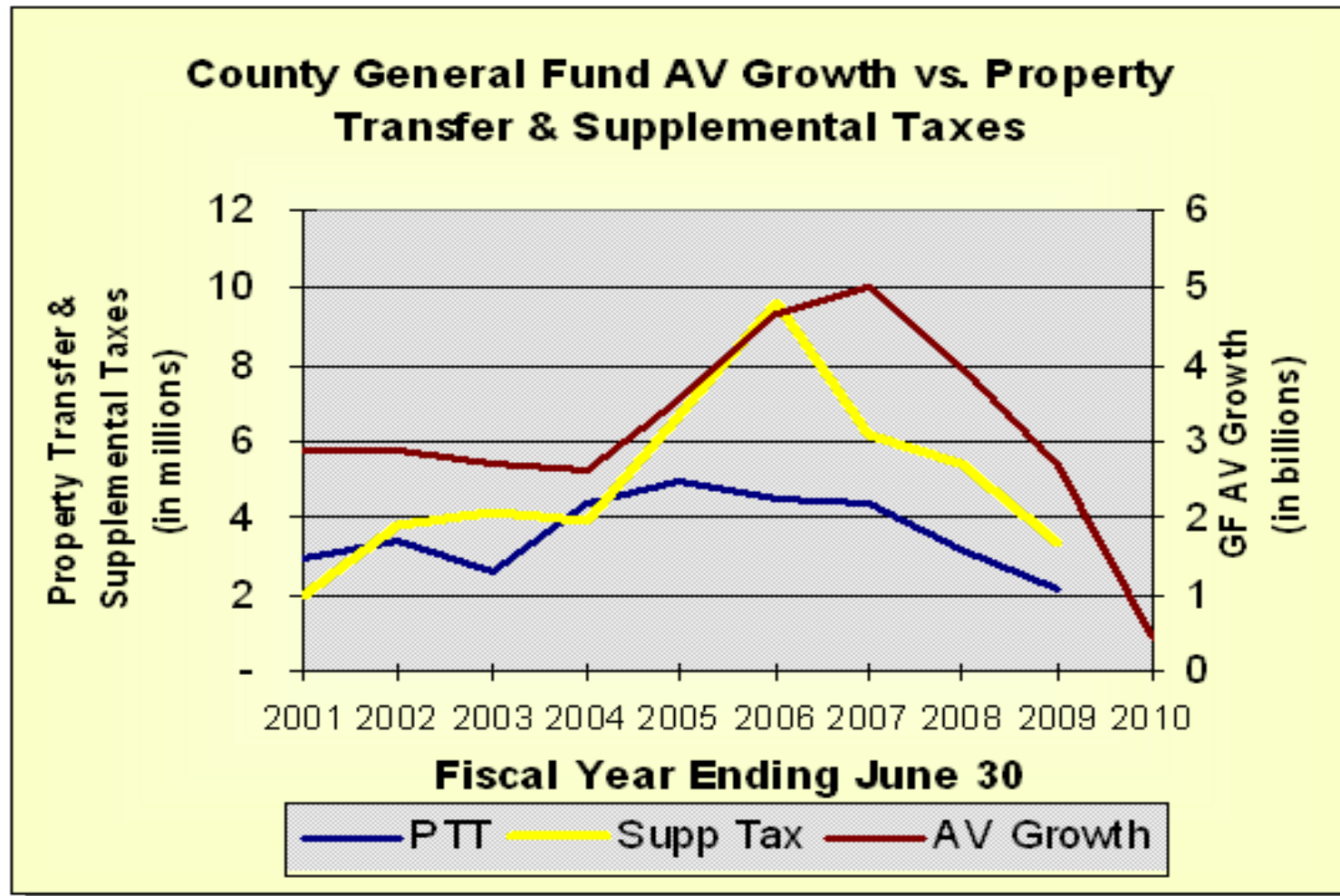


Revenues

Percent Change in Countywide Assessed Value

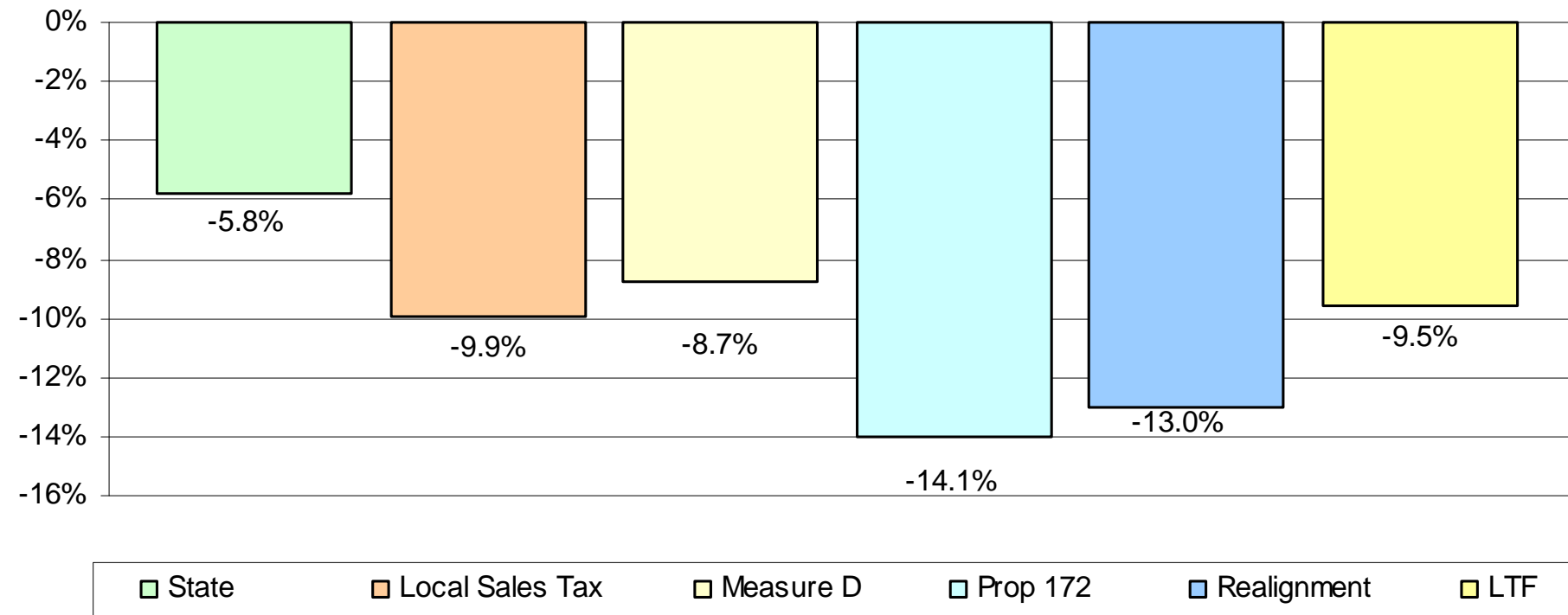


Revenues



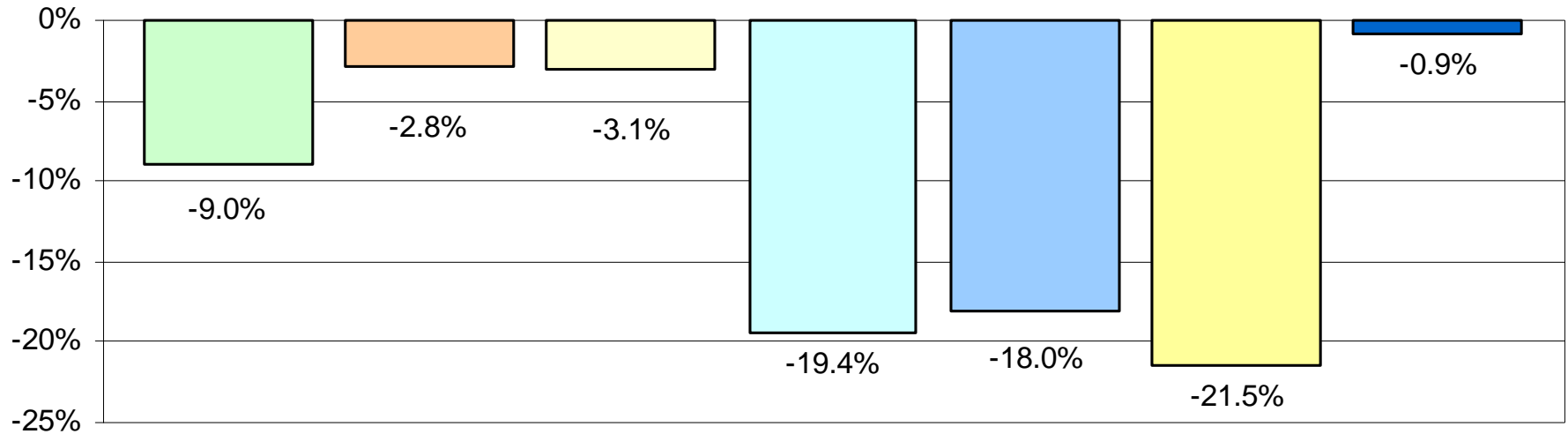
Revenues

**Sales Tax Decline by Tax Sector
FY 2008-09**



Revenues

**Sales Tax Decline by Business Group
FY 2008-09**

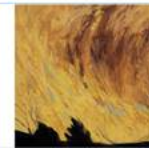


■ Consumer Goods ■ Business ■ Hotels/ Dining ■ Transportation ■ Fuel ■ Construction ■ Food/ Drugs



Revenues

		2007-08 Actual	2008-09 Actual	2009-10 Est Act	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
Prop 172	\$	29,969,554	25,758,789	24,564,313	24,874,000	-1.25%	25,000,000	1.77%	0.51%
Realignment	\$	20,952,512	18,880,938	16,633,779	19,814,290	-16.05%	16,633,779	0.00%	-16.05%
Measure D	\$	7,417,504	6,466,938	5,814,178	4,564,000	27.39%	6,000,000	3.20%	31.46%
LTF	\$	1,343,215	940,905	748,191	467,000	60.21%	760,000	1.58%	62.74%
Bradley Burns	\$	8,141,680	6,920,835	6,867,607	6,817,000	0.74%	7,100,000	3.38%	4.15%
Total	\$	67,824,465	58,968,405	54,628,068	56,536,290		55,493,779		



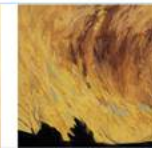
Revenues

Public Safety 10 Year Trend

		Revenues	
Fiscal Year	Factor	(in millions)	Growth
2009-10 (est)	1.0895%	\$ 24.87	-3.44%
2008-09	1.0825%	\$ 25.75	-14.07%
2007-08	1.0974%	\$ 29.97	-0.36%
2006-07	1.0830%	\$ 30.08	-1.91%
2005-06	1.1097%	\$ 30.66	5.18%
2004-05	1.1419%	\$ 29.15	6.70%
2003-04	1.1527%	\$ 27.32	8.47%
2002-03	1.1377%	\$ 25.19	6.46%
2001-02	1.0950%	\$ 23.66	-5.49%
2000-01	1.1260%	\$ 25.03	7.80%
Total		\$ 271.70	

Local Sales Tax 10 Year Trend

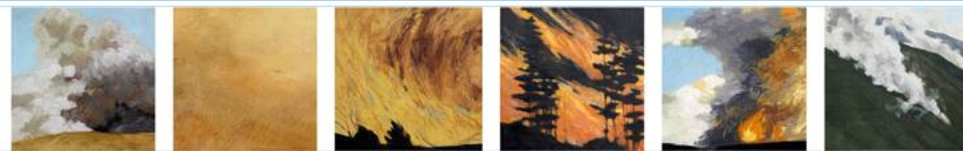
	Revenues	
Fiscal Year	(in millions)	Growth
2009-10 (est)	\$ 6.82	-1.49%
2008-09	\$ 6.92	-15.00%
2007-08	\$ 8.14	-10.61%
2006-07	\$ 9.11	22.18%
2005-06	\$ 7.45	2.69%
2004-05	\$ 7.26	-20.27%
2003-04	\$ 9.11	2.96%
2002-03	\$ 8.84	-18.95%
2001-02	\$ 10.91	-10.55%
2000-01	\$ 12.20	13.30%
Total	\$ 86.75	



Revenues

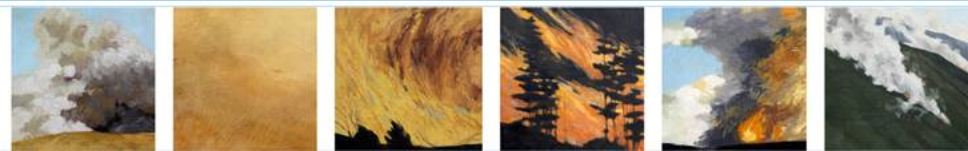
County Wide TOT Receipts by Month

	2007-08 Actual	2008-09 Actual	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
Jul	904,645	948,999	788,581	790,000	-0.18%	810,528	3%	3%
Aug	972,624	1,025,236	806,155	700,000	15.17%	828,591	3%	18%
Sep	635,913	648,074	512,735	440,000	16.53%	527,005	3%	20%
Oct	593,871	568,059	484,918	510,000	-4.92%	498,414	3%	-2%
Nov	492,855	439,722	344,053	380,000	-9.46%	353,628	3%	-7%
Dec	378,036	307,128	260,000	260,000	0.00%	267,236	3%	3%
Jan	354,880	324,617	410,000	410,000	0.00%	421,411	3%	3%
Feb	414,827	305,031	290,000	290,000	0.00%	298,071	3%	3%
Mar	560,245	375,452	360,000	360,000	0.00%	370,019	3%	3%
Apr	521,006	424,199	465,029	466,766	-0.37%	477,971	3%	2%
May	633,598	492,453	537,269	539,276	-0.37%	552,222	3%	2%
Jun	697,187	505,114	578,795	580,957	-0.37%	594,904	3%	2%
Total	7,159,687	6,364,084	5,837,535	5,727,000	1.93%	6,000,000	3%	5%



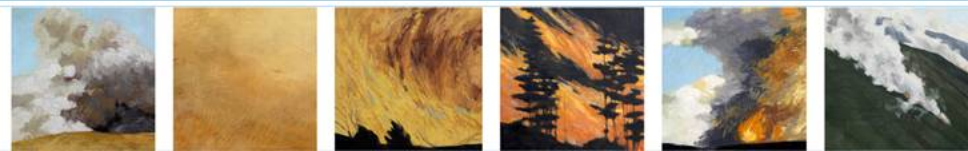
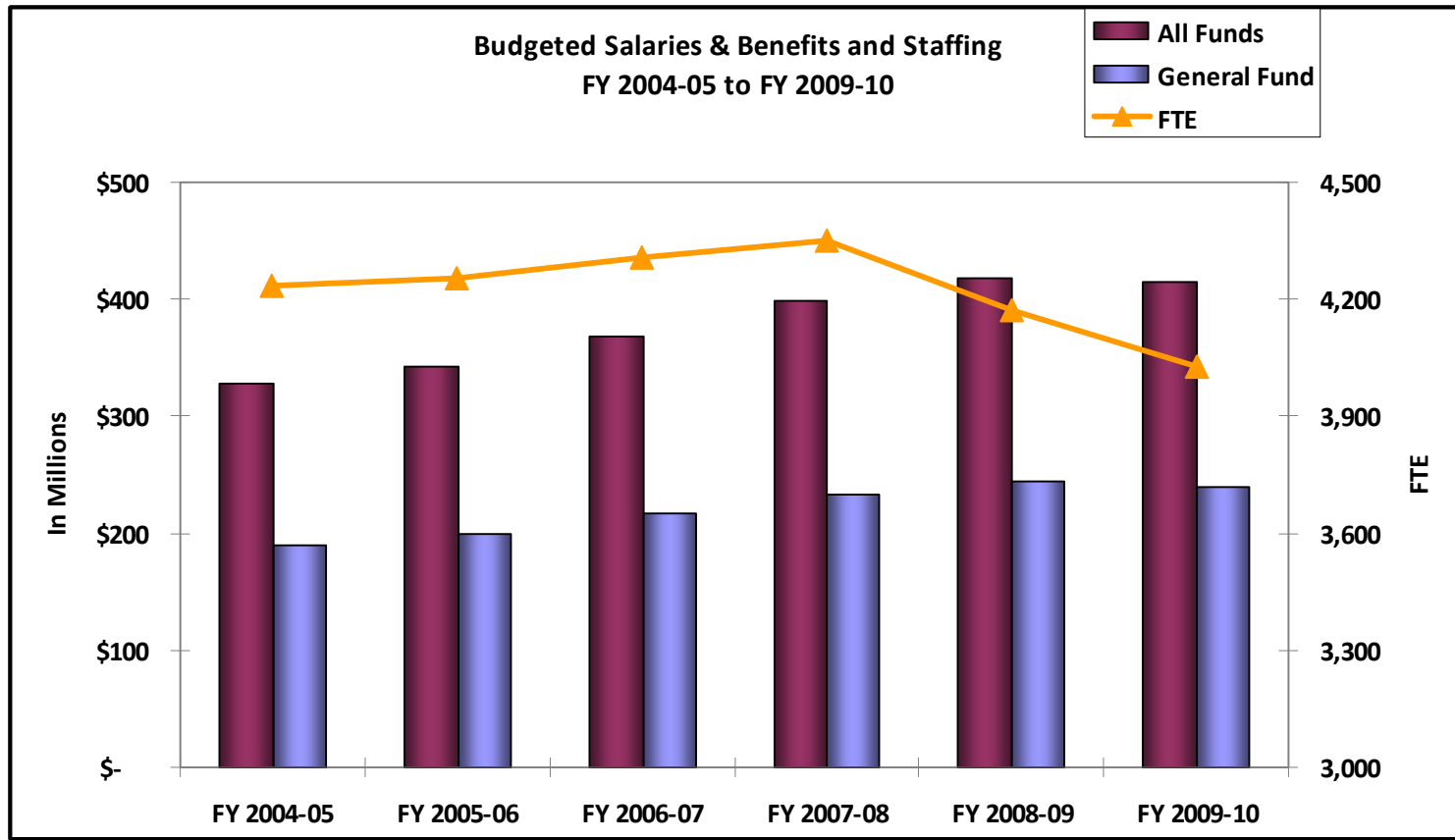
Expenditures

- Salaries & benefits is the County's largest category of expenditure with over half of the operating budget
- Services & supplies is the next largest category with about 40% of the operating budget
- From FY 2007-08 to FY 2009-10
 - Salaries & benefits grew by 11%
 - Services & supplies dropped by 17%



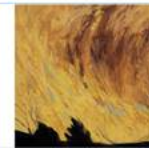
Expenditures

In spite of staffing reductions begun in FY 2007-08, the cost of salaries & benefits has continued to rise.



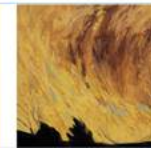
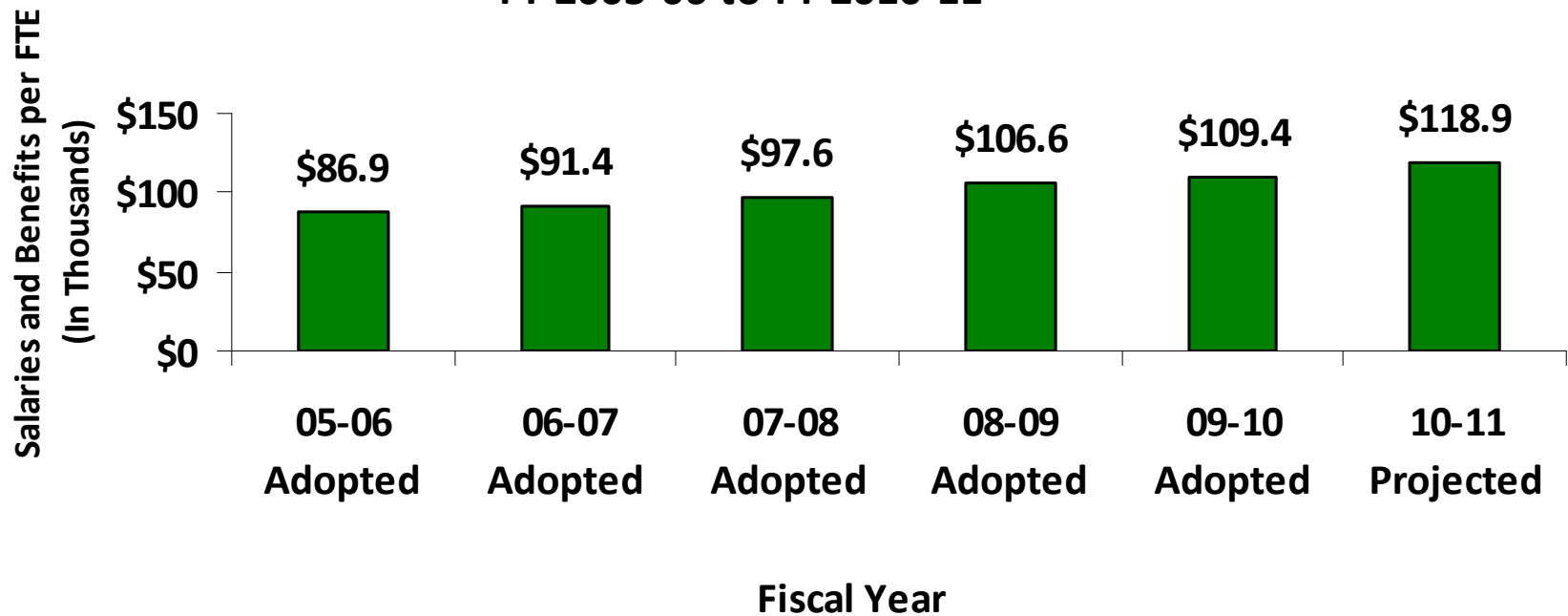
Expenditures

- To maintain current budgeted staffing levels in FY 2010-11, it would cost an additional \$38.7 million
 - \$13.6 million in salaries
 - \$25.1 million in benefits (\$20.1 million for retirement)



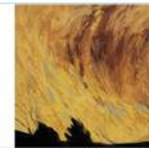
Expenditures

**Average Cost of County Employee
FY 2005-06 to FY 2010-11**



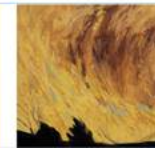
Expenditures

- Most bargaining units have existing contracts that provide for salary increases in FY 2010-11
- In addition to negotiated increases, most employees are also eligible for step increases
- The largest projected increases (negotiated wage increases and step increases) are:
 - SEIU Local 620 - \$7.1 million
 - Deputy Sheriff's Association - \$2.0 million
 - All others - \$4.4 million



Expenditures

- Retirement is projected to increase by \$20.1 million as a result of investment losses during the 2008-2009 market decline
- Safety plans experienced a larger proportional loss than general plans because safety plans have higher benefit formula



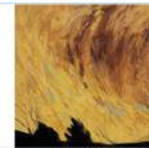
Expenditures

	FY 2009-10 Adopted	FY 2010-11 Projected	Increase	% Increase
General Fund				
Non-Safety	\$ 20.0	\$ 24.6	\$ 4.6	22.9%
Safety	23.4	32.6	9.2	39.2%
Total General Fund	\$ 43.4	\$ 57.2	\$ 13.7	31.7%
All Funds				
Non-Safety	\$ 47.3	\$ 58.2	\$ 11.0	23.2%
Safety	23.4	32.6	9.2	39.2%
Total All Funds	\$ 70.7	\$ 90.8	\$ 20.1	28.5%



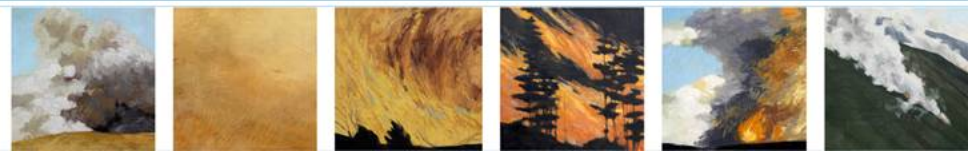
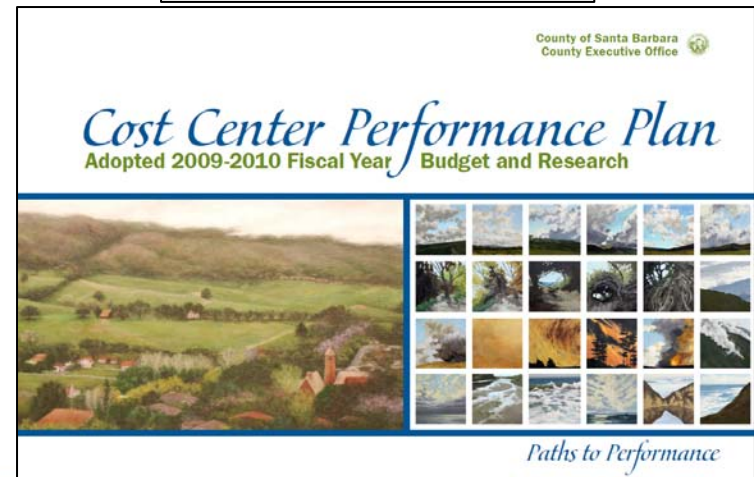
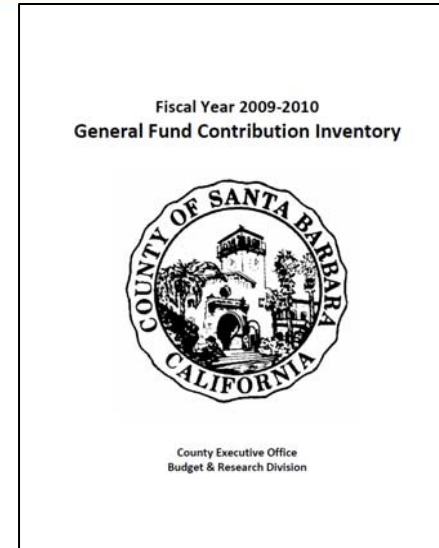
Expenditures

- Departments with large proportions of employees in safety plans will see greater increases in retirement costs
 - Sheriff: \$5.0 million increase
 - Fire: \$2.9 million increase
 - Probation: \$2.3 million increase



Budget Tools

- General Fund Contribution Inventory
- Cost Center Performance Plan

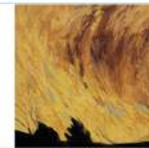
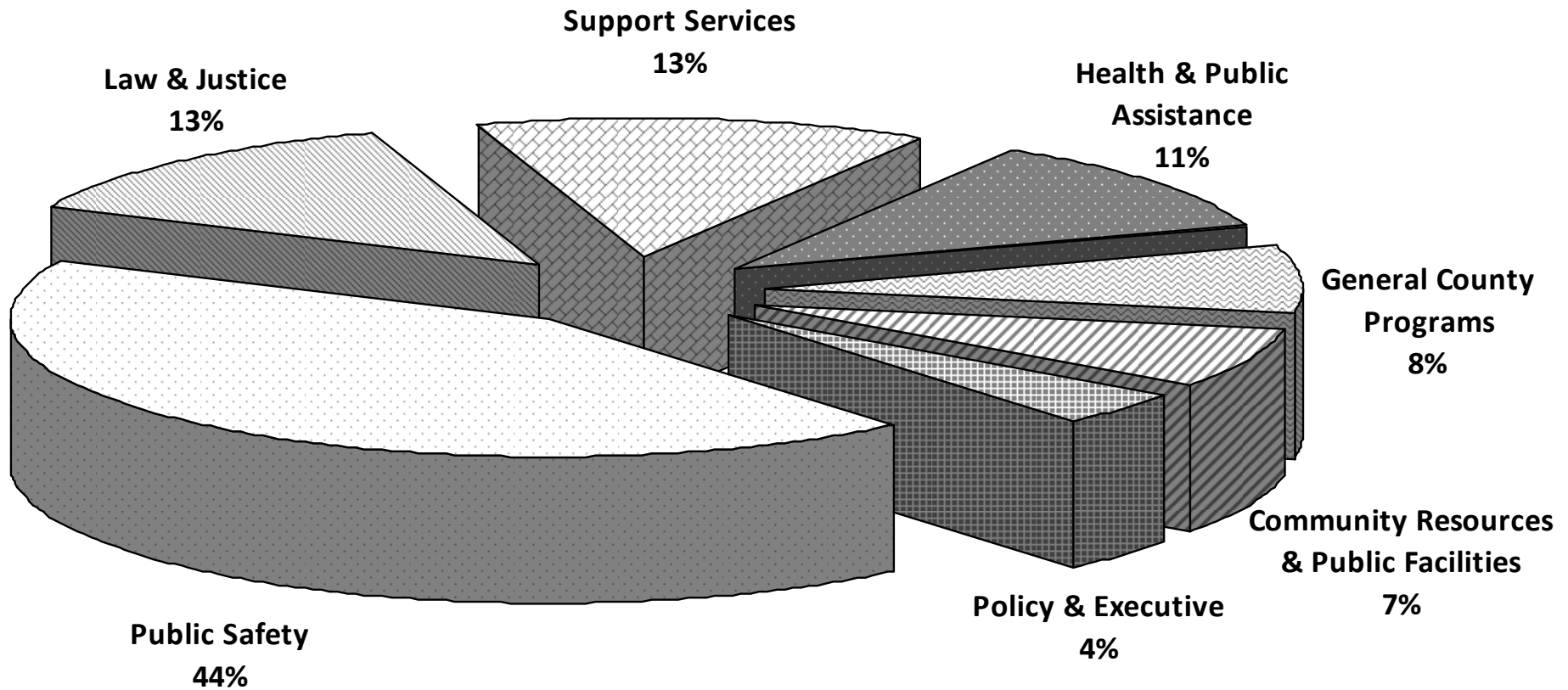


General Fund Contribution Inventory

Functional Area & Department	GFC	% of Total
Policy & Executive	\$ 7,751,175	4%
Board of Supervisors	2,740,525	1%
County Executive Office	2,402,266	1%
County Counsel	2,608,384	1%
Law & Justice	25,863,846	13%
District Attorney	10,960,120	6%
Public Defender	7,297,626	4%
Court Special Services	7,606,100	4%
Public Safety	85,136,776	43%
Fire	1,599,782	1%
Probation	21,464,612	11%
Sheriff	62,072,382	31%
Health & Public Assistance	22,586,355	11%
Alcohol, Drug & Mental Health Svcs	2,810,265	1%
Child Support Services	-	0%
Public Health	10,120,591	5%
Social Services	9,655,499	5%
Community Resources & Public Facilities	14,433,131	7%
Agriculture & Cooperative Extension	1,677,228	1%
Housing & Community Development	693,018	0%
Parks	3,671,326	2%
Planning & Development	6,041,638	3%
Public Works	2,349,921	1%
Support Services	26,490,848	13%
Auditor-Controller	3,874,551	2%
Clerk-Recorder-Assessor	9,075,032	5%
General Services	6,439,189	3%
Human Resources	1,927,985	1%
Information Technology	786,877	0%
Treasurer-Tax Collector-Public Adm.	2,705,643	1%
Debt Service	1,681,571	1%
General County Programs	15,142,916	8%
General County Programs	15,142,916	8%
Total General Fund Contribution	\$197,405,047	100%



General Fund Contribution Inventory



Cost Center Performance Plan

County of Santa Barbara
County Executive Office



Cost Center Performance Plan

Adopted 2009-2010 Fiscal Year Budget and Research



Paths to Performance







Performance Measures – like gauges on an airplane

Altimeter



How high

Compass



What direction

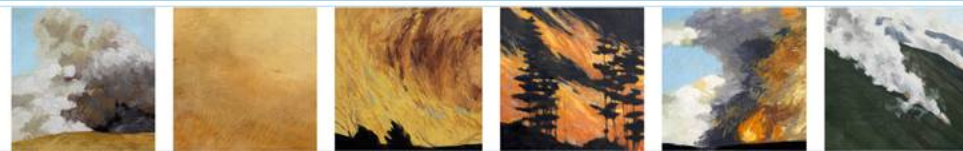
Airspeed indicator



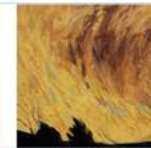
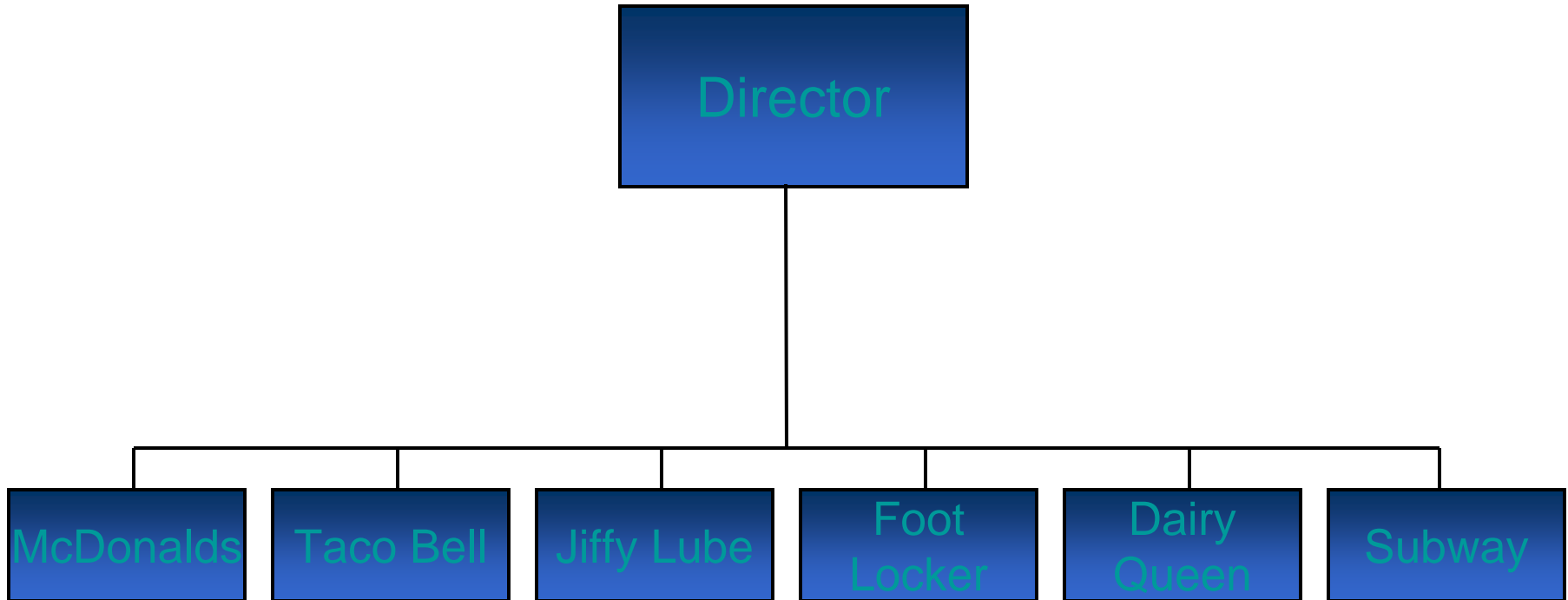
How fast you are going

They are not reality

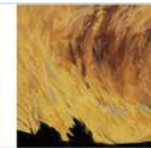
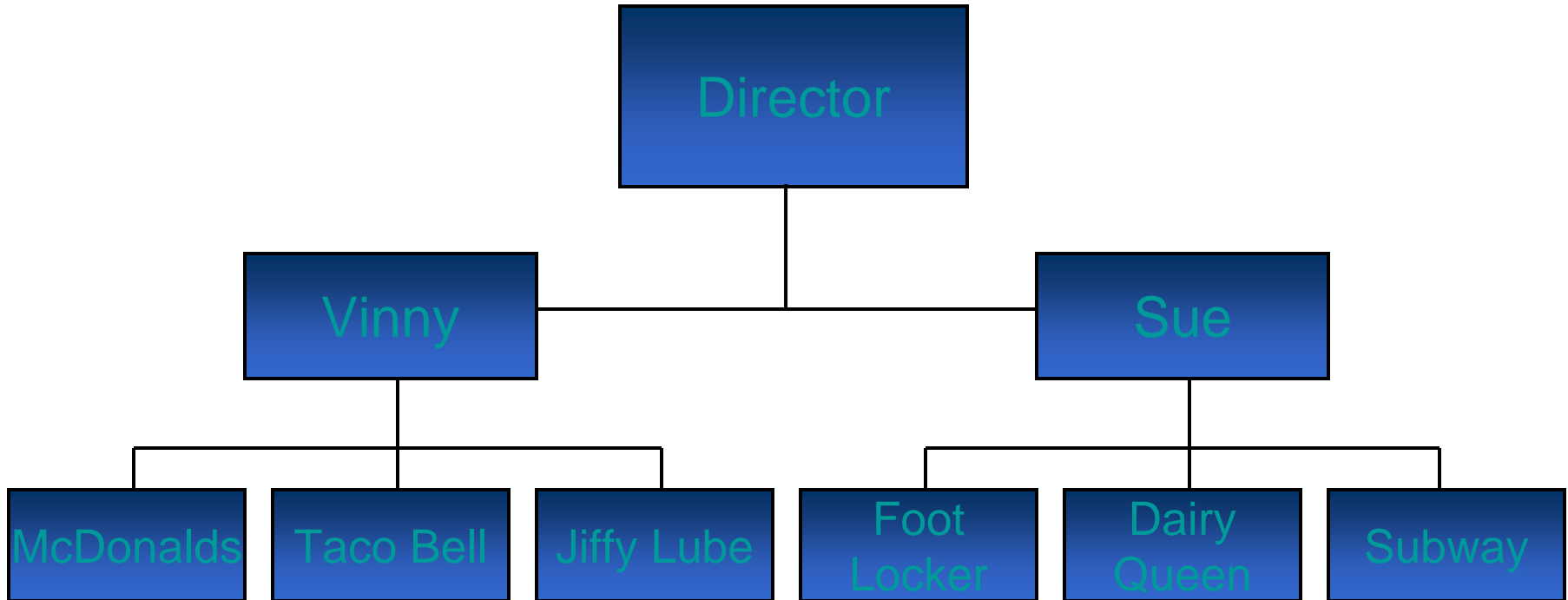
They give you an indication of where you are.



Department Cost Center Structure

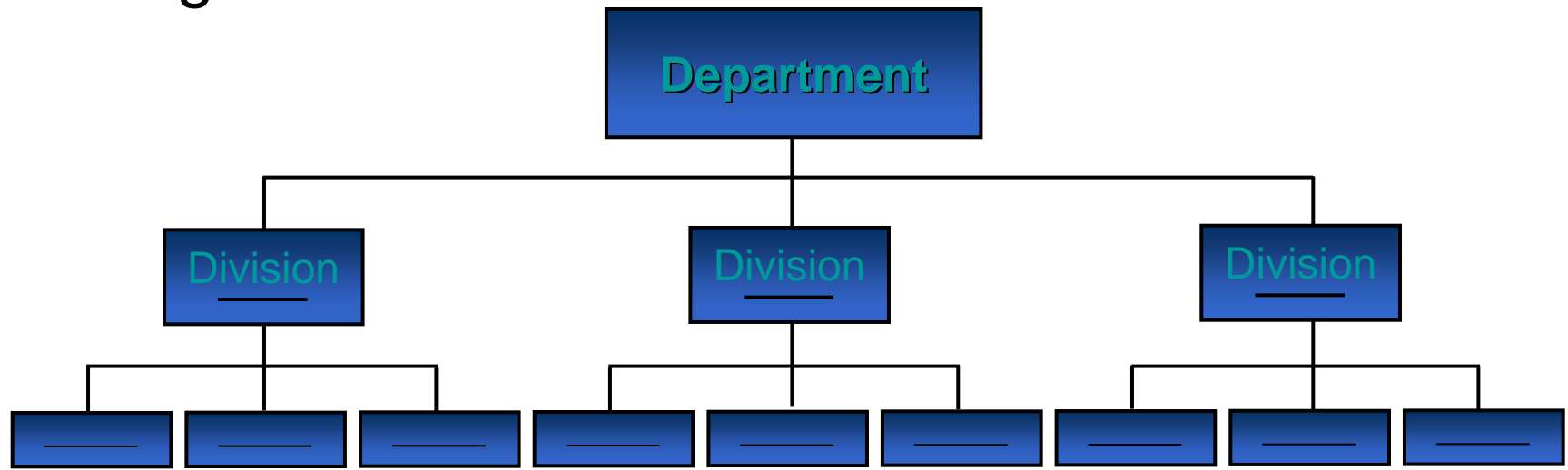


Department Cost Center Structure



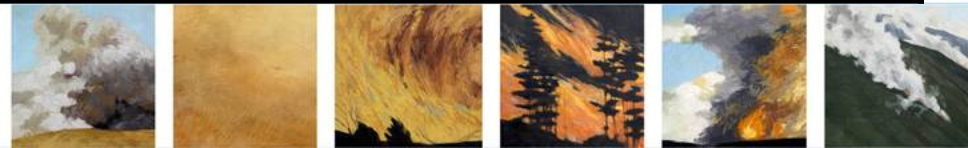
Department Cost Center Structure

- Characteristics: How many people?
- What does it do? Physical location?
- Identify who your clients are?
- Do you know approximately what the cost center budget is?

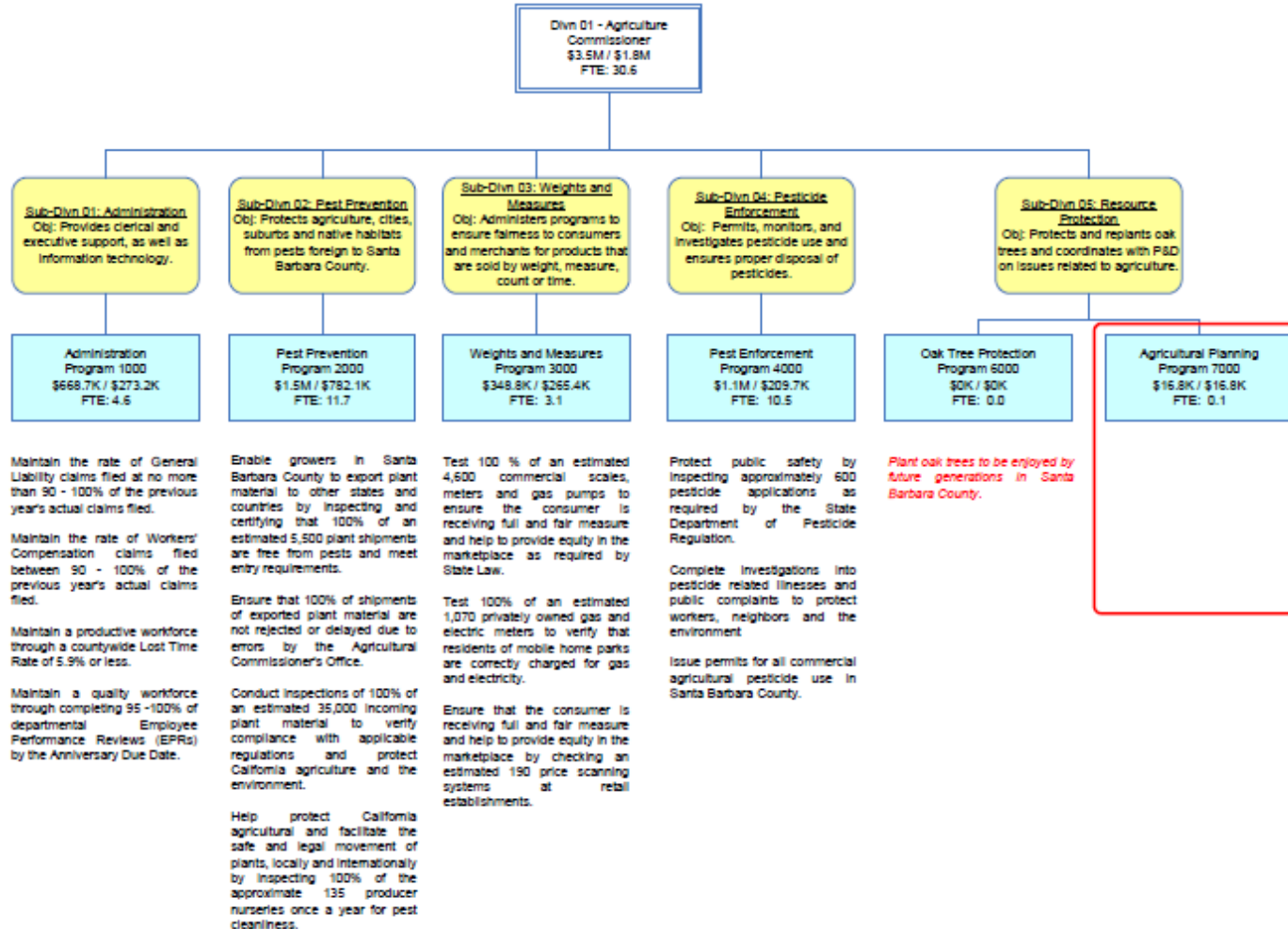


Cost Center Criteria

	Criteria	Test
1	Significance	Cost center circumscribes an important activity
2	Productivity	Cost center is linked to specific, measurable outputs
3	Accountability	Cost center is assigned to a manager accountable for costs and performance
4	Reportability	Cost center is supported by procedures for recording and reporting financial and performance data
5	Acceptance	Cost center is understood and endorsed by the affected staff

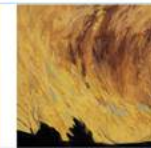


Department Cost Center Structure: Agriculture & Cooperative Extension



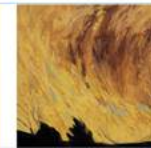
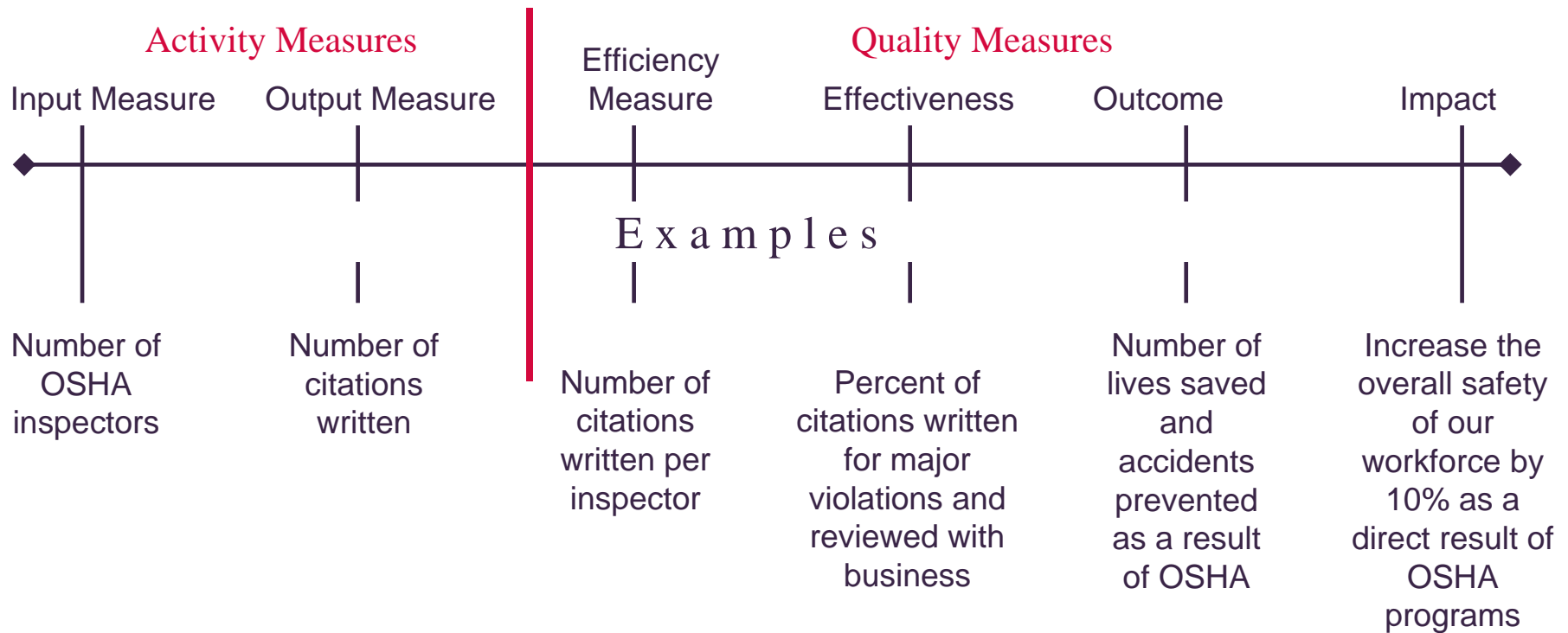
Performance Based System

- Cost Center structure is basis for performance management
- Demonstrates what government is doing
- Shows what taxpayer dollars are being used to accomplish
- There are various types of measures to explain what a cost center does

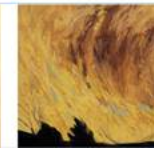
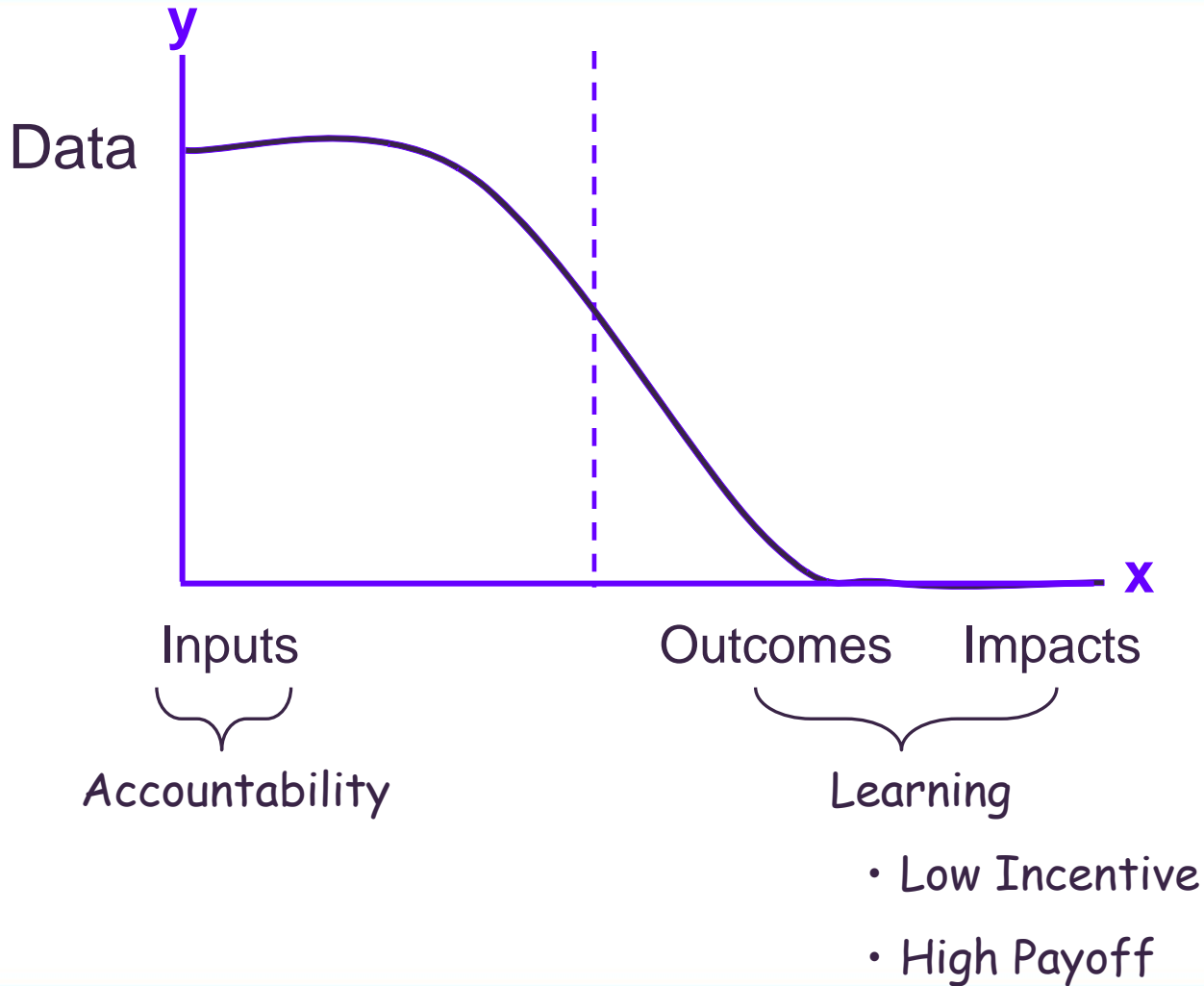


Cost Center: OSHA Inspections

How would OSHA Inspectors develop performance measures for their agency?

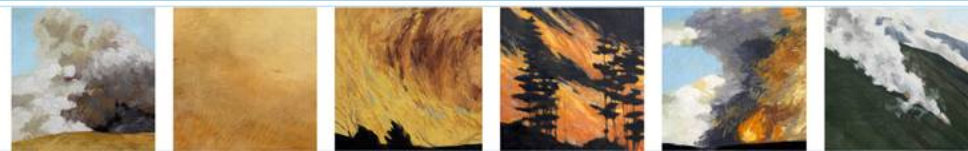


Observational Horizon



Cost Center Performance Plan

- Visual depiction of the County's cost center structure
- For each program, provides total budget, General Fund Contribution, FTE, and related performance measures
- “Performance Measures in Action” video



Next Steps

- Use Cost Center Performance Plan to help analyze potential service level impacts and visualize where they would occur within County and departmental structures
- “Service Level Impacts” budget development workshop on 2/23

