

County of Santa Clara

Office of the County Executive

County Government Center, East Wing
70 West Hedding Street
San Jose, California 95110
(408) 299-5105



April 4, 2023

To: Agency/Department Heads

From: Gregory G. Iturria, County Budget Director

Subject: Recommended Budget Partly Balanced with Vacant Position Deletions

The County Executive's Recommended Budget will be published on May 1, 2023. As required by law, the Recommended Budget must be balanced, and final budgetary decisions necessary to achieve a balanced Recommended Budget had to be made last week.

As you are aware from past correspondence and discussions, the County is facing a structural budget deficit of approximately \$120 million for Fiscal Year 2023-24. In the current period of high inflation, the County's operating costs have grown faster than revenue growth, creating an operating deficit that has emerged and grown over the past year requiring significant reductions to the County's operating costs. These trends have also impacted the County's various cash balances, and the longer we wait to address the deficit, the deeper the deficit will get and a cash liquidity issue impacting day-to-day operations could occur.

Balancing the Recommended Budget was very difficult this cycle and hard decisions had to be made to reduce operating costs. These decisions included use of reserves and other one-time funding sources, the deletion of several hundred vacant positions from departments throughout the County organization, deferral of certain capital projects, and other hard choices. Unfortunately, many of these decisions had to be made on a timeline that did not allow for input from each of you, which we wish we could have avoided. The budget balancing decisions made last week by senior staff were entered into the budget system by OBA analysts over the weekend.

Through this memo we wish to provide early notification regarding the vacant position deletions you will see in the Recommended Budget so that you and your managers can prepare accordingly, and to make you aware of opportunities to provide input on potential changes to the specific vacant positions recommended for deletion. The

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Recommended Budget deletes approximately 20 percent of the County's roughly 3,500 vacant positions. Deleting vacancies was critical to balancing the budget, and also reflects the reality that the County will not be able to fill all or even most of these vacancies in the year ahead. Most vacancy deletions in the Recommended Budget were from classifications in departments that have a very large number of vacancies in those classifications, with many vacancies still remaining after some were deleted. Given this approach, there should be minimal impact to the current level of services provided by the County due to these vacancy deletions. Staff from OBA and ESA will work closely with administrative staff in County departments to help ensure that positions deleted in the Recommended Budget do not get filled. With your support, this will allow us to balance the budget without deleting filled positions this budget cycle.

The County Executive's Office invites departments to consult with their OBA analyst to learn about the specific positions marked for deletion in the Recommended Budget, and to explore alternatives that could be considered by the County Executive as a potential revised County Executive recommendation at the start of the June Budget Hearing. **All alternatives that achieve the same overall ongoing cost savings will be carefully considered, and departments are encouraged to bring forward such proposals if they have concerns with the recommended position deletions or alternatives that they believe would be beneficial to consider.**

The Recommended Budget is technically balanced, and OBA is working on the narrative descriptions for the actions taken to balance the budget. However, the budget is still not "structurally balanced" since it relies on more than \$40 million in one-time solutions being used to fund ongoing operations. In other words, only about two-thirds of the ongoing deficit has been addressed by the variety of actions being proposed, including the vacancy deletions. More time is needed to work with departments to identify additional ongoing cost savings and new revenue solutions to close the remaining gap between recurring costs and recurring revenue. The following fiscal year, Fiscal Year 2024-25, is projected to be an even more difficult budget to balance. Therefore, any modification of the Recommended Budget must further prepare the County for a tougher fiscal situation ahead.

OBA is committed to working closely with departments on identifying the best ways to continue to provide outstanding service to our community while ensuring that we have a balanced budget and fiscal stability for the benefit of the entire County organization.

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Thank you in advance for your creativity, cooperation, and collaboration as we move into the budget process and upcoming fiscal year.

cc: Jeffrey V. Smith, County Executive
James R. Williams, County Counsel
Greta S. Hansen, Chief Operating Officer
Department Fiscal Officers and Administrative Service Managers
Office of Budget and Analysis