



Date: June 3, 2010
To: President Scott Heldfond and
Honorable Members of the Health Service Board
Thru: Catherine Dodd, PhD
Director, Health Service System
From: Robin Courtney *Robin Courtney*
Chief Financial Officer
Re: Health Service System FY 2010-11 Budget

On May 31st, the Mayor's Budget Office approved the Health Service System (HSS) FY 2010-2011 Administration Budget totaling \$6,231,582. This FY 2010-2011 budget is 3 percent, or \$192,284, more than the HSS FY 2009-2010 budget of \$6,039,298. The 3 percent increase is primarily due to the following:

1. Net increase to salary and fringe benefits – **\$65,148**
 - a. Increase in salary expense from restoring the 0953 Chief Operating Officer position. Funding for this position was removed from the FY 2009-2010 budget.
 - b. Decrease in salary expense resulting from MOU agreements and position downgrades.
 - c. Increase in fringe benefits from rise in healthcare rates.
2. Increase to personal services contracts – **\$100,000**
 - a. Increase to Mercer contract to conduct health plan RFP
3. Other net increases - **\$27,136**
 - a. Increase in annual rent per contract
 - b. Decrease in EAP Software Maintenance expense from vendor negotiations
 - c. Increase in software expense due to transfer of responsibility from DT to HSS
 - d. Decrease in materials and supplies expense

The Budget approved by the Mayor and submitted to the Board of Supervisors also restored the 20% budget cuts previously submitted and approved by the Health Service Board.

Positions

Total positions in the FY 2010-2011 remains flat at the FY 2009-2010 level with 38 positions, including 1 position funded out of the Trust Fund. If the Health Service Board and the Board of Supervisors approves the HSS Director's request to add one additional 0923 Manager II position to coordinate the

Citywide Wellbeing Program, total positions will increase to 39. This additional position would be added to the HSS FY 2010-2011 budget through a technical adjustment.

Departmental Work Orders

As previously reported, the Mayor's Budget Office and the Controller's Office approved a revised methodology for establishing the HSS departmental work order recoveries based on total active members. While the intent was also to recover 100 percent of the HSS administrative costs through these work orders, due to time constraints the Mayor's Budget Office was not able to do so for all departments. Consequently, the FY 2010-2011 HSS Budget includes \$1,884,337 of General Fund support.

In addition to the 14 departmental work orders already established, beginning in FY 2010-2011, six new work orders were established for the following departments to recover our HSS administrative expenses based on active members:

- (a) Children and Families
- (b) Department of the Environment
- (c) Permit Appeals
- (d) Human Services Agency
- (e) Water Department
- (f) War Memorial

Additional Budget Reviews

(a) Harvey Rose Review

On June 1st, the Budget Analyst began their annual review of the Mayor's Budget. HSS has not yet been contacted by our assigned analyst.

(b) Board of Supervisor's Approval

The first reading of the HSS FY 2010-2011 Budget is scheduled to take place on Monday June 21st with the second reading occurring on June 28th, both at 10:00 a.m.