

MONTEREY COUNTY BOARD OF SUPERVISORS

MEETING:	July 21, 2009	AGENDA NO.:	5-2
SUBJECT:	Receive and accept a report and presentations from multiple departments covering their respective areas of responsibilities concerning Fiscal Year 2009-10 cash flow impacts to the County due to the issuance of State IOU's and other State deferred payments.		
DEPARTMENT:	County Administrative Office		

RECOMMENDATION:

It is recommended that the Board of Supervisors:

Receive and accept a report and presentations from multiple departments covering their respective areas of responsibilities concerning Fiscal Year 2009-10 cash flow impacts to the County due to the issuance of State IOU's and other State deferred payments.

SUMMARY:

On June 23rd the Board of Supervisors adopted the Fiscal Year 2009-10 budget. The Board did so with the knowledge that the State budget crisis would have significant impacts on the County Budget. The intent of this report is to provide the Board with an update on potential impacts to Monterey County caused by the State's deferral of payments, issuance of Registered Warrants or IOU's, and program funding reductions needed to close a \$26 billion State Budget deficit.

DISCUSSION:

As previously reported, on February 19 the State approved a budget package that included provisions to defer the July and August 2009 payments for certain health, mental health and social services programs until September 2009 and the August payment for SB 90 mandates until October 2009. This was part of a plan to close an estimated \$41.6 billion state budget deficit.

Since May, the State legislature has been grappling with a \$24.3 billion deficit, which as of July 1st, now stands at \$26 billion. This has lead to various proposals for significant reductions in funding to programs that are provided through the county. In addition, the budget crisis has left the State with a cash flow problem. As a result, on July 2 the State Controller began issuing Registered Warrants or IOU's for various scheduled payments. Registered warrants bear interest and are redeemable by the State Treasury only when the General Fund has sufficient money. The State Controller currently anticipates there will be sufficient funds available to redeem the warrants on October 2. However, if the Pooled Money Investment Board (PMIB) determines there is sufficient cash available for redemption at an earlier date, the warrants may be redeemed earlier than October 2, 2009. Yet, without enactment of a balanced budget the State Controller has projected the cash deficit problem will continue to grow and the State's cash position will be negative \$14.7 billion at the lowest point in October. The County Treasurer-Tax Collector will provide a presentation on the State Registered Warrants status and other potential impacts to the County Treasury, as summarized in Attachment E.

In anticipation that State payment deferrals and IOU's may continue beyond the current proposed time period, departments with impacted programs have provided a six-month forecast of expected expenditures and revenues. The Health, Social & Employment Services, and Resource Management Agency will each give presentations outlining the information regarding their respective programs and the impacts caused by the payment deferrals and IOU's. (This information is summarized in

Attachments A, B, & C). The Auditor-Controller's Office will also present a six-month forecast of the overall impact to cash including other major cash events such as debt service payments (Attachment D).

Currently, Monterey County is in a strong cash position that will enable us to maintain operations for the short term. Yet, any extension of the deferrals of State payments and State budget reductions will significantly impact the County's budget. As summarized in Attachment F, the County Administrative Office will give a presentation highlighting some potential impacts the State budget crisis may have on the County budget and estimated flashpoints for when staff will need to report back to the Board for action. There is potential for those actions to include significant modifications to current program funding. For this reason, the Office of the County Counsel will present the Board with a summary of the legal options available to the County regarding the impacted programs and the timelines required to implement any changes (Attachment G).

Staff will continue to closely monitor the information coming out of Sacramento and will report back to the Board as necessary.

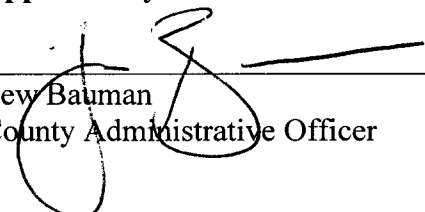
OTHER AGENCY INVOLVEMENT:

The Auditor-Controller's Office, the Treasurer-Tax Collector's Office, the Office of County Counsel, the Health Department, the Department of Social and Employment Services, and the Resource Management Agency contributed to the data provided in this report.

FINANCING:

Acceptance of this report has no direct impact on the County Budget. The information in this report and further direction from the Board will provide the context for any necessary actions including modifications to the Fiscal Year 2009-10 Budget. Staff will provide updates to the Board of Supervisors as necessary.

Approved by:



Lew Bauman
County Administrative Officer

Date: 7/14/09