



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

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

Department Name: County Executive
Office
Department No.: 012
For Agenda Of: March 24, 2009
Placement: Administrative
Estimated Tme:
Continued Item: No
If Yes, date from:
Vote Required: 4/5th

TO: Board of Supervisors
FROM: County Executive Michael F. Brown
Officer
Assistant County Dr. Jason Stilwell, 568-3413
Executive Officer
SUBJECT: Fiscal Year 2008-2009 General Fund Budget Gap Budget Revisions

County Counsel Concurrence

As to form: N/A

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board of Supervisors approve the attached Budget Revisions.

Summary Text:

During mid-fiscal year 2008-2009, many key revenues that fund County services had sudden and sharp declines as a result of the recessionary economy. These include sales taxes, fees, and federal and state revenues. The result is that at this point at least nine departments are anticipating a budget shortfall by the end of the year. Most of these departments have outlined strategies for closing their budget gaps. The attached budget revisions effectuate those strategies. It is requested that the Board approve the enclosed budget revisions in Exhibit A to adjust the Adopted Budget in order to address current year revenue shortfalls and projected budget deficits.

Background: A number of department's year end estimates require the budget revisions included in Exhibit A in order to bring the adjusted budgets in line with the anticipated expenditures and revenues anticipated. The shortfalls in revenue are being addressed with a combination of expenditure reductions, recognition of unanticipated revenue, and the use of one time funds. A number of expenditure reductions anticipated in the requested Fiscal Year 2009-2010 budgets, will begin in the third quarter of the current fiscal year in order to close the Fiscal Year 2008-2009 budget gap. The blended approach of both expenditure reductions and the use of one time funds is necessary given that there is only one fiscal

quarter remaining to realize savings from expenditure reductions, the limited one-time resources available in reserves and designations available to close the budget gap, and the five year General Fund forecast demonstrating further service level reductions will be required. With only one quarter remaining in the fiscal year, it is prudent to utilize one time funds; however, expenditure reductions are crucial in order to close the budget gap and to phase into the Fiscal Year 2009-2010.

The budget revisions are divided into three main categories: revisions to adjust revenue shortfalls, revisions to adjust the budgets based on early retirement agreements which were actualized in the beginning of the fiscal year per Board direction, and the revisions to address salaries and benefits over expenditure due to agreements with the participating bargaining units in the mandatory furlough.

I. Public Safety: Proposition 172 Public Safety Sales Tax and Other Revenue Declines

A number of key departmental revenues continued to decline throughout the year. One of the most significant revenue impacts on General Fund Public Safety departments is the drop in Proposition 172 Public Safety Sales Tax revenue. The Estimated Actual Proposition 172 Public Safety Sales Tax revenue is -\$3.4M below budget, which significantly impacts the Sheriff, Probation, District Attorney, and Public Defender Departments requiring the budgets to be adjusted. In addition, the budget revisions for these four departments also address other revenue shortfalls as is discussed in detail below under each departmental section.

Sheriff

Due to the significant drop in sales throughout the State, the Proposition 172 actual revenue projection has been lowered from the Adopted Budget by \$1,590,183 for the Sheriff's Department. The requested budget revision recognizes the revenue shortfalls and partially offsets it by the release of the Furlough designation in the amount of \$883,360 which was saved by the Sheriff's Department's employees in order to avoid layoffs. The remaining shortfall in the revenue is offset by recognizing unanticipated State Criminal Alien Assistance Program (SCAAP) revenue to be used for Custody Operations in the amount of \$136,174 and by reductions in Salaries and Benefits as applicable to the general departmental operations in the amount of \$570,649. In additions the requested budget revision recognizes State and Federal disaster reimbursement revenue for the Gap and Tea fire incidents and appropriates the corresponding overtime expenditures in the amount of \$343,560 for the Gap fire and \$227,089 for the Tea fire. Other than the furlough release, there is no net financial impact to the General Fund.

Probation

The Probation Department has been impacted materially by reductions in three revenue streams: \$1,613,022 of Medi-Cal for the Children's System of Care and Counseling & Education Centers programs will not be transferred from ADMHS due to uncertainties in reimbursement from the State; \$1,016,095 of Juvenile Probation and Camps Funding (JPCF) revenue will not be received due to State Budget reductions of February 2009; \$770,856 is not anticipated to be received in Proposition 172 funds due the decline in statewide sales. The requested budget revision unrecognizes \$3,079,558 in revenue and partially offsets the revenue declines with a release of the Furlough designation in the amount of \$507,430 to prevent layoffs of clerical employees, a reduction in Salaries & Benefits in the amount of \$800,000 achieved via layoff of bargaining units 18 & 19 employees, a reduction in Services & Supplies in the amount of \$159,106, and a release of the strategic reserve in the amount of \$1,613,002 to offset the loss of the Medi-Cal revenue. Net of these transfers, it is currently estimated that the department will end the year with a deficit of \$614,066 unless additional revenue or expenditure reductions are not recognized. The CEO's office and the Department will continue efforts to eliminate the projected

deficit. The remaining amount of strategic reserve balance net of ADMHS booked liability is \$13,506,760. This is nearly equal to the total known amount of Medi-Cal unfunded liability and, at this time, is identified as the source of any necessary Medi-Cal repayments including this loss of revenue to Probation. The remaining strategic reserve balance, if this budget revision is approved, will be \$11,893,738.

District Attorney

The District Attorney has an estimated revenue shortfall of \$1,160,374. Of that, \$425,381 is a result of lower Proposition 172 revenues. In reaction the department estimates expenditures will be \$82,136 below the adopted budget. The department has prepared a budget revision in the amount of \$85,000 to realize these savings. There are no savings in salaries and benefits. A budget revision releasing furlough designation in the amount of \$369,820 was included earlier in the year. The furlough release and this budget revision results in the department projecting a year end deficit of \$623,418.

Public Defender

The Estimated Proposition 172 revenue is projected to be \$309,600 below budget for the Public Defender Department. The requested budget revision recognizes this revenue shortfall and offsets it with a net reduction of \$92,213 in Salaries & Benefits and \$59,900 in Services & Supplies appropriations. The remaining \$156,487 is offset by the release of Salaries & Benefits designation to avoid layoff of 1 FTE support staff and to fund extra help expenditures hired for unanticipated capital case defense.

II. Planning and Development Workload and Revenue Adjustment

Due to the slowing economy, permitting activity has slowed down significantly in the Planning and Development Department. Therefore, a budget revision is requested to reduce revenue and expenditures in programs where permitting activity has slowed to bring the budget in line with estimated actuals. This budget revision will reduce revenue by \$660,000 and expenditures by \$660,000 for no net financial impact.

III. County Counsel Risk Management Revenue and Layoff Prevention

County Counsel has experienced revenue shortfalls and over expenditures. Revenue shortfalls result primarily from reduced hours due to the furlough and thus lower billed services in the amount of approximately \$130,000 and also from a reduction of legal services provided to Workers Compensation in the amount of \$108,203.

On the expenditure side the department did not meet budgeted salary savings and utilized more extra help than anticipated for land use issues. This results in \$281,882 of unanticipated expenditures.

The requested budget revision offsets these revenue shortfalls and the salaries and benefits expenditures with a release of \$130,000 from the departmental designation, fully depleting the balance; \$154,335 from the Furlough designation to prevent layoff of employees in the Confidential and Unrepresented Attorney bargaining units who would otherwise be subject to layoff; and \$235,750 from the Salaries & Benefits designation.

IV. Early Retirement Incentive Program (County Executive Office, County Counsel, Agricultural Commissioner, Public Health, Social Services)

This budget revision moves salary savings realized from the Early Retirement Incentive Program (ERIP) to the Salary & Retirement Offset Designation within the appropriate funds. Per Resolution 08-252, adopted by the Board of Supervisors on June 24, 2008, key individuals in certain classifications within County Departments were offered the option to receive two years of additional retirement service credit if they opted to retire before July 30, 2008. A total of nine individuals chose to participate in the ERIP. Departments were required to leave the positions vacant (or delete the positions entirely) for two years. This budget revision is the end result of the savings realized in the current fiscal year net the amount due to the Retirement Board to fund the actuarial cost of the ERIP.

V. Clerk Recorder Assessor Revenue and State Special Election in May

The Governor signed the Senate Bill 11 in February 2009 to hold a Statewide Special Election on May 19, 2009. The Bill did not include specific provision for reimbursement to the counties; however, the Governor stated that the costs will be reimbursed. Due to timing uncertainty for the Special Election reimbursement, the attached budget revision requests that the repayment of the loan taken by the Clerk Recorder Assessor in Fiscal Year 2007-2008 from the Strategic Reserve for the costs of the Primary November 2008 Election, be partially delayed to Fiscal Year 2009-2020 and that the funds be used to fund the May 19, 2009 Election until the County is reimbursed in Fiscal Year 2009-2010. The transaction, delayed the reimbursement of Strategic Reserve in the amount of \$1,087,539 until Fiscal Year 2009-2010, leaving \$368,714 to be transferred back to the Strategic Reserve in the current fiscal year as budgeted.

Secondly, the requested budget revision adjusts the Clerk Recorder Division budget due to delays in projects funded by categorical funds designated in the Clerk Recorder Modernization designation. The requested budget revision reduces the salaries and benefits appropriations for the projects and the according release of the Modernization designation and releases the Furlough designation, increasing the salaries and benefits appropriations to prevent layoff of SEIU 620 employees in the Clerk Recorder Division who would be subject to layoff otherwise.

VI. General Services Real Property Revenue

The requested budget revision draws \$240,000 from furlough savings to fund Real Property agents (Bargaining Unit 28) who would otherwise be subject to layoff. The budget anticipated these positions would generate revenue that would cover costs however this has not actualized due to lower workload.

The requested budget revisions have the following General Fund net impact:

Revenue	-5,495,721
Expenditure	-815,785
Reserves & Designations	
Salaries & Benefits Designation	-\$64,250
Furlough Designation	-\$2,075,125
Departmental Designations	\$160,000
Strategic Reserve	-\$2,700,561

Fiscal and Facilities Impacts:

Budgeted: No This action creates various fiscal impacts as discussed in this Board letter and attachments.

Attachments:

Exhibit A

Authored by:

Xenia Tihomirova, Fiscal & Policy Analyst, 568-3421

cc:

All Department Directors, All Assistant County Executive Officers, All Fiscal & Policy Analysts