



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: 3/19/2013
Placement: Departmental
Estimated Tme: 90 minutes
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Chandra L. Wallar, County Executive Officer, 568.3400
Director(s)
Contact Info: Tom Alvarez, Budget Director, 568-3400

SUBJECT: Fiscal Year (FY) 2013/14 Service Level Reductions

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: N/A

Recommended Actions:

That the Board of Supervisors:

Receive and file the Service Level Reductions Budget Update for Fiscal Year (FY) 2013-14 including a presentation describing these anticipated reductions.

Summary Text:

This hearing is to provide the Board of Supervisors an update on anticipated Service Level Reductions resulting from implementation of the Board's Budget Policies and Fiscal Strategies approved on October 16, 2012. At that time, the Board directed staff to adjust the Budget Development Calendar as practical in order to provide information to the Board regarding potential service level impacts in March 2013 rather than April 2013.

Background:

The Board of Supervisors (Board) has received several updates as development of the County Executive Officer's (CEO) proposed Fiscal Years (FY) 2013-14 & 2014-15 Operating Plan progresses. On October 16, 2012 the Board adopted Budget Policies and Fiscal Strategies for developing the FY 2013-15 Operating Plan. On November 13, 2012, the Fiscal Outlook Report (FOR) describing those concerns that the County was facing over the next two years (expected, probable) was presented. On December 4, 2012, the Board approved the General Fund Allocation Policy including procedures for allocating funding to each department.

Presented earlier today was an update to the November 2012 Fiscal Outlook Report (FOR). The updated Fiscal Outlook Report provides you with the latest information on the key financial issues that face the County in the coming years. The updated report is also intended to provide the Board with an opportunity to review these issues prior to receiving information on reductions that may be necessary to ensure a balanced CEO proposed budget is provided to the Board and the public in May 2013.

The County has balanced its budget but operated with a structural deficit for several years by utilizing one-time funding for on-going programs. However this practice cannot be sustained as the availability of reserve funds continues to diminish and in some cases reserves have been exhausted. Although substantial progress has been made over the last two years to structurally balance the budget, Santa Barbara County continues to face significant near-term challenges including, but not limited to:

- Escalating employee retirement and health care costs,
- Increasing employee compensation resulting from expiring negotiated labor concessions,
- Implementing previously negotiated salary increases for firefighters and Sheriff's managers,
- Setting aside funding for new jail operations,
- Overcoming the uncertainties of implementation of the Affordable Care Act (ACA), and
- Continuing reliance on one-time funding solutions.

Though ambiguity remains about the future, the magnitude of the challenges listed above requires reductions in service levels to match the available revenues provided by taxpayers. It is currently anticipated there will be a \$10.8 million shortfall in FY2013-14. During budget hearings in June, the Board will need to make substantial policy decisions and difficult budget choices.

The application of Board approved budget allocation policies resulted in several departments considering the need for Service Level Reductions (SLRs) to balance expenditures with revenues. These SLRs are included in *Attachment A*. SLRs are arranged by department and in priority of the item with #1 on each SLR being the first item that the department would want restored (i.e. most important/impactful). The SLRs presented are based on each departments understanding of the service level reductions at this moment required by adopted Board budget policies. Between now and the June Budget Hearings, additional information will be developed (i.e. clearer fund balances, unanticipated state, federal or grant revenue, etc.) which may change the depth or breadth of the service level reductions presented today.

As a result of available revenues and the expected increases to expenditures, it will be necessary to reduce service levels by \$8.3 million which includes an impact to 55.3 full-time equivalent positions. Many of the FTEs recommended for elimination are currently vacant. Others which are not currently vacant would be considered for transfer into other vacant and ongoing funded positions. The ongoing General Fund cost to restore these service level reductions would be \$4.9 million. Fewer General Fund dollars are needed to restore service levels because in some cases there are savings resulting from increased operational efficiencies and in other instances matching federal or state revenues would become available. Since the FY 2013-14 budget is preliminarily balanced with ongoing revenue equaling ongoing operational expenditures, restoring any service levels with one-time General Fund dollars will further widen the gap for the 2014-15 fiscal year. The SLRs include budget adjustments the Board made during their June 2012 budget deliberations that were funded with one-time sources. (*Attachment B*).

These reductions will further exacerbate the critically low staffing levels in all departments. These staffing levels will hamper the County's ability to provide the services our residents need and desire. Even with the Service Level Reductions being discussed today, there will be a need for further reductions in future fiscal years to balance expenditures with available revenues.

As mentioned previously, the next step for budget development will be for the CEO to work with departments to refine anticipated revenues and expenditures and seek solutions to mitigate proposed SLRs. Solutions may include end of year fund balance and process improvements. These efforts will be reflected in the final proposed CEO Operational Plan expected to be provided to the public in May 2013.

Fiscal and Facilities Impacts:

Proposed Service Level Reductions (SLR) will be needed to balance the proposed CEO FY 2013-14 Operational Plan.

Attachments:

Attachment A – Service Level Reductions

Attachment B – FY2013-14 Recommended Budget Status of the Board Budget Adjustments to the FY2012-13 Recommended Budget

Authored by:

Chandra L. Wallar, County Executive Officer