

MEMORANDUM
OFFICE OF THE
COUNTY EXECUTIVE
COUNTY OF PLACER

TO: Honorable Board of Supervisors

FROM: Thomas M. Miller, County Executive Officer
Submitted by Rich Colwell, Chief Assistant County Executive Officer
Bekki Riggan, Principal Management Analyst

DATE: May 8, 2007

SUBJECT: STRATEGIC PLANNING SESSION FOLLOW UP MEMO #1

ACTION REQUESTED:

Receive follow up information from the 2007-08 Strategic Planning Session, and provide any necessary staff direction.

BACKGROUND

This is the first in a series of memoranda that will address topics of interest and questions that were the result of the Strategic Planning Session held by the Board of Supervisors (Board) on March 27, 2007. During that session, staff presented the Board with revenue and expenditure trend data, and received Board priorities and guidance for use in crafting the 2007-08 Proposed Budget. The Board also posed a number of follow up questions, and this memo and the associated attachments will address several of those outstanding questions. There will be additional memoranda in the future that address remaining topics of interest.

The attachments contained in this memorandum are:

1. Statement of Placer County business practices, clarifying Board direction regarding unanticipated new or increased revenues, including increases in State / Federal funding.
2. An analysis of the \$8.1 million anticipated shortfall in public safety funding for the 2007-08 Proposed Budget.
3. A review of Health and Human Services Department expenditures, identifying \$5.1 million in additional resources that would be needed to maintain the current levels of service in the coming fiscal year.

FISCAL IMPACT

There is no immediate fiscal impact associated with this memorandum.

**PLACER COUNTY
BUSINESS PRACTICE**

Upon a department receiving material new or increased revenues, including State or Federal funding in excess of that estimated in the budget, options for the use of these additional funds shall be presented to the Board of Supervisors with a focus given to reallocation of the General Fund commitment to Board priorities.

Public Safety \$8.1 Million Unfunded FY 2007-08 CEO Recommended

<i>Budget Category</i>	<i>Unfunded</i>
Salaries/Benefits	\$4.8M
- Projected DSA Increase	
- PPEO / MOU Increases	
- Full Year Funding for Prior Year Approved Positions	
Charges from/to Departments	\$2.2M
- Auburn Justice Center Utility & Maintenance Costs	
- Information Technology Charges	
- Employee Group Insurance (retiree)	
FY 2006-07 Carryover Reduction	\$1.7M
- Improved recruiting/hiring practices - less vacancies/lower salary savings	
- Departmental absorption of current year salary and benefit increases	
Subtotal	\$8.7M
Offsetting Reductions	(\$600,000)
- Fixed Assets	
- Services & Supplies	
- Revenues	
Total	\$8.1M

- \$4.8 million salary and benefit increase resulting from projected Deputy Sheriff Association (DSA) increases, Placer Public Employees Organization (PPEO) negotiated labor contract increases, and realizing full-year costs of previously approved positions.
- Net increase of \$2.2 million in Charges from/to County Departments including pass-through of new costs related to the Auburn Justice Center facility, information technology, and employee/retiree insurance.
- \$1.7 million reduced carryover availability resulting from successful hiring and retention of employees, absorption of current year salary and benefit increases and reduced revenues from the previous year.
- Fixed Assets, Services and Supplies and Revenues also reduced \$600,000 to partially offset cost increases.

Public Safety Fund Balance Carryover Analysis

- Available Public Safety fund balances remaining at the end of a fiscal year have historically been utilized during the budget process to help off-set projected funding shortfalls in the following fiscal year - this source of funding is referred to as an individual department's Fund Balance Carryover. The table below displays a comparison of the Public Safety fund balances for the last four budget cycles – FY 2006-07 is based exclusively on projections and estimates for the current fiscal year:

FY Ending	Fund Balance Carryover				
	Sheriff	Probation	District Attorney	Public Safety Total	Percentage change from Previous Year
FY 2006-07 (estimated)	\$916,131	\$800,000	\$800,000	\$2,616,131	-53%
FY 2005-06	\$2,719,799	\$1,283,213	\$1,598,092	\$5,581,104	8%
FY 2004-05	\$3,033,245	\$1,223,062	\$896,621	\$5,152,928	91%
FY 2003-04	\$947,977	\$792,398	\$958,347	\$2,698,722	N/A

- Largest percentage of fund balance carryover is attributed to funded allocations that remain vacant for at least a portion of the budget year.
- As displayed above, current FY 2006-07 projections indicate dramatic decreases across the board in available fund balances to help off-set projected FY 2007-08 funding shortfalls for Public Safety departments.
- Increase from FY 04-05 to FY 05-06 and decrease from FY 05-06 to FY 06-07 directly attributed to lower vacancy rates in all three Public Safety departments. Improved recruitment and hiring practices have resulted in total vacancies decreasing by 5% over the past two years. Total allocations increased by 9% during the same period.
- Projected FY 2006-07 end of year carryover is \$1.7M lower than originally projected at FY 2006-07 Final Budget – departments absorbed substantial salary and benefit increases in current year budgets, as well as some facility relocation and Auburn Justice Center pre-move costs.

Position Allocation Comparison (Authorized vs. Filled)

Year	Allocated Positions	Increase in Allocations Over Prior Year	Filled Positions	Vacancy Rate	Cost Increase Over Prior Year (Gross)
FY 07/08 CEO Recommended	731	0%	678	7%	\$9,999,499
FY 07/08 Base	731	0%	678	7%	\$5,170,727
FY 06/07 Base	731	3%	678	7%	\$6,687,005
FY 05/06 Base	711	6%	633	11%	\$11,048,377
FY 04/05 Base	672		595	12%	

Allocated positions in public safety have increased by almost 9% since FY 04/05 and included a decreasing vacancy rate from 12% in FY 04/05 to 7% in FY 06/07. Salary and Benefit costs are directly impacted by these components, which experienced a 30% increase from FY 04/05 to FY 06/07. An additional 14% increase is required for salary and benefits to keep the public safety departments whole from FY 06/07 to FY 07/08. These percentages reflect the increase in expenses without recognizing any offsetting revenues or reimbursements.

Since FY 04/05, public safety departments have received 59 new positions. New positions have included Deputy District Attorneys, Legal Secretaries, Deputy Probation Officers, Administrative Legal Clerks, Deputy Sheriffs, Dispatchers, Information Technology positions, and clerical staff. The increases have supported increased caseloads, and expansion of service areas from Tahoe to Roseville.

FY 07/08 Position Count	Sheriff	District Attorney	Probation	Total PS	
Allocated	466	125	140	731	
Filled	429	118	131	678	92.7% Filled
Funded	457	123	140	720	7.3% Vacant
Unfunded/Vacant	9	2	0	11	
Funded/Vacant	19	5	9	33	
Unfunded Overhires	30	0	0	30	Increase Over Prior Year
Salary/Benefit Base Budget	\$56,103,848	\$14,121,341	\$12,887,324	\$83,112,513	\$9,999,499
					14%
FY 06/07 Position Count	Sheriff	District Attorney	Probation	Total PS	
Allocated	466	125	140	731	
Filled	429	118	131	678	92.7% Filled
Funded	457	123	140	720	7.3% Vacant
Unfunded/Vacant	9	2	0	11	
Funded/Vacant	19	5	9	33	
Unfunded Overhires	30	0	0	30	Increase Over Prior Year
Salary/Benefit Base Budget	\$50,228,513	\$11,981,480	\$10,903,021	\$73,113,014	\$6,687,005
					10%
FY 05/06 Position Count	Sheriff	District Attorney	Probation	Total PS	
Allocated	454	120	137	711	
Filled	402	104	127	633	89.0% Filled
Funded	445	118	137	700	11.0% Vacant
Unfunded/Vacant	9	2	0	11	
Funded/Vacant	43	14	10	67	
Unfunded Overhires	29	0	0	29	Increase Over Prior Year
Salary/Benefit Base Budget	\$45,464,244	\$10,402,281	\$10,559,484	\$66,426,009	\$11,048,377
					20%
FY 04/05 Position Count	Sheriff	District Attorney	Probation	Total PS	
Allocated	434	107	131	672	
Filled	384	102	109	595	88.5% Filled
Funded	413	103	123	639	11.5% Vacant
Unfunded/Vacant	21	4	8	33	
Funded/Vacant	29	1	14	44	
Unfunded Overhires	14	0	0	14	
Salary/Benefit Base Budget	\$38,054,491	\$9,001,692	\$8,321,449	\$55,377,632	

PROP 172 REVENUE GROWTH - STATEWIDE AND PLACER ALLOCATION

Statewide Prop 172 Revenue						
FY 01/02	FY 02/03	FY 03/04	FY 04/05	FY 05/06	FY 06/07 Proj.	FY 07/08 Proj.
\$ 2,218,245,805	\$ 2,272,819,701	\$ 2,434,197,175	\$ 2,621,293,989	\$ 2,836,612,028	\$ 2,877,569,011	\$ 2,963,896,081
-3%	2%	7%	8%	8%	1%	3%

Placer County Allocation of Prop 172 Revenue						
FY 01/02	FY 02/03	FY 03/04	FY 04/05	FY 05/06	FY 06/07 Proj.	FY 07/08 Proj.
\$ 23,879,416	\$ 26,846,819	\$ 30,722,003	\$ 34,124,005	\$ 37,465,972	\$ 39,191,713	\$ 40,367,464
2%	12%	14%	11%	10%	5%	3%

Public Safety Sales Tax Revenue continues to increase each year, however, this growth is slowing. This is attributed to a slowdown in California job growth, a reduction in personal income growth, and a weakening of home price appreciation.

As of March of FY 06/07, Placer County receipts for public safety sales tax are up 4.24% from the same time last year, but is 7.38% less than the prior year. Statewide, public safety sales tax is up 2.07% from the same time last year but is 7.95% less than the prior year.

County Practice in Budgeting For Positions (1/2 Year Costs)

\$880k of the \$4.8 million staffing impact

A Representation of Carried Over Position Costs into New Fiscal Year

District Attorney		
Fiscal Year	Funding	Purpose
FY 05/06	\$461,859	Funding for 13 new positions for six months
FY 06/07	\$461,859	Funding for remaining six months of the 13 new positions approved in 05/06
	\$223,941	Funding for 5 new positions for six months
FY 06/07 Total	\$685,800	
FY 07/08	\$223,941	Funding for remaining six months of the 5 new positions approved in 06/07

Probation		
Fiscal Year	Funding	Purpose
FY 05/06	\$115,307	Funding for 6 new positions for 7 months
FY 06/07	\$82,368	Funding for remaining 5 months of the 6 new positions approved in 05/06
	\$413,558	Funding for 2 new positions for 7 months and 1 position at 12 months
FY 06/07 Total	\$495,926	
FY 07/08	\$109,749	Funding for remaining 5 months of the 2 new positions approved in 06/07

Sheriff		
Fiscal Year	Funding	Purpose
FY 05/06	\$840,198	Funding for 21 new positions for 7 months
FY 06/07	\$709,505	Funding for remaining 5 months of the 21 new positions approved in 05/06
Est.	\$484,750	Funding for 13 new positions for 7 months
FY 06/07 Total		
FY 07/08 Est.	\$346,250	Funding for remaining 5 months of the 13 new positions approved in 06/07

**PLACER COUNTY
HEALTH & HUMAN SERVICES
2006-07
IMPLEMENTED COST SAVINGS STRATEGIES**

During fiscal year 2006-07 HHS has worked diligently and effectively to provide the financial stewardship for all revenue streams and sources allocated to our programs. This financial stewardship is no more critical than at the local level. Your Board has recognized and supported HHS' uninterrupted delivery of many critical programs as demonstrated by your generous General Fund commitment of \$22.9 million for this current fiscal year.

I am pleased to report back to you today that HHS has realized savings in excess of \$4.5 million during this fiscal year as a result of our pragmatic, yet innovative, approaches to program design, service delivery and claiming strategies. The table below documents these savings. I anticipate that these strategies will result in similar savings in future years, supporting your financial stewardship of our County's critical fiscal resources. Without these implemented strategies, HHS funding gap for 2007-08 would be approximately \$11 million.

ASOC	Savings
➤ Recovery courts provide treatment resulting in avoidance of jail bed utilization estimated to be valued at \$2 million	\$2,000,000
➤ Transition to sustainable, community-based residential facility, and start-up of private/contracted board and care facility	\$600,000
➤ Program redesigns resulting in more effective client placements, shorter lengths of stay and increased federal reimbursement	\$325,000
CSOC	
➤ Redesigned services and adopted best practices achieving program efficiencies and savings	\$275,000
➤ Enhanced billing effectiveness	\$600,000
Community Health/Clinics	
➤ Pharmacy savings due to use of Pharmaceutical Company Indigent Medication Programs	\$530,000

➤ Emergency Room Utilization Review which controls spiraling costs associated with inappropriate use of emergency rooms	\$50,000
➤ Reduced contracting costs for hospitalized care	\$70,000
➤ Decreased use of County General Fund, and increased revenue from state/federal resources	<u>\$86,000</u>
TOTAL	\$4,536,000

<ul style="list-style-type: none"> Increased waiting time and decreased availability of medical providers. 		
Community Health Planned Service Reductions and Impacts due to inadequate State/Federal Funding: <ul style="list-style-type: none"> 260 patients without state/federal reimbursement eligibility will not receive public health nursing services (30% or 78 have serious substance abuse). Communicable disease follow up will be prioritized. It is estimated that 300 people will not receive communicable disease follow up. For example, occasional food-borne illnesses, and Chlamydia. Will not fill vacant epidemiologist position, which will result in lack of statistical public health data. The wait time for nursing services after referral has been received will increase from 2 months to 3 months. 17 community groups, including 9 schools, will not receive funding for projects that assist students to achieve academic and employment success as well as reduce substance abuse, sexually transmitted disease and teen pregnancy, impacting 980 youth. 	\$385,115	
Human Services Planned Service Reductions and Impacts due to inadequate State/Federal Funding: <ul style="list-style-type: none"> Caseloads currently range from 30 to 300, depending on specific program, and will increase to a range of 35 to 350. Medically Indigent Adult (MIA) eligibility services will be eliminated in Roseville. Employment services for 150 Welfare to Work clients will be reduced or eliminated, and it is likely they will become unemployed and/or remain on public assistance, thereby increasing total cases. 	\$680,779	

Local Programs:

Animal Services No impacts. Enhanced funding is requested for a ½ time Volunteer Coordinator position.		\$23,871
Environmental Health To be funded through a proposed fee increase	\$370,429	
Subtotals	\$5,049,388	\$23,871

Estimated Funding Gap/All HHS Divisions:

\$5,073,259



MEMORANDUM

Placer County Health and Human Services Department
Administration Department

Date: May 2, 2007
To: CEO
From: Richard J. Burton, M.D., M.P.H.
Subject: Enhanced SB 90 Test Claim Proposal

HHS has consistently worked with County Counsel and the County Executive Office to identify and seek funding for unfunded state mandates. In claims processed after successful challenges of unfunded state mandates, Placer County has received over \$6.7 million in the last two years alone. HHS will continue to work with our County Counsel, the County Executive Office and colleagues from across the state to assure that the state is held accountable to provide adequate funding for the level of service it mandates.

There are currently test claims pending before the State Commission on State Mandates that would provide funding for services we provide including indigent medical care, child protective services, and In Home Supportive Services that could come to conclusion as early as this summer, and we will provide the BOS an update regarding these claims at the August budget hearings.