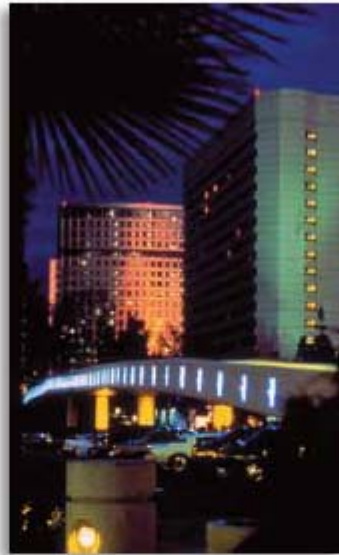




# *County of Orange*

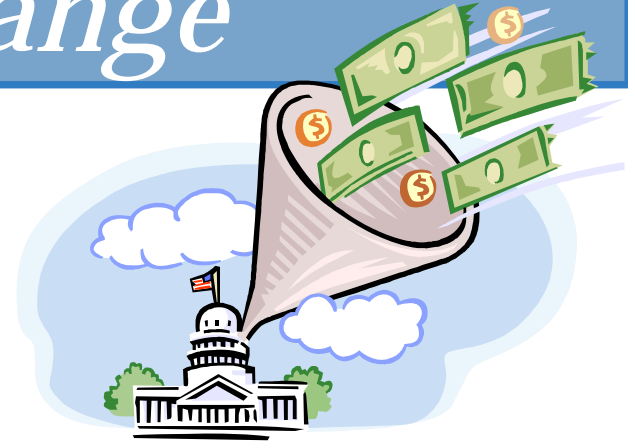
## **FY 2011-12 Mid-Year Budget Adjustments *Vehicle License Fee (VLF) Reduction Impacts***





# *County of Orange*

## Background



- On June 30, 2011, the Governor signed Senate Bill 89 (SB 89), which reallocated Orange County's annual receipt of approximately \$49.5 million in Vehicle License Fee (VLF) revenue.

Note: The County believes the effect of SB89 is to restore the treatment of the County to that of all other counties. Accordingly, the County will be pursuing legislative/legal options to carry out that effect in the coming months. However, the impact of the reduction of VLF is immediate and must be addressed in budget adjustments at this time.



# *County of Orange*

## Overview of County Revenue

- Restricted vs. Discretionary Revenue
- Funding for County Services
- VLF and Other General Purpose Revenues

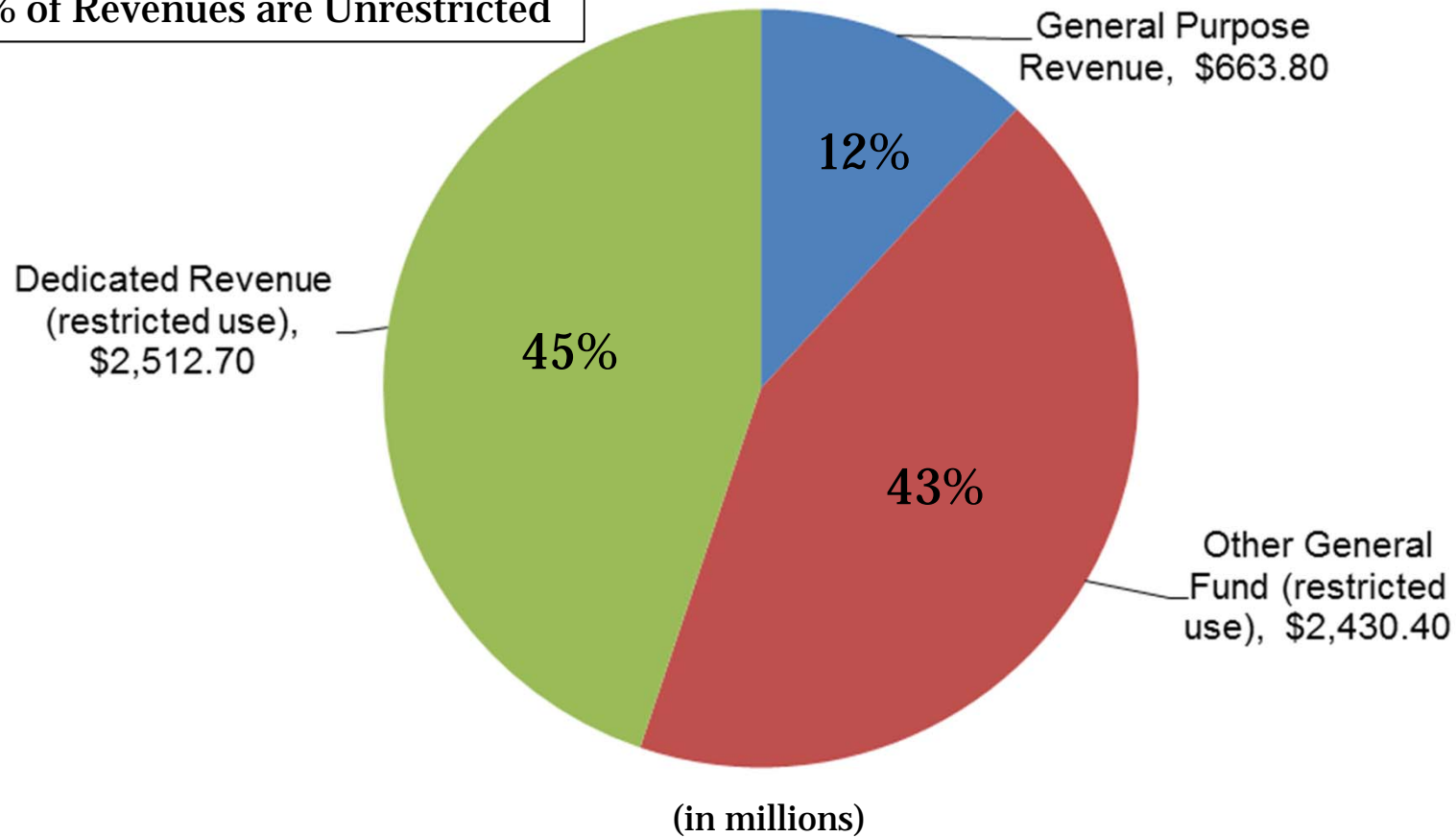




# County of Orange

## County Revenue - \$5.6 Billion

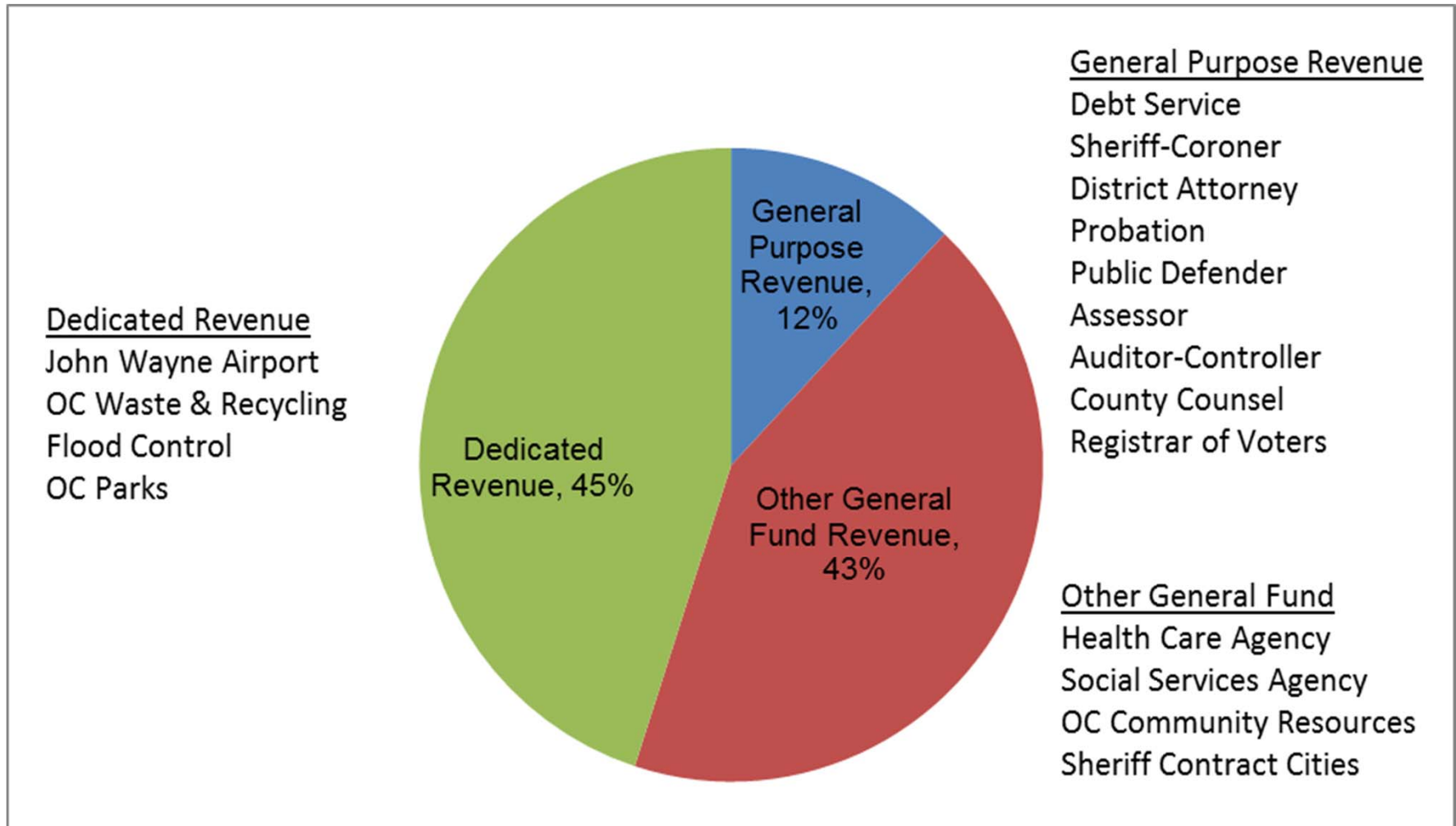
88% of Revenues are Restricted  
12% of Revenues are Unrestricted





# County of Orange

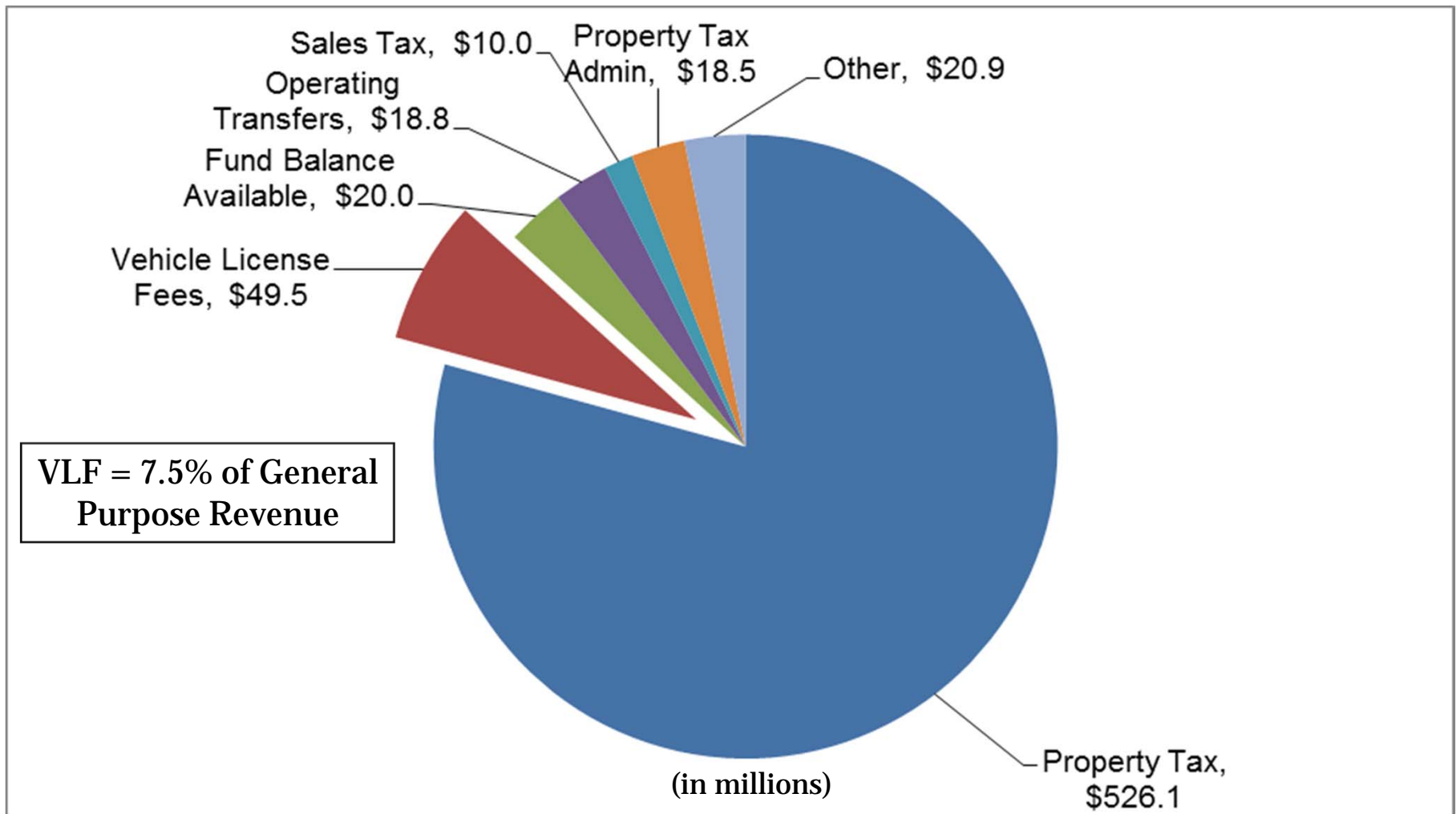
## Program Funding





# County of Orange

## General Purpose Revenue - \$663 Million







# *County of Orange*

## Impact of Potential VLF Loss

- The potential loss of VLF results in a \$49.5 million (7.5%) annual revenue impact
- Funding impact of this magnitude affects all programs including public protection and critical safety net services
- The potential loss of ongoing revenue requires solutions that produce ongoing savings or new funding

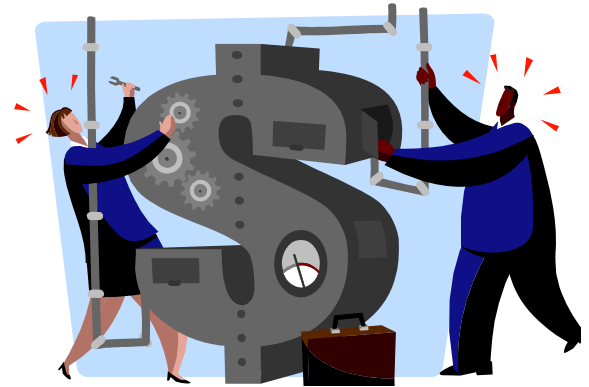




# *County of Orange*

## Budget Balancing Options

- Legislative/Legal Options
- Use of Reserves
- Furloughs
- Salary and Benefit Cost Reductions
- New Revenue
- Program and Service Reductions



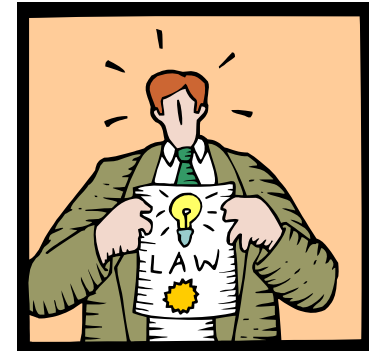




# *County of Orange*

## Legislative and Legal Options

- ABX1 43 (Solorio) to clarify that Orange County can substitute property tax for VLF like other counties was unsuccessful
- The County continues to work toward a legislative solution while exploring legal options
- The timing and resolution of these options is unknown





# *County of Orange*

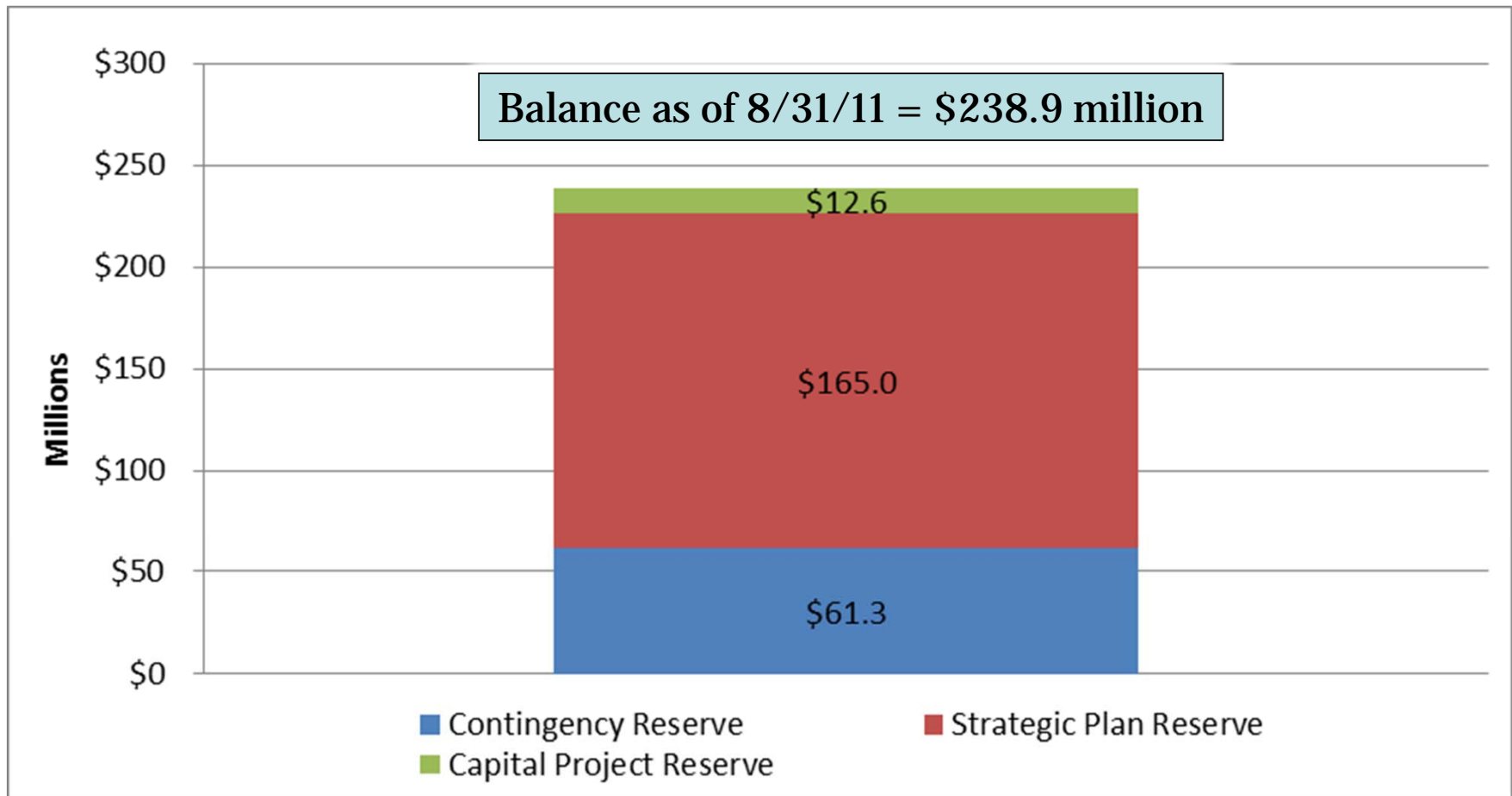
## Use of Reserves

- Reserve use is a one-time source of funding
  - Loss of VLF is ongoing unless replaced
- County reserves are already low in comparison to peer counties, requiring an annual cash flow borrowing
- Use of reserves will reduce the available cash balance and may require larger cash-flow borrowing (short-term debt)



# County of Orange

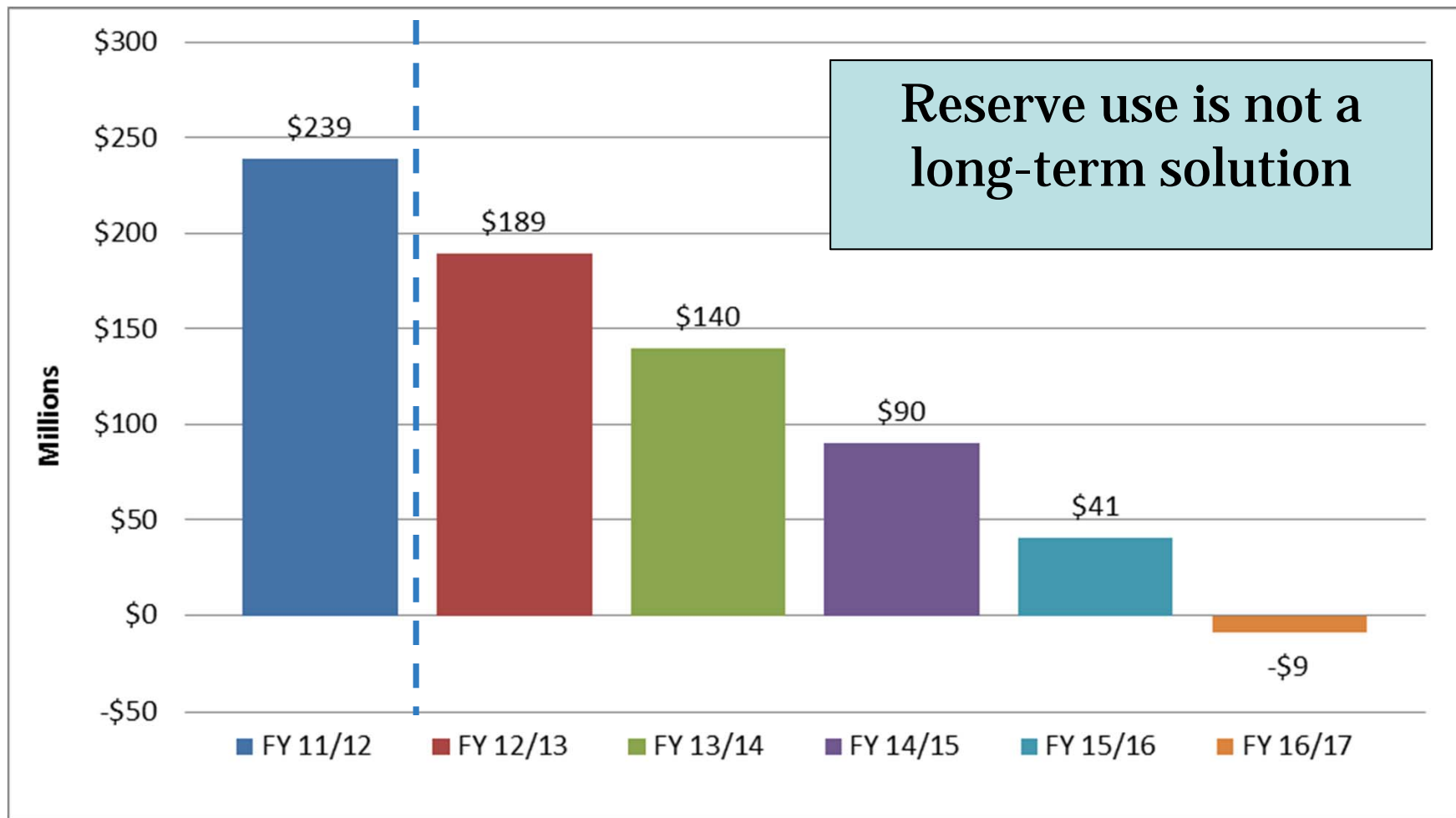
## General Fund Reserve Balance





# County of Orange

## Optional Use of Reserves to Backfill VLF





# County of Orange

## Reserves: Comparison to Peer Counties

(In Thousands)

Unreserved GF Fund Balance as % of Revenue			
Major Metro Counties	Revenue	Unreserved GF Fund Balance	Unreserved GF Fund Balance as % of Revenue
San Diego	\$3,064,510	\$1,057,851	35%
San Bernardino	\$2,092,523	\$410,241	20%
Los Angeles	\$13,485,442	\$2,211,383	16%
Riverside	\$2,187,569	\$296,112	14%
Orange	\$2,324,355	\$215,094	9%

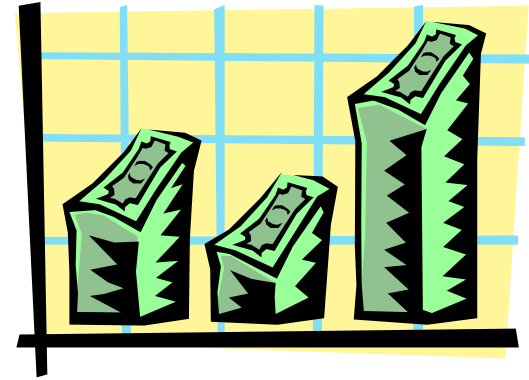
Source: County CAFRs for period ended June 30, 2010



# *County of Orange*

## Optional Use of Furloughs to Backfill VLF

- Furlough Considerations:
  - 24/7 operations
  - Service considerations
- GF vs. Non-GF Employees
  - NCC savings
  - Fairness and morale
- Short-term vs. Long-term Use
  - One year furlough program is a one-time solution





# *County of Orange*

## Furlough Options

- Countywide Furlough (1 day)
  - Gross savings = \$4.2M
  - NCC savings = \$0.8M (19% of gross savings)
  - # days required to save \$49.5M = 61 days
    - 61 days is equivalent to 23% salary decrease
- General Fund Furlough (1 day)
  - Gross savings = \$3.8M
  - NCC savings = \$0.8M (21% of gross savings)
  - # days required to save \$49.5M = 61 days





# *County of Orange*

## Salary and Benefit Reduction Options

- 1% Across the Board reduction reduces total costs \$14.8 million (requires Meet and Confer)
  - NCC reduction \$3.2 million
  - 15.6% across the board reduction required to offset \$49.5 million
- Eliminate County payment of Employee Retirement costs (requires Meet and Confer)
  - AOCDS: \$14.7 million (\$3.2 million NCC)
  - OCMA/Exec's: \$9.4 million (\$2.0 million NCC)
  - OCAA: \$4.6 million (\$1.0 million NCC)
  - Other: \$2.1 million (\$0.5 million NCC)



# County of Orange

## Revised General Purpose Revenue

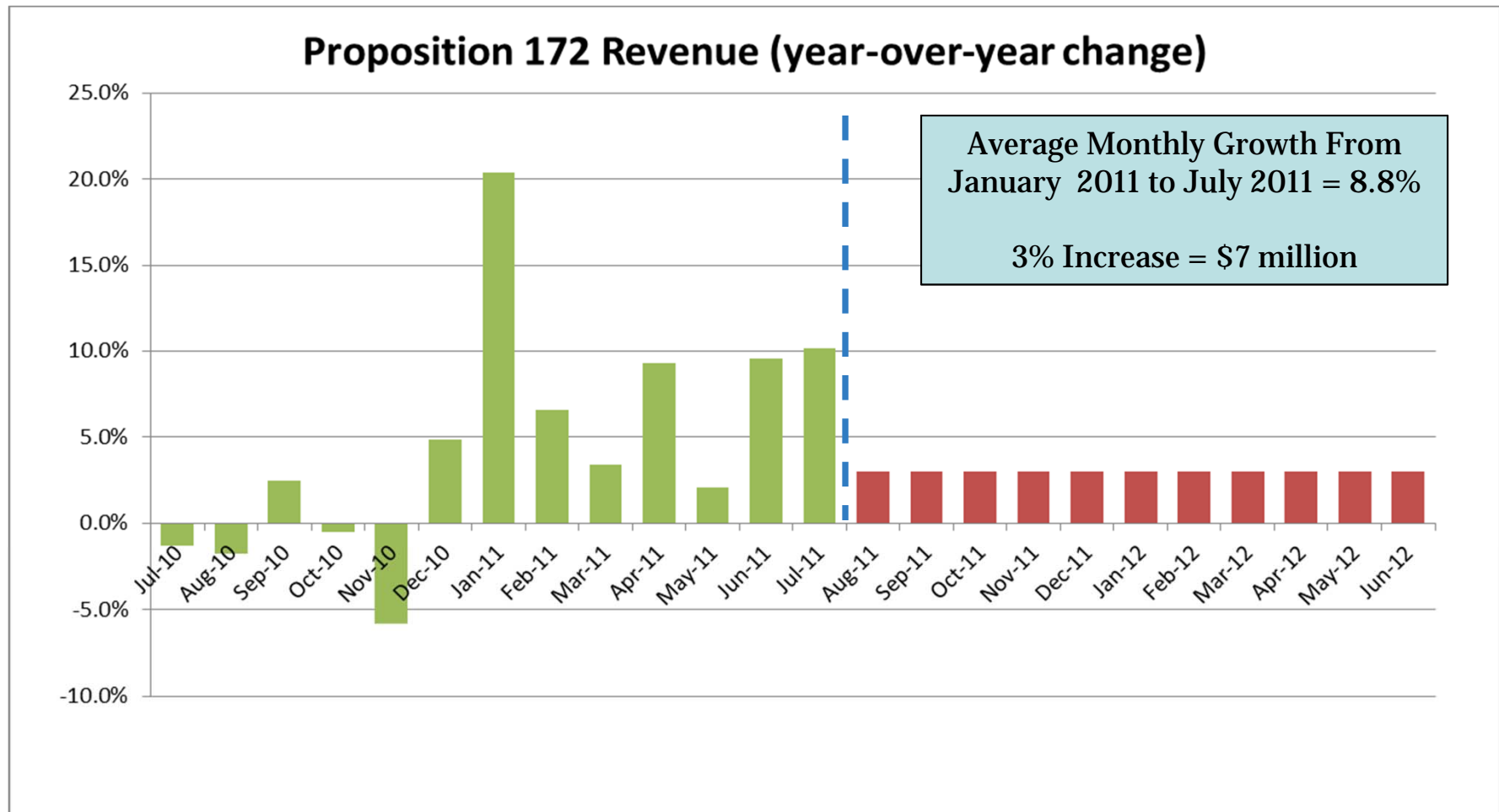
SOURCE	Adopted Budget	Revised	Variance
Property Taxes	\$ 526.1	\$ 525.6	\$ (0.5)
Vehicle License Fees (VLF)	49.5	1.3	(48.2)
Miscellaneous Revenue	9.7	9.9	0.2
Interest	3.2	2.7	(0.5)
Operating Transfers	18.8	20.4	1.6
Sales & Other Tax	10.0	10.3	0.3
Property Tax Administration	18.5	19.7	1.2
Franchises/Rents & Concessions	2.6	2.6	-
<b>Total</b>	<b>\$ 638.4</b>	<b>\$ 592.5</b>	<b>\$ (45.9)</b>

VLF Loss if not replaced	\$ (49.5)
Revenue Improvements (estimate)	3.6
Revised GPR Shortfall	<u>\$ (45.9)</u>



# County of Orange

## Revised Proposition 172 Revenue





# *County of Orange*

## Recommended Budget Adjustments

- Recommended budget plan incorporates available reduction options
- Limited use of reserves and one-time solutions
- Updated General Fund revenue forecast
- Recognition of unanticipated revenues
- Targeted reductions
- Remaining cuts based on proportional reduction to NCC



# *County of Orange*

## Recommended Reduction Plan

CEO Recommended Plan	Amount (in millions)	One-time/Ongoing
Department Reductions	\$29.5	Ongoing
Reserve Use (one-time)	8.0	One-time
General Purpose Revenue Growth	4.5	Ongoing
Proposition 172 Growth	7.1	Ongoing
Managers Pension Pickup	0.4	Ongoing
Total	\$49.5	



# *County of Orange*

## Department Impacts

- Public Safety
  - Reduced number of District Attorney and Public Defender positions
  - Potential Closure of Jail Beds
- Community Services
  - Reduced Funding Support for MSI and Community Clinics
- General Government
  - Reduction of Positions for the Assessor and CEO



# County of Orange

## Position Impacts

			CEO Recommended Plan		
Departments	All Cuts Plan		Vacant	Filled	Total
Assessor	(22)		(4)		(4)
Clerk of the Board	(4)				-
CEO	(1)		(1)		(1)
Internal Audit	(2)				-
District Attorney	(82)		(22)	(31)	(53)
Health Care Agency	(17)		(15)		(15)
Public Defender	(47)		-	(12)	(12)
OC Public Works			(2)		(2)
Total Position Impacts (est)	(175)		(44)	(43)	(87)

Note: Vacant and filled position are as of September 15, 2011





# *County of Orange*

## Recommended Actions

- Approve CEO recommended budget adjustments presented in the Vehicle License Fee (VLF) Budget Reduction Plan to balance the Fiscal Year 2011-12 General Fund budget and direct the Auditor-Controller to revise appropriations, revenues, and reserves as detailed in the Vehicle License Fee Budget Reduction Plan in accordance with Government Code Sections 29130, 29125, and 25252 (reserve changes require four-fifths vote).
- Direct the Human Resources Department to amend the Master Position Control, subject to final classification review, as detailed in the "*Position Change Summary.*"



# *County of Orange*

## Next Steps

- FY 2011-12 First Quarter Budget Report
  - Reconcile to State Budget November 2011
  
- Strategic Financial Plan
  - Begin Process October 2011
  - Present to BOS January 2011
  
- FY 2012-13 Budget
  - Begin Process December 2011
  - Present to BOS June 2012