COUNTY OF MARIN OFFICE OF THE ADMINISTRATOR

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Matthew H. Hymel County Administrator

June 22, 2010

Marin County Board of Supervisors 3501 Civic Center Drive San Rafael, CA 94903

SUBJECT: Proposed County Budget for FY 2010-11

Dear Supervisors:

RECOMMENDATION:

- 1. Accept the Administrator's Proposed FY 2010-11 County Budget for public review;
- 2. Schedule public hearings on the Proposed FY 2010-11 County Budget to begin on Monday July 26, 2010 in the Board of Supervisors Chambers at 10:00 a.m.;
- 3. Adopt the Proposed FY 2010-11 County Budget as the County's interim spending plan, including position and salary changes pending your Board's formal adoption of the FY 2010-11 County Budget;
- 4. Approve FY 2009-10 Actuals & Expectations (A&E) budget adjustments necessary to ensure sufficient available fund balance for FY 2010-11 operations, per Attachment A; and
- 5. Authorize the County Administrator and Director of Finance, pursuant to final Board approval, to make technical and other carry forward adjustments as necessary to properly budget and account for grants, projects and year-end fund balances, including:
 - designation of unrestricted year-end fund balances;
 - · carry-forward of prior year administrative designations; and
 - other technical adjustments as necessary to accurately reflect the budget including Board authorized position allocation adjustments and funds related to a
 Board-approved Memorandum of Understanding (MOU) agreement with bargaining
 units.

OVERVIEW

Like communities across the nation, Marin County is adapting to a new economic reality. Although the economy has shown some signs of recovery, such as stock market gains and slight increases in property values, county government continues to deal with reductions in property and sales tax collections as well as substantial cuts in state funding.

This proposed budget continues our tradition of making tough choices to live within our means. We have reevaluated services and reduced spending so that we can continue to provide quality services to our residents. If the proposed budget is approved, over the past three years we will have reduced spending by \$25 million - including the elimination of 180 positions.

Given the scope of our projected budget shortfall, for the first time in many years we will be recommending layoffs. We have reduced the number of layoffs through our voluntary separation program. Overall, we are anticipating that 10 to 15 layoffs will be required to balance our budget for next year. They are, for the most part, programmatic recommendations related to the County's Mediation Services Program and the Gynecology Clinic. While both of these programs have provided high quality and valuable services, alternative providers can provide these services to our residents at no additional cost to the County's General Fund.

Unfortunately, we will need to make additional budget cuts because of the State's ongoing budget crisis. The Governor recently released his May Revise Budget which, if enacted, would create a new \$20 to \$25 million budget gap for the County. Much of this proposal shifts costs to counties and/or substantially reduces state funding for county-run programs. For example, the Governor proposes to cut over \$20 million in "safety net" services such as childcare services, employment training, In-Home Support Services and mental health services. Although we hope the final scope of cuts will not be as broad or as deep as proposed by the Governor, we know we will face significant additional cuts when the state budget is ultimately adopted this summer.

SUMMARY

The FY 2010-11 Proposed Budget is essentially flat, decreasing slightly by 0.8% from the FY 2009-10 Approved Budget (see chart below). The budget is balanced and reflects sound financial practices; for example, ongoing revenues are used for ongoing expenditures while one-time revenues support one-time spending. The General Fund budget, the primary fund for most County programs and services, is \$369.9 million, a more significant 2.5% decrease versus the prior year.

All Funds: Proposed Sources		• .	
Revenue Type	FY 2009-10 Approved	FY 2010-11 Proposed	% Change
General Fund:			
Revenues	\$357,560,698	\$349,990,468	-2.1%
Prior Year Fund Balance	24,553,889	24,822,285	1.1%
Less: Transfers	<u>(2,567,027)</u>	(4,907,739)	<u>91.2%</u>
Total General Fund Sources	\$379,547,560	\$369,905,014	-2.5%
	•		
All Funds:			
Revenues	\$412,096,595	\$407,256,849	-1.2%
Prior Year Fund Balance	<u>\$28,298,806</u>	<u>\$29,816,474</u>	<u>5.4%</u>
Total All Funds Sources	\$440,395,401	\$437,073,323	-0.8%

All Funds: Proposed Uses				
Fund		FY 2009-10 Approved	FY 2010-11 Proposed	% Change
General Fund Uses	•	\$379,547,560	\$369,905,014	-2.5%
Other Funds		<u>\$60,847,841</u>	<u>\$67,168,309</u>	<u>10.4%</u>
Total All Funds Uses		\$440,395,401	\$437,073,323	-0.8%

With reference to Attachment A, our annual Actuals & Expectations (A&E) budget review process resulted in approximately \$23.9 million in reduced General Fund net county cost (NCC). These budget adjustments, presented for your Board's recommended approval, consist largely of transfers within a department but also reflect adjusted revenue and expenditure expectations to better ensure sufficient year-end fund balance necessary to finance budget year operations.

In addition to transfers within a department, budget changes include adjustments to the allocation of interdepartmental charges and recoveries from central service providing departments to benefitting departments; adjustments of expense and revenue related to grants; allocation of MOU adjustments offset with reductions to Non-Departmental accounts; and other adjustments often offset with

additional revenue or reduction of expense. Public Safety departmental adjustments reflect significant reductions in Proposition 172 Public Safety Sales Tax collections due to the recession, though these are not department generated revenues. Similarly, most interdepartmental allocation adjustments are not programmatic expenses within a department's control; these adjustments are offset with recoveries by central service providers on a fund basis.

With a required use of prior year fund balance of \$24.8 million for FY 2010-11, approximately \$19.9 million is required for ongoing General Fund operations. Additional one-time funds of approximately \$5 million are being used to support one-time spending to establish a \$2 million state budget uncertainties reserve; \$1 million toward additional Americans with Disabilities Act (ADA) project improvements; \$707,000 toward one-time Budget Change Proposals (BCP's); \$500,000 toward a one-time offset for the delayed implementation of recommended reductions in force and Voluntary Separation Incentive Program (VSIP) payments; and miscellaneous one-time expenditures within baseline funding.

THREE ROUNDS OF BUDGET REDUCTIONS TO CLOSE \$20.1 MILLION SHORTFALL Approved First Round Budget Reductions

To achieve a balanced budget, the FY 2010-11 Proposed Budget reflects three rounds of budget adjustments. The first round of adjustments totaled \$3.65 million in ongoing General Fund savings, was approved by your Board in January of this year, and has been incorporated into our baseline budget for FY 2010-11. These actions, comprised of voluntary separation incentive (VSIP) program reductions and mid-year departmental budget adjustments, maintain core services and are based on countywide priorities rather than an "across-the-board" reduction approach. Department expenditure reductions totaled \$3.3 million and included elimination of 30.05 vacant positions. In addition, your Board approved \$356,000 in revenue increases.

Approved Second Round Budget Reductions

The second round of budget adjustments totaled \$8.1 million in ongoing General Fund savings, was approved by your Board in March of this year, and has also been incorporated into our baseline budget for FY 2010-11. Department expenditure reductions totaled \$5.7 million and included elimination of an additional 30.05 vacant positions. In addition, your Board approved \$2.4 million in revenue increases.

Proposed Third Round Budget Reductions

To close the remaining shortfall, we are recommending a third round of reductions totaling \$5.4 million, including the elimination of approximately 29 additional positions. These adjustments include countywide savings of approximately \$3 million as well as \$2.4 million in programmatic reductions. Ultimately, we anticipate 10-15 FTE layoffs will be necessary as some VSIP applicants may withdraw from the program. If all VSIP applicants remain within the program, as few as 8.35 FTE layoffs would be required. Your Board will be asked to approve these reductions during your July budget hearings. Again, further reductions will likely be necessary once the final state budget is adopted.

CONCLUSION

The Proposed Budget serves as the County's interim spending plan until final adoption of the budget by your Board. As in past years, changes to the County's closing fund balance will necessarily result in recommended amendments to the Proposed Budget. These changes will be submitted to your Board during the July budget hearings, as well as additional reduction options in light of potential additional state funding cuts for FY 2010-11.

In coordination with the Department of Finance, we are again requesting your Board's approval to make technical adjustments as necessary to properly budget and account for grants, projects and other financial allocations, including properly accounting for authorized position allocation adjustments

and unspent purchase orders, associated requisitions and related appropriation authority to open the new fiscal year pursuant to Board approval as part of the Final Budget for FY 2010-11.

For a more detailed overview of the FY 2010-2011 Proposed Budget, please refer to the Administrator's Budget Message contained within the Proposed Budget document. Copies of the Proposed FY 2010-11 County Budget are also available for public review on the County's website (www.co.marin.ca.us).

Throughout these challenging times, our county workforce has continued to provide quality services to our community. I am confident that this commitment will continue over the coming year as we adapt to state budget cuts and our long-term challenges. I want to thank your Board and our department heads for their leadership, collaboration and support. I also want to recognize our employees for their thoughtful input, suggestions and questions. Lastly, I would like to recognize my staff for their contributions and dedication throughout this year-long process.

Please feel free to contact me or my staff with any questions or concerns.

Sincerely, Matthew H. Hymel County Administrator	L			
REVIEWED BY:	[x]	Department of Finance	[]	Not Applicable
	[]	County Counsel	[x]	Not Applicable
	[x]	Human Resources	[]	Not Applicable