

Agenda Report

TO: CITY COUNCIL
THROUGH: Finance Committee
DATE: MARCH 22, 2004

FROM: CYNTHIA J. KURTZ, CITY MANAGER

SUBJECT: APPROVAL OF FY 2004 BUDGET AMENDMENTS FOR VARIOUS PUBLIC HEALTH DEPARTMENT PROGRAMS

RECOMMENDATION:

It is recommended that the City Council:

1. Approve journal vouchers adjusting the estimated FY 2004 revenues and appropriations in Public Health Department operating budget accounts, as detailed in Attachment A, for a net increase of \$273,666;
2. Approve the elimination of 4.0 FTEs (vacant positions) and approve the addition of 19.15 FTEs to various Public Health Department operating budget accounts, for a net increase of 15.15 FTEs (from 90.625 FTEs to 105.775 FTEs) as detailed in Attachments B & C.
3. Appropriate \$321,388 from the unappropriated Health Fund balance, of which \$78,500 is from the Power Fund, via the General Fund, to offset the cost of electrical usage, to the FY 2004 operating budget to support various programs, as detailed in Attachment D.

BACKGROUND:

The State budget situation has created tremendous uncertainty for public health services. While the Vehicle License Fee (VLF) backfill funding for public health appears to be "safe" for FY 2004, VLF receipts to-date have been lower than anticipated. Other revenues, such as fees and reimbursements for Travel Immunizations and Targeted Case Management are not performing as projected due to a combination of factors including residual impacts of the 9-11 terrorist event, the war in Iraq, the economic recession and staffing vacancies in key positions. The costs of delivering personal health care services like the Prenatal Care and Child Health Clinics continue to rise and exceed available and collectible reimbursements by larger proportions each year. Meanwhile, other revenues available to offset these losses are shrinking.

~~=03/22/2004=~~

MEETING OF 3/29/04

AGENDA ITEM NO. 5.B.(1)

Each year, the Pasadena Public Health Department carefully monitors its budget to ensure that mandated services are delivered and categorical grants are used effectively. This year, however, the combination of escalating costs, flat grant awards, and unrealized revenue has resulted in a projected operating deficit of nearly \$1 million. To close the gap, staff recommends a combination of savings and spending reductions and transfer from the unappropriated Health Fund balance.

Staff also recommends adjustments to the FY 2004 adopted budget as a result of several contract transactions during the year. Four grant awards have been amended or eliminated by the State and/or County, and three new grant awards have been received. The net value of the revisions to the FY 2004 adopted budget is \$273,666. Attachment A lists the programs being adjusted by name, description and funding source and summarizes the budget adjustments that will be required as a result of funding changes in these agreements.

Salary Savings and Savings from Grant-Funded Positions

Costs for personnel continue to grow disproportionately to revenues and must be absorbed by the operating budget, even though most of the categorical public health program grants do not provide for such increases. Escalating personnel and operational costs for several programs have exceeded their funding by larger and larger margins each year; and this year other revenues are insufficient to close the gap.

Staff recommends eliminating four positions that have become vacant through retirements and resignations or have been difficult to fill due to the shortage of qualified Nurses. By restructuring program operations and staff assignments, these vacancies can be absorbed without significantly reducing needed services. The annualized savings, which will continue in FY 2005 are \$332,830. The positions are detailed in Attachment B.

Staff is also recommending the creation of 19.15 grant-funded FTEs. Heretofore, these positions were provided through a contract with PHFE Management Solutions Inc. The City entered into an agreement with PHFE in order to reduce costs and provide greater flexibility in staffing limited term, grant-funded operations. However, over time the cost-benefit of using PHFE has narrowed and at this point it is more cost-effective to staff these positions in-house rather than use a third-party contractor. For FY 2004 the anticipated savings by in-housing these positions is \$37,250. Annualized savings in FY 2005 would be \$149,000. If approved, funds will be reprogrammed from the services and supplies portion of the budget to the personnel portion. The labor unions have been advised of this recommended change. Attachment C lists the positions by City position classification, FTE, and program.

These two actions, if approved, will increase the number of FTEs in the FY 2004 operating budget by a net amount of 15.15 from 90.625 FTEs to 105.775 FTEs.

Health Fund Unappropriated Fund Balance

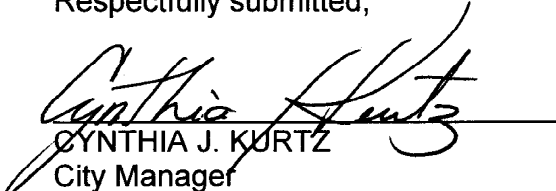
During the last decade, the income from fees, reimbursements and other designated funding exceeded expenses, allowing the Health Fund to maintain a fund balance. Although the City's cash reserve policy does not establish a target reserve level for the Health Fund, as of June 30, 2003 the fund had an unappropriated balance (cash) of \$723,532, which equals 6.5% of the adopted FY 2004 operating budget. Additionally, as a result of recent City Council action, the Health Fund will be receiving approximately \$78,500 from the Power Fund, via the General Fund, to offset the cost of electrical usage. Staff recommends appropriating those dollars (\$78,500) as well as an additional \$242,888 from the previously unappropriated fund balance in order to cover unmet estimated costs for FY 2004. The gap stems from unrealized fees, reimbursements and grant awards for various programs. Attachment D provides details on how the funds will be allocated.

To avoid depleting the Health Fund balance in the next few years, while the City deals with the impact of state cuts and projected deficits, further cost reductions and operational adjustments will be proposed in order to bring operating expenses and revenues into alignment. Employees have provided some thoughtful and creative suggestions for cost savings and revenue enhancing strategies and these will be reviewed and fully considered in developing further recommendations.


FISCAL IMPACT:

As a result of this action by City Council, estimated appropriations and revenues in the Public Health Department's FY 2004 adopted budget will be adjusted for a net increase of \$273,666. In addition, the unappropriated Health Fund balance will be reduced by \$321,388, thereby leaving a cash balance of \$480,644.

Respectfully submitted,


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