



**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 Names: County Executive
Office (CEO)
Department No: 012
For Agenda Of: February 23, 2010
Placement: Departmental
Estimated Time:
Continued Item: 6.0 Hours
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Michael F. Brown, County Executive Officer
Directors
Contact Info: Jason Stilwell, Assistant CEO Budget Director 568-3400
SUBJECT: FY 2010-11 Budget Development Workshop: Potential Service Level Impacts

Recommended Actions:

It is recommended that the Board of Supervisors:

- a) Receive the FY 2010-11 Potential Service Level Impacts Report (Attachment); and
- b) Direct staff to proceed with the FY 2010-11 budget development process in accordance with the Board's adopted budget principles and other policy priorities.

Summary Text:

During development of the FY 2010-11 budget, the Board of Supervisors requested that staff conduct a Budget Development Workshop to review potential service level impacts as developed by departments. In order to close the gap between decreasing available funding and rising expenditure demands, departments were requested to document all potential service level reductions and the impact the proposed reduction would have on the department.

This workshop is an opportunity for the Board to provide feedback on priorities. During the February 9, 2010 Budget Development Workshop: Defining the Problem, the Board received the General Fund Contribution (GFC) Inventory and the Cost Center Performance Plan (CCPP), which described programmatic funding allocations. At this workshop, the Board will receive the Department Directors' prioritization of possible budget reductions. These two key pieces of analysis, the GFC Inventory and the CCPP, as well as the department prioritizations, will enable the Board to evaluate the reductions and to provide guidance.

The proposed reductions are preliminary impacts submitted by departments as they prepare their FY 2010-11 budgets and are based on the Board's adopted budget principles. These reductions are still under review and consideration as the budget development process continues. In addition, final impacts of the FY 2010-11 State Budget on certain departments are unknown at this time as the Legislature and Governor have yet to pass a balanced FY 2010-11 budget. Final recommendations for the Board's consideration will be included at the budget hearings in June 2010 and will reflect the latest information regarding available revenues, expenditures, and actions, if any, taken by the Legislature to adopt a FY 2010-11 State budget.

Background:

The County is facing significant budget challenges from the local, state, and national level as a result of the economic recession, particularly with increasing expenditure demands that are outpacing revenues. The County has been impacted by rising salary and benefit costs and the cost of retirement. Consistent with prior fiscal years, departments have analyzed proposed service level reductions in order to stay within budget appropriation limits. These potential service level impacts are prioritized by the Department Director from least harmful to most harmful and describe the reductions necessary to comply with adopted budget principles.

As detailed during the Budget Workshop on February 9, 2010, expenditure demands are projected to increase at a much faster rate than revenues for at least the next four budget cycles. Furthermore, revenue is projected to remain flat in FY 2011-12. To the extent the Board allocates one-time sources to maintain services in FY 2010-11, there will be three options for FY 2011-12:

- 1) reduce the service in FY 2011-12 that was funded by one-time sources in FY 2010-11;
- 2) reduce other General Fund services throughout the County to fund the service that received one-time funding in FY 2010-11; or
- 3) allocate additional one-time funding (if available) to maintain levels of service in 2011-2012.

Budget balancing strategies should include a goal of eliminating the use of one-time sources for ongoing expenditures and to eliminate "cliffs" that create a structural imbalance with ongoing revenue.

Fiscal Impacts:

The fiscal impacts are the centerpiece of this Budget Development Workshop. Addressing the Potential Service Level Impacts will provide staff direction in balancing the FY 2010-11 budget.

Attachments:

Report- FY 2010-11 Budget Development Workshop: Potential Service Level Impacts

Authored by:

Jason Stilwell, Assistant CEO/Budget Direct, 568-3400

cc: All Assistant CEOs
All Department Directors
All CEO Fiscal and Policy Analysts