


Memorandum



Date: January 29, 2010

To: Honorable Chair Wolf,
Members of the Board of Supervisors

From: Jason Stilwell, Assistant County Executive
Officer/Budget Director 

Subject: Revised Attachment

Attached is a revised attachment for item D-1 of the February 2, 2010 agenda of the Board of Supervisors. It replaces Attachment D of the Fiscal Year 2009-2010 Second Quarter Budget and Financial Update.

The revision does not include any changes to the listed fiscal issues. Rather it includes two minor technical revisions 1) the date on the top of the spreadsheet and 2) the amount listed for item E. The issue discussed as item E is the potential MISC/CEC contingent liability; there is no change of the amount of this issue since the publication of the Fiscal Issues Report in October 2009 and the revised Attachment D maintains this consistency.

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2009 Fiscal Issues Report (2/21/10)

ISSUE		IMPACT	SUMMARY
FISCAL YEAR 2009-2010			
A	State Budget Impacts	\$ unknown at this time	Governor's Budget released January 8, 2010. Deficit of \$19.9 billion over next 18 months: \$6.6 billion in FY 2009-10, \$12.3 billion in FY 2010-11, \$1.0 billion reserve. Significant reliance on federal "fairness" funds of \$6.9 billion. Severe additional program cuts if federal funds do not materialize by June 2010 (for example-elimination of CalWORKS, Healthy Families, and IHSS programs)
B	Indian Gaming	\$ (1,200,000)	SB 357 was introduced on 2/25/09 and amended on 4/1/09 to extend the Special Distribution Fund grants for mitigation of gaming until 1/1/2021. Bill passed in Governmental Organization Committee 17-0. Bill currently on Appropriations Suspense File. No SDF funding in FY 2009-10 State budget. Legislation extended sunset date until 2021, but did not appropriate funding.
C	Social Services	Unknown	Department challenges include double digit caseload growth, State freeze on Cost of Doing Business at 2001 levels, State/Federal funding reductions in FY 2009-10 of \$1.5 million in 12 DSS programs, continued decline in Realignment Fund revenue in FY 2009-10 and 2010-11, and projected depletion of the Social Services Special Revenue Fund in FY 2010-11. All of these factors will contribute to a projected deficit in FY 2010-11.
D	ADMHS Cost Report Settlement Issues	\$ (12,649,056)	County's accrued liability was \$12.6M as of June 2009. In FY 08-09, the liability was reduced by \$2.8 million and includes payments of \$2.2 million to the State. FY 09-10 Adopted Budget includes \$12.5M from General Fund Strategic and Audit reserves to ADMHS.
E	Mental Health and Partner Agencies Medi-Cal Billing Exposure	\$ (14,400,402)	Potential disallowable MISC/CEC program costs extrapolated over the period of FY 2002-03 through FY 2007-08 are estimated at \$14.4M. \$1.6M was transferred from Strategic Reserve to fund FY 2008-09 liability. No repayment source has been identified. Ongoing negotiations are taking place to reduce/eliminate potential costs to County.
F	Retiree Healthcare Benefits	\$ (6,600,000)	3% (\$8.7M) represents the estimated pay-as-you-go rate for funding retiree healthcare benefits adopted for FY 2009-10. 5.27% (\$15.3M) represents the last actuarially determined annual required contribution, which would pay the normal cost as well as amortize the unfunded actuarial accrued liability over a 15-year period for a difference of \$6.6M.
G	May Statewide Special Election	\$ (1,363,000)	A Statewide special election took place May 19, 2009. Counties were required to conduct the election and fund the cost of the election pending reimbursement by the State. The County budgeted the use of Strategic Reserve to fund the election costs, expecting the reimbursement to be included in the FY 2009-10 State Budget. It was not included in the State budget but is in the Governor's FY 2010-11 budget proposal.
H	Cachuma Lake Surcharge	\$ (4,100,000)	Project cost \$12.7M, \$4.1M unfunded, \$8.6M funded: Department of Boating and Waterways \$2.7M, Bureau of Reclamation (Bureau) \$2.1M, American Recovery and Reinvestment Act 2009 (ARRA) via Bureau \$3.3M, and ARRA via Bureau for Americans with Disabilities Act \$487K.
FISCAL YEAR 2010-2011 AND BEYOND			
I	Fire Financial Forecast	\$ (5,300,000)	The Fire District's financial health has deteriorated and is projected to continue to deteriorate as expenditures continue to rise at a faster rate than revenues. In the past, the District has been able to use fund balance to maintain services levels; however, current assumptions show fund balance depleted in FY 2010-11. The District is facing a negative financial impact of at least \$5.3 million for FY 2010-11 which will be highlighted to the Board and analyzed as part of the budget development process.
J	Fiscal Year 2010-2011 Budget Gap	\$ (16,600,000)	Projected General Fund shortfall of \$16.6M for Fiscal Year 2010-11 growing to \$21.6M in FY 2011-12 as a result of continuing revenue declines, growing expenditures demands, and reliance in past years on one-time sources of funding for ongoing operations.
K	Pension Fund Stability	\$ (20,200,000)	Rates increased by 1% for FY 2009-10 (\$3.9M or 5%). On November 18, 2009 the Retirement System adopted rates to increase by 5.58% for FY 2010-11 (\$20.2M or 28.5%). Rates spiked up primarily due to significant investment losses during FY 2008-09.
L	Goleta Revenue Neutrality	\$ (2,400,000)	Mitigation Period of revenue neutrality agreement expires in FY 12-13, which will result in loss of estimated \$2.4M (\$1.1M lost sales tax revenue and \$1.3M lost TOT revenue).
M	City of Santa Barbara RDA	\$ 6,600,000	The City of Santa Barbara RDA will expire in FY 2018-19, resulting in the County once again receiving the tax increment apportionment. General Fund (\$6.1M), Flood Control (\$399K), and Water Agency (\$93K). However, the City has until 2012 to issue debt, which could extend the RDA to as late as 2022.
N	County Jail - Northern Branch	\$ (23,850,000)	AB 900 grant of \$6.3M was conditionally awarded. The grant process is currently held up by the State. County capital contribution is \$23.8M (\$20.5M unfunded, \$3.3M spent for land purchase). Estimated operating cost beginning in FY 2013-14 = \$17.4M.
O	Maddy EMS Fund	\$ (760,000)	The County is able to assess fines on certain vehicle violations to fund Fire and Sheriff Department operations. AB 1900 extends the sunset date from 1/1/2009 to 1/1/2011. However, AB 1900 omits many fines currently included, which will result in reduced revenue.
P	Goleta Beach Long Term Protection Plan	\$ (10,000,000)	The cost of the new project is not known at this time as one or more conceptual alternatives will be identified by Spring 2010 and selected by the Board. The previous alternatives considered were estimated to range from \$11 to \$13 Million. Current available funding for this project totals \$2 million from: Coastal Impact Assistance Program (CIAP) grants (\$1.5 million) and Proposition 40 Bond Act (\$500,000).