



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 Name: County Executive  
Office  
Department No.: 012  
For Agenda Of: July 14, 2009  
Placement: Administrative  
Estimated Tme: 30 Minutes on  
August 18, 2009  
Continued Item: No  
If Yes, date from:  
Vote Required: Majority

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TO: Board of Supervisors

FROM: Department Michael F. Brown, County Executive Officer  
Director(s)  
Contact Info: Jason Stilwell, Asst. County Executive Officer/Budget Director,  
568-3413

SUBJECT: State Budget Impacts

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**County Counsel Concurrence**

As to form: N/A

**Auditor-Controller Concurrence**

As to form: N/A

**Recommended Actions:**

It is recommended that the Board of Supervisors:

1. Adopt budget reduction strategies to prepare for potential State budget impacts;
2. Set a hearing for August 18, 2009 to receive an update on the State budget impacts and to approve budget revision requests.

**Summary Text:**

At the time of this writing the members of the State Legislature continue to debate strategies that will enable the Legislature to adopt a balanced Fiscal Year 2009-2010 State budget. The magnitude of the budget chasm makes it likely that an adopted budget will significantly impact County revenue and service levels. The County will be required to quickly act to address State budget cuts in order to align service levels with available revenue and avoid utilizing County reserves to fund services for which there will be no, or insufficient, revenue.

This agenda item consists of two strategies for addressing the potential State budget impacts. First is to outline guidelines the County Executive Office and departments can follow to identify potential service reductions the Board can enact to maintain a balanced County budget; these reductions will be imperative in the event the State reduces the County's general revenues or cuts certain services the Board of Supervisors choose to backfill with local funding.

Second, this agenda enables the Board to set a hearing for August 18, 2009 to receive a State budget update and, in the event the State adopts a budget prior to August 18, for the Board to consider budget reductions. These budget reductions will likely include 1) budget revision requests to lower categorical revenue and associated service levels and 2) options for the Board to consider that can then be developed into budget revision requests for Board action at a subsequent meeting.

Actions Recommended:

**It is recommended that the Board adopt budget reduction strategies to prepare for potential State budget impacts.** The potential impact of a balanced State budget could be huge given the options being discussed to close the budget gap and the size of that gap. The State has the ability to reduce the County's general revenues (such as through an invocation of Proposition 1A), can eliminate funding for key services provided by the County (road maintenance), and reduce or eliminate categorical revenues (such as CalWorks, Medi-Cal and Healthy Families). A likely possibility is that the impacts on the County will include a combination of all three.

Adopting guidelines will enable the County executives to begin identifying potential reductions in service and cost of providing service that the Board could consider on August 18<sup>th</sup> or as thereafter necessary to address State funding reductions. Proactive and timely analysis is important to have the information available for the Board in time to address potentially significant funding reductions.

The following guidelines are proposed to enable staff to develop a cafeteria of options between now and the docketing deadline for August 18, 2009. The goal is to identify potential reductions large enough to enable the Board to reduce County expenditures up to a likely worst case scenario. If the adopted State budget proves to be less than a worst case scenario the Board will have options for reducing certain services over others.

1. Reduce or eliminate restorations provided by the Board of Supervisors at the FY 2009-10 budget hearings;
2. Reduce or eliminate restorations recommended by the County Executive Officer in the Proposed Budget for FY 2009-10 and approved by the Board of Supervisors that departments presented to the Board at the February 24, 2009 Budget Workshop;
3. Approve additional reductions identified by departments and the County Executive Office subsequent to the start of the FY 2009-10 Fiscal Year.

This three-point strategy will enable the Board to receive the potential reductions in a consistent format and be able to select certain reductions over others thereby enabling the Board to prioritize County service levels. The additional proposed reductions identified in step three above should focus on efficiencies, consolidation of like services, and those that are least impactful to customer service. These may include geographic cost center restructuring and functional consolidation of common operational activities such as human resources, information technology, and finance.

**It is recommended that the Board set a hearing for August 18, 2009 to receive an update on the State budget impacts and to approve budget revision requests.** It is possible the State will adopt a budget prior to August 18, 2009. Therefore, staff recommends the Board set a hearing on August 18<sup>th</sup> to address the known State budget impacts and to develop policy to address revenue reductions.

The hearing on August 18<sup>th</sup> will consist of three parts if the State adopts a budget prior to that date. First, staff will present an update of the State budget impacts. Second, staff will recommend certain

budget revision requests to adjust the County budget to match changes in State categorical revenue. Third, the Board will be able to review the budget reduction strategies staff will have developed based on the principles above and be able to develop policy to address revenue reductions.

**Fiscal and Facilities Impacts:**

None at this time. The principles above will enable staff to identify the fiscal and facility impacts the Board may adopt on August 18, 2009 to address State budget revenue reductions.

**Special Instructions:**

None

**Attachments:**

(A) California Counties: "Counties Face Looming Cash Crisis"

**Authored by:**

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**cc:**

Department Directors