

County of Santa Clara

Office of the County Executive
70 West Hedding Street, East Wing 11th Floor
San Jose, CA 95110
(408) 299-5119



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Contact: Gwen Mitchell/Laurel Anderson
Office of Public Affairs
(408) 299-5119

County Supervisors Meet Legal Requirement to Balance FY 2009 Budget *State Budget Actions Will Require More Reductions in October*

SAN JOSE, CALIF.—Today, the County of Santa Clara Board of Supervisors approved a balanced budget for Fiscal Year 2009, which begins on July 1. This action follows a week of budget hearings and months of review and discussions which began last fall when departments were given reduction targets, and budget workshops where members of the community have expressed their concerns about proposed reductions in services. The County's total recommended budget including all services, operations, capital improvements and reserves is \$4.0 billion. The **General Fund budget is \$2.1 billion**. FY 2009 is the 7th year for which the County has had to balance a projected budget deficit. On top of the FY 2009 deficit, deficits are projected at least through 2012 totaling an additional \$605.5 million.

The State of California is projecting a \$17.2 billion budget deficit. The County is an administrative arm of the state. It is anticipated that once the state budget deliberations take place, the impact on the County of Santa Clara could be as high as \$72.5 million. The County has set aside \$36 million to offset state-related cuts, which will cover operating costs for certain programs and services through December 31, 2008. A second round of County budget hearings will be scheduled for October.

"The approved budget maintains the most critical programs and services," said Board Chair Supervisor Pete McHugh. "This year the Board and the County Executive have again emphasized budget balancing solutions that minimize the impact on the most vulnerable members of our community."

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Budget Highlights

Earlier this year, the County began a comprehensive initiative to transform operations at Santa Clara Valley Medical Center. Called the Transformation 2010 Study, the initiative is undertaking a review of all hospital operations to determine more cost-efficient methods of service delivery. Transformation 2010 is expected to yield savings of \$24 million for Fiscal Year 2009.

"Both Transformation 2010 and the planned restructuring of mental health services are making it possible for the County to operate more efficiently while maintaining quality service," said Supervisor Liz Kniss. "A lot of the funding we are providing this year is bridge funding. We still have to face very difficult times ahead."

The Mental Health Department has been reduced by \$8 million. Significant redesign and staff reductions in acute inpatient, emergency and outpatient adult services will be implemented. Medication support and recovery services will be added to avoid loss of basic service for adult outpatient consumers, and urgent care services will be expanded to 24 hours, 7 days a week on the Santa Clara Valley Medical Center campus.

The law and justice agencies were not included in the \$37 million in departmental reductions that will take place right away; however, \$718,000 is slated for reduction from these agencies in October. The County contributed \$300,000 to the Department of Child Support Services, even though the state is supposed to fund the program.

"Since Fiscal Year 2003, as we have faced deficits, some of the important and innovative programs we established such as School Linked Services are no longer possible," said Supervisor Blanca Alvarado. "In some ways, the budget we have approved today represents a departure from the legacy we have worked so hard to build for this community."

General Obligation Bonds

One looming requirement is the \$1.4 billion cost to bring Santa Clara Valley Medical Center's (SCVMC) into compliance with state-mandated Seismic (Earthquake) Safety standards. The County of Santa Clara Board of Supervisors voted unanimously earlier this week to approve the first reading of an ordinance to place a ballot measure before voters in November requesting authorization for the County to issue \$840 million in general obligation bonds to fund the first phase of Santa Clara Valley Medical Center's (SCVMC) Seismic (Earthquake) Safety Project and to provide a funding mechanism to help replace medical facilities in or near downtown San Jose that were lost when the San Jose Medical Center closed in 2004.

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The vast majority of the funds, \$790 million, would be used to bring SCVMC into compliance with the California Seismic Safety Act (Senate Bill 1953 (1994)), which established requirements for hospital seismic safety, and to prevent the closure of 272 patient beds and the Santa Clara Valley Medical trauma and burn center. Phase one must be completed by 2013/15. At this phase, hospitals must be able to remain standing during an earthquake and occupants able to exit safely. The remaining \$50 million will go towards medical facilities in downtown San Jose. The location and precise nature of the replacement facilities is the subject of ongoing studies by the County of Santa Clara and the City of San Jose.

SCVMC is currently the largest provider of care in Santa Clara County, with one in four residents in the County receiving care at SCVMC over a four year period. SCVMC is only one of two burn-trauma centers north of Los Angeles and is a high level trauma center for both adults and children; a reduced number of beds would likely force SCVMC to close these services.

The number of patients seeking care at Valley Medical Center has increased 45% since 2000, as San Jose Medical Center and other area hospitals stopped accepting Medi-Cal patients. The loss of the additional beds could create a serious void in the healthcare safety net and affect both insured and uninsured patients.

Under the proposed project, several older structures would be removed and replaced with buildings that meet current seismic standards for acute-care hospital facilities. The project would be accomplished in two phases, including the demolition of several older structures and construction of new buildings that meet current seismic standards for acute care facilities and the replacement of 272, or half of the hospital's acute care beds.

Phase Two of the project which requires that hospital buildings - not only remain standing but - remain operational and capable of providing acute care medical services during an earthquake will cost an additional \$502 million; however, the County will have until 2030 to complete the second phase.

The second and final reading on the ballot measure will take place on June 24, 2008 at 10:00 a.m.

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Strategies for Balancing Budget

Among the strategies used to bring the County's budget into balance were: reducing \$37 million in departmental programs now and \$4.1 million in October; and use of one-time funds in the amount of \$128.7 million to forestall deeper service cuts, including the use of reserves totaling \$34.8 million; and maintaining the contingency reserve of 5% of General Fund net revenues. The contingency reserve saves money because it makes it possible for the County to borrow short-term to meet cash flow needs at more favorable interest rates.

"It is my hope that the painful cuts over the last few years, and the financial discipline of increasing our reserves, will better position us for the challenges ahead, said Supervisor Don Gage.

"We've balanced our budget and maintained our core safety net programs, especially those that serve our most vulnerable residents, our children and seniors," said Supervisor Ken Yeager earlier in the week. Today he was representing the Board of Supervisors at a meeting of the Metropolitan Transportation Commission. "I am deeply concerned, however, that, once the Legislature and the Governor act on the state budget, we'll all be back here again in the fall, looking at even tougher choices."

"We have faced seven years of unrelenting budget deficits," said County Executive Pete Kutas. "We have done everything possible to maintain services to our community, but finally the full impact of Proposition 13 is being felt. The one bright ray of hope in this budget is the general obligation bond measure to preserve Santa Clara Valley Medical Center, a vital community asset. I'm excited about the chance to make our case to the community."

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