

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



FROM: County Executive Office

SUBMITTAL DATE:
February 9, 2010

SUBJECT: Budget Policies

RECOMMENDED MOTION: That the Board:

- 1) Establish a Prop. 172 revenue policy based on options presented in Attachment "A" or as otherwise specified by the Board.
- 2) Establish a net county cost reduction policy for FY 10/11 based on the options presented in Attachment "B" or as otherwise specified by the Board.

BACKGROUND: The Board discussed these matters in the budget presentation on January 26, 2009 and continued its discussion to the February 9, 2010 agenda. For clarity, the issues are summarized herein and presented for action. Four votes are required for contingency action, three votes are required for policy decisions.

FINANCIAL DATA	Current F.Y. Total Cost:	\$	In Current Year Budget: Budget Adjustment: For Fiscal Year:
	Current F.Y. Net County Cost:	\$	
	Annual Net County Cost:	\$	

SOURCE OF FUNDS:	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION: Board Policy

County Executive Office Signature

Consent Policy
 Consent Policy

Dep't Recomm.:
 Per Exec. Ofc.:

Departmental Concurrence

FISCAL PROCEDURES APPROVED
 ROBERT E. BYRD, AUDITOR-CONTROLLER
 BY: *Tanya S. Harris* 2/3/10
 TANYA S. HARRIS

FORM APPROVED COUNTY COUNSEL
 BY: *Pamela J. Walls* 2/3/10
 PAMELA J. WALLS
 DATE

Prev. Agn. Ref.: 3.54a – 01/26/10 | District: | Agenda Number:

3.64

PROP. 172 BACKGROUND

Prop. 172 revenue was estimated for FY 09/10 at \$125.8 million. This estimate was submitted to affected departments and factored into budget plans. The deteriorating economy has slashed this revenue and the estimate has fallen to \$110.6 million. Estimated and actual revenues are described below.

Department share:	Original estimate	Current Estimate	Loss
Sheriff - 61.31%	77.12	67.81	9.32
DA - 17.16%:	21.58	18.97	2.51
Fire - 5.02%:	6.31	5.55	0.76
Probation - 16.51%:	<u>20.76</u>	<u>18.26</u>	<u>1.48</u>
TOTAL	\$125.8 million	\$110.6 million	\$15.2 million

Absent other action, the difference of \$15.2 million would have to be backfilled to balance the books at year end, unless those departments cut expenses to compensate.

The alternative is to acknowledge the shortfall now and either:

1. Affirm that we plan to backfill the lost revenue with net county cost and leave appropriations in those departments intact (shifting the burden to the general fund), or
2. Reduce revenue and equivalent appropriations (leaving the burden with the departments).

Without action, the shortfall will convert to a general-fund expense in FY 09/10 by default. By extension, we also must address the policy question involving future Prop. 172 receipts. If Prop. 172 receipts underperform as in recent years, backfilling the losses will continue to strain the general fund. The issues are:

1. Should the backfill be capped?
2. If so, what level is appropriate?

Finally, there is the issue of recovering general funds advanced to backfill Prop. 172 shortfalls. County Counsel reports that when sales tax receipts recover, the general funds advanced to backfill the shortfall can be recovered. The options are:

1. Should backfill be returned?
2. If so, should it go to the general fund, earmarked as general revenue?
3. Alternatively should it be earmarked for reinvestment back into safety priorities, such as the mid-county jail's staffing needs?

These issues are summarized in motions on Attachment "A." Policy #1 option A, transferring funds from contingency, requires four votes for approval per Government Code Section 29125(a)(2). Option B, decreasing revenue, requires three votes. All other policy questions require three votes.

NET COUNTY COST REDUCTIONS

As we begin the budget process for FY 10/11, it is clear that reducing net county cost, as well as cutting personnel and programs, is unavoidable. However, the budget must reflect Board priorities and service expectations. Building a structurally balanced budget within two years should be a policy goal. Finally, reserves should not be allowed to drop below the set minimum level.

Therefore, we seek the Board's direction on how NCC cuts should be planned for and implemented. We presented the Board with models that include proportional NCC cuts to all departments (10 percent / 10 percent), and disproportionate cuts weighted to favor public safety over general government (3 percent / 25 percent or 5 percent / 20 percent). Those values, however, can be set at any level the Board specifies.

This policy direction is to assist staff in preparing budgets. It will clarify NCC targets. A vote at this time is for guidance only. The final and binding vote would be made at the time the budget is adopted.

The issue at hand is for the Board to declare preferences for the unavoidable NCC reductions. Those cuts represent the foundation for our budget planning over the next two fiscal years, and for addressing the structural deficit.

In the interim, I have directed departments to begin developing separate budget plans that reflect both the 3 percent / 25 percent option and the 10 percent / 10 percent option.

These issues are summarized in motions on Attachment "B."

ATTACHMENT "A" PROPOSITION 172 POLICIES

POLICY #1 – SHOULD \$15.2 M IN PROP. 172 REVENUE BE BACKFILLED?
OPTION A: (AFFIRM BACKFILL OF PROPOSITION 172 AND DRAWDOWN CONTINGENCY)

That the Board affirm backfill of \$15.2 Million of contingency funds for estimated Proposition 172 revenue, and approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows:

Decrease appropriations:		
10000-1109000000-581000	Appropriations for contingency	\$15,192,975
Decrease estimated revenue:		
10000-2200100000-755020	CA – public-safety sales tax growth	\$2,606,601
10000-2500200000-755020	CA – public-safety sales tax growth	1,696,904
10000-2500300000-755020	CA – public-safety sales tax growth	4,521,026
10000-2500400000-755020	CA – public-safety sales tax growth	2,688,917
10000-2501000000-755020	CA – public-safety sales tax growth	408,655
10000-2600100000-755020	CA – public-safety sales tax growth	981,561
10000-2600200000-755020	CA – public-safety sales tax growth	1,526,575
10000-2700200000-755020	CA – public-safety sales tax growth	<u>762,736</u>
	Total	\$15,192,975

OR

OPTION B: (NO ADDITIONAL BACKFILL OF PROPOSITION 172; DECREASE OF APPROPRIATIONS AND REVENUE TO PUBLIC SAFETY DEPARTMENTS)

That the Board of Supervisors approve and direct the Auditor-Controller to adjust appropriations and estimated revenue as follows:

Decrease appropriations:		
10000-2200100000-510040	Regular Salaries	\$2,606,601
10000-2500200000-510040	Regular Salaries	1,696,904
10000-2500300000-510040	Regular Salaries	4,521,026
10000-2500400000-510040	Regular Salaries	2,688,917
10000-2501000000-510040	Regular Salaries	408,655
10000-2600100000-510040	Regular Salaries	981,561
10000-2600200000-510040	Regular Salaries	1,526,575
10000-2700200000-510040	Regular Salaries	<u>762,736</u>
	Total	\$15,192,975

Decrease estimated revenue:		
10000-2200100000-755020	CA – public-safety sales tax growth	\$2,606,601
10000-2500200000-755020	CA – public-safety sales tax growth	1,696,904
10000-2500300000-755020	CA – public-safety sales tax growth	4,521,026
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10000-2700200000-755020	CA – public-safety sales tax growth	<u>762,736</u>
	Total	\$15,192,975

POLICY # 2 –CAPPING BACKFILL OF PROPOSITION 172 REVENUE

OPTION A – Should the backfill of Proposition 172 be capped?

AND

OPTION B – IF CAPPED, at what level?

POLICY #3 –RECOVERING PROP 172 BACKFILL TO THE GENERAL FUND

OPTION A: Should the backfill of Proposition 172 be recovered?

**ATTACHMENT "B" NET COUNTY COST POLICIES
FOR FISCAL YEAR 2010/2011**

THAT THE BOARD ESTABLISH ITS PRORITY FOR NET COUNTY COST CUTS:

OPTION A –Cut to Public Safety (Sheriff, District Attorney, Fire, Probation) departments of 3% of net county cost and 25% cut to all other general fund departments.

OR

OPTION B –Cut to Public Safety (Sheriff, District Attorney, Fire, Probation) departments of 5% of net county cost and 20% cut to all other general fund departments.

OR

OPTION C –Cut to all departments of 10% of net county cost