



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: CEO
Department No.: 012
For Agenda Of: 12/6/11
Placement: Administrative
Estimated Tme:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Chandra Wallar, County Executive Officer
Director(s)
Contact Info: Tom Alvarez, 568-3432

SUBJECT: FY 2012-13 Budget Development Policies

County Counsel Concurrence

As to form: N/A

Auditor-Controller Concurrence

As to form: N/A

Recommended Actions:

It is recommended that the Board of Supervisors adopt budget development policies for the FY 2012-13 operating budget to provide policy direction to the County Executive Office and departmental staff as necessary.

Summary Text:

The County Executive Officer is charged with developing a balanced budget to recommend to the Board of Supervisors.¹ This hearing will enable the Board to adopt budget development policies and give policy direction to the County Executive Office and departments in developing the FY 2012-13 recommended budget.

Attached are the proposed budget development policies for FY 2012-13, which are intended to provide a policy framework for the Board to adopt a balanced FY 2012-13 budget. These policies will guide departmental staff in requesting a balanced budget the County Executive Officer can recommend to the Board while at the same time balancing the evolving economic factors and significant fiscal issues that have been presented to the Board on various occasions, most recently on November 15, 2011 in the Fiscal Outlook Report.

¹ Santa Barbara County Code (2010) 2:71(k). See also, California, *County Budget Act* (2010) 1:29062.

Background:

Fiscal Environment

The operating budget development begins each year with an examination of the economic condition of the County and projected impacts that will affect the County’s finances. This includes projecting key revenue trends and highlighting potential expenditure requirements.

The Fiscal Outlook Report presented to the Board on November 15, 2011 provided background and estimates on the fiscal realities facing the County for the FY 2012-13 budget cycle and subsequent years. The FY 2012-13 forecast in that report projects an estimated General Fund shortfall of \$15.2 million, including approximately \$17.2 million of one-time funding sources used to balance the Adopted FY 2011-12 budget. On a positive note, General Fund discretionary revenues in FY 2012-13 are projected to grow slightly compared to FY 2011-12 adopted levels, with an increase of \$3.4 million. Therefore, major Countywide discretionary revenue alone will not provide adequate funding for the \$15.2 million identified need required to preserve current service levels.

The impact of the FY 2012-13 budget shortfall has been substantially reduced due to the \$14.87 million in concessions received from some but not all bargaining units. However; the budget shortfall is ongoing and if not resolved will grow in subsequent fiscal years. The County is required by law to adopt a balanced budget and therefore must identify strategies to close the FY 2012-13 gap during the budget development process.

	Total Countywide	General Fund	Special Revenue Funds
Projected Changes to Expenditures			
Retiree healthcare	\$ 300,000	\$ 180,000	\$ 120,000
Pension fund stability	4,600,000	2,760,000	1,840,000
Workers' compensation & general liability	2,900,000	1,740,000	1,160,000
Unemployment insurance	450,000	270,000	180,000
Health insurance contribution	1,850,000	1,110,000	740,000
Increase regular salaries	400,000	240,000	160,000
Expiration of Firefighters Local 2046 concessions	1,000,000	-	1,000,000
State suspension of vote by mail reimbursement	400,000	400,000	-
Indigent & uninsured clients - Public Health	400,000	-	400,000
Total expenditure increase	12,300,000	6,700,000	5,600,000
<i>Savings from concession agreements</i>	<i>(14,870,000)</i>	<i>(8,920,000)</i>	<i>(5,950,000)</i>
Total change in expenditures	(2,570,000)	(2,220,000)	(350,000)
Projected Changes to Revenues			
State/fed reimbursement for S&B increases	4,190,000	1,250,000	2,940,000
General revenues	3,480,000	3,480,000	-
Revenue loss from Goleta revenue neutrality	(2,300,000)	(2,300,000)	-
Total revenue increase/(decrease)	5,370,000	2,430,000	2,940,000
<i>One-time sources for on-going expenditures</i>	<i>(17,230,000)</i>	<i>(7,350,000)</i>	<i>(9,880,000)</i>
<i>Reduced state/fed reimbursement from concessions</i>	<i>(5,940,000)</i>	<i>(1,780,000)</i>	<i>(4,160,000)</i>
Total changes in revenues	(17,800,000)	(6,700,000)	(11,100,000)
FY 12-13 Projected Budget Gap	\$ 15,230,000	\$ 4,480,000	\$ 10,750,000

The adoption of the FY 2012-13 budget development policies are necessary to enable the CEO and departmental staff to develop information critical to the Board as budget allocations is made. As in prior fiscal years, in an effort to ensure resources are allocated in a manner that supports Board strategic and priority programmatic goals, across-the-board cuts are not recommended. This proposed budget development policies were devised to assist in the issuing of targets to close the projected budget deficit according to Board policy direction, historical spending patterns and staffing levels, Federal and State mandate levels (as funded), and within available sources.

These polices, if adopted, will continue to help identify and achieve efficiencies where possible to preserve services to the community. The County has experienced decremental budget cycles for the last four budget cycles where departments have made significant reductions to service levels and mitigated reductions through efficiencies, reorganizations, and realignment of expenditures with revenue. In order to maintain services to the extent possible in FY 2012-13 and beyond, it will be necessary to continue to seek additional organization-wide cost-saving strategies such as further reorganizations, consolidations, reengineering, public-private partnerships, IT innovations, new revenue generation, and other efficiency efforts. The Board's prioritization of funding in functional areas, departments, or specific programs will provide policy direction to the CEO and departmental staff in order to recommend a balanced FY 2012-13 budget.

Budget Adoption Process

Staff utilizes an incremental approach from adoption of budget development policies to adoption of the operating budget, as detailed by the following timeline:

December - Budget Development Policies: The Board of Supervisors adopts budget development policies that direct and guide staff through the budget process in order to adopt a balanced budget.

December - Kickoff: The CEO, along with the Auditor-Controller, General Services, and Human Resources, hosts a Budget Kickoff for the new fiscal year to introduce the new budget instructions, rates, and changes to all departments.

January-February - Departments assemble professional budget requests: The departments work with the CEO to assemble budget requests for the CEO's recommended budget.

April-May - Develop Recommended Budget: The CEO makes final funding recommendations and publishes the recommended budget to officially present for adoption by the Board of Supervisors in June.

June - Board adoption of budget: The CEO presents the Recommended Budget to the Board of Supervisors over a series of hearings where inquiries are researched and public comments are received, resulting in the adoption of a balanced budget.

Attachments: Proposed FY 2012-13 Budget Development Policies

Authored by: Richard Morgantini, CEO Fiscal and Policy Analyst, 568-3551

cc: Department Directors and Budget Preparers
Assistant County Executive Officers