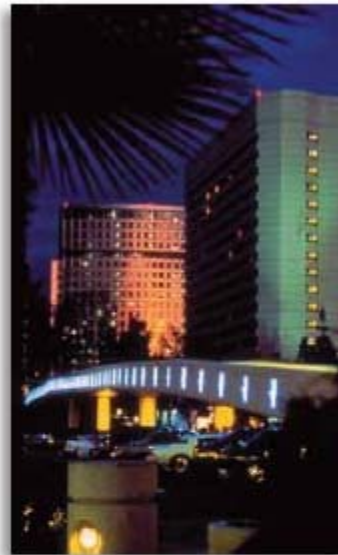




County of Orange

2010 Strategic Financial Plan

December 14, 2010





County of Orange

OPENING REMARKS

Thomas G. Mauk
County Executive Officer





County of Orange

Financial and Economic Overview

Robert J. Franz
Chief Financial Officer





County of Orange

Current Economy

- Recession Officially Ended in June 2009
 - Slow Growth Projected
 - Few Signs of “Double Dip”
- Primary County Impacts
 - Lower Revenue Base (sales tax, property tax)
 - Expenses Have Been Reduced
 - Increased Pension Costs





County of Orange

Orange County Forecast Overview

O.C. third in U.S. in September job gains

November 4th, 2010, 1:00 am · 1 Comment · posted by Mary Ann Milbourn

UCLAAnderson

FORECAST

UCLA Anderson Forecast: Orange County Economy May Be Limping Along But Housing And Labor Markets Will Strengthen By Mid 2011

1-in-14 O.C. mortgages are in default

November 1st, 2010, 12:29 pm · 23 Comments · posted by Jeff Collins



CALIFORNIA STATE UNIVERSITY
FULLERTON

U.S. Economic Outlook and Forecasts

The Outlook in a Nutshell: No Double Dip but a Painful Crawl



County of Orange

Current Economy Recovering Slowly

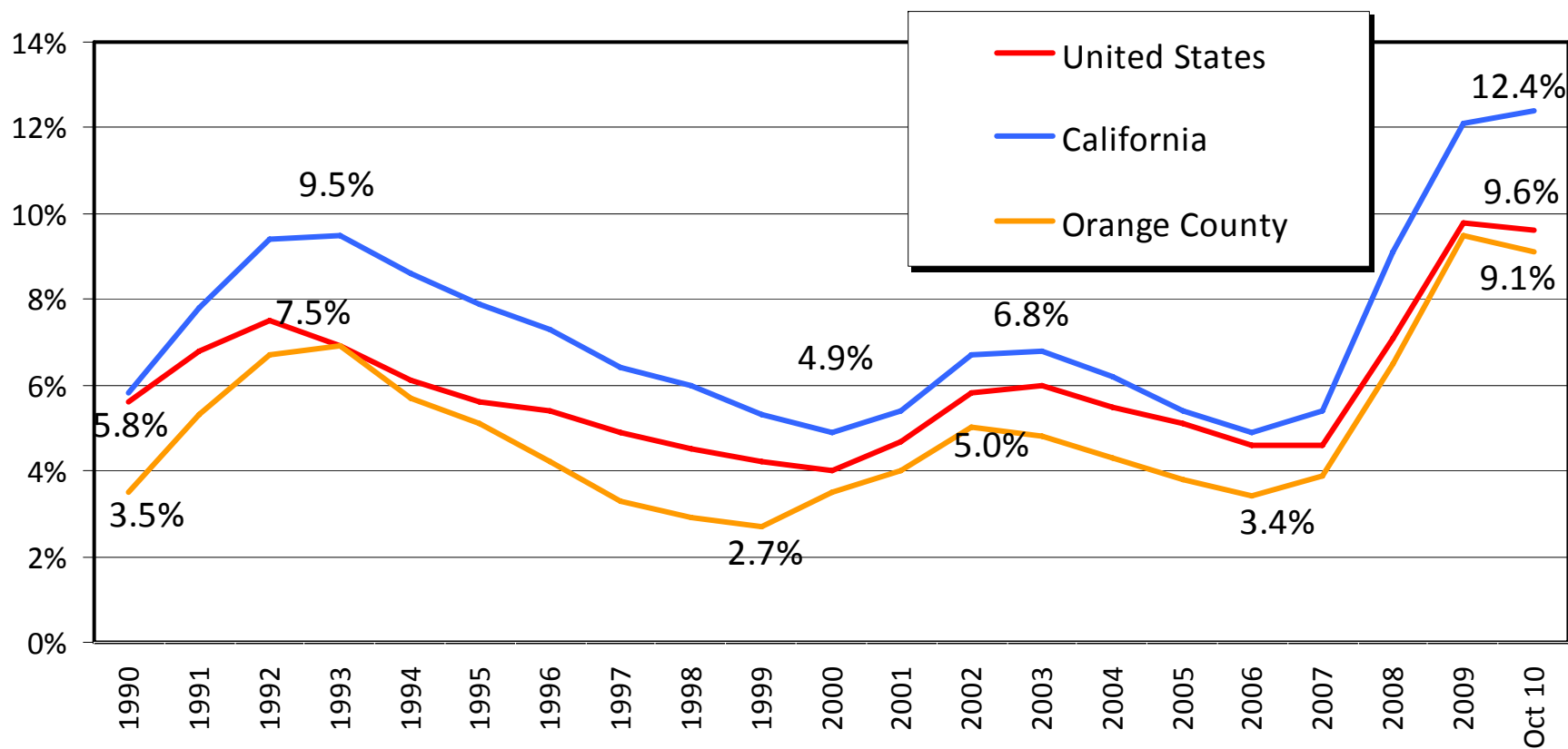
- Mixed Signals
 - Home Values Improving
 - Residential New Construction Permits Up
 - Increased Levels of Federal & State Debt
 - Consumer Spending Up
 - Employment has Marginally Improved
 - Unemployment Remains High
 - High Office Vacancy %





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Unemployment Rate

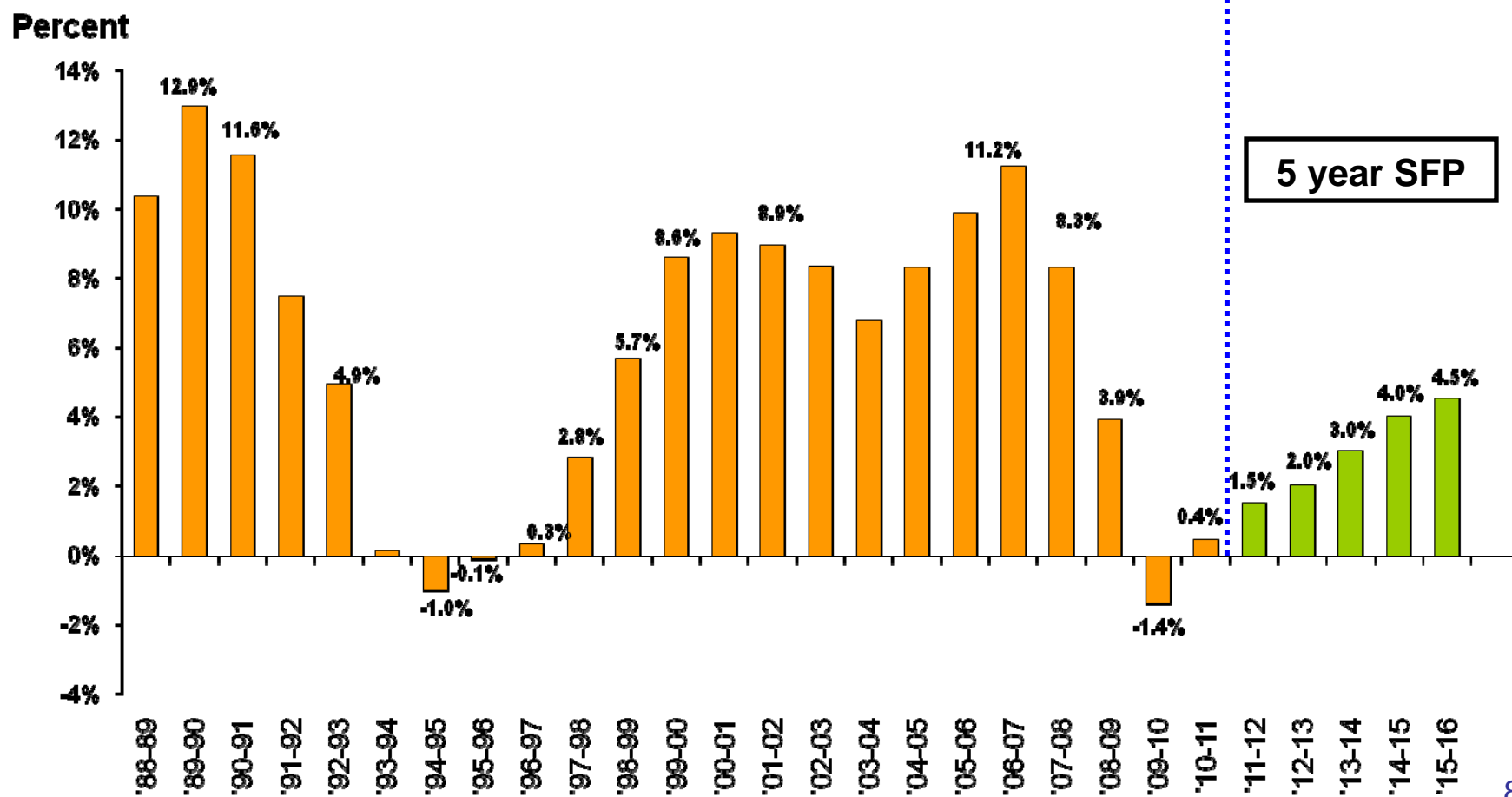


Source: California EDD for October 2010 (prelim)



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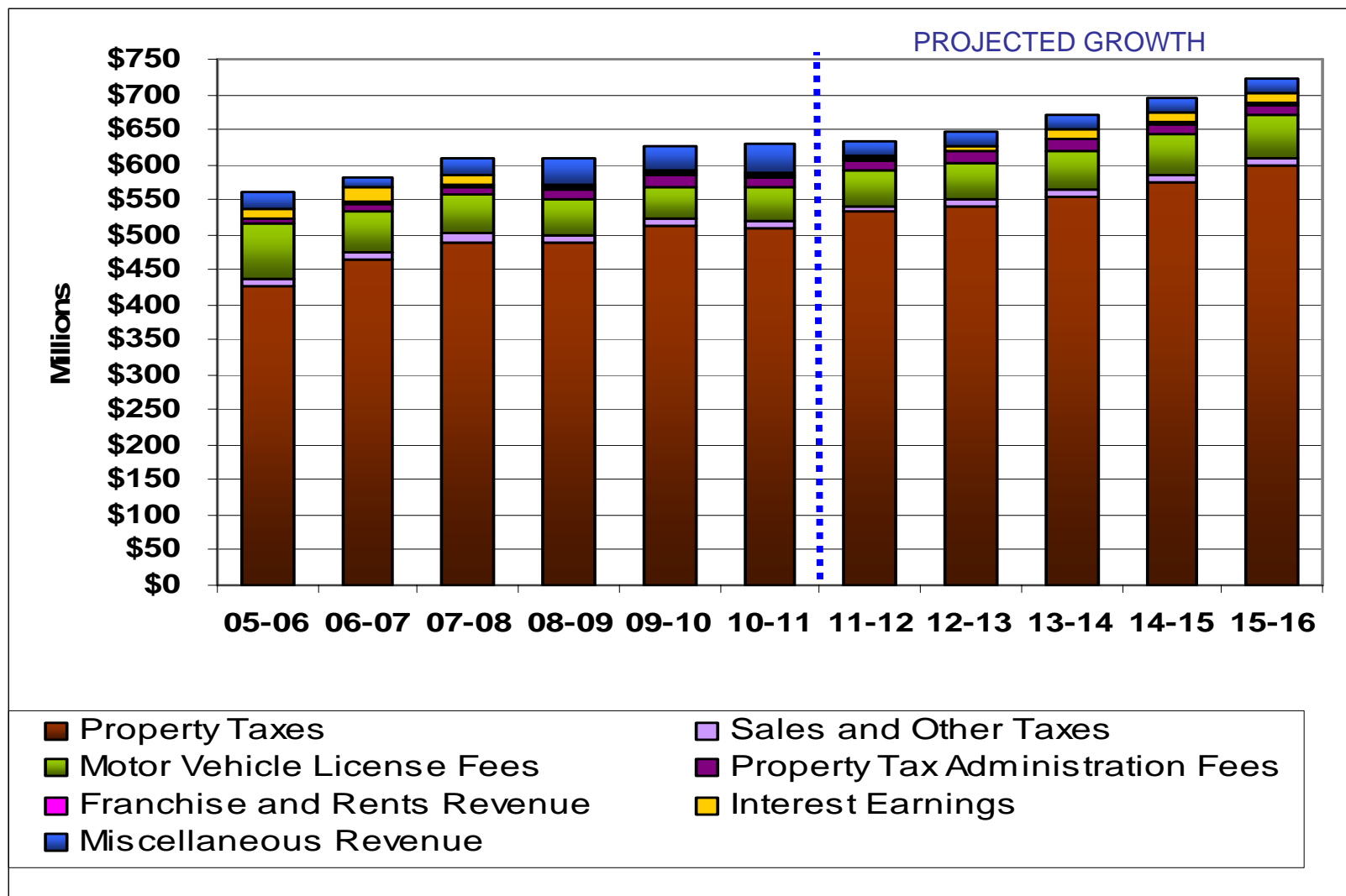
Secured Assessed Valuation





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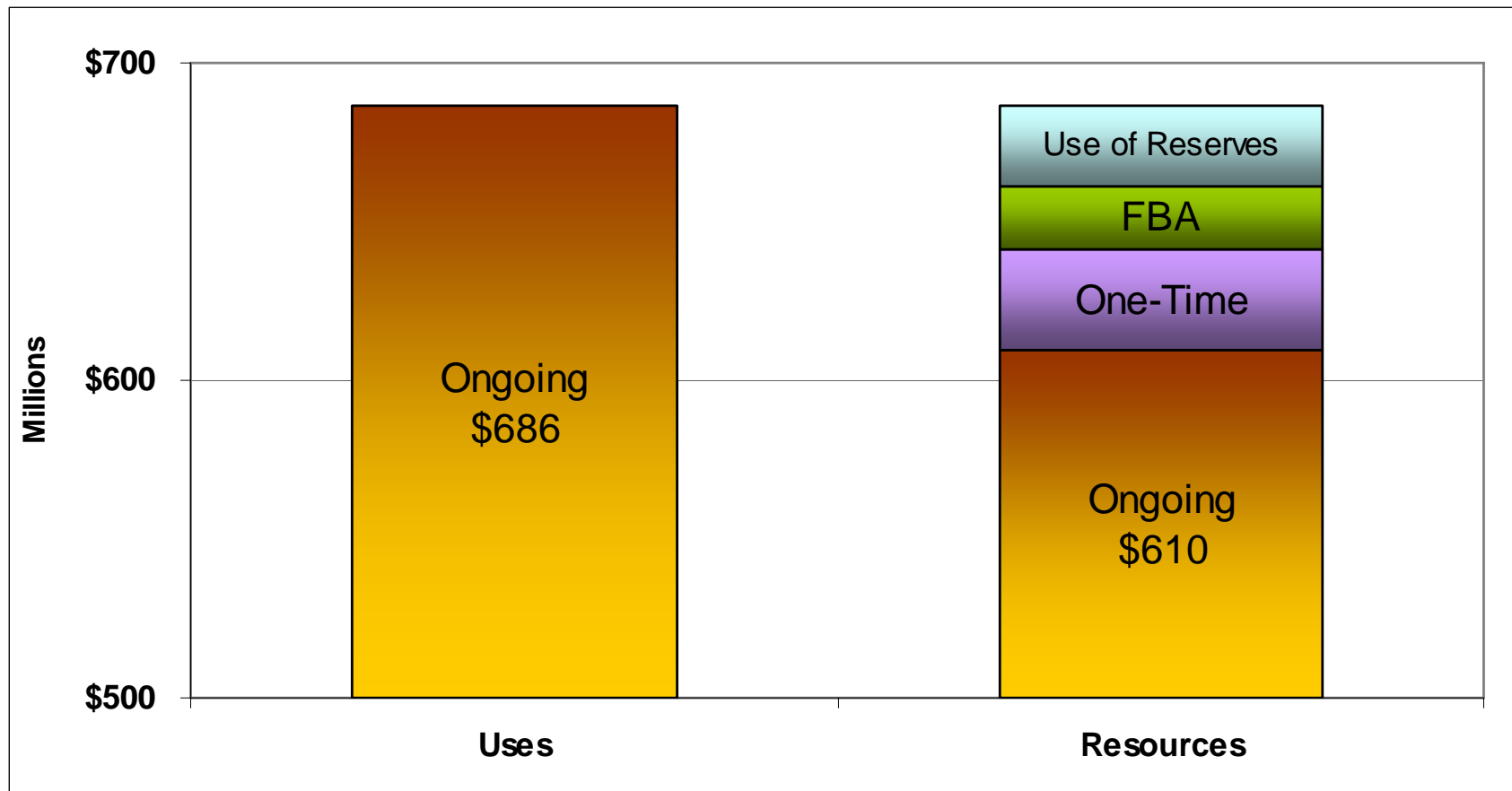
General Purpose Revenue





County of Orange

Current Year Budget – General Fund

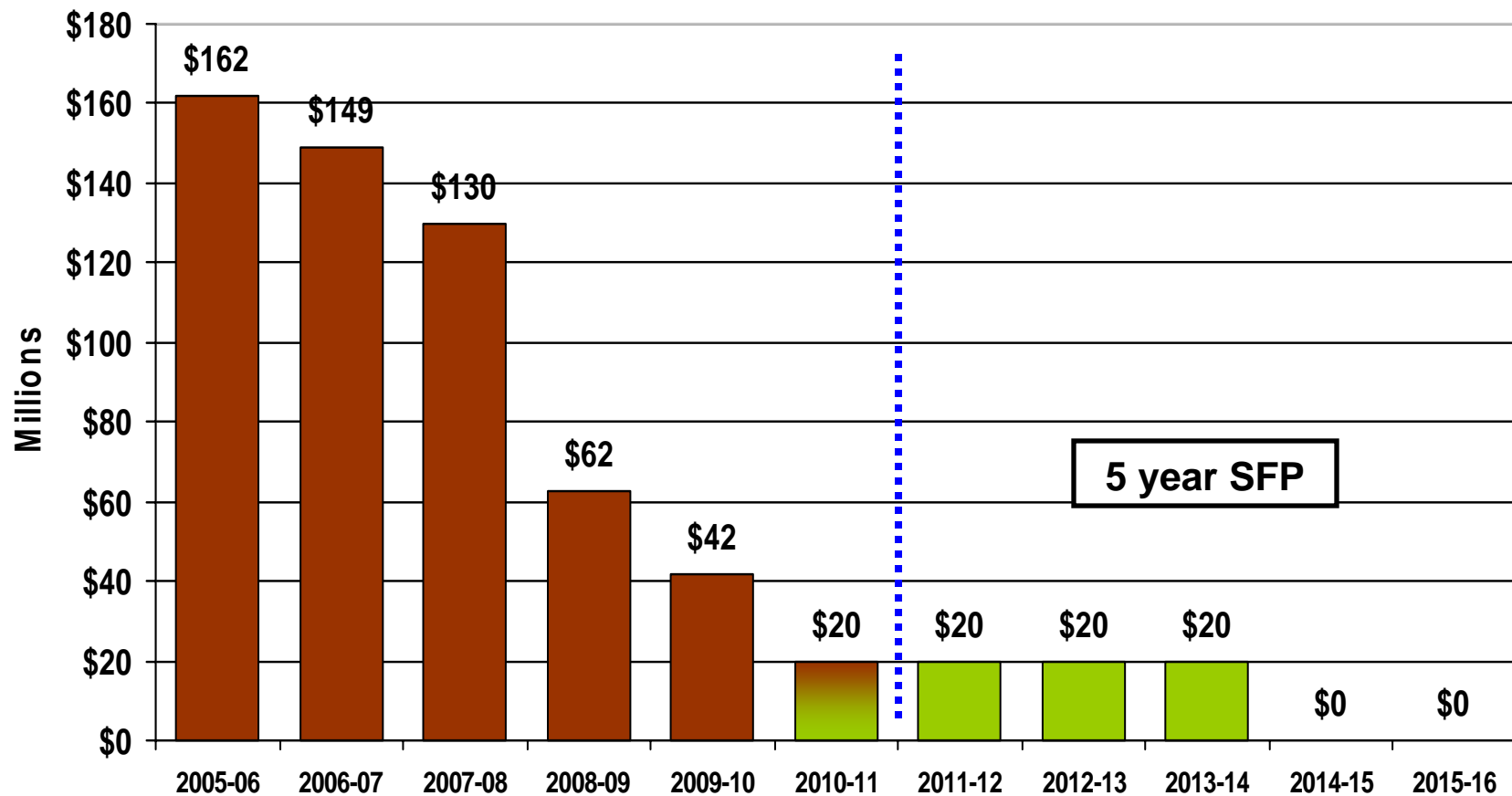




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Fund Balance Available

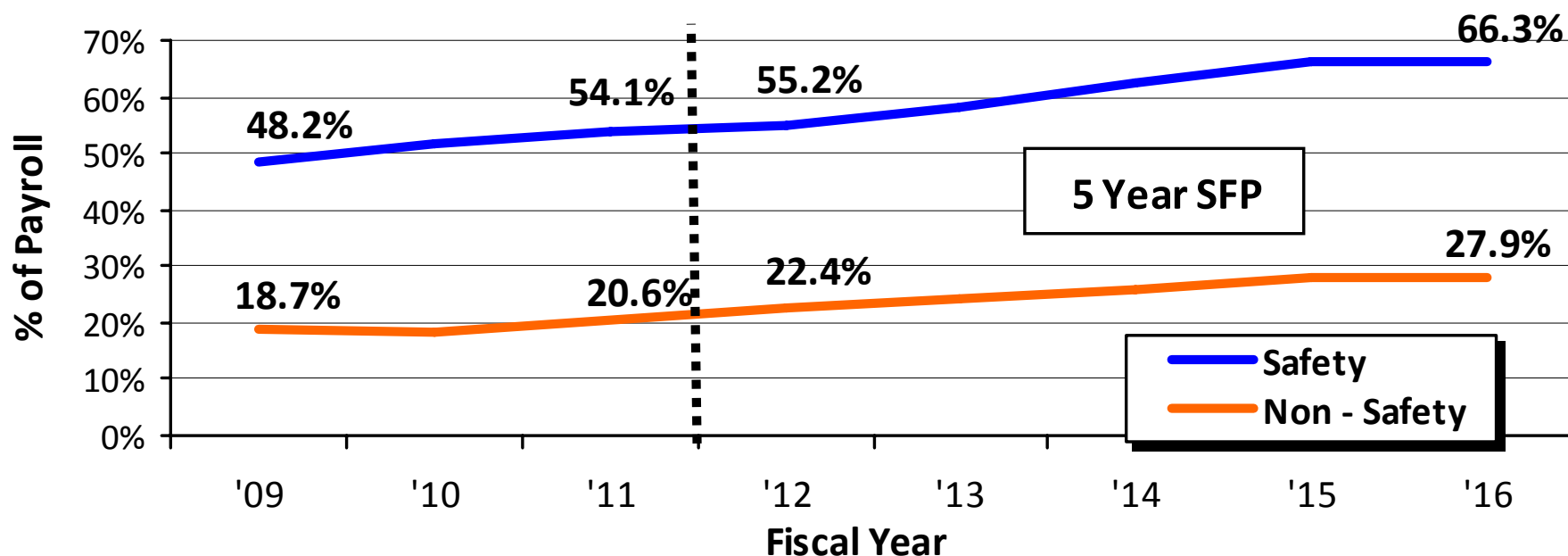
- Equivalent to Prior Year Budget Savings





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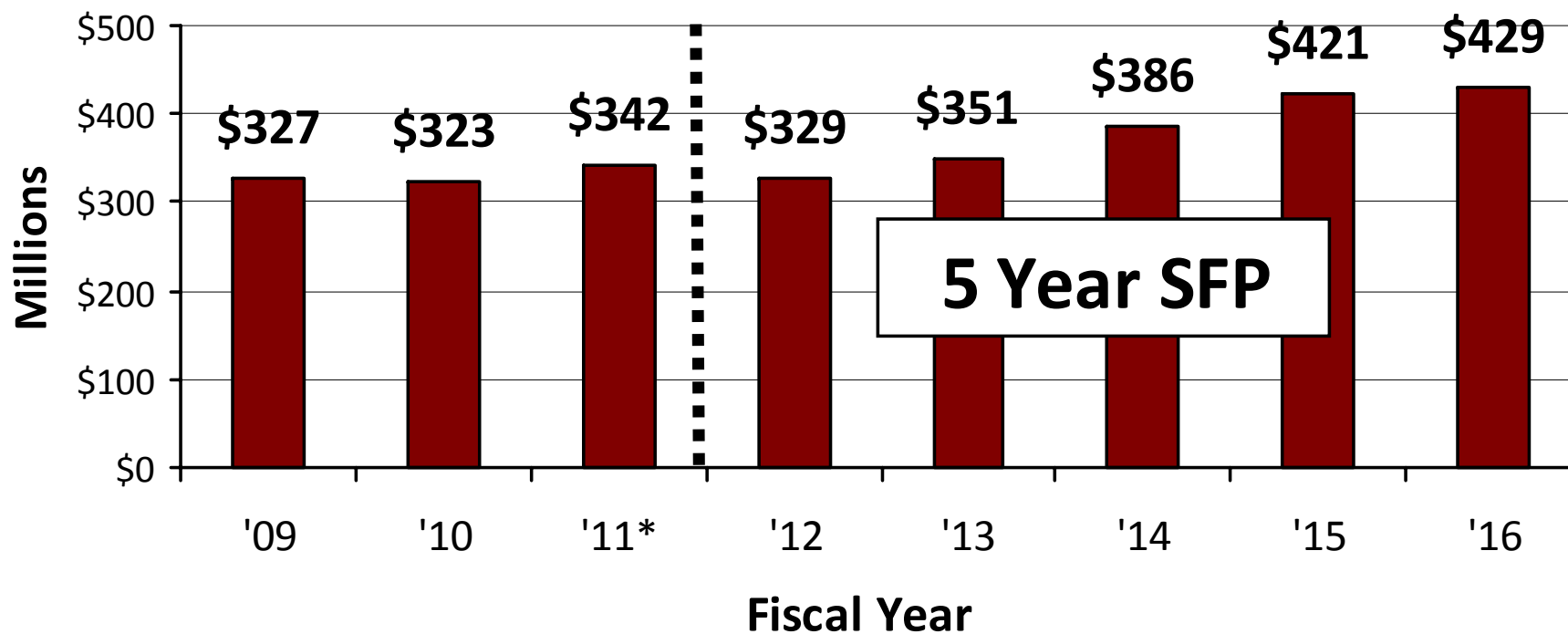
County Pension Contribution Rates (Tier II)





County of Orange

Pension Cost Projections



**FY 2010-11 Budgeted cost is expected to be lower by year end due to hiring freeze*



County of Orange

Salary/Benefit Cost Reduction Options*





County of Orange

Total 2010/11 Salary/Benefit Costs

■ Salaries	\$1,144
■ Pension/OPEB	344
■ Health and Welfare	149
■ Overtime	39
■ Workers Compensation	27
■ Medicare	15
■ Other	<u>18</u>
Total	\$1,736

\$ in Millions



County of Orange

Salary/Benefit Cost Reduction Options

	Reduction (\$ millions)
■ Internal Actions	
■ Salary Reductions	1% = \$14.4
■ Reduce Premium Pays	\$0-29
■ Limit Step Increases	\$3.3
■ Hiring Freeze	?
■ Holiday accrual reductions	\$4.3
■ Modify Furlough Policy	1% = \$14.4
■ Eliminate leave payouts	up to \$8.2
■ Incentives to work longer	?



County of Orange

Salary/Benefit Cost Reduction Options (continued)

■ Pension Benefit Changes	<u>Reduction (\$M)</u>
■ 5 Year Final Average Earnings	\$15
■ COLA – 3% to 2%	\$30
■ COLA – after 12 months	\$15
■ 2% @ 50 for safety employees	\$7-9
■ 1.62% @ 65 for non-safety employees	\$16.5
■ Reverse “Ventura” decision	?



County of Orange

Salary/Benefit Cost Reduction Options (continued)

■ Cost Sharing	<u>Reduction (\$M)</u>
■ Eliminate County “pickups”	\$30
■ Equal sharing of costs	up to \$87
■ “CAP” County contributions	\$86 to 93
■ New “Reverse Pickup”	1% = \$11+
■ Reduce Pension Liability	
■ Lump-Sum buyouts – deferred retirees	?



County of Orange

Sources and Uses

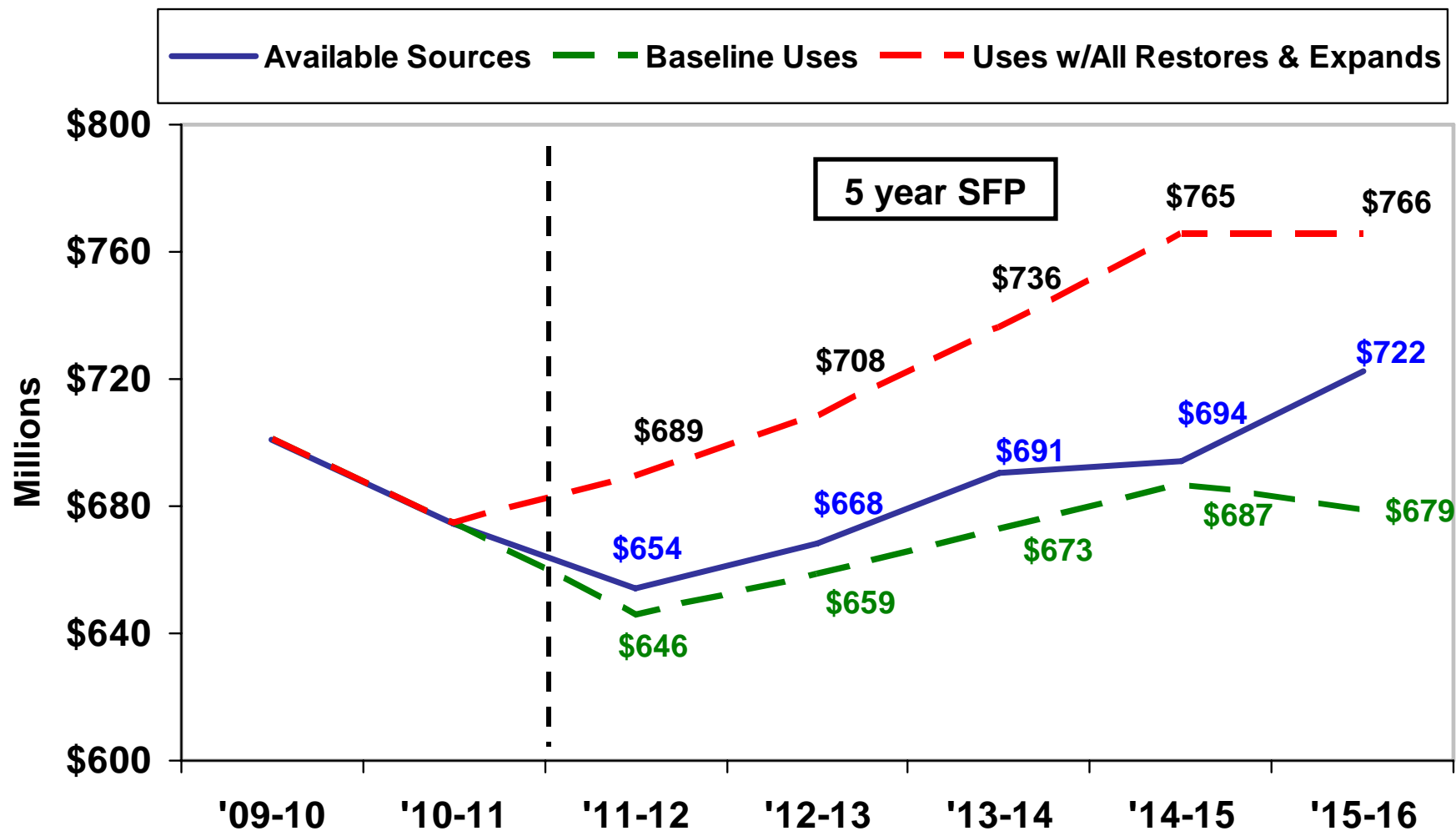
Frank Kim





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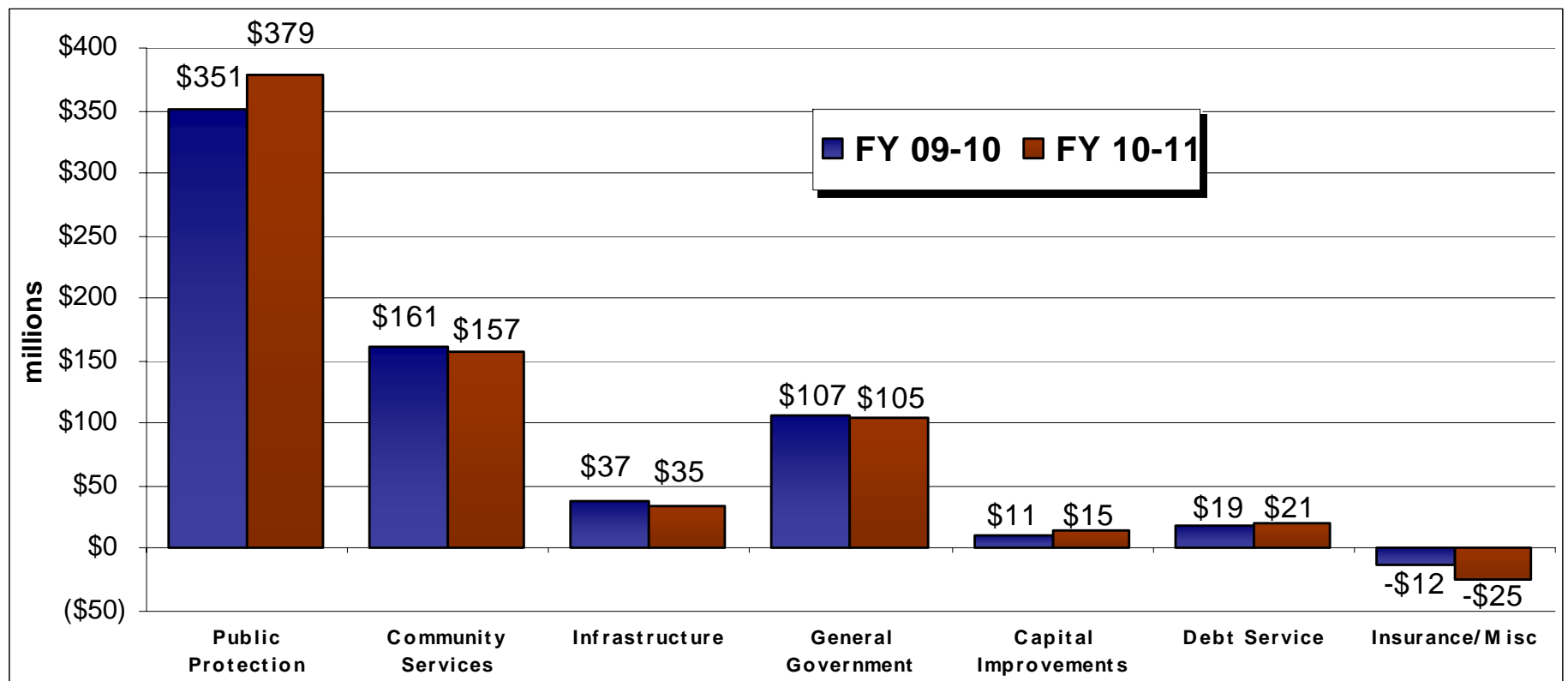
Five Year Forecast





County of Orange

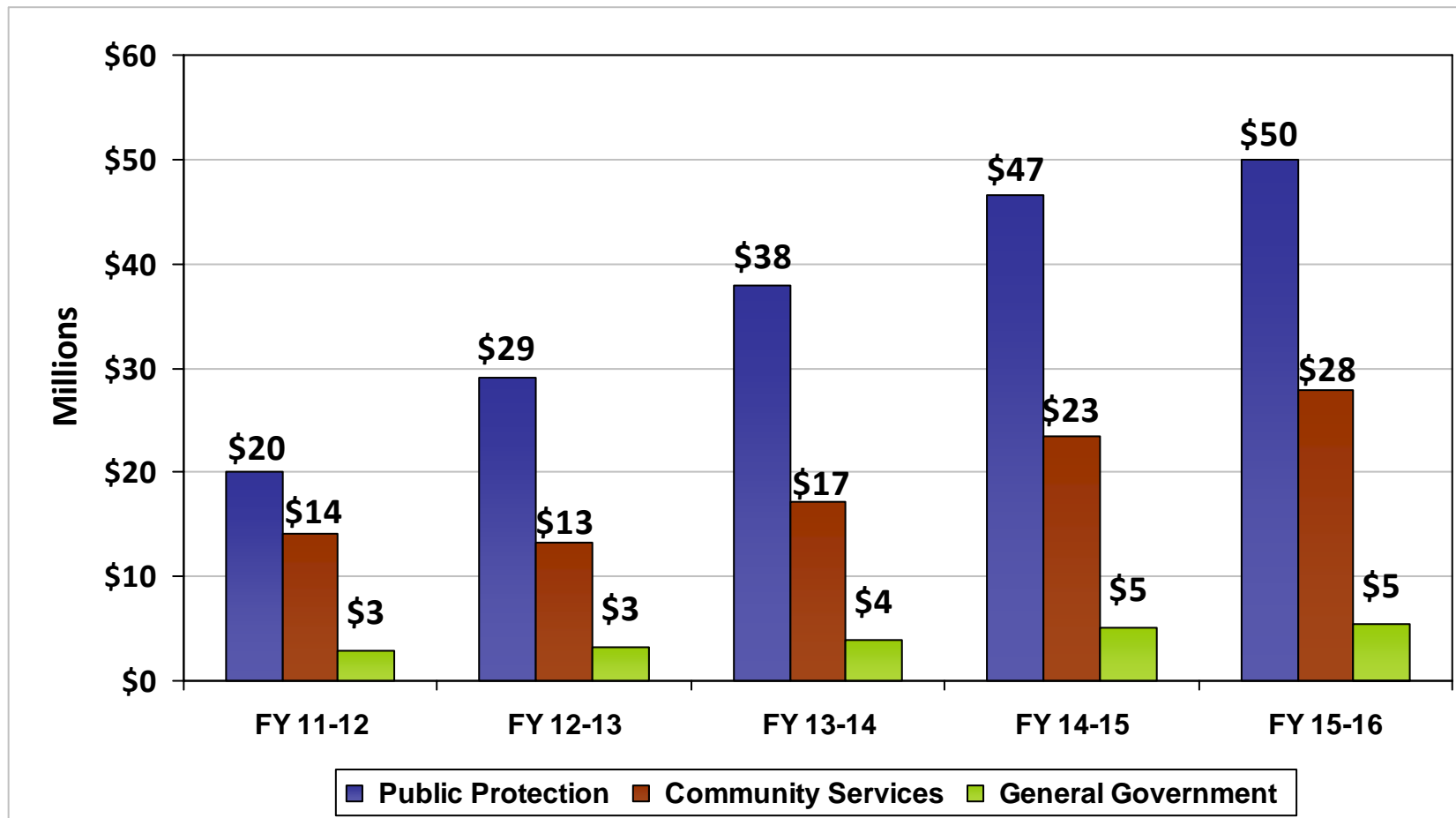
NCC Allocation by Program





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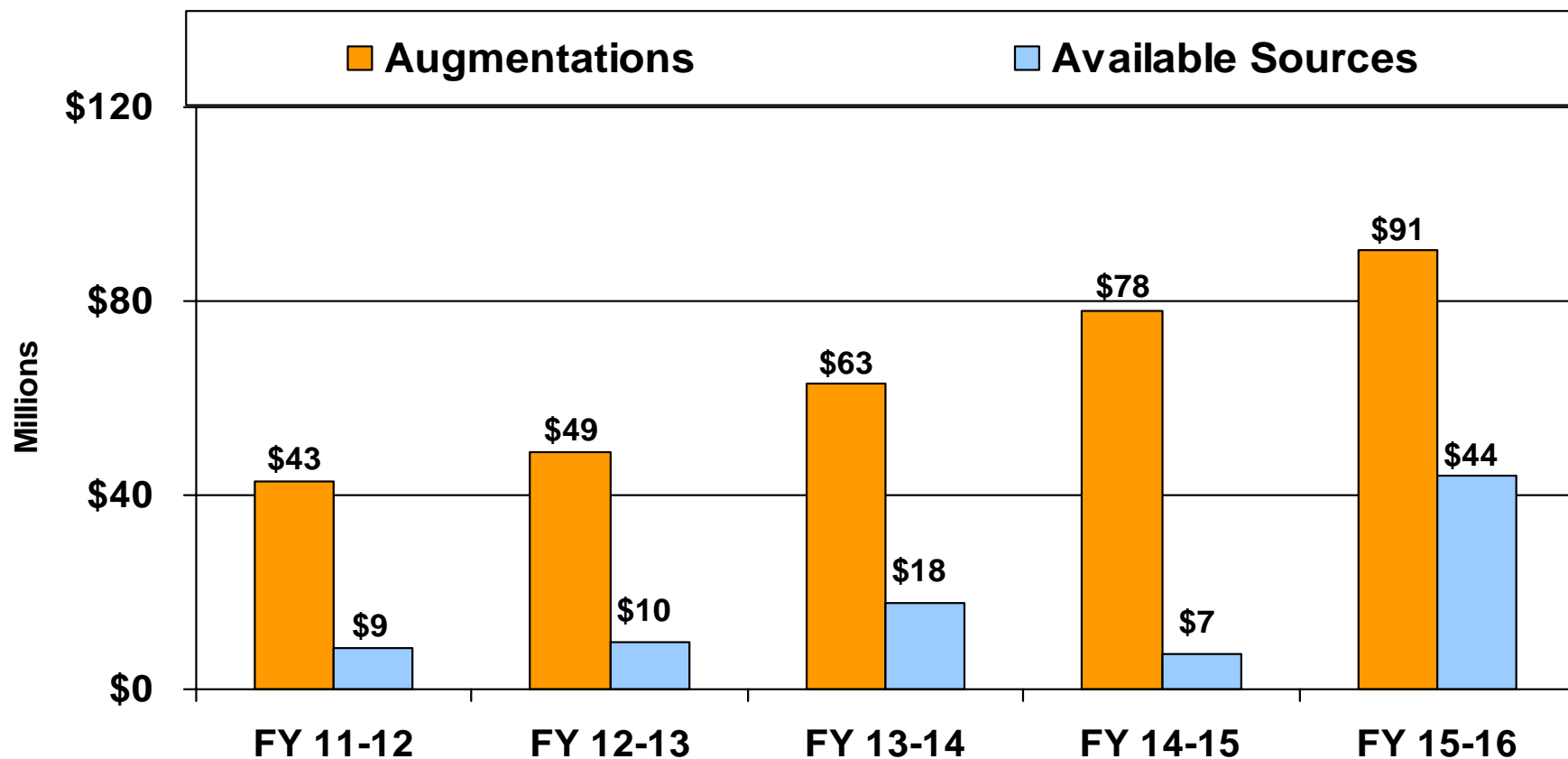
RESTORATION REQUESTS BY PROGRAM – 5 Year SFP





County of Orange

Available Sources of Funding 5 Year SFP





County of Orange

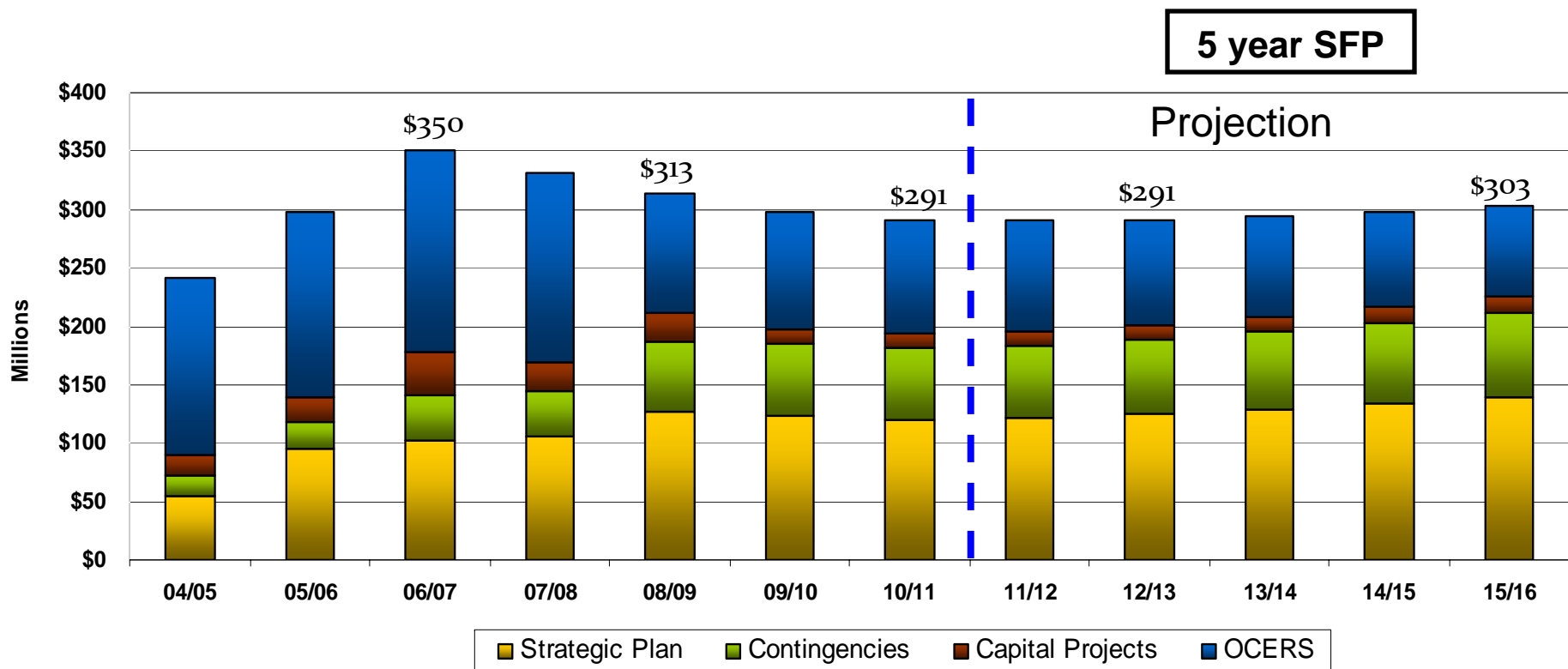
Identified Risk Factors - FY 2011/12

US Marshal Contract – revenue increase	\$11.7 million
Crime Lab – new revenue	\$5.0 million
ICE Contract Beds Increase	\$2.4 million
VLF Increase Sunset – State law	\$19.0 million
CSA Classification Savings	\$7.5 million
State Impacts	\$xx.x million
<hr/>	
Identified Budget Risk	\$45.6 million
Budget Shortfall (Best Case):	\$43.0 million
Budget Shortfall (Worst Case Excluding State Impacts):	\$88.6 million



County of Orange

Reserves Available to General Fund



Note: The chart does not reflect any draws from reserve during the SFP period.



County of Orange

Modification of Reserve Policy

- Revise General Fund Reserve Target
- Equal to Two Months of Revenue
 - About 17% or \$100 million higher than current Reserve
- Comparable to Peer Counties
- Revise Contingency and Capital Project Reserves





County of Orange

2010 Strategic Priorities

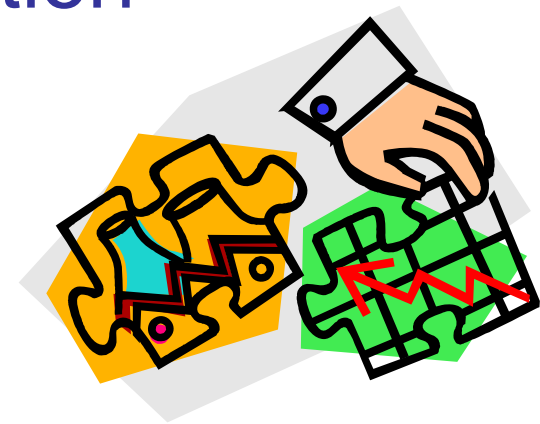
<u>(In millions)</u>	Total Requested Cost	Total Projected Revenue	Total Requested NCC
FY 11-12	\$ 49.7	\$ 7.6	\$ 42.1
FY 12-13	\$ 37.6	\$10.7	\$ 26.9
FY 13-14	\$190.1	\$10.4	\$179.7
FY 14-15	\$ 28.7	\$10.4	\$ 18.3
FY 15-16	\$ 95.5	\$ 8.4	\$ 87.1
10 Yr Total	\$716.7	\$83.9	\$632.8



County of Orange

Conclusion

- Communicate Impacts & Opportunities
- Disciplined Financial Management
- Structural Balance
- Continue to Take Timely Action
- Be Creative





County of Orange

Recommended Actions

- Approve the 2010 Strategic Financial Plan
- Direct the CEO to develop a recommended salary & benefit cost reduction plan to reduce ongoing County costs by \$100 million annually
 - For implementation within 5 years
- Direct the CEO to implement a 5% Net County Cost reduction to all General Fund departments in developing the proposed FY 2011/12 budget



County of Orange

Recommended Actions

- Approve the revised Reserve Policy
- Delete all vacant positions within the General Fund that have been vacant longer than 12 months
- Direct CEO to implement a hard hiring freeze, with limited exceptions to allow compliance with State and Federal mandates, to allow the transfer of employees from General Fund to Non-General Fund supported positions, and for positions critical to the operations of the County.