

# **Budget Message**

The budget message provides an overview of the County's budget. The message sets a context for budget decisions by describing the economic conditions and changes to financing and revenue sources which help to shape the budget. It provides a summary of expenditures for the current year in comparison to expenditure levels in the previous year to demonstrate the impact that economic conditions have on County financing. Changes to staffing levels and service level program impacts are also discussed to provide the reader with a link between how financing decisions impact County operations and service provision.

# County of San Luis Obispo

COUNTY GOVERNMENT CENTER, R.M. D430 • SAN LUIS OBISPO, CALIFORNIA 93408 • (805) 781-5011



**JIM GRANT**  
COUNTY ADMINISTRATOR

September 26, 2011

Honorable Board,

During June 13 – 15, 2011, the Board held a public hearing to discuss the County's proposed spending plan for Fiscal Year 2011-12. The Board adopted the budget on June 21, 2011 and subsequently made adjustments to fund balances available, reserves, designations, and contingencies (based upon the year-end fund balances) on September 6, 2011 (agenda item A-6 from the Auditor-Controller).

The Final 2011-12 budget (General Fund and all other funds) authorizes a spending level of \$464,428,463. The General Fund is budgeted at \$383,347,164.

The April 29, 2011 budget message (attached) provides an overview of the key components of the County's proposed spending plan. The following is a summary of the changes made to the proposed budget during and after the June budget hearings.

## Changes to the Proposed Budget:

The following changes were made via the supplemental budget document. Note that a copy of the supplemental budget document is available at:

[http://slocounty.granicus.com/MetaViewer.php?view\\_id=2&clip\\_id=1107&meta\\_id=217197](http://slocounty.granicus.com/MetaViewer.php?view_id=2&clip_id=1107&meta_id=217197)

- Contributions to Other Agencies: Increase funding to the Visitors and Conference Bureau by \$90,000 to help fund the implementation of the Countywide Economic Strategy and to help market County Parks, Golf Courses, and Airports.
- County Counsel: Add 1.0 FTE Deputy County Counsel I – IV to the position allocation list. This position is unfunded for FY 2011-12.
- Human Resources:
  - Change a Human Resources Analyst Aide position to a Human Resources Analyst Aide Confidential position. No change in funding.
  - Delete an Administrative Assistant III Confidential position and replace it with a Supervising Administrative Clerk I Confidential position. No change in funding.

- District Attorney's Office & Child Support Services: Reduce the amount of funds paid by Child Support to the District Attorney's Office by \$103,093 to reflect the reduced use of DA Investigator services.
- Sheriff Coroner: Increase the amount of total expenditures by \$156,497 and General Fund support by \$102,747 to correct a budget input error.
- Animal Services (of the Health Agency): Amend the fixed asset list in order to meet accounting requirements (correct a budget input error).
- Planning & Building: Add \$139,137 of revenue and 1.0 FTE.
- Health Agency- Public Health:
  - Exchange a temporary help Community Health Nurse position for a 0.5 FTE permanent Community Health Nurse position. No change in funding.
  - Women, Infant, and Children's program (WIC)- Delete a Public Health Nutritionist II and add a Nutrition Services Program Manager. No change in funding.
- Health Agency- Behavioral Health:
  - Mental Health Services Act- Add \$918,161 of additional State funding and add 3.5 FTE.
  - Behavioral Health- Add \$170,000 of grant revenue and 1.5 FTE.
  - Behavioral Health- Correct an intrafund transfer (i.e. correct a budget input error).
  - Behavioral Health- Correct the service programs for the Drug & Alcohol Division and the Mental Health Services Act division, which were inadvertently transposed.
- Countywide Automation: Add equipment for the Property Tax System to the fixed asset list (correct a budget input error).
- Community Development: Reduce funding by \$264,347 in order to reflect the most recent allocation from the Housing and Urban Development (HUD) 2011 grant allocations.
- Public Works ISF: Update the list of major capital projects.
- Airports Enterprise Fund: Add the beginning and ending amounts for the Net Assets to the Schedule 11.

The following changes to the Proposed Budget were made by your Board during the budget hearings (in addition to changes made via the supplemental budget):

- The following changes were made to Contributions to Other Agencies (fund center 106):
  - Added \$7,500 to North County Connections for a total of \$20,000
  - Added \$7,500 to Cambria Connections for a total of \$20,000
  - Added \$5,000 to the Central Coast Ag Network for a total of \$5,000
  - \$8,000 from the Local Agency Formation Commission (LAFCO) was reallocated to help pay for the above noted changes. The remaining \$12,000 was funded via the Tax Reduction Reserve.

Position Allocation Changes:

The total number of positions approved during budget hearings is 2,382.50, which is 24.50 less than the current number of positions (2,407). This represents a 1.0% reduction to the workforce. All but seven of the positions eliminated as part of the FY 2011-12 budget are vacant. The San Luis Obispo Employee's Association (SLOCEA) agreed to concessions in order to avoid the seven layoffs. As a result, the positions will be removed from the position allocation list but individuals will remain in the positions for up to a year (until the beginning of FY 2012-13).

CHANGES MADE AFTER BUDGET HEARINGS:

Once the fiscal year ended June 30, 2011, the Auditor-Controller's Office began the "year-end" closing process, which includes the calculation of the actual fund balances (compared to what was projected as part of the budget preparation process). On September 6, 2011 (agenda item A-6), the Board approved an agenda item from the Auditor-Controller, which adopted the final appropriations, reserves, designations, and contingencies. Actual Fund Balance Available (FBA) for all funds was \$5,501,028 higher than in the proposed budget. The General Fund FBA was \$4,950,674 higher than what was budgeted. This additional General Fund FBA was allocated as follows:

- \$145,000 to Contingency in order to bring to 4%
- \$250,000 to Organizational Development reserves
- \$384,375 to the Facilities Planning reserve
- \$500,000 to the Road fund reserves
- \$636,190 to the General Government Building Replacement reserves
- \$3,035,109 to the Tax Reduction Reserve

Over the past four years, the above noted reserves have been utilized to help balance the General Fund operating budget as part of the County's budget balances strategies and approaches. The allocation of the \$4.95 million to these reserves helps to replenish the prior withdrawals. The spreadsheet immediately following this page summarizes the year-end Fund Balances Available.

As a result of all of these changes (during and after budget hearings), the total County budget is \$464,428,463 and the General Fund is \$383,347,164.

Sincerely,



Jim Grant  
County Administrator

EXHIBIT 1

COUNTY OF SAN LUIS OBISPO  
 June 30, 2011  
 Proposed versus Actual Fund Balance Available

COUNTY FUNDS	Fund #	Estimated Fund Balance/Unreserved/Undesignated June 20, 2011	Actual Fund Balance/Unreserved/Undesignated June 30, 2011	Difference Over (Under)	Appropriation to Contingencies	Designation	General Reserve	Revenue Adjustment Inc/(Decr)	Object Level Appropriation Adjustment
General Fund	10000	17,300,000	22,250,674	4,950,674	145,000				4,805,674
Capital Projects	11000	0	95,138	95,138		479,513		384,375	
Road Fund	12000	0	0	0		500,000		500,000	
Community Development	12005	0	35,135	35,135					
Parks	12015	0	109,975	109,975					
Co-Wide Automation Repl	12020	0	59,048	59,048					
Gen. Gov. Building Repl	12025	0	9,900	9,900				636,190	
Tax Reduction Reserve	12030	0	0	0				3,035,109	2,800,000
Wildlife & Grazing	12040	0	1,382	1,382					
Driving Under Influence	12045	6,386	72,651	66,265			47,000		
Library	12050	402,940	505,329	102,389					
Fish & Game	12055	0	9,436	9,436			7,044		
Organization Development	12060	84,696	146,382	61,686			6,686	250,000	
TOTAL		<u>17,794,022</u>	<u>23,295,050</u>	<u>5,501,028</u>	<u>337,499</u>	<u>2,302,799</u>	<u>60,730</u>	<u>4,805,674</u>	<u>7,605,674</u>

# County of San Luis Obispo

COUNTY GOVERNMENT CENTER, RM. D430 • SAN LUIS OBISPO, CALIFORNIA 93408 • (805) 781-5011



**JIM GRANT**  
COUNTY ADMINISTRATOR

April 29, 2011

Honorable Board of Supervisors,

The Fiscal Year (FY) 2011-12 Proposed County budget is submitted for your review and consideration. Your Board will review the budget in detail at public budget hearings, scheduled for June 13 – 15, 2011, during which time you may add, delete, or modify the proposal as you deem appropriate.

## **Introduction**

This budget, as proposed by staff to your Board, is an effort to allocate scarce resources in an effective and efficient manner in order to achieve the County's vision of a safe, healthy, livable, prosperous, and well governed community. This budget proposal complies with all aspects of the State Budget Act (Government Code 29000 – 29144), Board adopted Budget Goals and Policies, Budget Balancing Strategies and Approaches, and the Board's priorities. All of these guiding principles and strategies were utilized in an attempt to strike a balance between sound fiscal management and the continued provision of programs and services to the public. Striking this balance is more difficult than ever given the unrelenting fiscal challenges facing the nation, state, and our local communities.

During FY 2007-08, a five year plan (commonly referred to as the Five Year Pain Plan) was created to help the County navigate its finances and operations through these unprecedented fiscal challenges. The intent of the plan was to incrementally and methodically close the structural budget gap over a five year period and maintain a high level of service to the public. Your Board and County employees at all levels of the organization have done a commendable job of implementing this plan. However, the plan is proving to have been a bit too optimistic given that the national and local economic recoveries have taken longer than anticipated. This being the case, during the annual forecast and strategic planning meeting held during October 2010, your Board adopted an update to the plan, which extended it by two years. The reason for the extension is that revenues have not improved at the rate previously expected.

FY 2011-12 represents year four of the updated Seven Year Pain Plan, which began in FY 2008-09. The budget gap for FY 2008-09 was \$18 million, \$30 million for FY 2009-10, \$17 million for FY 2010-11, and \$11.4 million for FY 2011-12. It was previously anticipated that FY 2009-10 would be the most difficult year from a numbers perspective and this is holding true today. The structural gap is shrinking due to the many actions taken by your Board and staff

over the past four years. However, while the size of the gap is shrinking, the impacts are more significant given that this is the fourth year of budget reductions. The impacts are outlined at a summary level later in this budget message and in more detail throughout the budget document.

As you review this document, you will see there are several new sections added this year. More information about the County and the budget process was added in an effort to make the process more transparent and to engender increased public participation. Additionally, changes were made to the State required schedules (a.k.a. the “Blue Pages”) in order to comply with updates made to the State Budget Act. Most notably, Schedule 1 of the “Blue Pages” now lists Internal Service Funds, Enterprise Funds and Special Districts funds to the Total County budget. Previously, the total amount included only the Governmental Funds. For consistency and comparative purposes, the Total Government Funds amount will be referenced throughout this document (so that apples-to-apples comparisons can be made to prior years).

### **The Budget Gap**

The budget gap for a Status Quo budget for the General Fund in FY 2011-12 is \$11.4 million. Generally speaking, a Status Quo budget is defined as one that takes current year staffing and program expenditures and costs them out for the next year with no material changes (i.e. inflationary increases only and no increases or decreases to staffing or program levels). It also includes the reduction of grant funded programs and positions in instances where the grants are no longer available.

Similar to prior years, the key drivers of the gap are flattening and in some cases decreasing revenues related to the housing market (property taxes, building permits, property transfer taxes, etc.), declining Federal and State revenue, and drops in many department specific revenues (especially those related to the construction industry). FY 2011-12 represents the third consecutive year in which total revenues are actually decreasing.

The largest influence upon the expenditure side of the equation is labor costs. This is not unique to our County as labor costs in local governments generally comprise anywhere from 60% to 80% of total expenditures (60% for our organization). The County is making progress in implementing its three-point labor plan which includes 50/50 pension cost sharing between the County and employees, a Tier 2 (lower benefit and cost) pension plan for new employees, and an updated approach to setting compensation levels (prevailing wage), which reflects a broader labor market. The majority of new employees will fall under the Tier 2 pension plan and negotiations are underway with several employee associations. Progress is also being made in the other two elements of the plan.

The \$11.4 million gap is closed by implementing the approaches contained in the Seven Year Pain Plan referenced above. Combinations of short-term solutions are proposed as well as considerable expenditure reductions. The short-term solutions address approximately 20% of the total gap and the remaining 80% is closed via on-going expenditure reductions. This approach is in line with the budget balancing strategies in that the amount of short-term solutions is being winnowed down each year so that the target of achieving structural balance at the end of seven years can be achieved.

## **Closing the Gap**

In summary, the \$11.4 million gap in the General Fund is addressed in the following manner:

- \$2.3 million of short-term solutions
- \$9.1 million of ongoing expenditure reductions

The \$2.3 million of short-term solutions includes the following:

- \$1,700,000 Use of the Tax Reduction Reserve
- \$363,450 Deferred maintenance
- \$207,834 Reduced General Fund allocation to the Organizational Development fund

The \$9.1 million of recommended expenditure reductions are in accordance with the priorities provided by your Board. Meeting legal mandates, paying debt service, and public safety are your Board's highest priorities (in order). This recommended budget allocates sufficient funding in order to meet our legal mandates and to keep our creditors whole. Additionally, the public safety departments are recommended for a higher level of funding as compared to most other non-public safety departments. The General Fund support for the four public safety departments is decreasing by 1% to 2%. In contrast, most of the non-public safety departments are receiving 2% to 5% less General Fund support as compared to the FY 2010-11 budget. One noteworthy exception is the Road budget, which is recommended for a 15% decrease in General Fund support. As in prior years, reductions in County funding are mostly offset with State or Federal funding and as a result County roads are in reasonably good shape. It is projected that this General Fund reduction could be sustained for a few years before significant decreases in road conditions were to materialize.

## **The State Budget**

Yet again, the State budget continues to be of great concern. Heading into FY 2011-12, the State was facing a \$26.6 billion gap. This gap is on the heels of comparable deficits in each of the three preceding years. Unfortunately, the State primarily relied upon short-term solutions and accounting gimmicks in order to close the prior years' gaps and it appears that it is now time for the State to make some very real and difficult decisions. To date, the Governor and Legislature have agreed upon \$14 billion of solutions (primarily cuts), which leaves the gap at \$12.6 billion.

The Governor's proposal for closing the remaining \$12.6 billion gap includes shifting (realigning) several public safety, health, and social services programs from the State to counties. His plan also entails extending vehicle license fees (VLF), personal income taxes, and sales taxes, which are set to expire June 30, 2011 in order to help pay counties for the additional costs they would incur. The Legislature and Governor have not reached agreement regarding the remaining \$12.6 billion and budget talks at the State level are currently stalled. At this point, it is unknown what may happen.

The initial round of State cuts (the \$14 billion) have been built into our proposed County budget. However, given the uncertainty about the remainder of the State budget gap, assumptions regarding this remainder are not built into this proposed budget. Similar to prior years (and according to our Board adopted budget goals and policies), it is likely we will need to revisit our local budget after the State resolves its issues.

## **Summary of Expenditures**

- The proposed FY 2011-12 budget for all funds (Total Government Funds) is approximately \$449.6 million, which is virtually flat as compared to the current year (reference the following chart for more detail).
- The proposed General Fund budget is approximately \$377 million, which is a \$2.1 million decrease compared to the current year's adopted budget.
- Detailed information about budget changes can be found in the narrative information provided for each fund center (please refer to the index for a listing of all fund centers). The detailed information for each fund center includes a Department narrative as well as a County Administrative Office (CAO) narrative. The former provides an overview of key issues facing each department and the latter provides context to the numbers. The approach in the CAO narratives is to convey what is changing from one year to the next and the corresponding impacts to programs and services

<b>All Funds Expenditure Comparison</b>			
<b>Fund</b>	<b>FY 2010-11 Adopted</b>	<b>FY 2011-12 Proposed</b>	<b>% Increase/ Decrease</b>
General Fund	\$379,107,782	\$376,953,078	-0.57%
Automation Replacement	\$2,592,442	\$3,146,019	21.35%
Building Replacement	\$ 2,591,973	\$2,684,683	3.58%
Capital Projects	\$1,259,161	\$358,900	-71.50%
Community Development	\$4,949,396	\$4,723,549	-4.56%
County Medical Services	\$2,684,356	\$5,173,959	92.74%
Debt Service	\$3,000,903	\$2,250,163	-25.02%
Drinking Driver Program	\$1,659,377	\$1,473,763	-11.19%
Emergency Medical Services	\$912,300	\$820,400	-10.07%
Fish and Game	\$48,715	\$27,701	-43.14%
Indigent Programs	\$723,288	N/A	-100.00%
Library	\$8,657,015	\$8,489,466	-1.94%
Organizational Effectiveness	\$575,014	\$525,985	-8.53%
Parks	\$8,235,340	\$7,469,198	-9.30%
Pension Obligation Bonds	\$7,735,274	\$8,566,965	10.75%
Public Facilities Fees	\$1,392,152	\$1,380,675	-0.82%
Road Fund	\$22,231,376	\$21,402,372	-3.73%
Tax Reduction Reserves	\$1,000,000	\$1,700,000	70.00%
Traffic Impact Fees	\$1,112,603	\$2,434,600	118.82%
Wildlife and Grazing	\$3,507	\$7,500	113.86%
<b>Total</b>	<b>\$450,471,974</b>	<b>\$449,588,976</b>	<b>-0.20%</b>

Note: Starting FY 2011-12, the Indigent Programs fund was merged with the County Medical Services Program Fund

## Summary of General Fund Support Allocated to Departments

Fund Center	Department Name	FY 2010-11 Adopted	FY 2011-12 Proposed	Percent Change
104	Administrative Office	\$1,755,136	\$1,702,003	-3.0%
141	Ag Commissioner	\$2,177,698	\$2,119,898	-2.7%
137	Animal Services	\$536,503	\$508,473	-5.2%
109	Assessor	\$8,482,574	\$8,475,653	-0.1%
107	Auditor-Controller	\$3,853,541	\$3,834,849	-0.5%
166	Behavioral Health	\$8,152,347	\$7,436,665	-8.8%
100	Board of Supervisors	\$1,650,343	\$1,656,006	0.3%
182	CALWorks	\$362,102	\$370,818	2.4%
134	Child Support Services	\$70,874	\$70,874	0.0%
110	Clerk-Recorder	\$505,991	\$779,292	54.0%
290	Community Development	\$303,050	\$300,936	-0.7%
143	Contributions to Court Operations	-\$182,527	-\$415,295	127.5%
106	Contributions to Other Agencies	\$1,447,300	\$1,427,538	-1.4%
111	County Counsel	\$3,396,887	\$3,352,370	-1.3%
140	County Fire	\$10,877,404	\$10,668,463	-1.9%
132	District Attorney (includes Victim Witness)	\$8,871,424	\$8,693,948	-2.0%
138	Emergency Services	\$158,758	\$152,518	-3.9%
215	Farm Advisor	\$439,443	\$462,151	5.2%
181	Foster Care	\$667,280	\$836,497	25.4%
185	General Assistance	\$683,740	\$474,701	-30.6%
113	General Services	\$7,514,160	\$7,328,758	-2.5%
131	Grand Jury	\$139,771	\$138,038	-1.2%
112	Human Resources	\$2,025,457	\$2,063,485	1.9%
114	Information Technology	\$8,598,897	\$8,295,193	-3.5%
184	Law Enforcement Medical Care	\$1,412,854	\$1,350,833	-4.4%
377	Library	\$529,361	\$516,121	-2.5%
200	Maintenance Projects	\$1,000,000	\$1,136,550	13.7%
183	Medical Asst Program	\$2,925,270	\$3,771,612	28.9%
275	Organizational Development	\$0	\$242,166	N/A
305	Parks	\$3,278,260	\$3,278,260	0.0%
142	Planning and Building	\$6,190,211	\$6,036,342	-2.5%
139	Probation Department	\$8,922,985	\$8,895,580	-0.3%
135	Public Defender	\$4,535,308	\$4,578,803	1.0%
160	Public Health	\$4,242,051	\$3,948,568	-6.9%
201	Public Works Special Services	\$1,519,628	\$1,443,604	-5.0%
105	Risk Management	\$708,876	\$597,630	-15.7%
245	Roads	\$6,294,577	\$5,330,263	-15.3%
136	Sheriff-Coroner	\$37,608,253	\$37,050,992	-1.5%
180	Social Services	\$5,906,151	\$5,606,456	-5.1%
108	Treasurer/Tax Collector	\$1,621,448	\$1,599,934	-1.3%
186	Veterans Services	\$344,346	\$333,530	-3.1%
130	Waste Management	\$651,403	\$618,470	-5.1%
<b>TOTAL</b>		<b>\$160,179,135</b>	<b>\$157,069,546</b>	<b>-1.9%</b>

Note 1: This chart is intended to provide a summary of the amount of General Fund dollars allocated to departments, (not expenditures). The chart does not include the Non-Departmental Revenue fund center or other fund centers that do not provide programs and services (e.g. debt service, building replacement, etc.).

## Summary of General Fund Support Allocated to Departments (cont.)

Note 2: The details for each fund center included in this summary chart are available in the departmental sections of the budget.

Note 3: The Clerk-Recorder's Office budget is 2% below the FY 2010-11 Adopted budget when adjustments are made to account for election cycles.

Note 4: Starting FY 2011-12, the Drug & Alcohol (162), Behavioral Health (161) and Mental Health Services Act (165) fund centers were merged into the newly created Behavioral Health Fund Center (166).

### **Recommended Staffing**

The Proposed Budget recommends 2,375 full time equivalent (FTE) permanent and limited term positions. This represents a net decrease of 32 positions (-1.3%) as compared to the FY 2010-11 current year budget. The majority of these positions are vacant.

### Positions Summary

<b>2010-11 Adopted Budget</b>	2,403.50	
<b>2010-11 Current Allocation</b>	2,407.00	
<b>2011-12 Recommended</b>	2,375.00	
<b>Net Change (from Adopted)</b>	-28.50	
<b>Net Change (from Current)</b>	-32.00	
<b>Percent Change (from Current)</b>	-1.3%	
<b><u>Department</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>
Administrative Office		-1.00
Animal Services		-0.50
Auditor-Controller		-1.00
Behavioral Health		-11.25
Clerk-Recorder		-0.25
County Counsel		-1.00
District Attorney		-1.50
Driving Under the Influence		-1.00
Fleet Services ISF		-1.00
General Services		-2.00
Golf Courses		-3.00
Library		-1.00
Parks		-1.00
Planning and Building Department		-2.00
Probation Department		-2.00
Public Health		-2.00
Public Works ISF		-0.50
<b>TOTAL</b>	<b>0.00</b>	<b>-32.00</b>

## **Land Based Budgets – Net Decrease of 2.50 FTE positions:**

The Land Based budgets are comprised of the Agricultural Commissioner, Planning and Building, Community Development, Public Works Internal Service Fund (ISF), Public Works Special Services, Roads, and Road Impact Fees.

Overall, General Fund support to the budgets within the Land Based functional area is decreasing by 7.61% or \$1,254,121 compared to FY 2010-11 adopted levels. Specific reductions are noted in the summaries below but the majority of this decrease can be attributed to a 15% (\$964,314) decrease in General Fund support for Roads.

### **Agricultural Commissioner**

Overall, revenues are recommended to increase \$202,328 (6%) compared to the FY 2010-11 adopted budget, which has resulted in a reduction of General Fund support to this budget of \$57,800 or 2%. Revenues from the U.S. Department of Agriculture for the Ag Commissioner programs have increased in the last year primarily due to the detection of harmful pests in California including the European Grapevine Moth which could impact the wine grape industry, the Asian Citrus Psyllid, which could impact the citrus industry and the Glassywinged Sharpshooter which transmits Pierce's Disease to wine grape vines. Detection and control efforts for these pests are expected to continue in FY 2011-12.

The increase in the aforementioned revenue more than offsets a \$168,147 (13%) reduction in Unclaimed Gas Tax revenue, the largest revenue source for this department. This reduction reflects a similar amount to the actual Unclaimed Gas Tax revenue allocation expected in FY 2010-11, which is lower than the amount included in the FY 2010-11 adopted budget. As reported last year, a provision of State law requires the County to maintain a level of General Fund support for qualifying programs at least equal to the average amount expended for the five preceding fiscal years, unless a county is facing unusual economic hardship that precludes this level of support. As was the case for most counties in the State, our County applied for, and was granted a waiver to this provision for the FY 2010-11 Unclaimed Gas Tax distribution. Given the recommended reduction in General Fund support for the Agricultural Commissioner for FY 2011-12, the County will again need to apply for a waiver of this provision for the FY 2011-12 Unclaimed Gas Tax distribution.

### **Planning and Building**

The level of General Fund support for Planning and Building is recommended to decrease \$153,869 (2%) compared to the FY 2010-11 adopted budget. Overall, recommended revenues are expected to be virtually flat compared to the FY 2010-11 adopted budget. While building permit fee revenue is expected to increase approximately \$126,000 (6%) compared to the FY 2010-11 adopted budget, revenue from land-use fees is expected to decline by approximately \$121,000 (11%) based on actual data from the current year. The downturn in the housing market has had an impact on revenues for the department over the past few years and activity remains relatively low. This recession in the housing market is expected to continue into FY 2011-12.

Expenditures are also recommended to decrease slightly, by \$179,371 or 1%. The reduced expense is primarily due a decrease in salary and benefit expenditures \$222,568 (2%). This

reduction reflects the elimination of one (1) vacant Accounting Technician and one (1) vacant Environmental Resource Specialist. The potential service level impact resulting from eliminating the Environmental Resource Specialist may be a diminished capacity in the department to coordinate the County's energy programs and maximize use of available grant funding for energy strategies. No service level impacts are anticipated from the elimination of the Accounting Technician position because duties once performed by this position have either been automated or reassigned to other staff.

## **Public Works**

The Public Works Internal Service Fund (ISF/Fund Center – 405) provides all of the staffing for Roads (Fund Center 245), Public Works Special Services (Fund Center 201), Waste Management (Fund Center 130) and Special District budgets. Recommended appropriations for those budgets, along with summaries for each program that purchases services from the ISF are indicated in the Service Program Summary.

Salary and benefits for the ISF are decreasing by 2% or \$498,741 for a variety of reasons including several proposed position allocation changes. Two (2) Engineer I-III and the Nacimiento Project Manager positions are proposed to be eliminated while one (1) Public Works Section Supervisor, Limited Term, one (1) Public Works Worker I-III, Limited Term and a ½ FTE Administrative Service Manager increased to full time are recommended to be added. These positions will be funded through the Los Osos Wastewater Project. The recommended changes net to a 0.5 FTE decrease in staffing for the ISF.

In FY 2010-11, the Los Osos Wastewater Project continued to move forward with the Board approving an ordinance setting rates and charges (December 2010) and a resolution of intention to proceed with the construction and operation of a wastewater collection, treatment and disposal system (March 2011). In January 2011, a request for proposal was issued for the collection system design phase of the project and staff is anticipating that a contract for those services will be before the Board in May 2011. The treatment plant and design build process are expected to begin in FY 2011-12 and construction on both the collection system and treatment plant to begin in FY 2012-13.

## **Roads**

The recommended FY 2010-11 budget for Roads provides for an overall decrease of General Fund support of 15% (\$964,314) as compared to FY 2010-11 adopted amounts. This reduction will decrease funding to the pavement management program by 29%. This level of funding could have a negative impact on the condition of County roads if maintained over the next 10 years. In FY 2011-12, the department will finish Phase 1 of the Willow Road extension project in Nipomo and will continue work on Phase 2 of the project. Phase 2 includes the extension of Willow Road to State Highway 101, the construction of an interchange, and the continued extension of Willow Road to Thompson Avenue.

## **Public Protection – Net decrease of 4.00 FTE positions:**

The Public Protection Functional Area includes the Sheriff-Coroner, District Attorney (which includes Victim-Witness), Child Support Services, Public Defender, Probation, County Fire, Emergency Services, Animal Services, Waste Management, Grand Jury and the County's

contribution to Court Operations. Overall, the General Fund contribution to Public Protection is decreasing by \$ 1.22 million dollars, a 1.7% decrease compared to the FY 2010-11 Adopted Budget. In keeping with the Board's priorities, General Fund reductions recommended for the Sheriff-Coroner, District Attorney, Probation and County Fire are less than those recommended for most other departments, having been held at a maximum reduction of 2% of the prior year's level. As in past years, the Board's intent is to give these four departments priority in the allocation of resources to ensure the County continues to effectively protect public safety despite the financial hardships we face.

Recommended revenues for the public protection budgets, totaling almost \$49.8 million, are nearly flat compared to FY 2010-11. Unlike the past year, Proposition 172, the half-cent sales tax dedicated to public safety, is expected to increase slightly, instead of declining as it had done. This revenue is allocated to the Sheriff-Coroner, Probation, District Attorney and County Fire departments and accounts for \$17.4 million or 46% of all revenue budgeted for these four departments. Based on current year trends Prop 172 funding is expected to increase 1% or \$178,000 overall compared to the FY 2010-11 budgeted amount.

As part of the overall effort to reduce General Fund expenditures, a number of staffing reductions are recommended in the Public Protection Functional Area for FY 2011-12. Seven positions, including five full-time and two half-time positions are recommended for elimination. Two of these full-time positions are provided under contract with the State and do not appear on the County's Position Allocation List. Additionally, two full-time County positions are recommended to be unfunded but not eliminated, and two other full-time positions are budgeted to be held vacant for at least six months.

## **County Fire**

Shortly after County Fire's FY 2011-12 budget request was completed, the State handed down additional overhead charges that nearly doubled the amount of General Fund support required to maintain resources. This had the effect of nearly doubling the amount the Department needed to cut to reduce General Fund support to the recommended level of 2% below the amount adopted in the FY 2010-11 budget. In all, the recommended budget includes nearly \$900,000 of General Fund savings measures—approximately a third of which are revenue increases and two-thirds expenditure cuts. The most significant recommended expenditure reductions are:

- Deferred purchase of various equipment scheduled for replacement, including defibrillators, turnout gear (protective clothing), extrication equipment and self-contained breathing apparatus.
- Elimination of a vacant 1.00 FTE Assistant Fire Chief position.
- Elimination of a vacant 1.00 FTE Fire Captain position.
- Elimination of paid staffing for Fire Station 12 (San Luis Obispo) during the winter months, to be replaced with volunteer Paid Call Firefighters (PCFs).

Note that CAL FIRE, the fire service of the State of California, serves as the County Fire Department under a contract with the County. Therefore, staffing for County Fire, including the 2.00 FTE reduction recommended in FY 2011-12, are not shown in the County's Position Allocation List (PAL). In FY 2010-11 the County initiated a new depreciation schedule to insure

that funds are set aside for the eventual replacement of County Fire equipment. For FY 2011-12, a total of \$1,274,751 is recommended to be expended on vehicle replacement from the Fire Equipment Replacement designation.

### **District Attorney**

The level of General Fund support for this budget is recommended to decrease \$177,476 or 2% compared to the FY 2010-11 adopted level. This reduction is due to a few expenditure reductions recommended in FY 2011-12, including:

- Deferral of purchases of office supplies and replacement computers;
- Budgeting two positions—a 1.00 FTE Deputy District Attorney position and a 1.00 FTE Supervising District Attorney Investigator position—as vacant for six months;
- Elimination of a vacant 0.50 FTE Deputy District Attorney position.
- Elimination of a filled 1.00 FTE Economic Crimes Technician I in the Bad Check Program.

Revenues are recommended to increase \$113,392 or 2%. Revenue from State and Federal sources are expected to decline approximately \$250,000. This is mitigated in large part by an increase in the use of revenue from settlements held in trust accounts, increasing \$359,000 compared to the prior year.

### **Probation Department**

Overall expenditures are recommended to decrease \$138,602 or less than 1%, and revenues are expected to decrease \$111,197 or 1%. The recommended amount of General Fund support in FY 2011-12 is \$27,405 or less than 1% below the FY 2010-11 adopted level. This reduction is due to three primary General Fund savings measures: The use of Voluntary Time Off (VTO) by Probation staff; elimination of a vacant 1.00 FTE Probation Assistant in the Adult Division; and elimination of a vacant 1.00 FTE Administrative Assistant III, also in the Adult Division.

Two minor reorganizations are also included in the recommended budget. The first swaps a vacant 1.00 FTE Administrative Services Officer (ASO) I position for a 1.00 FTE Collection Officer I to augment the Department's Collections Unit. The second swaps a 1.00 FTE Deputy Probation Officer I for a 1.00 FTE Deputy Probation Officer III. The higher graded position will perform work with the courts currently being done by Supervising Deputy Probation Officers (DPOs), which will allow the supervisory positions to spend more time overseeing staff.

### **Sheriff-Coroner**

The level of General Fund support for this budget is recommended to decrease \$557,261 or 1.5% compared to the FY 2010-11 adopted level. Revenues are recommended to decrease \$267,900 or 1%. Total expenditures are recommended to decrease \$825,161 or 1%. General Fund reduction measures in this budget include holding two positions vacant: a Chief Deputy position, and a Correctional Sergeant position. Both positions are currently vacant and are recommended to be budgeted as vacancies, rather than being deleted from the Position Allocation List (PAL). This is recommended to allow the new Sheriff time to prioritize programs and associated staffing needs.

## **Animal Services Division of the Health Agency**

The level of General Fund support for Animal Services is recommended to decrease \$28,030 or 5% compared to the FY 2010-11 Adopted Budget. Revenues are recommended to increase \$15,944, also less than 1%. Overall expenditures are recommended to decrease \$12,086 or less than 1%. As part of the General Fund savings measures incorporated into the Health Agency budget, two reductions are recommended: elimination of a filled 0.5 FTE Humane Educator position along with a reduction in the scope of the Humane Education Program; and elimination of vouchers that have been issued to pet owners in the community in prior years to help bring down the cost of spaying or neutering a pet.

## **Health and Human Services – Net decrease of 14.25 FTE positions**

The Health and Human Services (HHS) category includes Social Services, Public Health, Behavioral Health (which now consolidates Mental Health, Mental Health Services Act and Drug and Alcohol Services into one fund center), Law Enforcement Medical Care, Driving Under the Influence and Veterans Services. Funding for community based organizations, indigent medical care and the County's contribution to the Community Health Centers for operation of outpatient health clinics is also included in this area.

HHS programs are largely administered by counties on behalf of the State or Federal governments. Historically, however, the State and Federal governments have not provided sufficient funds to keep up with growing expenses. In doing so, they have put local governments in the position of either cutting these programs or reducing other local services to pay for them. Most counties are not in a position to take on this additional financial burden, and many have been forced to reduce service levels as each year operating costs have continued to increase while State and Federal revenues generally continued to decline.

For many years San Luis Obispo County was fortunate in its ability to supplement the funding for its HHS programs, primarily due to savings from the closure of General Hospital and the transfer of the County's outpatient clinics to the Community Health Centers. Since FY 2008-09 the County has no longer had sufficient General Fund to make up all of the difference between rising costs and declining State and Federal revenue, and it has been necessary to reduce HHS expenditures to compensate. This trend continues in FY 2011-12.

## **Health Agency:**

The Health Agency encompasses Public Health, Behavioral Health, the Medical Assistance Program and the County Medical Services Program (both of which are indigent health care budgets), Driving Under the Influence and Emergency Medical Services. In addition, Animal Services is a division of the Health Agency, but is included in the Public Protection functional group. The overall budget information that follows excludes the Animal Services budget. Overall, total revenues for the Health Agency are increasing by approximately \$2.2 million (3.7%) compared to the FY 2010-11 adopted levels. Total expenditures are increasing by approximately \$2 million (2.7%). The recommended level of General Fund support for the Health Agency is more than \$16.5 million, reflecting a decrease approximately \$225,000 or 1.3% compared to the FY 2010-11 adopted budget. This decrease would have been much more significant if not for a significant increase in General Fund support needed to fund rising

medical costs for indigent health care. Removing the two indigent health care fund centers from the equation (the Medical Assistance Program and CMSP) General Fund support is decreasing by over \$1 million, or 7.7% overall which reduces overmatch in Health Agency programs. Reductions made included the net elimination of 13.25 FTE, salary savings from voluntary time off and expected vacancies, as well as various reductions in services and supplies. The proposed General Fund expenditure reductions for each fund center are summarized below.

### Public Health

As in past years, cost savings measures have been incorporated into the Health Agency budget to reduce the need for General Fund support. Reductions built into the recommended budget include the elimination of 4.5 FTE, employees taking voluntary time off, reductions in various services and supplies accounts, and an additional \$60,000 in revenue from a new fee charged to local law enforcement agencies for the Suspected Abuse Response Team program, as is done in most other counties.

The most significant service level impacts are likely to be found with the elimination of two full-time Field Nursing positions. Each nurse position carries a case load of 25 low-income families and conducts 400 home visits to these families each year to provide education and support to maintain healthy pregnancies, parenting education and support, mother and infant health monitoring, and appropriate referrals for special services needed.

Three budget augmentation requests totaling \$197,043 are recommended for approval. The first reorganizes the WIC program division to improve oversight of program quality in the three clinics and includes the promotion of some existing staff to supervisory or lead levels as well as the addition 1.5 FTE to reduce reliance on temp help. The second and third augmentation requests increase staffing for the CA Children's Services Medical Therapy Program by 1.0 FTE. The augmentations are fully revenue offset and require no increase in the General Fund. The addition of the 2.5 FTE included in the recommended budget augmentations results in a net reduction of 2.0 FTE on the Public Health Position Allocation List.

### Behavioral Health

The Behavioral Health budget now consolidates three previously independent budgets into one: Behavioral Health, Mental Health Services Act and Drug and Alcohol Services. The recommended budget reflects a decrease in revenues of \$426,267 (1%). While several grants will expire at the end of FY 2010-11, several grants awarded in FY 2010-11 will continue into FY 2011-12 for an overall increase of more than \$633,200. Of note is the elimination of \$250,000 in funding from the First Five Commission for the San Luis Obispo Children's Assessment Center, more generally known as "Martha's Place." This reduction, combined with a reduction in Medi-Cal and Early Periodic Screening Diagnosis and Treatment (EPSDT) revenue used to support Martha's Place results in recommended reductions in staffing and supplies for this program. Also of note, the Sheriff restored funding for a full time Mental Health Therapist to provide services at the jail. This funding had been eliminated in the FY 2010-11 adopted budget.

Total expenditures for this fund center are budgeted at approximately \$44.3 million and are recommended to decline by more than \$1.14 million (2.5%) compared to the FY 2010-11 adopted budget. Most of the variance between the requested and recommended budget is due

to a reduction of \$766,975 (3%) in salary and benefit accounts built in to the recommended budget to reduce the General Fund support required for Behavioral Health. The reduction in salary and benefit accounts represents the elimination of a total of 11.25 FTE (4.25 FTE eliminated in the department's budget request and another 7.0 FTE eliminated to reduce the level of General Fund support for this budget.)

General Fund support is recommended to decrease \$715,682 (8.8%) compared to the FY 2010-11 adopted budget. This is the largest reduction in General Fund support in the Health Agency. Reductions built into the recommended budget include the elimination of 7.0 FTE, salary savings from staff taking voluntary time off, a reduction in funding for the Family Care Network associated with rehabilitation services for foster youth (to bring the budgeted amount closer to actual program levels) and a reduction in funding for Transitions Mental Health Association's Social Rehabilitation Services which will reduce services to clients from 5 days per week to 3 days per week.

The reduction of 3.0 FTE in staffing at Martha's Place will primarily impact treatment services. However, the original model for Martha's Place was to focus services on assessments and to refer clients to service providers in the community for treatment based on needs identified in the assessment. With the recommended reductions, services will return to the original model of an assessment center. Other service level impacts that may result from the elimination of positions include a reduction in staffing for the Drug and Alcohol Services Friday Night Live program, which may result in reduced outreach to rural high schools, and an increase in caseloads for Mental Health Therapists which may result in less intensive services provided to clients.

#### County Medical Services Program (CMSP)

The recommended budget for County Medical Services Program (CMSP) now reflects the combination of Fund Center 350 – CMSP and Fund Center 352 – Other Indigents Health Program and incorporates the County's allocation of the Tobacco Settlement Fund. Total expenditures are budgeted to increase by almost \$2.5 million or 93% in FY 2011-12 compared to the FY 2010-11 adopted budget. Approximately \$699,000 is due to the integration of the Other Indigents Health Program into this fund center. The reasons for the remaining increase of almost \$1.8 million are two-fold: 1) the costs for indigent medical care costs have risen significantly (as much as almost 160% since FY 2008-09) primarily due to the economic decline, and 2) a cash balance of funds that had been used to finance a portion of the CMSP budget for the last three years is now exhausted.

CMSP is not a General Fund budget but receives a transfer of General Fund support from Fund Center 183 – Medical Assistance program. Historically, approximately \$500,000 in General Fund has been required to balance this special revenue fund. Beginning in FY 2007-08, no General Fund support was budgeted to balance this fund center due to the accumulated cash balance noted above, which was expected to be sufficient to balance the budget through FY 2010-11. However, as the economy worsened and more people were unemployed and/or uninsured and thus eligible for CMSP, medical costs rose dramatically. This occurred at the same time State realignment revenue was declining, again due to the recession. This situation led to a more rapid depletion of the cash balance. The recommended General Fund support for the CMSP budget for FY 2011-12 is over \$1.7 million - more than three times the level that has historically funded this budget. This level of General Fund support reflects the expectation that costs for indigent medical care will remain high in FY 2011-12.

To reduce the impact on the General Fund and overall expenditures, the Health Agency has proposed two key strategies which are reflected in the recommended budget: a reduction in payments to Community Health Centers of the Central Coast (CHC) to yield a savings of \$800,000, and a reduction in the rates paid to hospitals that care for CMSP patients, to yield a savings of \$75,000. Negotiations are currently underway with CHC and with the hospitals regarding these budget cutting strategies. Service levels are expected to remain unchanged compared to FY 2010-11.

### **Community Services - Net Decrease of 5.0 FTE**

Fund Centers represented in the Community Services functional area include Airports, Farm Advisor, Golf Courses, Library, Parks, Fish and Game, Wildlife and Grazing.

#### **Airports**

The Airport Services budget is an Enterprise Fund and as such is supported by revenues generated through user fees. The Airport's FY 2010-11 passenger enplanements are showing an increase, reversing the downward trend in the flights and passenger enplanements which began several years ago. This upward trend in passenger enplanements is having a positive effect on Airport revenues. As passenger enplanements rise, so do revenues from parking fees, passenger facility fees and commercial aircraft landing fees. Although passenger enplanements remain well below 2007 enplanement levels, the steady growth in passenger enplanements has increased Airport revenues and the Airport can now cover operational expenses without loans from other County funding sources. The recommended budget maintains current staffing and service levels. The Airport management is continuing efforts to expand the number of destinations and flights available from the San Luis Obispo Airport. Doing so will provide the Airport greater fiscal stability as well as provide a wider variety of travel options for the County's citizens.

#### **Parks**

The FY 2011-12 recommended budget is driven by a substantial decline in Park revenues from charges for services, which provide approximately 50% of the operating funding for this budget. Overall revenues for Parks are recommended to be approximately \$256,000 less than the revenue level budgeted for FY 2010-11. Constrained consumer spending due to the overall economy is a significant contributor to the decline in revenues. The recommended budget for Parks reduces expenditures by approximately \$516,000 as compared to the FY 2010-11 adopted budget. Staffing is reduced by one full time equivalent through the elimination of a Park Superintendent position. Funding for temporary help used to supplement Parks staff during the spring and summer seasons is being reduced by 35%, a decrease of approximately \$160,000. The recommended budget also decreases funding for maintenance by approximately \$360,000; however, this reduction is partially offset by \$320,000 of Quimby fee funding for Parks maintenance contained in the Maintenance Project Fund Center 200. The reductions made to the Parks budget are directly related to the decline in revenue. The amount of General Fund Support for Parks is not recommended to be reduced for FY 2011-12 and remains at the same level as provided in FY 2010-11.

The reductions made by Parks in its budget will result in the deferred purchase of fixed assets, reduced maintenance of neighborhood and community parks and deferral of Park maintenance projects, which provide needed renovations to structures and campgrounds. Parks will

manage the reductions in services to assure that safety remains the highest priority. Maintenance of facilities which generate revenue will also be a high priority.

The recommended budget for Parks includes \$30,000 to fund the first phase of a Parks master planning effort. The funding for the first phase of the study will be provided from Fund Center 200 Maintenance Project funds. Parks will use existing staff and interns from Cal Poly to prepare the first phase of the study. This first phase will update the current status of all park facilities and programs and provide the baseline information for the second phase of the study. Parks is currently working on an application for a Proposition 84 grant, which is intended to pay for the use of a consultant in the second phase of the proposed planning effort. This phase will develop the actual master plan. The plan will provide a basis for the Board to prioritize and fund projects. Parks anticipates the state will inform applicants of awards in the first half of FY 2011-12.

### **Golf Courses**

The Golf Course Budget is an Enterprise Fund and as such does not receive General Fund support. Enterprise funds charge user fees for their services. The recommended expense and revenue for Golf are both decreasing by approximately \$50,000, or 2%, as compared to the FY 2010-11 budget. The Golf budget is experiencing a decline in revenues due to reduced play at the County's three Golf Courses. Over the past three years, revenues for Golf have decreased by over 20%. The decline in the economy, changing attitudes and choices for recreation and increased competition from private golf courses have all contributed to the decline in play and related revenues. In response to reduced revenues, Golf has reduced expenditures. The recommended budget includes the elimination of three vacant Greens Keeper Aide positions reducing salary and benefit expense by approximately \$160,000. Even with the reduction in expense, the Golf budget will still need to use \$114,082 of unallocated funds within the Golf Fund to finance the FY 2011-12 budget. This will leave approximately \$400,000 remaining in the Golf Fund.

The recommended budget for Golf will fund the operation of all three of the County owned golf courses, although the loss of Greens keeper positions and reduced funds for maintenance will have an effect on the level of maintenance provided to the Golf Courses. Maintenance of the golf course greens will be the highest priority. Reduced maintenance will include a reduction in fertilizer use and less frequent mowing of fairways and trimming of rough areas. Golf is working to increase play at County courses through a variety of outreach and promotional efforts.

### **Library**

The Library is primarily dependent on revenue from property taxes to fund its operation. As a result of the sluggish housing market, property tax revenues are budgeted to remain virtually flat. To achieve a balanced budget, the Library proposed to cancel \$313,118 in reserves, leaving a balance of more than \$1.5 million in reserves for future use. In addition, the Library proposed to eliminate one vacant Librarian position in an effort to reduce expenditures. Despite the loss of this position, the recommended budget will allow the Library system to sustain current open hours.

## **Fiscal and Administrative- Net Decrease of 2.25 FTE positions:**

This functional area consists of the Administrative Office, Organizational Development, Assessor's Office, Auditor-Controller's Office, Board of Supervisors, Clerk-Recorder's Office, and Treasurer-Tax Collector-Public Administrator.

### **Administrative Office**

The FY 2011-12 General Fund support budget is recommended to decrease \$53,133 or 3% compared to the FY 2010-11 adopted level. This reduction was achieved primarily through the recommended elimination of 1.0 FTE vacant Administrative Analyst position that was partially designated to assist with labor relations. The labor relations function was transferred back to the Human Resources Department in FY 2009-10 as part of a complete overhaul of the County's labor relations program. Due to an ongoing reorganization of the labor relations program, the elimination of this position does not pose significant impact to service levels.

### **Auditor-Controller's Office**

The FY 2011-12 General Fund support budget is recommended to decrease \$18,692 or less than 1% compared to the FY 2010-11 adopted level. This decrease was achieved primarily through the recommended elimination of 1.0 FTE vacant Administrative Assistant position and by not funding 2.0 FTE vacant positions, an Auditor-Analyst Trainee and an Account Clerk, for only six months. Minimal service level impacts are anticipated as a result of these changes.

### **Clerk-Recorder's Office**

The FY 2011-12 General Fund support budget is recommended to increase \$273,301 or 54% compared to the FY 2010-11 adopted budget. When adjusted for the timing of election cycles and corresponding revenues, General Fund support is actually decreasing 2% compared to the FY 2010-11 adopted budget. This decrease was achieved through recommended reductions to various services and supplies accounts, as well as the recommended elimination of .25 FTE vacant Administrative Assistant position. Minimal service level impacts are anticipated as a result of these changes.

## **Support to County Departments- Net Decrease of 4.0 FTE positions:**

This functional area consists of the Office of the County Counsel, General Services Agency, including Fleet Services, Information Technology and Reprographics, Human Resources, Risk Management, and the County's Self Insurance programs.

### **County Counsel**

The FY 2011-12 General Fund support budget is recommended to decrease \$44,517 or 1% compared to the FY 2010-11 adopted level. This decrease was achieved through reductions to various services and supplies accounts, as well as the recommended elimination of 1.0 filled Deputy County Counsel position. The elimination of a Deputy County Counsel position will require that the position's duties be spread among the department's remaining attorney staff, which may delay work turn-around times and legal advice or other information that is requested by departments, outside agencies and the public.

## **General Services**

The FY 2011-12 General Fund support budget is recommended to decrease \$185,402 or 2% compared to the FY 2010-11 adopted level. This decrease was achieved primarily through the recommended elimination of 2.0 FTE vacant positions—1.0 FTE Custodian and 1.0 FTE Administrative Assistant Aide in the Purchasing Division. The elimination of the custodial position will result in a reduction in the amount of time spent cleaning office space and will reduce the frequency of trash removal, resulting in less well kept facilities. Public areas within facilities will continue to remain a priority. The elimination of the Administrative Assistant Aide position may result in delays in handling purchasing requests from departments.

## **Fleet Services**

The Fleet Services budget is an Internal Service Fund and as such receives no General Fund support. The budget for Fleet Services is funded through service charges to County departments related to the operation, maintenance and purchase of vehicles used by County departments. Excluding depreciation, the recommended operating expense for FY 2011-12 is \$3,586,962, an increase of \$133,436 or 4% compared to FY 2010-11 adopted levels. A total of 53 vehicles are recommended for replacement in FY 2011-12. The recommended budget includes the elimination of 1.0 FTE vacant Equipment Services Worker position. This position has been vacant for over a year and Fleet Services has determined that the current level of filled positions is adequate to meet service demands. No service level impacts are anticipated as a result of these changes.

## **Information Technology**

The FY 2011-12 General Fund support budget is recommended to decrease \$303,704 or 3 % compared to the FY 2010-11 adopted level. This decrease was achieved through the recommended elimination of 1.0 FTE vacant Senior Software Engineer position, salary savings from VTO, and various reductions to services and supplies accounts. The elimination of the Senior Software Engineer position results in shifting work to remaining staff causing some delays in response to service requests for upgrades to the functionality of the County's Enterprise Financial System, Criminal Justice Information System, and Property Tax System. The recommended decrease in services and supplies makes reductions to the amount of training provided to staff, which will impact staff's ability to remain current with advances in technology.

The recommended budget also includes the addition of 1.0 FTE Geographic Information System (GIS) Program Manager position. This position is a new classification. The position will oversee the implementation of the County's adopted GIS Strategic Plan and coordinate GIS efforts between departments. The position will implement more effective practices for the purchase of equipment, software, seek grant opportunities and encourage the use of GIS in other departments. The position will assist other departments in taking advantage of the tools GIS provides to help increase the effectiveness and efficiency of their operations through the use of GIS. Implementing this position will require the adoption of position specifications by the Civil Service Commission and the establishment of a formal salary structure. Completion of these actions is expected to occur in the second half of FY 2011-12.

## **Overview of Financing/Revenues**

### **State and Federal Revenue**

State and Federal revenue at approximately \$192 million, represent about 43% of the County's total financing. The recommended level is roughly the same as the FY 2010-11 adopted budget.

State and Federal revenue is the single largest County revenue source. The majority of these revenues are used to support statutory programs, such as health and welfare services and some criminal justice programs. Generally speaking, these funds are restricted in use and are not available for discretionary purposes.

### **Taxes**

Property taxes, sales tax, transient occupancy, and other taxes at approximately \$145 million, represent about 33% of the County's total financing. The recommended level is virtually flat as compared to the FY 2010-11 adopted budget.

### **Other Revenues and Financing**

Other revenues at approximately \$42 million represent about 9% of the County's total financing. The recommended level is a \$6 million or 12% decrease as compared to the FY 2010-11 budget.

### **License/Permit Fees/Charges for Services**

Licenses, permits, and charges for services at approximately \$41.6 million, represent 9% of the County's total financing. The recommended level is a \$1 million or 2.5% increase as compared to the FY 2010-11 adopted budget.

### **Fines, Forfeitures, and Penalties**

At approximately \$5.7 million, this funding source represents about 1% of the County's total financing. The recommended level is approximately \$500K or 9% less than the FY 2010-11 adopted budget.

### **Interest Earnings**

At approximately \$845,000, interest earning represents about 0.2% of the County's total financing. The recommended amount is about \$550,000 lower than the FY 2010-11 budgeted amount. The reason for the decrease is because of extremely low interest rates and a reduced cash balance due to the delayed receipt of payments from the State.

### **Fund Balance Available (FBA) and Use of Reserves**

Fund Balance Available and the use of reserves represent the last two significant funding sources for the total County budget. FBA is budgeted at \$18.3 million (for all County funds not

just the General Fund) represents 4% of the County's total financing and the use of reserves at \$3.7 million represent about 0.8% of the County's total financing.

## **Reserves**

The County has two types of reserves: general reserves and designations. General reserves are not designated for a specific purpose. They serve to stabilize the County's cash position prior to the receipt of property tax revenues and more importantly provide protection against downturns in the economy or against a major catastrophe if one were to occur within the County. Designations are reserves that are set aside for specific purposes. These designations help provide for the County's long term financial needs.

In total, at the end of FY 2010-11, it is estimated that the County will have about \$76.5 million in total reserves and designations. Most of this amount is in designations for restricted and specific purposes (i.e. not discretionary). For FY 2011-12, it is proposed that \$3.7 million be used to help fund the budget and that \$6.3 million be added to the balances. The projected balance at the end of FY 2011-12 is \$79.1 million (a net increase of \$2.5 million). Only reserves and designations that are changing are included in the summaries below.

### **General Fund Reserves and Designations**

Per the comprehensive depreciation and equipment replacement schedule, it is recommended that \$350,461 of the Fire Equipment Replacement designation be used in order to help fund the replacement of Fire equipment. The new balance in the designation is projected to be \$965,980.

### **Other (Non-General Fund) Reserves and Designations**

Capital Projects: It is recommended that \$319,900 of the Facilities Planning designation be used to help fund capital projects recommended in the FY 2011-12 budget (reference the capital projects budget for the details). The balance in the designation is projected to be \$1.7 million. Additionally, 39,000 of the Los Osos Landfill designation is recommended to be used to help fund work at the landfill. The balance in the designation is projected to be \$415,445.

Roads: It is recommended that \$4,447 be used to help fund the Roads budget. The balance in the designation is projected to be \$917,000

Public Facility Fees (PFF): It is recommended that \$360,771 of the General Government PFF designation be utilized to help pay for the debt service for the New County Government Center and that \$880,675 be added to the designations for future use. This would result in a net increase of approximately \$500,000. There are five different categories of PFFs, which include general government, fire, public protection, library, and parks. Please reference the PFF fund center (fund center 247) for more details.

Countywide Automation Designation: It is recommended that \$729,019 be added to this designation. The balance in the designation is projected to be \$8,905,813. Additionally, it is recommended that the entire \$280,265 of the Property Tax System designation be used to help pay for the new Property Tax software project, which is planned to begin in FY 2011-12.

General Government Building Replacement: It is recommended that the designation be increased by \$2.7 million, which would result in a balance of \$8.8 million.

Tax Reduction Reserve: It is recommended that \$1.7 million be used to help balance the General Fund. This funding is one of the short-term budget balancing strategies previously outlined. The balance is the designation is projected to be \$11.4 million.

Traffic Impact Fees: It is recommended that the designation be increased by \$1.5 million for a balance of \$2 million.

Wildlife and Grazing: It is recommended that \$4,000 of the General reserve be used for a total balance of \$377. Additionally, it is recommended that the Wildlife Projects designation be increased by \$4,000 for a total balance of \$4,216

Driving Under the Influence: It is recommended that the General reserve be increased by \$54,670 for a balance of \$153,459.

Library: It is recommended that \$20,000 of the General reserve be used, which would result in a balance of \$74,690. Additionally, it is recommended that \$293,118 of the Facilities Planning designation be used, which would result in a balance of \$922,510.

Fish and Game: It is recommended that \$5,000 of the Environmental Settlement designation be used, which would result in a balance of \$13,110. Additionally, it is recommended that \$2,701 of the Fish and Game Projects designation be used, which would result in a balance of \$86,087.

Organizational Development (OD): It is recommended that \$179,123 of the Countywide Training designation be utilized to help fund the operations for this budget, which includes the Employee University. The remaining balance is a little over \$1 million. As previously noted, historically, \$450,000 of General Fund has been allocated to the OD fund center to help pay for its operations. This year only \$242,166 is being allocated and the remainder is redirected to the General Fund as part of the short-term budget balancing strategies.

County Medical Services Program: It is recommended that the entire \$87,695 Automation Replacement designation be utilized in order to help fund a new electronic health records software system.

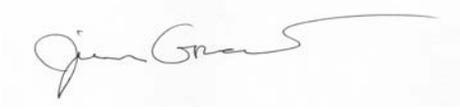
Pension Obligation Bond (POB): It is recommended that \$573,496 be added to this designation in order to help pay for future pension debt service payments and for cash flow purposes. The new balance will be \$7.7 million.

### **Acknowledgements**

I would like to thank all County employees for their work this past year. While facing daunting fiscal challenges, the organization made significant progress toward achieving its vision of a safe, healthy, livable, prosperous, and well-governed community. A summary of the organization's many accomplishments can be found in the County's first annual report, which was published in January of this year.

This budget proved yet again to be extremely difficult. However, from a process standpoint, it went as well as could be hoped. This is due to the high level of cooperation and professionalism exhibited by all who were involved in the process. I look forward to working with your Board and staff as we continue to tackle the many challenges and opportunities before us.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Grant", with a long, sweeping horizontal flourish extending to the right.

Jim Grant  
County Administrative Officer