THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
ACTION AGENDA SUMMARY

DEPT: Chief Executive Office **BOARD AGENDA #** B-16

Urgent ☐ **Routine** ☒ **AGENDA DATE** April 27, 2010

CEO Concurs with Recommendation YES ☒ **NO** ☐ **4/5 Vote Required YES** ☐ **NO** ☒
(Information Attached)

SUBJECT:

Approval of Chief Executive Officers Update on Preliminary Forecast of Fiscal Year 2010-2011 Proposed Budget

STAFF RECOMMENDATIONS:

1. Approve Chief Executive Officers update on preliminary forecast for Fiscal Year 2010-2011 Proposed Budget as of April 27, 2010.
2. Concurrent with the Board of Supervisors consideration of each departments budget reduction plan, authorize the Chief Executive Officer to adjust the effective dates of approved reduction-in-force actions and position deletions, from the Salary and Position Allocation Resolution, based on future position vacancies generated from the Voluntary Separation/Retirement Incentive Program.
3. Direct the Chief Executive Officer to report to the Board of Supervisors in the 2010-2011 Final Budget, any adjustments to the effective dates of approved reduction-in-force actions and position deletions from the Salary and Position Allocation Resolution, based on the final outcome of the Voluntary Separation/Retirement Incentive Program.

FISCAL IMPACT:

For the past two years, the County has taken action to respond to a deteriorating economy and declining revenue. The County is currently facing a significant structural shortfall in funding in Fiscal Year 2010-2011 and beyond as the result of an unprecedented decrease in discretionary revenue of over $34 million since Fiscal Year 2007-2008, extraordinarily challenging economic times and additional projected program cuts as a result of the State budget crisis. The shortfall in the General Fund alone for 2010-2011 was projected at $23 million in October of 2009, even after the use of up to $10 million in designations. This shortfall has been partially mitigated with a $20 million reduction in retirement expense, which

BOARD ACTION AS FOLLOWS:

No. 2010-245

On motion of Supervisor O'Brien, **Seconded by Supervisor** Monteith
and approved by the following vote,
Ayes: Supervisors: O'Brien, Chiesa, Monteith, DeMartini, and Chairman Grover
Noes: Supervisors: None
Excused or Absent: Supervisors: None
Abstaining: Supervisor: None
1) X **Approved as recommended**
2) ____ **Denied**
3) ____ **Approved as amended**
4) ____ **Other:**
MOTION:

Christine Ferraro

ATTEST: **CHRISTINE FERRARO TALLMAN, Clerk**

File No.

FISCAL IMPACT: (Continued)

reduced the retirement increase from a projected $26 million to $6.6 million countywide and $3.2 million in the General Fund. Also a five percent (5%) salary cost reduction resulted in an estimated savings of $13.8 million countywide and $5.5 million in the General Fund. Even with these expense reductions, the County still faces an estimated $10 million shortfall in the General Fund in Fiscal Year 2010-2011. The County is projecting an even greater shortfall in 2011-2012 as the result of increased retirement cost and only limited growth in revenue and has committed an additional $8 million dollars in designations for 2011-2012. While actions to control costs have been implemented including a hiring freeze, employee furloughs, limiting overtime and travel and earlier reductions-in-force in the Area Agency on Aging, BHRS, Clerk Recorder, Child Support Services, Cooperative Extension, CEO-County Fire, Community Services Agency, District Attorney, General Services Agency, Health Services Agency, Library, Parks, Planning, and Sheriff's Department, a projected ten County Departments will have to implement reductions-in-force actions and program and service reductions to balance their 2010-2011 department budgets.

DISCUSSION:

The purpose of this report is to update the Board of Supervisors and the Public on the County's current fiscal position and progress in preparing for the 2010-2011 fiscal year. Planning for next fiscal year began in October 2009 in order to develop a strategy to address the County's ongoing structural budget shortfall, including a projected $23 million shortfall in the General Fund in Fiscal Year 2010-2011, after the use of up to $10 million in designations. In order to bridge this shortfall the County developed a 30-month budget strategy beginning Mid-Year 2009-2010 through June 30, 2012. This strategy includes the use of an additional $8 million in designations in 2011-2012. This will provide the opportunity for the County to restructure to allow for the alignment of revenue and expenditures to maintain a balanced budget approach.

Below is a chart that reflects the decrease in discretionary revenue since Fiscal Year 2007-2008:

Actuals as of 6/30/2008	Actuals as of 6/30/2009	Projected Actuals as of 6/30/2010	Projected Discretionary Revenue for Fiscal Year 2010-2011
$181,578,293	$169,087,152	*$140,963,051	$147,199,000

Reduced $7,866,152 as the result of State 1A loan to the state. The State 1A Funding Exposure Designation was reduced at mid-year to cover this reduction in revenue.

One critical component to the cost reduction strategy was to invite all County labor groups to negotiate proposals to develop a five percent across the board reduction in salary costs in all County departments. The County was successful in reaching one tentative agreement ratified by 12 labor groups to implement the 5% salary cost reductions in Fiscal Years 2010-2011 and 2011-2012. It is estimated that the countywide salary savings in Fiscal Year 2010-2011 from the five percent reduction in base pay will be $13.8 million for all County funds, with $5.5 million of the potential salary savings in the General Fund, not counting any potential related revenue losses. This savings will provide significant relief to departments as they work to balance their budgets with reduced revenue and will prevent a significant number of reductions-in-force that would have further impacted core County services.

The Fiscal Year 2010-2011 strategy includes some significant changes to the County's past budget practices. These include:

- Implement a revenue based approach for the allocation of General Fund revenue to all County programs after specific legal mandates are met. Allocated revenue numbers are nine percent (9%) below 2009-2010 allocation;
- Provide for General Fund departments to carryover 75% of net county costs savings at June 30, 2010. Revenue for expenses occurred in previous fiscal years not eligible for carryover, i.e. SB90 reimbursement;
- New retirement tiers to be negotiated with labor for new hires;
- Continuation of no back fill policy for lost State and Federal funding;
- Any General Fund fund balance generated from Discretionary Revenue or countywide budgets, at year-end June 30, 2010, will be budgeted in Appropriations for Contingencies or used for organizational wide unmet needs;
- Departments who exceed their 2009-2010 Final Budget net county cost as of June 30, 2010 must carryover any overage as an additional reduction in Fiscal Year 2010-2011;
- Any net new growth in Discretionary Revenue projections will offset the use of County designations in 2010-2011, 2011-2012, and 2012-2013;
- No General Fund fund balance used in balancing; and
- No additional funding available for departmental unmet needs.

The County also requested that the StanCERA Retirement Board shift excess non-vested reserves to off-set the County's retirement expense. On March 12, 2010 the Retirement Board voted to shift $20 million from the excess non-vested reserves to decrease the County's the Courts and Stanislaus Council of Governments increased retirement costs. This $20 million reduced the County's retirement expense in Fiscal Year 2010-2011 from $26 million to $6.6 million countywide and $3.2 million in the General Fund.

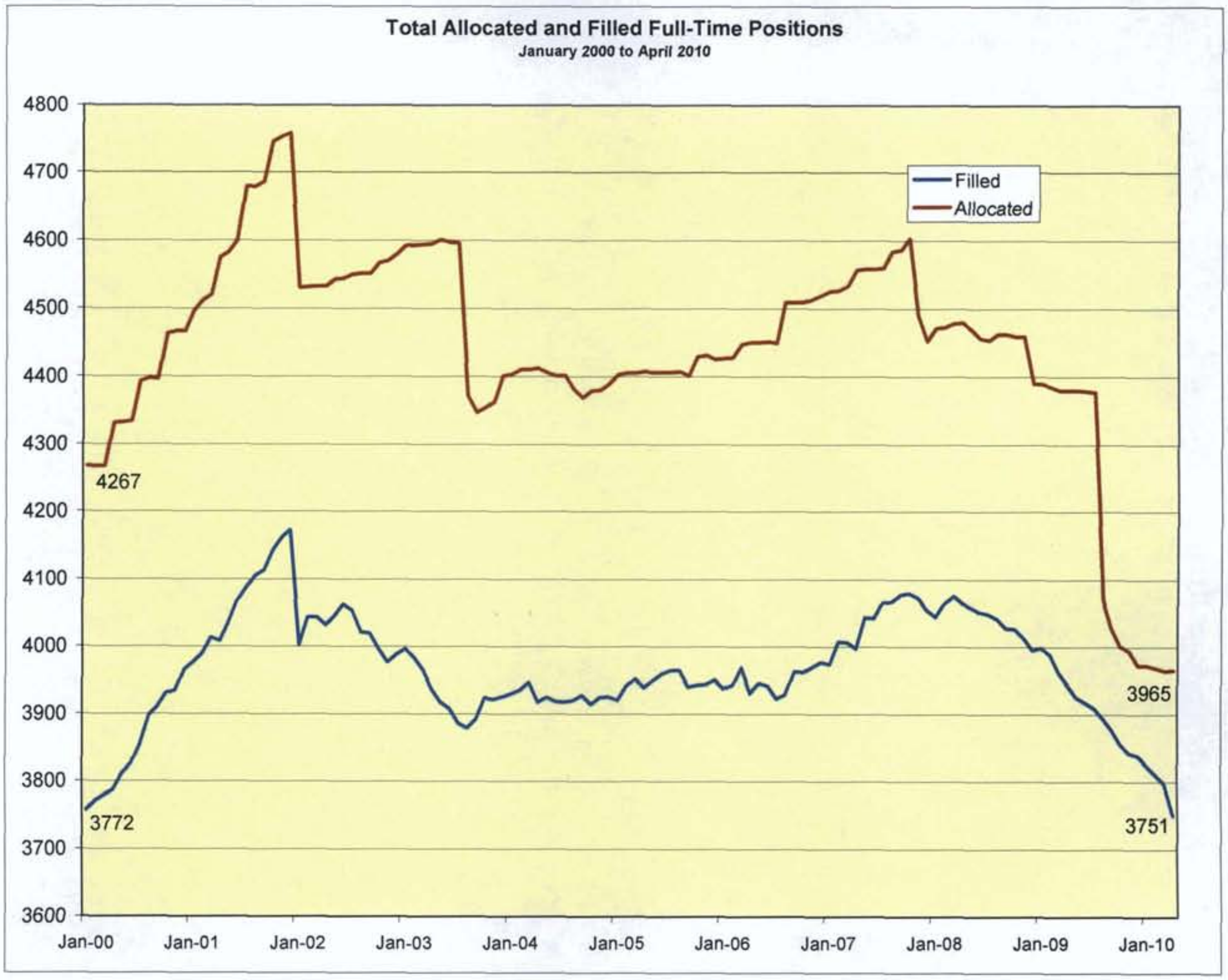
As a result of StanCERA's mitigation of retirement costs and the 5% salary cost reduction the County's shortfall in the General Fund was reduced to an estimated $10 million. In order to balance revenue to expenditures all departments receiving General

Fund revenue received a 9% reduction in the revenue allocated in Fiscal Year 2009-2010.

On April 12, 2010 County departments submitted their proposed budget to the Chief Executive Office. The Chief Executive Office staff is currently preparing the Proposed Budget for next fiscal year. These budget submittals reflected the 9% decrease in General Fund revenue and required departments to absorb all increased costs including increases in the cost of retirement, salary step increases, and general liability and workers' compensation expenses. Ten County departments have requested reduction-in-force actions in order to balance their Proposed Budget for Fiscal Year 2010-2011. The County anticipates an estimated 120 more positions to be subject to reduction-in-force in order to balance the Fiscal Year 2010-2011 Proposed Budget and to further reduce the ongoing structural budget deficit in the General Fund. Due to the need to reduce expenses by July 1, 2010 some of these reduction-in-force will be coming to the Board of Supervisors for approval prior to the Proposed Budget Hearing in order to provide departments with a full 12 months of savings. On April 27, 2010 reductions-in-force for both the Library and the Sheriff's Department are being presented. Additional reduction-in-force items will be coming before the Board on May 4 and May 18 and with the Proposed Budget. Once the impact of the State budget is known additional items recommending reductions-in-force may come before the Board of Supervisors for approval as part of the Final Budget.

A number of factors impact a department's need to implement a reduction-in-force to balance the department's budget. These include decreases in departmental revenue, cost of scheduled salary step increases, number of vacant positions, and the County's no-backfill policy that does not provide funding to make-up for revenue lost as the result of a reduction in grant funding or state or federal revenue.

One of the most significant factors in a department's need to reduce positions is the amount of turnover the department has experienced and the department's ability to maintain vacancies that directly reduce the number of filled positions subject to reduction-in-force. The following chart demonstrates the allocated and filled staffing levels for full-time County positions since January 2000.



The chart demonstrates that County staffing levels in April 2010 have fallen below those levels provided in January 2000. The chart also demonstrates the significant decline in allocated and filled positions throughout the County over last two fiscal years, many resulting from prior reduction-in-force actions already approved by the Board of Supervisors. While the decrease in staffing is significant throughout the County, there will be a need for ongoing reductions in County positions in the next two fiscal years in order to bring County expenditures in line with available resources and eliminate the current structural budget deficit.

On April 6, 2010 the Board of Supervisors approved a Voluntary Separation/Retirement Incentive Program. The final outcome of the incentive program will not be determined until after the Proposed Budget process. Due to the timing of the Proposed Budget and the final results of the incentive program, it may be necessary to modify the effective dates for approved reduction-in-force actions scheduled to occur between June and July 2010. This agenda item includes recommendations to grant the Chief Executive Officer the authority to modify scheduled reduction-in-force effective dates based on the final outcome of the Voluntary Separation/Retirement Incentive Program in an effort to decrease the final number of employees subject to layoff. The Chief Executive Officer will report to the Board of Supervisors in the 2010-2011 Final Budget, any adjustments to the effective dates of approved reduction-in-force actions and position deletions from the Salary and Position Allocation Resolution, based on the final outcome of the Voluntary Separation/Retirement Incentive Program.

Departments will work with the Chief Executive Office to complete the reduction-in-force process and prepare appropriate recommendations to the Board of Supervisors. The County has an ongoing commitment to assist displaced County employees through the reduction-in-force process. A site on the County's website has been created to assist County employees impacted by a reduction-in-force or in risk of being impacted. The County's goal is to educate, prepare, and directly assist employees in obtaining the information they need to gain future employment within the County or with another employer.

The Chief Executive Office will provide updates on the progress of preparing for the 2010-2011 budget in the coming weeks.

POLICY ISSUE:

Approval of this item will support the Board of Supervisors' priority of maintaining the Efficient Delivery of Public Services through anticipated fiscal savings for County departments.

STAFFING IMPACT:

Existing staff in the Chief Executive Office will administer the Reduction in Force Process.

CONTACT:

Richard W. Robinson, Chief Executive Officer. Telephone: (209) 525-6333

PowerPoint

Update on Preliminary Forecast for Fiscal Year 2010-2011 Proposed Budget

April 27, 2010

Budget Overview

- All General Operation Departments and Animal Services were issued 12% reductions in net county cost in 2009-2010
- Public Safety Departments were issued a 5% reduction in net county cost in 2009-2010
- $15.3 million in fund balance/one-time funds were used to balance the budget in 2009-2010

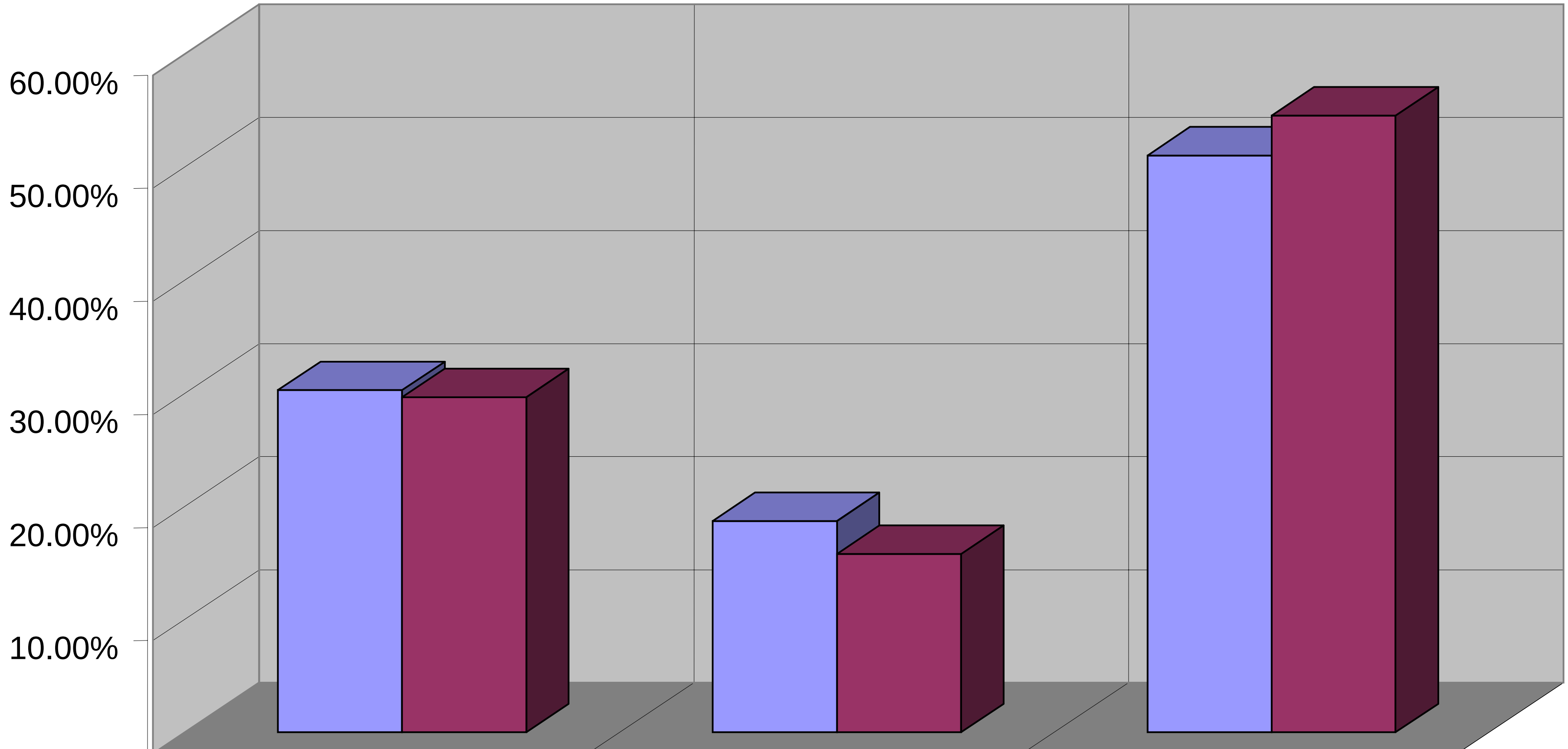
Budget Overview

- Additional $3.4 million in one-time funds used at mid-year to cover projected year-end shortfall in discretionary revenue
- Earlier reductions-in-force in 2008-2009 & 2009-2010 in the Area Agency on Aging, Behavioral Health and Recovery Services, Clerk Recorder, Child Support Services, Cooperative Extension, Health Services Agency, OES-County Fire, Community Services Agency, District Attorney, General Services Agency, Library, Parks, Planning,, and Sheriff’s Department

Budget Overview

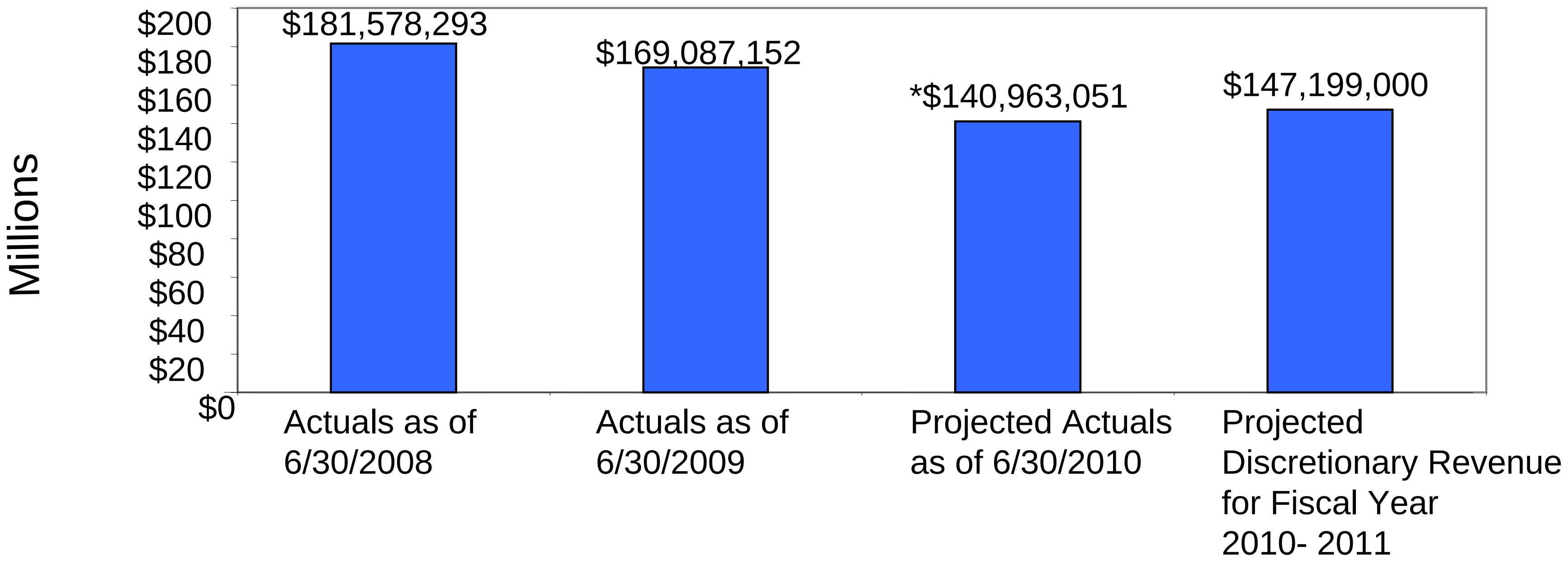
- Additional reductions in discretionary revenue projected in 2010-2011
- $34 million dollar decrease in discretionary revenue since Fiscal Year 2007-2008 as compared to projections for 2010-2011

Comparison of General Fund Net County cost for Public Safety Departments, Fixed & Mandate Costs, and non-Safety Departments



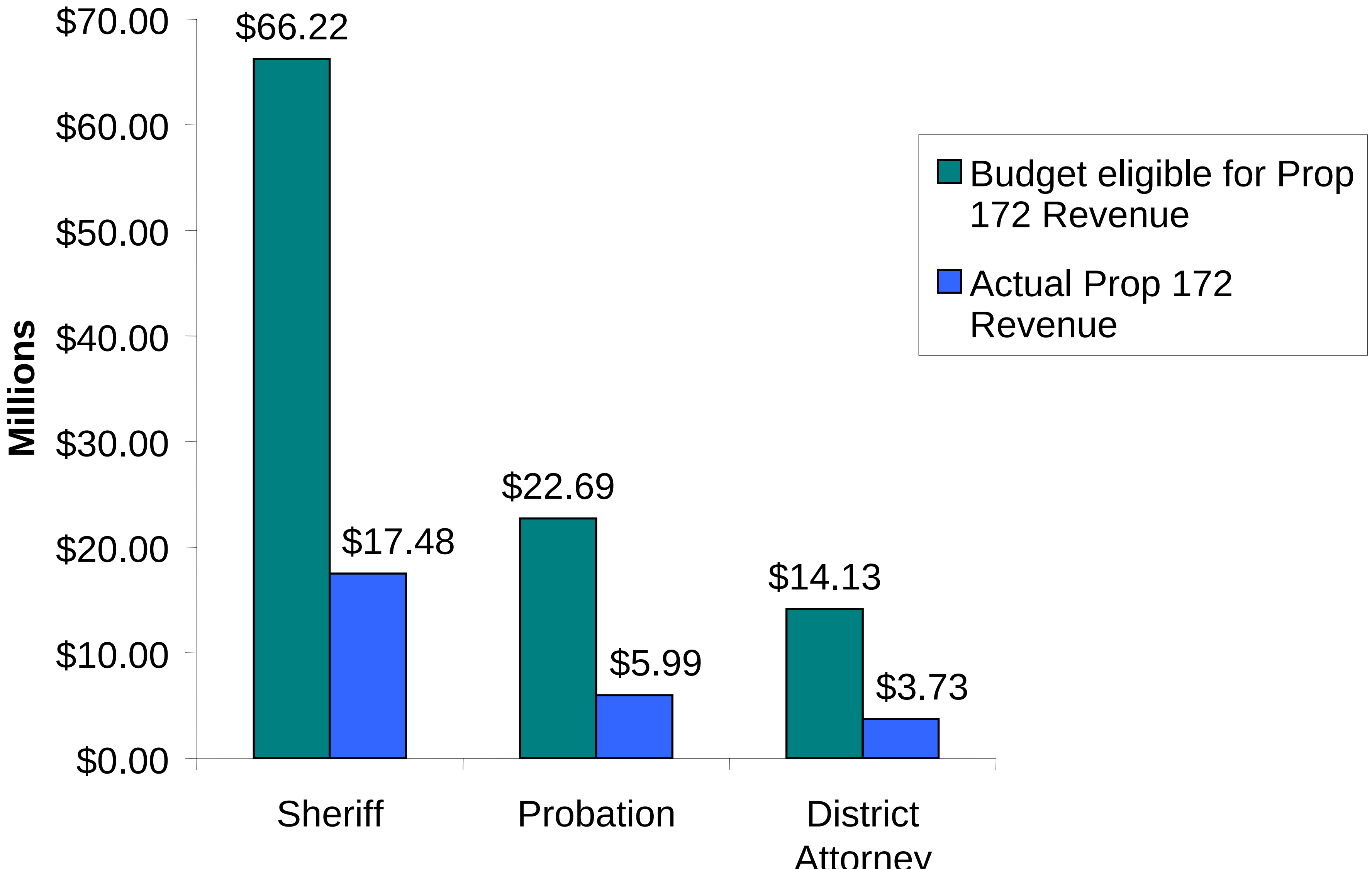
	Fixed Costs	Non-Safety	Safety
2007-08	30.29%	18.69%	51.03%
2010-11	29.65%	15.78%	54.57%

Discretionary Revenue



*2009-2010 Reduced $7,866,152 as the result of State 1A loan to the State. The State 1A Funding Exposure Designation was reduced at mid-year to cover this reduction in revenue

Proposition 172 Revenue Distribution



Budget Update
2010-2011

- October 2009 – Estimated $23 million shortfall in funding in the General Fund
- March 2010 – Board of Supervisors approves a budget reduction strategy
- March 2010 – Retirement increase reduced from an estimated $26 million countywide to $6.6 million countywide and $3.2 million in the General Fund

Budget Update

- April 2010 – Board approves 5% salary cost reduction with estimated savings of $13.8 million Countywide and $5.5 million in the General Fund
- April 2010 - Estimated shortfall in the General Fund reduced to $10 million
- April 2010 – County departments submit proposed budgets to Chief Executive Office
- April thru May 2010 – Chief Executive Office staff prepare proposed budget

Budget Update

- Significant Changes in Strategy include:
  - Implement a revenue based approach for the allocation of General Fund revenue to all County programs after specific legal mandates are met. Allocated revenue numbers are 9% below 2009-2010 allocation;
  - Provide for General Fund departments to carryover 75% of net county costs savings as of June 30, 2010. Revenue for expenses incurred in previous fiscal years not eligible for carryover, i.e. SB90 reimbursement;

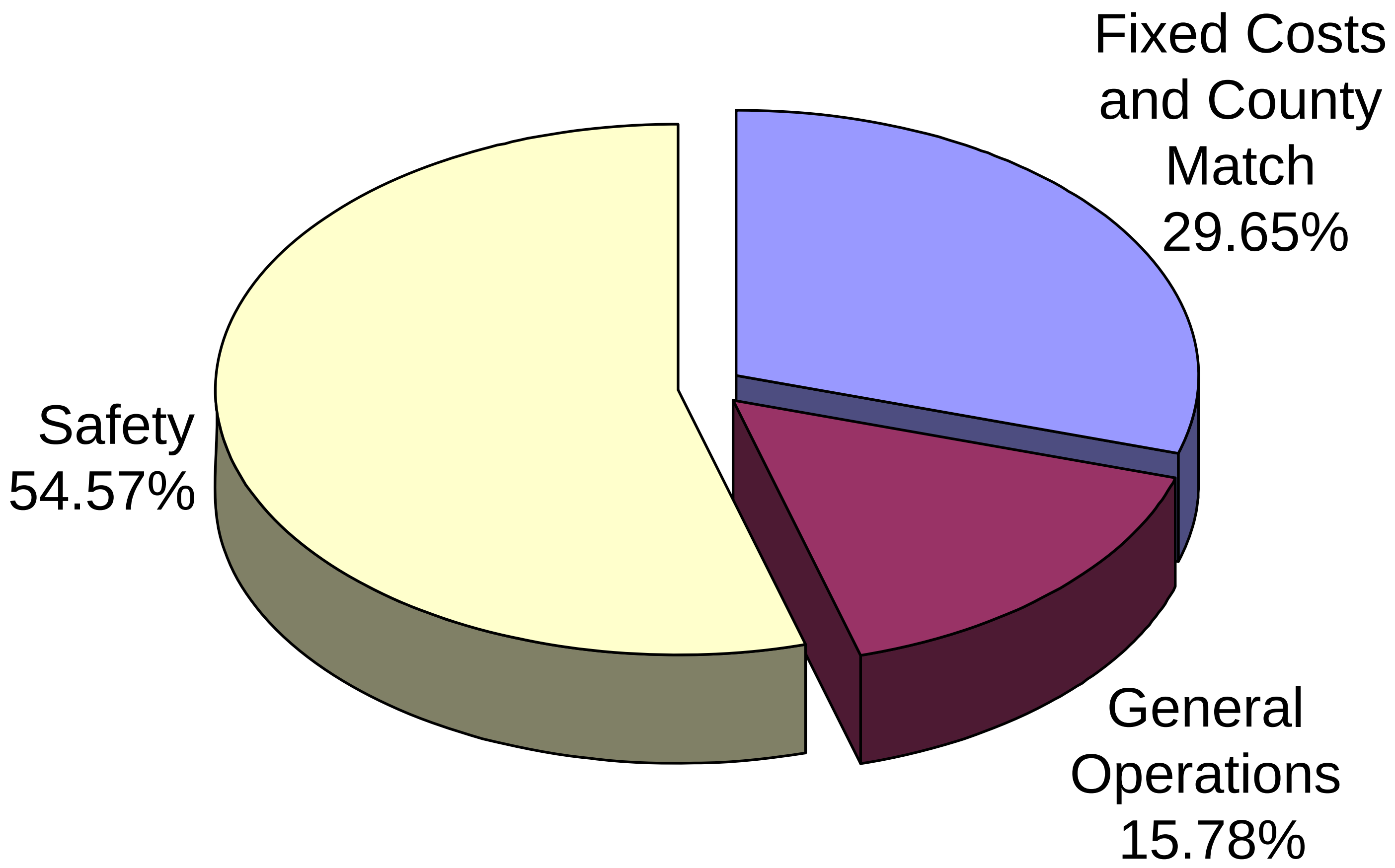
Budget Update

- Ten County Departments requested reductions-in-force in proposed budget submittal
- County anticipates 120 or more reductions-in-force in order for departments to balance proposed budgets

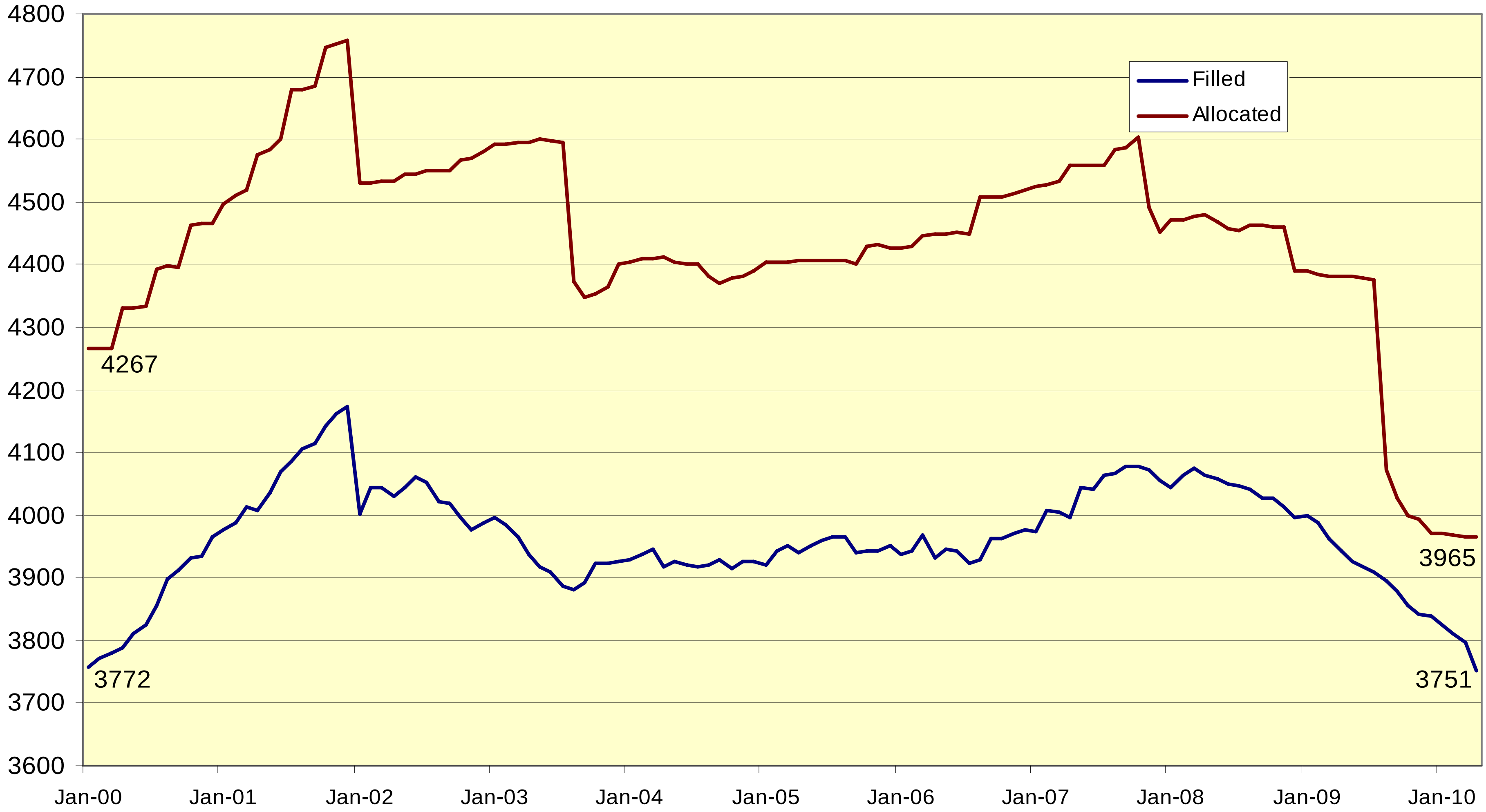
Factors Impacting Need for Reductions-In-Force

- Loss of Departmental Revenue
- Department expense as result of number of employees receiving salary step increases
- County’s No Back Fill Policy for lost State or Federal Funds
- Number vacant positions in department

Comparison of 2010-2011 Net General Fund Costs



Total Allocated and Filled Full-time Positions



Allocated Staffing Comparison by Dept

	Jan-08	Apr-10	# Change	% Change
Parks	35	23	(12)	-34.3%
BHRS	424	352	(72)	-17.0%
CEO	63	53	(10)	-15.9%
District Attorney	148	132	(16)	-10.8%
HSA	610	546	(64)	-10.5%
CSA	955	859	(96)	-10.1%
Public Defender	49	45	(4)	-8.2%
Assessor	65	60	(5)	-7.7%
Sheriff	675	626	(49)	-7.3%
Probation	259	241	(18)	-6.9%
All others	1188	1028	(160)	-13.5%
County Total	4471	3965	(506)	-11.3%

Filled Staffing Comparison by Dept

	Jan-08	Apr-10	# Change	% Change
Parks	30	22	(8)	-26.7%
District Attorney	139	123	(16)	-11.5%
BHRS	367	328	(39)	-10.6%
Assessor	64	58	(6)	-9.4%
CEO	56	51	(5)	-8.9%
Probation	240	222	(18)	-7.5%
CSA	878	829	(49)	-5.6%
Public Defender	47	45	(2)	-4.3%
HSA	518	501	(17)	-3.3%
Sheriff	624	609	(15)	-2.4%
All others	1081	963	(118)	-10.9%
County Total	4044	3751	(293)	-7.2%

Recommendations

1. Approve Chief Executive Officer’s update on preliminary forecast for Fiscal Year 2010-2011 Proposed Budget as of April 27, 2010.

Recommendations

2. Concurrent with the Board of Supervisor consideration of each departments budget reduction plan, authorize the Chief Executive Officer to adjust the effective dates of approved reduction-in-force actions and position deletions, from the Salary and Position Allocation Resolution, based on future position vacancies generated from the Voluntary Separation/Retirement Incentive Program.

Recommendations

3. Direct the Chief Executive Officer to report to the Board of Supervisors in the 2010-2011 Final Budget, any adjustments to the effective dates of approved reduction-in-force actions and position deletions from the Salary and Position Allocation Resolution, based on the final outcome of the Voluntary Separation/ Retirement Incentive Program.