MEMORANDUM
OFFICE OF THE
COUNTY EXECUTIVE
COUNTY OF PLACER

TO Honorable Board of Supervisors

FROM Thomas M Miller, County Executive Officer

DATE February 23, 2010

SUBJECT: FY 2010-11 Strategic Budget and Policy Briefing and Delegating Details of the Board's Authority under Chapter 3 of the Placer County Code (Action)

ACTION REQUESTED

That the Board of Supervisors

1 Approve preliminary direction for development of the FY 2010-11 Placer County budget as outlined in this memorandum

2 Approve labor adjustments as outlined in this memorandum for Management Team employees to include, no cost of living increase, continuance of mandatory time off (MTO) days, and increased health care cost sharing

3 Direct the County Executive Officer to re-engage the Placer Public Employee Organization (PPEO) to discuss options for comparable labor adjustments for PPEO represented employees and discuss employee layoffs to be effective on July 1, 2010 or soon thereafter

4 Approve the attached resolution delegating details of the Board's authority to direct layoffs under Chapter 3 of the Placer County Code to the County Executive Officer for FY 2010-11

5 Affirm the current policy direction for current County activities such as hiring restrictions, use of extra help, overtime practices, communications utilization, and fixed asset acquisition

6 Provide direction to the County Executive regarding the suspension of merit increases for all county employees

7 Direct the County Executive to return to the Board with further development of concepts with long-term structural changes before the end of the fiscal year

I BACKGROUND

For the past several years, revenues that had been a growing and vital resource for Placer County to provide services to its citizens have declined, in some cases somewhat significantly The days of double digit property tax and other real estate related revenue growth, as well as rapid sales tax growth that occurred during the early and mid 2000s have been eclipsed by the deepest recession to hit the nation, state and county since the Great Depression As a result, state and local governments have been continuously engaged in cost cutting measures designed to balance their budgets Placer County is no exception However, through this extended season of budgetary challenges and revenue reduction, your Board has proactively adopted measures and taken action to reduce costs and maintain the fiscal integrity of the County, a summary of which are provided below

PRIOR BOARD ACTIONS

- **September 2007** – Adopted a balanced budget limiting expenditures to existing programs
- **December 2007** – The County Executive Officer implemented hiring restrictions due to the combined effect of State budget impacts, the considerable decline in the real estate market and an overall stagnant economy
- **September 2008** – Adopted a Final Budget that constrained program expenditures, and redirected funding to critical health and human services ($2 1 million) and public safety programs Used up to $12 million in one-time funds to offset operating costs in the General and Public Safety Funds
- **December 2008** – Received a report on the status of the FY 2008-09 Budget's performance and **provided direction to correct the $9 5 million revenue collection shortfall** projected in the General and Public Safety Funds (budget revision approved January 27, 2009)
- **December 2008** -- Directed office closures for 4 days during the remainder of the fiscal year to save at least $2 million Non-essential employees would be required to take these days off unpaid in a mandatory time off (MTO) status
- **January 2009** -- Approved a budget revision of $945,187 to address revenue shortfalls in Health and Human Services The revenue reduction was offset by expenditure reductions
- **September 2009** – Adopted a Final Budget 9 4% smaller than the prior year that **closed an $18 million shortfall**, and included directing office closures for 12 days throughout the fiscal year to save $6 5 million Non-essential employees would be required to take these days off in a MTO status

While resources have continued to decline, service demands, particularly in health and human services programs, continue to increase As we look to the coming fiscal year, we face another year of extremely scarce resources and multiple competing demands The unprecedented duration and scope of this economic crisis, impacting multiple sectors of the economy and resulting in reductions to a broad span of revenues has left the County with fewer options and insufficient resources As a direct service provider labor costs represent a predominant expense to the County's budget, however Board action has allowed the County to mitigate and contain those costs in the last couple years, even as labor costs remain a significant budget pressure

In light of these challenging budget times, this memorandum seeks preliminary Board direction for the budget outlined in the actions listed above, and provides additional important information regarding the status of county budget, options for addressing the estimated shortfall in the coming fiscal year, and important management and labor data and information for consideration

II FY 2010-11 BUDGET DEVELOPMENT

Given the current economic climate, an early and preliminary estimate of the anticipated FY 2010-11 General and Public Safety Fund Budget was provided to your Board on December 8th, recognizing that this estimate would be nearly a year in advance of when the Final Budget would actually be adopted At that time, staff identified an estimated $20 million shortfall, which, if reduced by the use of reserves as approved in the current year, would decline to $16 million

Since then, the anticipated General Fund/Public Safety Fund budget deficit for 2010-11 has grown, and is now estimated to be $23 6 million ($19 6 million if offset with the same level of reserves as the current year) This is due to a number of factors, the largest of which reflects further declines in property tax revenues for next year One of the reasons for this anticipated decline in property tax revenue is the increase in assessment appeals, and based upon the evaluations of pending appeals, recent valuations suggest that further reductions will occur Further declines in the commercial real estate market and the negative tax roll adjustments associated with these declines will result in lower secured roll property tax revenues When combined with continuing declines in sales tax revenues (specifically declines in General Fund Sales Tax, Public Safety Sales Tax, and Realignment Sales Tax) as well as a number of other factors, a $23 6 million shortfall ($19 6 million after proposed use of reserves) is more in line with what we might expect for the coming fiscal year, not including yet unknown state reductions Additional potential state impacts are addressed later in this report

Over the past several years, your Board has taken proactive, thoughtful and prudent action to reign in costs and maintain the fiscal integrity of Placer County As such, our county is better positioned to address its lean times than many other jurisdictions As was proposed last year, and in an effort to continue to address budgetary shortfalls in a proactive manner, strategic input is being sought from your Board in time to ensure any cost saving measures that are approved could be fully implemented by July 1st, the beginning of the next fiscal cycle, in order to achieve full year savings and to position the County to adjust to continuing changes in the economy

For your Board's consideration today are recommended budget actions that, if approved, will guide development of the County's FY 2010-11 budget Staff's recommendations include measures to further reduce appropriations and curtail spending, continue a phased-in approach to the utilization of reserves, and continue to recommend labor cost reductions

The budget recommendations that are forthcoming are intended to address the budget deficit as estimated to date, based upon the best information available as of this writing Of course, as is evident, even since the last update provided to your Board in December, revenues can be volatile, and as will be seen in the state impacts portion of this memorandum, there are also factors beyond the control or influence of the County Nonetheless County departments and the

County Executive Office staff continue to work together to provide the best possible information with which to build a reliable budget framework for the coming fiscal year Unfortunately nothing provided to date suggests that the outlook is going to improve in the next several years

a **MANAGEMENT TEAM MEETINGS**

At the close of the December 8th Board presentation, in keeping with the process that the County undertook last year, the County Executive Officer convened a series of meetings with the Management Team that ran from October 2009 through January 2010 Management employees are not represented by a labor organization and, as such, the meetings provided a forum for direct communication and the sharing of information with a larger portion of the County's workforce Four sets of meetings were scheduled and attended by a majority of the Management Team

During the meetings, the Executive Officer clarified the County's financial position, shared regional county and city implemented cost saving measures, and outlined cost saving suggestions that he had received from various Cost Saving Task Force Committee's Presentations were made that included a Health Insurance Brief, Placer County Pension Benefits and a FY 2009-10 Budget Update and Outlook for FY 2010-11 that had previously been shared with the Board during regular meetings

As with most government agencies, Placer County's financial condition has been negatively affected by the economic slowdown experienced nationwide Last year *the Management and Confidential Team led the way* to achieve cost savings through labor adjustments that included 12 days of mandatory time off (MTO) and a capped cost of living adjustment (COLA) in lieu of the range previously discussed ($1 84 million saved countywide by managers and confidential employees) The Executive Officer explained that labor adjustments would once again be necessary next year and that the Management Team could provide collective input into the solution Labor options focused primarily on the following elements

- Increase in the cost sharing formula for health insurance
- Time off without pay (MTO) ranging from 7 to 12 days
- Additional employee pick up of the PERS employer contribution
- Other reductions in specific management benefits

The Management Team was surveyed twice on various cost saving measures that would need to be implemented in FY 2010-11, and were asked to rank the options for the Executive Office to consider Manager survey responses were overwhelming with approximately 64% returning the first survey and 61% returning the final survey Completion of the survey was thoughtful and thorough, with the attention to detail clearly demonstrating leadership and strong initiative as well as a willingness to work together to resolve the issue

1 Management Team Option

Final survey results from the Management Team members were key to the recommendation coming before your Board today While the Executive Officer provided a list of options for managers to rank that would result in reduced labor costs in FY 2010-11, **unlike last year, it was made clear that Board approval of the management option for labor adjustments would not avoid layoffs in the next fiscal year**

The County Executive Officer, in keeping with input from the Management Teams' survey results, requests Board consideration of the following labor adjustments that would be implemented and applied to management employees in FY 2010-11

1 No cost of living increase (COLA) for FY 2010-11
2 9 MTO days, and
3 Revised Health Insurance Cost Sharing Formula 80% County / 20% Employee, and Vacation cash out options will be suspended

If approved by your Board, this options would be implemented as a cost saving measure for FY 2010-11, estimated to save $1 1 million in the General and Public Safety Funds ($1 3 million countywide) and the budget would be prepared in keeping with this course of action Management employees may still be subject to layoffs in FY 2010-11 due to the severity of the budget deficit Implementation of the health benefit related actions would become effective for the 2011 Benefit Year and vacation cash out would be suspended July 1, 2010

If approved by your Board, staffs will return at a later date with the Board actions necessary to implement these salary and benefit related changes

b LABOR ADJUSTMENT OPTION

Labor adjustments comprise $6 3 million in the General and Public Safety Funds ($7 6 million countywide) savings as part of an overall and sustainable budget solution This salary and benefit savings target includes Management employees (estimated at $1 3 million / 17% of total), Confidential employees (estimated at $198,878 / 3% of total), and PPEO represented employees (estimated at $5 million / 80% of the labor solution) Apportionments noted above have been calculated from compensation ratios for each group assuming similar labor adjustments based upon filled positions It is expected that total labor adjustments implemented will be proportionate to these ratios

Attainment of identified / full labor adjustments is expected to save between 90 and 100 county jobs in FY 2010-11 but will not avoid layoffs in the County Absent agreement to the labor adjustments and resulting salary and benefit savings, layoffs must occur on or close to July 1st 2010

c MERIT INCREASES

County employees are paid based upon a salary grade consisting of minimum, intervening and maximum steps Employees are eligible for step increases along the salary grade based upon merit, as demonstrated by their annual employee evaluations These salary increases, called "step" or "merit increases" are made on the basis of merit as established by the employee's service, and are awarded after the recommendation of the department head and approval of the civil service commission and / or the Board Currently it is estimated that merit increases with benefits result in an estimated $1 5 million in additional costs for the County, with $1 2 million of those additional costs provided for Placer Public Employee Organization (PPEO) staff, about $200,000 for management employees, and about $100,000 for Deputy Sheriff Association (DSA) employees Merit increases have been raised as an issue on numerous occasions at Board meetings, even as recently as the last meeting, and as such it may be recommended that these salary increases be reviewed for suspension in the coming fiscal year

III. ADDRESSING THE $23 6 MILLION BUDGET DEFICIT

The following budget recommendations would close the currently projected $23 6 million deficit in the General and Public Safety Funds An abbreviated version of the General and Public Safety Funds budget recommendations are as follows

FY 2010-11 Budget Development Recommendations	
One Time Funds/Reserves	$ 4,000,000
(2nd year of a planned reserve program)	
Short Term Internal Charge Reductions	1,000,000
(offsets loss of revenue in other areas for departments)	
Other Short Term Policy Reductions	3,280,736
(OPEB remains flat - reduce other contributions)	
Long Term Budget Reductions	5,187,788
(operational cost savings - other reductions)	
Labor Adjustments	6,355,304
Subtotal	$ 19,823,827
Other Policy Recommendations	3,788,985
Total Recommendations	$ 23,612,812

Staff wants to reiterate that short-term or one-time budget solutions are not ideal as they compound budget deficits in outlying years

Closure of the FY 2010-11 budget deficit is being recommended through

- Expenditure reductions (ongoing and one-time solutions)

    - Short Term Policy Reductions These proposals include operational cost reductions designed to minimize county operating costs and / or costs to departments in the near-term, such as freezing OPEB charges at the same level as those in the current year and reductions in departmental one-time expenses, and in County Operating contingencies, and other non-departmental solutions

    - Long-Term Policy Reductions These proposals include operational cost reductions that will result in more lasting reductions to ongoing operating expenses, such as the elimination of reassignment funding, or reductions in contingency funding (which would be proposed for restoration at a future, yet to be determined date)

- Short Term Internal Charge Reductions

    - In addition to the policy reductions there are a number of other expenditure reductions that will serve to a number of budget policy changes are being recommended that will serve to reduce costs to the General and Public Safety Funds by reducing their charges for internal county services These charges are being reduced significantly for FY 2010-11 as part of a plan that was developed two years ago to draw down proprietary fund reserves (the internal service providers) to consume portions of their reserve balances to offset the revenue loss and fund their operations Savings will be felt countywide from these internal service fund actions The internal service policy change can be safely implemented for 2 to 3 years after which time the charges will need to be increased to reflect the full cost of providing the service since reserve balances in the proprietary funds would otherwise be diminished below prudent levels

- Other Policy Recommendations

    - As part of their FY 2010-11 budget submissions, county departments have been asked to submit 3% and 5% reduction packages delineating the savings amounts and the associated service implications associated with the potential reductions to their budgets These options will then be placed in "Tiers 1, 2 & 3" whereby the impact on the current labor force (layoffs) and service delivery impacts will be clearly defined Tier 1 solutions will not require layoffs and have less service impacts Tier 3 options will cause the most drastic impacts

    - A series of meetings are being scheduled for March with each department's management team to further discuss these options and ultimate impacts of potential reductions to service delivery After these meetings recommendations will be incorporated into the FY 2010-11 Proposed Budget

- Continued use of one-time reserves Consistent with what was proposed and adopted in the FY 2009-10 Final Budget, it will be necessary to continue to draw down the County's reserve balances in response to the ongoing severe economic and financial conditions that are expected to continue well into FY 2011-12 This recommendation includes the use of one-time reserve funding of $4 to $5 million in FY 2010-11 and likely in FY 2011-12 as well As General fund revenue begins to grow in the outlying budget years, staff strongly recommends that reserves be restored to enable the County to sustain services as economic fluctuations occur in the future Further, given their finite nature and the structural budget imbalance that their use to fund ongoing operations creates, staff recommends their use be phased out at the earliest opportunity

IV **LABOR RELATIONS**

a Labor Solutions Long Term vs Short Term

As noted previously, the County's General and Public Safety Funds FY 2010-11 budgets would be balanced with implementation of these recommendations, however at least $6 48 million of the current labor solution are short-term in nature and are expected to have long-term budget implications Labor adjustments that are not "on-going" in nature will add to the growing deficit figure projected for future fiscal cycles Examples of short-term labor adjustments include such items as a furlough program or a short-term reduction in work hours (employees going from full time to part time) In order to provide sustainability into FY 2011-12 and beyond, labor adjustments should have a long-term financial benefit and would include such items as elimination of merit increases or increased employee pick up of benefit costs (retirement, health insurance, or other benefits)

b Delegated Authority Under Chapter 3 Layoff

As part of the FY 2010-11 budget process, County departments have been tasked with absorbing all labor cost increases, plus "taking in" spending to recognize the prior year MTO savings amounts, as they match budget needs with constrained funding limits In addition, with the decline in the County's general purpose revenue streams, funding may further be redirected from one department or program to another in order to maintain critical, mandated services and still balance the FY 2010-11 Proposed Budget These fundamental funding constraints / relationships are expected to result in identified program and/or service cuts which, in turn, will result in a lack of funding or work in those service areas In addition, it has become apparent that workload in housing sector related areas have declined in direct relationship to economic conditions, and this phenomenon warrants specific staff adjustments consistent with the reduced demand for some county services

The County Executive Officer is seeking delegated authority in instituting layoffs in order to respond flexibly and efficiently to changing economic and budget conditions, to respond creatively to the Board's desire to augment funding in certain programs and services, and to reduce staff in program service areas where significant workload reductions have occurred

Layoff determinations will be guided by the Board as identified during the Proposed Budget presentation in May, during budget workshops, as contained in the County's Final Budget, and by other formal actions taken by the Board In making any layoff determinations, the County Executive Officer will coordinate with the department heads and any affected departments, and will obtain the cooperation of the elected officers who head any affected departments

Implementing layoffs would necessitate a meet and confer obligation on the part of the County with the appropriate bargaining unit's representative

The Placer Public Employee Organization (PPEO) - Local 39 represents a majority of county employees, or approximately 1,940 filled allocations The County is currently under contract with PPEO through June 30, 2010 Executive staff has attempted to address some of the County's cost saving needs by offering to Meet and Confer with PPEO over 5 days of furloughs as outlined in the 2009 Furlough Side Letter Agreement Five furlough days by PPEO represented employees would save $2 8 million countywide These savings would be applied back to labor adjustment needs for PPEO represented employees Furloughs in excess of 5 days require discussion of layoffs under the Agreement While no formal negotiations or layoff impact discussions have yet begun with PPEO, the request to meet subsequent to this Board meeting date is an action included with this memorandum

In the past your Board and the Executive Office have received correspondence from individual employees, letters from the union representative of PPEO-Local 39, and recommendations from the Cost Saving Task Force Committees Those communications identified certain measures that the authors believed should be considered when addressing the County's overall fiscal condition up to and including wage freezes, increased employee share of benefit cost sharing, mandatory time off or furloughs, and reduction in work hours to name a few These measures are in keeping with the labor adjustment recommendations being made for management employees and, if agreed to by PPEO, could be applied to that labor organizations represented employees equally As of this writing, no agreements or adjustments have been struck with PPEO-Local 39 In keeping with the action requested from your Board today, staff will actively engage the labor organization in a discussion of these matters

The Placer County Deputy Sheriffs' Association (DSA) represents approximately 222 active employees in the Sheriff's Department, District Attorney's Office and Health and Human Services Departments Last month the County sent a letter to the DSA representative with an offer to Meet and Confer regarding the DSA contract and potential remedies from that organization

c Fiscal Impact

The request to delegate details of the Board's authority to direct layoffs is necessary due to lack of funds and / or lack of work in certain program and / or service areas Approval of the requested action will delegate to the County Executive Officer the authority under section 3 08 1090 to determine the timing, department, classes and number of employees who will be subject to layoff

This memorandum details a projected funding deficit for FY 2010-11 of $23 6 million The number of position allocations that would be affected by funding redirections, or due to lack of funds and / or lack of work is, as yet, undetermined but is expected to be in the range of 132-144 positions (all funds) Of note, the County intends to un-fund non-essential positions that are currently vacant as part of the budget solution, and these numbers are included in the range noted above Reductions in the workforce can be achieved through several avenues including natural labor attrition as well as through layoffs Departments that will be primarily affected by this action are those whose work load has significantly reduced as a result of the economy, those departments with programs dependent upon intergovernmental revenue from State and / or Federal sources, or departments where funding would need to be reallocated to other critical program areas as identified by the Board of Supervisors

Dollars recovered by the County from a layoff will need to be "full year" savings or as close to full year as possible Since the layoff process as outlined in the Placer County Code will take time to implement, layoff notices would need to be issued a month or two prior to the end of the current fiscal cycle with corresponding budget savings that would cover 10-12 months Reductions of position allocations that were vacant / unfunded in the FY 2009-10 Proposed Budget will not result in budget savings in the subsequent fiscal cycle

V ECONOMIC AND BUDGETARY CHALLENGES CONTINUE

Up to this point, the discussion of potential budgetary shortfalls has been largely limited to those influences within the realm of the County However, in the Governor's FY 2010-11 Proposed Budget there are additional myriad proposals that could also have an impact on the County Budget, should they make it all the way through the budget process Additionally, there are other programs that could be "at risk" of losing state funding, in that they could be targeted for reductions during the state budget process, which in turn would have a direct impact on our Placer County Budget A number of such programs are highlighted below

a STATE BUDGET IMPACTS

Public Safety System

The Governor proposes to achieve $1 2 billion in savings for the California Department of Corrections and Rehabilitation (CDCR) through a number of actions that reduce State prison and parole populations Although these actions will partially alleviate both prison overcrowding and the need for future State prison construction projects, these benefits will be achieved by merely transferring responsibility for these offenders from State to local government Since nearly half of the county jails in California - including Placer County - are operating under federally mandated population caps this transference is anticipated to add additional strain to local jail operations across the State and to all other local public safety agencies involved in the prosecution, supervision and treatment of criminal offenders The specific impacts associated with these actions will be partially determined by local policy decisions regarding offender supervision and management, however, they are anticipated to result in system-wide increases in workload

In addition to these system-wide impacts, the Governor's proposed budget targets vertical prosecution grants that focus on reducing emotional trauma for young victims and their families as they progress through the legal process The proposed cuts would impact the District Attorney's budget by approximately $160,000

Health and Human Services System

The proposed State Budget includes impacts to Health and Human Services programs totaling $28 3 million - $21 2 million is linked to the Governor's proposed base budget and $7 1 million is linked to the receipt of $6 9 billion in new Federal revenue by July 1, 2010 (referred to as Trigger Reductions)

Reductions include a mix of large scale service eliminations impacting both program recipients and funding to the county to administer mandated programs in addition to the continuation of all 2009-10 State Budget reductions Several proposals are linked to pending litigation or require a statewide vote prior to going into effect The most significant proposed base cuts are in the areas of In-Home Supportive Services (IHSS), Child Protective Services, and mental health funding

- In-Home Supportive Services – 1,700 program recipients (87%) would be eliminated from the program, significantly reducing funding and workload for county staff managing the program

- Child Protective Services and Foster Care – Continuation of the $1 1 million reduction to child protective services and foster care in addition to proposed reductions of $625,000 impacting children at-risk of abuse or neglect and emancipated foster youth

- Mental Health Funding – Reduction would supplant approximately $2 million of existing State mental health managed care and children's mental health services with Mental Health Services Act (MHSA) dollars, and would require voter approval

Trigger Reductions of approximately $7 1 million, are identified should the State's request for additional Federal funding not be successful and include

- Elimination of all CalWORKs programs, including the welfare to work program,

- Elimination of In Home Supportive Services for the remaining 13% of eligible elderly and disabled residents,

- Elimination of Healthy Families and Family Pact funding for 5,600 patient visits per year

The Department of Child Support Services and the Veterans Services Office are again slated to avoid budget reductions this year due to State and Federal priorities that maintain funding levels for these programs

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Road Fund

There are no net changes to funding levels to Road Fund anticipated with the 2010/11 Governor's Proposed Budget However, the Proposal does alter the mechanics of gas tax funding that supports road maintenance activities at the local level Currently, Placer County receives $3 7 million annually of sales tax funding under Proposition 42 as the State's dedicated contribution to the Maintenance of Effort program Under this Proposal, Proposition 42 will be eliminated with in lieu funding provided through increased in excise tax from 18 cents to 28 cents per gallon If this is implemented, while we do not expect to experience reduced funding FY 10-11, the gas tax shift from sales tax to excise tax potentially creates opportunity for unreliable or delayed distribution of funds from the State

The Road Fund cash flow through FY 09-10 has been stable, primarily due to some earlier than expected release of Highway User Tax Account (HUTA) funds and payment of Federal grants, American Reinvestment and Recovery Act funds, and Proposition 42 on quarterly basis However, with the elimination of Proposition 42 and the capture of all gas tax as an excise tax into the State General Fund could shift the balance of cash flow to the Road Fund should the State implement a deferral of overall gas tax

Transit

As part of the funding shift from the sales tax to additional excise taxes on gasoline, the Governor proposes to no longer fund the Public Transit Account and that account is being eliminated The last time PTA funded the State Transit Assistant (STA) program in the County was in the FY 2008-09 Budget, in amount of approximately $460,000 Those funds, which supported transit operations, were eliminated in FY 2009-10 This proposal results in no new impact for Placer County in FY 2010-11 Transit operations, in particular TART, continue to be challenged, in part due to sales tax related funding declines with respect to STA

The Governor's proposed budget contains transit related funding in Prop 1B that can be used for capital purchases The department may propose to utilize this limited transit funding for two fixed-route replacement busses

<u>STATE FUNDS AT RISK</u>

Because many of the proposals anticipated to have legal challenges or will require voter approval, it is anticipated that the Legislature will have to consider alternate solutions and will have to target other funding solutions, such as

In addition to the $28 3 million of prospective Health and Human Services State Budget Impacts and Trigger Reductions detailed above, another $850,000 in State funding has been identified as potentially being at risk for further reduction from the State Service areas considered to be at risk include Adult Protective Services and Adult Alcohol and Drug Treatment ($100,000), Child Welfare System Support and Redesign ($550,000), and a portion of one-time Medi-Cal Administration funding ($200,000)

As mentioned above, the material shift for Road Fund is the structure of gas tax While not part of the Governor's Proposal, this shift has potential implications over time in terms of the secure nature of the funding Under Proposition 42, the State could only borrow that dedicated funding twice in a ten year period of time with a requirement for payment back to the local jurisdiction Excise tax does not have the same use restrictions and allows for more State discretionary diversion of these funds out of its General Fund So, the shift of funding stream could facilitate future State redirection of up to $3 7 million of this local funding for road maintenance

With respect to $7 million of annual HUTA funding, currently there is no specific plan articulated to cut or reduce this funding to local jurisdictions FY 2010-11 However, staff continues to closely monitor State budget discussions on this point given the State decision to defer HUTA payments through this current fiscal year and the substantial interest by legislators last fall in balancing the State budget in part through elimination of this funding

VI GENERAL AND PUBLIC SAFETY FUND RESERVES

Reserves have been set aside over time to provide for unanticipated occurrences and to sustain the County during short term economic downturns And, in fact, use of reserves will be of key importance to addressing the shortfall for the current and upcoming fiscal years That said, the use of reserves should be used judiciously to avoid depletion of resources that may be necessary to provide for cash flow or emergency circumstances Given the reliance on one time funds / reserves, the General and Public Safety Funds' reserve balances would be expected to decline with staff's recommended action as these funds would be used in each of the next two budget cycles to close funding shortfalls

General & Public Safety Funds Reserve Detail

Description	FY 2009-10	FY 2010-11	FY 2011-12
General Purpose	$ 15,299,280	$ 11,299,280	$ 7,299,280
Capital Outlay	39,525,228	39,525,228	37,956,598
Designated / Restricted	210,201	210,201	210,201
Totals	**$ 55,034,709**	**$ 51,034,709**	**$ 45,466,079**

Reserves 2/4/10 Will draw down Capital Reserve to fund the South Placer Jail and other projects beginning in FY 2010-11

VII FUTURE YEAR BUDGET PROJECTIONS

Given the nature of the recommended budget solutions, unless economic conditions shift resulting in additional county revenue growth, the County can expect that future budget cycles will continue to see growing deficits Absent corrective action in FY 2010-11 it is projected the deficit would increase to $33 1 million next year Implementation of staff's recommendation to close the FY 2010-11 budget shortfall, while not eliminating the projected future deficit, would reduce it from an estimated $33 1 million to $17 7 million, as highlighted in the table below

Budget Projections
General and Public Safety Funds

Description	FY 2010-11	With FY 2010-11 Action FY 2011-12
Base Funding Shortfall	**$ (23,612,813)**	**$ (32,213,576)**
Reserves	$ 4,000,000	$ 4,000,000
Expenditure Reductions		
Short Term Reductions	(4,280,736)	(1,250,000)
Long Term Reductions	(5,187,788)	(5,187,788)
Labor Adjustments	(6,355,304)	(1,961,511)
Other Policy Reductions	(3,788,985)	(3,031,188)
Shortfall After Adjustments	**$ -**	**$ (16,783,089)**

Projections are updated since the December 8th presentation Figures will change as the FY2010-11 budget is more fully developed

Assumes 80% of Other Policy Reductions are Ongoing

Staff anticipates that the future deficit will decline further as cost saving ideas recommended by the Cost Saving Task Force are implemented and as the overall workforce declines due to future retirements and / or other staff departures However, additional sustained cost savings measures that could include additional opportunities to privatize and contracting out for services, focusing county resources on mandated and core services, as well as improved procurement and other internal functions will be imperative as we look to reduce future county costs

VIII CONCLUSION

The budgetary constraints that have hampered Placer County for the past several years have strained its resources, reduced services, and reduced staffing Indeed even to operate at current levels requires the multi-year phased use of reserves, and that is to fund a workforce that is over 250 funded filled positions smaller than it was in fall of 2007 (about 10 percent smaller) When compared to many other local governments, Placer County is better positioned to face the many hurdles and obstacles coming in the next fiscal year, and the year after Still, the next several years will require new thinking and new ways of doing business, new ways of providing services and new service delivery models With this perspective, staff intends to return to your Board at a later date with additional concepts designed to address the further decline in projected available resources These ideas could include,

- exploring county service delivery options
- permanently capping or limiting the number of county employees
- increasing the share employees contribute to their pension plans, among others

With this information and perspective as a backdrop, and with the understanding that the recommendations provided to address the $23 6 million deficit identified in this memorandum are based upon the most current information to date, it is recommended that the Board approve the action items listed at the beginning of this memorandum

Attachment Resolution

Before the Board of Supervisors
County of Placer, State of California

In the matter of: A resolution delegating details of the Board's authority to direct layoffs under Chapter 3 of the Placer County Code to the County Executive Officer for fiscal year 2010-11

Resolution No.: ___________

FIRST READING: ___________

The following Resolution was duly passed by the Board of Supervisors of the County of Placer at a regular meeting held February 23, 2010, by the following vote on roll call

Ayes.

Noes

Absent

Signed and approved by me after its passage

____

Chairman, Board of Supervisors

Attest
Clerk of said Board

____

Ann Holman

Whereas, Placer County Code section 3 08 1090 provides that layoffs shall be made solely under the direction of the Board of Supervisors, and that under the Board's direction an appointing authority may lay off employees for necessity based on lack of funds or work,

Whereas, the County is currently experiencing a significant revenue slowdown coupled with cost increases for countywide services, Whereas, the national economic downturn, particularly in the housing sector, has created a decrease in demand of some County services, particularly in land development area, and has thus caused a related decrease in workload in certain program areas,

Whereas, County's General and Public Safety Funds anticipate a $23 6 million deficit in FY 2010-11 and, in addition, is expected to experience funding reductions in state and other revenues which will create additional program and service impacts,

Whereas, in anticipation for the 2010-11 fiscal year, staff has already implemented a number of spending reduction measures,

Whereas, layoff of county employees in certain program areas has become necessary due to lack funds and/or lack of work,

Whereas, staff is exploring options to redirect funding to critical services or priority programs that are currently allocated to other program service areas within the County's adopted fiscal year 2009-10 Final Budget,

Whereas, this redirection of funding to critical services may result in identified program service cuts in the other service areas, which in turn could result in a lack funding or work in those service areas, and

Whereas, the County Executive Officer is seeking delegated authority in instituting layoffs in order to respond flexibly and efficiently to the changing economic and budget conditions, to respond to the Board's desire to augment funding to certain critical services, and to reduce staff in service program areas where significant workload reductions have occurred,

Therefore Be It Resolved, By The Board Of Supervisors Of The County Of Placer, State Of California, As Follows:

The Board finds that layoffs of county employees are necessary due to lack of funds and/or lack work in certain program areas

The Board directs the County Executive Officer to proceed with layoffs of county employees in program areas that are experiencing a lack of work and/or lack of funds, and to so proceed as provided for in Chapter 3 of the Placer County Code and applicable law, including state labor Laws

The Board delegates to the County Executive Officer the authority under section 3 08 1090 to determine the timing, department, classes and number of employees who will be subject to layoff

The County Executive Officer's layoff determinations will be confirmed by the Board in the adopted Placer County fiscal year 2010-11 Proposed Budget, as will be presented in May 2010, and by further actions taken by the Board

In making any layoff determinations the County Executive Officer will coordinate with the department heads of any affected departments, and will obtain the cooperation of the elected officers who head any affected departments

This finding and delegation of authority will be effective for fiscal year 2010-11, or until revoked or modified by further action of the Board of Supervisors