



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 24<sup>th</sup>, 2009  
Placement: Departmental  
Estimated Tme:  
Continued Item: 4.0 Hours  
If Yes, date from:  
Vote Required: Majority

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**TO:** Board of Supervisors  
**FROM:** Department Michael F. Brown, County Executive Officer  
Directors  
Contact Info: Jason Stilwell, Assistant CEO Budget Director 568-3413  
**SUBJECT: Fiscal Year 2009-2010 Budget Development Workshop: Part 4 – Potential Service Level Impacts**

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**Recommended Actions:**

That the Board of Supervisors:

- a) Hold the fourth part of a four-part 2009-2010 budget development workshop and receive the Fiscal Year 2009-2010 Budget Development – Potential Service Level Impacts Report; and
- b) Direct staff to proceed with the budget development process in accordance with the Board's adopted budget principles for Fiscal Year 2009-2010.

**Summary Text:**

This budget development workshop is designed to bring forward to the Board information outlining factors contributing to the multifaceted and complex financial challenges of Fiscal Year 2009-2010 and beyond. The budget development workshops are segmented into four sections:

1. Revenue Environment
2. Retirement Funding
3. Five Year Financial Forecasts
4. Potential Service Level Impacts

The first segment on revenue was held on February 3, 2009. The second segment was held on February 10, 2009 and presented the challenges the County will face in funding retirement costs. The third segment was held on February 17, 2009 and focused on the five-year

financial forecasts for key County funds. This fourth segment of the four-part Budget Development Workshop presents Potential Service Level Impacts for Fiscal Year 2009-2010 developed by department staff based on the Board's adopted budget principles. At this point in the process, reductions are tentative and final recommendations will be included at the hearings in light of revenues, state actions and possible balancing options.

**Background:**

The County faces severe budget challenges. During this fiscal year, the economic recession had a strong impact on County revenues. Departments have begun several service level reductions in order to stay within budget appropriation limits and the Board has approved certain personnel cost reduction measures. The Board-adopted Fiscal Year 2009-2010 Budget Development Policies call for ten-percent (10%) reductions in the General Fund Contribution. Future budgets are severely constrained by rising retirement costs, even if the recession ends and the economy bounces back. Given that the financial challenges are multifaceted and complex, the budget workshop is segmented to break the complex issues into multiple meetings and to bring information forward to the Board on a timely basis. The segmentation of the workshop is as follows:

- February 3, 2009: Revenue Environment  
Revenues of all types are declining. This will force reductions in service levels. This segment of the workshop will describe the recent revenue trends and describe potential future revenue trends.
- February 10, 2009: Retirement Funding  
Retirement costs are anticipated to be significant components of future County budgets. This segment of the workshop will enable the Board to understand the impacts of the retirement funds on the County budget and the result of recent market volatility on the County retirement costs.
- February 17, 2009: Five-year financial forecasts  
The five-year plans identify financial trends over the immediate horizon. These trends are significantly influenced by the current recessionary economic environment.
- February 24, 2009: Expenditures and potential service level impacts  
Departments have articulated hypothetical service level impacts resulting from their budget development work to date. Staff anticipates there will be significant service level reductions required to develop a balanced Fiscal Year 2009-2010 budget. This segment of the workshop presents the hypothetical service level reductions to the Board for discussion. It is scheduled for four hours so that the Board can interact with the departments to discuss the impacts. As of this writing, revenues are still in flux and State budget impacts are speculative.

**Fiscal Impacts:**

The fiscal impacts are the centerpiece of this Budget Development Workshop series. Addressing the Potential Service Level Impacts will provide staff direction in balancing the Fiscal Year 2009-2010 budget.

**Attachments:**

Fiscal Year 2009-2010 Budget Development Workshop: Part 4 – Potential Service Level Impacts

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**cc:**

All Assistant CEOs  
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