

**SANTA BARBARA COUNTY  
BOARD AGENDA LETTER**



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

**Agenda Number:**

**Prepared on:** March 9, 2004  
**Department:** County Administrator &  
General Services

**Budget Unit:**  
**Agenda Date:** March 16, 2004

**Placement:** Departmental  
**Estimate Time:** 1 hour  
**Continued Item:** NO  
**If Yes, date from:**

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**TO:** Board of Supervisors  
**FROM:** Michael Brown, County Administrator  
**STAFF CONTACT:** Ronald S. Cortez, Director, General Services Department  
563-2762  
**SUBJECT:** A Strategy Based Budget Reduction Model

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**Recommendations:**

That the Board of Supervisors accept and file a report from the County Administrator's Office introducing the concept of a Strategy Based Budget Reduction Model.

**Alignment with Board Strategic Plan:** An efficient government able to anticipate and respond effectively to the needs of the community.

**Executive Summary:**

The Board received a FY 2003-04 financial status report and budget update on January 5, 2004 and again on February 17, 2004. At the February 17, 2004 meeting, a methodology was presented that illustrated which County services (or programs) are mandated and which are discretionary thereby providing the Board a tool to consider budget reductions should the need arise. In discussing this categorization of programs, the Board directed staff to provide options for the Board in "bigger chunks" and in a more strategic way.

In accordance with that directive, the purpose of this item is to present a categorization of County programs with regard to the Board's strategic priorities that also includes specific costs related to each program such that future budget reductions, should they become necessary, can be considered in a strategic way. We have termed this approach: A Strategy Based Budget Reduction Model (hereafter SBBRM).

**Discussion:**

## **I. Explanation of Strategy Based Budget Reduction Model**

The SBBRM separates the County budget into four categories prior to linking the programs to strategic priorities. These categories can be thought of as “filters” as they are used to eventually distinguish what services are truly in the Board’s discretion and how those services meet the Board’s priorities.

The first category is Services Funded by Non-General Fund Sources (NGF). The second category is Mandated Services Funded by General Fund (MGF). Although the MGF expenditures are seemingly non-discretionary when budget reductions that impact the General Fund are considered, the programs can still be attached to strategic priorities to illustrate spending priorities. The third category is Support Services. Support Services are needed for all programs regardless of their category. Therefore, Support Services may not be discretionary if they are supporting a MGF or a NGF. What is left once the first three categories are filtered away is Board Discretionary Spending Priorities (DGF).

All programs within this category have been grouped according to one of the **Board’s eight strategic priorities**. The eight strategic priorities listed in the County’s Draft Strategic Plan to meet five critical issue areas and general goals are as follows:

- 1) Anticipate and respond effectively to the present and future needs of the community.
- 2) Sustain and improve our residents’ health, safety and human services needs.
- 3) A community that is economically vital and sustainable.
- 4) A community that ensures the safety and well-being of families and children.
- 5) Improve the education of our population to meet the level and scope of education required for individuals to succeed in the local economy.
- 6) A county government that is accessible, open, and citizen-friendly.
- 7) Achieve balance of urban housing, infrastructure, agricultural land and natural preserves.
- 8) High quality of life for all residents.

Each program is linked to one of these priorities along with its current budget. Further, the database is set up to view detail expenditures within each program. This database is web-based and will be demonstrated during the presentation (see Attachment A). If the Board approves of this model and budget reductions do become necessary, the next step would be to *prioritize* the eight strategies and even go a step further by prioritizing the programs within each one of the strategies.

## **II. Specific Board Questions Requests from February 17, 2004 Meeting**

In addition to preparing the Strategy Based Budget Reduction Model, we have included responses to the following specific questions from the previous meeting:

- ❑ Value of furloughs, pay raises, rescissions, and a cautionary memo from County Counsel regarding furloughs (Attachment B).
- ❑ Value of eliminating vacation buy-out (Attachment C).

- ❑ Value of executive and manager COLAs given in FY 2003-04 rescinded in FY 2004-05 (Attachment D).
- ❑ What other counties are doing and other relevant articles related to the State budget situation (Attachment E).
- ❑ A scenario that reduces approximately \$22 million from the FY 2004-05 budget while preserving public safety and County operated health services (Attachment F).
- ❑ The back-up analysis from several departments that supports the reduction numbers included in Part IV(Paragraph E) of Attachment F (Attachment G).
- ❑ A status report on Vehicle License Fees (Attachment H).
- ❑ List of potential surplus properties (Attachment I).

It should be strongly noted that Attachment F is a very hypothetical example of approximately \$22 million in budget reductions should they become necessary. This scenario does not constitute a recommendation by the County Administrator. Because the State has not adopted a budget nor issued the May revise, it is too early to draw any firm conclusions or assume that that this scenario, or any like it, would need to be carried out by the Board.

### **III. Relationship of the Strategy Based Budget Reduction Model to the FY 2004-05 Budget Plan and Attachment F.**

The SBBRM provides another conceptual approach to dealing with potential future County budget reductions which may be necessary due to the State of California's ongoing fiscal crisis.

These potential reductions would be made from a baseline established by the County's 04-05 recommended budget, a budget that is being developed via our normal budget process. As in past years, the 04-05 recommended budget will be a professionally produced budget which reflects Board adopted budget principles. It will also reflect ongoing budget reductions approved during fiscal year 03-04 and will, within known revenue constraints, contain department and CAO priorities for 04-05.

Should the Board profess an interest in using the SBBRM during potential future budget reduction deliberations; our offices can update the model presented here today to include 04-05 recommended budget numbers and programs.

Additionally, if Board directs staff to use the Model to present possible budget reduction scenarios, the results of this exercise can easily be compared to the scenario presented in Attachment F. By making such a comparison, conclusions can then be drawn as to the effectiveness of the SBBRM when compared to the standard "line-item cut" approach and the other more intuitive approaches that are normally employed. Further, the results of the SBBRM can be compared to reductions recommended by the departments in order to conclude whether or not departmental priorities are aligned with Board priorities.

**Subject: A Strategy Based Budget Reduction Model**

**Agenda Date: March 16, 2004**

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**Mandates and Service Levels:**

As indicated and described in the text of the letter.

**Fiscal and Facilities Impacts:**

As indicated and described in the text of the letter.

CC: All Department Heads  
CAO Deputies  
CAO Analysts  
Employee Organizations

Attachment A – Example of the web-based homepage for the SBBRM

Attachment B – Value of furloughs, pay raise rescissions, and a cautionary memo from County Counsel regarding furloughs

Attachment C – Value of eliminating vacation buy-out

Attachment D – Value of executive and manager COLAs given in FY 2003-04 rescinded in FY 2004-05

Attachment E – What other counties are doing and other relevant articles related to the State budget situation

Attachment F – A scenario that reduces approximately \$22 million from the FY 2004-05 budget while preserving public safety and County operated health services

Attachment G – The back-up analysis from several departments that supports the reduction numbers included in Part IV(Paragraph E) of Attachment F

Attachment H – A status report on Vehicle License Fees

Attachment I – List of potential surplus properties