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COUNTY ADMINISTRATOR
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CONTRA COSTA COUNTY

On October 20, 2009 the Contra Costa County Board of Supervisors authorized the County Administrator to undertake a "sustainability audit" of the Contra Costa County Regional Medical Center (Hospital) and Clinics.

The Board requested this work because of unrelenting financial pressures on the County's General Fund, caused by dwindling streams of revenues and growing demand on the Fund. Steadily rising costs associated with the state mandate for providing health care to county residents unable to pay for their medical needs is a significant component of the pressure on General Fund dollars.

The Board approved recruitment of independent qualified consultants and/or certified public accountancy firms to carry out the audit and to work with county staff to develop options for providing health care and control the growth in use of General Fund revenue to pay for the costs of this care.

This Request for Proposals (RFP) is the public bid process through which professional service contract(s) may be awarded to undertake the work authorized by the Board of Supervisors.

Description of Consultant Services Being Sought

The Board of Supervisors directed the County Administrator and county staff to seek out and work with a consultant(s) to develop options and recommendations, for Board of Supervisors consideration, that will provide sustainable models and methods of delivering health care to Contra Costa County residents, especially those who are unable to pay for the cost of their care.

Attachments 1 and 2 to this RFP contain background information. **Attachment 3 lists the components of the study/questions which consultants are being sought to research and answer.**

Because of the high degree of interconnectedness between the County's hospital, physicians, clinics and health plans the consultant(s) must factor these entities and their relationship with one another into the sustainability options/recommendations recommended to control growth in the use of the General Fund.

Options developed by the consultant must be structured for 21st century realities, including:

- health care reform,
- California's legal requirements for counties to finance the provision of medical and related health care services for persons who are unable to pay for their care,
- extension of the State's 1115 Medicaid Waiver,
- demographics, medical care needs and geography of the County, and
- competitiveness and/or duplication of efforts in the local/regional health care industry.

Options/recommendations developed by the consultant must include financial analysis, the policy pros and cons of the recommendations, a projected timeframe and the financial, legal and operational steps

needed for implementation. “Best practice” standards and models should be identified. Options must be fiscally sound and sustainable, for both the short and long term.

Background Information on the Health Services Department, the Hospital, Clinics and Health Plan

Contra Costa County’s budget provides the following description of the Health Services Department: “offers the full spectrum of health-related services under one organizational structure....the system includes primary, specialty and inpatient medical care, mental health services, substance abuse treatment, public health programs, environmental health protection, hazardous materials response and inspection and emergency medical services, as well as a county-operated health maintenance organization.”

“For low income and uninsured residents of Contra Costa provides a safety net of medical services not available to them elsewhere and a financial structure, the Contra Costa Health Plan, that promotes appropriate use of services and funds them efficiently with third-party revenues.”

Contra Costa County’s 164 bed hospital and ambulatory care clinics, managed as part of the Health Services Department, currently have a \$341 million operating budget and employ more than 1,700 county staff. The County’s Health Plans currently serve 65,000 members, comprised of enrollees from the County’s own work force and residents of the community. Members use the County’s hospital and clinics for care, as well as a network of private doctors and community hospitals located throughout Contra Costa County.

Specifics of the RFP

The RFP describes the process for bidders to submit proposals to provide all or part of the consultant services being sought. Bidders should carefully review the entire RFP, following all instructions and time deadlines.

Bidders must submit specific cost estimates for all components of their bid. Proposals that do not contain this information will not be considered.

Contra Costa County values the work of local, small, women owned, minority and disadvantaged businesses. The County encourages qualified individuals/firms from these categories to respond to this RFP or to partner with others to respond.

The County will review all proposals submitted in compliance with this RFP, resulting in the award of professional service contract(s) as outlined below:

REQUEST FOR PROPOSAL GUIDELINES AND INSTRUCTIONS

Timeline: (Dates subject to change)

Date	Time	Activity
October 20, 2009	n/a	Contra Costa County Board of Supervisors authorizes issuance of RFP.
September 22, 2010	n/a	Announcement of funding opportunity. Legal notice is published. Copies of RFP will be mailed to bidders beginning on this date.
October 1, 2010	1:30 p.m.	Informal informational meeting for potential bidders held at 651 Pine Street, Room 101, Martinez, CA .
October 28, 2010	3:00 p.m.	Submission deadline. Earlier submission is encouraged and

Date	Time	Activity
		appreciated. Either 1) one original and five (5) copies of the proposal or 2) an electronic PDF version of the proposal must be received by Dorothy Sansoe in Martinez. No proposals will be received after 3:00 p.m. There will be no exceptions to this deadline.
November 8, 2010	n/a	Review panel(s) meet(s) to evaluate proposals and develop funding recommendations for County Administrator.
November 10, 2010	n/a	Announcement of awards. Written notification of contract award will be sent to the Board of Supervisors and all bidders.
November 22, 2010	5:00 p.m.	Appeal period – deadline to submit appeal letters.
December 14, 2010	9:30 a.m.	Approval of contract by Board of Supervisors at Board meeting.
December 15, 2010	n/a	Performance period of contract (may change based on scope of work and negotiated time frames)

Questions should be directed to Theresa Speiker at tspei@cao.cccounty.us, telephone (925) 335-1096 or Dorothy Sansoe at dsans@cao.cccounty.us, telephone (925) 335-1009; 651 Pine Street, 10th Floor, Martinez, CA 94553.

I. QUALIFICATIONS, ELIGIBILITY AND FUNDING RESTRICTIONS

Eligibility is limited to responsible and responsive bidders with experience in performing the scope of work outlined in this RFP. Respondents need not be based in Contra Costa County to be eligible; however, agencies must demonstrate sufficient knowledge of health service provision within Contra Costa County and the State of California to meet the programmatic objectives. Individuals and firms may come together for the purpose of bidding on this RFP.

A bidder may not use a fiscal agent and must demonstrate that it is currently fiscally stable. A bidder or bidding agency with unresolved outstanding federal/state tax obligations is not eligible to apply for funding.

Bidders must comply with all of the time frames and requirements of the RFP or proposals will not be considered. The County may waive any requirement of the RFP if it determines that waiving a requirement is in the best interest of the County.

Bidders must address in their proposal how their agency meets qualifications and eligibility requirements and specify the costs/budget for each component.

Proposal costs for development and submittal are the entire responsibility of the bidder and shall not be reimbursed.

II. CONTRACTUAL OBLIGATIONS

Winning bidders will be required to enter into a contract with the County. The contract(s) will require the bidder to:

- A. Indemnify the County for all claims arising out of the contractor's performance under the contract.
- B. Agree to abide by the Health Insurance Portability and Accountability Act (HIPPA).
- C. Maintain adequate insurance during the performance of the contract and for any follow-up period or work.
- D. Track all related contract expenses in keeping with generally accepted accounting principles.
- E. Submit timely payment demands as outlined in the contracts payment provisions.

- F. Retain all documents pertaining to this contract for five years from the date of submission of contractor's final payment demand or fiscal cost report.
- G. Attend all required meetings/mutually agreed upon meetings as a requirement of contract compliance.

III. PROPOSAL REQUIREMENTS

At a minimum, the following information must be included in the proposal:

- A. Demonstration of the capabilities and experience necessary for examining the County's hospital, clinic and health plan. Include reference letters from past completed jobs that are similar in nature.
- B. A statement outlining the qualifications, including: names, educational and experiential backgrounds of principal members; firm founding date; names of public entities for which similar studies have been performed, descriptions of and work samples from/copies of the studies performed.
- C. Description of the title(s), experience and number of staff that would be assigned to the study. Resumes of key staff should be attached and lead staff contact person(s) identified.
- D. A work plan and budget for each portion of the services requested and being addressed, time estimates for each significant segment of the work and the staff level to be assigned, including target date for completion and presentation of final recommendations and reports.

IV. RFP REQUIREMENTS AND INSTRUCTIONS FOR BIDDERS

The requirements in this section are mandatory. Contra Costa County reserves the right to waive any nonmaterial variation.

- A. Bidders may request an electronic version of this RFP by either e-mailing their request to Dorothy Sansoe at dsans@cao.cccounty.us or by downloading a copy in PDF format from the Contra Costa County website at <http://www.cccounty.us>.
- B. Proposals may be submitted in hard copy or email.
 - 1. If a hard copy proposal is submitted, an original and five (5) copies, including supporting documentation, must be delivered to and received no later than 3:00 on October 28, 2010 by **Nancy Yee, Dorothy Sansoe or Theresa Speiker** at:
Contra Costa County Administrators Office
651 Pine Street
10th Floor
Martinez, CA 94553
 - 2. If the proposal is submitted via email, it must be submitted to Dorothy Sansoe by **3:00 p.m. on October 28, 2010**. Electronic versions of the proposal will be accepted **only** if in Portable Document Format (PDF).
- C. All formatting requirements listed in this RFP apply equally to electronic, mailed, or hand delivered proposals.

- D. Proposals and required attachments shall be submitted as specified and must be signed by officials authorized to bind the bidder to the provisions of the RFP.
- E. **Late proposals will not be accepted.** Facsimile copies are not acceptable. Proposals must be complete when submitted; changes and additions will not be accepted after submission.
- F. A bidder's authorized representative may withdraw a proposal prior to 9:00 a.m. on November 5, 2010 by submitting a written request to Dorothy Sansoe.
- G. Issuing an RFP does not obligate the County to award a contract to any provider. The County retains the right to award parts of the contract to several bidders, to not select any bidders, and/or to re-solicit proposals.

Questions about the requirements and components of the proposals may be directed to Theresa Speiker at tspei@cao.cccounty.us, telephone (925) 335-1096 or Dorothy Sansoe at dsans@cao.cccounty.us, telephone (925) 335-1009.

Note: Award of funds to qualifying entity(s) will result in a contract for services after final negotiations regarding work plan and budget. There are general conditions, including insurance and indemnity requirements, which are common to all County contracts. A copy of these conditions is available upon request.

V. PROPOSAL OUTLINE

All proposals become property of Contra Costa County and shall not be returned.

- A. Responses must contain a complete proposal with all required supporting information and documents. Each bidder must submit their proposal as outlined in Section VI above.
- B. Narrative materials should be single-spaced on 8 ½" by 11" paper with no less than one-inch margins on all sides, top and bottom.
- C. Contents should be in the order outlined here with the pages numbered sequentially throughout the proposal including any attachments.
- D. Pages in hard copy submissions must be stapled together or bound, whether hard copy or email each section must be clearly identified by the following proposal component name:
 - 1. **Agency Overview (5 page maximum)**
Describe in detail your primary services, licenses, staff expertise and years in operation.
 - i. List agency location, contact information, and describe the availability of staff within Contra Costa County.
 - ii. Provide at least five references, naming specific projects and studies completed with other governmental or large corporate bodies. Include contact names and telephone numbers. The County will perform detailed reference checks for the top qualifying respondents on information provided and other information available to the County.

iii. Attach the most recent agency audit available.

2. **Program Proposal (10 page maximum)**

Explain your plan to meet the services requested, including a timeline for performance. Specifically detail plans, including anticipated staffing. Proposals may target one, several or all of the components identified in the "Description of Consultant Services Being Sought" on page 1 and attachment 3 of this RFP. Identify all component(s) that you will perform.

3. **Budget and Narrative (3 page maximum)**

Supply a budget for the program, clearly stating applicable fee rates and all other anticipated costs. Costs will be weighed competitively in relation to services offered. Provide a detailed budget for each component, explaining anticipated staffing levels and related fees.

4. **Financial Statement (No maximum)**

A copy of your most recent audited financial statement - including the auditor's management letter and all notes.

5. **Other Materials (5 page maximum)**

Bidders may attach up to five additional pages in support of the proposal.

VI. **REVIEW PROCESS** - The review/selection process is comprised of the following steps:

Administrative Review County staff will review all submitted proposals to ensure proposals are complete according to instructions and in compliance with the requirements defined herein. Proposals not conforming to these basic standards will not be reviewed further and will be considered as not meeting the application deadline. Agencies that filed incomplete proposals will be notified in writing of their ineligibility no later than one week following receipt of their materials by the County Administrator's Office.

Review of Proposal A panel of individuals will independently evaluate each proposal. Individual panel members' preliminary scores will be combined to determine a preliminary ranking for all proposals. Recommendations for awards will be made to the County Administrator. The panel will meet to discuss merits and weaknesses of each proposal and finalize the rankings. Program elements will be rated as follows with a maximum score of 100:

Applicant Overview – 30 points (Includes staff qualifications, expertise, organizational reputation, experience and references)

Program Proposal – 50 points

Budget and Narrative – 20 points

Notification of Award The Board of Supervisors and each agency submitting a proposal will be notified in writing of the award decision.

Appeals Bidders may appeal the process, not funding outcomes. Appeals must be submitted in writing to the Contra Costa County Administrator's Office, attention Dorothy Sansoe, within seven (7) days of receiving written notification of the funding decision. Appeals must identify what part of

the RFP process is being appealed and the reasons for the appeal. The County Administrator will make decisions regarding appeals within five (5) working days of appeal receipt.

Contract Approval The contract will be approved at a regularly scheduled meeting of the Board of Supervisors, following completion of the appeal period.

SUSTAINABILITY AUDIT
HOSPITAL & CLINICS *
June 15, 2009

Contra Costa Regional Medical Center Sustainability Strategic Plan

Background

1. The County Administrator has advised the Board that the County's overall financial structure is not sustainable due to the decline in the property tax base, rising Health Insurance liability and rising pension costs.
2. The County Administrator has advised the Board that further reductions to County Departments are likely for the foreseeable future.
3. The Board recognizes that:
 - (a) The County's Health Care delivery system is fragile and plays a critical role in providing needed medical services to the community
 - (b) One out of every five Californians lack health insurance coverage.
 - (c) Being uninsured is a significant barrier to accessing necessary health care services.
 - (d) The rise and fall in employment based health care coverage generally runs parallel with the state's economy and unemployment rate.
 - (e) The current recession has increased the County's unemployment rate from 5.4% to 9.7% as of April 2009. As a result the County is experiencing a significant decline in employer based coverage and a growth in the uninsured. *
 - (f) The growth in the uninsured is placing an overwhelming demand for services on the County Health Services delivery system.
 - (g) Federal health care reform is currently being debated. Its final form and timing is unknown. *
4. On September 23, 2008 the Board received a report from the Health Director and a presentation from the law firm of Ropes and Gray concerning Health Services finances and Governance Options.
5. The Board acknowledges that it has some legal obligations under Section 17000 of the Welfare and Institutions code to provide health care services to the indigent population of the County.

*** UPDATE NOTES AS OF MAY 1, 2010**

- (e) Contra Costa County's unemployment rate has increased significantly and as of 3-1-2010 was 12%.
- (g) Federal health care reform has passed and is anticipated as having a large impact on Contra Costa County's health care system as it is implemented.

County Administrator

County Administration Building
651 Pine Street, 11th Floor
Martinez, California 94553-4068
V-925-335-1080
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David Twa

County Administrator

**Contra Costa
County**

**Board of Supervisors**

JOHN M. GIOIA
1st District

GAYLE B. UILKEMA
2nd District

MARY PIEPHO
3rd District

SUSAN A. BONILLA
4th District

FEDERAL D. GLOVER
5th District

April 9, 2010

Board of Supervisors
Contra Costa County
Martinez, CA 94553

Dear Board Members:

Contra Costa County has long focused on our Mission “to provide public services which improve the quality of life of our residents and the economic viability of our businesses.” As we move towards fiscal years 2010-2011-2012 and beyond, it is not possible to understate how serious we are being challenged in our efforts to meet our public service mission.

Maintenance of current year’s countywide service delivery levels impossible

While the Global and National economy are showing signs of a slow recovery, the same cannot be said for California or Contra Costa County. California State’s budget deficits are estimated at \$20 billion each year for 2010-11 and several years beyond. The impact of the housing market collapse on local property tax revenues and pension cost increases continue to negatively impact our Budget for 2010-11 as well as for the next several years. Additionally, we continue to see increased demand for services and no appetite on the part of the public to provide additional funding for services.

In this environment, it is not possible to sustain services at the current level. Since 2008-09 County Departments have reduced their budgets or increased revenue by over \$190 million. Reserve use is likely to increase in the next budget cycle as revenues continue to decline and expenses increase. As was the case for the past two years, significant cuts will be necessary.

We are no longer able to provide the level of services the public demands, nor are we able to sustain our current level of wages and benefits without reductions in the number of employees.

Cuts to our General Government operations will impact our ability to: serve the agriculture community, complete appraisals timely, perform general accounting, respond to public concerns, issue records and reports, support county departments, provide public information, respond and resolve information technology problems, maintain our county properties, and complete personnel actions.

Cuts to our Law and Justice operations will impact our ability to: provide animal service responses, investigate and prepare cases for court, prosecute/defend/provide probation services for misdemeanors, serve at risk youth and domestic violence victims, track probationers, remove abandoned vehicles, provide crime prevention services, complete criminal investigations, respond to crime calls, supervise inmates, and recruit/train/deploy law enforcement officers.

Cuts to our Health and Human Services operations will impact our ability to: respond and serve children, adults and families in our protection programs, provide new-born home visiting, tutor foster youth, help families needing assistance with workforce services, support community organizations, offer therapy services for children and adults, provide access and timely mental health services for children, utilize therapeutic settings for children, perform public health outreach and education, and serve the homeless.

In developing our 2010-2011 budget recommendation, we have strived to adhere to the Board of Supervisor's policies requiring a balanced budget, reserves, and acceptable debt ratios. Most importantly the recommended budget continues to address the Board of Supervisor's fiscal and service delivery priorities including health care cost containment by allocating funds to our OPEB prefunding trust.

The County Administrator's Office has worked closely with our Department Heads to submit budget recommendations that adhere to these policies and to achieve our financial targets. All departments were provided direction to absorb their increased costs of doing business, plus their share of local revenue loss, and their OPEB prefunding requirement. Some departments will also need to make additional cuts once the State Budget is approved. No department is free from impact. This budget is offered as a balanced package including \$3.3 million in general fund reserves; however, in order to keep reserve use as low as possible, we have relied on 'one time only funds' from a variety of sources, the most significant being ARRA (Federal Stimulus funds) and ATA (furloughs). This will result in significantly greater cuts to our 2011-12 budgets unless new stimulus funding occurs, or we are able to arrive at significant wage and benefit savings. Should the Board of Supervisors direct any reductions in the proposed cuts to our 2010-11 budget, this will require changes in other County priorities in order to maintain a balanced budget.

Normally the Baseline Budget identifies the projected funding gap by determining the level of resources required to provide in the budget year the same level of service provided in the prior year. Again due to the significant impacts of mid-year reductions, the Baseline Budget is based upon level of service as of January 1, 2010.

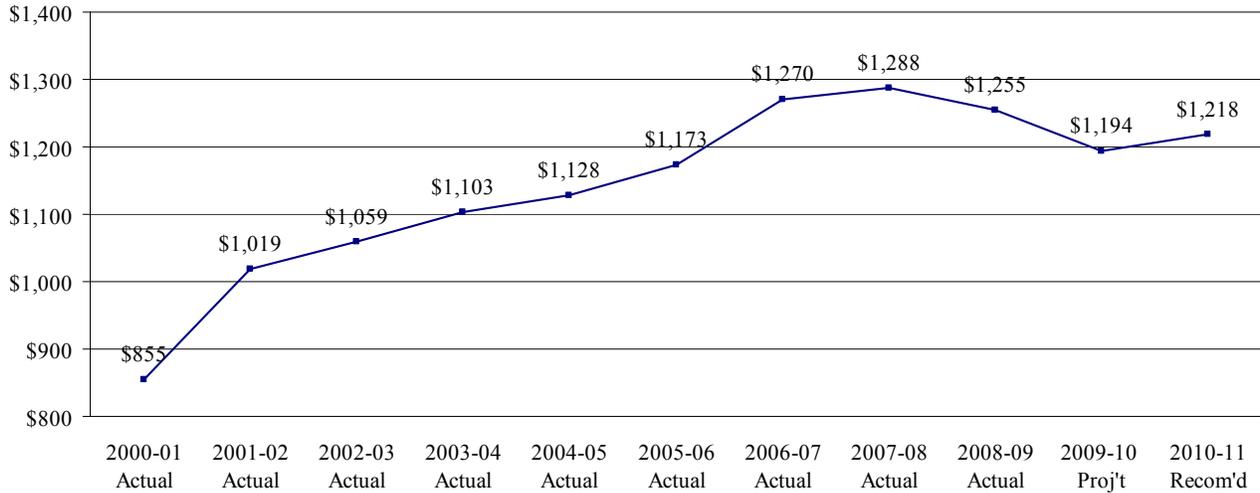
In summary, we are proposing a General Fund budget of \$1.218 billion, which is 2% or \$34.4 million lower than our Baseline Budget total expenditures. Of this amount, \$3.0 million was reduced from health services (excluding Enterprise Funds). Our Hospital Enterprise Fund cut \$3.2 million in maintenance level General Fund subsidy and the Contra Costa Community Health Plan Enterprise Fund cut \$1.0 million for a combined \$7.2 million in reductions from the General Fund to health services.

Revenues show a \$10.9 million increase from Baseline, \$8.8 million of which is in Employment and Human Services from state caseload growth allocations and federal stimulus. This budget requires the elimination of \$23.5 million in programmatic expenditures in the General Fund including 78 funded full-time equivalent position reductions from the Baseline level identified by our departments. This level of required reduction is especially alarming when you consider the Board of Supervisors has already taken action to reduce the County and Special District Budgets by over \$90 million in FY 2008-09 and \$65 million in FY 2009-10.

Historical Perspective

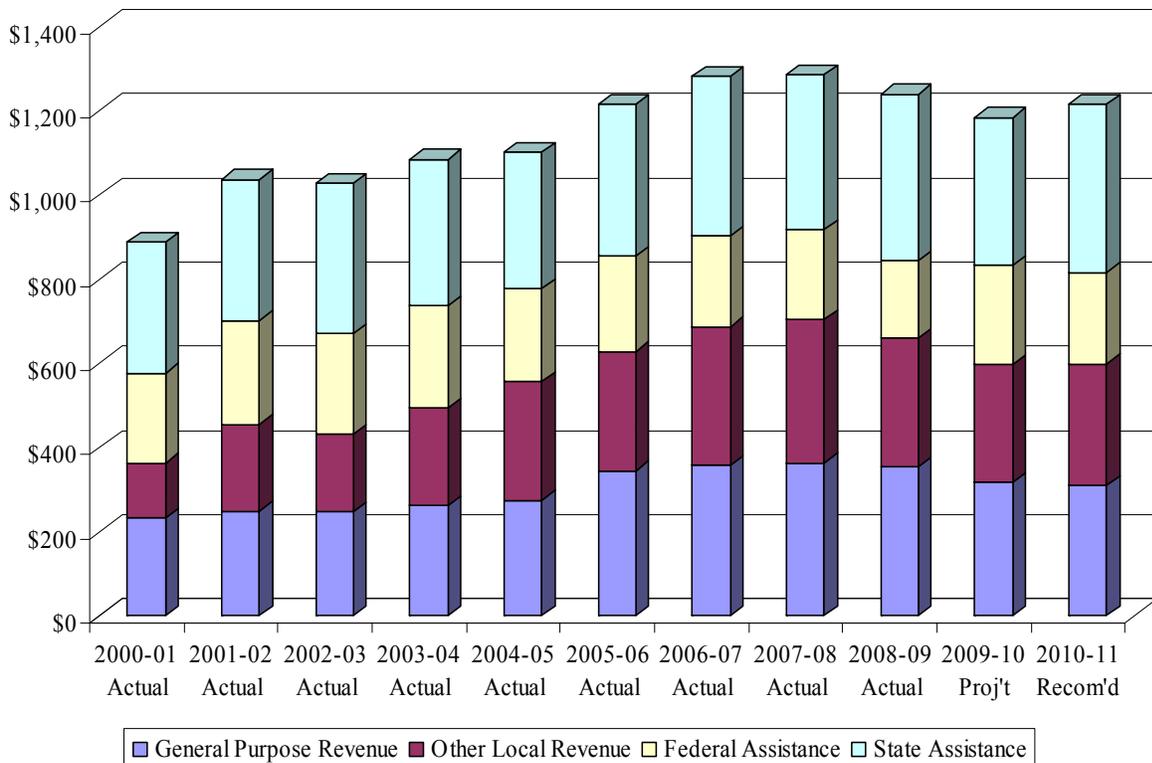
Between FY 2000-01 and FY 2007-08, total expenditures for the General Fund grew by an average of 6.6%. They decline by 2.6% in FY 2008-09 and another 4.9% in FY 2009-10. Although they are expected to grow by approximately 2% in FY 2010-11 due to one-time resources, a decline rather than growth is expected for the next several years.

10 Year Expenditure Growth (in millions)



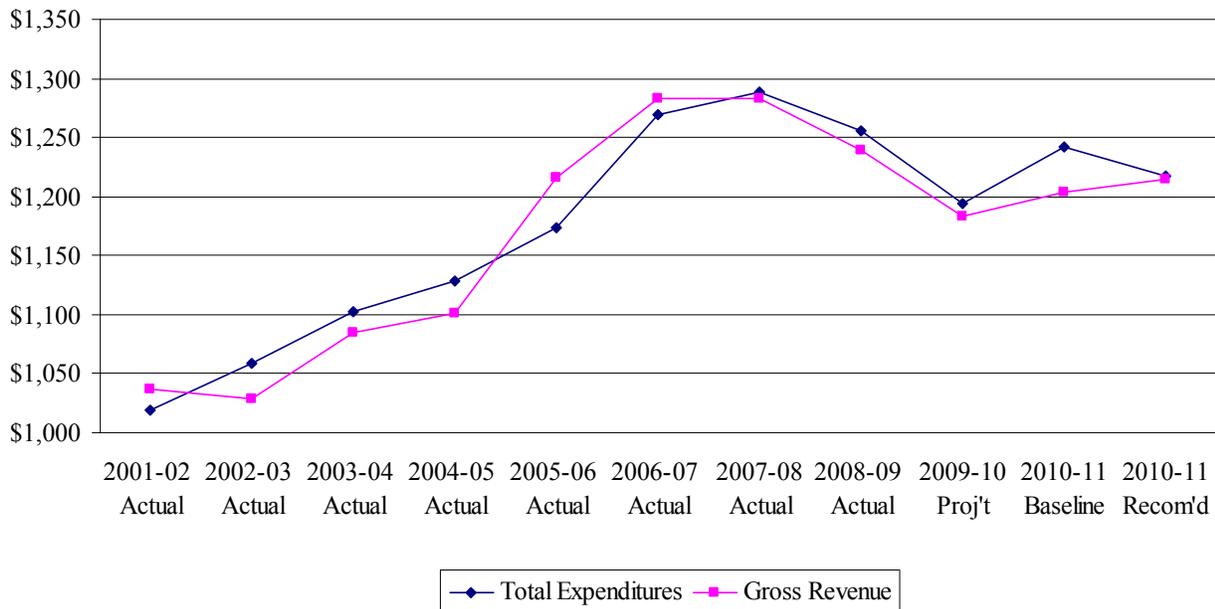
As depicted in the following chart, total revenues began to decline in FY 2008-09 but are expected to increase slightly next year due to one time sources. Although they are expected to grow by approximately 2.6% in FY 2010-11, a decline rather than growth is expected for the next several years.

10 Year Revenue Generation (in millions)



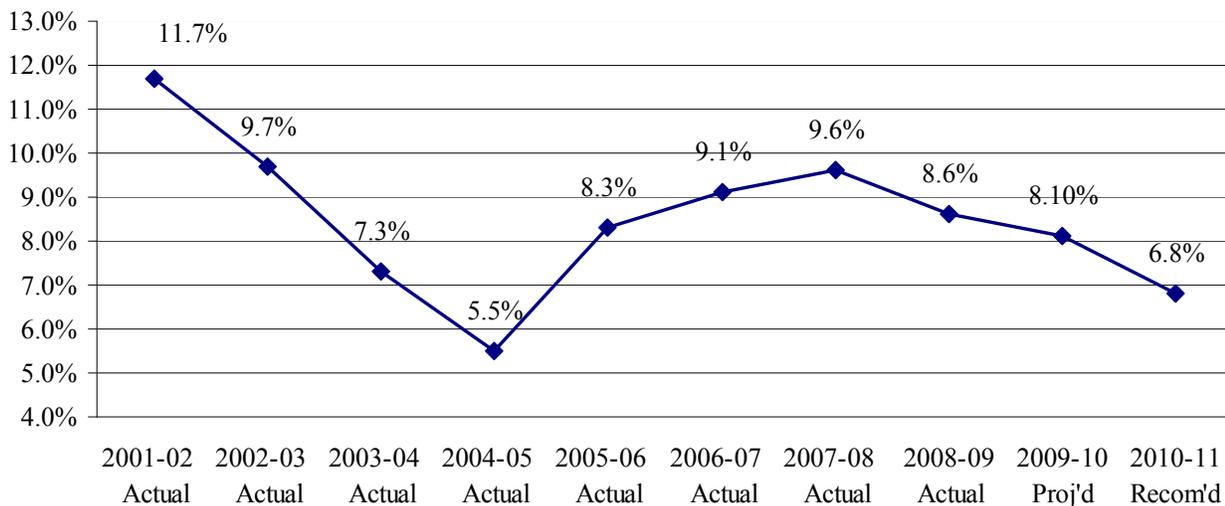
As shown below, the County has struggled with maintaining a structurally balanced budget over the years and is projecting to be unable to balance the current year budget with available annual revenues; the recommended reductions presented for FY 2010-11 use \$3.3 million in General Fund Reserves.

Change in General Fund Actual Status (in millions)



Prior to the housing market collapse last year; the County had reversed the declining reserves trend experienced earlier this decade. It is anticipated that reserves will be expended in the current fiscal year, and the FY 2010-11 Recommended Budget already includes \$3.3 million in planned reserve spending for on-going program expenses.

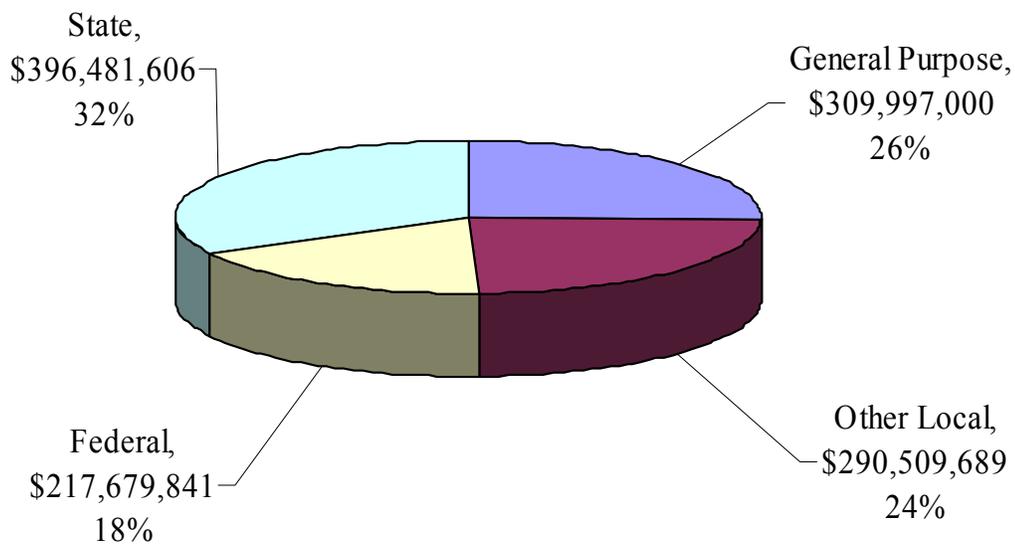
Unreserved Fund Balance (as of June 30)



General Fund Revenue and Appropriations/Recommended Budget

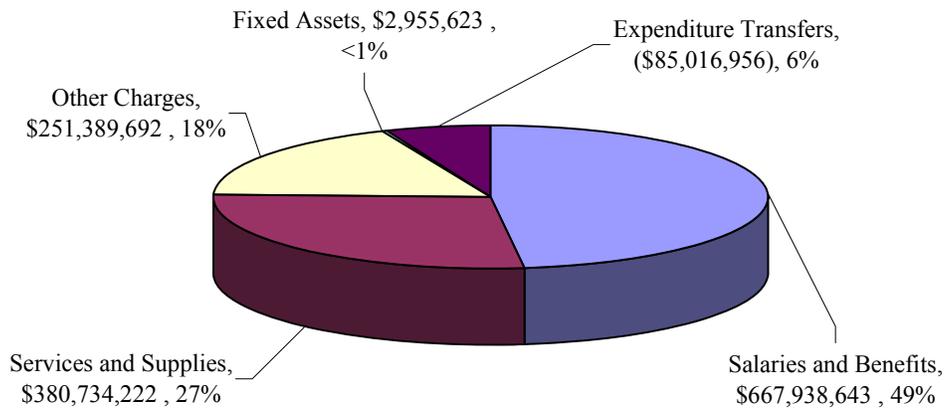
The recommended General Fund budget of \$1.218 billion is supported by local, federal, and state resources. Over half of our revenue, \$614.2 million (50.6%) is dependent on State and Federal allocations. Our general purpose revenue available from sources such as property tax and interest income is only \$310.0 million. The remaining 'Other Local' revenue is generated primarily by fees, fines, and licenses. In the past, the assessed valuations of the County's tax rolls had increased in the double digits due to the strong housing market. The current economic downturn has eliminated growth in assessed valuation and has greatly reduced almost all revenue sources. In FY 2008-09, assessed valuation growth was flat (0.226%), in FY 2009-10 it declined by 7.19%, and it is projected to decline by another 5% in FY 2010-11. The following chart breaks out total revenue by source.

Total Revenue: \$1.215 Billion



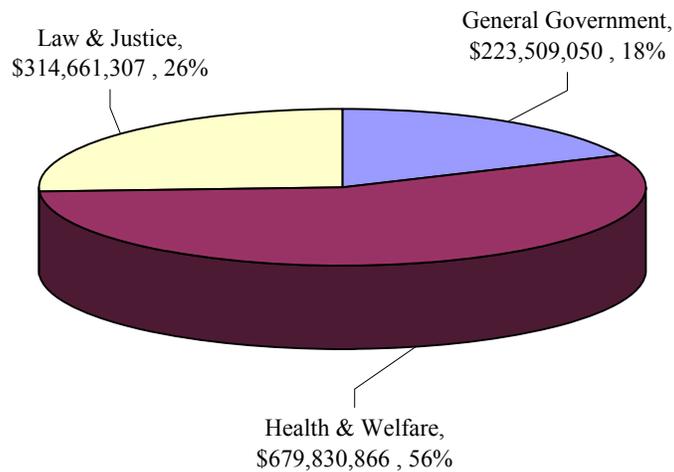
These revenue resources are used to fund programs throughout the County. All categories below are self explanatory, except 'Other Charges', which includes contributions to other funds such as the Enterprise Funds and interest expense on bonds and other debt. The following chart breaks out recommended expenditures between the major expense areas.

Total Expenditures: \$1.218 Billion



Our General Fund resources fund three functional areas: General Government, Law and Justice, and Health and Human Services. Last year's Recommended Budget included General Government at 18%, Law and Justice at 26%, and Health and Human Services at 56%. The following chart shows the distribution of resources in these three areas in the FY 2010-11 Recommended Budget.

Distribution of Expenditures



Each department of the County is included in one of these functional areas and is described in detail in the Recommended Budget. The General Government Functional Group includes Agriculture (including Cooperative Extension functions), Assessor, Auditor-Controller, Board of Supervisors, Central Support Services, Clerk-Recorder, Conservation and Development (formally Building Inspection and Community Development), County Administrator, County Counsel, Crockett/Rodeo Revenues, Debt Service, Department of Information Technology, Employee/Retiree Benefits, General Services, Human Resources, Public Works, and Treasurer-Tax Collector. The Law and Justice Functional Group includes Animal Services, Conflict Defense, District Attorney, Justice Systems Development/Planning, Probation, Public Defender, Sheriff-Coroner, and Superior Court Related Functions. The Health and Human Services Functional Group includes Child Support Services, Employment and Human Services, Health Services Department, and Veterans Services.

As was described above, each of these departments were asked to submit budgets which balanced their requirement to provide services with the County's goals of adopting a FY 2010-11 General Fund budget that balances annual expenses and revenues, and that addresses revenue loss and includes an appropriation for partially pre-funding the County's OPEB liability. The following chart compares the Recommended Budget's share of general purpose revenue between Agencies to the current year.

Changes in Overall Department Share of General Purpose Revenue

	FY 2009/10 Budgeted Net <u>County Cost</u>	Share of <u>Total</u>	FY 2010/11 <u>Recommended</u>	Share of <u>Total</u>
Agriculture-Weights & Measures	1,765,976	0.5%	1,920,124	0.6%
Animal Services	3,250,294	1.0%	3,155,367	1.0%
Assessor	14,756,524	4.5%	14,885,580	4.8%
Auditor-Controller	2,992,166	0.9%	2,904,778	0.9%
Board of Supervisors	6,843,935	2.1%	4,567,880	1.5%
County Administrator	6,696,950	2.0%	4,735,929	1.5%
County Clerk-Recorder	4,231,940	1.3%	4,108,343	1.3%
County Counsel	1,652,072	0.5%	1,603,822	0.5%
District Attorney	11,988,718	3.7%	13,388,579	4.3%
Employment & Human Resources	20,213,944	6.2%	18,047,764	5.8%
General Services	12,023,828	3.7%	11,672,664	3.7%
Health Services	95,336,278	29.1%	89,654,532	28.6%
Human Resources	2,642,816	0.8%	1,888,211	0.6%
Justice System Planning	3,975,628	1.2%	3,847,398	1.2%
Miscellaneous Services	10,136,736	3.1%	8,057,351	2.6%
Plant Acquisition	293,394	0.1%	42,127	0.0%
Probation	34,745,647	10.6%	36,470,257	11.6%
Public Defender	17,225,208	5.3%	16,722,134	5.3%
Public Works	0	0.0%	0	0.0%
Sheriff-Coroner	64,054,640	19.6%	63,948,880	20.4%
Superior Court-Jury Commissioner	10,393,316	3.2%	9,846,320	3.1%
Treasurer-Tax Collector	1,481,790	0.5%	1,301,985	0.4%
Veterans Services	696,296	0.2%	560,061	0.2%
	<u>327,398,096</u>	<u>100.0%</u>	<u>313,330,086</u>	<u>100.0%</u>

The following chart compares the Recommended Budget's share of general purpose revenue between Agencies to the Baseline Budget Request.

Comparison of Share between Recommended Budget and Baseline Request

	<u>FY 2010/11 Baseline Request</u>	<u>Share of Total</u>	<u>FY 2010/11 Recommended</u>	<u>Share of Total</u>
Agriculture-Weights & Measures	1,725,440	0.5%	1,920,124	0.6%
Animal Services	3,561,954	1.0%	3,155,367	1.0%
Assessor	15,105,580	4.4%	14,885,580	4.8%
Auditor-Controller	2,911,546	0.8%	2,904,778	0.9%
Board of Supervisors	4,789,831	1.4%	4,567,880	1.5%
Conservation & Development	42,743	0.0%	0	0.0%
Cooperative Extension	252,094	0.1%	0	0.0%
County Administrator	4,921,911	1.4%	4,735,929	1.5%
County Clerk-Recorder	4,108,343	1.2%	4,108,343	1.3%
County Counsel	1,817,587	0.5%	1,603,822	0.5%
District Attorney	15,611,427	4.5%	13,388,579	4.3%
Employment & Human Services	26,868,867	7.8%	18,047,764	5.8%
General Services	12,388,820	3.6%	11,672,664	3.7%
Health Services	96,832,985	28.0%	89,654,532	28.6%
Human Resources	2,368,136	0.7%	1,888,211	0.6%
Justice System Planning	3,975,628	1.1%	3,847,398	1.2%
Miscellaneous Services	8,057,351	2.3%	8,057,351	2.6%
Plant Acquisition	43,394	0.0%	42,127	0.0%
Probation	37,078,943	10.7%	36,470,257	11.6%
Public Defender	17,204,840	5.0%	16,722,134	5.3%
Public Works	1,454,154	0.4%	0	0.0%
Sheriff-Coroner	72,166,363	20.9%	63,948,880	20.4%
Superior Court-Jury Commissioner	10,393,316	3.0%	9,846,320	3.1%
Treasurer-Tax Collector	1,536,585	0.4%	1,301,985	0.4%
Veterans Services	560,061	0.2%	560,061	0.2%
	<u>345,777,899</u>	<u>100.0%</u>	<u>313,330,086</u>	<u>100.0%</u>

It would appear from the Recommended Budget that the majority of program reductions are coming from a handful of County departments. It should be noted that 80.8% of our general purpose revenue is spent in just seven departments. The chart below shows the ranking of Agency share of general purpose revenue. If we were to attempt to close the budget gap by totally eliminating general purpose revenue funding from departments beginning with the bottom of this chart, we would need to eliminate 16.5 of our 26 departments.

Ranking of Department Share of General Purpose Revenue

	<u>FY 2010/11 Baseline Request</u>	<u>FY 2010/11 Recommended</u>	<u>Share of Total</u>	
Health Services	96,832,985	89,654,532	28.6%	}
Sheriff-Coroner	72,166,363	63,948,880	20.4%	
Probation	37,078,943	36,470,257	11.6%	
Employment & Human Services	26,868,867	18,047,764	5.8%	
Public Defender	17,204,840	16,722,134	5.3%	
Assessor	15,105,580	14,885,580	4.8%	
District Attorney	15,611,427	13,388,579	4.3%	
General Services	12,388,820	11,672,664	3.7%	}
Superior Court-Jury Commissioner	10,393,316	9,846,320	3.1%	
Miscellaneous Services	8,057,351	8,057,351	2.6%	
County Administrator	4,921,911	4,735,929	1.5%	
Board of Supervisors	4,789,831	4,567,880	1.5%	
County Clerk-Recorder	4,108,343	4,108,343	1.3%	
Justice System Planning	3,975,628	3,847,398	1.2%	
Animal Services	3,561,954	3,155,367	1.0%	
Auditor-Controller	2,911,546	2,904,778	0.9%	
Agriculture-Weights & Measures	1,725,440	1,920,124	0.6%	
Human Resources	2,368,136	1,888,211	0.6%	
County Counsel	1,817,587	1,603,822	0.5%	
Treasurer-Tax Collector	1,536,585	1,301,985	0.4%	
Veterans Services	560,061	560,061	0.2%	}
Plant Acquisition	43,394	42,127	0.0%	
Conservation & Development	42,743	0	0.0%	
Public Works	1,454,154	0	0.0%	
Cooperative Extension	252,094	0	0.0%	
	<u>345,777,899</u>	<u>313,330,086</u>	<u>100.0%</u>	

The following chart shows total appropriations by agency regardless of the funding source. Please note that several agencies – such as the Library and Child Support – do not appear in the charts above because they do not receive any general purpose revenues.

	FY 2010-11	FY 2010-11	
<u>County Departments</u>	Baseline Request	Recommended	<u>Difference</u>
Agriculture-Weights & Measures	5,488,581	5,683,265	194,684
Animal Services	10,801,974	10,676,627	-125,347
Assessor	19,513,587	19,413,587	-100,000
Auditor-Controller	8,161,802	8,155,034	-6,768
Board of Supervisors	6,873,408	6,651,457	-221,951
Child Support Services	18,902,523	18,902,523	0
Conservation & Development	74,234,530	70,816,287	-3,418,243
Cooperative Extension	252,094	0	-252,094
County Administrator	17,596,021	16,402,910	-1,193,111
County Clerk-Recorder	22,947,574	22,947,574	0
County Counsel	5,706,740	5,492,975	-213,765
District Attorney	30,572,571	28,896,280	-1,676,291
Employment & Human Services	425,742,268	424,126,800	-1,615,468
General Services	63,275,864	62,559,708	-716,156
Health Services	979,819,471	968,462,565	-11,356,906
Human Resources	8,289,661	7,754,136	-535,525
Justice System Planning	11,248,566	11,267,869	19,303
Library	25,457,667	24,745,269	-712,398
Miscellaneous Services	76,719,445	76,719,445	0
Plant Acquisition	3,093,456	3,092,189	-1,267
Probation	64,243,961	61,088,281	-3,155,680
Public Defender	17,249,529	16,766,823	-482,706
Public Works	146,338,031	144,685,743	-1,652,288
Sheriff-Coroner	199,448,740	195,553,161	-3,895,579
Superior Court-Jury Commission	18,358,503	17,641,653	-716,850
Treasurer-Tax Collector	5,093,407	4,858,807	-234,600
Veterans Services	735,061	735,061	0
<u>Special Districts</u>			
CCC Fire Protection District	125,166,070	117,752,070	-7,414,000
Crockett/Carquinez Fire	869,806	485,581	-384,225
Special Districts (other than Fire)	123,893,660	123,893,660	0
Appropriation Grand Total	<u>2,516,094,571</u>	<u>2,476,227,340</u>	<u>-39,867,231</u>

Full-Time Equivalent Positions (FTEs)

The chart below reflects total estimated position elimination counts as of today for all departments (of the 119 listed, 78 are in the General Fund and were funded this year). Please note that these numbers represent rounded/funded FTEs and are not necessarily filled. The actual number of positions recommended for elimination on May 11 will be higher; this is due to the requirement that all vacant positions within a department in a specific classification with a lay-off be eliminated – funded or not. The actual number of lay-offs will be lower due to vacant positions and bumping.

	<u>FY 2010-11 Baseline Request</u>	<u>FY 2010-11 Recommended</u>	<u>% of Whole</u>	<u>Reduction</u>
<u>County Departments</u>				
Board of Supervisors	28	28	0.4%	0
Miscellaneous Services	32	32	0.4%	0
County Administrator	129	106	1.4%	-23
Human Resources	45	44	0.6%	-1
Auditor-Controller	54	54	0.7%	0
Treasurer-Tax Collector	30	28	0.4%	-2
Assessor	122	122	1.6%	0
County Counsel	50	49	0.6%	-1
Health Services	2,817	2,803	36.1%	-14
Employment & Human Resources	1,693	1,688	21.7%	-5
County Clerk-Recorder	80	80	1.0%	0
Sheriff-Coroner	990	990	12.7%	0
Probation	345	330	4.2%	-15
Agriculture-Weights & Measures	47	47	0.6%	0
Animal Services	76	76	1.0%	0
Conservation & Development	199	181	2.3%	-18
Child Support Services	170	170	2.2%	0
District Attorney	175	169	2.2%	-6
Public Defender	85	83	1.1%	-2
Public Works	279	262	3.4%	-17
General Services	252	248	3.2%	-4
Library	172	169	2.2%	-3
Veterans Services	6	6	0.1%	0
Total County FTE	<u>7,876</u>	<u>7,765</u>	<u>100.0%</u>	<u>-111</u>
<u>Special Districts</u>				
CCC Fire Protection District	373	365	n/a	-8
Special Districts (non-Fire)	12	12	n/a	0
All Funds FTE	<u>8,261</u>	<u>8,142</u>		<u>-119</u>

Other Post Employment Benefits (OPEB)

In addressing this top fiscal and service delivery challenge, the Recommended Budget again includes \$20 million in partial pre-funding. The January 1, 2010 funding level was 2%. While we would prefer a greater level of pre-funding, the absence of any new resources makes this impossible without further service cuts. Nevertheless, \$20 million will continue to have a significant impact on the County's OPEB liability. The recently released 2010 Actuarial Valuation indicated that over the last four years, the County has reduced its OPEB UAAL by 60%, Normal Cost by 78%, 30 year amortization of UAAL by 60%, and annually required contribution by 71% (from \$216 million to \$63 million). None of these reductions could have been achieved without the support and cooperation of our employees. Continued negotiations towards Countywide health care cost containment strategies and the redirection of designated future resources remain key to resolving the OPEB dilemma. The Board of Supervisors continues to make significant progress towards a solution for one of the biggest fiscal challenges the County has faced to date.

American Recovery and Reinvestment Act of 2009

Department and CAO staff has been very involved in tracking and pursuing opportunities available through the American Recovery and Reinvestment Act of 2009 (Federal Stimulus), which was signed into law on February 17, 2009. The \$787 billion stimulus package provides for unprecedented levels of transparency and accountability and offers a unique opportunity to strengthen our local economy, create jobs, and fund a variety of local and regional projects. The Employment and Human Services Department alone is anticipating \$21.1 million from the Federal Stimulus for a number of programs. Over \$19 million in Federal Medical Assistance Percentages has been included in the 2010-11 Recommended Budget. In an effort to keep the residents of Contra Costa County informed about the American Recovery and Reinvestment Act and our efforts in Contra Costa County, the County Administrator's Office has posted a report that tracks the County's efforts in securing stimulus funding for various projects that will improve the lives of our residents and stimulate the economy. The report, which is updated regularly, is available for review at www.cccounty.us.

Fleet/Internal Services Fund

The FY 2010-11 Recommended Budget includes fully funded vehicle depreciation. Requiring the annual budgeting of full vehicle depreciation will continue to facilitate regularly scheduled replacement of County vehicles, which began in FY 2008-09.

Capital Improvement Planning

FY 2008-09 began implementation of our Capital Facility Improvement Program. The facility maintenance analysis, which was completed in FY 2007-08, revealed the level of improvements that will be required to extend the useful life of County facilities, and promote the health and safety of employees and the public who utilize our County facilities.

The analysis included comprehensive building condition assessments of 93 facilities and a total of 2.9 million square feet of building space, and identified a total of \$251.2 million in deferred facilities maintenance needs and capital renewal requirements organized into 4 categories based on level of priority. The distribution of costs by level of priority was as follows:

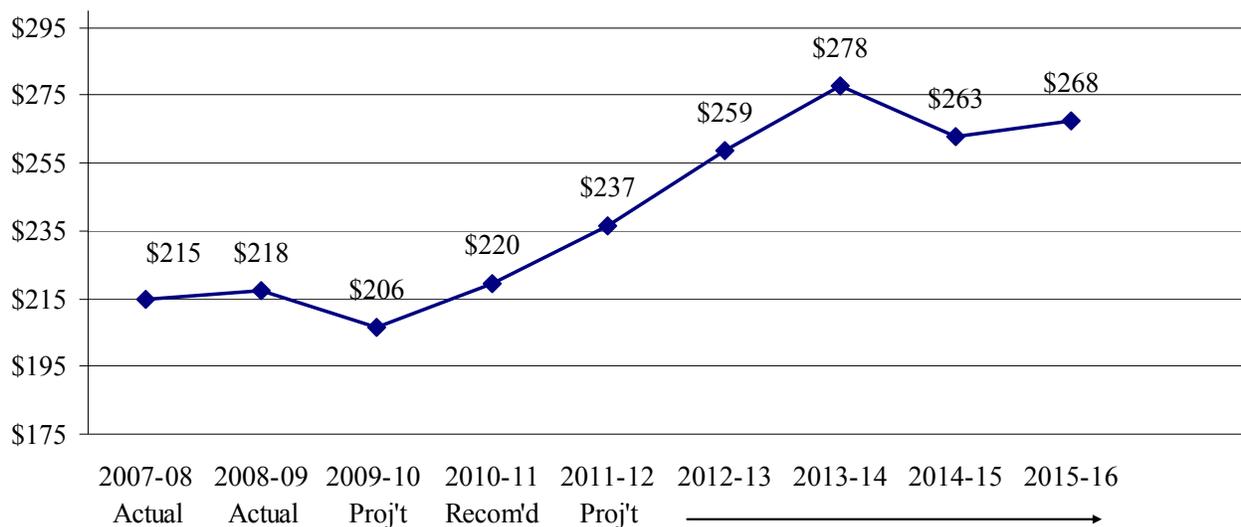
Priority 1 – Currently Critical	\$ 2,059,913
Priority 2 – Potentially Critical	25,881,877
Priority 3 – Necessary, but not Critical	175,052,172
Priority 4 – Necessary, within 6-10 Years	48,180,568

Due to significant fiscal constraints, the FY 2009-10 budget did not include appropriations for capital improvements and neither does the FY 2010-11 Recommended Budget. However, staff will continue to work towards a plan to address our highest priority critical health and safety capital improvements and to develop a mechanism for periodic thorough review of all facilities and use. The County Administrator continues to work with the General Services Director to implement the Real Estate and Asset Management Program (RAMP), which was formalized in the last year. Savings has begun to be achieved through a thorough review of all facility use and the resulting elimination/consolidation of under used properties/leases.

Retirement/Pension Costs - Future Year Projections/Budgets

General Fund retirement expense in the current year is over \$13.6 million less than FY 2008-09. Departments Countywide were able to reduce projected expenditures for FY 2009-10 by a like amount without reducing programs or services. However, beginning in FY 2010-11 calendar year 2008 market losses (26.5%) in combination with unachieved earning assumptions (7.8%) exceeded 34% and have begun to necessitate increased contributions to the Contra Costa County Employees Retirement Association (CCCERA). Positive market experience for calendar year 2009 of 21.9% has drastically changed the projection of pension increases since last year; however, pension costs are still expected to increase for the next five years. Actual FY 2007-08 retirement expenses and projected increased contributions, assuming 7.8% earnings annually for the next five years are depicted in the chart below:

Projected Retirement Expense



Recommendations

In conclusion, this proposal provides for a General Fund budget of \$1.218 billion. It contains \$23.5 million in reductions including our Enterprise Funds. All Departments are impacted—however, the impact is relatively slight compared to past years. These changes are the minimum necessary to respond to economic losses and to address our costs of providing public services. The worst is yet to come.

It is recommended that the Board of Supervisors:

1. Open and conduct a public hearing to receive input on the FY 2010-11 Recommended Budget;
2. Acknowledge that, due to significant market losses in the Contra Costa County Employees Retirement Association assets, retirement expenses have begun to and are expected to continue to increase significantly in the next five years.
3. Acknowledge that the Recommended Budget is not structurally balanced containing over \$41.2 million in one-time or non-continuing monies including Federal Stimulus;
4. Acknowledge that action by the State regarding its budget may require subsequent adjustments to the Recommended Budget adopted by the Board;
5. Acknowledge that, although the Recommended Budget does not include a specific appropriation for contingency, the Board maintains its ability to manage General Fund contingencies during the fiscal year by use of reserve funds set aside for that purpose;
6. Direct the County Administrator to prepare for Board adoption on May 11, 2010, the FY 2010-11 County and Special District Budgets, as modified, to incorporate any changes directed by the Board during these public hearings; and
7. Direct the County Administrator to prepare for consideration by the Board of Supervisors on May 11, 2010, lay-off resolutions necessary to carryout Board action on the Recommended Budget.

Sincerely,



DAVID TWA
County Administrator

DT:LD

Attachment 3

Sustainability Goal: Position Contra Costa County for optimal performance under Health Care Reform, including: meet legal mandates for provision of health care to medically indigent county residents; control growth in the use of General Fund revenues to pay for indigent health care; and develop options, for Board of Supervisor's consideration, that support availability and access to care for county residents and achieve good health outcomes for the community.

- A. Review and identify barriers, either in the County's organization or within the Health Services Department, that impede the efficient, cost effective and optimal delivery of health care services. Make recommendations to correct deficiencies, including structural or organizational changes, operational steps and projected costs needed to correct barriers.
- B. Research the County's legal mandate for the provision of indigent medical care to its residents. Compare/contrast the County's scope of benefits, eligibility and the methods used to meet the mandate by other Bay area governments. Recommend changes which will result in a decrease in use of General Fund expenditures for cost of this care; lay out the steps and timeframe needed to implement.
- C. Recommend changes to business lines or methods of program or service delivery of County financed health care that would address the sustainability goals of this study.
- D. Determine if alternative governing models would enhance the ability of CCRMC (the County's hospital, including physicians and clinics) and/or Health Plan to compete in the rapidly changing health care environment. Describe the options and pros and cons of those recommended for consideration; cite examples of locations where the various governance models are successfully operating. If alternatives are recommended, determine the cost as well as projected cost savings, the legal and operational steps and time estimates needed for implementation.
- E. Review the existing labor agreements with the California Nurses Association and the Physician Union. Contractor will determine if alternative labor models are needed (for example, a Faculty Practice Plan) to best position the County's hospital for recruitment, retention and incentive alignment under health care reform. If alternatives are recommended, determine the pros and cons of the options, the cost, time-frame, legal and operational steps needed for implementation.
- F. Determine how to implement linking future compensation increases to available health care revenues. Describe specifics of the recommendations and lay out steps to implementation.
- G. Determine what opportunities exist, within the current governance and legal model, to maximize the use of external vendors for the provision of specialty services. Describe the policy pros and cons of using external vendors; lay out legislative or rule changes needed to provide the County with the authority and flexibility to maximize use of these vendors without changes in the current governance or legal model.

- H. Conduct a hospital peer comparison of (a) average length of stay by service line, (b) emergency room admission rate, (c) hospital readmission rates, (d) mortality rates, (e) emergency department and obstetric utilization, (f) cost drivers that are out of line with expected levels for similar operations and (g) core measure performance. Based on the comparison, Contractor will review those areas, if any, where CCRMC is outside of industry norms. The review will determine the reason for variations from the norm and if alternative methods of health care delivery would be more economical and/or feasible.

- I. Recommend new or enhanced revenue opportunities that will address the sustainability goals listed and limit the use of General Fund revenues..

- J. Recommend new or enhanced opportunities for the county to engage in community partnerships to ensure provision of health care to Contra Costa County residents.