

# RIVERSIDE COUNTY BUDGET BULLETIN

Inside: More information about need for cuts, other counties

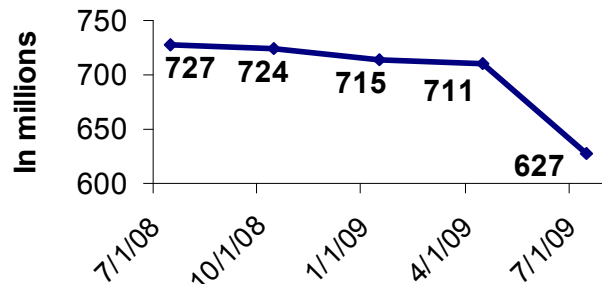
## Sharing the pain, saving jobs

Choices are few if county is to avoid massive layoffs

**In the coming year**, Riverside County expects to lose \$130 million in property taxes and

other revenue because of the foreclosure crisis and economic meltdown. That is equivalent to salary and benefits for more than 1,800 employees earning \$50,000 a year. We have to make up the difference to balance the budget. More than a year ago, the county drafted a plan that spread the pain over four years. But no one knew the downturn would be so catastrophic and no one can accurately predict when the economy will rebound. Even worse, it will likely be years before

**Crisis slashes money under Board's control by \$100 million in one year**



**Above: Revenue next year for police, fire and other essential local services will drop by \$100 million compared to fiscal year 2008-09.**

**INSIDE:**

> LAYOFFS INEVITABLE WITHOUT CUTS

> RESERVES ALONE NOT A SOLUTION

> OTHER COUNTIES LAID LOW BY ECONOMY

> NO MAGIC BULLET TO BUDGET WOES

> COUNTY MUST SHRINK WAGES, BENEFITS TO LEVELS FROM PAST YEARS

Riverside County recovers. Only three choices are available as long-term solutions. Pay fewer people, pay them less or pay them for fewer hours. (More inside.)

### As revenue shrinks, the county must scale back

Property values in Riverside County increased by double digits each year for much of the past decade and its budget grew to meet our expanding community's needs. The county paid for improved services with the new property taxes and other revenue. Budgets for law and justice departments grew 43 percent in the past five years. But the good times burst with the economy and are not expected to return for many years. Without cuts that include every department, Riverside County could be out of reserves before the end of next year. If we fail to act now, we only postpone a problem that will continue to grow.

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## Counties across California feel same budget pains

**Riverside County** is not alone in dealing with the economic crisis. The same downturn has damaged counties and cities across California. Riverside County used reserves last year to soften the blow to departments. But more cuts will be needed next year and budget challenges are expected for years. Data Quick, a real estate analysis firm, reports that the median sales price for homes in Riverside County fell 40 percent in the last year. Assessed value in Riverside County, the county's main revenue source, fell by \$16 billion last year and sales-tax revenue continues to fall. In fiscal year 09/10, the tax roll is expected to tumble another 11 percent because of falling home prices and a desiccated home-building industry. Foreclosure activity is up 59 percent in the past year, according to RealtyTrac. That is a key issue because foreclosed homes sell at such depressed prices, the value for tax purposes is reset. And under Prop. 13, property taxes on those homes recover slowly and can increase by only 2 percent per year.

### Alameda County Budget Includes Deep Cuts Daily Californian — June 29, 2009

The Alameda County Board of Supervisors voted Thursday to pass the county's \$2.4 billion dollar budget, approving deep cuts to public protection and health and human services. While the board approved an unprecedented \$117.6 million in cuts, many officials warned that the county may have to revisit its budget when the California budget is finalized.

### \$1.2-billion in cuts OK'd by O.C. Los Angeles Times—June 24, 2005

Orange County officials Tuesday approved a budget that stripped \$1.2 billion -- about 405 positions -- from the county budget for the fiscal year that begins in July.

Coming off a year of declining tax revenue and increasing re-tirement costs, county supervisors pieced together a \$5.5-billion budget -- a decrease of about 18% from last year.

### County sheds jobs from ranks as fiscal year begins Santa Cruz Sentinel—July 10, 2009

SANTA CRUZ -- The county this week sent out layoff notices to 50 employees, the latest casualties of the financially squeezed public sector.

The bulk of the labor reductions hit the county's Health Services Agency and Human Services Department, where departing personnel help administer the region's state-required safety net for the sick, poor and elderly.

Foreclosed homes also establish comparable sales prices for nearby homes that use those "comp" prices to trigger reassessments. Given Prop. 13's effects, the foreclosures and reassessments could depress tax revenue for more than a decade, cutting deep into county revenue.

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## Popular ideas won't solve budget problems

**Some people** suggest that shifting other money to pay for ongoing operations will solve the budget deficit. The county already has used millions in dwindling reserves to cushion the blow to departments. Creative ideas about conservation and other tactics can help but they just don't get close to solving a \$130 million problem.

### Use jail funds:

Shifting millions in jail construction money for salaries would be illegal. Because of the money's source, federal law prohibits the county from using the cash for anything but construction projects, such as the new Downtown Law Building.

### Give credit back for savings:

Many cost-cutting ideas have been offered but few are new and we cannot immediately count on "potential" savings for budget purposes. Previous measures such as early retirement already helped ease the county's overall shortfall. Those savings do not accrue to individual group and must be applied countywide to ease the overall shortfall.

### Spend reserves:

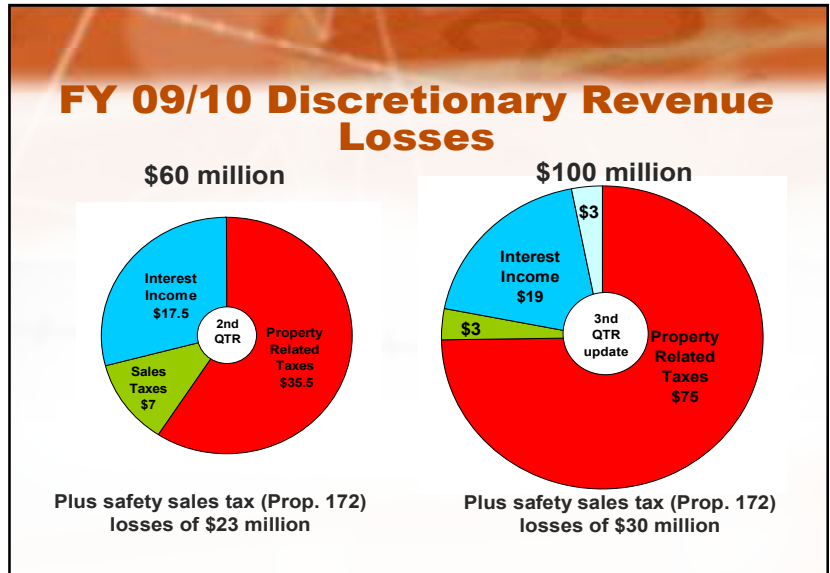
The county spent \$70 million in reserves in the past fiscal year to fill budget gaps. The state can seize another \$45 million in reserves in the next year or so, when we expect to use another \$45 million in reserves to help our budget. Covering the budget gap with reserves would exhaust all reserves within a year. Next year, two years' worth of cuts would be required, with no reserves to cushion the pain.

### Delay other construction projects:

Cuts in the capital-improvement program and contingency already saved \$30 million. Projects will move forward only if they are under way and cannot be stopped because of existing contracts. No new projects are anticipated.

### Myth: It's not that bad

How many people you know have lost a job or face foreclosure? How many stores in local malls have closed? Riverside County has been hit as hard by foreclosures and unemployment as any region in the United States.



**"This is going to have a long-term impact on the state budget and on local budgets. ... It means that even after the economy recovers, state and local government budgets will not recover fully."**

Jean Ross, Executive Director, non-partisan California Budget Project  
Discussing Prop. 13's effects on recovery

San Francisco Chronicle  
January 25, 2009

**Misconceptions can fuel concern**

Budget issues like the ones Riverside County now faces are difficult for everyone. Rumors about proposed cutbacks and contract negotiations are not uncommon. Recent media reports have indicated that county administrators are seeking cuts higher than actual proposals. The county's goal is to maintain services to the highest level possible while remaining solvent and preserving jobs by avoiding layoffs. Large-scale layoffs worsen the foreclosure and unemployment crises that drive our revenue problems in the first place. But 10 percent across the board are the minimum cuts needed to balance the budget. That kind of reduction is painful but without agreement from unions on pay or benefit cuts, hundreds of layoffs are the only option that can be used countywide.

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## Savings, sharing burden key to balancing the budget

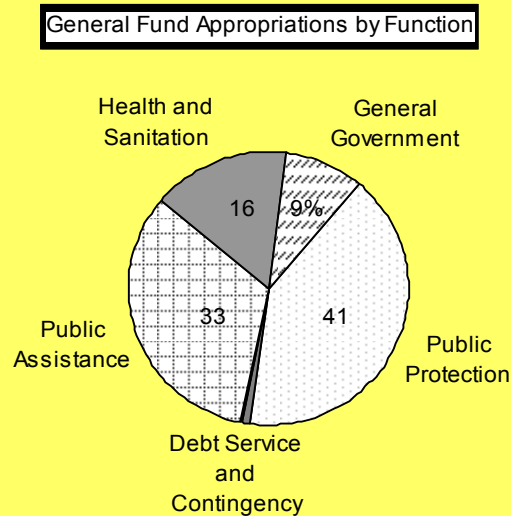
Labor negotiations continued after the new fiscal year began in July. County officials want to treat employee groups as equally as possible and must act carefully because current discussions will likely have a greater bearing on long-term county solvency than in the past.

Some might question why one group with a contract in place receives increases or raises while other groups in negotiations are being asked for reductions. There are many reasons but the simplest answer is timing. Groups now in negotiations enjoyed the full term of their previous contracts, with all the benefits agreed upon by both sides. Others have not reached the end of their contracts, some of which won't expire for more than another year. It is difficult for the county to amend current contracts unless unions that represent employee groups agree to reopen negotiations.

Also remember that some existing contracts were approved long before anyone predicted how devastating the economic crash would be. Benefits approved under different circumstances cannot easily be changed without extraordinary action.

The Board of Supervisors has authorized cuts to managers that already are being implemented. Board members also have

moved to reduce their salaries by 10 percent. Those are just some examples of how county administrators are working to ensure that everyone shares the burden and the responsibility for maintaining jobs, and at the same time ensuring that the county remains financially solvent.



## Facts, clear communication vital during budget discussions

These are difficult times and the word on the street or in the media is not always based on accurate information. Riverside County must cut current general-fund expenses by approximately 10 percent to balance next year's budget. That 10 percent cut works only if we reduce our current costs and postpone raises that some employee hope might be approved for the coming year. Allowing merit increases would cut into any savings that a 10 percent cut provides. The county already intends to use \$45 million in reserves this year to make ends meet next year, especially to offset public-safety costs. A menu of options including furloughs, changes to wages, health benefits and pension costs have been provided. The options, in combination, must hit the target and be equivalent among employee groups.

But the mix won't necessarily be exactly the same from group to group. One group might prefer furloughs and other choices to reach the required 10 percent cut. Another group might craft the same cut from other options.

Recently, inflated figures that were identified as proposed cuts were actually a compilation of ALL the options from which to choose. The county never proposed those inflated figures. We must tailor cuts to hit the budget target without cutting any more than is absolutely needed. Clearly, no one is happy about the kinds of cuts that are being proposed. But scaling-back government is the only option if the county is to maintain vital services, avoid large-scale layoffs and continue to operate within the revenue that is available from taxes and other sources.