

County of Santa Barbara FY 2009-10 State Budget Impacts and Solution Strategies

CEO Presentation

August 18, 2009

Presented by
County Executive Office
Budget and Research
Division
August 18, 2009

Introduction

Context

Impending Financial Challenges

FY 09-10 State Budget Impacts

Solution Strategies

Recommendation

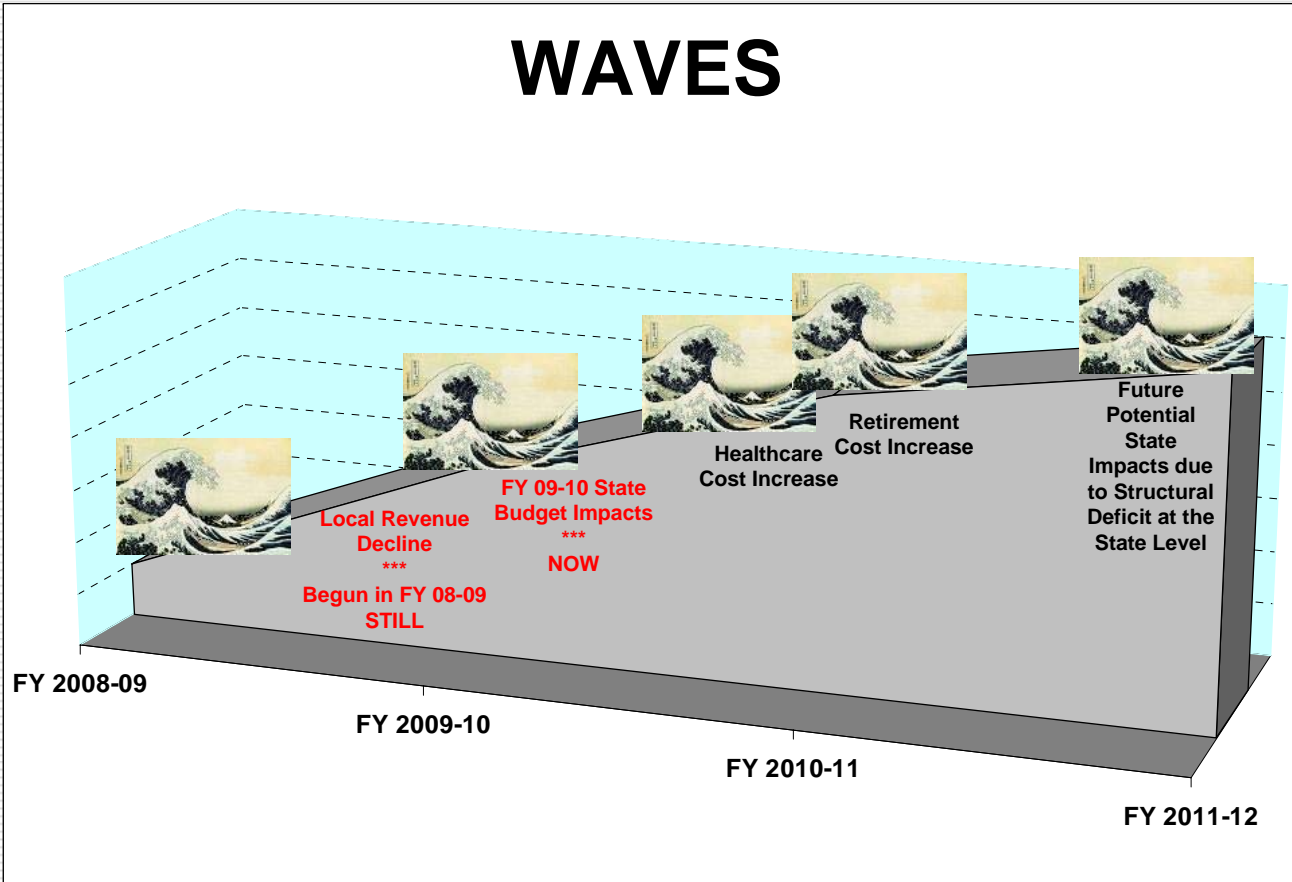
- FY 2008-09 & FY 2009-10
 - Two years of reductions due to economic recession
 - Economic recession not over yet

- Impending Financial Challenges
 - Retirement Cost Increase
 - Health Benefit Premium Increase
 - ADMHS Liabilities
 - State Budget Crisis

Introduction

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- Impending Financial Challenges
- FY 09-10 State Budget Impacts
- Solution Strategies
- Recommendation



Economic Recession

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- ❑ Economic Recession onset in 2008 and turnaround toward recovery is not predicted until 2010
- ❑ Unemployment remains high and will have lagged impacts
- ❑ Sales tax continues to show negative growth rates
- ❑ Supplemental Property Tax and Documentary Property Tax are low

Retirement Cost Increase

- If no action is taken:
 - Potential increase of 42%
 - \$33.5M Countywide
 - \$20.1M to General Fund

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Retirement Cost Increase

County Retirement Expenditures
Current Funding Policy

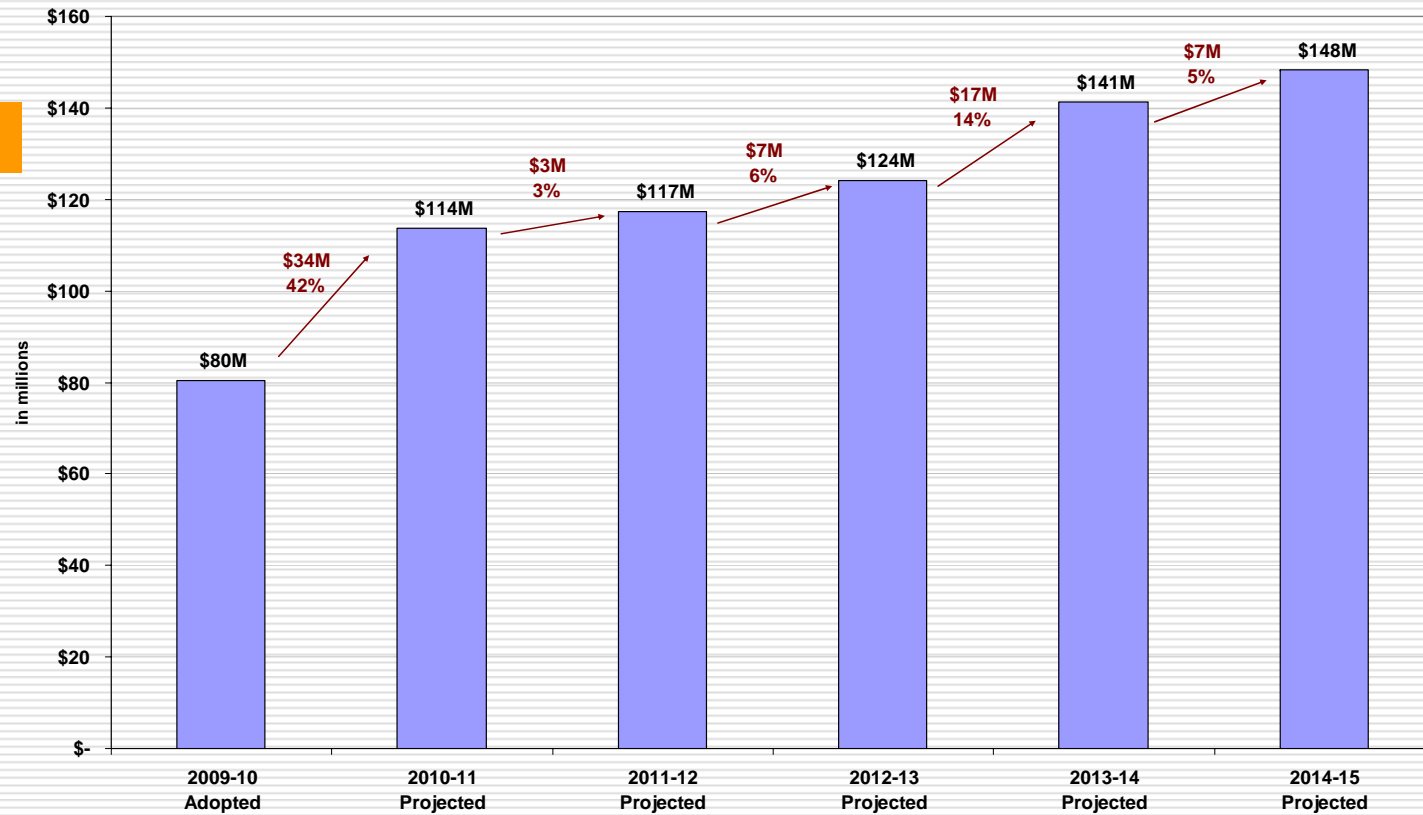
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Potential Health Benefit Cost Increase

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- ❑ Budgeted Increase in Health Benefit Cost is \$1.7M
- ❑ The actual cost will be settled in January 2010
- ❑ The actual cost is expected to increase by \$5.3M without impacts to benefits provided
 - This means up to **\$3.5M** could need to be managed in FY 2009-10
 - Staff and the Health Oversight Committee are looking at options

ADMHS Liabilities

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- FY 2009-10 includes a budget of \$12.5M to cover outstanding liabilities
 - \$7M from Strategic Reserve
 - \$5.5M from Audit Reserve
- Potential MISC/CEC liabilities
 - \$14.4M estimated for the period covering FY 2002-03 through FY 2007-08
 - This liability is currently unfunded

State Budget Crisis

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- The FY 2009-10 accumulative \$60 billion – the largest budget gap the State has ever faced
 - Structural Budget Deficit
 - Ballooning debt used to close budget gaps for years
 - Poor credit rating
 - \$200B in short and long term debt
 - By way of perspective, the national debt was \$269B in 1946 after WWII
 - Rapidly declining revenues
- State Budget Crisis is NOT resolved

Fiscal Year 2009-2010 State Budget Impacts

Proposition 1A Suspension

- \$13M to General Fund
- \$2M to County Fire District
- \$1M to various dependent special districts

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Other General Fund Reductions

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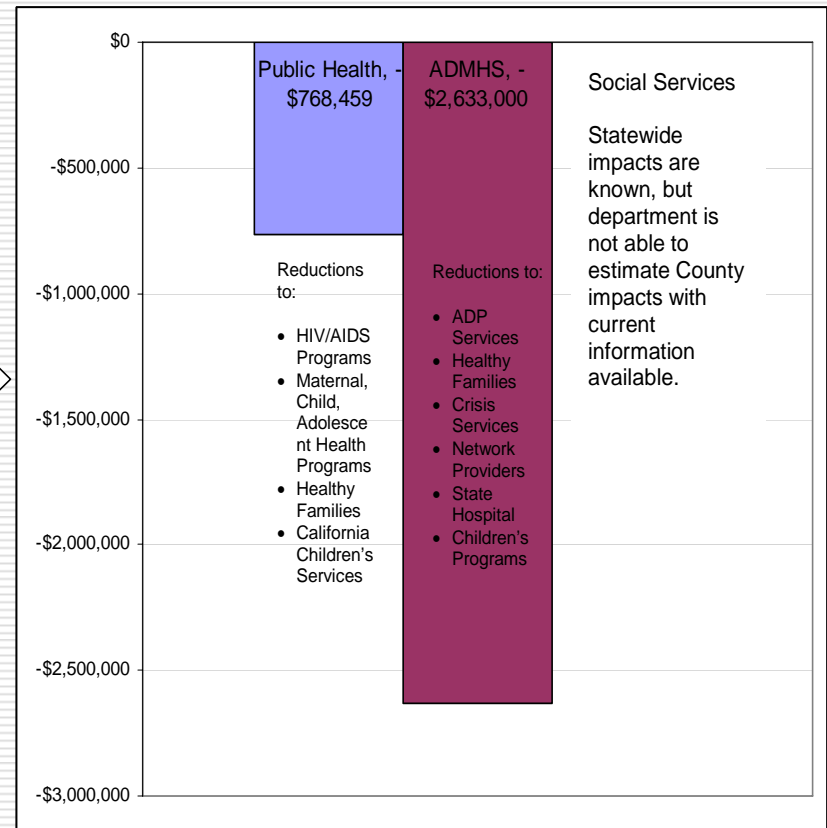
- Williamson Act Open Space Program Funding Suspension
 - \$585K loss to the County
 - (Note: This revenue was not budgeted in FY09-10)
- May 2009 Special Election Reimbursement
 - \$1.4M loss of revenue
 - The election was funded through a loan from Strategic Reserve. Reimbursement to Strategic Reserve was budgeted to occur in FY 09-10.

Health and Human Services Reductions

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State budget eliminates or reduces funding in Public Health, ADMHS, and DSS:

- Medi-Cal: \$1.4B reduction Statewide
- SSI/SSP: \$108.2M reduction Statewide
- CalWORKS: \$509.6M reduction Statewide
- IHSS: \$263.5M reduction Statewide
- Developmental Services: \$284.0M reduction Statewide
- Mental Health: \$163.9M reduction Statewide
- Healthy Families: \$178.6M reduction Statewide
- CWS and Foster Care: \$120.6M reduction Statewide
- Other HHS: \$361.6M reduction Statewide



Redevelopment Agency Impacts

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- ❑ \$1.7 billion take of redevelopment funds from Redevelopment Agencies across California
- ❑ \$1,535,999 from the Santa Barbara County Redevelopment Agency to SERAF to be distributed to meet the State's Prop 98 obligations to schools
- ❑ RDA anticipated payment of \$316,000 for FY 2009/2010
- ❑ \$1,219,764 million is unbudgeted

Solution Strategies

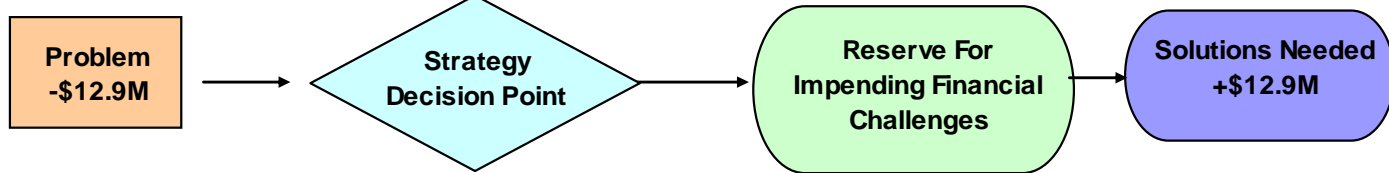
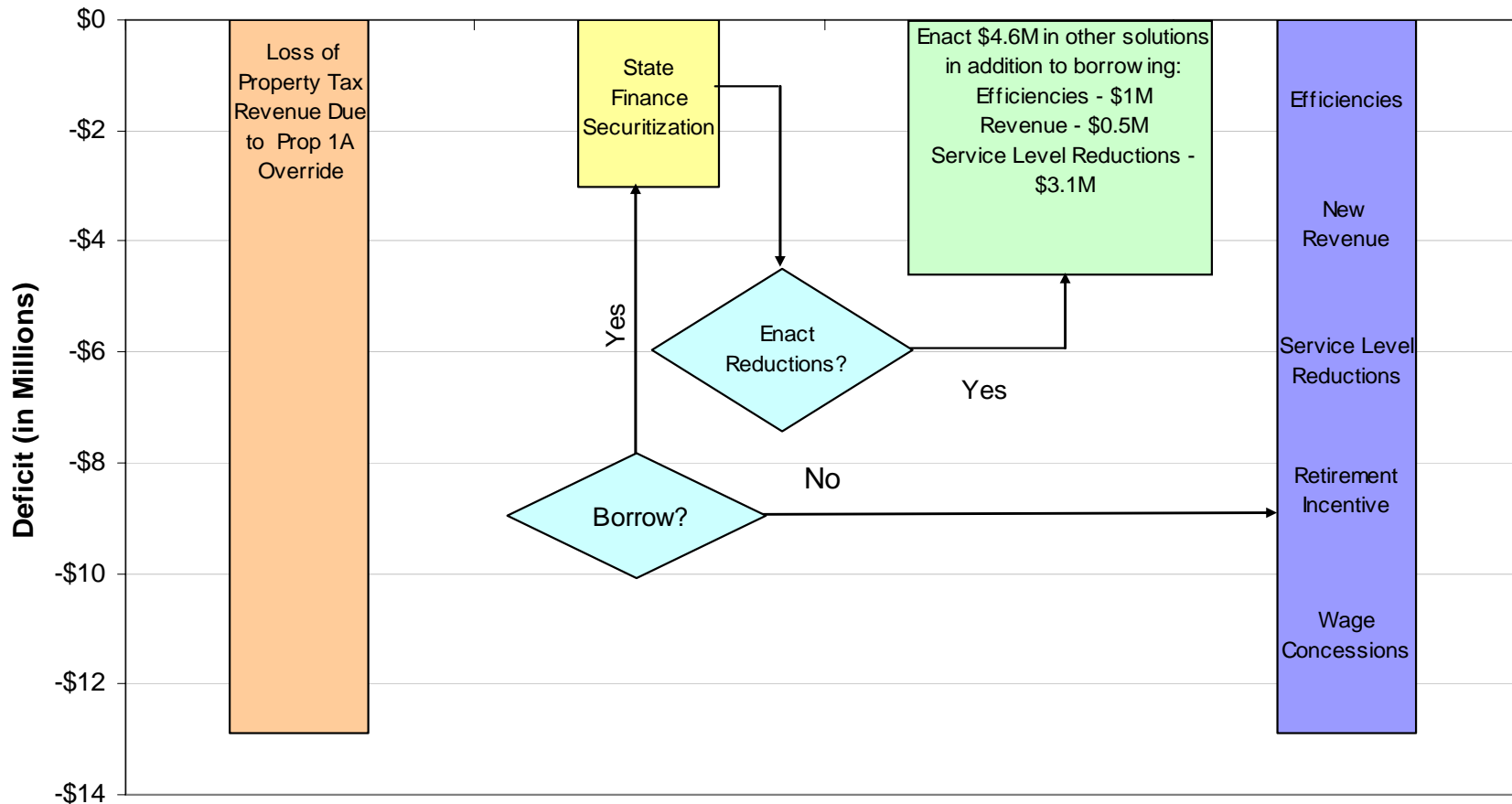
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- Proposition 1A:
 - Borrow or Cut?
 - Borrow and Cut – Combination?

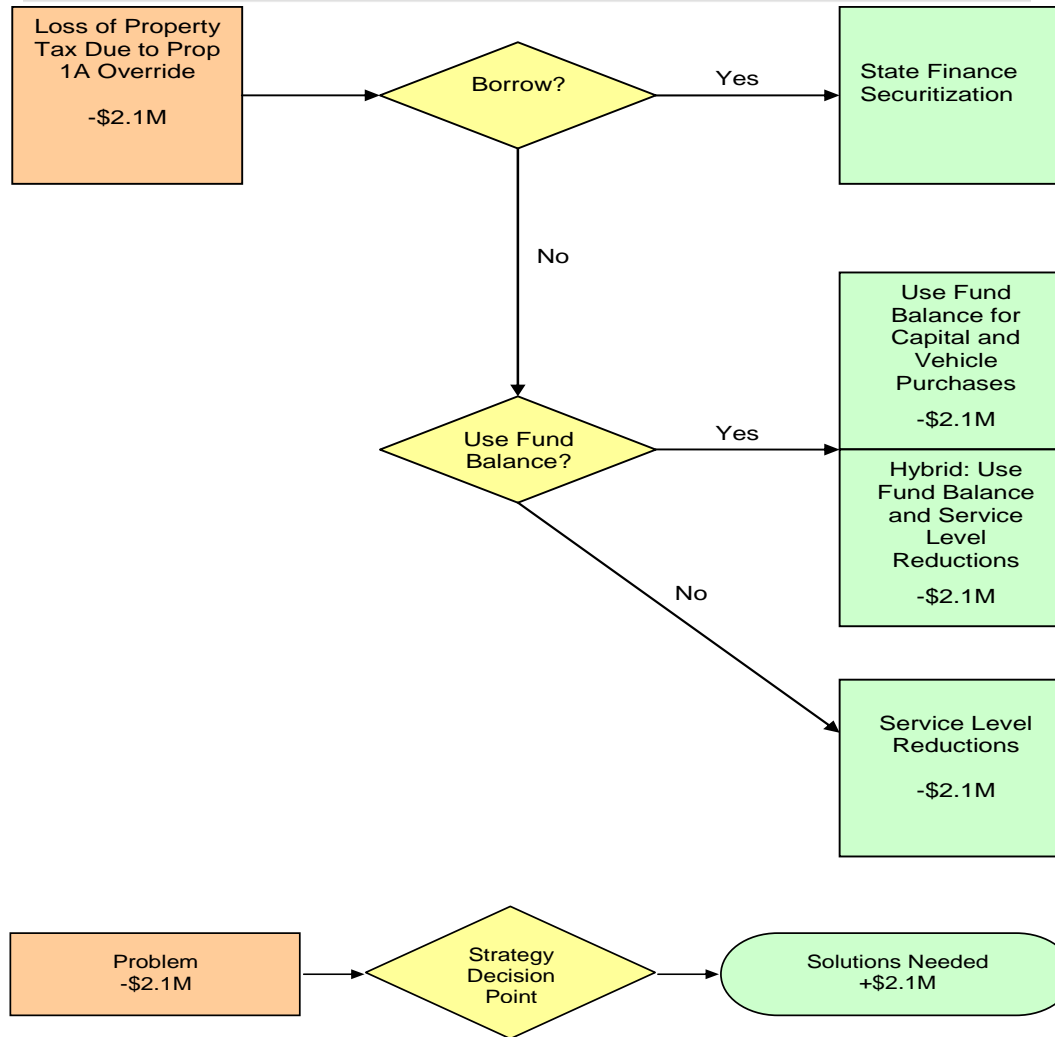
- Health & Human Services Reductions
 - Reduce Services Accordingly

General Fund Prop 1A

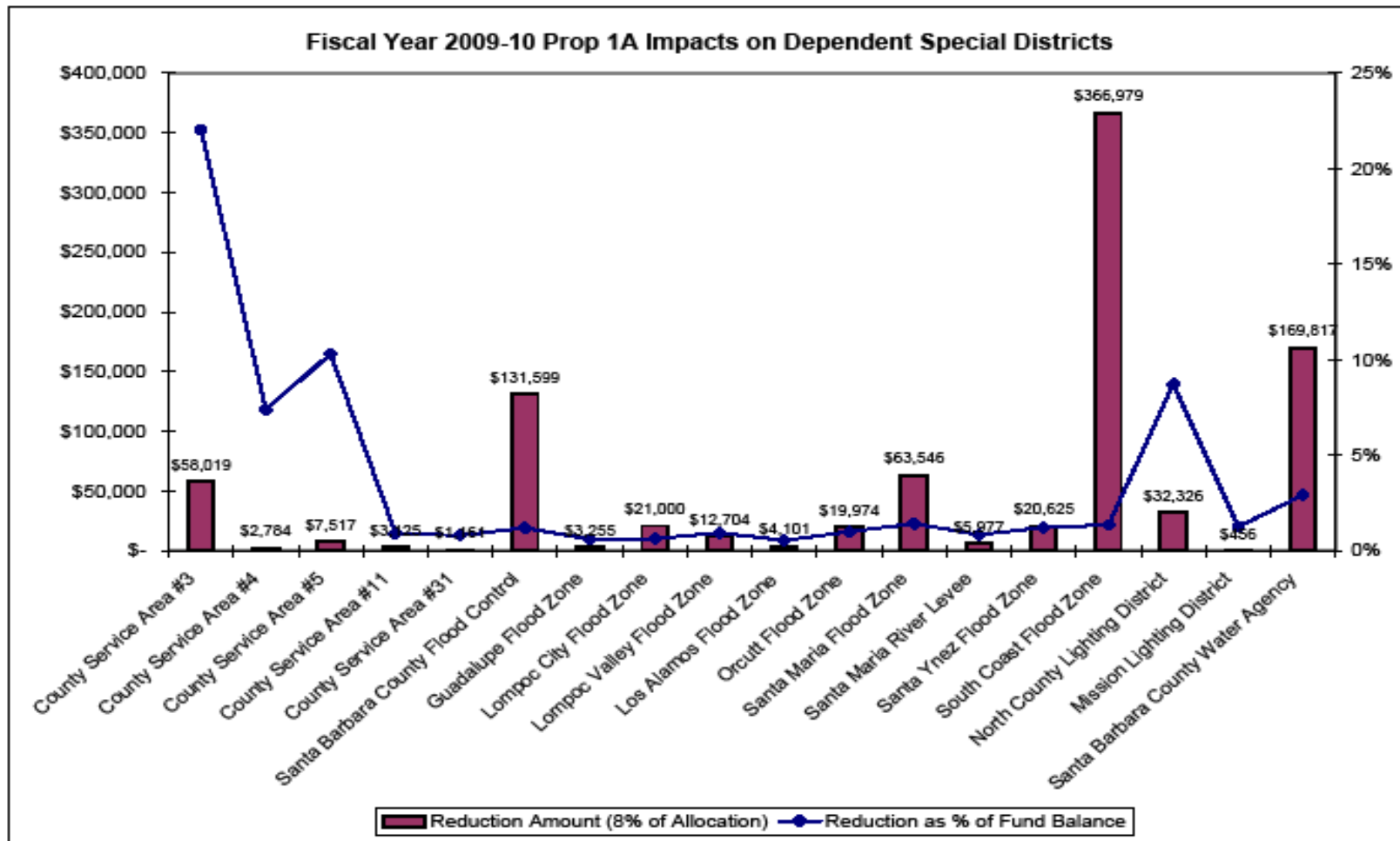
Fiscal Year 2009-10 State Budget Impacts on General Fund



Fire District Prop 1A



Dependent Special Districts Prop 1A



As of 6/30/2009 there appears to be sufficient Fund Balances.

Proposition 1A: Borrowing Strategies (feasible options)

- Potentially Feasible Options:
 - State Finance Securitization
 - Fully reinstates cash flow
 - Costs of Securitization paid by the State
 - Internal Service Funds (ISF)
 - Criteria of no negative impact on ISF operations must be satisfied
 - Could potentially earn higher interest rate paid by the State than would otherwise if funds remain in the Treasury Pool

Proposition 1A: Borrowing Strategies (not recommended)

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- Tobacco Settlement and Tobacco Settlement Endowment Funds
- Redevelopment Agency
- General Fund Reserves & Designations
- Other Short-Term Options
 - County Treasury Pool
 - TRAN

General Fund Reduction Strategies

□ Human Capital Solutions

■ Early Retirement Incentive

- May provide cost effective options to reduce costs while meeting the Board's objective of keeping reductions away from the front line

■ Labor Concessions

- Staff is in the process of negotiating potential concessions

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General Fund Reduction Strategies

□ 10% Across the Board Cut

- Substantial immediate impacts on service levels
- Does not imply prioritization of services
- Strong position for impending financial impacts on the horizon

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General Fund Reduction Strategies

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- Board Budget Allocation Policy Percentage Application
 - Substantial immediate impacts on service levels
 - Strong position for impending financial impacts on the horizon
 - Applies Board priorities for service delivery

General Fund Reduction Strategies

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- ½ of Board Budget Allocation Policy Percent Reduction to Cover immediate cost of Early Retirement Incentive and Health Care Benefit Increase
 - Applies Board priorities for service delivery
 - Weaker financial position address the impending financial impacts
 - Provides funding to implement Early Retirement Incentive and/or address the increase of Health Benefit Cost increase

Other Fund Reduction Strategies

□ RDA

- Reduce expenditures and shift fund balance to the State

□ Health and Human Services

- Reduce expenditures, utilize ARRA and other replacement funding when possible

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□ Prop 1A

- Securitize (\$16M) at no cost to the County
- Reduce GFC by \$4.6M

□ Categorical Revenue

- Approve Budget Revisions to lower expenditures in accordance with revenue