



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
County Manager's Office



DATE: December 9, 2009
BOARD MEETING DATE: December 15, 2009
SPECIAL NOTICE/HEARING: None
VOTE REQUIRED: Majority

TO: Honorable Board of Supervisors
FROM: David S. Boesch, County Manager
SUBJECT: **Budget Study Session – Deficit Elimination Plan**

RECOMMENDATION:

Adopt a Resolution approving a balanced approach, accelerated timeline, minimum reserve levels, and community forums as part of efforts to eliminate the General Fund structural budget imbalance by Fiscal Year 2013.

BACKGROUND:

The County began using Reserves in FY 2007 to balance the General Fund, as operating costs began to outpace growth in revenues. During budget hearings in June 2007, the Board requested a study session on what was then a \$25 million structural deficit, projected to grow to \$86 million by FY 2013 if no actions were taken. The Board adopted a five-year plan, setting the goal to eliminate the deficit by FY 2013. Since 2007, the County has used over \$100 million in reserves to balance the budget, implemented a hiring freeze and reduced 179 positions and \$23.5 million in operating costs. Local and state revenues continued to decline. In April 2009, the projected deficit grew to \$100 million mainly due reduced revenues and significantly higher retirement costs as a result of investment losses in the Retirement Fund. Departments were directed to prepare scenario plans using 10%, 20% and 30% reductions in General Fund support (Net County Cost).

On August 25, your Board adopted a set of Budget Balancing Principles that reflect the County's vision and values for the community and County organization. These principles created the collaborative environment and framework necessary to explore all alternatives to eliminate the \$100 million General Fund structural imbalance by FY 2013.

On September 15, your Board adopted specific Budget Balancing Strategies to be used as part of the County's multi-year budget balancing process. Given the magnitude of the County's local budget imbalance, protracted revenues, and the continued uncertainty around State funding, it is imperative that the County, organized labor and community partners work together to seek ways to explore all options.

DISCUSSION:

Accelerated Timeline for Budget Reductions: Since the Board adopted the FY 2009-10 budget in September, a review of General Fund revenue receipts indicates that sales tax, particularly from the half-cent Public Safety Sales Tax (Proposition 172), will fall short of budgeted estimates by \$12.5 million or 20.6%, due to continued declines in statewide sales. This marks the third year that this revenue source has dropped from the prior year, from \$64.2 million in FY2007 to an estimated \$48.5 million in FY2010. Preliminary information from the Assessor's Office indicates that property tax receipts could be lower next year due to downward adjustments in commercial property values and an unprecedented negative Consumer Price Index (deflation) which will reduce base values for virtually all properties in the county. Given this information, staff is recommending an accelerated timeline, with budget reductions beginning in the current fiscal year. Recommended reductions will be brought to your Board on February 9.

Proposed Balanced Approach: Revenue projections over the next five years continue to show minimal growth in major General Fund revenue sources. The County cannot rely solely on revenue growth and new revenues to close the \$100 million deficit. Nor can it rely entirely on reserves, which will be depleted within three years and would still leave the County with an ongoing deficit. Program reductions of \$100 million would result in the elimination of critical services and closure of facilities, and the need to eliminate over 1,000 positions, almost 20% of the workforce. A balanced approach is recommended, with (1) managed use of reserves, keeping a minimum of 10% for contingencies and uncertainties in the General Fund, (2) \$50 million in program reductions and multi-departmental savings, (3) \$25 million in labor cost savings, subject to collective bargaining, and (4) \$25 million in new revenues beginning in FY2013.

Community and Employee Engagement: Education and engagement will be critical in order to achieve the goals of the proposed balanced approach. Monthly budget meetings with labor organizations continue to take place, along with regular County budget updates to employees via e-mail and Intranet. Employee forums will be held in early 2010. Staff recommends that a community forum be held in each Board district as a part of increased community and employee engagement efforts on balancing the budget.

Adoption of the Resolution contributes to the Shared Vision 2025 outcome of a Collaborative Community, where leaders forge partnerships, inform and engage residents, and demonstrate fiscal stewardship by sustaining core services for future generations and for the most vulnerable members of our community.

FISCAL IMPACT:

The accelerated timeline, balanced approach, minimum reserve levels and community forums will be used to eliminate the \$100 million structural budget gap by FY 2013.

ATTACHMENTS

1. Adopted Budget Balancing Principles and Strategies
2. Matrix – Proposed Balanced Approach
3. Detailed Slide Presentation – December 15 Budget Study Session

RESOLUTION NO. _____
BOARD OF SUPERVISORS, COUNTY OF SAN MATEO, STATE OF CALIFORNIA
* * * * *

**RESOLUTION APPROVING BALANCED APPROACH, ACCELERATED TIMELINE,
MINIMUM RESERVE LEVELS, AND COMMUNITY FORUMS AS PART OF EFFORTS
TO ELIMINATE THE GENERAL FUND STRUCTURAL BUDGET IMBALANCE
BY FISCAL YEAR 2013**

RESOLVED, by the Board of Supervisors of the County of San Mateo, State of California, that

WHEREAS, the County faces a \$100 million projected structural budget imbalance; and,

WHEREAS, it is in the best interests of current and future generations of county residents and the most vulnerable members of our community to eliminate this structural imbalance in a thoughtful and strategic manner and with a long-term perspective; and,

WHEREAS, the Board has adopted a set of Budget Balancing Principles and Strategies to create a collaborative framework for exploring all options to eliminate the structural imbalance; and

WHEREAS, the County Manager has submitted to the Board of Supervisors (1) a balanced approach to eliminating the structural imbalance, which includes managed use of reserves, \$50 million in program reductions and multi-departmental savings, \$25 million in labor cost savings, subject to collective bargaining, and \$25 million in new revenues, (2) an accelerated timeline that includes budget reductions in the current fiscal year, (3) maintaining a minimum of \$100 million in reserves and contingencies, and (4) conducting community forums in each Board district as part of community engagement efforts on the budget;

NOW, THEREFORE, IT IS HEREBY DETERMINED that the balanced approach, accelerated timeline, minimum reserve levels and community forums, as submitted by the County Manager, and subject to the requirements of collective bargaining and annual review by the Board at mid-fiscal year for any adjustments that might be necessary, be used as part of efforts to eliminate the General Fund structural budget imbalance by Fiscal Year 2013.

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ATTACHMENT 1 – Adopted Budget Balancing Principles and Strategies

BUDGET BALANCING PRINCIPLES

(Resolution Adopted by Board of Supervisors - August 25, 2009)

- A. Our highest priority is a sustainable community for current and future residents of San Mateo County as defined by achievement of our Shared Vision for a healthy, prosperous, livable, environmentally conscious and collaborative community. We aim to continue progress toward our vision while the economy suffers, and position ourselves strategically for when the economy rebounds. Therefore,
- All options will be explored to reduce costs and/or redesign services in order to minimize service reductions
 - Near-term decisions must be made in the context of long-term strategic goals
 - Long-term cost effectiveness of prevention and early intervention is recognized
 - Existing services and service levels will be evaluated based on performance and alignment with County's mission and Shared Vision 2025, as well as minimum legal requirements (mandates).
- B. We aim to continue performing at levels of service quality and outcomes that are at or above average of comparable agencies or established benchmarks
- C. We recognize that budgeting is a process. Solutions will emerge over time and be implemented to meet the goal of a balanced budget by Fiscal Year 2013. An effective multi-year process that restores structural balance will create a stronger organization and contribute to a stronger community.
- Solutions may be phased-in, with managed use of reserves, to avoid disruption of service and to cushion transitions to reduced service levels
 - Where possible, employment and training options will be provided to displaced employees
- D. Our budget process will engage the community we serve to inform inclusive, fact-driven and thoughtful decision-making on multiple strategies, including the reduction and elimination of services. As such,
- We will be transparent and forthcoming throughout and will work closely with our employees, organized labor and community partners.
 - Reliable information will be provided in a timely way to continue to build trust, confidence and credibility throughout the process.
 - We will seek input from the general public regarding strategies developed by staff.
- E. We aim to not impact any one geographic, ethnic or linguistic community disproportionately as we sustain efforts to address long-standing disparities
- F. We will work together as a single organization while recognizing the unique services offered by each department
- All County Departments will contribute to the solution.
 - Departments will be afforded flexibility to achieve efficiencies in all areas of operations, operational support and administration
 - We value our employees and will continue to develop our workforce, retain and promote high-performers and continue succession planning efforts
 - We value our broad range of partnerships that cut across departmental lines, and also value partnerships with our community-based organizations and neighboring municipalities

BUDGET BALANCING STRATEGIES
(Resolution Adopted by Board of Supervisors – September 15, 2009)

PROGRAM AND SERVICE REDUCTIONS

Exploring all options under the strategies below will minimize the direct impact on our clients, employees and the community we serve. If we are not successful at achieving savings and generating revenues in these areas over the next several years, given the magnitude of the \$100 million structural imbalance, we will be forced to consider the following:

- Closure of facilities
- Reduction and elimination of safety net services
- Reduction and elimination of public safety services

PARTNERSHIPS

- **Shared Services** - centralize services within the County organization, and share services with other public agencies in the county/region (buy and sell).
- **Transfer of Services/Annexation** - annex unincorporated areas and transfer municipal services (parks, fire, planning, patrol, dispatch, utilities and other services) to cities and special districts - budget reductions and corresponding transfer of revenues, with goal of net savings.
- **Managed Competition and Performance-Based Contracting** – will develop process and criteria, to include minimum savings levels, contractor requirements such as provision of health benefits, time to allow for improvement/efficiencies within existing structure; consider performing a service both in-house and by contract to evaluate quality of service and cost effectiveness for a specified period of time:
 - **Nonprofit Partnerships for Community-Based Services** - identify client concentration and highest-need areas (use of GIS where applicable); work with community-based providers to improve administrative infrastructure and capacity toward a performance-based contracting model; competitive process to be based on best client outcomes in areas of highest need, at lower General Fund allocation;
 - **Business Partnerships for Other County Services** – review existing Memoranda of Understanding (MOUs) and legislation; identify services provided by County staff and explore contracting with local businesses to provide services through a managed competition process.
- **Service Delivery Systems Redesign** – collaborate with community partners (public and private) to redesign delivery of services to meet the needs of underserved and other safety net populations (e.g., Community Health Network for the Underserved).
- **Expansion of Volunteer Programs** – engage residents to become more actively involved in prevention and early intervention programs and other local government services within their communities; includes seasonal and year-round internship programs to increase the number of youth interested in careers in local government.

REORGANIZATIONS AND LABOR COST RESTRUCTURING

- **Charter Review** – explore opportunities to consolidate and reorganize departments; other organizational improvements requiring changes in the County Charter.
- **Review of Boards and Commissions** – evaluate effectiveness, with recommendations toward consolidations/restructuring/elimination and reductions in County staff support.
- **Span of Control** – review supervisor-to-staff ratios; restructure management and flatten organizational structures, providing opportunities to increase levels of responsibility and accountability among managers, supervisors and line staff.
- **Skills Mix** - add/delete positions to better match job classification with duties performed.
- **Pay Adjustments** – freeze salaries, increase Voluntary Time Off (VTO), implement mandatory furloughs, and other negotiated reductions in pay.
- **Cost Sharing** - includes cost-sharing of cost-of-living adjustments (COLAs) to offset significant increases in retirement contributions as a result of investment losses in the Retirement Fund; County currently pays 100% of retirement COLAs; higher cost-sharing for health premiums (County currently picks up 90% of premium cost for most employees); create incentives such as reduced share of premiums linked to participation in wellness programs and activities.
- **Benefits Restructuring** – implement changes allowed by legislation (judicial benefits); create new retirement tier for new employees; create hybrid defined benefit/defined contribution plan as an option for new and existing employees.

ORGANIZATIONAL INCENTIVES

- **Separation Incentives** – offer voluntary separation incentives to minimize layoffs; incentives to be based on years of service and business need, to include limited-time coverage of health premiums.
- **Wellness Incentives** – create incentives such as reduced share of premiums linked to participation in wellness programs and activities (also under Cost Sharing solutions, subject to bargaining).
- **Innovation and Entrepreneurial Fund** – create one-time and short-term incentives for team efforts that generate ongoing savings or revenues in new and creative ways; includes one-time investments in infrastructure and other areas, with established parameters regarding payback periods and returns on investment.
- **Pay for Performance** – recommended by Management/Attorneys Salaries and Benefits Cost Containment Advisory Committee, to be explored for implementation in 2011-12; develop pay-for-performance structure that is based on achieving operational goals tied to client and customer outcomes and Shared Vision 2025 community goals.

REAL PROPERTY/FACILITIES

- **Space Consolidation/Reduction Initiatives** – develop a Countywide Facilities Master Plan; standardize space requirements per employee, update telecommuting policies and increase commute alternatives to lower rent and facilities maintenance charges; achieve savings from electronic document management system (EDMS) efforts, resulting in less space needed for filing and storing records.
- **Real Property (County-Owned Facilities and Leased Facilities)** – sell County assets; create new agreements to increase revenue from leasing/use of County property; renegotiate existing agreements with landlords for lower rent.
- **Multi-Resource Centers** – use GIS to prioritize services and target solutions based on demand and performance gaps by neighborhood/region; locate multi-resource centers in targeted areas where outcomes can be tracked over time.
- **Debt Restructuring** – refund or refinance existing debt to reduce debt service costs (minimum 3% annual debt service reduction).

ADMINISTRATIVE EFFICIENCIES

- **Electronic Document Management System (EDMS)** - reduce space and paper/mail/copy center/pony mail services and courier services through improved documents management
- **Automated Timekeeping System (ATKS) Advanced Scheduler** – reduce overtime through improved scheduling in 24/7 operations like Probation, Sheriff, Medical Center (hospital and long-term care).
- **Increased System Integration – Finance/Payroll/HR/Budget** – review useful life and gaps in existing systems; explore more integrated solutions for increased efficiencies.
- **Contracts Review** – renegotiate terms of existing contracts (e.g. maintenance contracts) to extend contract period in exchange for reduced rates; review contracts that have not gone through a Request for Proposals (RFP) process in more than 5 years - lower contract costs resulting from undergoing competitive process and negotiations; identify service providers with whom multiple departments have contracts, and consolidate into master contracts.
- **Purchasing Review** – update procedures manual and County Ordinance; implement recommendations from 2009 Operational Review; e-procurement, purchasing cards.
- **Civil Service Rules, Administrative Memoranda and County Ordinance Review** - prioritize revisions based on magnitude of potential cost savings from eliminating steps, inefficient and unnecessary processes and procedures; increase flexibility to meet business needs.
- **Multi-Year Budgeting** – develop two-year budgets so off-cycle time can be spent on targeted budget balancing efforts, performance management reviews, and capital programming.

REVENUE GENERATION

- **Cost Recovery and Standard Methodology for Charges for Services** – complete a full cost plan, benchmark with comparable agencies, and develop a more accurate basis for charging costs for both internal services (ISD, facilities maintenance, human resources) and services provided to other public agencies; includes increasing fees to clients and customers who directly benefit from services provided; increase revenue by phasing in higher rates for areas where more cost recovery makes sense; develop comprehensive County Fee Policy.
- **New Taxes and Fees** – explore new revenue sources and increase existing taxes and fees; requires voter approval; work plan under development within auspices of Board Finance and Operations Committee.
- **County Ordinance Updates** – review associated fees for services, use of citations to generate revenues.
- **Economic Development** – expand County’s role in job creation and growth in tax base.

ATTACHMENT 2
Finding a Balanced Approach to Create a Sustainable Budget

SOLUTION COMPONENT	Decision making process	Impacts (to clients and customers, general public, employees)	“Worst Case Scenario” (if this were the only solution to eliminate \$100 million structural deficit)	Proposed Balanced Approach
Program cuts and Multi-departmental Savings	<ul style="list-style-type: none"> • Dept. scenario planning • Multi-department teamwork • Budget development process • BOS approval 	<ul style="list-style-type: none"> • Reduced/eliminated services • Reduced County positions • Redesigned service models 	<ul style="list-style-type: none"> • \$100mm=30% reduction in Net County Cost; 1000+ jobs eliminated • Greatest level of community pain and impact to County employees & organization • Major facility closures • Extensive elimination of services • Implications for County’s ability to satisfy mandates • Highest BOS discretion toward ongoing, structural balance 	<p>\$50mm (50%) 15% reduction in Net County Cost</p>
Labor cost reduction	<ul style="list-style-type: none"> • Labor negotiation process • Union and BOS approval 	<ul style="list-style-type: none"> • Reduced employee compensation 	<ul style="list-style-type: none"> • \$100mm=20% reduction in total salaries & benefits • Deepest and broadest pain/impact to employees 	<p>\$25mm (25%) 5% reduction in total salaries & benefits</p>
New revenues	<ul style="list-style-type: none"> • Taxes: BOS placement on ballot; Voter approval • Fees & economic development: BOS approval 	<ul style="list-style-type: none"> • Higher taxes and fees 	<ul style="list-style-type: none"> • \$100mm=30% increase in discretionary revenue • Significant impact on tax payers • Low likelihood of success without balanced approach to deliver on priority outcomes and reduced spending • Lowest BOS discretion 	<p>\$25mm (25%) 7% increase in discretionary revenue</p>
Use of Reserves	<ul style="list-style-type: none"> • Budget development process • BOS approval 	<ul style="list-style-type: none"> • To a certain extent, use of reserves can defer impacts on clients and customers, public & employees as longer term strategies are implemented • Rapid spend-down and over-use of reserves impacts fiscal stability, bond rating, debt cost and investment income 	<ul style="list-style-type: none"> • \$100mm=46% of total reserves • Not a sustainable path to structural balance • Emergency contingency seriously under-funded by 2012 • All reserves entirely depleted in less than 3 years 	<ul style="list-style-type: none"> • Managed use as needed to get to balance in 2012-13 • Maintain 10% minimum contingencies and state budget/other uncertainties

SAN MATEO COUNTY BOARD OF SUPERVISORS



**Budget Study Session
December 15, 2009, 9:30am**

Agenda

- Update: Five-Year Deficit Elimination Plan
- FY 2009-10 Budget Update and Economic Well-Being Indicators
- FY 2010-2015 Projections and Major Issues
- Accelerated Budget Balancing Plan
- Next Steps and Recommendation

Recommendation

Adopt a Resolution approving a balanced approach, accelerated timeline, minimum reserve levels, and community forums as part of efforts to eliminate the General Fund structural budget imbalance by Fiscal Year 2013.

Alignment to Shared Vision 2025

Budget study sessions contribute to the Shared Vision of a Collaborative Community, where leaders forge partnerships, inform and engage residents, and demonstrate fiscal stewardship by sustaining core services for future generations and for the most vulnerable members of our community.

Board Budget Study Session December 15, 2009



Update Five-Year Deficit Elimination Plan

Major Actions Taken Since 2007

- Adopted five-year plan in Dec 2007 to eliminate structural deficit by FY 2013
- Reduced budgets
 - implemented 5% hiring freeze
 - Eliminated 179 positions
 - From 5,805 in FY2008 to 5,626 in FY2010
 - Cut ongoing costs by \$23.5 million
- Spent > \$100 million reserves to balance budget
- Adopted guiding principles and strategies to explore all options to balance the budget

Major Actions Taken Since 2007

- **Increased employee communication**
 - Established monthly budget meetings with labor organizations
 - Provided regular budget updates via e-mail
 - Created Employee Budget Workgroups, Intranet site and new STARS award category for Employee Budget Suggestions
- **Completed negotiations (2008-09) with Nurses, AFSCME and SEIU**
 - no salary increases
 - changes in health benefits for \$2 million in savings (if all bargaining units included)

Major Actions Taken Since 2007

- **Conducted survey to explore cost containment options for managers and attorneys**
- **Completed analysis of retirement benefit alternatives**
- **Reduced retiree health liability**
 - Reduced benefits for new managers
 - Pre-funded 90% of retiree health liability
- **Adopted Voluntary Employee Separation Program (VESP) to minimize layoffs**
- **Refinanced existing bonds**

Current Actions

- Accelerated Budget Balancing Plan
 - Ongoing review of department scenario plans
- Review of mgmt/supervisor-to-staff ratios and staffing levels with peer counties
- Review of administration and support services across County departments for consolidation opportunities
- Managing for Competitiveness Policy
- Charter Review Committee

Current Actions

- Consolidation and co-location of services within geographic region (north, south)
- Shared services with other public agencies
- Contracts Review
- New Revenues (Board Finance & Operations Committee - Employee Budget Workgroup) and Fee Policy
- Planning for labor negotiations
 - 10 contracts expire in 2010

Board Budget Study Session December 15, 2009



FY 2009-10 Update

Financial Status

Local Revenues Continue to Fall

- Revenues coming in below estimates
 - Sales & Use Tax down \$1.4 million (7.1%)
 - Prop. 172 down \$12.5 million (20.6%)
- Prop. 1A Securitization complete
 - \$20.7 million stays in Reserves
- County Refinanced 1997 and 1999 Bonds
 - Savings of \$780K per year over 18 years

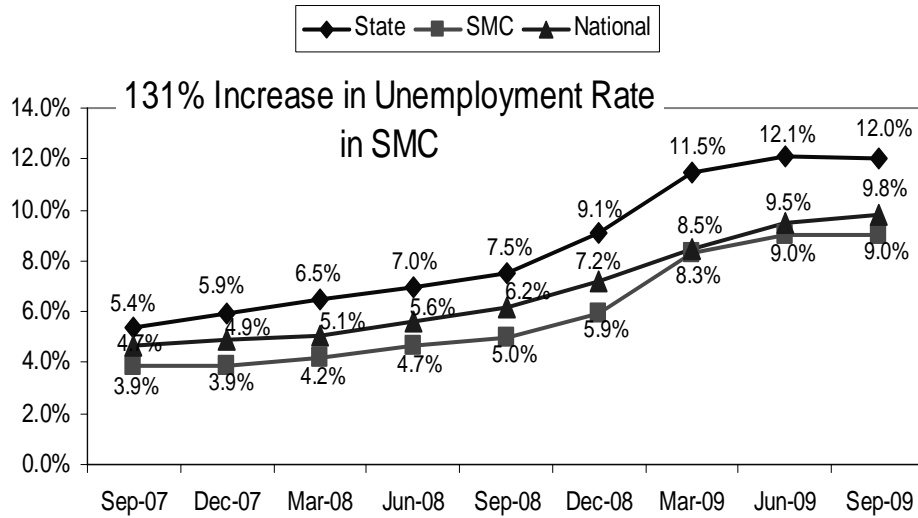
Financial Status
State Budget Worse

- FY 2009-10 revenues and cash receipts coming in below estimates
- Holiday sales expected to be poor
- Legislative Analyst's Office (LAO) projecting \$20.7 billion structural deficit continuing through FY 2014
- Mid-year reductions expected to hit Health and Human Services the worst

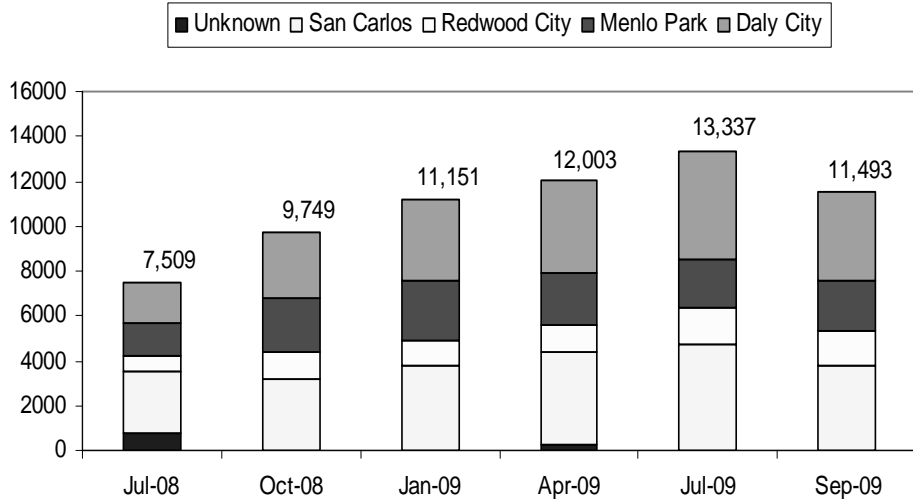
Needs for Assistance Up

- Unemployment Rate – at 9%
- Notices of Default (foreclosures) – up 58%
- PeninsulaWorks Activity – up 53%
- Food and Housing Requests – up 51%
- Public Assistance Applications – up 42%
- Clinic Visits – up 6%
- Emergency Room Visits – up 9%
- Domestic Violence Calls – up 44%

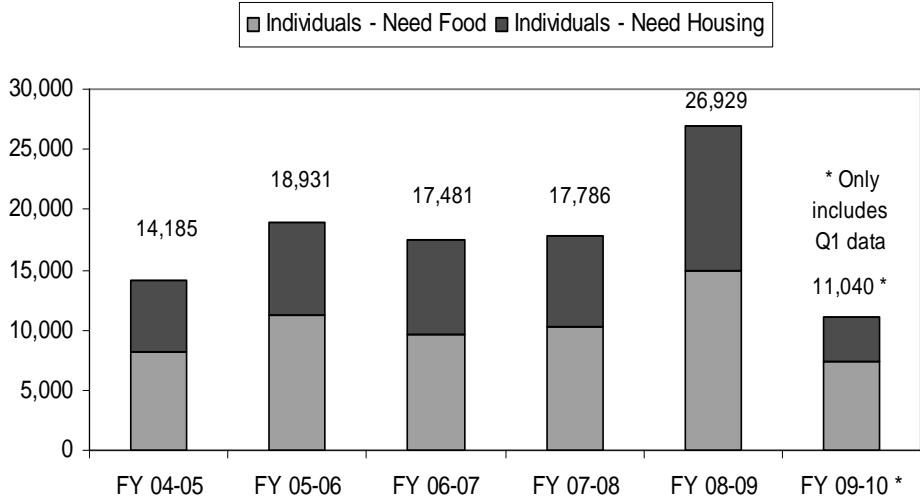
Unemployment Rate



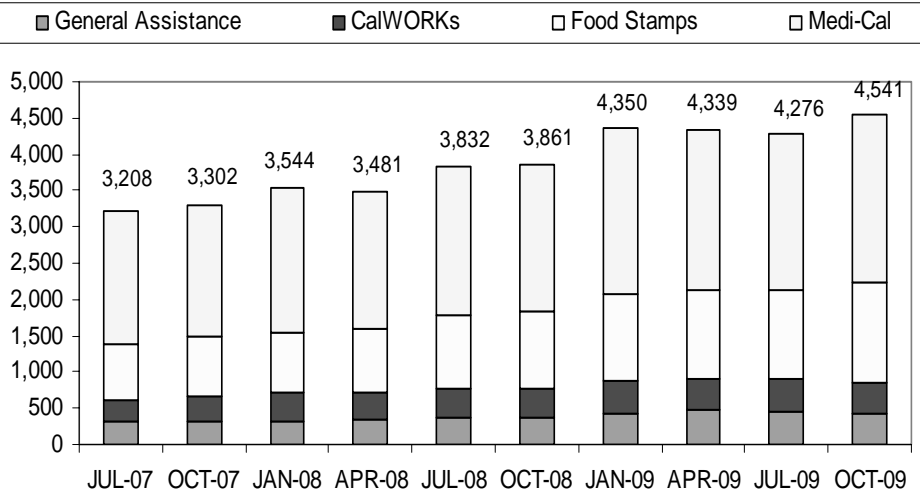
PeninsulaWorks Activity Up 53%



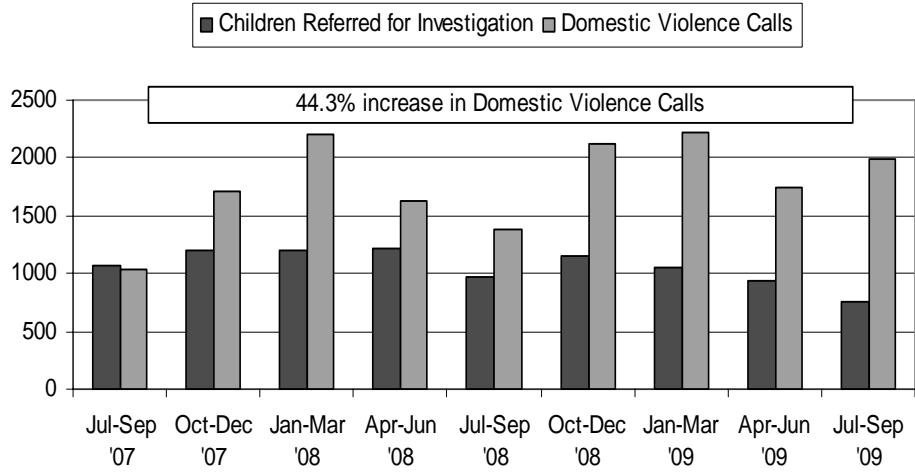
Food and Housing Requests



42% increase in Public Assistance Applications



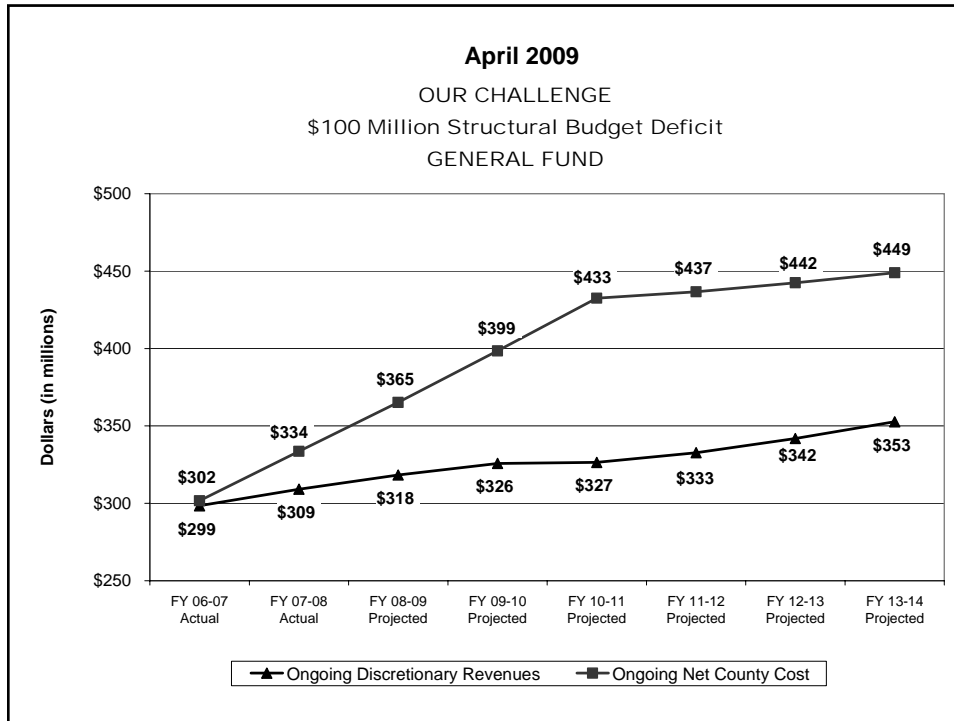
Domestic Violence Calls and Child Abuse Referrals



Board Budget Study Session December 15, 2009

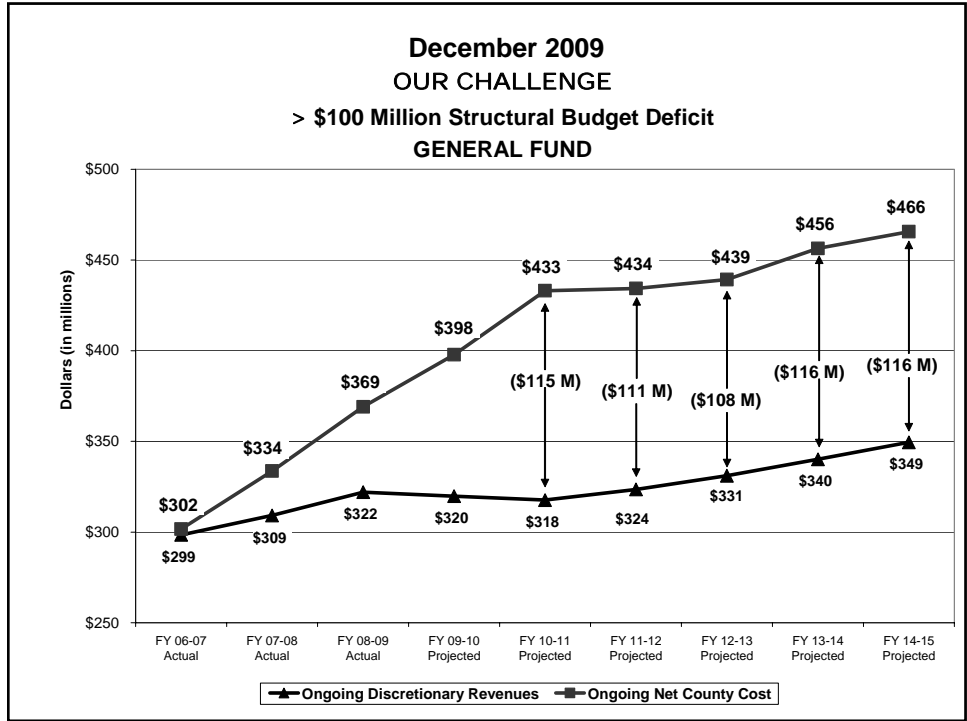


FY 2010-2015 Projections



Structural Deficit Will Likely Increase Due To....

- Reductions in property values
 - Negative Consumer Price Index (CPI) will permanently reduce property tax rolls
 - Commercial property reassessments
- FY 2009 Investment Losses
 - Both Retirement and OPEB funds < 65% funded
- Continued State budget reductions and deferrals
- New Significant Costs
 - Jail replacement – operating costs/debt service
 - Deferred losses-Retirement Fund beginning FY 2015



- Work In Progress----
- Updated Deficit Assumptions**
- Secured Property Tax
 - 1% = \$2.5 million
 - 1% decline in FY 2011; 2%-3% growth in out years
 - Sales & Use Tax
 - 1% = \$186,000
 - 2% growth in FY 2011 thru FY 2015
 - Public Safety Sales Tax (Prop. 172) Growth
 - 1% = \$485,000
 - 0% growth in FY 2011; 1% growth in out years

----Work In Progress----

Updated Deficit Assumptions

- Continue to assume State cuts of \$20 million
- By FY2014, contribution to Medical Center reduced from \$72 million to \$50 million
- No salary increases beyond current MOUs
- In FY 2011, Retirement increases from 24% to 34% of payroll
- In FY 2015, Retirement increases to 41.7% of payroll when deferred losses are recognized

----Work In Progress----

Updated Deficit Assumptions

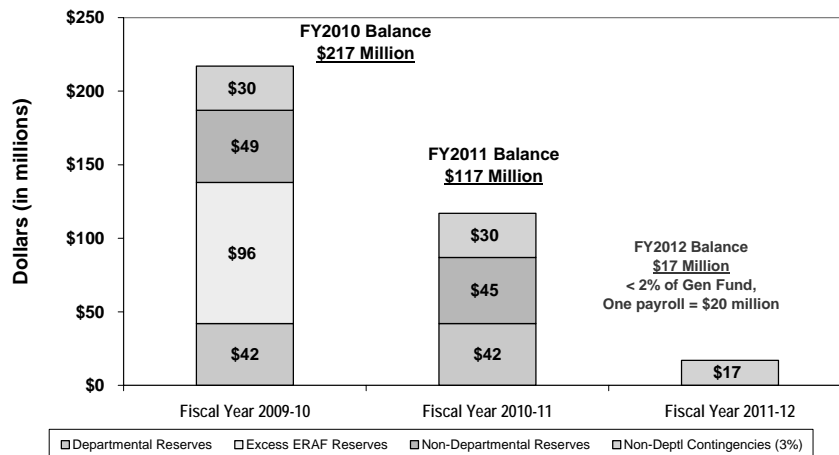
- No increases included for community-based organizations (CBOs)
- Private Defender Program contract flat in FY2011 and FY2012 with 3% increases thereafter
- By FY2015, deficits in Fire and other funds exceed \$3 million
- In FY2011, includes \$5.2 million to re-open Medium Security Facility (jail)
- In FY2014, includes estimate for ongoing debt service of \$9 million for re-entry /jail replacement facilities (still need estimate for operating costs)

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Eliminating the Deficit by FY 2013 Budget Balancing Plan

SOLUTION = \$100 MILLION RESERVES \$217 Million Reserves Will Be Depleted in FY 2012

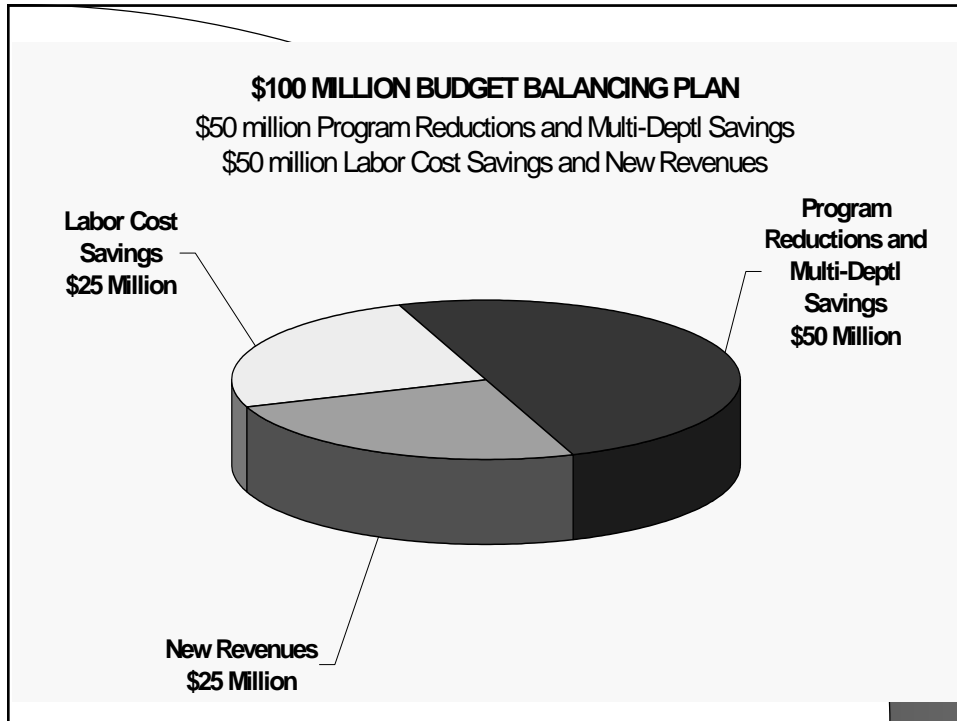


Worst Case Scenarios

- **\$100 Million Reserves**
 - Depleted by FY 2012, remaining ongoing deficit
- **\$100 Million Program Reductions**
 - 30% reduction in Net County Cost
 - Over 1,000 positions, elimination of services
- **\$100 Million Labor Cost Savings**
 - 20% reduction in salaries and benefits, impact on employees
- **\$100 Million New Revenues**
 - 30% increase in revenues, fees from taxpayers

Recommended Balanced Approach

Program reductions/multi-deptl savings
+
Savings in labor costs
+
New revenues
+
Managed use of reserves
=
\$100 Million



\$100 Million Balancing Plan Accelerated Phase-In

- **Program Reductions = \$50 Million**
 - Implement first set of reductions for FY 2009-10 (February 2010)
 - Complete plan to achieve remaining program and Countywide solutions (March 2010)
- **Labor Cost Savings = \$25 Million**
 - work with employee organizations to achieve \$25 million in labor cost savings – 10 contracts expire in 2010 (Jan-Aug 2010)
- **New Revenues = \$25 Million**
 - Place new revenue measures on ballot (June 2012)

\$100 Million Balancing Plan Managed Use of Reserves

- **Non-Departmental Reserves/Contingencies**
 - Balance the budget but maintain 10% minimum or \$100 million for contingencies and uncertainties
- **Departmental Reserves**
 - Address in Reserves Policy (February 2010)
- **Excess ERAF Reserves**
 - Replacement facilities and facilities improvements (5-year CIP)
 - IT infrastructure replacement (5-year IT Plan)
 - Reduction in liabilities: retirement, retiree health
 - One-time investments to generate ongoing savings

Labor Cost Savings (Negotiations) \$25 Million

- \$25 million represents ~ 5% in salaries and benefits
- Options could include:
 - Employee pick-up of 50% retirement COLA (\$8 million annually)
 - Health benefit changes (\$3-4 million)
 - New retirement tier for new hires; hybrid plan (prospective savings minimal at first, \$59 million over 10 yrs)

**New Revenues
\$25 Million**

- Starting in FY 2013
- Options could include:
 - Utility users tax
 - Increased Transient Occupancy Tax (TOT)
 - Increased sales tax
 - Business license taxes
 - Economic development opportunities

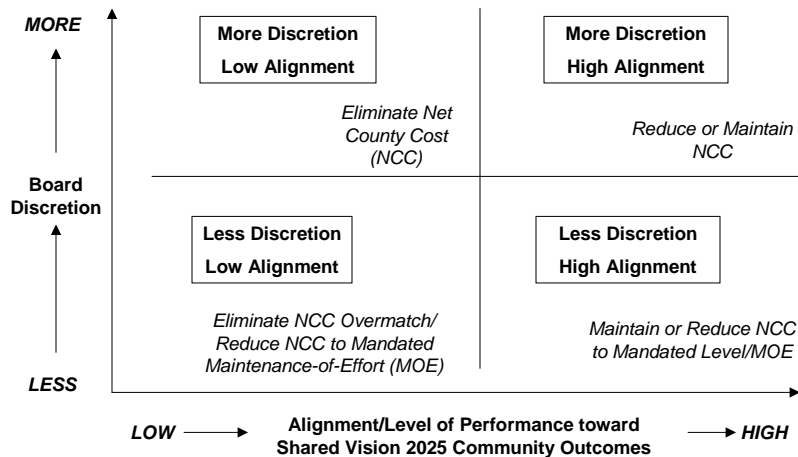
**Teams to Focus on
Multi-Departmental Efforts**

- Employee and Community Engagement
- External Service Partnerships – schools, cities, community-based organizations
- Internal Support Services – administration and support, management/supv-to-staff ratios
- Facilities Management and Fleet
- Revenue Enhancement (existing Employee Budget Workgroup)

Program Reductions/Multi-Dept Savings \$50 Million

- Mandated vs. discretionary funding
- Mandated vs. discretionary levels of service
- Impact of solutions on community
- Alignment with Board-adopted budget balancing principles and strategies
- High Net County Cost growth area
- Staffing levels and mgmt/supervisor-to-staff ratios higher than comparable counties
- Implementation timeframes within 3 years

Prioritizing General Fund Allocation (NCC) Mandated vs. Discretionary Analysis



FY 2010-11 Critical Issues

- Long-Term Care
- New Jail/Re-Entry
- Juvenile Camps
- Expiration of One-Time Federal Stimulus Funding (Health System, Human Services)

Public and Employee Engagement

- Continue to educate and raise community awareness, seek input about the County's budget challenge, actions already taken, and proposed plan
- Continue to inform and involve employees and labor organizations in budget balancing process
 - Employee Forums
 - Community Forums – one in each Board district
 - Budget publications and updates
 - SEE-IT site launch – outcome indicators
 - Employee Intranet – continued updates and bulletin board
 - Other

Next Steps

- Set FY 2010-11 targets and estimate multi-department and Countywide solutions (December-January)
- Hold employee and community forums (January – February 2010)
- Bring FY2009-10 mid-year reductions to Board (February 9)
- Present Budget Balancing Plans to Board standing committees (March 22-26)
- Adopt FY2010-11 Budget (June 21-23)

Recommendation

Adopt a Resolution approving a balanced approach, accelerated timeline, minimum reserve levels, and community forums as part of efforts to eliminate the General Fund structural budget imbalance by Fiscal Year 2013.