



AGENDA SUBMITTAL TO SOLANO COUNTY BOARD OF SUPERVISORS

ITEM TITLE: Board of Supervisors Budget Workshop #4 – Preparing for FY 2010/11 and FY 2011/12		BOARD MEETING DATE May 4, 2010	AGENDA NUMBER 18
Dept: Contact: Extension:	County Administrator Michael D. Johnson 6100	Supervisory District Number ALL	
Published Notice Required?		Yes _____	No <u> X </u>
Public Hearing Required?		Yes _____	No <u> X </u>

DEPARTMENTAL RECOMMENDATION:

The County Administrator's Office recommends that the Board of Supervisors conduct Budget Workshop #4 – Preparing for FY2010/11 and FY2011/12.

1. Update on the projected impacts anticipated in the preparation of the FY2010/11 County Budget and addressing the General Fund structural deficit.
2. Status on Revenue Enhancement Concepts and Technology Investments presented and discussed at the previous budget workshop.

SUMMARY/ DISCUSSION:

This workshop is a continuance of a public dialog that began in January 2010 among the members of the Board of Supervisors, the County Administrator, and the appointed and elected County Department heads regarding the County Budget and builds on previous discussions, actions taken and Board direction given.

Background

The County Budget since FY2008/09 has had significant declines to critical revenue streams that have historically funded County programs and operations. The declines are attributed to the downturned economy and are not projected to recover in the near term. The most significant of these revenue streams include property taxes (used to fund many County programs), Proposition 172 Sales Tax (dedicated revenue used to fund public safety-related programs) and State Realignment revenue (used to fund health- and safety-related programs).

The FY2009/10 County Final Budget was balanced (i.e. there were revenues identified to cover expenses despite the revenue downturns), but relied on "one-time" revenues (not ongoing revenue sources) to cover ongoing expenses of operating departments and programs. The gap between the revenue and expenses referred to as the "structural deficit" for FY2009/10 was \$18.7 million for the County General Fund and in September 2009 was projected to grow to a deficit of \$37.4 million in FY2010/11, if unaddressed.

In September 2009, the Board adopted some budget reduction efforts that included eliminating vacant positions. In October 2009, the Board directed the County Administrator and County Departments to address the overall General Fund structural deficit. County departments prepared expenditure reduction plans for FY2009/10 equaling 11.33% in operating expenses. In December 2009, those plans were reviewed and adopted by the Board resulting in a reduction in the labor force, reduced funding of some service contracts, and the reduction in or the elimination of some non-mandated programs and services. The County Administrator recommended an overall strategy to address the structural deficit that included efforts to maximize revenues, minimize when possible the impacts to essential services, and reduce the labor costs that represent the largest portion of the County operating budget. To date, labor costs have been reduced through a combination of negotiated wage concessions, early retirement incentives, imposed wage modifications, elimination of vacant positions, and layoffs that have resulted in an estimated \$8.4 million reduction in the overall structural deficit for FY2009/10 and an estimated \$16 million in ongoing reductions for FY2010/11.

In March 2010 the County Departments submitted their budget requests for FY2010/11. Departments were instructed to prepare a Zero Increase in Net County Cost (NCC) Budget and given a target based on the reduced expenditure plans approved by the Board in December 2009. It should be noted that "a Zero Increase in NCC Budget" is not a status quos budget. Departments have been required to absorb increases in labors costs per existing labor agreements, as well increases in other operating costs, and address losses or reductions in revenues. The County Administrator's Office has been working with department heads to review the impacts of a Zero NCC Increase Budget and is preparing the Proposed Budget for FY2010/11.

During Budget Workshop #3 held in March the Board heard from Department heads what their requested budgets included for reductions and challenges in order to meet or attempt to meet the required target of no increase in Net County Cost. In addition, the Board reviewed an initial set of concepts for technological investments identified that could streamline services and reduce ongoing operating costs, as well as concepts for revenue enhancements. The Board asked for additional information and work to be done in both areas.

As of this workshop, the County Administrator's Office has completed the Third Quarter Financial Review for all funds, which was considered by the Board. Based on the Third Quarter it is projected that the County General Fund will end the fiscal year slightly higher then anticipated at Midyear. Looking ahead toward FY2010/11, the General Fund structural deficit has been reduced from the September/October 2009 figure of \$37.4 million for FY 2010/11 to an estimated \$16 to \$18 million.

For Work Shop #4

At the Budget workshop, the Board, CAO and Department heads will continue their discussion regarding revenues, expenditures, the projected General Fund structural deficit, and program services. Collectively, they will be looking for short-term and long-term options and strategies that address and reduce the structural deficit further in the coming year.

DEPARTMENT HEAD SIGNATURE:

By 
Michael D Johnson, County Administrator



County of Solano

Board Budget Workshop #4

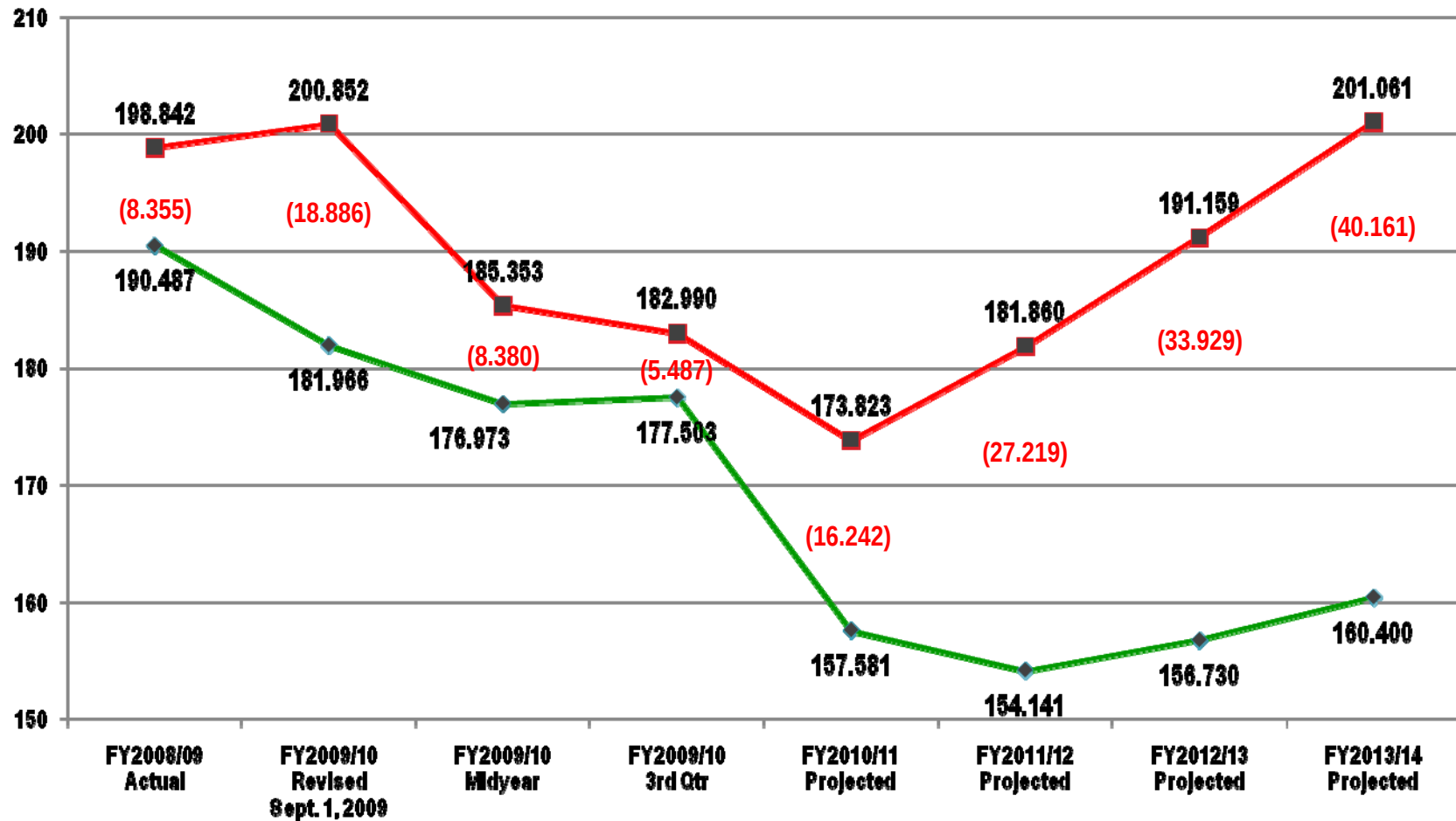
FY2009/10

May 4, 2010



General Fund Expenditure/Revenue Projection

Addressing the structural deficit so it doesn't continues to widen



FY2010/11 Budget Balancing

Board Indicated – Desire to Collectively Seek Solutions

3

- ☐ Ask our Employees
- ☐ Engage our partners in the Community
- ☐ Identify Reductions/Savings – Short/ Intermediate / Long Term
- ☐ Seek Technology Solutions for Service Delivery
- ☐ Maximize Revenues
- ☐ Define Core Programs
- ☐ Prioritize Programs & Services
- ☐ Minimize Service Reductions
- ☐ Focus Efforts where the Board has Discretion

FY2010/11 Budget Balancing

Soliciting Suggestions & Input

4

- **Ask our Employees**

CAO and DoIT launched County Employee Suggestion Program

Suggestions received, reviewed, referred, responses provided

- **Engage our partners in the Community**

1st Meeting April 26, 2010 to begin the Dialog – suggestions & input captured for follow up

- **Board Law & Justice Committee** engaged the Court representatives to discuss operational changes, cost savings concepts, & revenue collection

FY2010/11 Budget Balancing

Identify Reductions/Savings – Short/ Intermediate / Long Term

5

- Departments Instructed to Submit Zero net increase in Net County Cost Requested Budgets
- Expenditure Strategies – Review of Going Expenditures
 - ▣ Salaries & Benefits
 - ▣ Review & Modify Contracts for Services
 - ▣ Capital Purchases- Suspend, Defer, Modify, Redeploy
 - ▣ Review space needs & property holdings
 - ▣ Prioritize tasks & eliminated low-priority activities
 - ▣ Reduce non essential services

BUDGET STRATEGIES –

Identify Reductions/Savings – Short/ Intermediate / Long Term

Salaries & Benefits

Short-Term/Immediate (6 months -1 year)

- ❑ Continue hiring freeze, review vacancies – attrition rate
- ❑ Extend Voluntary Time off
- ❑ Support Early Retirement Incentive #2
- ❑ Furlough Days

Intermediate (1 to 2 years)

- ❑ Suspend COLAs

Long-Term (1 year & more)

- ❑ Rescind Floating Holidays
- ❑ Modify Retirement – add second tier
- ❑ Rescind Employer Paid Member Contribution (EPMC) by 6% for all employees
- ❑ Review Benefit Package
- ❑ Reduce cafeteria plan by \$100 per month

Proposed Menu of Personnel Cost Reductions

Salaries and benefits represent 70% or more of most operating budgets

7

Program	General Fund Share
Forego 3% COLA & related benefit costs <i>(SEIU, DSA and Physicians COLAs in FY2010/11)</i>	1,105,473
Rescind Employer Paid Member Contribution (EPMC) by 6% for all employees	4,004,931
Reduce employee work week to 37.5 hours	3,115,016
Furlough 12 days	3,048,435
Rescind 2 floating holidays	509,226
Reduce cafeteria plan by \$100 per month	782,443
Total	12,565,524

Budget Strategy - Seek Technology Solutions for Service Delivery

- ❑ **Workshop # 3 – reviewed a list of Technology Investments**
 - ❑ Reduce Processing time
 - ❑ Streamline Services
 - ❑ Automate Manual Processes
- ❑ **Board Request – Prioritize List, Determine payback time frame, refine investment estimates, allocate investments over 4 years**
 - Projects Prioritized into 3 tiers/ 3 year timeline
 - Tier 1 FY10/11 \$725,000 investment Recommended for Proposed Budget
Complete Automation Payroll Time 7 attendance, Electronic Health Records, Automate Personnel Action Form, Credit/Debit Electronic Check, Video Communication – Jail Visitation, AES Modules – Appeals & Sale Transfer
 - Tier 2 FY10/11 \$ 50,000 optional investment
Integrated Voice Recognition/Automated Authentication for transactions

Budget Strategy- Explore Revenue Enhancement Concepts

- ❑ **Work Shop # 2 Reviewed Initial Revenue Concept List**
- ❑ Instructed to Investigate Further & Determine potential for increased revenue
- ❑ **Update on Revenue Review –**
 - ▣ Board Reviewed & approved fee Increases & Update of the Public Facility Fee
 - ▣ Review of list in process – Franchise Agreements,
 - ▣ Discussions regarding collection fees with Courts underway
 - ▣ Fees set by State law – to be brought forward as part of Legislative Considerations

Budget Strategy –

Defining Core Services/ Focusing Where there is Discretion

- ❑ Core Services – Webster's: the central or innermost, the most important part
- ❑ Possible Sources
 - ▣ Results of Countywide Public Survey
 - ▣ Board Vision, Mission, Goals
 - ▣ Mandated Services & Programs

Observation- Core Services are typically more than mandated services, they are those essential to a community often defined by the community; and vary by community based on needs & priorities and limited in part by available resources

COUNTY SERVICES

Program Categories & Services

Mandated vs. Non Mandated

PROGRAMS	Mandated	<u>Mandated/ Mandated (MM)</u> Program and service levels are required by either Federal or State Statue or court ruling.	<u>Discretionary /Mandated (DM)</u> County is not required to operate these programs. If County Chooses to operate them, then service level is generally stipulated as a condition of funding.
	Discretionary	<u>Mandated/Discretionary (M/D)</u> Required by law (Federal, State, or Court ruling), but the level of service is mainly left to discretion by the Board of Supervisors	<u>Discretionary/Discretionary (D/D)</u> Programs and activities County is not required to operate and for which the service level is optional.
		Mandated	Discretionary
		SERVICE LEVELS	

COUNTY SERVICES

Mandated vs. Non Mandated

Examples

	Mandated	<u>Mandated/ Mandated (MM)</u> •Public/General Assistance •Jail Staffing •Debt Service •Tax Collection •Appraisers	<u>Discretionary /Mandated (DM)</u> •Airport •Dispatch •Grant Funded Programs •GIS •County Jail
PROGRAMS	Discretionary	<u>Mandated/Discretionary (M/D)</u> •Prosecution/Indigent Defense •Health & Social Service Program Overmatches •Elections	<u>Discretionary/Discretionary (D/D)</u> •Parks •Veterans Services •Mail Services •Grounds Keeping •Most Internal Services
		Mandatory	Discretionary
		SERVICE LEVELS	

COUNTY SERVICES

Mandated vs. Non Mandated

Available Tools & Techniques

	Mandated	<u>Mandated/ Mandated (MM)</u> Streamline Processes Deploy Technology/Automate Reduce cost of service	<u>Discretionary /Mandated (DM)</u> Decide whether to continue Renegotiate terms if you continue Change level of service Deploy Technology/Automate Reduce cost of Service
PROGRAMS	Discretionary	<u>Mandated/Discretionary (M/D)</u> Change level of service Deploy Technology/Automate Reduce Cost of Service	<u>Discretionary/Discretionary (D/D)</u> Decide whether to continue Change level of service Deploy Technology/Automate Reduce cost of Service
		Mandatory	Discretionary
		SERVICE LEVELS	

Reduce Cost of Services
 Look for & Create Efficiencies
 Program & Process Streamlining
 Deploy Technology
 Consolidation Services

Budget Strategies - Going Forward

Addressing the Structural Deficit of \$16 million in FY2010/11

14

- ☐ Support funding Tier 1 Technology Investments in Proposed Budget
- ☐ Support another round of Early Retirement Incentive year 2 – FY10/11
- ☐ Support on going efforts to increase revenues
- ☐ Continue to examine opportunities for consolidation
- ☐ Present menu of potential Salary & Benefit concessions to unions
- ☐ Continue to Review Programs & Services

Questions & Answers

15

