

County of Solano

Midyear Projection

FY2008/09



February 10, 2009

“*Any system of government will work when everything is going well. It’s the system that functions in the pinches that survives.”*

– John F. Kennedy

FY2008/09: 1st Quarter Projection

	1st Quarter Shortfall
General Fund	4,199,844
Public Safety	1,775,816
H&SS	3,227,001
Projected Shortfall	9,202,661

FY2008/09 Mitigation Measures

- ⦿ Instituted selective hiring freeze; deleted unfunded vacant positions
- ⦿ Actively sought new grant funding
- ⦿ Selectively deferred equipment purchases
- ⦿ Consolidated programs for efficiencies and cost savings
- ⦿ Discouraged backfilling of State and Federal programs with County discretionary dollars
- ⦿ Reduced services, supplies and contracts
- ⦿ Prioritized tasks and eliminated low-priority activities
- ⦿ Explored automation projects, streamlined procedures and enhanced training to provide for more organizational efficiencies

FY2008/09: Narrowing the Gap

	1st Quarter Shortfall	Midyear Shortfall	Improvement
General Fund	4,199,844	3,295,389	22%
Public Safety	1,775,816	(1,332,744)	175%
H&SS	3,227,001	2,361,347	27%
Projected Shortfall	9,202,661	4,324,442	53%

Midyear: General Fund

⦿ Expenditure Reductions: (4.8 million)

- Hold Positions Vacant: (1.7 million)
- Contract Services and IT Charges: (2.9 million)
- All Other Costs: (200,000)

⦿ Revenue Losses: 8.1 million

- Property Taxes: 6.2 million
- Interest Income: 2.5 million
- Other Revenue Increases: (600,000)

⦿ Net General Fund Shortfall: 3.3 million

Midyear: Public Safety Fund

⦿ **Net Decrease in Expenses: (3.5 million)**

- Hold Positions Vacant: (1.4 million)
- Services & Supplies: (1.5 million)
 - IT Costs, Contracting, Travel, Training, County Garage
- Institutional Medical Care: (600,000)

⦿ **Net Revenue Loss: 2.2 million**

- Fines & Forfeitures: 300,000
- Prop 172 & Other Governmental Revenue: 1.9 million

⦿ **Fund Savings: 1.3 million**

Midyear: H&SS Fund

◎ Expense Increase: 3.22 million

- Salaries, Benefits & COLAs: 900,000
 - To be offset partially by Mental Health consolidation
- County Share of Cash Assistance Increases: 1.4 million
- Services & Supplies: 900,000

◎ Revenue Increase: (860,000)

- Mental Health State & Federal Revenue: (3.0 million)
- Realignment Loss: 1.2 million
- Medi-Cal & Child Health Fee Loss in Mental Health: 900,000

◎ Net Shortfall: 2.36 million

Managing Our Workforce

	Authorized Allocations	Positions Filled	Vacant, Recruiting	Vacant, not Recruiting
July 1, 2008	3,115	2,857	156	102
Midyear	3,076	2,844	115	117
Change	39 less	13 less	41 less	15 more

- ⊙ **Not recruiting for half of vacant positions**
- ⊙ **Net effect on active workforce (filled and recruiting), down by 54 positions**

Costs Not Included in Midyear Projection

Projected Shortfall

\$4,324,442

PROGRAM	AMOUNT
June 2009 Special Election Costs	816,116
Solano311 Program Contract & Startup Costs	1,500,000
Prior Year Election System & Software Maintenance Costs	189,000
TOTAL	2,505,116
POTENTIAL SHORTFALL	6,829,558

Impacts of State Special Sessions

UNKNOWN

Unresolved State Budget Issues

⦿ State budget deficit

- \$41.6 billion deficit and growing

⦿ Cash flow – cash deferral

- State runs out of cash in February
- Deferrals until September, some to December
- Bond infrastructure projects stopped

⦿ Special election for new revenue proposals

⦿ Other State proposals

- Further reductions in Public Safety, H&SS, Williamson Act revenue
- Special funds targeted: First 5, MHSA

Unresolved State Budget Issues: Impacts on Solano Public Safety Fund

◎ **Creation of Local Safety & Protection Account**

- \$12 VLF fee sustains funding for COPS, JJCPA, Juvenile Probation, Booking Fees

◎ **Eliminates \$1.2 million in grant programs**

- Probation Juvenile programs: \$600,000
 - Fouts Springs \$400,000 and New Foundations \$200,000
- Sheriff Cal-MMET: \$481,000
- District Attorney vertical prosecution grants: \$166,000

◎ **Parole Reform, aka 'Prisoner Dump'**

- Potentially 600 inmates returned to Solano County, creating an estimated 420 new victims
- Serious impact to criminal justice system

Unresolved State Budget Issues: Impacts on Health & Social Services

⦿ Medi-Cal reductions

- Eliminate optional benefits for adults
- Delay provider payments

⦿ Payment of IHSS wages

- State participation reduced to minimum wage
- Limit hours for non-medical services

⦿ Divert First 5 funding

- 50% of local revenue to go to social service programs

⦿ Take MHSA monies

- To backfill Mental Health Managed Care

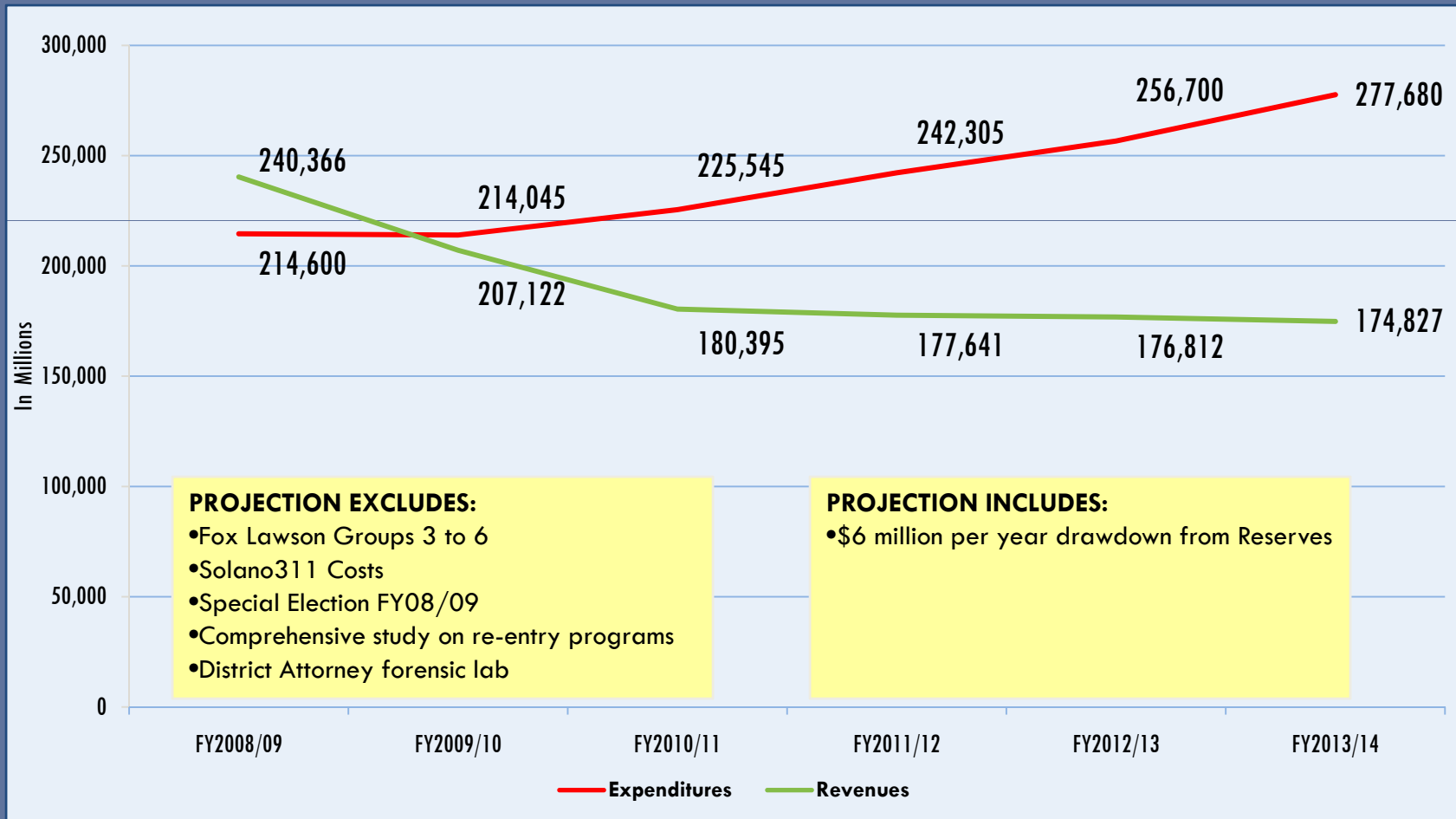
Projected Impacts of Deferred Cash Payments for H&SS, Transportation

	Anticipated Date of Receipt		TOTAL
	9/30/2009	12/31/2009	
Health & Social Services			
Social Services Programs	18,572,489	3,925,221	22,497,710
Assistance Programs	11,427,511	2,415,158	13,842,669
Mental Health		1,800,000	1,800,000
Public Health		1,150,000	1,150,000
Substance Abuse		209,000	209,000
<i>H&SS Subtotal</i>	30,000,000	9,499,379	39,499,379
Transportation			
Highway Users Tax		3,023,000	3,023,000
Proposition 1B		1,054,000	1,054,000
Proposition 42		830,000	830,000
<i>Transportation Subtotal</i>		4,907,000	4,907,000
Interest Expense	400,000	232,450	632,450
TOTAL	30,400,000	14,638,829	45,038,829

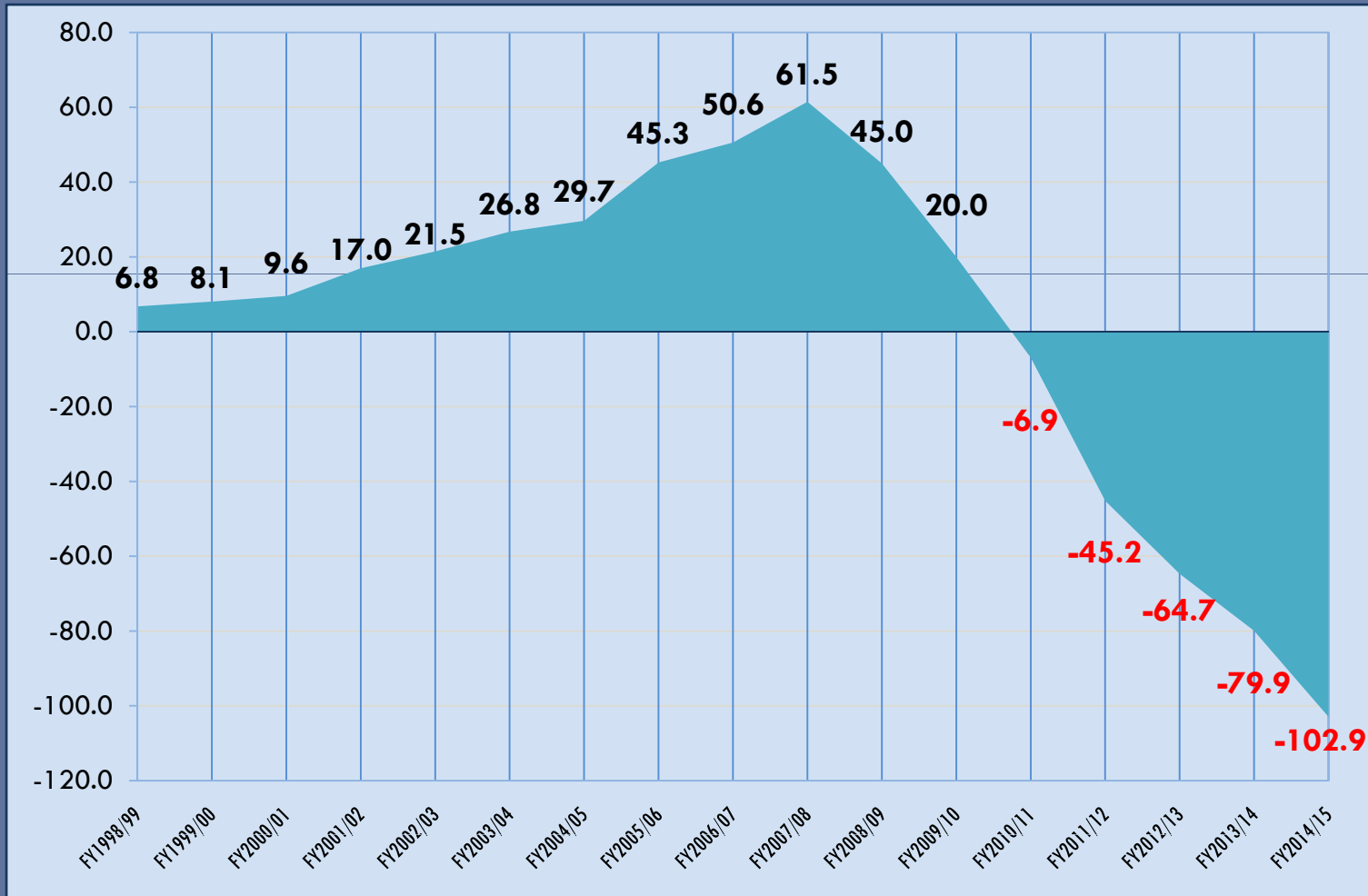
As of Feb. 3, 2009

General Fund Projection

FY2008/09 Midyear through FY2013/14

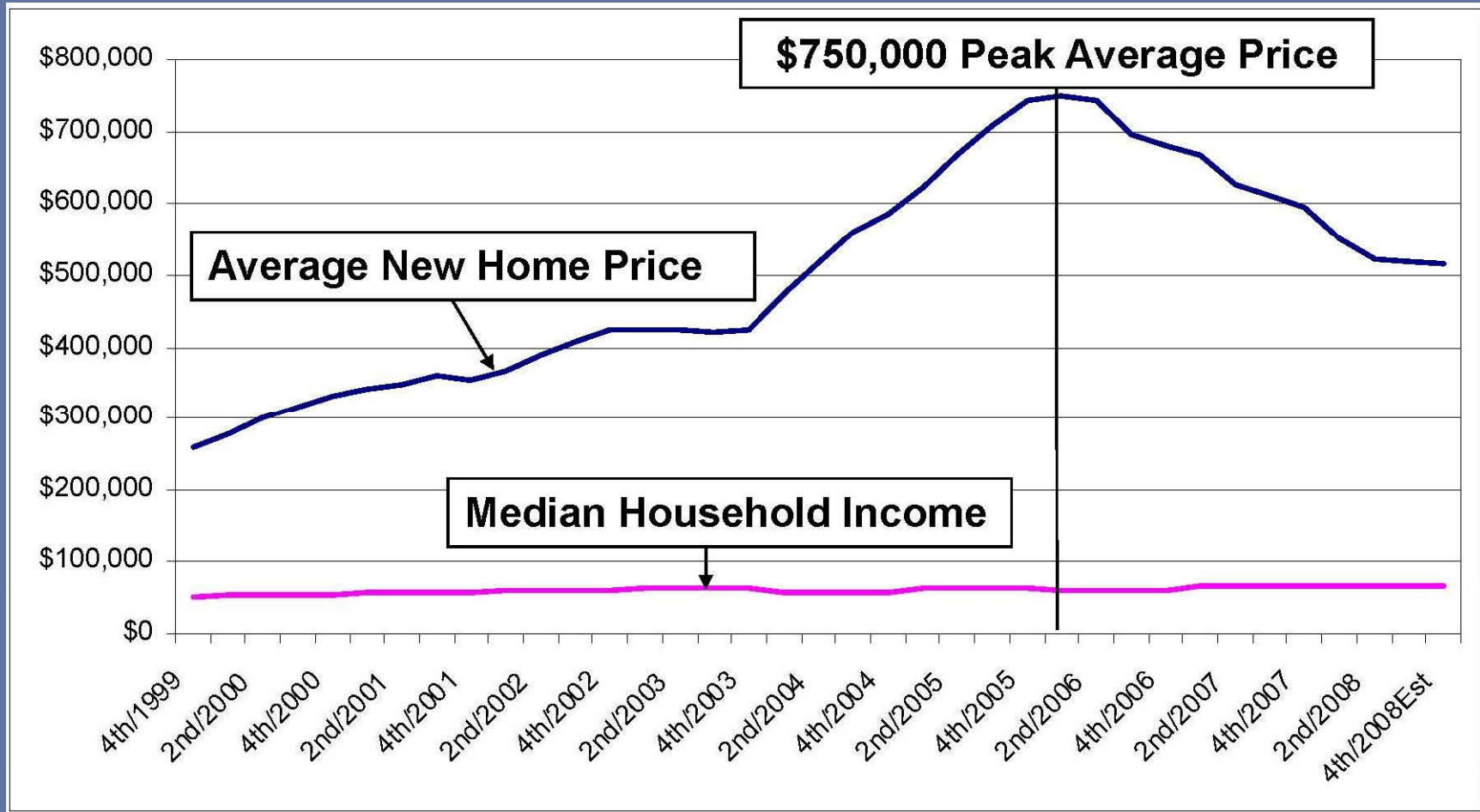


Fund Balance History & Projections



Solano Housing Market Trend

Est. Avg. New Home Price and Median Household Income



Source: The Gregory Group

Potential Revenue Loss in FY2009/10

- ⊙ **Property taxes will continue to decline**
 - Additional 30,000 or more parcels qualifying for Prop 8 assessed value reductions
 - Estimated 6% drop in property tax revenues
- ⊙ **Declining sales tax revenue**
- ⊙ **Strong likelihood the State will continue to have budget issues**
- ⊙ **Loss in interest earnings as County depletes its cash reserves**

FY2009/10: Anticipated Additional Costs

PROGRAM	AMOUNT
Projected Salary Increase (3% COLA)	7,000,000
Projected Impact Due to Increases in H&SS Caseloads	5,000,000
Ongoing Support of Solano311 Customer Service	1,700,000
Fox Lawson Classification Study Implementation	1,400,000
Costs to Implement Risk/Need Assessment Tool for Jail Inmates	250,000
Costs of a Comprehensive Criminal Justice System Analysis/Study	250,000
Operational Costs of District Attorney New Forensic Lab	250,000
TOTAL	15,850,000

General Fund Loans

as of February 4, 2009

Name	Approved Amount	Drawdown Amount	Term Ends
POB Debt Service Fund	25,000,000	24,562,500	2014
Partnership Health Plan Line of Credit	12,000,000	0	Open
Nut Tree Airport Land Purchase	7,712,642	7,712,642	Open
Regional Transportation Fund	3,000,000	114,742	Open
DoIT - SCIPS Integrated Property Services	2,639,314	0	3 years*
Fair Grounds Development	2,000,000	1,000,000	Open
DoIT — 311 Startup Costs/Equipment	800,000	0	3 years*
DoIT - 311 Startup/Improvements — ACO	750,000	0	3 years*
Community Action Partnership of Solano	73,402	73,402	Open
GENERAL FUND LOANS TOTAL	53,975,358	33,463,286	

* Start date for loan repayment not yet established.

Property Tax Revenue Advances

For FY2008/09 from the Treasury Pool as of February 4, 2009

Name	Approved Amount
Benicia Unified School District	5,419,110
Dixon Unified School District	5,473,844
Solano Community College	10,400,000
Vacaville Unified School District (Pending)	7,431,040
City of Rio Vista (Pending)	TBD
One-day loan to school districts: 6/30/2009	TBD
TOTAL	28,723,994

Indicators Impacting Future Fund Balances

- ⊙ **Economy remains unpredictable**
- ⊙ **Revenue loss outpacing cost containment efforts**
- ⊙ **Property and sales tax losses reduce Fund Balance for FY2009/10 and beyond**
- ⊙ **State budget continues to be an unknown**
- ⊙ **Forecasts of long-term financial crisis**
- ⊙ **Hard decisions need to be made to control costs**

Where do we go from here?

⦿ Departments' role

- Focus on sustaining core services and priority programs
- Expand Resource Reduction Strategy efforts
- Implement operational changes to programs to improve efficiencies and reduce costs
- Identify programs to eliminate that are no longer effective, affordable or a priority
- Prepare FY2009/10 Requested Budget with 10% reduction in Net County Cost or General Fund Contribution

Where do we go from here? continued

⦿ County Administrator's role

- Close FY2008/09 budget shortfall gap without additional General Fund contributions
- Review mandated services and recommend prioritization of core services for March 31 'Leading Solano County Through Difficult Times' session
- Ensure judicious use of resources
- Recommend programs to be eliminated that are no longer effective, affordable or a priority
- Prepare FY2009/10 Proposed Budget based on availability of County resources

Where do we go from here? continued

◎ Board of Supervisors' role

- Provide direction on the prioritization of core services, using the 'Leading Solano County Through Difficult Times' session to establish budget priorities
- Continue to support departments and CAO to make organizational changes that improve efficiencies and reduce costs
- Work aggressively with State and Federal legislators to improve revenues and support County programs
- Outline and drive local opportunities for economic stimulus
- Be prepared to make tough choices that may eliminate programs and positions

“We are reaching a financial critical mass. Like in nuclear energy, if you do not take action to control the critical mass you will have a catastrophic explosion.”

– Unknown Budgeteer

Questions and Answers

