



Health Service System

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Date: December 3, 2010
 To: President Claire Zvanski and
 Honorable Members of the Health Service Board
 Thru: Catherine Dodd, PhD
 Director, Health Service System
 From: Robin Courtney *[Signature]*
 Chief Financial Officer
 Re: Health Service System FY 2011-12 Administration Budget - UPDATE

The Mayor's Budget Office kicked off the annual budget process on December 1st by holding meetings with the Department Heads and CFO's . The Mayor's Budget Office is projecting a FY2011-12 General Fund deficit of \$379.8 million comprised of both revenue shortfalls (\$86.4 million) and expense overages (\$293.4). The revenue shortfall is primarily due to loss of state and federal funding. About 34% of the projected expenditure overage is due to personnel-related increases.

Departments are asked to submit reductions and revenue increases equal to 10% of their adjusted General Fund support, with at least 7% of this ongoing. Of the 10% reductions, 2.5% should be current-year savings and is due to the Mayor's Office by December 21st. The remaining 7.5% will be submitted with the FY 2011-12 Budget. Similar to last year, the Mayor's Budget Office is also asking departments to propose an additional 10% of contingency reductions.

Based on our FY 2010-2011 General Fund Support of \$1,887,692, the HSS reductions to the FY 2010-2011 budget total \$47,197. Total reductions to FY 2011-2012 total \$330,341, including \$188,769 for a 10% contingency reduction. A summary of the reductions are noted below:

	Amount
Reduction to FY 2010-2011 budget	
2.5% - due 12/21/10	\$47,197
Reduction to FY 2011-2012 budget:	
7.5%	\$141,572
10.0% Contingency	<u>\$188,769</u>
Total FY 2011-2012 reductions:	\$330,341
TOTAL HSS REDUCTIONS:	\$377,538

HSS is requesting Board approval to use unclaimed revenues to fund the current year reduction amount of \$47,197.

Work Order Recoveries:

The Mayor's Budget Office has requested that HSS provide an estimate of our FY 2011-2012 work orders so that they can fully implement the recovery of our administration costs through departmental work orders. Work order costs will be based on active members in each department, including City College District and Unified School District. The Mayor's Budget Office intends to load these work orders into the departments budgets as a place holder so that they are aware early of the work orders. HSS is developing the estimated work orders for submittal early next week.

HSS will provide the Board with proposed solutions for the additional reductions to our HSS 2011-2012 budget at the January Board Meeting.