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All Eyes on County Budget

Current \$17 million deficit addressed; Reduction targets given for next year

SAN JOSE, CALIF.—Today, the County of Santa Clara Board of Supervisors approved reductions and other actions totaling \$17.1 million to balance the County's budget for the current fiscal year (July 2008-June 2009). The Board supported the recommendation of Acting County Executive Gary Graves who proposed a number of cuts to follow-up on changes that have taken place since the budget was adopted last June. The lion's share was \$13 million in reductions, resulting from the Governor's September veto of \$510 million of the state spending plan passed by the Legislature.

The primary cuts were in the health area (\$7.8 million) and \$3 million in social services. The remainder of the cuts affected public safety agencies and planning and development.

"This year we passed the state reductions on to the affected agencies," said Acting County Executive Gary Graves. "Given the lateness in the year, and the County's own revenue challenges, we have very few options."

Today's action also launched the early planning for the coming fiscal year that begins next July. Graves described it as good news/bad news. "The good news is that our anticipated deficit for Fiscal Year 2010 will be \$220 million, not the \$320 million we expected," he said. "The bad news is that we will have to address a staggering \$220 million deficit."

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Graves spoke about the economic challenges facing the county and the nation. He outlined a number of factors that would enable the County to start next year with a lower base budget. Among them are increased revenue from additional patients covered through Valley Care and increased MediCal Waiver revenue. The County general fund will save \$74.9 million that would have been used to subsidize Valley Medical Center. The deficit also assumes that the County will extend open contracts in 2009 with no change in salaries or benefits. Also, \$15 million from the Retiree Benefit Trust Fund will be used to offset retiree health benefit expenses. Finally, the actions taken to reduce the budget now will be carried forward into the next fiscal year.

Graves stressed the need to move toward reducing one-time budget solutions, a strategy used in recent years to minimize the impact of budget cuts, while waiting for the economy to rebound. Since 2003, the County has made nearly \$500 million in budget reductions. The other budget balancing techniques included: use of reserves, use of one-time funds, modifying financial policies, increasing fees, and reimbursements. These cumulative strategies total \$1.2 billion.

On a vote of 3-1 (Yeager opposed), the Board accepted the budget reduction targets planned for County departments and agencies. Yeager felt that the Board needs to first discuss all of the potential budget solutions available to them in addition to hearing the consequences the proposed budget reduction targets will create. He also expressed concern that making non-specific budget cuts would affect workforce morale.

"This is the first step of a long process to develop our 2010 budget," said Supervisor Don Gage. "We will have many discussions over the next six months before we adopt the final budget."

Acknowledging the challenge associated with some of the reduction target percentages Graves indicated that the majority of the targets will be in programs with the most general fund dollars. "Because of the magnitude of the budget deficit and bearing in mind the cuts we have made in previous years, this year we have assumed that every department will have to contribute to balancing the budget."

Timeline for Developing 2010 Budget

January	Multi-year Forecast to Board
February 10	Mid-Year Budget for 2009 and Updated 2010 Projection to Board
February 20	Departmental Reduction Plans due to Acting County Executive
March	Budget Review Meetings with Acting County Executive
May 4	Recommended Budget to Board of Supervisors
May 12-14	Board Budget Workshops
June 15-17, 19	Board Budget Hearings