



**AGENDA SUBMITTAL TO SOLANO COUNTY BOARD OF SUPERVISORS**

<b>ITEM TITLE:</b> Receive and consider taking action on the County Administrator's recommendations outlined in this report for Budget Workshop #3 for additional FY2010/2011 Budget Reductions to address General Fund structural deficit; and Adopt a resolution amending the Position Allocation List to delete (27.7 FTE) vacant positions and adding 4.0 FTE		<b>BOARD MEETING DATE</b>  October 26, 2010	<b>AGENDA NUMBER</b>  <b>28</b>
<b>Dept:</b>	County Administrator's Office	<b>Supervisorial District Number</b>  ALL	
<b>Contact:</b>	Birgitta E Corsello Assistant County Administrator		
<b>Extension:</b>	6107		
<b>Published Notice Required?</b>		Yes _____	No <u>  X  </u>
<b>Public Hearing Required?</b>		Yes _____	No <u>  X  </u>

**DEPARTMENTAL RECOMMENDATION:**

It is recommended that the Board of Supervisors:

1. Receive an update on the known impacts of State budget and the continued economic downturn impact on County revenues;
2. Receive and consider taking action on the County Administrator's recommendations outlined in this report for Budget Workshop #3 for additional FY2010/11 Budget Reductions to address the General Fund structural deficit;
3. Receive the Vacancy Report & Analysis as of October, and consider recommendations for those positions (Attachment B) and adopt a resolution amending the Position Allocation List to delete (27.7 FTE) vacant positions and add 4.0 FTE for a net reduction of 23.7 FTE (Attachment C).
4. Authorize the Director of Human Resources to initiate procedures required for the Board to formalize layoffs to take effect February 2011;
5. Direct the County Administrator and Director of Human Resources to continue meeting and conferring with recognized employee organizations to mitigate layoffs while closing the County's structural deficit; and
6. Direct the County Administrator to bring back with the Midyear Financial Report additional budget reduction targets for departments to be reflected in the FY2011/12 Requested Budget.

## **FINANCING:**

The current year County revenue projections for the time being appear to be holding. Sales Tax revenue figures for the first quarter of Proposition 172 appear to be within the anticipated budget. However, there is growing concern that the property tax assessed value has not yet stabilized. The recent move on the part of several large lending institutions to implement a moratorium on foreclosures in process, coupled with the inventory of foreclosure homes these institutions are currently holding is making it difficult to project assessed property values and the associated potential tax revenue. In addition, the County Assessor still has a large number of assessment appeals in process for residential and commercial properties with the outcome of these appeals unclear. Consequently, the County Administrator and Auditor Controller are continuing to closely monitoring revenues and anticipate that the Midyear Financial Report will have updated revenue forecasts that take into account the outcome of the December 10, 2010 property tax deadline and six months of sales tax data for Proposition 172.

The FY2010/11 adopted State budget includes provisions for additional revenue to fund the County Veterans Service Office, which is estimated at \$90,000 and has been included as a reduction to the budget structural deficit. In addition, the State Budget includes increased funding of the Williamson Act Subvention Program of \$10 million, which equates to approximately \$200,000 additional revenue for the County in FY2010/11; this has also been incorporated as a budget reduction.

The State budget also has a provision that would allow counties to securitize reimbursements owed them for state mandated program costs; although, at this time no details on the process, timing or rates is known. In addition, the State budget currently includes provisions for the State Controller to reimburse counties for the cost of the May 19, 2009 special election. The County's FY2010/11 Adopted Budget has not anticipated any reimbursement for state mandates or the special election, and we have not included these figures in the deficit reduction figures until more is known about the timing of the potential one-time revenues. Therefore, as more information becomes available, the Auditor Controller and County Administrator will prepare a separate Board report and recommendations.

## **SUMMARY/DISCUSSION:**

### **Background/ History**

Since June 2009, the Board of Supervisors has made many difficult budget decisions as the County grapples with declining General Fund revenues attributed to a severe economic downturn coupled with the near collapse of construction, while concurrently dealing with increased utilization of County medical clinics and record numbers of residents applying for general assistance programs. The past 18 months have seen nearly all sources of revenue to the General Fund decline, including decreases in the two of the larger funding sources: property tax revenues and Prop 172 Sales tax revenue decreases. In response, the County has eliminated a net of 419 FTE positions, reducing allocated staffing in departments by up to 25%, as well as deferring equipment purchases and some maintenance projects, and seeking and securing ongoing salary and benefit concessions.

The Adopted County Budget for FY2010/11 is \$793,183,837 (excluding Internal Service Funds, Enterprise Funds, other agencies and special districts under the Board's control). The FY2010/11 Adopted General Fund Budget is \$228,326,977. The General Fund Budget is a balanced budget for the current year, and it includes a combination of ongoing revenues and expenses as well as one-time revenue sources and one-time expenses. The budget as balanced relies on one-time

revenues to offset approximately \$18 million in expenses. The Board of Supervisors has directed that the County Administrator's Office and County departments identify a means to address the General Fund structural deficit of \$18 million over the next three years. The Board requested recommendations be developed for consideration that would address at least \$6 million in annualized reductions for their consideration on October 26, with a second \$6 million to be addressed a part of the FY2011/12 Recommended Budget.

As of October 14, 2010, the Board has approved additional reductions not reflected in the FY2010/11 Adopted County budget in expenditures of \$1,123,995 countywide, which equate to \$773,112 in additional savings to the General Fund from early retirements, correctional officer labor contract changes, and changes in the County's cafeteria plan for medical benefits for management and unrepresented employees.

#### State Budget Update & Identified Impacts as of October 2010

The new FY2010/11 state spending plan, signed by Governor Schwarzenegger on October 8, includes \$86.6 billion in expenditures, closes a budget gap of \$19 billion, creates a reserve of \$1.3 billion and includes no additional tax increases. Instead, the budget package includes approximately \$4.1 billion in "revenue solutions" through the suspension of Proposition 98 for K-14 education, assumes over \$5 billion in Federal assistance, borrows \$2.7 billion (mainly from transportation), and delays \$1.2 billion in corporate tax write-offs (net operating loss). It also includes substantial reforms to the state pension system, which is projected to save the State over \$100 billion in future years, a ballot measure for the March 2012 ballot to strengthen the State's rainy day fund, and additional reductions in prison and health and human services spending.

From a County perspective the impact of the State budget as adopted is minimal; however, depending on how realistic the revenue figures are which the State budget relies on, it is likely that there will be additional impacts to the County later this fiscal year. The FY2010/11 State Budget continues the reduced level of funding for many county programs that were cut in FY2009/10 and does not include unfunded program shifts from the State to the county, or additional cuts to existing County operated programs. It does keep the funding flat for state-funded programs, which will require the County Departments of Child Support Services and Health & Social Services to absorb local cost increases within their existing State budget allocations.

The State budget does include reductions and statutory changes to In-Home Support Services (IHSS) programs that could result in a \$210,000 in County General Fund savings, but this has not been reflected in the County's budget reduction figures at this time pending the outcome of efforts to address the reduction/loss of Federal Medical Assistance Program (FMAP) funds for the IHSS program in FY2010/11. The State budget also eliminates CalWORKS Stage 3 child care funding, which serves families who have transitioned off CalWORKs cash assistance. This reduction will terminate Stage 3 child care funding, effective November 1, 2010, resulting in a loss of child care assistance for working families in Solano County. Without this assistance, working families may become eligible for CalWORKs. The budget also eliminates Community-Based Services (CBSP) and Linkages programs, which generally serve low-income seniors. While this will not directly impact the County's budget, it will impact services provided by Solano Napa Area Agency on Aging.

The State budget includes several potentially new revenue sources for counties. Among these is an authorization for cities, counties, and special districts to securitize future payments associated with pre-FY2004/05 mandate claims that were not paid prior to the 2005-06 fiscal years. For Solano County, there is \$7,337,740 in unpaid mandate claims which might be eligible to be securitized, but as of the time of this report little is known about the terms for securitization. Other

new revenue to counties is a partial funding of the Williamson Act Subvention for \$10 million. Estimates provided by the Solano County Auditor/Controller project that the County's share would be approximately \$200,000, which has been added to the revenue projections in this report. This is, however, far below the level of funding prior to 2009 when the County received \$642,000 in Williamson Act Subvention. The State budget also includes additional support for County Veteran Service Offices (CVSOs) to improve Operation Welcome Home services for returning veterans. For Solano County this will mean an additional \$90,000 for the County's Veterans Service Office. Lastly, the State budget authorizes the State Controller to appropriate up to \$68 million for county costs incurred for the May 19, 2009 statewide special election, which could provide Solano County up to \$696,047 in reimbursements not currently anticipated in the revenue figures for FY2010/11.

The final budget plan rejects previous proposals to transfer prison inmates from state to county jail facilities, but shifts community supervision of juvenile parolees upon their release from a Division of Juvenile Justice (DJJ) and provides additional State funding (\$15,000 per ward) to offset costs to counties. The State budget also provides \$115,000 per year, per ward housed in a juvenile facility following a violation of parole. While Solano County Probation staff believes the State share of funding will be insufficient to offset the costs, it is estimated that impacts to the County budget will be minimal due to the small population of juveniles currently at DJJ.

### Budget Reduction Strategy Overview

The County Administrator's Office, in consultation with County departments, has prepared a number of budget reduction recommendations for the Board to consider and take action on that would, if approved in its totality, result in additional annualized savings of \$6.47 million for FY2011/12. For FY2010/11 the budget reduction recommendations are estimated to be an additional savings of \$2.23 million.

The County Administrator, in consultation with County Departments, is recommending program and funding cuts designed to address projected ongoing funding shortfalls in the General Fund consistent with the approved Board Resource Reduction Strategy. (Attachment A is the Board Resource Reduction Strategy).

A summary table and a detailed list of budget reduction recommendations have been prepared and distributed for Board consideration. To the extent possible, the County Administrator's Office has attempted to avoid across-the-board reductions for this first \$6 million in suggested General Fund cuts. Additionally, the Board's 2007 Strategic Plan and Adopted Goals were considered in formulating the budget reduction recommendations included in this report. However, given the anticipated need to address a second \$6 million General Fund reduction for FY2011/12, programs and service levels are continuing to be reviewed.

It should be noted, that in a few departments with discretionary programs funded by the General Fund, the Board has previously indicated the program is a high priority, so no new changes or reductions have been proposed at this time. In addition, the FY2010/11 Adopted General Fund Budget includes several studies and projects with a set amount or fixed period for funding; these were identified as one-time in nature.

The reduction recommendations proposed in this report include reductions to department programs where the Board has discretion, which if approved, would reduce the level of service provided. The reduction recommendations include the net elimination of 23.7 vacant positions that were funded in FY2010/11 and will result in ongoing savings. In addition, there are 13.65 FTE filled positions recommended for elimination and the savings figures included are based on an effective date in February 2011. There are proposed reductions to the Contributions that fund Other

Agencies, where the County contracts for services that it does not provide directly. For these programs, funding is proposed to be carried through the FY2010/11 commitment, with the recommendation that the reduced funding take effect July 1, 2011. Notice of reductions to funding outside agencies, if approved as outlined, would enable the County to give up to an 8-month notice on contracts for services, affording agencies time to seek other funding sources and/or to effect an orderly transition out of the service.

#### Status Report on Vacant Positions & Recommendations

Since June 2009 the Board has approved the net elimination of 419 FTE positions as part of the overall need respond to the rapid decrease in the ongoing revenues that have historically funded local government services. Many departments have reduced their staffing by up to 25%. The reduced staffing in several departments has resulted in organizational structures that are no longer necessary and may be more costly. The County Administrator's Office has been reviewing the organizational impacts of the staff reductions and, in consultation with the affected department heads and Human Resources, has identified several departments where reorganization of sections of the department appear appropriate at this time. For October 26, separate Board reports outlining the organizational changes and recommendations for the Department of General Services and the Assessor/Recorders Office have been prepared for consideration and action. The County Library and Health and Social Services have also been identified as departments where organizational changes appear to be warranted. The CAO will be working with the departments to prepare reports for the Board consideration by Midyear.

In July 2010 the Board reviewed and considered a report on vacant positions for which the CAO provided recommendations to freeze several positions, to delete several positions, and recommendations to confirm the authorization to fill a number of positions. In addition, the Board reaffirmed the desire to have a selective hiring freeze as part of the budget reduction strategies for FY2010/11, authorized the County Administrator to evaluate and approve the filling of vacant positions and directed that a status report be prepared and provided quarterly. As of October 6, the County's Vacancy Report reflects 149.9 FTE vacant positions. (Attachment B – October 2010 Vacancy Report and Analysis Justifications) Since July, the County Administrator has worked with department heads and Human Resources to review requests to fill vacant positions and has authorized 61.1 positions to proceed, a number of which were confirmed in July by the Board. In addition, the County Administrator's Office has denied the filling of some positions as part of seeking to reduce General Fund costs and is recommending that the Board adopt a resolution amending the Position Allocation List to delete (27.7 FTE) vacant positions. In addition, the Department has identified 4 FTE positions additions that are proposed replacements as justified in the Vacancy Report Analysis and Justifications which will be brought back if the Board approves the concept. (Attachment C – Proposed Position Addition/Deletion Summary) & (Attachment D - Resolution amending the position allocation list to delete 24.6 positions)

#### Budget Reduction Recommendations – Summary Table

At the Board Budget Workshop in May 2010 the Board expressed a desire to look that the county operations from a program and service level perspective. Over the past 4 months, the County Administrator's Office has worked with County Department heads to breakout and detail the county programs and classifies the programs looking at State, Federal and court imposed legal requirements that govern whether the programs are mandated programs by law or discretionary programs and whether the programs have a mandated levels of service or discretionary levels of service.

The Board held two Budget workshops, one in August 2010 and second in September 2010 to hear from Departments as they described the program their departments provide, as well as information on which programs receive county general fund dollars. To enable the Board to better ascertain what program areas they might consider for further general fund reductions, at the Board budget workshops, Department heads discussed where the Board of Supervisors has discretion in terms of the programs and levels of service and what the potential impacts of reductions might be. Following the September workshop the Board confirmed their desire to receive initial recommendations for program/service reductions designed to reduce the County General Fund Structural Deficit for their consideration.

A complete compilation of the County's Adopted FY2010/11 Budget has been created and distributed the Board and Department heads. (Attachment D) The multi column table details programs, identifies program categories, describes potential impacts, and program costs. The County Administrator's Office working with County Department heads has developed recommendations for reductions to programs funded by the general fund totaling \$6.47million, of which \$395,045 represents savings from the labors contract changes for the Correctional officers. The recommendations include the elimination of an additional 13.65 FTE filled county positions detailed in Attachment C – Proposed Position Addition/Deletion Summary. The table below outlines the budget reduction recommendations by department.

Department	FY 10/11 Adopted County Budget	General Fund Cost NCC / GF Contributio n	# of County FTE	CAO Recommendation Annualized General Fund Savings FY 11/12	Potential General Fund Savings for FY 10/11	Potential Savings in Other Funds	Change in County FTE
Ag Comm/ W&M	2,748,372	877,917	20.00	35,680	0	0	(2.50)
Assessor / Recorder	8,853,038	6,681,875	53.00	153,570	63,988	0	(1.00)
Auditor / Controller	3,975,955	40,986	31.00	88,682	36,951	0	(1.00)
Auditor / Controller General Revenue	1,000,000	1,000,000			200,000		
Child Support Services	12,461,460	0	107.00	0	0	0	(1.00)
Conflict Defender	2,807,370	2,651,149	18.00	0	0	0	0.00
Cooperative Extension	322,339	317,154	2.73	0	0	0	0.00
County Administrator's Office	4,096,099	729,465	18.00	268,910	40,000	0	(1.00)
CAO Other County Funds	26,984,236	15,035,995	0.00	585,000	100,000	0	0.00
County Counsel	3,169,450	(626,407)	17.75	100,000	100,000	0	0.00
District Attorney	19,262,189	10,595,241	123.00	212,813	212,813	0	0.00
First 5 Solano	9,377,273	0	9.00	0	0	0	0.00
General Services	48,231,284	315,915	124.50	891,334	156,902	0	(4.30)
Health & Social Services	269,721,453	31,924,267	1090.02	2,411,853	108,569	0	(19.05)
Human Resources	3,267,910	(1,004,423)	18.50	23,000	23,000	0	0.00
Risk Management	16,128,924	0	8.00	0	0	46,000	0.00
Information Technology	20,035,626	0					
Registrar of Voters	3,301,611	2,964,694	57.00	0	0	0	0.00
Library	22,898,940	231,725	132.00	0	0	340,193	(3.00)
Probation	34,868,634	20,100,505	217.00	260,569	131,583	0	(1.50)
Public Defender	9,943,205	9,309,318	56.00	0	0	0	0.00
Resource Management	30,978,229	3,583,875	111.50	349,306	104,440	0	(1.00)
Sheriff / Coroner	79,025,598	45,380,545	408.50	923,956	923,956	0	(1.00)
Treasurer / Tax Collector / County Clerk	3,459,445	1,836,769	14.00	77,071	32,113	0	(1.00)
Veterans Services	574,893	429,893	5.00	90,000	0	0	0.00
<b>Total</b>	<b>637,493,533</b>	<b>152,376,458</b>	<b>2641</b>	<b>6,471,744</b>	<b>2,234,314</b>	<b>386,193</b>	<b>(37.35)</b>

Brief Explanations for budget reduction strategy recommendations are provided in the following table. For details on the program and potential program impacts refer to Attachment D.

<b>Ag Comm/ W&amp;M</b> – Reduction in programs with discretionary level of service, reduce use of limited term staff, reduction of 2.5 FTE FY11/12
<b>Assessor / Recorder-</b> Reduction in programs with level of service due to changing workload demands in mapping & increase in staffing to address workload on appraisal section, net change in positions (adds & deletes) results in reduction of 1FTE , with some positions currently filled
<b>Auditor / Controller-</b> Reduction in programs with discretionary level of service, reduced flexibility in annual audit plan, reduction in allocated positions to perform audits, reduction of 1FTE auditor, with position currently filled (Refer to Attachment D)
<b>Auditor / Controller General Revenue-</b> increase in projected revenues to General Fund from State Budget Williamson Act Subvention
<b>County Administrator's Office-</b> Reduction in discretionary level of service, reduced capacity to support board committees and handle special projects, reduction of 1FTE Management Analyst in FY10/11
<b>CAO Other County Funds-</b> Reductions to various discretionary programs in FY10/11 and FY11/12 ; including deletion of General Fund contributions to CASA for FY11/12, anticipated reductions in funding for other Public Defense, details reflected in Attachment D lines 50,57,62
<b>County Counsel-</b> Increase in revenue from cost recovery for services provided, additional revenue from new outside clients to offset general fund operating costs, reduction in net county cost
<b>District Attorney-</b> Reduction in discretionary program level of service, increase to salary savings proposed to achieve additional reduction in salary cost for FY10/11
<b>General Services</b> – Reduction in programs with discretionary level of services in central clerical support, grounds keeping, architectural services, results in reduction of 4.3 FTE allocated positions, with some positions currently filled (Refer to Attachment D)
<b>Health &amp; Social Services</b> – Reduction in funding for discretionary programs and programs with discretionary levels of services in FY10/11 and FY11/12; reduction of 17.9 FTE vacant positions; potential addition of 3 FTE positions; and consideration for reduction/continuance of County General fund contributions to several MSA programs beyond the Board’s 3 year funding commitment filed in FY10/11 but at reduced level of funding for FY11/12 (Refer to Attachment C& D)
<b>Human Resources-</b> reduction in funding for discretionary programs and discretionary levels of service, no changes to staffing
Library- Non General Fund Department with projected structural deficit, Reduction in programs with discretionary level of service through deletion of 3 FTE vacant positions
<b>Probation</b> – Reduction in programs with discretionary level of service, reduced clerical support capacity result of deletion of 1.5 FTE vacant positions
<b>Resource Management</b> –Reduction in programs with discretionary level of service through deletion of 1FTE vacant position FY10/11 and reduction on going funding in FY11/12 for planning project to be completed in FY10/11
<b>Sheriff / Coroner</b> – Reduction in program with discretionary level of service through deletion on 1FTE vacant position; and ,increase to salary savings proposed to achieve additional reduction in salary cost for FY10/11
<b>Treasurer / Tax Collector / County Clerk-</b> Reduction of discretionary program through deletion of 1FTE filled position in FY10/11. (Refer to Attachment D line 434)

**ALTERNATIVES:**

Alternatives the Board of Supervisors could consider:

1. The Board could choose do nothing at this time and take no actions to reduce \$6 million in General Fund expenditures until FY2011/12 Budget hearings. While the General Fund has structural deficit of \$18 million for FY2010/11, the County Budget is balanced using one-time revenues. This option is not recommended because based on the past two years of budget experience, County revenues remain volatile in this economic downturn while projections for expenditures have some certainty of increasing given existing labor contracts. A delay will defer the effective date of reductions and potential savings. In addition, this report includes a number of recommendations that, if approved, affect contracts for services where a longer lead time for giving notice is advisable.

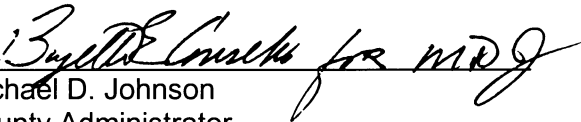


2. The Board could choose to defer actions to reduce General Fund expenditures to another date later in FY2010/11 such as during the Midyear Financial Report, when more information regarding state and local revenues may be available which could be positive or negative in nature. This option was not recommended for similar reason stated above.
3. The Board could chose to not the accept the recommendations for General Fund budget reductions included in this report and adopt alternative reductions to achieve the initial \$6 million desired in annualized cuts.
4. The Board could choose to increase the amount of the budget reductions approved at this time beyond the proposed \$6 million in this report and propose reductions that would cut up to the full \$18 million General Fund structural deficit.

**OTHER AGENCY INVOLVEMENT:**

The Board of Supervisors held two open budget workshops to hear from County departments and the public regarding County programs, the level of discretion for the program, and operational costs. The County Administrator's Office has worked with department heads utilizing the information shared with the Board to develop the recommendations in this report.

**DEPARTMENT HEAD SIGNATURE:**

By   
Michael D. Johnson  
County Administrator

Attachments

Attachment A - Board Adopted Goals & Board Resource Reduction Strategy

Attachment B - Vacancy Report & Analysis as of October

Attachment C - Proposed Position Addition/Deletion Summary

Attachment D - Detail of FY2010/11 Budget Reduction Strategy Recommendations for County programs