

<h1 style="margin: 0;">County Of Sonoma</h1> <h2 style="margin: 0;">Agenda Item</h2> <h3 style="margin: 0;">Summary Report</h3>			Clerk of the Board Use Only Meeting Date Held Until / / / /	
			Agenda Item No: Agenda Item No: _____ _____	
Department: Health Services			<input checked="" type="checkbox"/> 4/5 Vote Required	
Contact: Rita Scardaci	Phone: (707) 565-4700	Board Date: 11/10/2009	Deadline for Board Action: 11/10/2009	
AGENDA SHORT TITLE: 2010 Realignment Plan.				
REQUESTED BOARD ACTION: Approve the Department of Health Services' 2010 Realignment Plan and authorize the Department to implement program reductions and revenue enhancement strategies. Resolution authorizing budgetary adjustments to the FY 09-10 Final Budget within the Special Revenue Fund – Department of Health Services in the amount of (\$318,627). Resolution authorizing budgetary adjustments to the FY 09-10 Final Budget within the Special Revenue Fund – Department of Health Services in the amount of (\$206,644). Resolution authorizing budgetary adjustments to the FY 09-10 Final Budget within the Special Revenue Fund – Department of Health Services in the amount of (\$90,000). Resolution authorizing budgetary adjustments to the FY 09-10 Final Budget within the Special Revenue Fund – Department of Health Services in the amount of (\$24,947). Resolution authorizing budgetary adjustments to the FY 09-10 Final Budget within the Special Revenue Fund – Department of Health Services in the amount of (\$343,146). Resolution authorizing budgetary adjustments to the FY 09-10 Final Budget within the Special Revenue Fund – Department of Health Services in the amount of \$331,188 (requires 4/5ths vote). Authorize the Director of Health Services, in coordination with the Sonoma County Human Resources Department, to implement layoff proceedings for up to 4.05 FTEs or less within the Department of Health Services in accordance with Civil Service Rule #11: Layoffs. Resolution amending the Departmental Allocation List, Department of Health Services, deleting 7.50 FTE positions effective the dates set forth in the attached resolution.				
CURRENT FISCAL YEAR FINANCIAL IMPACT				
<u>EXPENDITURES:</u> Estimated Cost Amount Budgeted Other Available Appropriations (Explain Below) Additional Requested		<u>ADDITIONAL FUNDS REQUIRING BOARD APPROVAL:</u> Contingencies (Fund Name:) Unanticipated Revenue (Source:) Other Transfers (Source:) Additional Funds Requested		
Explanation (if required): The requested actions include reduction of \$1.4 million in use of realignment and \$458,000 in technical adjustments to the 09-10 budget.				
Prior Board Action: 1/27/09 - January 2009 Realignment Reduction Plan. Adoption of 09-10 budget, June 16; 8-15 adjustments to 09-10 adopted budget; State reductions; 2/5/08 - February 2008 Realignment Reduction Plan; 5/15/07 – May 2007 Mental Health Report.				
Alternatives – Results of Non-Approval: Lost opportunity to receive Board direction on implementation of timely cost reductions, revenue enhancements and strategic program redirection.				

Background:

Introduction. This 2010 Realignment Plan provides the Board of Supervisors with an overview of the Department of Health Services (Department) current financial situation, with an emphasis on realignment funded programs. This item describes the necessary FY 09-10 reductions and revenue enhancements to bring program costs in line with the Department's projected realignment revenue.

The Department has regularly updated the Board on the precarious nature of state realignment funding. Most of the updates have included reductions in core programs due to inadequate sales tax and vehicle license fees (VLF) revenues.

Realignment Funding. The realignment program began in FY 91-92 when the legislature, largely in response to significant budget deficits, transferred responsibility for certain community-based mental health programs and public health services from the state to counties.

Department realignment funds fall into two categories, health realignment and mental health realignment. In Sonoma County, health realignment revenue funds programs and services in Prevention and Planning, Environmental Health, Public Health, and Administrative Services. Mental Health realignment is the single most important funding source for mental health services and programs. Realignment funds, which account for approximately 27% of the Department's revenue, are allocated as match for Federal and State funding, to fund mandated programs and services, and to fund priority programs not covered by other funding source. Alcohol and Other Drug Services are not eligible to receive realignment funds.

California Welfare and Institutions Code provides counties with some discretion in the use of health realignment. Counties utilize realignment to fund core mental health programs and various public health services including indigent health care. For example, thirty-four counties, including Sonoma County, currently pool their health realignment funds to provide indigent care through the County Medical Services Program (CMSP). Sonoma County contributes approximately \$13.2 M annually in health realignment to CMSP.

Updated FY 09-10 Realignment Projections. Since fiscal year 06-07, total realignment revenue has declined by an average of 5% per year. Due to the current downturn in the economy, the Department now projects realignment revenue in FY 09-10 of \$35.2 million, or \$1.6 million (4.3%) less than the amount in the adopted FY 09-10 budget. The adopted FY 09-10 realignment projections were 4.5% below FY 08-09 actuals. The 2010 Realignment Plan presented today proposes \$1.4 million in realignment revenue spending reductions and revenue enhancements for FY 09-10. An additional \$3.5 million in cost reductions/revenue enhancements are projected to be implemented through the FY 10-11 budgetary process. The Department has already taken approximately \$172,000 in realignment reductions as previously approved by the Board, and will reduce an additional \$126,000 through technical adjustments in the attached financial resolutions this fiscal year. Figure 1 below provides the Board with updated realignment projections through FY 11-12.

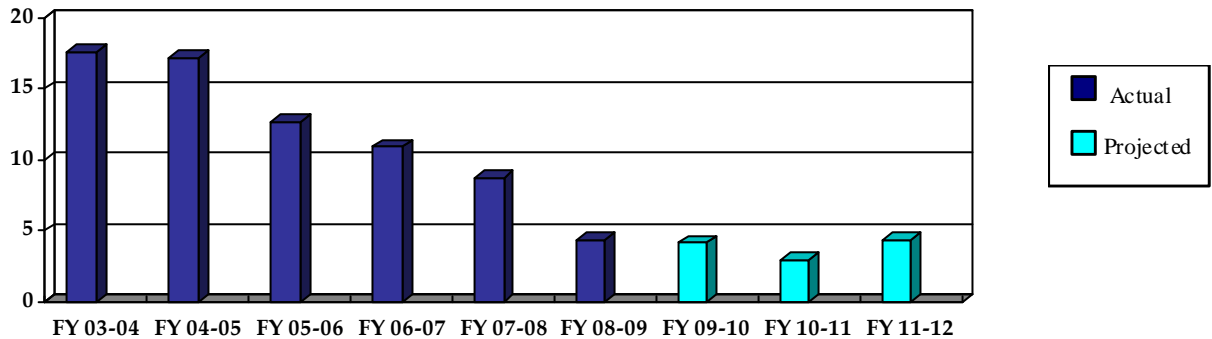
Figure 1. Projected Mental Health and Health Operating Fund Balances					
	Actual FY 08-09	Adopted FY 09-10	Revised 09-10 Projection	Projected FY 10-11	Projected FY 11-12
Health Realignment Operating Fund					
Est Beginning Balance	6,280,210	2,830,499	2,830,499	2,380,482	1,566,958
Revenue	26,236,820	24,819,355	23,990,844	20,877,337	20,856,999
Expenditures	(27,886,531)	(25,270,861)	(25,270,861)	(24,440,861)	(21,690,861)
Additional Cuts	0	0	830,000	2,750,000	2,000,000
Transfer To MHD	(1,800,000)	0	0	0	0
Proposed Retained Balances	2,830,499	2,378,993	2,380,482	1,566,958	2,733,096
Mental Health Realignment Operating Fund					
Est Beginning Balance	2,467,659	1,554,720	1,554,720	1,783,983	1,371,639
Revenue	12,309,099	11,977,321	11,216,182	9,849,575	9,839,266
Expenditures	(15,022,038)	(11,840,919)	(11,840,919)	(10,986,919)	(10,261,919)
Additional Cuts	0	0	854,000	725,000	725,000
Transfer From Health	1,800,000	0	0	0	0
Proposed Retained Balances	1,554,720	1,691,122	1,783,983	1,371,639	1,673,986
Total Realignment Contingency	4,385,219	4,070,115	4,164,465	2,938,597	4,407,082

The 2010 Realignment Plan (Figure 1) assumes an 8% reduction in revenue for FY 09-10 from FY 08-09 Actual and includes an offset of revenue for the amount of overestimated FY 08-09 receivable. FY 10-11 assumes a 20% reduction in sales tax and VLF revenue from FY 08-09 actual.

Impact on Department’s Contingency Reserve Level. The Department maintains a health realignment reserve and a mental health realignment reserve, together referred to as the “contingency reserve.” This reserve provides protection against the need to reduce mandated programs and services in the event of temporary revenue shortfalls and/or unpredicted one-time expenditures; funds in the event of a crisis to our local health care system, including a catastrophic event such as pandemic flu; and access to funds in the event the Department’s revenue projections or reduction savings are not realized. This contingency reserve is also available to provide risk mitigation in the California Children’s Services and CMSP programs, to cover start up costs for 2009 H1N1 Influenza response, and has been used to cover backfill of \$300,000 due to FY 09-10 state revenue reductions.

Operating deficits in the Mental Health Division over the past years, and the transfer of realignment funds from the health account to mental health account, have significantly reduced the existing contingency reserve level. As indicated in Figure 2 below, from FY 03-04 through FY 08-09 the contingency reserve level decreased from \$17M to \$4.4 M – a reduction of \$12.6M in a five year period. Upon implementation of the 2010 Realignment Plan, the Department projects it will reach a contingency reserve of \$2.9 M in FY 10-11 and \$4.4M in FY 11-12.

Figure 2: Contingency Reserve Level (In Millions)



Other Fiscal Matters.

- **The Mental Health Services Act (MHSA).** Declining realignment revenues and the need to reduce realignment funded programs is in direct contrast to the expansion of programs funded under the MHSA. In 2004, California voters approved Proposition 63, whose authors hoped would transform California public mental health system by generating \$1.5 billion for the treatment of the mentally ill. Since its passage, Sonoma County has received approximately \$21.9 million as of the end of FY 08-09, and an additional \$9.8 million in state/federal revenues. In FY 09-10 MHSA represents 22% of the Mental Health Division funding. MHSA revenues are used to fund such programs as the Regional Teams, Crisis Residential Services, contracts with community-based organizations, homeless services and community intervention programs.

While MHSA funds have been used to build “up-stream” community-based programs that have reduced the need for more expensive inpatient treatment services, MHSA is not available to fund core mental health realignment programs. Strict prohibitions against supplantation prevent the Department from funding services that were in existence when Proposition 63 was passed.

- **MTO/COLA Savings.** The Department’s revenues are driven in large part by the costs for service. The Department will not know the exact affect of MTO savings and the COLA freeze until late in FY 09-10. Any savings realized in the realignment programs will be added to the realignment reserve and may serve as balance forward to mitigate additional reductions in FY 10-11.
- **State Reductions Bridge Funding.** On September 15, 2009, the Board approved “Bridge” funding for Health Services in the amount of \$331,188. Many State reductions affected Health Services programs that the county provides on behalf of the state. The county “Bridge” funds help mitigate more drastic reductions to some programs as Health Services makes adjustments in a year already underway. While the General Fund appropriations were added to the FY 09-10 Budget, the appropriations in the Department of Health Services Special Revenue Fund were inadvertently left out of the approved action. The financial resolutions in the 2010

realignment board item include appropriations for the prior approved \$331,188.

- **Prior Board Action.** On October 6, 2009, the Board approved an additional \$4 million in reductions and revenue enhancement strategies for the Department due to State Funding reductions. Also, on October 20, 2009, the Board approved \$542,000 in reductions to Public Health Clinical Services resulting from inadequate state funding.

FY 09-10 Reductions and Revenue Enhancements. With the above prior FY 09-10 fiscal matters as a backdrop, the Department now proposes realignment reduction/revenue enhancement strategies in the following categories: a) Program Reductions; b) Contract Reductions; c) Revenue Enhancements; and d) Funding Source Adjustments.

The proposed realignment reduction/revenue enhancement strategies will contribute \$1.4 million toward reducing the Department's operating deficit and achieving a prudent and sustainable realignment contingency reserve.

For a detailed description of the Department's proposed realignment reduction and revenue enhancement strategies including the impact on clients, staffing, and other County Departments please see Attachment A (Realignment Reduction and Revenue Enhancement Strategies).

Figure 3. below provides a summary of the proposed reductions by Division.

Figure 3: Summary of Reductions/Revenue Enhancements By Division	
a. Public Health Division	
1. Staff Reductions	\$78,999
2. Contract Reductions	\$16,247
3. Revenue Enhancement	\$146,863
4. Funding source adjustments	\$51,134
Public Health Total	\$293,243
b. Mental Health Division	
1. Staff Reductions	\$160,740
2. Contract Reductions	\$157,887
3. Funding source adjustments	\$535,874
Mental Health Total	\$854,501
c. Environmental Health Division	
1. Staff Reductions	\$206,644
Environmental Health Total	\$206,644
d. Prevention & Planning Division	
1. Contract Reductions Tobacco Education	\$24,947
2. Revenue Enhancement	\$20,000
Prevention & Planning Total	\$44,947
Total Reductions/Revenue Enhancements	\$1,399,335

Staffing Impact. These reductions include the elimination of 7.50 FTE permanent positions, of which 3.45 FTE are vacant, and 4.05 FTE are filled. This action will result in the potential issuance of up to 4.05 or fewer FTE layoff notices within the Department. The Department will continue to work with the Human Resources Department to identify opportunities to mitigate layoffs and to address the impact on employees. To the extent that layoffs are unavoidable, the Department will work with Human Resources to implement layoff proceedings in accordance with Civil Service Rule #11 (Layoffs).

Fiscal Impact. The requested actions include reduction of \$1.4 million in use of realignment and \$458,000 in technical adjustments to the 09-10 budget.

Attachments: 2010 Realignment Plan; Resolution authorizing budgetary adjustment (\$318,627); Resolution authorizing budgetary adjustment (\$206,644); Resolution authorizing budgetary adjustment (\$90,000); Resolution authorizing budgetary adjustment (\$24,947); Resolution authorizing budgetary adjustment (\$343,146); Resolution authorizing budgetary adjustment \$331,188; Resolution Amending Departmental Allocation List.

On File With Clerk: None.

CLERK OF THE BOARD USE ONLY

Board Action (If other than "Requested")

Vote: