

From: County Executive
Sent: Wednesday, February 02, 2011 4:53 PM
Subject: Budget Update

To All Employees,

As we prepare for the FY2012 Budget, I want to keep you up to date with the facts and the process.

At this point, the shortfall looks to be about \$230 million in the General Fund. This number is fluid and will likely increase. This deficit does NOT include any effect that Governor Brown's proposed budget may have upon us—it only includes what some refer to as the "anticipated local problem" for the upcoming year (i.e., \$160 million from prior one-time solutions that are now unavailable, \$56 million from new costs such as additional PERS and Health costs, and \$14 million from miscellaneous new problems). Also not included in this number is the additional one time capital, infrastructure, and debt service needs that we have—which net out to about \$38 million.

This will be an enormously difficult deficit to resolve. In order to solve this problem, we will need all of your help. In the past, we were able to use "one time" money to solve the problem, now that is essentially all spent. As we move forward, the Board will be faced with some very difficult decisions. Most certainly, we will have to eliminate some services, some contracts, and a significant number of positions. We can expect some very difficult choices to be made in the process.

The Departments have been assigned reduction targets within the Board Committee Policy groupings. Those assignments are attached. They are very big numbers and quite upsetting. I include them for completeness and transparency. However, it is certain that the final Budget proposal will be different than this starting point. Departments are expected to have their proposals back to OBA by March 4th. I am encouraging the Departments to work collaboratively with each other, with their employees, and with union representatives. In the last year, I have seen enormous ingenuity from the Santa Clara County employees. I am certain that we will meet the bottom line—the total proposal list for the Departments will equal at least \$155 million.

We are also adding in a projected savings from labor negotiations of \$75 million. This number is obviously only a "placeholder" since negotiations have not even started yet. However, we do need to use some presumptions in order to build the budget. We will NOT be negotiating in public about anything that is or is not "on the table."

So, with the placeholder, the total of proposed solutions will add up to the projected deficit of \$230 million.

Everyone is welcome and encouraged to participate with the Depts and OBA in order to build a budget plan that we can recommend to the Board. Please communicate your ideas about participation and/or your thoughts about budget solutions to me or the Dept Heads directly.

The Department Heads were also informed that the BOS, both as a whole and within Committees, will want to participate in the prioritization of proposals after March 4th as we work our way toward a balanced budget. That process will be up to the BOS and the President.

Thank you very much,

Jeff Smith
County Executive
Santa Clara County

Summary of FY 2012 Ongoing and One-time Budget Needs and Resources

| | <u>Ongoing</u> | <u>One-time</u> | |
|-----------------------------|----------------------|---------------------|--|
| General Fund Deficit | (228,912,141) | 100,248,258 | One-time Needs |
| | | 90,000,000 | FY 2012 Contingency Reserve |
| | | 8,000,000 | Retiree Health Loan Principle |
| | | 248,258 | Retiree Health Loan Interest |
| | | 2,000,000 | Exec Mgmt Leave Balance Payout |
| | | | Technology |
| | | | Capital |
| | | | Other (e.g. bridge funding for attrition-base reductions) |
| Total Solutions | 230,000,000 | 62,455,058 | One-time Resources |
| Labor Negotiations | 75,000,000 | 90,710,173 | <i>Unspent Contingency as of AP06; but will spend some at Mid-Year</i> |
| GF Dept Solutions | 85,000,000 | <i>(34,255,115)</i> | <i>Dept Fund Balance as of AP06; still working on this</i> |
| SCVMC Subsidy | 70,000,000 | 56,455,058 | FY 2011 Estimated Fund Balance |
| | | 6,000,000 | Sale of Middlefield Road property |
| (Deficit)/Surplus | 1,087,859 | (37,793,200) | |

We want to be careful not to double count savings related to labor and reduction of positions. Need to reduce labor costs in the base so departments can see remaining cost of positions to be used in department deficit solutions

Department Reductions:

- Additional labor savings from department issues (e.g., 12-Plan Overtime)
- Cross boundary or shared solutions from departments working together
- Reduced cost or increased revenue from operational changes
- Reduced cost from service reductions

General Fund Net County Cost by BU

As of 1/29/11

| | | FY12 CLB Net County Cost | Targets | Remaining Net County Cost |
|-----|---|-----------------------------|--------------------|---------------------------------|
| | Santa Clara County - General Fund | (228,912,141) | 155,000,000 | (74,912,141) |
| 119 | Special Programs | 8,818,007 | 0 | 8,818,007 |
| 101 | Supervisory District #1 | (1,166,468) | 0 | (1,166,468) |
| 102 | Supervisory District #2 | (1,166,660) | 0 | (1,166,660) |
| 103 | Supervisory District #3 | (1,166,660) | 0 | (1,166,660) |
| 104 | Supervisory District #4 | (1,166,660) | 0 | (1,166,660) |
| 105 | Supervisory District #5 | (1,166,468) | 0 | (1,166,468) |
| 106 | Clerk-Board Of Supervisors | (6,676,728) | 0 | (6,676,728) |
| 107 | County Executive | (7,678,046) | 2,000,000 | (5,678,046) |
| 115 | Assessor | (28,578,784) | 0 | (28,578,784) |
| 118 | Procurement | (3,845,196) | 1,500,000 | (2,345,196) |
| 120 | County Counsel | (9,954,400) | 2,000,000 | (7,954,400) |
| 140 | Registrar Of Voters | (13,180,947) | 1,500,000 | (11,680,947) |
| 145 | Information Services | (17,317,445) | 1,500,000 | (15,817,445) |
| 190 | Communications Department | (10,468,504) | 1,000,000 | (9,468,504) |
| 263 | Facilities Department | (40,433,080) | 6,500,000 | (33,933,080) |
| | Employee Services Agency | (10,383,536) | 2,000,000 | (8,383,536) |
| | Finance Agency | 750,648,623 | 2,000,000 | 752,648,623 |
| | FGOC Subtotal | 605,117,048 | 20,000,000 | 625,117,048 |
| 202 | District Attorney | (72,406,821) | 6,500,000 | (65,906,821) |
| 204 | Public Defender | (44,443,708) | 4,000,000 | (40,443,708) |
| 210 | Office of Pretrial Services | (5,159,896) | 500,000 | (4,659,896) |
| 217 | Criminal Justice Support | 107,274,443 | 0 | 107,274,443 |
| 230 | Sheriff's Department | (66,651,093) | 6,000,000 | (60,651,093) |
| 235 | Sheriff/DOC Contract | (113,570,017) | 10,000,000 | (103,570,017) |
| 240 | Department of Correction | (58,999,933) | 5,000,000 | (53,999,933) |
| 246 | Probation Department | (97,883,087) | 8,000,000 | (89,883,087) |
| 293 | Med Examiner-Coroner | (3,388,714) | 0 | (3,388,714) |
| | PSJC Subtotal | (355,228,826) | 40,000,000 | (315,228,826) |
| 116 | In-Home Supportive Services | (73,182,354) | 0 | (73,182,354) |
| 501 | Social Services Agency | (50,847,346) | 15,000,000 | (35,847,346) |
| 509 | Nutrition Services To Aged | (2,894,431) | 0 | (2,894,431) |
| 511 | Categorical Aids Payments | (40,698) | 0 | (40,698) |
| | CSFC Subtotal | (126,964,829) | 15,000,000 | (111,964,829) |
| 410 | Public Health | (35,853,946) | 1,500,000 | (34,353,946) |
| 412 | Mental Health Department | (71,415,366) | 3,500,000 | (67,915,366) |
| 414 | Custody Health Services | 0 | 1,000,000 | 0 |
| 417 | Department of Alcohol & Drug Services | (22,512,246) | 2,000,000 | (20,512,246) |
| 418 | Community Health Services | (7,055,956) | 1,000,000 | (6,055,956) |
| | HHC (GF Departments) Subtotal | (136,837,514) | 9,000,000 | (128,837,514) |
| 921 | SCVMC (General Fund Subsidy) | (205,520,084) | 70,000,000 | (135,520,084) |
| | HHC Total | (342,357,598) | 79,000,000 | (264,357,598) |
| 260 | Planning & Development/Affordable Housing | (6,644,980) | 700,000 | (5,944,980) |
| 262 | Agriculture & Environmental Mangement | (2,832,956) | 300,000 | (2,532,956) |
| | HLUET Total | (9,477,936) | 1,000,000 | (8,477,936) |