



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

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

Department Names: County Executive
Office (CEO)
Department No: 012
For Agenda Of: February 17th, 2009
Placement: Departmental
Estimated Tme: 90 minutes
Continued Item:
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Michael F. Brown, County Executive Officer
Director:
Contact Info: Jason Stilwell, Assistant CEO Budget Director 568-3413

**SUBJECT: Fiscal Year 2009-2010 Budget Development Workshop:
Part 3 - Five Year Financial Forecasts**

Recommended Actions:

That the Board of Supervisors:

- a) Hold the third part of a four-part 2009-2010 budget development workshop and receive the Fiscal Year 2009-2010 Budget Development – Five Year Financial Forecasts Report; and
- b) Accept and file updated five year financial forecasts for: Public Health; Alcohol, Drug, & Mental Health Services; Social Services; Fire Department; Housing and Community Development; the Road Fund; and the County General Fund.

Summary Text:

This budget development workshop is designed to timely bring forward to the Board information outlining factors contributing to the multifaceted and complex financial challenges of Fiscal Year 2009-2010 and beyond. The budget development workshops are segmented into four sections:

1. Revenue Environment
2. Retirement Funding
3. Five Year Financial Forecasts
4. Potential Service Level Impacts

The first segment on revenue was held on February 3, 2009. The second segment of the workshop was held on February 10, 2009 and presented the challenges the County will face in funding retirement costs. The February 17, 2009 Budget Development Workshop will focus

on the five year financial trends for key County funds. In general, the five year forecasts demonstrate that actions will be required to close projected budget gaps.

The Board receives, on an annual basis, forecasts of the key funds of the county. These include: Public Health; Alcohol, Drug, and Mental Health Services; Social Services, the Fire Fund; the Road Fund; and the County General Fund. These funds are the largest of the County's funds. Examination of the financial projections of these funds can assist the Board in ascertaining the future financial condition of the County. In addition, Housing and Community Development is preparing a five year forecast for the Affordable Housing Fund to demonstrate to the Board the fiscal condition of this fund in the near future.

Background:

The County faces severe budget challenges. During this fiscal year, the economic recession has had a strong impact on County revenues. Departments have begun several service level reductions in order to stay within budget appropriation limits and the Board has approved certain personnel cost reduction measures. The Board-adopted Fiscal Year 2009-2010 Budget Development Policies call for ten-percent (10%) reductions in the General Fund Contribution. Future budgets are severely constrained by rising retirement costs, even if the recession ends and the economy bounces back. Given that the financial challenges are multifaceted and complex, the budget workshop is segmented to break the complex issues into multiple meetings and to bring information forward to the Board on a timely basis. The segmentation of the workshop is as follows:

- February 3, 2009: Revenue Environment
Revenues of all types are declining. This will force reductions in service levels. This segment of the workshop will describe the recent revenue trends and describe potential future revenue trends.

- February 10, 2009: Retirement Funding
Retirement costs are anticipated to be significant components of future County budgets. This segment of the workshop will enable the Board to understand the impacts of the retirement funds on the County budget and the result of recent market volatility on the County retirement costs.

- February 17, 2009: Five-year financial forecasts
The five-year plans identify financial trends over the immediate horizon. These trends are significantly influenced by the current recessionary economic environment

- February 24, 2009: Expenditures and potential service level impacts
By February we will have had a chance to review department budget requests and identify the major problems. Staff anticipates there will be significant service level reductions required to develop a balanced Fiscal Year 2009-2010 budget. This segment of the workshop will present the potential service level reductions to the Board for discussion. It is scheduled for four hours so that the Board can interact with the departments to discuss the impacts.

Fiscal Impacts:

The fiscal impacts are the centerpiece of this Budget Development Workshop series.

Attachments:

Fiscal Year 2009-2010 Budget Development Workshop - Part 3 - Five Year Financial Forecasts

Authored by:

Kimbra Caywood McCarthy, CEO Fiscal and Policy Analyst 568-3261

cc:

All Assistant CEOs

All Department Directors

All CEO Fiscal and Policy Analysts