



**Request for City Council Committee Action  
From the Department of Health & Family Support**

**Date:** August 10, 2009  
**To:** WAYS & MEANS/BUDGET COMMITTEE  
**Subject:** 2009 UNDER-REALIZATION OF BUDGETED REVENUES FOR THE PUBLIC HEALTH LABORATORY

**Recommendation:**

Receive and file department report on 2009 under-realized budget revenue for the public health laboratory

**Previous Directives:**

Council requirement in the Financial Policies of the 2009 revised budget for departments to report to the W&M committee regarding under-realization of budgeted revenues.

**Prepared or Submitted by:** Becky McIntosh, Director of Planning & Administration  
Phone: x2884

**Approved by:**

\_\_\_\_\_  
Gretchen Musicant, Commissioner of Health

**Permanent Review Committee (PRC):** Approval \_\_\_\_ Not Applicable  X   
**Policy Review Group (PRG)** Approval \_\_\_\_ Date of Approval \_\_\_\_ Not Applicable  X

**Presenters in Committee:** Gretchen Musicant, Commissioner of Health

**Financial Impact (Check those that apply)**

X  No financial impact (If checked, go directly to Background/Supporting Information).

**Background/Supporting Information Attached**

The 2009 budgeted revenue for the public health laboratory is \$555,300. As of August 4, 2009, \$205,603 has been received. If the current trend continues for the rest of the year, then there would be \$352,462 in revenue received through December (about \$29K per month). This would result in an under-realization of \$202,838.

The laboratory provides clinical, environmental and forensic chemical testing for the general public and private, city, county and state agencies. In the mid-1990's budget discussions, the department was asked to work towards a goal of increasing lab revenue to cover at least 90% of expenses. While the lab was able to come close to this goal for a period of time, in recent years the gap between revenue and expenses has widened as a result of changes in the environment in which the lab operates.

In 2009 revenues are under projection primarily due to a more significant than anticipated decrease in

lab work from Hennepin County public health as a result of the continuing decline in number of refugees and immigrants settling in the County, and reduced lab services for the homeless project. In addition, the ability to generate lab revenue continues to be constrained by the following factors:

- the inability to raise prices on many tests beyond covering the actual cost for a specific lab test because of the need to have pricing that is competitive with the private sector; and,
- the inability to compete with the private sector for business unless it serves a public purpose.

We expect that the Mayor will address the lab in his 2010 budget address this week – most likely to be implemented no later than January 2010.

While department expenditures are within budget, steps taken to reduce lab expenses in 2009 include eliminating two positions since 12/31/08, and holding one position vacant.