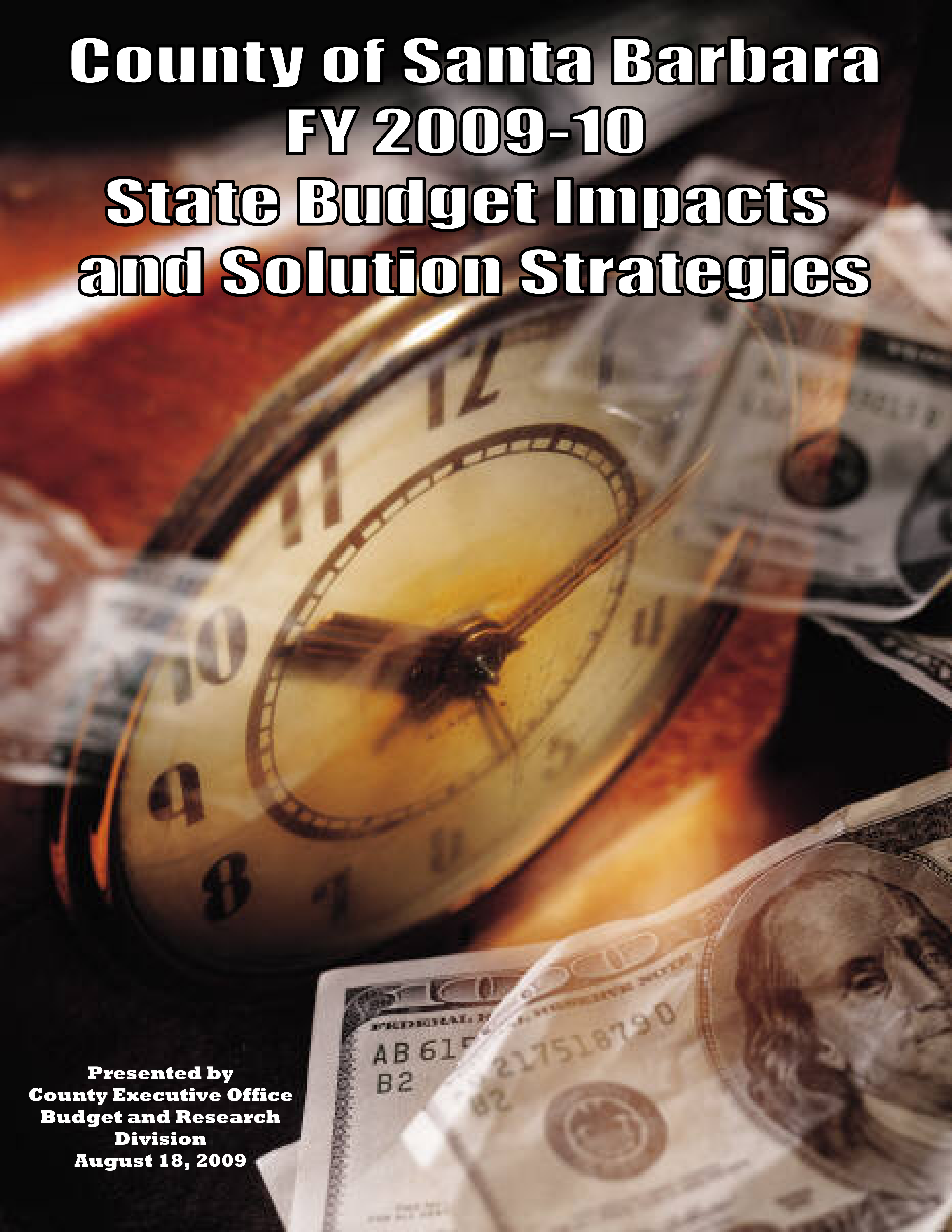
# County of Santa Barbara FY 2009-10 State Budget Impacts and Solution Strategies



Presented by
County Executive Office
Budget and Research
Division
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# INTRODUCTION

The County has been dealing with impacts of the economic recession and increasing retirement costs for the past two years. The Adopted Fiscal Year 2008-09 Budget required significant reductions partially due to lower growth in revenue and partially due to a substantial increase in retirement costs. The Fiscal Year 2009-10 Adopted Budget was based on even greater drop in local discretionary revenues -- showing no to negative growth. The anticipated retirement cost increases have amplified due to stock market losses and the economy has yet to recover. Moreover, during the Fiscal Year 2009-10 budget process, it was evident that the State budget, not yet adopted at the time, would lead to significant impacts for the County and that the impacts would need to be addressed.

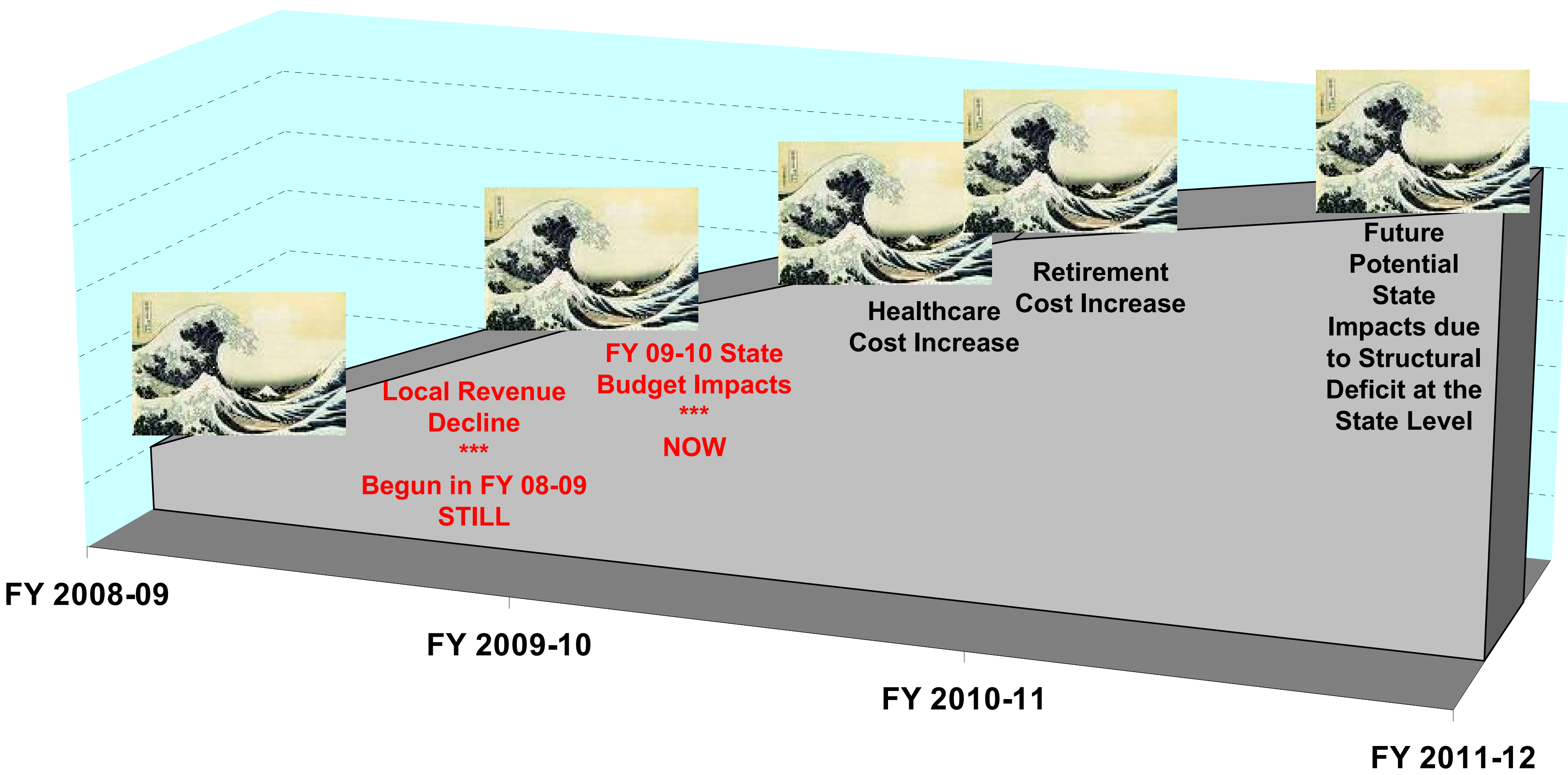
On February 20, 2009, the State adopted a 17-month budget that included $36 billion in solutions to solve the budget deficit and required voter approval of certain budget referenda. However, the failure of the propositions to garner passage by the voters during the special election in May 2009 and the further decline in revenues resulted in an additional $24 billion budget gap. On July 28, 2009, the State adopted amendments to the Fiscal Year 2009-10 Budget to address the ongoing budget shortfall exacerbated by the continued decline in revenues. The accumulation of $60 billion in budget solutions adopted this year addresses the largest budget gap the State has ever faced.

The impacts of the recently enacted amendments constrain Santa Barbara County's fiscal stability and ability to deliver services, largely based upon State funding reductions in the areas of the general fund basic local services, the fire fund, dependent special districts, the redevelopment authority, and health and human services. Most significantly, the State's budget includes borrowing $1.9 billion from local governments through suspension of Proposition 1A. The suspension allows the State to redirect local tax revenues to the State's General Fund, with the condition of repayment within three years, or by no later than June 30, 2013. The suspension of Proposition 1A is estimated to result in a funding loss to the County in Fiscal Year 2009-10 of approximately $16 million in discretionary funds and more than $4 million in other categorical programmatic funding reductions. Consequently, the County is faced with policy options of securitizing, or borrowing, funds to replace the Proposition 1A suspension and enacting funding reductions across County departments to temper the impacts of the State budget.

The State budget impacts hit the County at the same time as other impending financial challenges. First, future budgets will be severely constrained by rising retirement costs even if the recession ends and the economy improves. As previously reported, FY 2010-11 retirement costs could increase by nearly $55 million, resulting in a 69% expenditure increase if no action is taken. Second, the County is also facing a cost of approximately $3.5 million in unplanned and unbudgeted health plan premium rate increases. At the same time, the County's primary revenue sources have sharply declined. Third, the County's future fiscal stability is challenged by the potential for payment of liabilities owed by the Alcohol, Drug and Mental Health Services department and other departments related to the former MISC/CEC program. Finally, the uncertain financial future of the State and its questionable ability to repay Proposition 1A funds within three years complicates the County's fiscal outlook.

This report is designed to inform the Board of Supervisors about the impacts of the State budget and other significant fiscal issues facing the County and present options for mitigating those impacts, whether through a borrowing of Proposition 1A replacement funds or enacting other solutions in lieu of or in addition to borrowing. In considering the solution strategies, it is imperative to view the strategies in light of the impending financial challenges on the horizon. The latter part of the report summarizes the analysis staff conducted in reaction to the State budget, identifies the financial challenges the County faces, and provides a recommendation that is based on minimizing immediate negative impacts on county services and helps ensure the County is more adequately positioned to address the impending financial challenges.

# WAVES



Local Revenue Decline
***
Begun in FY 08-09 STILL
FY 09-10 State Budget Impacts
***
NOW
Healthcare Cost Increase
Retirement Cost Increase
Future Potential State Impacts due to Structural Deficit at the State Level
FY 2008-09
FY 2009-10
FY 2010-11
FY 2011-12

# STATE BUDGET IMPACTS

## PROPOSITION 1A SUSPENSION

The recently adopted State budget includes substantial funding reductions to local government and health and human services as well as a provision for the State to borrow 8% of Fiscal Year 2009-10 property tax allocations to cities, counties, and special districts (local agencies). The borrowing provision, known as the Proposition 1A suspension, equates to a total loss of approximately $16 million to the County in FY 2009-10. The reduction consists of $13 million to the County's General Fund, $2 million to the County Fire District, and about $1 million to various dependent special districts, such as the flood zones that are managed by the County.

Proposition 1A was passed by voters in November 2004 to protect local funding for local programs and services. According to the Secretary of State's Official Voter Information Guide, Proposition 1A entitled "Protection of Local Government Revenues" would:

- Protect local funding for public safety, health, libraries, parks and other locally delivered services;
- Prohibit the State from reducing local governments' property tax proceeds;
- Require local sales tax revenues to remain with local government and be spent for local purposes;
- Allow the provision to be suspended only if the Governor declares a fiscal necessity and 2/3 of the Legislature approve the suspension. Suspended funds must be repaid within three years; and
- Require the State to fund legislative mandates on local governments or suspend their operations.

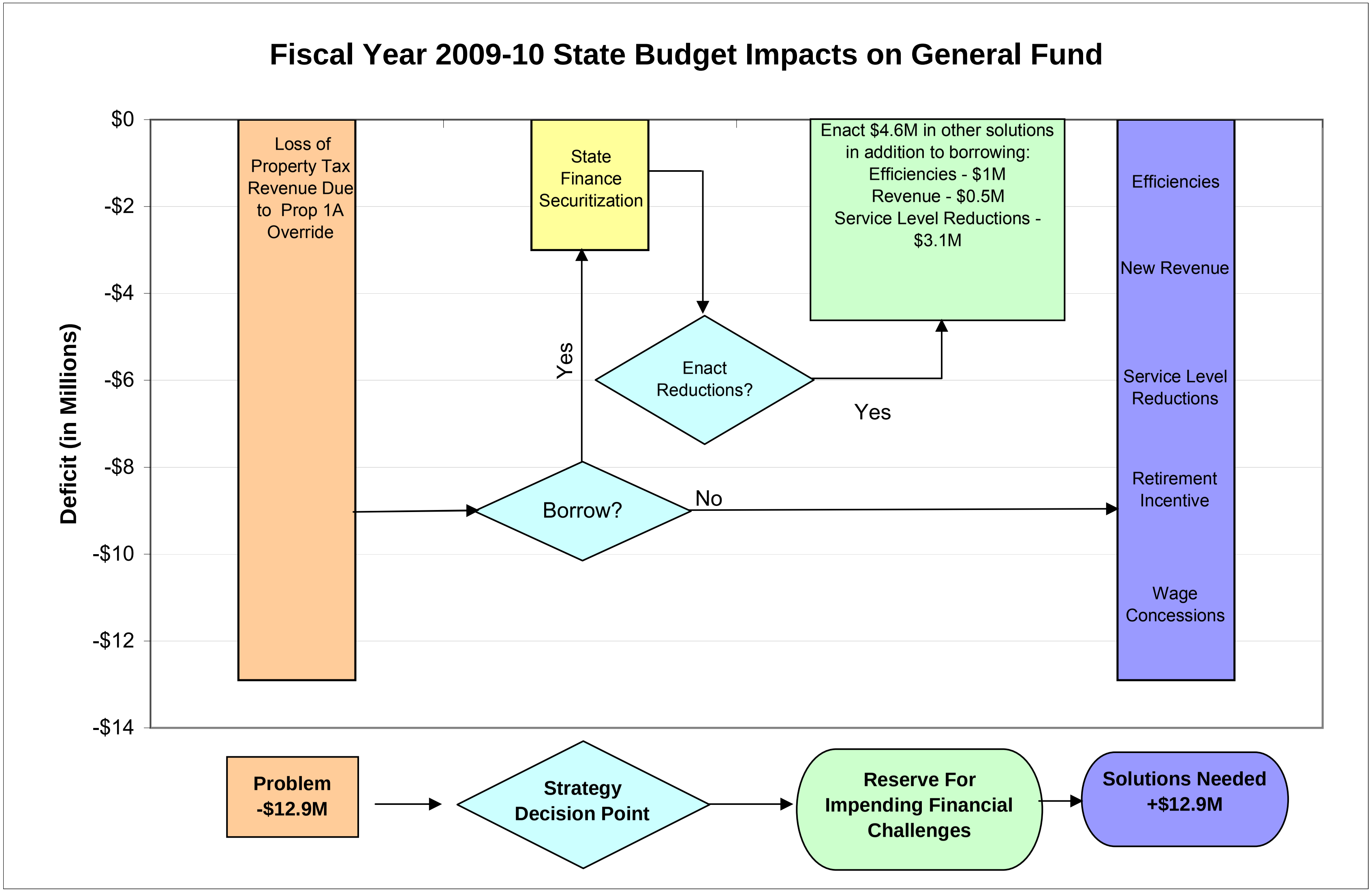
Section 25.5 of Article XIII of the California Constitution contains the provisions related to the suspension of Proposition 1A:

- Governor must issue a proclamation declaring a fiscal hardship;
- Legislature must enact an urgency statue requiring 2/3 vote of each house;
- Legislature must enact a second statue outlining provisions for full repayment. Repayment must include interest and be paid in full within three (3) years;
- Constitution limits the amount of property tax shifted to eight percent (8%) of the prior years' total property tax allocation to each local agency;
- Proposition 1A may not be suspended more than twice in ten years and may not be suspended until prior losses are repaid.

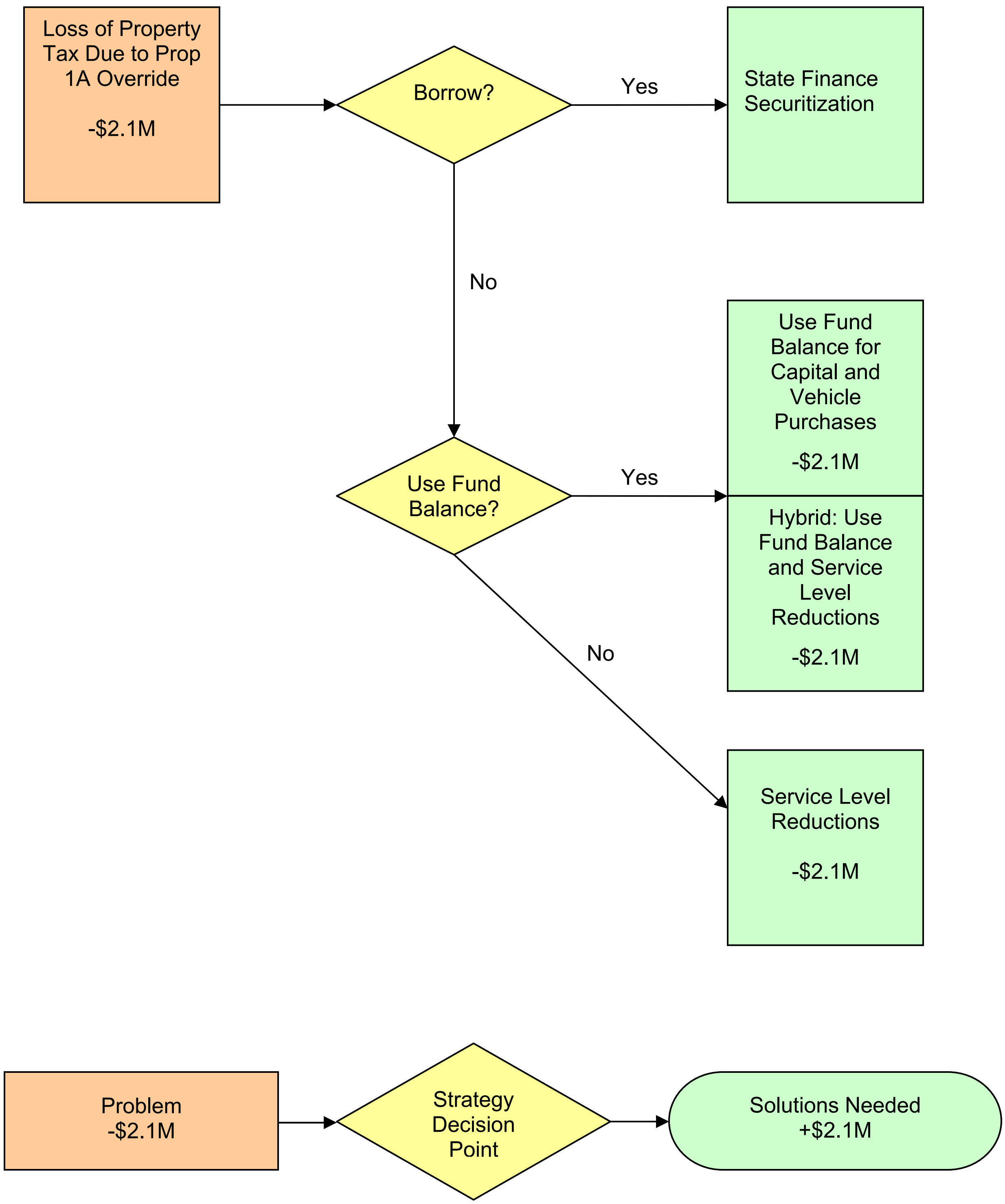
In accordance with the California Constitution, the recently enacted budget package includes two separate bills to suspend and implement the suspension of Proposition 1A. Implementation is contained within bill ABX4 15 and includes the following provisions:

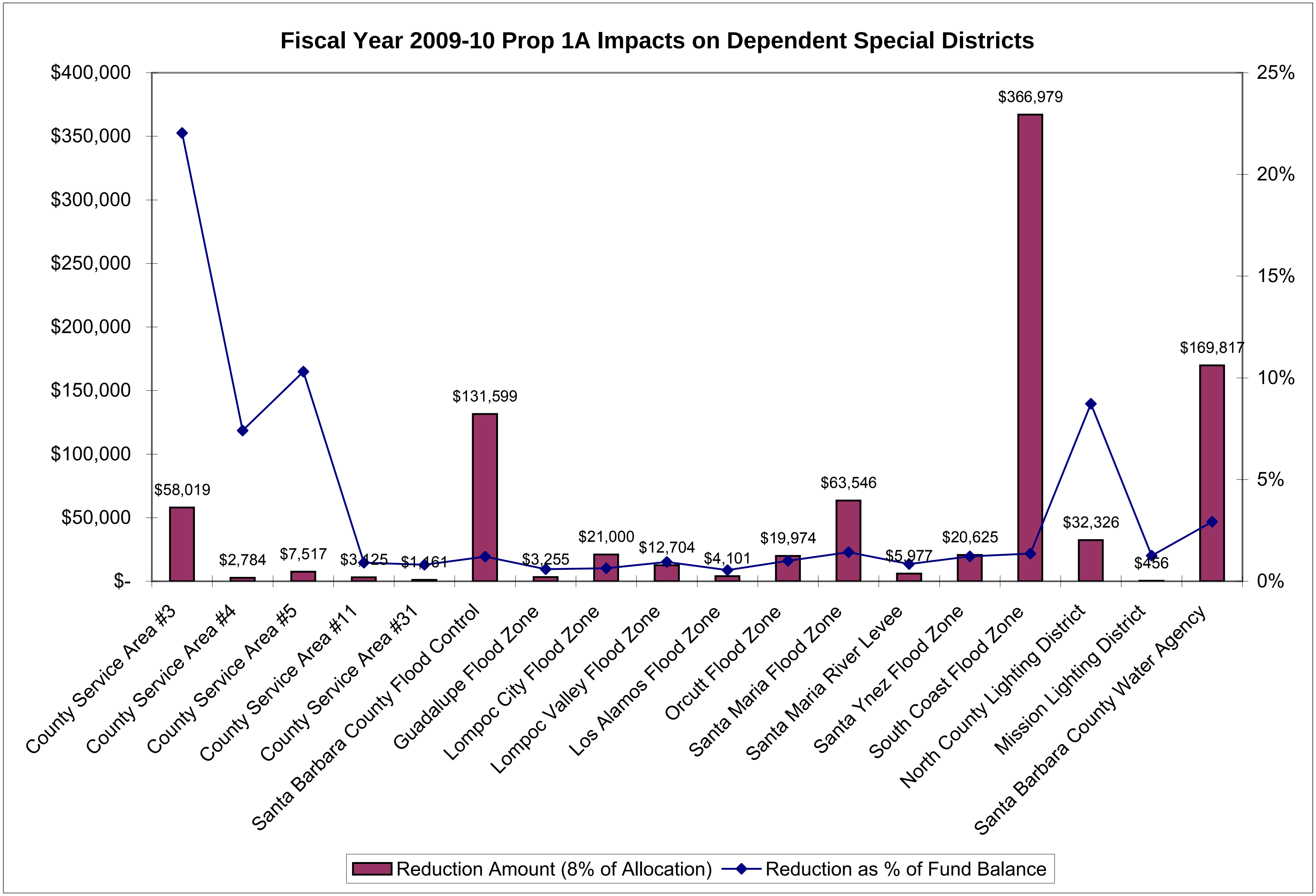
- Directs county auditors to reduce 2009-10 property tax allocations to cities, counties, cities and counties, and special districts (local agencies) by an amount equal to 8% of the total property tax revenues received by cities, counties and special districts in 2008-09 (excluding debt levies), including the Vehicle License Fee replacement property tax allocations and the "Triple-Flip" quarter-cent local sales tax replacement allocations.

- Property tax revenues are then allocated to a Supplemental Revenue Augmentation Fund (SRAF) in each county to be used by the County Offices of Education during 2009-10, as directed by the Department of Finance, to reimburse the State for a portion of the cost of Medi-Cal and other State services provided within each county and for additional property tax allocations to K-12 school districts in each county in an amount that will reduce State General Fund Proposition 98 obligations to the maintenance of effort level required by the federal American Recovery and Reinvestment Act. The auditors are to make the allocations to SRAF in two equal installments by January 15, 2010 and May 1, 2010.
- Requires the State to repay local agencies for the reductions (plus interest) by the end of the third fiscal year following the year of the reduction- in this case, by June 30, 2013.
- Allows counties to borrow from their redevelopment agency to cover suspension amounts.
- Allows local government agencies to sell their Proposition 1A receivables (the amount the State owes to a local agency from borrowing Proposition unplanned and unbudgeted 1A) to a joint powers authority (JPA). The JPA in turn will sell the bonds to investors and proceeds from the bonds will be used to pay back the local agencies. This process is referred to as “State-financed securitization” and will allow local agencies to receive cash upfront instead of waiting for the State’s repayment in three years. The State will pay all costs associated with securitization including payment of an interest rate of up to eight percent for an issuance amount of up to $2.25 billion.
- Alternatively, allows local agencies not to securitize payments. Rather, local agencies will receive payments from the State within the three year period at an interest rate determined by the Department of Finance at a rate higher than the Pooled Money Investment Account rate, but capped at six percent.


Fiscal Year 2009-10 State Budget Impacts on General Fund
Deficit (in Millions)
$0
-$2
-$4
-$6
-$8
-$10
-$12
-$14
Loss of Property Tax Revenue Due to Prop 1A Override
Borrow?
Yes
State Finance Securitization
Enact Reductions?
Yes
Enact $4.6M in other solutions in addition to borrowing:
Efficiencies - $1M
Revenue - $0.5M
Service Level Reductions - $3.1M
No
Efficiencies
New Revenue
Service Level Reductions
Retirement Incentive
Wage Concessions
Problem -$12.9M
Strategy Decision Point
Reserve For Impending Financial Challenges
Solutions Needed +$12.9M

## Fiscal Year 2009-10 State Budget Impacts on Fire Protection District






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

## OTHER GENERAL FUND REDUCTIONS

In addition to the suspension of Proposition 1A, the County will be impacted by other local government funding reductions including:

- Williamson Act Open Space Subvention Program: While the Legislature adopted a proposal to reduce the Williamson Act funding by twenty percent, the Governor vetoed all but $1,000, or about $28 million, to local governments for subvention payments related to the Williamson Act program. The elimination of this funding did not end the Williamson Act program or the benefits to private landowners that enter into contract. Rather, the funding directed to local governments to partially offset the loss of property taxes from land under Williamson Act contract was suspended. The County receives about $650,000 from State subvention programs and a ten percent reduction in payments was already enacted this year. Therefore, the County will lose about $585,000 to the General Fund. (It should be noted that no funding was budgeted in Fiscal Year 2009-10 for this program as the program was targeted for elimination in earlier iterations of the State budget).
- Reimbursement for the May 19, 2009 special election: The Legislature did not include language within the budget to reimburse counties for the cost of the May election. Statewide these costs are estimated at $68 million; the County cost is $1.4 million. The County Strategic Reserve absorbed the upfront cost of conducting the election however, the Strategic reserve will not be repaid until the State implements legislation to repay counties.

During State budget deliberations, proposals to borrow or shift the local portion of the gas tax, or the Highway User Tax Account (HUTA), to debt service payments surfaced. However, these proposals did not materialize, forestalling the loss of approximately $6.3 million to the County's Public Works Department. However, both the HUTA and Proposition 42 payments are scheduled to be delayed. It is possible that counties may be able to use Proposition 1B funds to backfill these deferred payments.

Leading up to the State budget adoption, budget discussions also focused on the Emergency Response Initiative (ERI). The ERI would have placed a surcharge on residential and commercial property insurance to fund fire prevention activities. This proposal was not included within the adopted budget package. There are other public safety implications of the adopted budget forthcoming. The Governor and the Legislature agreed to an additional $800 million unallocated reduction to the California Department of Corrections and Rehabilitation Budget, or $1.2 billion in Fiscal Year 2009-10. The Legislature will reconvene in August to discuss the policy options to achieve such reductions including custody, parole, sentencing and programmatic reforms that may have a fiscal and operational impact on the County's law and justice and public safety functions, including the Sheriff's Department. At this time, State budget impacts in the area of public safety are largely contained to closure of the courts for one day a month and court security issues.

However, policy options to achieve Statewide savings within the corrections system as well as the ongoing issue of federal receivership of the State prisons to address prison overcrowding and inmate health may result in additional fiscal and/or operational impacts to the County.

# CATEGORICAL REVENUE

## A. HEALTH AND HUMAN SERVICES

In addition to discretionary revenue reductions, the County also will be impacted by significant funding reductions to categorical revenue. Some of the largest spending reductions occur in the health and human services. While the specific fiscal and operational impacts to departments and their clients are still being assessed, the impacts will be significant and FTE reductions are nearly certain. Preliminary estimates indicate the following potential impacts:

<u>Department of Social Services</u>

The Department of Social Services (DSS) is still analyzing the impacts of the State cuts and is awaiting County-specific funding information from the State to determine the impacts on departmental programs. It is expected that this County-specific information on County-specific funding will be disseminated at the end of August. The figures below are estimates.

- Statewide reduction of $510 million to CalWORKs, including a $375 million cut to county single allocation funding for CalWORKs. The estimated financial impact to the department is yet unknown. This cut, at the County level, could result in the loss of funded FTEs and/or the loss of child care services to an estimated 400 children monthly. Additional program changes and cuts to non-compliant safety net, child-only and other cases will become effective July 2011.
- Institute a face-to-face "Self-sufficiency review" every six months with a county worker for CalWORKs families who are not meeting work requirements. Approximately 1,500 families within the County will be subject to this review.
- Statewide reduction in funding to counties for child welfare services by $80 million. Estimated funding loss to DSS of $1.2 million. This represents a potential loss of funded FTEs, a reduction in the number of foster children reunified with their families, risk of critical incidents due to higher caseloads and longer response times, and a potential inability to meet mandated program requirements.
- Implementation of a 10% rate cut to Foster Family Agencies and Group Homes. This raises the potential for an increase in aggregate County cost in foster care placements.
- Reduction of $120 million, $60 million from State General Fund, for county administration of Medi-Cal. The impact of funding loss to DSS is unknown. However, the reduction of $179 million Statewide for the Healthy Families program will impact Medi-Cal. The County estimates that up to half of its currently eligible children, or approximately 5,000-7,000 children, will lose coverage and then likely apply for Medi-Cal, which provides no additional funding to cover the increase in clients. *(NOTE: Legislative Counsel has ruled that this veto by the Governor was not legal. A lawsuit is pending).*
- Statewide reduction to In Home Supportive Services (IHSS) by $264 million, largely by reducing eligibility for services. In the County of Santa Barbara, approximately 1,400 clients out of approximately 2,800 will be affected. Of those, 600 individuals (21% of all current recipients) will lose all IHSS benefits, and approximately 800 will have a reduction in services. This eliminates one of the few safety net programs for the elderly and disabled population, which is expected to increase the demand for emergency services such as Adult Protective Services, fire, law enforcement, and hospital emergency rooms. Without IHSS, these individuals will be at increased risk of

institutionalization or death. Additionally, approximately 1,200 individuals (43% of current recipients) will lose Domestic and Related services; they will continue to receive only Personal Care services. State funding for IHSS worker wages was restored to the original level of $12.10/hr (wages and benefits) pending outcome of legal action by SEIU. In addition, changes in the budget also include a potential for increased workload associated with fraud prevention, stepped up quality control activity, and fingerprinting/background checks. It is still unclear how this change will cascade down to the counties. *(NOTE: Legislative Counsel has ruled that a portion of the IHSS veto by the Governor was not legal. A lawsuit is pending).*

- Statewide reduction of $115.9 million cash aid to the aged, blind and disabled, or the SSI/SSP program. This will reduce cash aid to individual recipients by $5 per month and reduce the grant to couples to the federal minimum. Impacts from these reductions will affect workload in IHSS, General Relief, CalWORKS, and other programs.

Alcohol, Drug and Mental Health Services

- Statewide reduction of Proposition 36 (Substance Abuse and Crime Prevention Act - SACPA) substance abuse funding by $90 million. Estimated impact to ADMHS of $1.5 million and 2.5 FTE. This represents a 70% reduction to the staffing in Fiscal Year 2009-10 and elimination of all staff in Fiscal Year 2010-11. This is a loss of approximately 20% of the department's overall Alcohol and Drug Program funding.
- Statewide reduction of $510 million to CalWORKs, including a $375 million cut to county single allocation funding for CalWORKs. The estimated impact to the department is $381,000 and 4.0 FTE. Departmental staff has served 650 clients and their families in this program since July 1, 2008. This reduction assumes a 50% cut to staff and services.
- Statewide reduction of $178 million for the Healthy Families program due to a change in eligibility requirements. The estimated revenue loss to the department is $466,000 and an unknown number of FTE.
- Statewide reduction of $164 million for various reductions in mental health. This represents an approximate funding loss to the department of $566,000: Managed Care funding of $86,000; Early and Periodic Screening, Diagnosis and Treatment (EPSDT) funding of $300,000; a reduction in Cen-Cal revenues to support Mobile Crisis response of $100,000; and a reduction in State Hospital subsidy of $80,000.

Public Health Department

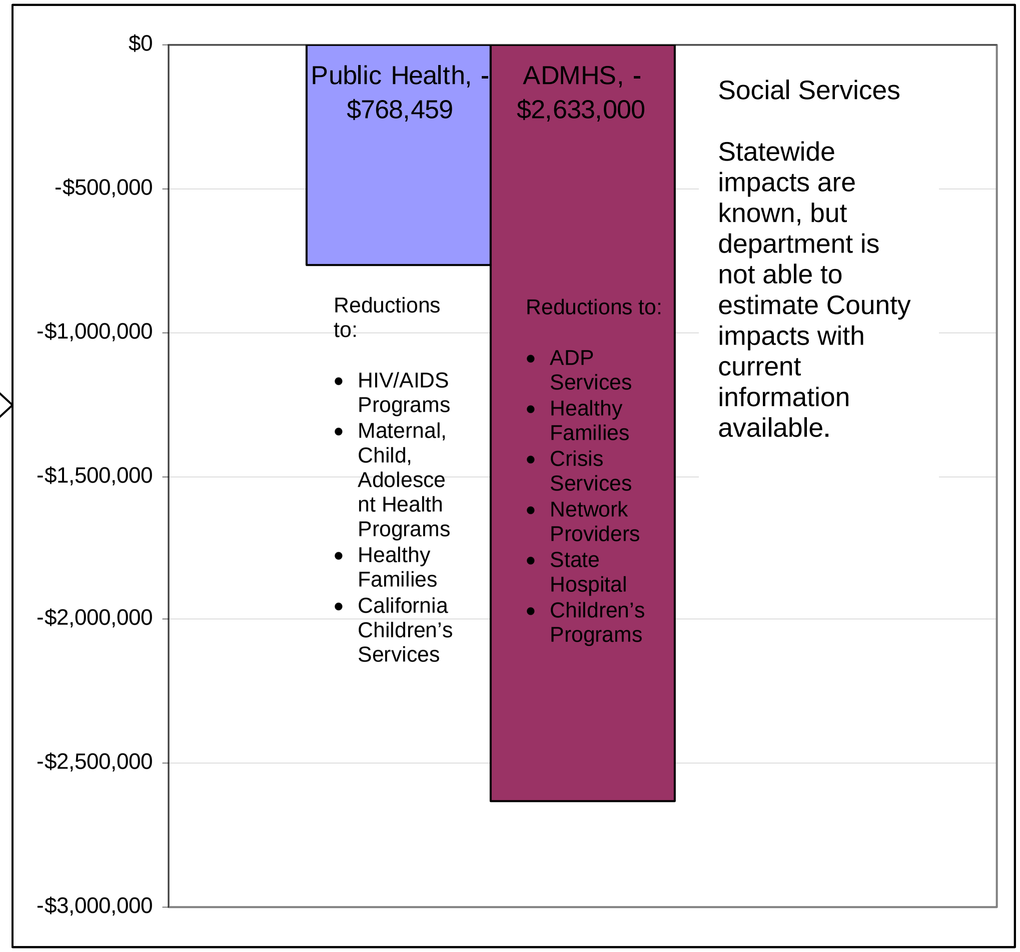
- Statewide reduction of $59 million for HIV/AIDS programs. This represents an estimated loss of $186,540 for HIV/AIDS Education and Prevention Programs and an additional loss of $336,919 for HIV/AIDS Counseling and Testing and Early Intervention Programs. As a result, the programs would be impacted by staff reductions of 1.0 FTE Health Educator and 0.50 FTE Health Service Aide. As a result, HIV/AIDS education and prevention services would be eliminated. In addition, the mandated counseling and testing will need to be maintained and is expected to cost $50,000, for which the department will need to find funding. It is possible that some federal funding may also be lost due to possible reallocations by the State HIV/AIDS program to "higher-risk" counties.
- Statewide reduction of $178 million for the Healthy Families program due to a change in eligibility requirements. This represents an estimated $75,000 reduction to Public

Health. In addition, Public Health is estimating an additional $100,000 reduction to California Children's Services (CCS). The Governor's actions that could dis-enroll one-half of currently eligible children with dual CCS/Healthy Families coverage will shift the total costs for their treatment to the CCS program. Currently, their treatment costs are shared between the programs, but CCS would have to pick up 33% more of their costs, should their Healthy Families coverage be lost.

# Fiscal Year 2009-10
# State Budget Impacts on Categorical Revenue Sources
# Public Health, ADMHS, and Social Services Departments

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



## B. REDEVELOPMENT AGENCY

The State budget authorizes a $1.7 billion takeaway of redevelopment funds from Redevelopment Agencies across California. The California Redevelopment Association estimates this will result in a transfer of $1.5 million from the Santa Barbara County Redevelopment Agency (RDA) to the State Supplemental Education Revenue Augmentation Fund (SERAF) to be distributed to meet the State's Prop 98 obligations to K-12 schools. The budgeted ERAF payment of $316,000 for Fiscal Year 2009-10 reduces the RDA unbudgeted expenditure for SERAF obligations from $1.5 million to $1.2 million. The Fiscal Year 2010-11 local RDA obligation to SERAF is anticipated to be $345,000.

# OTHER IMPENDING FINANCIAL CHALLENGES

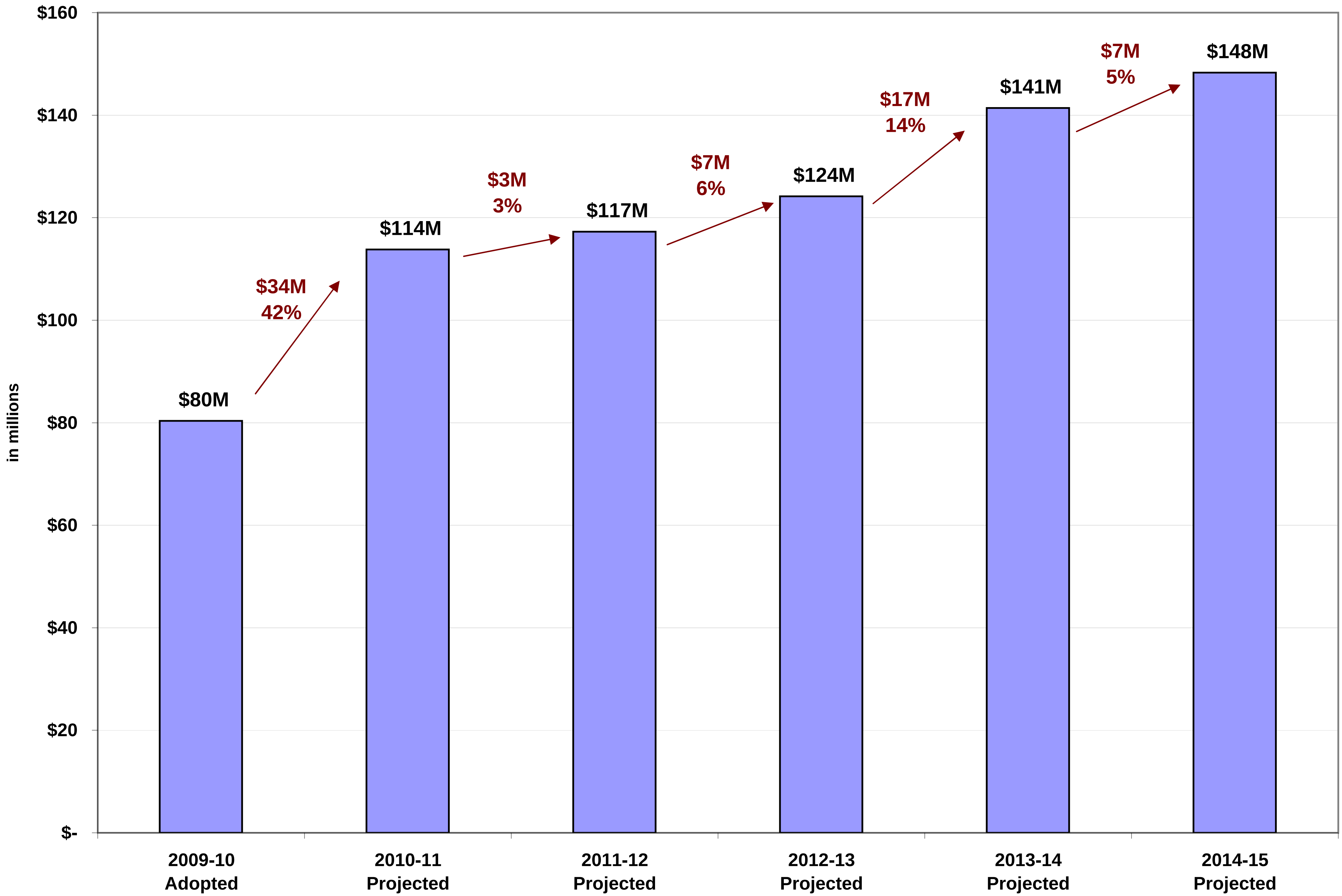
## RETIREMENT

The State Retirement Act of 1937 governs the manner in which pensions are administered in the subject counties, which include Santa Barbara County. Per the provisions of the Act, the Santa Barbara County Employees' Retirement System (SBCERS) has a Board of Retirement (BoR) that is responsible for managing the County's pension plans. The County of Santa Barbara is the major plan sponsor within that system. Pension plans are funded from three sources: (1) Employee contributions, which are a percentage of employee pay; (2) employer contributions, which are a percentage of total payroll and (3) the returns on the investments made by the Retirement System.

Since Fiscal Year 2003-04, County pension expenditures have increased 5%-20% a year. From Fiscal Year 2007-08 to Fiscal Year 2008-09, the percentage increase was 20%, or $12.5 million. Since then, the economic downturn has resulted in significant investment losses for virtually all pension plans including SBCERS. The Fiscal Year 2009-10 Adopted retirement cost increased $3.9 million or 5% over the previous Fiscal Year. Both the County's actuary and the SBCERS experts have independently projected that the County's pension costs will significantly increase in 2010-11. Using the current funding methods adopted by SBCERS, the potential contribution rate for Fiscal Year 2010-11 could be 33% of payroll, which would be an increased cost of nearly $33.5 million countywide, or 42%, over the previous year's rate of 23.3%. The General Fund component of the rate increase would be an estimated $20.1 million.

The Santa Barbara County Employees' Retirement System, Board of Retirement is considering changes in the actuarial method and assumptions and requested on August 11, 2009 that the Board of Supervisors review these and advise the Board of Retirement of its preferences. This consideration should be based on independent analysis by the County including independent actuarial advice as the alternatives include very large increases in actuarial unfunded liabilities.

## County Retirement Expenditures
## Current Funding Policy



## HEALTH BENEFIT PREMIUM COSTS

On August 4, 2009, the County received its initial health premium proposal from Aetna. With the exception of the High Deductible Health Plan (which has a -21% rate decrease) and Kaiser with a rate increase of 12.7%, all other employee health plan rates show a proposed increase ranging between 39% and 99%; this is in spite of the fact that the Health Oversight Committee has made significant changes to the health plans over the past two years. The overall rate increase is 48%. The County planned for a 25% health premium increase in the Fiscal Year 2009-2010 Budget at a cost of $1.7 million; the initial proposal represents an increased cost of approximately $5.3 million, or an unplanned and unbudgeted cost of approximately $3.5 million which is expected to occur in January 2010.

Although staff will be working with the Health Oversight Committee to explore options and staff will be negotiating with Aetna to bring these premium rates closer to the budgeted amount, it is unlikely that a 25% increase can be achieved without major changes to benefit levels and/or major restructuring of the County's health plans. The implementation of the County's onsite employee health clinic is designed to drive down health plan costs in the future but will not be implemented until September 2009 and will require time to effect an impact on the cost of providing health benefits.

## ECONOMIC RECESSION

The outlook for Santa Barbara's economy is for continued decline through 2009 as indicated by the UCSB Economic Forecast Project's Business Sentiment Survey for the First Quarter of 2009. Unemployment rates are anticipated to be in the 7.5% to 8.5% range through 2009. Recent academic reports from Chapman University and the University of California, Los Angles among others, continue to forecast a stagnant economy through 2009 and into early 2010 before starting to improve.

The current recession will continue to impact the national and California economies into 2011 according to information compiled from a June 24, 2009, UCSB Economic Forecast Project presentation on the United States and California economies. On the job front, recovery will lag behind economic recovery through 2010. In California the economy will suffer through 2010 before starting to recover in 2011 and job growth will continue to lag. Estimated unemployment rates for California are expected to average in the double digits into 2011.

Although Santa Barbara County has experienced less of an economic downturn than that experienced by the United States and especially California, the continued impacts of the recession will be felt for several years to come. Santa Barbara County saw a growth rate of just 0.1% in 2008, a drop from a growth of 1.4% in 2007. Data provided by the UCSB Economic Forecast Project show that Real Gross County Product is expected to continue to decline through 2011 decreasing approximately 2% in 2009, 2.7% in 2010 and 1.3% in 2011 before slightly increasing by 0.5% in 2012.

### ALCOHOL, DRUG AND MENTAL HEALTH SERVICES LIABILITIES

Alcohol, Drug and Mental Health Services (ADMHS) has identified and reported to the State potential issues regarding cost reporting, claiming, and accounting methods by ADMHS and its contracted providers for Fiscal Year 2001-02 through Fiscal Year 2007-08. These self reported claims could result in adjustments. The County's accrued liability was $17 million as of June 2008. In Fiscal Year 2008-09, the liability was reduced by $2.8 million and includes payments of $2.2 million to the State. The Fiscal Year 2009-10 Adopted Budget includes $12.5 million in funding for prior period liabilities. Of that amount, $7.0 million is from the Strategic Reserve and $5.5 million is from the Audit Reserve. The amount is subject to State cost settlement and audit procedures, an appeal process, and negotiation and settlement between County, State and contracted providers.

In addition to prior period liabilities, the department has potential one-time costs of $14.4 million related to a disallowance of the Multiagency Integrated System of Care (MISC) program services that were provided through ADMHS, Probation, Social Services, and Public Health. Potential disallowable MISC/CEC program costs extrapolated over the period of Fiscal Year 2002-2003 through Fiscal Year 2007-08 are estimated at $14.4 million. In Fiscal Year 2008-09, $1.6 million was transferred from the General Fund Strategic Reserve to fund the Fiscal Year 2002-03 liability. The County is in the appeals process for this matter.

### STATE BUDGET CRISIS

Although a State budget was adopted on July 28, 2009, there remains a wide belief that the budget crisis is not resolved. Critical questions remain of whether and when additional funding reductions or suspensions might be enacted to balance the budget if another deficit materializes this fiscal year. In fact, as recently as August 11, 2009, the California State Controller determined that despite passage of the budget bills by the Legislature, the Controller cannot stop issuing IOUs until he determines that a budget signed into law provides the cash necessary to cover all of the State's payment obligations.

With the State's ballooning debt, poor credit rating, and rapidly declining revenue streams, it remains to be seen whether the State will, in fact, have the ability to repay Proposition 1A funding within the three-year time frame. As mentioned, the Proposition 1A suspension must be repaid by the State within three years, and with interest, which only pushes the State's current fiscal problem into future years and further exacerbates the chronic structural deficit.

## SOLUTION STRATEGIES

### PROPOSITION 1A SUSPENSION

### A. BORROWING STRATEGIES

Various borrowing options, both long term (1 - 3 years) and short term (1 year or within Fiscal Year 2009-10), were preliminarily discussed with the County's Debt Advisory Committee (DAC) on Thursday, July 30, 2009. Staff researched and ranked the following options for borrowing based on viability, feasibility, and practicality.

## 1. STATE FINANCE SECURITIZATION (LONG-TERM)

California Proposition 1A allows the State to "borrow" approximately $16 million of County local discretionary property taxes. It also stipulates that the State has a constitutionally required repayment obligation by June 30, 2013, with interest. Proposition 1A also authorizes the County and other local agencies to securitize the receivable resulting from their loans to the State through a Joint Powers Authority (JPA). A securitization occurs when an entity sells a repayment commitment (receivable) to an investor who will receive the payments from the point of sale. Accordingly, the JPA will sell bonds to investors secured by the State's repayment obligation and the proceeds will be used to make an upfront payment to the County. The amount paid to the County will equal 100% of the amount securitized.

This process would conceivably allow the County to receive funds, coinciding with the first State property tax transfer on January 15, 2010, instead of waiting for the State's repayment in 3 years. The State is obligated to pay all costs associated with the securitization and the County is not a party to the bonds issued by the JPA. The State Department of Finance has until September 2009 to determine the interest rate that will be paid by the State to borrow the property taxes of local governments per Proposition 1A. In addition, the State is required to pay all issuance costs.

Originally, it appeared that a securitization would have an estimated cost to the County as high as 20% (up to $3.2 million) of the receivable sold. However, California State Association of Counties (CSAC), the League of Cities, and the California Statewide Community Development Authority (CSCDA) have been working closely with the State Treasurer's Office and the Department of Finance on a securitization that would hold the County "harmless." The goal is to pay 100% on the dollar to local governments which choose to participate. The proposed "clean up" legislation is expected to be heard by the California Legislature upon its return in August 2009; it is hoped that the proposed legislation will quickly be adopted for immediate implementation of the securitized financing by the JPA.

If the County determines to participate in the CSCDA securitization, the Board of Supervisors would need to adopt enacting resolution(s), most likely in September 2009. CSCDA's Board recently authorized a Request for Proposal for underwriting services for the securitization. The securitization would give the County cash of 100% of the amount borrowed by the State, thus providing certainty of cash flow and removing the risk associated with lack of repayment by the State. This option would also not infringe upon County fund balances to cover the State "borrowing." Maintaining cash fund balances is important in light of potential additional impacts from the economy and from uncertainty relating to the State budget.

## 2. INTERNAL SERVICE FUNDS (ISF) (LONG-TERM)

Internal Service Funds (ISFs) are used to account for financing goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost reimbursement basis. These funds are profit and loss oriented.

Borrowing from a County ISF may well be a viable option that would shift the repayment risk to the County, but potentially could earn interest for the ISF(s) chosen and the County. The ISFs would be reimbursed the rate that would normally be earned by the Treasury pool and the County will be reimbursed by the State an interest rate determined by the Department of Finance. However, on the caution side, there are limited cash balances within the largest ISFs: Vehicle Operations/Maintenance, Information Technology Services, and Communications Services Funds (approximately $27.3 million cash). Therefore, if chosen, potential service level impacts and potential capital replacement delays would need to be reviewed and vetted. In addition to affecting these funds, potentially adversely over the next 3 fiscal years, this type of borrowing requires the following considerations:

- The ISFs must earn the same rate of return on this investment as they would otherwise.
- Borrowing must not adversely affect the cash flow of the ISFs.
- Repayment is required within 3 fiscal years.
- Borrowing must be included in the calculation of actuarial valuations.
- Whether borrowing from the ISFs impacts liquidity which is one of the key factors rating agencies consider when evaluating the County's short-term Tax Revenue Anticipation Note (TRAN). This could increase County costs for future TRANs.
- A percentage of the funds in the ISFs originate from payments from federal and State expenditures, which *may not* be re-appropriated for General Fund discretionary purposes.

The County may borrow for a period of three years from the ISF funds up to the amount available in cash as long as the criteria described above are satisfied. Given that the ISF funds are derived from a combination of Federal, State, and local discretionary funds, the County has a limited discretion on permanent reallocation of the funds. Thus, the County has the discretion to borrow or permanently reallocate funds beyond the three year period of the discretionary amount only. Permanent borrowing would have an impact on funds available in the ISFs to provide services to the General Fund funded County departments. The discretionary amount in the Vehicle Operations/Maintenance, Information Technology Services, and Communications Services Funds is conservatively estimated at 23.7%, or $10.7 million.

**3. TOBACCO SETTLEMENT AND TOBBACCO SETTLEMENT ENDOWMENT FUNDS (LONG TERM)**

In November 1999, the Board of Supervisors unanimously decided that the tobacco settlement funds shall be spent on County health needs and programs (preventive services and treatment services), the infrastructure to support these programs, and other health related impacts from tobacco use. In January 2000, the Board of Supervisors approved the creation of a Tobacco Settlement Endowment Fund in order to set aside a portion of Tobacco Settlement revenue for the future. The Board created the Tobacco Settlement Advisory Committee (TSAC) and directed TSAC to present recommended allocations to the Board of Supervisors.

The County receives revenues from the 1998 Master Settlement Agreement (MSA) of lawsuits filed against the tobacco industry. The lawsuits were filed to recover the costs of treating smoking related illnesses. The participating tobacco companies agreed to pay the states an estimated $206 billion over the next 25 years, although the payments are in perpetuity. California is projected to receive an estimated $25 billion through 2025. Santa

Barbara County is projected to receive approximately $4 million per year during the same period.

In the first years of the MSA, the County and TSAC looked at the financing option of securitizing the ongoing MSA revenue streams. This option would allow the County to receive all or a portion of the ongoing revenues in a “lump sum” payment that would be discounted to reflect the present value of the funds and the assumed risk of the future funding stream. Although Santa Barbara County chose not to securitize these funds in the past, approximately 22 counties have securitized some or all of their tobacco settlement funds.

Through recent research, the Treasurer’s Office and has been informed that there has been little interest over the last year from government entities in the option of securitizing these funds. For example, the credit crisis has resulted in a more costly discount rate and there are fluctuations in the market that risk future revenue streams (i.e. revenue depends on cigarette sales, which are falling). However, there has been some interest recently due to nationwide budget issues.

In addition, potential local program impacts should be considered. Because of decreasing General Fund resources and shortfalls in realignment revenue (sales taxes and vehicle license fees), tobacco settlement funds are used in order to preserve access to statutory healthcare services for local residents. Currently, annual tobacco settlement allocations are shared in an approximate 50/50 ratio between county departments and outside healthcare agencies and programs. Some important needs met by this annual funding stream are:

- The preservation of a system of clinics for indigent care provided by the Public Health and Alcohol Drug and Mental Health Departments;
- Support for otherwise unreimbursed indigent health care provided by area acute care hospitals, emergency department physicians, and specialists (particularly with reductions in the Maddy Fund and the California Health Care for Indigents (CHIP) program); and
- Support for the Healthy Kids and school-based fluoride varnishing programs.

Moreover, in the first years of the MSA, the TSAC and the County were able to set aside tobacco settlement funds into an Endowment Fund. The original intent was that the Endowment would be allowed to grow for an initial 12 years before it would be considered for possible use to fund programs. However, increasing program requirements and the downturn in the economy have caused the Endowment Funds to be used for more immediate needs.

There is approximately $2.45 million in the Endowment Fund that is not encumbered for future uses that can be borrowed. However, the borrowing of these funds could affect future programs funded from the interest earned by the fund. Conditions and timelines for repayment of the loan would be at the discretion of the Board.

### 4. REDEVELOPMENT AGENCY FUNDS (RDA) (LONG-TERM)

Although borrowing from the RDA may be possible, it would put financial strain on the ability of the Agency to continue its goals and would put the Agency at risk. As of June 30, 2009, the RDA has available funds of $2.3 million within the General Fund and $4.0 million in the

Housing Fund. However, as part of the balanced State budget, the RDA will be making a payment to the SERAF account in FY 2009-10 of $1.5 million and an additional amount in FY 2010-11 estimated at $350,000. The Agency receives approximately $2.7 million in revenues annually. Several projects are currently underway and funding will be needed in the short term. The Redevelopment Plan's goals are to increase open space and protect environmentally sensitive areas; improve the supply of affordable housing; provide for enhancement and renovation of businesses; address street improvements; and promote public improvement facilities.

### 5. GENERAL FUND RESERVES AND DESIGNATIONS (SHORT-TERM)

This option includes borrowing from the Strategic Reserve and potentially the Capital Designation. This option could deplete the fully discretionary resources that may be used for contingency purposes and outstanding pending liabilities. Currently, the Strategic Reserve balance is $24.5 million with $6.5 million anticipated to be spent in this fiscal year. The estimated potential disallowable MISC/CEC program costs of $14.4 million are at this time a contingent liability with the Strategic Reserve being the identified repayment source.

### 6. SPECIAL REVENUE FUNDS (SHORT-TERM)

The County may borrow from Special Revenue Funds under the Treasury authority, which is limited to a 1-year term. This is only allowable for the under 1-year short-term financing due to California constitutional limitations.

### 7. VARIOUS OTHER LONG AND SHORT-TERM OPTIONS

The following other short-term borrowing options (repayment within FY 2009-10) were reviewed and found to be not practical or viable since the repayment funds will not be available within the short-term timeframe:

- Borrow from the County Treasury Pool – not practical, repayment within the year.
- Issue another TRAN – not practical, repayment within the year.

## B. GENERAL FUND REDUCTION STRATEGIES

During the State budget process it became apparent that the State had intent to raid local government revenues. Consequently, the departments were asked to submit information detailing any expected reductions in revenues and services as a result of the State budget, as well as proposed General Fund Contribution reductions to address the impact of the suspension of Proposition 1A. Even though Proposition 1A is a loss in revenue for one year only and will be repaid in three years, the State has the ability to borrow Proposition 1A funds from local governments one more time once the funds are repaid (borrowing limited to two times in ten years).Secondly, the overall State financial condition and an already unbalanced State Fiscal Year 2009-10 Budget due to further declining revenues indicates that other State Budget impacts are on the horizon. These State Budget impacts, coupled with other impending financial challenges in the County such as the rising cost of healthcare, retirement, ADMHS liabilities, and the continuing economic recession, require reductions in expenditures.

In order to fully address Proposition 1A loss of revenue, an approximately 10% reduction in General Fund Contribution (GFC) across the board would be required. A flat reduction of 10% would financially place the County in a significantly better position to address the impending financial impacts of the upcoming years, but would have substantial immediate impacts on services provided to the citizens. Staff does not recommend this method of reduction.

Staff also analyzed other reduction scenarios, such as applying the Board's budget allocation policy and those reduction percentages in GFC to the adopted budget. This scenario would apply the Board's prioritization of services as evidenced by development of the Fiscal Year 2009-10 Budget, and would result in lesser impacts on county services provided but would generate a lower amount of expenditure savings. Rather than a 10% across the board reduction, this method would result in a 5.4% savings reduction countywide. As painful as this method of budget reduction is, it would place the County in a strong position to be prepared for the impending financial impacts.

In order to minimize the immediate negative impacts on County services and to address the long-term financial stability of the County, a third option was considered and is recommended. Staff recommends that General Fund Contribution be reduced by 2.7% countywide, applying a relative percentage distribution across the departments as those applied in development of the Fiscal Year 2009-10 Budget. This option is based on the Board prioritization of services as shown by the policy applied to the Fiscal Year 2009-10 Budget development, and generates a minimal amount of discretionary General Fund to begin to address the impending financial impacts of Fiscal Year 2010-11. The General Fund savings of approximately $4.6 million are recommended to be allocated to pay the costs of offering the Early Retirement Incentive, which will generate expenditure savings in the following years but has significant upfront costs in the year in which the retirements occur. In addition, if any funding remains available, it should be applied to address the expected increase in health benefit costs in January 2010.

The GFC reductions presented in the Departmental Matrix reflect the County's focus on preserving core services and proposing reductions in service levels only as a last resort. The Departmental Matrix presents the reduction items by department and each line item indicates the impacted program(s), the expected loss in non-GFC sources, the GFC reduction amount, and the impact on FTE.

In addition, each item is categorized as either efficiency, revenue offset, or service level reduction. Efficiency items are those that lower the cost of providing services without impacting the quality of services received by the customers (for example, workload reorganizations or deferral of internal initiatives). Revenue offset items are those for which the department is able to identify an alternate funding source to replace a loss in GFC to support a particular service, thereby preserving service levels (for example, new grant funding or use of fund balance). Service level reduction items are expected to impact services to customers, either by reducing or eliminating a particular service.

The table below summarizes the recommended countywide reductions totals. See the Departmental Matrix beginning on the next page for a detailed description.

| Reduction Type | Non-GFC Sources | *Non-GFC FTE Estimate | GFC Reduction Amount | *FTE Estimate |
|---|---|---|---|---|
| Efficiencies | (4,883,870) | - | (996,188) | (2.92) |
| Revenue Offset | (412,509) | - | (438,464) | (1.00) |
| Service Level Reductions | (4,765,459) | (34.37) | (3,139,925) | (31.21) |
| **Total** | **($10,061,838)** | **(34.37)** | **($4,574,577)** | **(35.13)** |

***Note:** FTE numbers are preliminary estimates. Not all FTE are included at this time.

**Fiscal Year 2009-2010**
**Recommended Potential Solutions Matrix**
**012 County Executive Office**

| Row Number | Program | Department Impacts and Submitted Solutions | | | | Reduction Description |
|---|---|---|---|---|---|---|
| | | Non-GFC Sources | GFC Reduction Amount | FTE | Reduction Type (Efficiency, Revenue Offset, Service Level Reduction) | |
| 1 | Executive Management - 1000 | 70,000 | (70,000) | | Efficiency | Unanticipated revenue for twofer HCD executive oversight. |
| 2 | Executive Management - 1000 | | (25,000) | | Service Level Reduction | Reduce funding for Board directed special projects by 50%. |
| 3 | Budget and Research - 2000 | | (43,910) | | Service Level Reduction | Reduce funding for Board directed special projects by 50%. |

| | Non-GFC Sources | GFC Reduction Amount | FTE |
|---|---|---|---|
| Total Efficiencies | 70,000 | (70,000) | - |
| Total Revenue Offset | - | - | - |
| Total Service Level Reductions | - | (68,910) | - |
| **Grand Total** | **70,000** | **(138,910)** | **-** |

**Fiscal Year 2009-2010**
**Scenario 3 Potential Solutions Matrix**
**013 County Counsel**

| Row Number | Program | Department Impacts and Submitted Solutions | | | | Reduction Description |
|---|---|---|---|---|---|---|
| | | **Non-GFC Sources** | **GFC Reduction Amount** | **FTE** | **Reduction Type** (Efficiency, Revenue Offset, Service Level Reduction) | |
| 4 | Legal Services | | (65,212) | (0.50) | Service Level Reduction | Eliminate 1.0 FTE Legal Secretary for last six months of Fiscal Year 2009-10. |

| | | | |
|---|---|---|---|
| Total Efficiencies | - | - | - |
| Total Revenue Offset | - | - | - |
| Total Service Level Reductions | - | (65,212) | (0.50) |
| **Grand Total** | **-** | **(65,212)** | **(0.50)** |

**Fiscal Year 2009-2010**
**Scenario 3 Potential Solutions Matrix**
**021 District Attorney**

| Row Number | Program | Department Impacts and Submitted Solutions | | | | Reduction Description |
|---|---|---|---|---|---|---|
| | | Non-GFC Sources | GFC Reduction Amount | FTE | Reduction Type (Efficiency, Revenue Offset, Service Level Reduction) | |
| 5 | Prosecution of Misdemeanor Cases | | (264,401) | (3.00) | Service Level Reduction | Reduction of 1 DDA and 2 LOPs to process certain misdemeanor cases (restored at hearings). |

| | | | |
|---|---|---|---|
| Total Efficiencies | - | - | - |
| Total Revenue Offset | - | - | - |
| Total Service Level Reductions | - | (264,401) | (3.00) |
| **Grand Total** | **-** | **(264,401)** | **(3.00)** |

**Fiscal Year 2009-2010**
**Scenario 3 Potential Solutions Matrix**
**022 Probation**

| Row Number | Program | Department Impacts and Submitted Solutions | | | | Reduction Description |
|---|---|---|---|---|---|---|
| | | Non-GFC Sources | GFC Reduction Amount | FTE | Reduction Type (Efficiency, Revenue Offset, Service Level Reduction) | |
| 6 | Gang | | (200,000) | (2.00) | Service Level Reduction | Eliminate 2 Deputy Probation Officers from Board directed enhanced supervision of serious and violent offenders with a gang focus. |
| 7 | Counseling and Education Centers | | (82,035) | TBD | Service Level Reduction | Reduce CEC programs in Santa Barbara and Santa Maria. |

| | | | |
|---|---|---|---|
| Total Efficiencies | - | - | - |
| Total Revenue Offset | - | - | - |
| Total Service Level Reductions | - | (282,035) | (2.00) |
| **Grand Total** | **-** | **(282,035)** | **(2.00)** |

**Fiscal Year 2009-2010**
**Scenario 3 Potential Solutions Matrix**
**023 Public Defender**

| Row Number | Program | Department Impacts and Submitted Solutions | | | | Reduction Description |
|---|---|---|---|---|---|---|
| | | Non-GFC Sources | GFC Reduction Amount | FTE | Reduction Type (Efficiency, Revenue Offset, Service Level Reduction) | |
| 8 | Various | | (174,290) | (2.50) | Service Level Reduction | The reduction could result in the declaration of unavailability due to the loss of 1 attorney position and 1.5 support staff (legal secretary and investigation). The service impacts would likely lead to a reduction in the number of adult felony and misdemeanor clients served, as well as clients in Conservatorship, Probate, SVP, and Contempt cases. |

| | | | |
|---|---|---|---|
| Total Efficiencies | - | - | - |
| Total Revenue Offset | - | - | - |
| Total Service Level Reductions | - | (174,290) | (2.50) |
| **Grand Total** | **-** | **(174,290)** | **(2.50)** |

**Fiscal Year 2009-2010**
**Scenario 3 Potential Solutions Matrix**
**031 Fire**

| Row Number | Program | Department Impacts and Submitted Solutions | | | | Reduction Description |
|---|---|---|---|---|---|---|
| | | Non-GFC Sources | GFC Reduction Amount | FTE | Reduction Type (Efficiency, Revenue Offset, Service Level Reduction) | |
| | | | | | | |
| Option 1: Fire Protection District - Capital and Vehicle | | | | | | |
| 9 | Various | 2,300,000 | | | Revenue Offset | Use existing Fire Department/District fund balances. Capital projects would be deferred if funds were used from the District Capital Designation and/or a portion of the $8M balance in the Vehicle Operations Fund for Fire Dept. Vehicle replacements could be borrowed to offset the loan to the State. |
| Option 2: Fire Protection District - Program Reductions | | | | | | |
| 10 | Fuels Crew - Program 6036 | (1,300,000) | | (21.77) | Service Level Reduction | The entire Fuels Crew program will be deferred for the remainder of FY 09/10. This results in the loss of initial attack fire suppression capabilities within the County in the event of a wildland fire as well as the loss of wildland fire prevention such as vegetation removal and fuels reduction throughout the year. |
| 11 | Fire Station Operations & Response - Program 6031 | (400,000) | | | Service Level Reduction | One Firefighter post position at Station 22 in Orcutt will not be staffed for the remainder of FY 09/10. This is a reduction of the engine company staffing from 4 persons to 3 and will have an effect on the OSHA two-in/two-out rule; thus causing a delay such as vegetation removal and fuels reduction throughout the year. |
| 12 | Emergency Medical Response - Program 6032 | (250,000) | | | Service Level Reduction | Ambulance transports in Lompoc-Mission Hills and Cuyama will be eliminated for the remainder of FY 09/10. One Engineer post position at Station 51 in Lompoc will not be staffed. Paramedic services will be available in these areas but an alternative means of patient transports to hospitals will have to be established. |
| 13 | Fire Station Operations & Response - Program 6031 | (230,000) | | | Service Level Reduction | Replacement of a Water Tender will be deferred to a future year. Water tenders provide water when a municipal source is not available or is not adequate to meet the emergency response needs. The current water tender is 20 years old, has been used under extreme conditions at wildland fires and under rural and off-road conditions. Unanticipated breakdowns of this piece of equipment when responding to an incident or while operating at an incident severely limits operational capabilities in an emergency. |

**Fiscal Year 2009-2010**
**Scenario 3 Potential Solutions Matrix**
**031 Fire**

| Row Number | Program | Department Impacts and Submitted Solutions: Non-GFC Sources | GFC Reduction Amount | FTE | Reduction Type (Efficiency, Revenue Offset, Service Level Reduction) | Reduction Description |
|---|---|---|---|---|---|---|
| 14 | Reserves - Program 6034 | (70,000) | | (3.60) | Service Level Reduction | Reserve firefighters from the Orcutt and Solvang consolidations have not been utilized as originally anticipated. The Program currently operates only at Station 41 in Cuyama and will continue to be used sparingly in this area. |
| 15 | Administration - Program 6010 | (50,000) | | | Efficiency | The Fire Department Self-Assessment project will be deferred to a future year. |
| 16 | Fire Station Operations & Response - Program 6031 | | (79,971) | | Revenue Offset | Unanticipated revenues from the Office of Homeland Security Grant program will fund the Radio System Upgrade project in FY 09/10. |

| | Non-GFC Sources | GFC Reduction Amount | FTE |
|---|---|---|---|
| Total Efficiencies | - | - | - |
| Total Revenue Offset | (2,300,000) | - | - |
| Total Service Level Reductions | - | - | - |
| **Grand Total Option 1** | **(2,300,000)** | **-** | **-** |

| | Non-GFC Sources | GFC Reduction Amount | FTE |
|---|---|---|---|
| Total Efficiencies | (50,000) | | - |
| Total Revenue Offset | - | | - |
| Total Service Level Reductions | (2,250,000) | | (21.77) |
| **Grand Total Option 2** | **(2,300,000)** | | **(21.77)** |

| | Non-GFC Sources | GFC Reduction Amount | FTE |
|---|---|---|---|
| Total Efficiencies | - | - | - |
| Total Revenue Offset | - | (79,971) | - |
| Total Service Level Reductions | - | - | - |
| **Grand Total** | **-** | **(79,971)** | **-** |

**Fiscal Year 2009-2010**
**Scenario 3 Potential Solutions Matrix**
**032 Sheriff**

| Row Number | Program | Department Impacts and Submitted Solutions | | | | Reduction Description |
|---|---|---|---|---|---|---|
| | | Non-GFC Sources | GFC Reduction Amount | FTE | Reduction Type (Efficiency, Revenue Offset, Service Level Reduction) | |
| 17 | Gang Team | | (415,000) | (3.00) | Service Level Reduction | Will reduce targeted gang law enforcement. |
| 18 | Fiscal Services | | (89,142) | (1.00) | Service Level Reduction | Zero fund Accountant III position, delete 1 POS (1 FTE) Accountant Supervisor and add 1 POS (1 FTE) Program Business Leader. This shift consolidates the management of two units and saves $89,149 in GFC. |
| 19 | Investigations | | (175,977) | (2.50) | Service Level Reduction | Reduce detective positions in Investigations by approximately 2.5 POS. Cost savings are vacant Deputy Trainee slots. Reduces ability to investigate crimes. |
| 20 | Community Services | | (179,461) | (2.00) | Service Level Reduction | Unfunding 2 POS Public Information Assistants. Savings are salaries and vehicle costs. Eliminates ability to speak at community groups on crime prevention. |

| | | | |
|---|---|---|---|
| Total Efficiencies | - | - | - |
| Total Revenue Offset | - | - | - |
| Total Service Level Reductions | - | (859,580) | (8.50) |
| **Grand Total** | **-** | **(859,580)** | **(8.50)** |

| Row Number | Program | Department Impacts and Submitted Solutions | | | | Reduction Description |
|---|---|---|---|---|---|---|
| | | Non-GFC Sources | GFC Reduction Amount | FTE | Reduction Type (Efficiency, Revenue Offset, Service Level Reduction) | |
| 21 | HIV/AIDS: Counseling and Testing; Early Intervention Programs | (336,919) | 50,000 | (1.00) | Service Level Reduction | The $339,919 in state funding reductions represents 59% of the funding in these programs. There will be major reductions in services to HIV+ clients. Of the total reductions, $197,415 is currently allocated to CBO's (Pacific Pride Foundation and SBNC) and $139, 504 to the PHD. This will result in the loss of 0.50 FTE Health Educator and 0.50 FTE Health Service Aide, Sr. The mandated counseling and testing will need to be maintained and is expected to cost $50,000. |
| 22 | HIV/AIDS: Education and Prevention Programs | (186,540) | | (0.50) | Service Level Reduction | The PHD would lose $66,443 of funding and Pacific Pride Foundation would lose $120,097. Staff reductions of a 0.50 FTE Health Educator would be required and would impact obligations in other (federally funded) programs. HIV/AIDS education and prevention services would be eliminated. |
| 23 | California Children's Services (CCS) | (100,000) | | | Service Level Reduction | The Governor's actions that could disenroll one-half of currently eligible children with dual CCS/Healthy Families coverage will shift the total costs for their treatment to CCS. Currently, their treatment costs are shared between the programs, but CCS would have to pick up 33% more of their costs. This is conservatively estimated at $100,000. |
| 24 | Healthy Families | (75,000) | | | Service Level Reduction | The PHD currently sees a relatively small Healthy Families eligible population (most children are seen by private providers or in other clinic settings). It is estimated that one-half of enrolled children will lose coverage unless philanthropic organizations provide funding. |
| 25 | Maternal Child Adolescent Health Field Nursing Program | (70,000) | | (1.00) | Service Level Reduction | All State General Fund support would be lost ($35,000 with $35,000 in federal match funds). Would require the reduction of a 1.0 FTE Health Service Aide, Sr. Would result in the reassignment of a .050 FTE and the elimination of a vacant .050 position. This will reduce or delay nurse assessment, education, case management for at-risk women, infants, children and adolescents. |
| 26 | HIV/AIDS | | (50,000) | | Service Level Reduction | Eliminate the $50,000 of General Fund for education and prevention. As 100% of State general fund support for HIV/AIDS programs has been eliminated, all education and prevention services to high risk individuals would be discontinued. |

**Fiscal Year 2009-2010**
**Scenario 3 Potential Solutions Matrix**
**041 Public Health**

| Row Number | Program | Department Impacts and Submitted Solutions: Non-GFC Sources | GFC Reduction Amount | FTE | Reduction Type (Efficiency, Revenue Offset, Service Level Reduction) | Reduction Description |
|---|---|---|---|---|---|---|
| 27 | Emergency and Year-Round Shelter Funding | | (53,000) | | Service Level Reduction | Reduce emergency and year-round homeless shelter funding passed through to shelters by the Human Service Program. This will reduce by $53,000 the $348,913 currently allocated to a new amount of $295,913. The funds are allocated on a bed night basis to Bridgehouse (Lompoc), Casa Esperanza (SB) and Good Samaritan (SM) shelters. This reduction, which is unrelated to the PHD's homeless shelter medical program, would reduce county funded bed nights by approximately 9,000, from 60,000 to 51,000. |
| 28 | Human Services Fund | | (40,948) | | Service Level Reduction | Reduce Human Services allocations to Community Service Organizations. The Community Service Organizations serve a wide range of needy populations from young children at risk of abuse/neglect to seniors in need of healthy food. The number of individuals impacted by these reductions varies by program and is unknown until individual grant decisions are made. |
| 29 | Animal Services | | (47,609) | | Efficiency | Reduction in departmental overhead charges to Animal Services from the PHD for services provided such as IT, Fiscal, Facilities and other administration. |

| | Non-GFC Sources | GFC Reduction Amount | FTE |
|---|---|---|---|
| Total Efficiencies | - | (47,609) | - |
| Total Revenue Offset | - | - | - |
| Total Service Level Reductions | (768,459) | (93,948) | (2.50) |
| **Grand Total** | **(768,459)** | **(141,557)** | **(2.50)** |

**Fiscal Year 2009-2010**
**State Budget Impacts and Potential Solutions Matrix**
**043 ADMHS**

| Row Number | Program | Department Impacts and Submitted Solutions | | | | Reduction Description |
|---|---|---|---|---|---|---|
| | | Non-GFC Sources | GFC Reduction Amount | FTE | Reduction Type (Efficiency, Revenue Offset, Service Level Reduction) | |
| 30 | ADP - Drug Medi-Cal Services | (320,000) | | - | Efficiency | No impact to County staff. This DMC rate reduction is a pass thru to CBO's. CBO's will need to manage their cost structure. |
| 31 | ADP - Substance Abuse & Crime Prevention Treatment (SACPA) and Offender Treatment Program (OTP) | (900,000) | | (2.50) | Service Level Reduction | Note the FTE reductions represent 68% of the current staffing based on an expected 50% reduction in SACPA and OPT funding in 2009/10. In 2010/11, only 11% of the 2008/09 funding is expected to remain (approximately $200k out of $1.8M). Thus, the Department would use the reduced funding in 2009/10 to "bring down" the SACPA programs from a level of $1.8M in annual funding to a level of approximately $200k (OTP only). |
| 32 | ADP & MH - Cal WORKS Programs | (381,000) | | (4.00) | Service Level Reduction | ADP program staff have served 650 clients and their families from 7/1/08 to present. This reduction assumes a 50% cut to staff and services. Multiple CBO and Network Providers will also be impacted. |
| 33 | Mental Health Services - Healthy Families Funding | (466,000) | | unknown | Service Level Reduction | Eligibility requirements for Healthily Family clients are being tightened and the exact impact to our client base is unknown at this time. |
| 34 | Mental Health Services - Crisis Services | (100,000) | | | Revenue offset | Reduction in Cen-Cal revenues to support Mobile Crisis response. ARRA funding will enable continuation of existing service levels through 2009/10. Thereafter, the Department may need to reduce service levels. |
| 35 | Mental Health Services - Network Providers | (86,000) | | | Revenue offset | Reduction in State Managed Care allocation to ADMHS. ARRA funding will enable continuation of existing service levels through 2009/10. Thereafter, the Department may need to reduce service levels. |
| 36 | Mental Health Services - State Hospital | (80,000) | | | Revenue offset | Reduction in State Hospital subsidy. ARRA funding will enable continuation of existing service levels through 2009/10. Thereafter, the Department may need to reduce service levels to pay for these mandated services. |
| 37 | Mental Health Services Act (MHSA) - Children's Programs | (300,000) | | | Revenue Offset | Possibility that EPSDT funding for MHSA Children's program would be eliminated based on increased ARRA funding. The Department would make every effort to utilize other MHSA funds to backfill these State funds if they are eliminated. |
| 38 | Mental Health Services | | (140,503) | | Revenue Offset | ARRA Funding will enable continuation of existing service levels through 12/2010. |

| | | | |
|---|---|---|---|
| Total Efficiencies | (320,000) | - | - |
| Total Revenue Offset | (566,000) | (140,503) | - |
| Total Service Level Reductions | (1,747,000) | - | (6.50) |
| **Grand Total** | **(2,633,000)** | **(140,503)** | **(6.50)** |

**Fiscal Year 2009-2010**
**Scenario 3 Potential Solutions Matrix**
**044 Social Services**

| Row Number | Program | Department Impacts and Submitted Solutions | | | | Reduction Description |
|---|---|---|---|---|---|---|
| | | Non-GFC Sources | GFC Reduction Amount | FTE | Reduction Type (Efficiency, Revenue Offset, Service Level Reduction) | |
| 39 | Salaries (All Programs) | (2,100,000) | (140,000) | | Efficiency | Would result in a lower cost per FTE. |
| 40 | IHSS IP | (2,483,870) | (342,774) | | Efficiency | Services will remain the same but IP wages will be reduced from $10/hour to approximately $9.40/hour. However, the State participation rate is not yet known and it is possible that it will affect the savings amount. |
| 41 | CWS | TBD | TBD | TBD | | The department is unable to quantify estimated impacts with current information available. |
| 42 | MediCal | TBD | TBD | TBD | | The department is unable to quantify estimated impacts with current information available. |
| 43 | IHSS | TBD | TBD | TBD | | The department is unable to quantify estimated impacts with current information available. |
| 44 | CWS | TBD | TBD | TBD | | The department is unable to quantify estimated impacts with current information available. |
| 45 | CalWORKs | TBD | TBD | TBD | | The department is unable to quantify estimated impacts with current information available. |

| | | | |
|---|---|---|---|
| Total Efficiencies | (4,583,870) | (482,774) | - |
| Total Revenue Offset | - | - | - |
| Total Service Level Reductions | - | - | - |
| **Grand Total** | **(4,583,870)** | **(482,774)** | **-** |

**Fiscal Year 2009-2010**
**Scenario 3 Potential Solutions Matrix**
**051 Ag and Cooperative Ext**

| Row Number | Program | Department Impacts and Submitted Solutions | | | | Reduction Description |
|---|---|---|---|---|---|---|
| | | Non-GFC Sources | GFC Reduction Amount | FTE | Reduction Type (Efficiency, Revenue Offset, Service Level Reduction) | |
| 46 | Pesticide Enforcement/ 4000 | | (68,771) | (1.00) | Service Level Reduction | Unfund one Agricultural Biologist which will result in less pesticide inspections. This will also result in less revenue for unrefunded gas tax estimated at $0.36/dollar. |
| 47 | Pesticide Enforcement/4000 | | (15,082) | (0.17) | Service Level Reduction | Unfund one Agricultural Biologist for last two months of Fiscal Year 2009-10. |

| | | | |
|---|---|---|---|
| Total Efficiencies | - | (15,082) | (0.17) |
| Total Revenue Offset | - | - | - |
| Total Service Level Reductions | - | (68,771) | (1.00) |
| **Grand Total** | **-** | **(83,853)** | **(1.17)** |

**Fiscal Year 2009-2010**
**Scenario 3 Potential Solutions Matrix**
**052 Parks**

| Row Number | Program | Department Impacts and Submitted Solutions | | | | Reduction Description |
|---|---|---|---|---|---|---|
| | | Non-GFC Sources | GFC Reduction Amount | FTE | Reduction Type (Efficiency, Revenue Offset, Service Level Reduction) | |
| 48 | North County Day Use Parks/0701 | | (50,000) | (0.50) | Service Level Reduction | Reduction of Cuyama pool schedule during the off-peak time of the year to conform with the lifeguard season (Memorial Day weekend - Labor Day weekend). |
| 49 | South County Day Use Parks/0301 | | (56,965) | (0.75) | Efficiency | Hold retiring South County Park Ranger II position vacant. |

| | | | |
|---|---|---|---|
| Total Efficiencies | - | (56,965) | (0.75) |
| Total Revenue Offset | - | - | - |
| Total Service Level Reductions | - | (50,000) | (0.50) |
| **Grand Total** | **-** | **(106,965)** | **(1.25)** |

**Fiscal Year 2009-2010**
**Scenario 3 Potential Solutions Matrix**
**053 Planning and Development**

| Row Number | Program | Department Impacts and Submitted Solutions | | | | Reduction Description |
|---|---|---|---|---|---|---|
| | | Non-GFC Sources | GFC Reduction Amount | FTE | Reduction Type (Efficiency, Revenue Offset, Service Level Reduction) | |
| 50 | Community Plan/4030/429- Los Alamos | | (21,602) | | Service Level Reduction | Extend EIR timeline approximately 2 months. |
| 51 | Community Plan/4030/410-Goleta | | (47,500) | | Service Level Reduction | Extend project timeline by approximately 5 months. |
| 52 | Community Plan/4030/430- Mission Canyon | | (48,050) | | Service Level Reduction | Extend project timeline by approximately 2.5 months. |
| 53 | Community Plan/4030/475- UCSB | | (30,000) | | Service Level Reduction | Reduce designation for professional consultant assistance with project. Eliminate ability to update economic model related to LRDP. |
| 54 | General Plan/4020/434- ARAA | | (14,000) | | Service Level Reduction | Reduce designation for professional consultant assistance with economic model runs. Extend individual schedules for economic model runs. |
| 55 | General Plan/4020/441- General Plans / Housing | | (90,000) | | Service Level Reduction | Reduce designation for professional consultant assistance for the development of special studies requested by HCD. Extend project schedule by 6-9 months. |
| 56 | General Plan/4020 - IVRDA Support | | (38,848) | | Revenue Offset | Revenue offset for assistance with RDA projects in 2009-2010. |
| 57 | Building and Zoning Code Enforcement | | (12,102) | (0.12) | Service Level Reduction | Service level for non-health and safety code violations and complaints will be reduced. |

| | | | |
|---|---|---|---|
| Total Efficiencies | - | - | - |
| Total Revenue Offset | - | (38,848) | - |
| Total Service Level Reductions | - | (263,254) | (0.12) |
| **Grand Total** | **-** | **(302,102)** | **(0.12)** |

**Fiscal Year 2009-2010**
**Scenario 3 Potential Solutions Matrix**
**054 Public Works**

| Row Number | Program | Department Impacts and Submitted Solutions: Non-GFC Sources | GFC Reduction Amount | FTE | Reduction Type (Efficiency, Revenue Offset, Service Level Reduction) | Reduction Description |
|---|---|---|---|---|---|---|
| 58 | Surveyor-Office | | (23,000) | | Efficiency | One Time Salary Savings due to Employee Retirement in FY 2009-10. |
| 59 | Surveyor-Office | 26,000 | (26,000) | | Revenue Offset | Increase Surveyor Fees, effective January 1, 2010, which is half of Fiscal Year 2009-10. This fee increase would reduce wait time on General Fund supported projects. |
| 60 | Project Clean Water | 56,700 | (3,965) | | Revenue Offset | Reduce PCW Designations - Anticipated annual increased cost to General Fund without any service level reductions will be $270,000 when designations are depleted in 3-5 years, per five-year forecast. This does not include any additional costs for new/additional permit conditions. |

| | Non-GFC Sources | GFC Reduction Amount | FTE |
|---|---|---|---|
| Total Efficiencies | - | (23,000) | - |
| Total Revenue Offset | 82,700 | (29,965) | - |
| Total Service Level Reductions | - | - | - |
| **Grand Total** | **82,700** | **(52,965)** | **-** |

**Fiscal Year 2009-2010**
**Scenario 3 Potential Solutions Matrix**
**055 HCD**

| Row Number | Program | Department Impacts and Submitted Solutions | | | | Reduction Description |
|---|---|---|---|---|---|---|
| | | Non-GFC Sources | GFC Reduction Amount | FTE | Reduction Type (Efficiency, Revenue Offset, Service Level Reduction) | |
| 61 | Advertising Resources Program 5100 | | (20,172) | | Service Level Reduction | This will reduce funding available for advertising from $300,500 to $280,328. It may or may not reduce marketing efforts of local visitors bureau depending on current advertising rates and outcomes. |
| 62 | Property Management Program 4000 | | (14,472) | (0.15) | Service Level Reduction | Reduce Housing Specialist SR to half time for last 4 months of the fiscal year, which will limit the department's capacity to perform monitoring and site visits of affordable units. |

| | | | |
|---|---|---|---|
| Total Efficiencies | - | - | - |
| Total Revenue Offset | - | - | - |
| Total Service Level Reductions | - | (34,644) | (0.15) |
| **Grand Total** | **-** | **(34,644)** | **(0.15)** |

**Fiscal Year 2009-2010**
**Scenario 3 Potential Solutions Matrix**
**061 Auditor-Controller**

| Row Number | Program | Department Impacts and Submitted Solutions: Non-GFC Sources | GFC Reduction Amount | FTE | Reduction Type (Efficiency, Revenue Offset, Service Level Reduction) | Reduction Description |
|---|---|---|---|---|---|---|
| 63 | No reductions submitted. | | (193,739) | (3.00) | Service Level Reduction | The reduction will equate to approximately 1.5 to 3 FTE depending on the level of positions reduced. The workload impacted could be management of the State budget directives, IT efficiency improvements, etc. |

| | | | |
|---|---|---|---|
| Total Efficiencies | - | - | - |
| Total Revenue Offset | - | - | - |
| Total Service Level Reductions | - | (193,739) | - |
| **Grand Total** | **-** | **(193,739)** | **-** |

**Fiscal Year 2009-2010**
**Scenario 3 Potential Solutions Matrix**
**062 Clerk-Recorder-Assessor**

| Row Number | Program | Department Impacts and Submitted Solutions | | | | Reduction Description |
|---|---|---|---|---|---|---|
| | | Non-GFC Sources | GFC Reduction Amount | FTE | Reduction Type (Efficiency, Revenue Offset, Service Level Reduction) | |
| 64 | Elections / 2000 & 2001 | | (96,667) | (1.00) | Service Level Reduction | Previous reductions in the Election Division were absorbed by temporarily reassigning 60% of election staff to the Assessor Division to help absorb Assessor workload increase and backlogs created from Assessor positions kept vacant in FY 08-09 in anticipation of 09-10 reductions for Elections. Given that the only election in FY 09-10 is a June 2010 State Primary Election, the division is able to absorb 09-10 reductions already taken, and operate with minimal staff for 3/4 of the year. Any further reductions, including the impact of a potential furlough, will significantly impact the ability to conduct legally mandated election services (ie, voter registrations, political campaign filings, State petition signature verifications, conduct elections, etc). Non-compliance could trigger lawsuits, disputed elections, and create operating inefficiencies that could end up costing more than savings attained from further reductions. |
| 65 | Clerk-Recorder / 3000 | | (78,386) | | Revenue Offset | Increase in certain Clerk-Recorder revenues from revised estimates in the volume of services (i.e., passports, marriage services, etc) Additionally, estimate we will collect higher revenue from unbudgeted annual fee adjustments to services fees that are subject to full cost recovery from increased operating costs (i.e., S&B increases, COLA's etc.) |

| | | | |
|---|---|---|---|
| Total Efficiencies | - | - | - |
| Total Revenue Offset | - | (78,386) | - |
| Total Service Level Reductions | - | (96,667) | (1.00) |
| **Grand Total** | **-** | **(175,053)** | **(1.00)** |

**Fiscal Year 2009-2010**
**Scenario 3 Potential Solutions Matrix**
**063 General Services**

| Row Number | Program | Department Impacts and Submitted Solutions | | | | Reduction Description |
|---|---|---|---|---|---|---|
| | | Non-GFC Sources | GFC Reduction Amount | FTE | Reduction Type (Efficiency, Revenue Offset, Service Level Reduction) | |
| 66 | Office of The Director / 1010 | | (92,501) | (1.00) | Efficiency | Admin Office Pro - consolidation of duties to unfund one position. |
| 67 | Real Property/1250 | | (111,878) | (1.00) | Efficiency | Real Property Agent III position eliminated; duties absorbed by existing staff. |
| 68 | South County Maintenance/1210 | | (87,510) | (1.00) | Service Level Reduction | Maintenance Electrician Position unfunded - will result in delays in response time for needed repairs. |
| 69 | Maintenance Contracts/1215 | | (30,055) | | Service Level Reduction | Reduction in outside security service contract for South County buildings (LI 7720) - will increase risk of vandalism to County buildings. |

| | | | |
|---|---|---|---|
| Total Efficiencies | - | (204,379) | (2.00) |
| Total Revenue Offset | - | - | (1.00) |
| Total Service Level Reductions | - | (117,565) | - |
| **Grand Total** | **-** | **(321,944)** | **(3.00)** |

**Fiscal Year 2009-2010**
**Scenario 3 Potential Solutions Matrix**
**064 Human Resources**

| Row Number | Program | Department Impacts and Submitted Solutions | | | | Reduction Description |
|---|---|---|---|---|---|---|
| | | **Non-GFC Sources** | **GFC Reduction Amount** | **FTE** | **Reduction Type** (Efficiency, Revenue Offset, Service Level Reduction) | |
| 70 | Executive Admin/1000 | | (4,600) | | Efficiency | Reduce two Assistant Department Leaders to Enterprise Leaders. This will result in a restructuring of the Department and shifting of responsibilities. |
| 71 | Shared Services/1100 | | (5,300) | | Efficiency | Reduce one Enterprise Leader to Program Business Leader. |
| 72 | All | | (86,479) | | Efficiency | Managers and executives voluntarily agree to a 5% temporary pay reduction to minimize line staff reductions. |

| | | | |
|---|---|---|---|
| Total Efficiencies | - | (96,379) | - |
| Total Revenue Offset | - | - | - |
| Total Service Level Reductions | - | - | (1.50) |
| **Grand Total** | **-** | **(96,379)** | **(1.50)** |

**Fiscal Year 2009-2010**
**Scenario 3 Potential Solutions Matrix**
**065 Treasurer-Tax Collector-PA**

| Row Number | Program | Department Impacts and Submitted Solutions | | | | Reduction Description |
|---|---|---|---|---|---|---|
| | | **Non-GFC Sources** | **GFC Reduction Amount** | **FTE** | **Reduction Type** (Efficiency, Revenue Offset, Service Level Reduction) | |
| 73 | PA/PG | | (64,495) | (1.00) | Service Level Reduction | The Administrative Office Professional assists the PA/PG in their duties including marshalling assets, drayage and filing court documents. Unfunding this position will result in the case workers having to take on the clerical duties as well as increased time needed to close estates. |
| 74 | Property Tax | 25,000 | (25,000) | | Revenue Offset | Increase in property tax delinquencies and increase in the redemption fee approved by the Board in May. |
| 75 | Public Administrator | 45,791 | (45,791) | | Revenue Offset | The Public Administrator has been appointed to handle several large estates which will lead to higher statutory fees. |

| | | | |
|---|---|---|---|
| Total Efficiencies | - | - | - |
| Total Revenue Offset | 70,791 | (70,791) | - |
| Total Service Level Reductions | - | (64,495) | (1.00) |
| **Grand Total** | **70,791** | **(135,286)** | **(1.00)** |

## Fiscal Year 2009-2010
## Scenario 3 Potential Solutions Matrix
## 066 Information Technology

| Row Number | Program | Department Impacts and Submitted Solutions | | | | Reduction Description |
|---|---|---|---|---|---|---|
| | | Non-GFC Sources | GFC Reduction Amount | FTE | Reduction Type (Efficiency, Revenue Offset, Service Level Reduction) | |
| 76 | GIS/2100 | | (39,453) | (0.44) | Service Level Reduction | GIS Mapping Analyst will not be hired. This will jeopardize our ability to maintain the department's GIS technical infrastructure. |

| | | | |
|---|---|---|---|
| Total Efficiencies | - | - | - |
| Total Revenue Offset | - | - | - |
| Total Service Level Reductions | - | (39,453) | (0.44) |
| **Grand Total** | **-** | **(39,453)** | **(0.44)** |

**Fiscal Year 2009-2010**
**Scenario 3 Potential Solutions Matrix**
**990 General County Programs**

| Row Number | Program | Department Impacts and Submitted Solutions | | | | Reduction Description |
|---|---|---|---|---|---|---|
| | | Non-GFC Sources | GFC Reduction Amount | FTE | Reduction Type (Efficiency, Revenue Offset, Service Level Reduction) | |
| 77 | Program Reductions | | (68,787) | | Service Level Reduction | Reduce First 5 Early Childhood Education, PIO, CSBTV, OES, General Administration each by 5% |
| 78 | Project Management Tracking | | (10,000) | | Service Level Reduction | Reduce IT project by 10%. |
| 79 | Board Support - 7100 | | (9,235) | | Service Level Reduction | Reduce Board Support discretionary funding by 5%. |
| 80 | Children's Health Initiative - 1000 | | (95,676) | | Service Level Reduction | Reduce initiative by 10%. ($43,244 taken in BAD - additional 10% reduction only in Admin fees) |
| 81 | Libraries - 1210 | | (219,263) | | Service Level Reduction | Reduce libraries by 7.7%. |

| | | | |
|---|---|---|---|
| Total Efficiencies | - | - | - |
| Total Revenue Offset | - | - | - |
| Total Service Level Reductions | - | (402,961) | - |
| **Grand Total** | **-** | **(402,961)** | **-** |

## C. HUMAN CAPITAL STRATEGIES

Various human capital solutions options (benefits, compensation, special programs, etc.) were reviewed by staff for both long term (one to three years) and short term (one year or within Fiscal Year 2009-2010). The following options were selected based on viability, feasibility, and practicality.

### 1. Early Retirement Incentive

In keeping with the Board's stated objectives of making staffing cuts away from the line; flattening the organization; and preserving services to the maximum extent possible, offering an Early Retirement Incentive Program (ERIP) to certain eligible managers and executives may provide a viable and ultimately cost effective option for reducing costs and preserving service-delivery jobs.

Government Code Section 31641.04 provides the Board of Supervisors the authority to offer additional service credit, not to exceed two (2) years, to eligible employees when the Board determines it is to the benefit of the County "because of an impending curtailment of service or change in the manner of performing service, savings of money, or other economic benefit resulting to the county." Eligibility requirements for additional service credit include:

- Indentifying eligible classifications/positions in a resolution adopted by the Board of Supervisors;
- Making the offer to eligible employees only (age 50 and a minimum of ten years of service);
- Employees must retire on or between the dates specified by the Board of Supervisors (eligibility period cannot exceed 180 days); and
- County must pay to the retirement fund an amount equal to the actuarial equivalent of the difference between the allowance the employee receives after the additional service credit and the amount he/she would have received without the additional service credit. (This amount is typically estimated at approximately six month's salary.)

Savings are realized by eliminating the vacated position, requiring it to remain unfilled for a specified period of time, or restructuring department operations and filling vacated positions with line staff.

Outside the Government Code provisions, many jurisdictions are offering structured monetary offers to individuals eligible for retirement. These offers can be flat amount, several months of salary, or a specific amount for each year of employment. An offer such as this could be structured in such a way that retiring employees may be able to use the funds to purchase additional service credit, pay for medical coverage, roll the funds into an individual retirement account, or use the amount as the employee determines best. To structure an offer of this nature would require both legal and actuarial analysis.

*Demographics*
Typically to be eligible to retire, an individual must be at least 50 years of age with a minimum of ten years service credit. Currently there are approximately 104 managers and executives who meet these criteria.

Options for structuring an early retirement incentive are being evaluated. Applying Government Code Section 31641.04 provisions, based solely on age and years of service, generate the following estimated costs and savings:

| | Executives and Managers Eligible for Retirement |
|---|---|
| **# of Eligible Employees** | 104 |
| **Est Annual Payroll with Rollups** | $15,433,926 |
| **Est 6 Months Salary with Rollups** | $7,716,963 |

| % Taking ERIP | # of Mgrs | Est Annual Salary | Est 6 Month Cost | Est Savings |
|---|---|---|---|---|
| 100% | 104 | $15,433,926 | $7,716,963 | $7,716,963 |
| 90% | 94 | $13,890,533 | $6,945,267 | $6,945,267 |
| 80% | 83 | $12,347,141 | $6,173,570 | $6,173,570 |
| 70% | 73 | $10,803,748 | $5,401,874 | $5,401,874 |
| 60% | 62 | $9,260,356 | $4,630,178 | $4,630,178 |
| 50% | 52 | $7,716,963 | $3,858,482 | $3,858,482 |
| 40% | 42 | $6,173,570 | $3,086,785 | $3,086,785 |
| 30% | 31 | $4,630,178 | $2,315,089 | $2,315,089 |
| 20% | 21 | $3,086,785 | $1,543,393 | $1,543,393 |
| 10% | 10 | $1,543,393 | $771,696 | $771,696 |
| 5% | 5 | $771,696 | $385,848 | $385,848 |
| 4% | 4 | $617,357 | $308,679 | $308,679 |
| 3% | 3 | $463,018 | $231,509 | $231,509 |
| 2% | 2 | $308,679 | $154,339 | $154,339 |
| 1% | 1 | $154,339 | $77,170 | $77,170 |

## 2. Labor Concessions

As the Board is aware, staff is in the process of negotiating potential concessions with the majority of the labor organizations. Discussions include exploring the possibility of deferring/eliminating previously-negotiated wage increases, unpaid furloughs, and other wage and benefit concessions. If the parties can come to agreement, it may save the County $10 million to $15 million in Fiscal Year 2009-210 depending on the dollar amount of the concessions.

## REDEVELOPMENT AGENCY

The Redevelopment Agency (RDA) proposes budget reductions as detailed below. Combined, the reductions allow the RDA to maintain a strong focus on core agency functions related to housing and infrastructure projects that are necessary to leverage private investment in Isla Vista. The proposed adjustments represent a potential decrease in activity within several project areas for Fiscal Year 2009-10. Preserving funding for core RDA functions, however, will provide continued dedication to: 1) improving the quality and quantity of affordable housing and, 2) design and construction of key infrastructure to support and leverage private investment in the community. This approach allows the RDA to continue growing the Tax Increment, thereby generating future revenues that will fund the vision for Isla Vista that is outlined in the Redevelopment Plan, the 5-Year Implementation Plan, and Isla Vista Master Plan (IVMP). Examples include improved parks, homeless support service infrastructure, and the development of a community center.

The proposed adjustments do not impact the Housing Fund, the budget for the design and construction of El Colegio Road, the downtown loop storm drain project, or the El Embarcadero streetscape/utility undergrounding project. Supporting affordable housing activity and infrastructure projects is a top priority to help meet the agency's short and long term goals to remove barriers to private sector investment in the project area and to comply with State law.

The State is requiring a transfer of $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. A budgeted ERAF payment of $316,000 for FY 2009-2010 reduces the RDA unbudgeted expenditure for SERAF obligations from $1,535,999 million to $1,219,764 million. Recommended budget reductions total $642,366 and include:

- Project and Program- Infrastructure Adjustments
    - Minor Projects- reduced funding for technical support for community development activities such as the Downtown Noise Study completed in FY 2008-09 and start-up projects/programs;
    - Façade Program- reduced funding for physical improvements to storefronts; and
    - Reserve for Private/Public- elimination of contribution to the reserve fund supporting private investment opportunities through write-down costs to private development.
- Projects and Programs- Professional and Special Services Adjustments
    - Land appraisals, Public/Private Partnerships, Façade Architectural- reduced funding to consultant support services; and
    - IVMP- reduced funding to support IVMP adoption outreach activities.
- General and Administrative Adjustments
    - RDA Staffing- one-time adjustment to vacant staff positions for Fiscal Year 2009-10

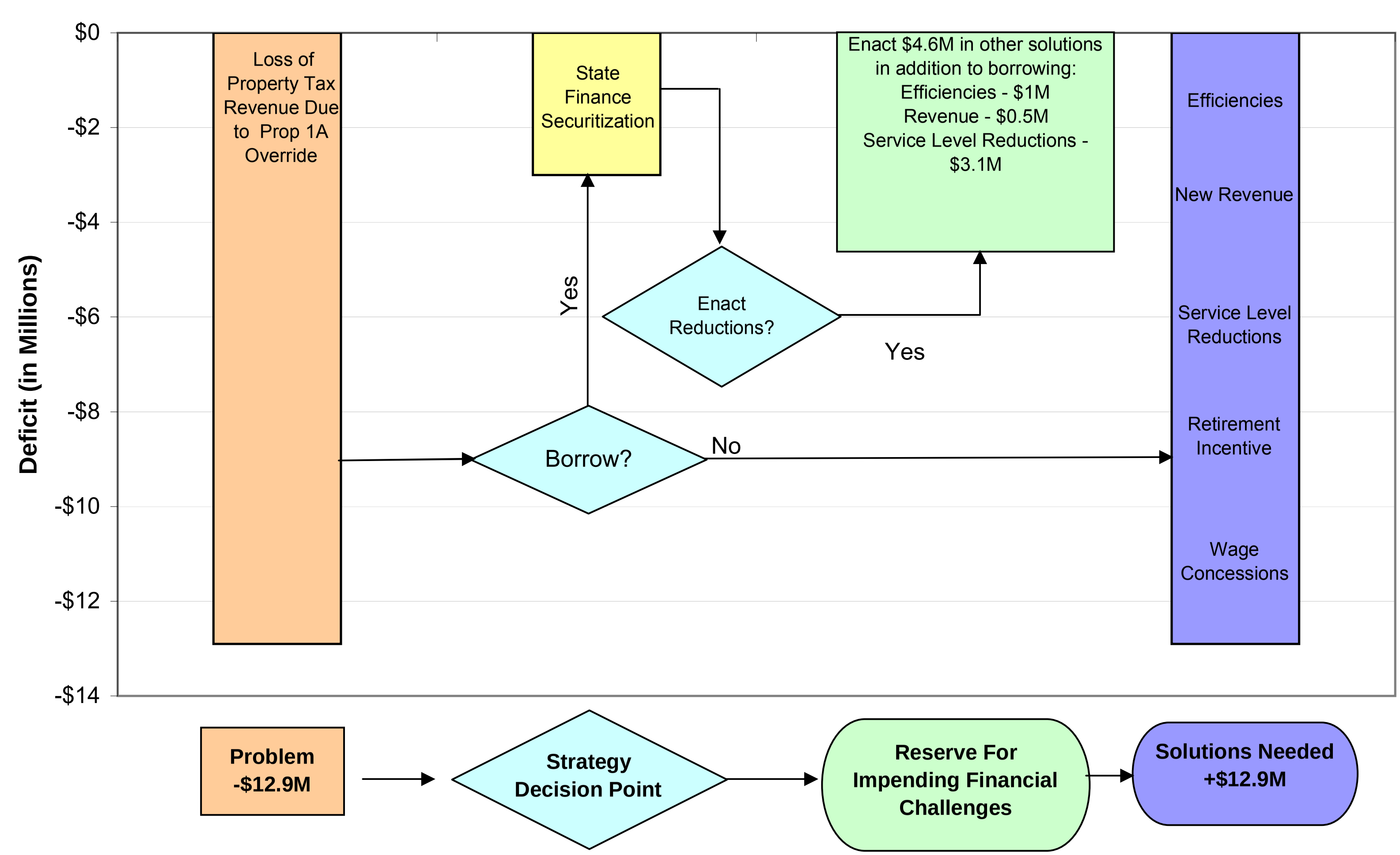
The remaining obligation of $577,398 is proposed to be paid out of the RDA Fund Balance which represents money set aside for long term projects such as the Community Center.

# RECOMMENDATION

Staff recommends that the Board of Supervisors borrow $16 million in financing in Fiscal Year 2009-10 and participate in the CSCDA securitization in order to mitigate the impacts of the Proposition 1A suspension. This will enable the County to avoid having to reduce County expenditures by $16 million due to the loss of property tax revenue. The securitization would provide the County 100% of the amount borrowed by the State, thus providing certainty of cash flow and removing the risk associated with lack of repayment by the State. This borrowing should take place only if the 100% provision is adopted by the Legislature and proven to be legal. If the provisions change, the Board should consider other options. This option would also not infringe upon County fund balances to cover the State "borrowing," thereby enabling these resources to be available for other impending financial challenges.

Staff also recommends that the Board of Supervisors enact certain budget reductions, including $4.6 million in GFC reductions in Fiscal Year 2009-10, expenditure reductions to mitigate the loss of categorical revenues, and reductions in the Redevelopment Authority to manage State budget impacts. The General Fund reductions will provide the necessary funding needed to implement the Early Retirement Incentive program, potentially provide partial funding for the health benefit cost increase expected to occur in January 2010, and will improve the County's fiscal position to mitigate the impending financial challenges.

## Fiscal Year 2009-10 State Budget Impacts on General Fund



**Report of the County Executive Office Budget and Research Division**

**Presented to the Board of Supervisors August 18, 2009**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