2009-10 REVISED FINANCING PLAN

On April 7, 2009, the Board of Supervisors approved the county's original 2009-10 financing plan. The approved board agenda item and PowerPoint presentation related to the original financing plan are attached for your information. This plan included several mitigations totaling $83.5 million, which were implemented to balance the 2009-10 budget. Two of the mitigations, 8% Reduction in 2009-10 and Salary Reduction, directly impacted county departments. In order to balance their individual budget, departments had to delete positions (filled and vacant), reduce other costs and, where possible, receive additional reimbursements or revenue. The details of how these reductions affected an individual budget can be seen in the Impacts Due to Budget Reductions section of their budget pages. Below is a recap of how the departments managed their reduced general fund financing and the impact these reductions had on prior year's budgeted positions.

Reduction in Salaries and Benefits	($16.3) million
Reduction in Other Costs	(4.5) million
Increase in Reimbursements/Revenue	(6.4) million
Total Reduced General Fund Financing	($27.2) million
Reduced Vacant Positions	(125)
Reduced Filled Positions	(83)
Total Reduced Positions	(208)

Current discussions with the various employee representation units related to salary savings are deferring upcoming raises or implementing a work schedule reduction program. Once the implementation of the salary savings is determined, filled positions that are not budgeted in 2009-10 may be reinstated based on the final outcome.

Adjustments to Financing Available

Subsequent to the approval of the financing plan, the County Administrative Office has received additional information, which has impacted general fund financing available. Below is the summary of how this new information has impacted the original financing plan. A detailed explanation of these changes is described on the next page.

UNRESTRICTED - REMAINING AVAILABLE FUNDING FOR 2009-10

	General Fund Ongoing	General Fund One-time
Proposed Budget Financing - April 7, 2009	-	8.8
Adjustments to Financing Plan:		
Required Allocation to Joint Powers Leases	0.5	
Reduced Allocation to California Children's Services	(0.5)	
Sales Tax Revenue	(3.0)	
Other Revenue	0.9	
Minimum RIP Savings	2.1	
Subtotal:	-	-
Financing Available in Proposed Budget	-	8.8

Change in General Fund Financing Allocations

When developing the County Administrative Office's Joint Powers Leases proposed budget, it was determined that an additional $0.5 million was required to adhere to the county's debt covenants. Conversely, at the time the original financing plan was adopted, it was estimated that Public Health's California Children's Services program required $0.9 million in general fund financing to maintain their mandated minimum funding level. After developing the California Children's Services proposed budget, it was determined the program only needed approximately $0.4 million in additional general fund financing. This created a savings of $0.5 million which will offset the increased need in the Joint Powers Leases budget unit.

Non-Departmental Revenue Adjustment

The County Administrative Office has been monitoring the sales tax revenue activity closely. Since April 7, 2009, there has been a continual decline in sales tax receipts. Due to the abnormally poor sales tax receipts during this recession, the projections for discretionary sales tax revenues have declined by $3.0 million for 2009-10. This reduction in sales tax revenue has been partially offset by revised projections for prior property tax revenues and interest and penalties on late property tax payments which have increased by $0.9 million. This minor increase is due to the recent boost in home sales due to the dramatic decline in home prices. Many of these properties have delinquent property taxes outstanding that are paid when the home is sold.

Minimum RIP Savings

On March 3, 2009, the Board approved the Retirement Incentive Program. Eligible employees retiring between March 3, 2009, through June 30, 2009, would receive a $1,000 per year of service incentive to be paid over five years. The vacated position would be deleted to create salary savings and the position can not be reinstated until five years have passed. Based on current estimations of the cost components, the County Administrative Office is approximating a cost saving of a minimum of $2.1 million in the first year of implementation.

Summary of Unrestricted Financing for 2009-10

After incorporating the above adjustments, the revised financing plan is projected to have no ongoing financing available and $8.8 million in available one-time revenue sources for 2009-10. Available one-time funds have historically been used to finance one-time costs and while the budget financing policy states that one-time funds shall not be used to finance ongoing operations, the policy does provide for an exception. That exception is the use of one-time funds used in the context of a larger plan to balance ongoing revenues and costs over a multi-year period.

Due to the continued downward revisions to property tax and sales tax revenues, financing additional ongoing costs are becoming increasingly difficult. Further compounding the availability of financing is the unknown state and federal budget impacts that could severely impact the financial outlook of the county. Therefore, the County Administrative Office recommends delaying the approval of one-time allocations, such as the requests for additional general fund financing, until the ongoing impacts such as continued shortfalls in projected revenues due to downward adjustments in the general economy or additional reductions due to the state budget situation are known and can be remedied.

REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS OF SAN BERNARDINO COUNTY, CALIFORNIA AND RECORD OF ACTION

April 7, 2009

FROM: **MARK UFFER, County Administrative Officer**
County Administrative Office

SUBJECT: **POLICY DIRECTION ON 2009-10 BUDGET TARGETS**

RECOMMENDATION(S)

1. Receive and review the financing and policy issues identified in this report, including the spending and revenue projections used to develop the 2009-10 proposed budget financing plan, and the County Administrative Officer recommendations in developing budget targets.
2. Direct the County Administrative Officer to build departmental budget targets for the 2009-10 proposed budget based on the data and conclusions in this report, as modified by further Board action.

*Grace Lester and Bob Nelson address the Board regarding Item 84.

(Affected Districts: All)
(Presenter: Dean Arabatzis, Assistant County Administrative Officer, 387-5412)

BACKGROUND INFORMATION

This report is the initial step towards development of the 2009-10 final budget. This report is used as the basis for the development of budget targets to be issued to county departments. It describes how the county is financing the 2009-10 budget targets.

Components of the financing plan included in this report are:

- Analysis of the 2009-10 financing plan:
  1) Financing for 2009-10
  2) Cost to Maintain Current Services in 2009-10
  3) Ongoing Mitigations Needed in 2009-10 to Balance Budget
- Issues not addressed in the 2009-10 financing plan
- State Budget Impact
- Review of ongoing set aside and county reserves
- Conclusion

cc: CAO-Uffer
CAO-Arabatzis
County Counsel-Hinesley
County Counsel-Basle
File - Budget 2009-2010
jll 04/16/2009

Rev 0708R1

ITEM 084

Record of Action of the Board of Supervisors

APPROVED
COUNTY OF SAN BERNARDINO
Board of Supervisors

MOTION	AYE	AYE	SECOND	AYE	MOVE
	1	2	3	4	5

DENA M. SMITH, CLERK OF THE BOARD
BY
DATED: April 07, 2009

ANALYSIS OF THE 2009-10 FINANCING PLAN

Due to the current economic condition, this coming fiscal year is different than most fiscal years since there is no additional financing available to finance the increase in costs to maintain current services. In the 2009-10 financing plan the county is starting off with a negative amount of financing that is required to be addressed in order to have a balanced budget. In next year's budget the county is looking at a shortfall of $56.2 million in ongoing funding sources and one-time sources available of $11.8 million as summarized on the following chart.

FINANCING FOR 2009-10

	(In Millions)	
	Ongoing	**One-time**
Beginning Financial Position	$ 4.2	
Adjusted Ongoing Discretionary Sources	(40.4)	
Adjusted Ongoing Prop 172 Sources	(20.0)	
Estimated One-time Discretionary Sources		$ 11.8
Total Financing Available	**$ (56.2)**	**$ 11.8**

BEGINNING FINANCIAL POSITION

When the 2008-09 budget was adopted as final on June 24, 2008, the remaining ongoing funds available were $7.8 million. Due to the current economy and the county's forecast for next fiscal year, the county had to start reducing departmental allocations to ensure a balanced budget next fiscal year. Departmental budgets were reduced by a total of $5.4 million this fiscal year in order to increase ongoing funds available. Also in the current fiscal year $9.0 million has been approved to be spent on MOU increases for Law and Justice and Human Services departments, priority policy needs and reinstating new positions and reclassifications removed at budget adoption. The remaining available money of $4.2 million serves as the County's beginning financial position for 2009-10 financial planning purposes.

ADJUSTED ONGOING DISCRETIONARY SOURCES

Adjusted ongoing discretionary sources are outlined in the chart below. The reduction in discretionary countywide revenues is estimated to be $40.4 million and is based on the following.

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	(In Millions) Ongoing
Property Related Revenue	$ (33.3)
Interest Revenue	(3.5)
COWCAP	0.8
Sales and Other Taxes	(2.7)
Recording Fees	(1.7)
Total Adjusted Ongoing Discretionary Sources	**$ (40.4)**

Property Related Revenue is expected to decrease by a total of $33.3 million over the current year budget. This is based on an estimated assessed valuation negative growth of 6%. This amount includes a reduction of Supplemental and Property Transfer Tax revenues which is expected to decrease by $7.0 and $2.9 million, respectively, over the current year budget due to the slowdown in home sales.

Interest revenues are projected to decrease by $3.5 million due to lower available investment rates and anticipated lower cash balances in the general fund.

COWCAP revenue will increase by $0.8 million ongoing over current year budget based on billing amounts published by the Auditor/Controller-Recorder.

Sales and Other Taxes are expected to decline by $2.7 million primarily due to the current economy.

Recording Fees are expected to decrease by $1.7 million over the current year budget due to the slow down in the housing market.

ADJUSTED ONGOING PROP 172 SOURCES

Proposition 172 (Prop 172), which became effective January 1, 1994, created a permanent half-cent sales tax to provide funding resources to qualifying public safety services. Prop 172 revenue received by the county is allocated per a formula determined by the Board of Supervisors. The County allocations are as follows: 70% Sheriff, 17.5% District Attorney, and 12.5% Probation. Each year Prop 172 is forecasted for the subsequent year using current year receipts, which has a two-month lag, and local economist predictions. Forecasted amounts are included in the applicable departmental budgets.

In 2008-09, the total amount of Prop 172 sales tax expected to be received is $20.0 million below budget due to the current economy. Estimated negative growth of 3.0% in 2009-10 from the current 2008-09 projection translates into a total reduction of $24.0 million in 2009-10 for the three departments mentioned above, of which $20.0 million will be backfilled with general fund financing and the remaining $4.0 million will be absorbed by the applicable departments.

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ESTIMATED ONE-TIME DISCRETIONARY SOURCES

The chart below summarizes estimated one-time sources, totaling $11.8 million, which will be required in the 2009-10 budget to address some departmental operations that are mandated.

	(In Millions) One-time
Mandated Contingencies Per County Policy	$ 9.0
Available Contingencies in 2008-09	16.9
Departmental Operation Savings in 2008-09	17.2
Prop 172 Impact in 2008-09	(20.0)
Property Tax and Other Revenue Impact in 2008-09	(11.3)
Estimated One-Time Sources Available for 2009-10	**$ 11.8**

Analysis of the 2008-09 contingencies budget results in projections that the 1.5% contingency set aside required by County policy of $9.0 million will remain unspent at the end of the fiscal year as well as the current balance of the 2008-09 available contingencies of $16.9 million.

Estimated departmental operation savings in 2008-09 of $17.2 million will also be available for one-time expenses in 2009-10. These savings are based on the most recent departmental year end estimates which are updated monthly.

As mentioned above Prop 172 revenue will be coming in below budget by $20.0 million in the current fiscal year.

In addition, there are a variety of countywide discretionary revenue sources that are expected to be below budget in 2008-09. Those sources are specifically supplemental property tax, sales tax, and recording fees revenue.

COST TO MAINTAIN CURRENT SERVICES IN 2009-10

The prior section of this report addressed the financing for 2009-10. This section will address increased costs in 2009-10 to maintain current services. The chart below summarizes the adjustments to prior year's budget that are included in the financing plan for ongoing and one-time costs. Due to the ongoing financing shortfall mentioned above, some of these increased costs can not be financed this fiscal year and will have to be absorbed by departments. Following the chart is a brief description of each cost component.

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APPROVED MOU INCREASES - $16.1 MILLION

As a result of approved MOUs covering wages, hours, and other terms and conditions of employment with the San Bernardino County Public Employees' Association (SBPEA), the California Nurses' Association, the San Bernardino County Public Attorneys' Association, the Safety Employees' Benefit Association, and changes to the Exempt Salary Ordinance, salary and benefit costs are expected to increase by $16.1 million in 2009-10. There is currently no MOU agreement with the San Bernardino County Probation Officers' Association for 2009-10. Due to the lack of ongoing financing available, all county departments, except law and justice and human services, will have to be absorb these MOU increases within their current general fund allocation.

RETIREMENT INCREASES - $4.0 MILLION

In 2009-10, the SBCERA rate for general employees decreases .42% and the POB rate increases .40% for a net decrease of .02%. The SBCERA rate for Safety employees decreases .44% and the POB rate increases .60% for a net increase of .16%. As a consequence of these rate changes and the increase in earnable comp as a result of the approved MOUs, retirement costs will increase $4.0 million. It should be noted that when the San Bernardino County Probation Officers' Association MOU agreement is finalized, retirement costs could increase as a factor of cost of living increases. Due to the lack of ongoing financing available, all county departments, except law and justice and human services, will have to be absorb these retirement increases within their current general fund allocation.

CENTRAL COMPUTER - $0.2 MILLION

The Information Services Department is not proposing an increase to the computer operations rate (2410) for 2009-10. Costs have been determined based on 2008-09 actual usage, resulting in some fluctuation in departmental cost estimates which increased general fund financing to some departments.

UTILITIES - $1.1 MILLION

Due to ongoing drought conditions, the potable water system providing water to the Sheriff and Regional Park facilities at Glen Helen has reached critical levels. In order to maintain services at both facilities, an alternative water source had to be acquired. The West Valley Water District constructed water lines adjacent to the County's property at Glen Helen and agreed to supply water under a Board approved agreement for three years until a permanent connection could be established. This temporary interconnection is necessary from April through November 2009, the period of the year of highest demand and lowest resources. The additional general fund financing of $0.3 million for 2009-10 is needed for the expenses associated with the temporary interconnection such as operations, maintenance, electricity, costs of water, rental costs of the pump and above ground pipes.

In addition, there is a $0.8 million general fund financing increase to the Utilities budget due to potential utility rate increases.

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BOARD OF SUPERVISORS
POLICY DIRECTION ON 2009-10 BUDGET TARGETS
APRIL 7, 2009
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CALIFORNIA CHILDREN'S SERVICES - $0.9 MILLION

California Children's Services is a state program that provides case management, diagnosis, and treatment services to individuals up to 21 years of age with severe qualifying medical conditions and whose families are unable to pay for all or part of their care. State law requires the County to maintain a mandated minimum funding level. As a result, an increase of $0.9 million is required in 2009-10 to maintain the mandated caseload ratio as well as Healthy Families payments funding level.

OTHER ADJUSTMENTS - $0.4 MILLION SAVINGS

During the current fiscal year the County purchased an office building on Haven Avenue in Rancho Cucamonga which resulted in a net rent savings of approximately $200,000. In addition, the County's Fan Zone Title Sponsorship at the Auto Club Speedway has expired which frees up $210,000.

MOU WITH CITY OF FONTANA - $1.7 MILLION

On August 26, 2008 the Board of Supervisors approved a Memorandum of Understanding between the County of San Bernardino and the City of Fontana which would set aside annually approximately 37% of the sales tax generated in the Western Sphere of Influence of the City of Fontana. The County and City must use these funds on mutually agreed projects within the Sphere. It is estimated that approximately $1.7 million needs to be set aside in 2009-10.

ASSESSOR OPERATIONS - $1.3 MILLION

In the 2008-09 budget adoption, the Board directed the removal of the backfill of the State's Property Tax Administration Program funding for the Assessor's office in the amount of $2,139,938 representing a 11.245% cut to the department's budget. The department also made diligent effort to achieve the Countywide departmental 8% cut as a part of the Board's mid-year budget direction. The department achieved the majority of the total 19.245% cut by deleting a total of 37 positions despite the elevated workload associated with the Prop 8 valuation reductions and assessment appeals. While the workload continues to increase as the economy worsens, the Assessor's office is operating with a net reduction of 11 positions since the beginning of the market downturn in 2007. The functions the department performs are mandated and must be handled in a timely manner. To ensure the effective management of the increased workload in the upcoming year, the County Administrative Office recommends the use of one-time financing in the amount of $1,351,157 for the Assessor's office to cover their second 8% reduction in 2009-10. This will enable the Assessor's office to continue their mandated operations in 2009-10 until further attrition or financing arises.

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ONGOING MITIGATIONS NEEDED IN 2009-10 TO BALANCE BUDGET

Since the discretionary revenue sources are declining and there are increases in costs to maintain current services, mitigations totaling $83.5 million are required for 2009-10 in order to balance the budget. During the current year, departments' general fund allocations were reduced by $5.4 million. This mitigation is reflected in the beginning financial position amount mentioned earlier in the Analysis of the 2009-10 Financing Plan section. An additional mitigation of $78.1 million is required in 2009-10. This section of this report addresses the recommended mitigations totaling $78.1 million needed to balance the budget for 2009-10. The chart on the next page summarizes the mitigations that are included in the financing plan. Following the chart is a brief description of each mitigation component.

	(In Millions)
Property Tax Revenue from 2008-09	$ 8.4
Workers Comp Rates Savings from 2008-09	10.6
Adjust 2009-10 Workers Comp Rates	7.5
Department Absorption of MOU/Retirement except L & J and HS	9.8
8% Local Cost Reduction in 2009-10	8.9
Use Ongoing Set Asides	14.9
Salary Reduction	18.0
Total Mitigations	**$ 78.1**

PROPERTY TAX REVENUE FROM 2008-09 - $8.4 MILLION SAVINGS

Since the County is conservative on estimating discretionary revenue sources, the 2008-09 budget was built with a 3% growth in assessed valuation for property tax revenue. The actual assessed valuation was 5% which allows the County to use this excess revenue of $8.4 million for next fiscal year where it is needed.

WORKERS COMPENSATION RATES - $18.1 MILLION SAVINGS

The County has completed its risk management five year recovery plan for all of its self insurance funds. The County has achieved its 80% actuarially acceptable confidence level and can now reduce rates while still maintaining this confidence level. In 2008-09 rates were reduced to achieve savings of $10.6 million which was not allocated at the time and is now available for 2009-10. In 2009-10 rates are recommending to be decreased again which saves $7.5 million in 2009-10.

DEPARTMENT ABSORPTION OF MOU/RETIREMENT INCREASES - $9.8 MILLION SAVINGS

There were MOU agreements approved in 2008-09 that affect 2009-10 costs. Due to the lack of financing available, all departments except Law & Justice and Human Services will need to absorb these increased costs within their current general fund allocation.

8% LOCAL COST REDUCTION IN 2009-10 - $8.9 MILLION SAVINGS

In 2008-09, departments' general fund allocations were reduced to achieve a total 8% cut. In 2009-10, another 8% local cost reduction totaling $8.9 million is required in order to balance the budget.

USE ONGOING SET ASIDES - $14.9 MILLION SAVINGS

Prior to this coming fiscal year, the Board set aside $7.9 million in ongoing revenue sources to assist in financing future retirement cost increases and $7.0 million in ongoing revenue sources to assist in financing future increased jail space due to the growing inmate population. Beginning in 2009-10, these set asides will now be used to help finance retirement costs as well as other costs incurred to maintain current services.

SALARY REDUCTION - $18.0 MILLION SAVINGS

In order to balance the 2009-10 budget, an additional $18.0 million of savings is required. The County is meeting with each of its employee organizations to produce a solution to achieve this savings. Discussions are currently centered on a work schedule reduction program that would reduce four hours a pay period per employee. Other salary savings alternatives are also being considered in order to achieve this amount of savings.

ISSUES NOT ADDRESSED IN THE 2009-10 FINANCING PLAN

In developing the financing plan, only $8.8 million of one-time financing is available for 2009-10. This one-time remaining financing available is considered necessary in order to address temporarily the ongoing shortfall and to assist departments next fiscal year.

Retirement Incentive Program (RIP)

On March 3, 2009, the Board of Supervisors approved a Retirement Incentive Program. Eligible employees in identified represented classifications that retire between March 3, 2009 to June 30, 2009 would receive $250 for each completed quarter of a year of continuous regular County service, payable annually over a five-year period. To achieve savings, it is expected that the vacated positions will not be filled for a period of five years. The retirement cash outs, as well as the amount of savings this would realize, are unknown at this time.

STATE BUDGET IMPACT

On February 20, 2009, the Governor signed the budget package that covers the remainder of 2008-09 fiscal year and the entire 2009-10 fiscal year. The budget package addressed California's $42 billion deficit with a combination of tax increases, a revised spending cap, borrowing, deferrals, economic stimulus provisions, government reform, and budget cuts. The County Administrative Office enlisted departments' assistance in identifying specific budget impacts to the County of San Bernardino.

Key state budget impacts to counties include:

- **Human Services Reductions:** There is a reduction of $6.5 million to the County due to CalWORKs recipients not receiving their Cost of Living Adjustments and Human Services not receiving adjustments for the cost of doing business in their Medi-Cal Administration funding. This dollar amount is equivalent to 40 positions. However, attrition remains high in the human services departments, so layoffs would not be a certainty. Although the state funding is cut, the counties are still required to provide the same level of service.
- **Public Health Reductions:** There is a reduction of $0.2 million to the County due to the State's 10% reduction in Maternal and Child Health programs.
- **Deferrals:** The adopted budget authorizes two-month deferrals of health and social services payments to counties from July and August to September 2009. This translates to $52.3 million in deferrals for the County of San Bernardino. In addition, the fuel excise tax allocation for local streets and roads scheduled for February, March and April to be paid in May 2009. This translates to an additional $7.5 million in deferrals for the County of San Bernardino.
- **Trigger Cuts:** The adopted budget includes cuts that could be restored if the Federal Stimulus Package has at least $10 billion in funds for California. The decision on the federal economic stimulus package is to be made at a public hearing on or before April 1, 2009. If triggered, these cuts would become effective on July 1, 2009 unless California receives the necessary funding. The cuts include a 4% grant reduction in CalWORKS which is $7.4 million to the County of San Bernardino. The budget is also eliminating certain optional benefits in Medi-Cal which may affect Behavioral Health and ARMC reimbursements.
- **Special Election on May 19, 2009:** The Legislature called a special election for May 19 to address budget issues. The County's Registrar of Voters will incur approximately $3.5 million in costs for this special election; however, the state plans to reimburse counties. There are six propositions that will be placed on the ballot. Two of which may directly affect county departments.
    - Proposition 1d – Proposition 10 redirects existing tobacco tax money to protect health and human services for children. This would reduce funding to the local First 5 commission which currently contracts with the Behavioral Health department for dental services.
    - Proposition 1e – Proposition 63 redirects existing Mental Health Services Act funding to finance the federal Early and Periodic Screening Diagnosis and Treatment program.

  Since all of the propositions were used to balance the adopted state budget, any propositions that fail will require the Legislature to come up with alternative solutions to close the budget gap.

County Administrative Office staff will continue to monitor the state budgetary process especially the results of the special election.

FUTURE SPACE NEEDS ONGOING SET ASIDE

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Beginning in 2006-07, the Board has set aside $20.0 million to address future space needs based on a building analysis completed by staff. This set aside is continued for 2009-10. In addition, since the juvenile hall has been completely financed, the previous ongoing set aside of $4.0 million for the juvenile hall project is now recommended to go towards the future space needs project. Therefore, a total of $24.0 million is the ongoing set aside for the future space needs for 2009-10.

COUNTY RESERVES

The County has a long established conservative approach to budgeting; because of this approach the County has several types of reserves. Some reserves are for specific purposes, such as to meet future known obligations or to build a reserve for capital projects. The general purpose reserve are funds held to protect the County from unforeseen increases in expenditures or reductions in revenues, or other extraordinary events, which would harm the fiscal health of the county. All of these reserves are one-time in nature and can only be used as a temporary fix. They are not viewed by staff as appropriate remedies for ongoing problems.

As seen by the total reserves amount below, the County has set aside a considerable amount of one-time money that can assist the County temporarily for unforeseen increases in expenditure or reductions in revenues. Also reflected in this chart is the future space needs ongoing set aside which is expected to remain unspent at year end; therefore, per County Policy, the total specific purpose reserves will increase by $24.0 million.

	Estimated June 30, 2009 Balance	Recommended Contribution /(Use)	Estimated June 30, 2010 Balance
General Purpose Reserve	**59,733,617**	**0**	**59,733,617**
Specific Purpose Reserves			
Future Space Needs	48,543,455	24,000,000	72,543,455
Retirement	46,500,000	0	46,500,000
Medical Center Debt Service	32,074,905	0	32,074,905
Teeter Reserve	17,747,201	0	17,747,201
Capital Projects	4,000,000	0	4,000,000
Insurance	3,000,000	0	3,000,000
Business Process Improvement	293,733	0	293,733
Restitution	1,715,025	0	1,715,025
Electronic Voting	370,000	0	370,000
Justice Facilities	140,562	0	140,562
Total Specific Purpose	**154,289,881**	**24,000,000**	**178,289,881**
Total Reserves	**214,118,498**		**238,023,498**

04/07/2009 #084

CONCLUSION

This report has identified an ongoing financing shortfall of $78.1 million for 2009-10. In order to address this shortfall the County Administrative Office has identified $78.1 million of mitigations. In addition, there is $8.8 million in one-time financing available for 2009-10 and is considered necessary in order to address temporarily the ongoing shortfall and to assist departments next fiscal year.

SUMMARY OF 2009-10 FINANCING PLAN

	(In Millions)	
	Ongoing	**One-time**
Financing Adjustments	$ (56.2)	$ 11.8
Cost to Maintain Current Services	(21.9)	(3.0)
Mitigations Needed	78.1	
2009-10 Unallocated	$ -	$ 8.8

This office will continue to refine our estimates of ongoing and one-time revenues for next fiscal year, to account for other mid-year board actions that affect this plan and any other pending costs the County must face in 2009-10, and to monitor the state budget process as well as the other County needs which are not addressed in the plan.

A revised financing plan will be distributed to the Board of Supervisors with the submittal of the proposed budget.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (Rex Hinesley, Chief Assistant County Counsel, 387-5480 and Jean Rene Basle, Chief Assistant County Counsel, 387-5477) on March 17, 2009.

04/07/2009 **#084**

2009-10 Budget Financing Plan

April 7, 2009

Financing for 2009-10

	(In Millions)	
	Ongoing	**One-time**
Beginning Financial Position	4.2	
Adjusted Ongoing Discretionary Sources	(40.4)	
Adjusted Ongoing Prop 172 Sources	(20.0)	
Estimated One-Time Discretionary Sources		11.8
Total Financing Available	**(56.2)**	**11.8**

2009-10 Adjusted Ongoing Discretionary Sources

	(In Millions) 2009-10
Property Related Revenue (Assumes -6% AV Growth)	(33.3)
Interest Revenue	(3.5)
COWCAP	0.8
Sales and Other Taxes	(2.7)
Recording Fees	(1.7)
Adjusted Ongoing Discretionary Sources	**(40.4)**

Estimated One-time Money for 2009-10

	(In Millions) One-time
Unspent Mandated Contingencies Per County Policy	9.0
Unspent Available Contingencies in 2008-09	16.9
Departmental Operation Savings in 2008-09	17.2
Prop 172 Revenue Impact in 2008-09	(20.0)
Property Tax and Other Revenue Impact in 2008-09	(11.3)
Total Estimated One-Time Money	**11.8**

Additional Ongoing Costs to Maintain Current Services

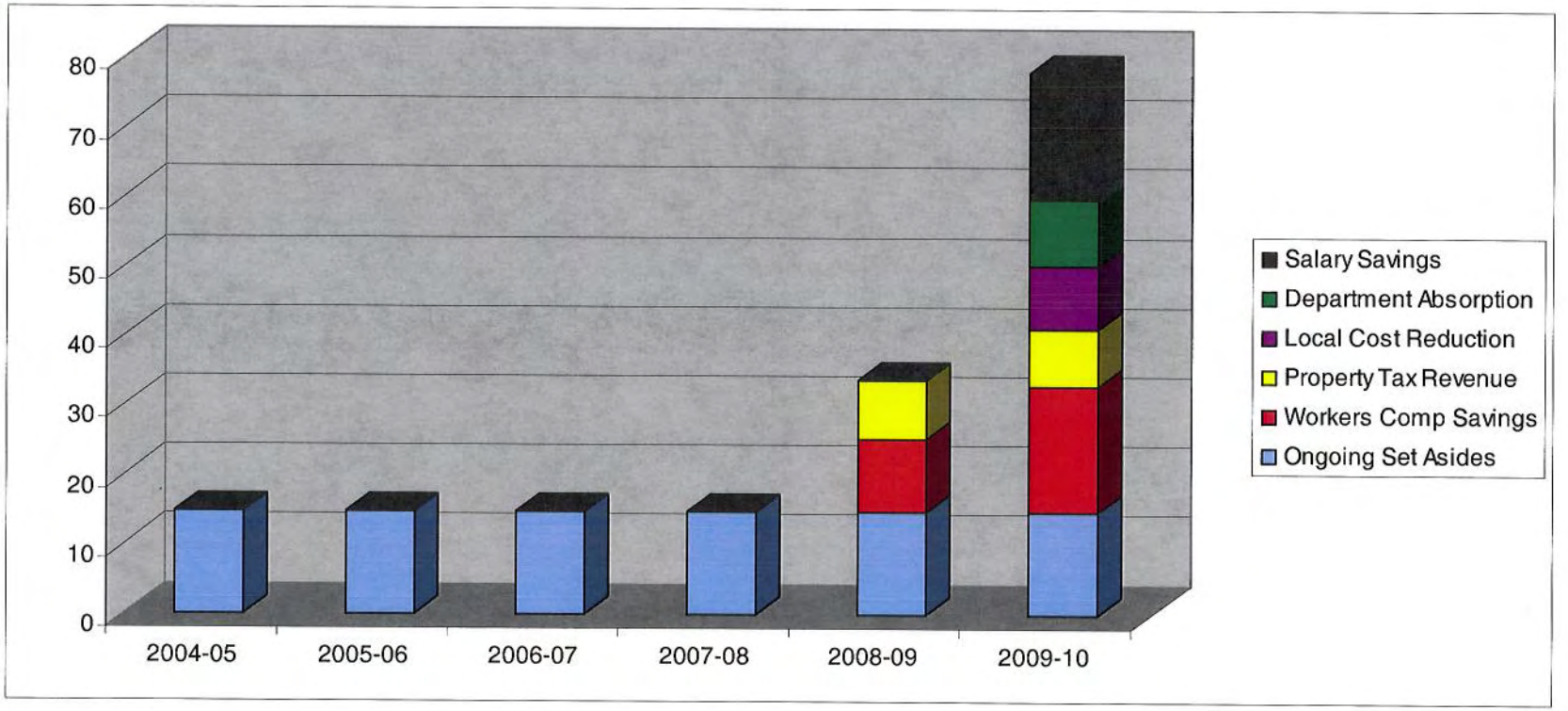
	(In Millions)
Approved MOU Increases	16.1
Retirement	4.0
Central Computer	0.2
Utilities	1.1
California Children's Services	0.9
Other Adjustments	(0.4)
Total Ongoing Costs	**21.9**

NOTE: Inflation is not financed in 2009-10 due to lack of financing available.

Ongoing Mitigations Needed for 2009-10

Property Tax Revenue from 2008-09	8.4
Workers Comp Savings from 2008-09	10.6
Adjust 2009-10 Workers Comp Rates	7.5
Dept Absorption of MOU/Retirement except LJ&HS	9.8
8% Local Cost Reduction in 2009-10	8.9
Use Ongoing Set Asides	14.9
Salary Reduction	18.0
Total Mitigations Recommended	**78.1**

History of Ongoing Mitigations



Summary of 2009-10 Financing Plan

	(In Millions)	
	Ongoing	One-time
Financing Adjustments	(56.2)	11.8
Cost to Maintain Current Services	(21.9)	(3.0)
Mitigations Needed	78.1	
2009-10 Unallocated	-	8.8

2009-10 Local Cost Adjustments

- Reduction for 2008-09 Cut (8% less MOU)
- Reduction for 2009-10 Cut (Another 8%)
- Reduction for Workers Comp Rates
- Reduction for Salary Savings

Stock Market

	March 23	March 30	% Chg
S & P 500	768.54	815.94	6.2%
Dow Indu	7,278.38	7,776.18	6.8%

Most Recent Quarter Sales Tax Trends for Counties

	4th Qtr 2008	4th Qtr 2007	% Chg
Solano County	14,875,531	14,035,993	6.0%
San Diego County	100,164,624	109,685,843	-8.7%
Los Angeles County	289,422,454	322,567,330	-10.3%
Orange County	119,003,272	134,885,492	-11.8%
San Luis Obispo County	8,990,734	10,517,124	-14.5%
Imperial County	4,881,552	5,732,238	-14.8%
San Bernardino County	59,191,403	70,087,008	-15.5%
Riverside County	56,343,617	68,729,962	-18.0%
Ventura County	26,150,235	32,145,892	-18.7%

Unemployment

	County	State	U.S.
Unemployment Rate - Feb. 2009	11.9%	10.9%	8.1%
# of Persons Unemployed	104,700	2,027,400	12,467,000