Bad news getting worse for Contra Costa budget

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Article Launched: 09/15/2008 07:37:03 PM PDT

MARTINEZ — At least gas is cheaper.

That was the only sliver of good news to share Monday when Contra Costa's finance committee began discussing how to bridge a \$6.6 million general fund shortfall.

On the table are further cuts to an already bare county service system that include dipping into reserves; raising revenues, fees or taxes; selling property; cutting job and services; and altering employee salaries and benefits.

In May, when the supervisors passed a balanced budget by slashing almost \$52 million, the county assumed revenue growth from property taxes would be half its historical 8 percent average. Rather than 4 percent, however, assessed property values rose only .21 percent, forcing the board to return to the budget table in August and face the current grim options.

County Administrator John Cullen expects the \$1.6 million energy deficit will disappear with gas prices dropping, but otherwise the ledger is unbalanced and could trigger an across-the-board 1.87 percent cut to each department. Hardest hit would be health and human services, probation and the sheriff's office, according to the report Monday.

The library (\$800,000), Contra Costa Fire District (\$3.5 million), and East Contra Costa Fire District (\$1.36 million) face additional deficits due to lower-than-anticipated property tax revenue, on top of the general fund shortfall.

If supervisors choose to use some reserves to cushion the blow, the county would have about \$16.2 million at its disposal and still maintain a 10 percent reserve minimum. Cullen and his staff suggested creating a contingency fund with reserve dollars in the event that \$4 million in anticipated supplemental property tax revenue falls through because of the hemorrhaging housing market.

"We expect some level of positive growth," Cullen told the committee, knocking on the conference table's wood surface.

Supervisor John Gioia, who sits on the committee, is leaning toward using reserves, which would take a four-fifths vote by the board.

"For me, the reason we establish reserves is for times exactly like this," Gioia said.

"I don't think we're there yet," Supervisor Nejedly said, adding that she's not ready to resort to tax and fee increases, either.

Gioia, however, said the county should look at increasing revenues where it can, including a utility users tax for refineries and other high-energy users.

Other longer-term solutions proposed include changes to total compensation to county employees, implementing involuntary time-off periods, and making systemic changes to the county's health care delivery system. Changes to working hours and wages would require union concessions.

The across-the-board department cuts might be easier in the short term, although leaving open many vacant positions would lead to service reductions.

Gioia hopes to find ways to alleviate drastic cuts to certain departments, such as public safety.

"Some of these cuts would continue to cost us more money in the long run," he said.

For their part, the special districts recommended lowering salaries, delaying capital improvements, reducing services and dipping into reserves to cover their deficits.

Although both supervisors frowned upon the idea, 10 properties could be sold to generate revenue.

The wild card in all of this is an agreement on the tentative state budget, which the governor said he would not sign unless it included a stronger rainy-day account. The final version could force supervisors to cut even deeper.

"It appears health and social services and probation areas will be the main victims of state cuts in this budget compromise," Cullen said.

Finance committee recommendations will be discussed when the budget reduction options are brought to the full board in early October, Cullen said.

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Hardest-hit areas

To address a shortfall of \$6.6 million to the general fund, Contra Costa County has proposed a 1.87 percent, across-the-board cut to all

departments. Here are the hardest hit areas and recommendations on what to cut:

- Health service (\$2.08 million): Reduce the county's responsibility for providing health care services, developing a model similar to Kaiser.
- Sheriff-Coroner (\$1.23 million): Find revenue development strategies and hold positions vacant.
- Probation (\$714,000): Keep positions vacant throughout the department, specifically in juvenile hall and the domestic-violence unit.
- Employment and human services (\$510,000): Reduce the Welcome Home Baby Home Visitation program, the number of clients served through residential alcohol- and drug-recovery programs, and other services. Source: Contra Costa County