



COUNTY OF SAN MATEO
County Manager's Office
Information Only

DATE: March 20, 2009

TO: Honorable Board of Supervisors
FROM: David S. Boesch, County Manager
SUBJECT: **Preliminary Budget Solution Proposals for FY 2009-10**

I have completed preliminary budget meetings with departments and wanted to inform you of our progress. I have attached the following documents for your reference: (1) March 18 Finance and Operations budget deficit update (2) list of preliminary budget solution proposals, (3) employee budget solutions being considered, and (4) Budget Reduction and Staffing Plan.

Growing Structural Budget Deficit

We provided an update on General Fund revenues and projected impact on the structural budget deficit to the Finance and Operations Committee on March 18. Due to property reassessments and slower property tax growth, we project our deficit to grow by another \$20.4 million over the next five years, for an updated deficit of \$64 million in FY2014. Attached is the update to the Committee.

Actions Taken Since December 2007

As you recall, we began taking more proactive steps to eliminate our structural budget imbalance back in December 2007. The most significant actions include preparing a 5-year plan with phased spend-down of reserves, and implementing a 5 percent hiring freeze. In addition to the 5-year plan and hiring freeze, we have also done the following:

- Used reserves to prefund 90% of our OPEB (retiree health) liability for all employees
- Restructured retiree health for new management employees
- Met monthly with unions to provide updates on the state and County budgets
- Asked employees for budget suggestions through a new Budget News Intranet site
- Jointly developed a new STARS Award for Employee Budget Suggestions and created Employee Budget Workgroups that are co-led by union and management staff
- Reduced extra help, overtime, travel
- Initiated a purchasing audit
- Deferred major projects and purchases

Filled Positions and Plan for Affected Employees

Preliminary budget proposals include the deletion of 118 positions, of which 40 are filled. Currently the "hard" hiring freeze on about 300 positions in all of our departments (1) generates salary savings and (2) leaves positions open to minimize layoffs as we make reductions to balance the budget. Every effort will be made to place affected employees into these vacant positions as we make reductions. HR has prepared a Budget Reductions & Staffing Plan (attached).

Meeting with Labor Organizations and Department Heads

The Department Heads and I will be meeting with employee organizations on Monday, March 30 at 9:00am in Board Chambers to discuss the preliminary budget proposals.

The following is a summary of proposed budget solutions for a total of \$54.9M and 118 positions:

| <u>SUMMARY OF PROPOSED SOLUTIONS:</u> | <u>Amounts</u> | <u>Total Positions*</u> | |
|--|-----------------------|--------------------------------|----------------------|
| | | <u>Vacant</u> | <u>Filled</u> |
| Additional Revenues | (\$5,589,291) | | |
| Position Reductions | (5,238,586) | (78) | (40) |
| Other Operating Reductions | (7,368,475) | | |
| Use of One-Time Reserves | (2,583,837) | | |
| All Proposed Department Solutions - Total | (\$20,780,189) | (78) | (40) |
| Use of Non-Departmental Reserves | (34,071,000) | | |
| Total Proposed Solutions for FY 2009-10 | \$(54,851,189) | | |

* Of the total 118 proposed position reductions, 4 are management.

Please feel free to contact me if you have any questions or concerns. Thank you.

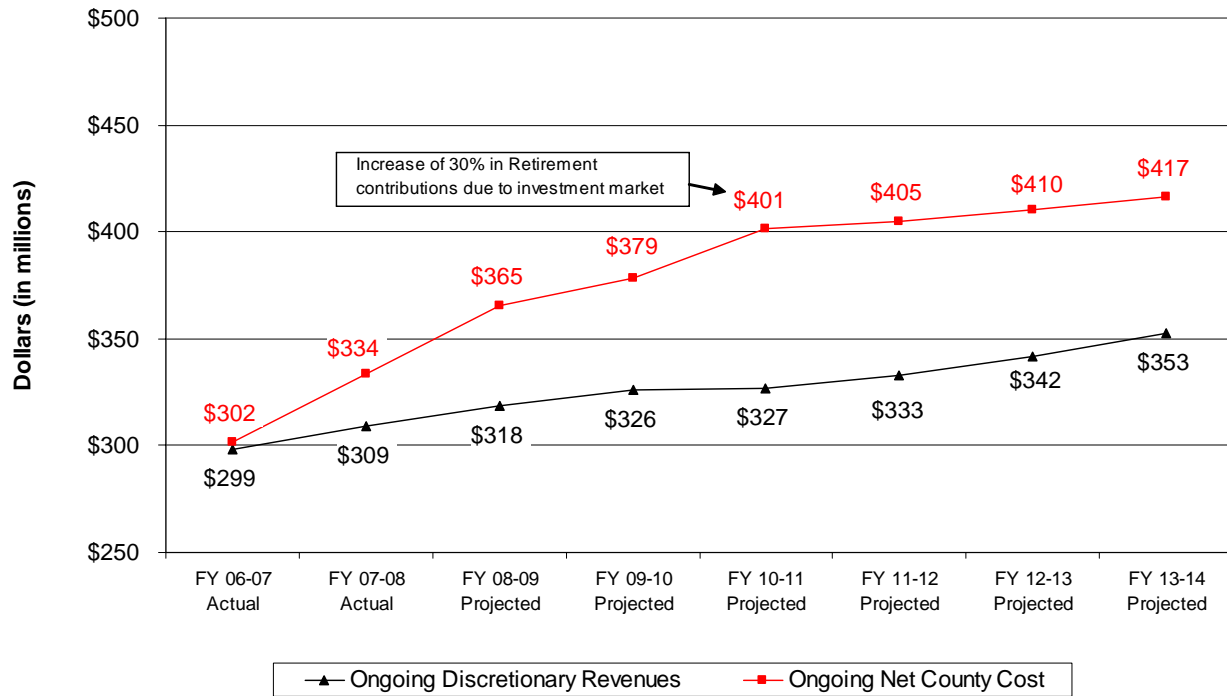
Distribution:

Employee Organizations
 Department Heads
 Human Resources Department
 Budget and Performance Staff
 Marshall Wilson

ATTACHMENTS

- Structural Budget Deficit Update (March 18, 2009 Finance and Operations Committee)
- Preliminary Budget Solution Proposals
- Preliminary Employee Budget Solutions Being Considered
- Budget Reductions & Staffing Plan (Human Resources)

Structural Budget Deficit
Increases \$20.4 Million by FY 2014 due to Revised
General Purpose Revenue Growth Projections



| Revenue Object | FY 2007-08 Actuals | FY 2008-09 Budget | FY 2008-09 Projected | FY 2008-09 Difference |
|--|--------------------|--------------------|----------------------|-----------------------|
| Property Taxes | 251,672,219 | 267,700,835 | 266,719,770 | (981,065) |
| Sales & Use Taxes | 19,982,080 | 20,937,576 | 22,625,390 | 1,687,814 |
| Teeter Revenues | 0 | 6,000,000 | 6,000,000 | 0 |
| Property Transfer Taxes | 6,010,759 | 6,366,914 | 4,582,982 | (1,783,932) |
| Transient Occupancy Taxes | 749,628 | 1,246,832 | 1,017,823 | (229,009) |
| Franchise Fees | 419,229 | 419,229 | 419,229 | 0 |
| Interest/Investment Earnings | 18,017,402 | 14,099,145 | 623,116 | (13,476,029) |
| State Mandated Cost Reimbursements | 188,563 | 880,340 | 0 | (880,340) |
| All Other Ongoing Miscellaneous Rev | 12,135,301 | 15,069,636 | 16,320,914 | 1,251,278 |
| Non-Dept General Purpose Revenues | 309,175,182 | 332,720,507 | 318,309,224 | (14,411,283) |
| Public Safety Sales Tax | 62,476,458 | 65,425,959 | 59,791,601 | (5,634,358) |
| Ongoing Discretionary Revenues | 371,651,640 | 398,146,466 | 378,100,825 | (20,045,641) |

FY 2008-09 Revenue Projection Comparison to Budget

Property Taxes: Secured up 0.1%; Unsecured up 5.6%; Supplementals down 20.9%.

Sales & Use Taxes: Point-of-Sale Taxes up 10.6%; In-Lieu Sales Taxes up 8.5%.

Teeter Revenues: Current year appropriation transferred; excess reserves currently at \$3.9 million.

Property Transfer Taxes: Down 28.0%.

Transient Occupancy Taxes: Down 18.4%.

Franchise Fees: On target.

Interest/Investment Earnings: Interest down 114.7% due to Lehman bankruptcy and reduced fund balances.

State Mandated Cost Reimbursement: Down 100%; no receipts anticipated due to State budget crisis.

Public Safety Sales Tax: Down 8.6% due to anemic statewide sales.

All Other Ongoing Misc. Revenue: Penalty & Cost up 63.1%; Project Cost Reimbursements from remaining punch list items at Youth Services Center up 120.5%.

San Mateo County
Preliminary Budget Solution Proposals for FY 2009-10

| Department | Proposed Change | FY 2009-10 Proposed Solutions | | Net County Cost Impact | Positions | # Filled |
|--|---|----------------------------------|-----------------------|---------------------------|--------------|-------------|
| | | Increase | Decrease | | | |
| | | Effective July 1, 2009 | | | | |
| Health | Food Services reductions | | (\$389,169) | (\$389,169) | (5) | (4) |
| Health-SMMC | Clinical Trials and Research | | (500,000) | (500,000) | (4) | (4) |
| Effective September 1, 2009 | | | | | | |
| Child Support | Tentative position reductions | | (266,811) | 0 | (3) | 0 |
| Housing | Housing Administration | | (215,439) | 0 | (2) | 0 |
| HSA | Family Resource Centers | | (631,070) | (631,070) | (6) | (3) |
| HSA | Vocational Rehab Services (VRS) | | (301,194) | (301,194) | (3) | (1) |
| Planning | Development Review Services | | (150,000) | (150,000) | (2) | 0 |
| Probation | Juvenile Detention Housekeeping | | (75,334) | (75,334) | (2) | (2) |
| Probation | Risk Prevention Program (RPP) | | (567,242) | (567,242) | (4) | (1) |
| PSC Dispatch | Training Unit | | (85,964) | (85,964) | (1) | (1) |
| Public Works | Facilities Maintenance and Construction Services | | | | | |
| Health-SMMC | Eliminate Unfunded Positions (salary savings already budgeted in current fiscal year FY09) | 0 | | 0 | (58) | 0 |
| Health-SMMC | Psychiatry Services | | (300,000) | (300,000) | (5) | (5) |
| Health-SMMC | Burlingame Long Term Care | | (290,000) | (290,000) | (3) | (3) |
| Health-SMMC | Administrative Services | | (60,000) | (60,000) | (1) | (1) |
| Health-SMMC | Ambulatory Services-Clinics | | (560,000) | (560,000) | (10) | (10) |
| Sheriff | Maguire Jail | | (504,120) | (504,120) | (4) | (2) |
| Sheriff | Relief Staffing Unit | | (180,369) | (180,369) | (1) | (1) |
| Sheriff | Civil Unit | | (161,031) | (161,031) | (1) | 0 |
| Sheriff | Countywide Security Unit | | (161,031) | (161,031) | (1) | (1) |
| Sheriff | Investigations Unit | | (161,031) | (161,031) | (1) | (1) |
| Sheriff | Patrol Bureau | | (161,031) | (161,031) | (1) | 0 |
| Proposed Position Reductions - Subtotal | | 0 | (\$5,720,836) | (\$5,238,586) | (118) | (40) |
| Various | Additional Revenue | 5,589,291 | | (5,589,291) | | |
| Various | Overtime/Extra Help Reductions | | (350,000) | (350,000) | | |
| Various | Services and Supplies Reductions | | (2,373,240) | (2,373,240) | | |
| Various | Other Miscellaneous Operating Reductions | | (4,645,235) | (4,645,235) | | |
| Various | Use of One-Time Reserves | | (2,583,837) | (2,583,837) | | |
| Proposed Other Solutions - Subtotal | | \$5,589,291 | (\$9,952,312) | (\$15,541,603) | | |
| All Proposed Solutions - Total | | <u>\$5,589,291</u> | <u>(\$15,673,148)</u> | <u>(\$20,780,189)</u> | <u>(118)</u> | <u>(40)</u> |
| | | | | Total Positions | | |
| SUMMARY OF PROPOSED SOLUTIONS: | | Amounts | Vacant | Filled | | |
| Additional Revenues | | (\$5,589,291) | | | | |
| Position Reductions | | (5,238,586) | (78) | (40) | | |
| Other Operating Reductions | | (7,368,475) | | | | |
| Use of One-Time Reserves | | (2,583,837) | | | | |
| All Proposed Department Solutions - Total | | (\$20,780,189) | (78) | (40) | | |
| Use of Non-Departmental Reserves | | (34,071,000) | | | | |
| Total Proposed Solutions for FY 2009-10 | | \$ (54,851,189) | | | | |

**San Mateo County
Preliminary Employee Budget Suggestions for Budget**

Recommended STARS Awards Nominees:

- * Default printers to fast draft.
- * Eliminate printed agendas for meetings - use flip charts, white boards or electronic displays.
- * Use direct deposit for travel and other reimbursements, eliminating paper checks.
- * Timers/light sensors on parking lot lights; adjust timers to account for day light savings time.
- * Encourage webinar meetings instead of in-person meetings, especially for document review or canned trainings.

Other Employee Suggestions Being Analyzed by Fiscal Officers Technical Team:

- * Eliminate County catering costs for meetings involving County employees and reduce conference expenses.
- * Adjust salary step increase from 5.74% to 5%; add 6th step (based on performance).
- * Reduce % between salary steps from 5.74% to 4.5% add step 6 (can advance after 2 years at step 5 or 10 years of service, whichever comes first) and step 7 (can advance after 2 years at step 6 or 10 years of service).
- * Mandatory time off for all employees to be used during Holiday week.
- * Decrease Management Administrative Leave accrual from 5 hours down to 4 hours.
- * Decrease or eliminate mileage allowance and have employees submit mileage claims instead of building benefit into salary.
- * Utility users tax (UUT) in unincorporated areas for electricity, gas, telephone, cable television that would be collected by these utility companies and remitted to the County.
- * Convert motor pool vehicles to run on vegetable oil from County kitchens.

SUMMARY OF SUGGESTIONS RECEIVED:

There were 122 suggestions received from employees; of these 56 were submitted for STARS Awards consideration (employee provided name and contact info). The 56 were given to the Employee Budget Workgroups for review, and 14 were referred to the Fiscal Officers Technical Team for analysis. The Technical Team is recommending STARS Awards for 5 of these suggestions (see above).

San
Mateo
County

Budget Reductions & Staffing Plan

2009

San Mateo County
Human Resources Department

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Introduction

In anticipation of budget reductions over the next few years, a Budget Reduction and Staffing Committee (BRSC) and oversight team will be convened to develop and coordinate the implementation of proposed budget reduction strategies for San Mateo County Departments.

BRSC will consist of Human Resources staff, department representatives, the County Manager's Office and Labor Unions. The team will be responsible for carrying out the various stages of the budget reduction process highlighted below, communication of project milestones, and oversight of all transitional services for impacted employees. A bi-weekly status report will be provided to the Director of Human Resources outlining the milestones of the process and executive summaries provided to the Executive Council on a monthly basis.

Assumptions

The Budget Reduction & Staffing Plan assumes the following:

- Multiple position cuts requiring the implementation of a larger scale reduction plan with added placement activities and resources.
- Impacted Departments will continue to work collaboratively in the planning and implementation of the Budget Reduction & Staffing Plan.
- Non-Impacted departments will be encouraged to participate in the process by identifying vacancies that can be used for placement, and by assisting in the transfer and or hiring process of the impacted employees.
- That budget reduction strategies and time line will consist of a 2 Phased approach. Several reductions will be made prior to June Budget Hearings and others to coincide with June Budget Hearings.

Challenges

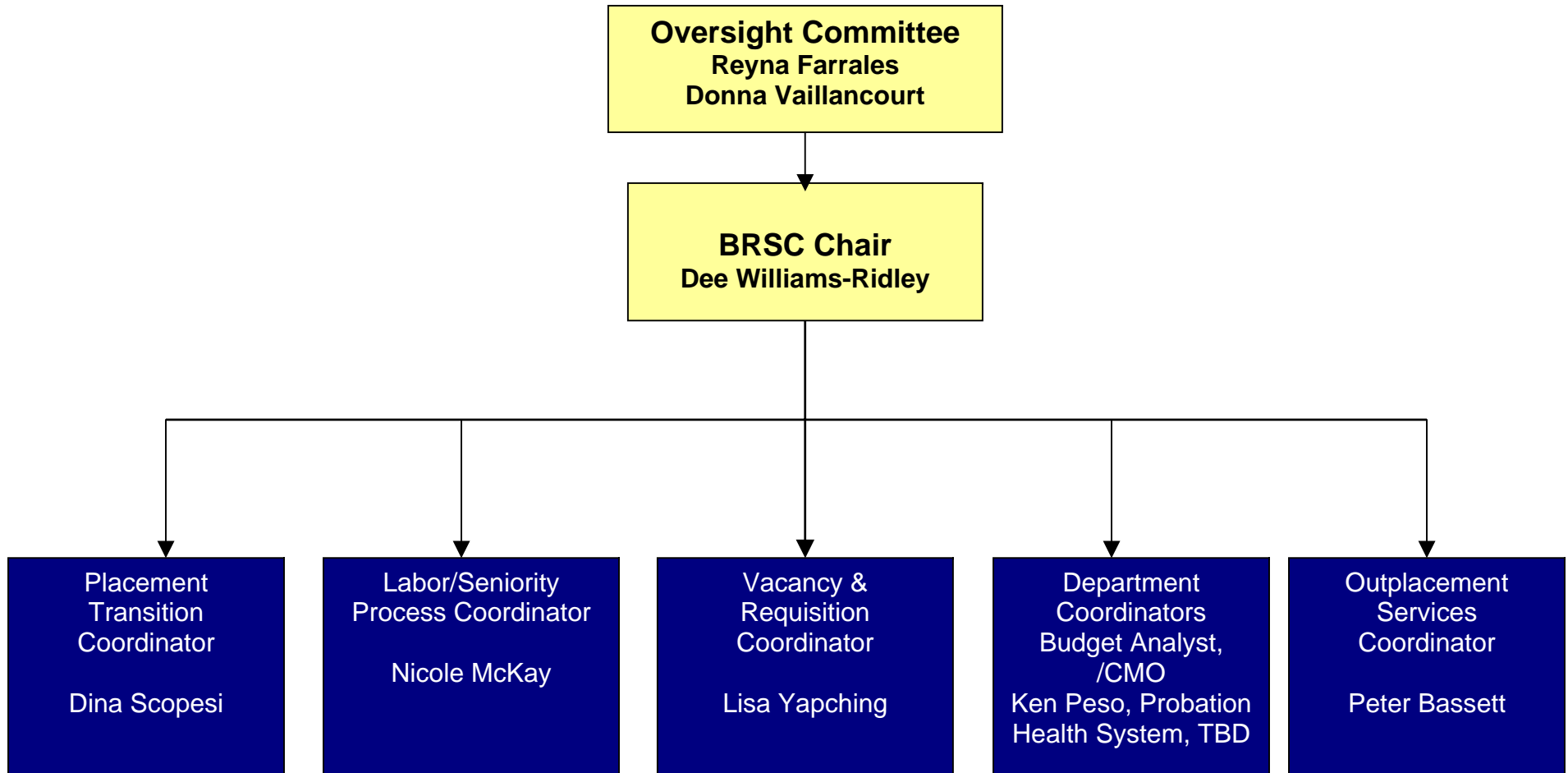
The following areas have been identified as areas of concern:

- Determining ways to minimize the angst, disruption and emotional pressures associated with budget reductions for both employees and programs.
- Channeling communication efforts appropriately, timely and with diligent confidentiality.
- Time constraints
- Lack of transferable skill sets or matches for impacted employees

Highlights of Budget Reduction Plan

- Identify Recommended Budget Reductions and Strategies (i.e., deletion of vacant positions, program elimination, position elimination).
- Communicate Reduction Strategies to Departments, Unions (preliminary high level projections).
- Convene Budget Reduction & Staffing Committee (BRSC)
- Communicate Budget Reduction & Staffing Plan
- Develop Work Plan(s) for each Department's Proposed Budget Cuts/Strategies
- Departments Identify Vacancies for Placement Services
- Centralize Placement Vacancies – Vacancy board (worksheet for internal tracking purposes)
- Coordinate Calendar of Process Milestones
- Coordinate Web Presence – Frequently Asked Questions and Comments
- Coordinate a One-Stop Placement Interview Process for At-Risk Employees & Hiring Supervisors/Managers
- Coordinate Labor Meetings
- Development of an Outplacement Resource Guide/Packet

Budget Reduction & Staffing Committee (BRSC)



BRSC Roles & Responsibilities

BRSC Oversight Committee/Chair

The BRSC Chair, in collaboration with the Oversight Committee is responsible for the overall development of the budget reduction process plan, committee coordination & project planning, communication plan, procedures, CMO/BOS correspondence and the identification of resources and enhancement incentives.

Placement Transition Coordinator

In coordination with assigned HR Recruitment Analyst(s), The Placement Transition Coordinator is responsible for developing placement processes to include; coordination of impacted employee skills assessments, matching of employee skill sets to vacant positions and needed training, coordination of interview process for impacted employees, hiring supervisors/managers, coordination of job orientations with hiring supervisor and managers.

Labor/Seniority Process Coordinator

In coordination with the HR PIPS Manager and BRSC Chair, the Labor/Seniority Process Coordinator will be responsible for preparing seniority lists, work with Outplacement Services Coordinator to identify areas where early retirement could be an option, coordinating the meet & confer process, preparing correspondence for and conducting employee notification meetings, question and answer sessions, communicating CSC & MOU Provisions, and preparing various reports for process coordination.

Vacancy & Requisition Coordinator

In coordination with assigned HR Personnel Technicians, The Vacancy and Requisition Coordinator will be responsible for developing and maintaining a vacancy board (listing) of vacant positions for placement, coordinating the vacancy process to include; notifying departments, securing requisitions, tracking and monitoring vacancies to be used for impacted employees, communicating with departments on vacancy updates and changes, preparing reemployment lists, coordinating and collecting job descriptions for vacant positions and assisting the Placement Transition Coordinator with placement activities.

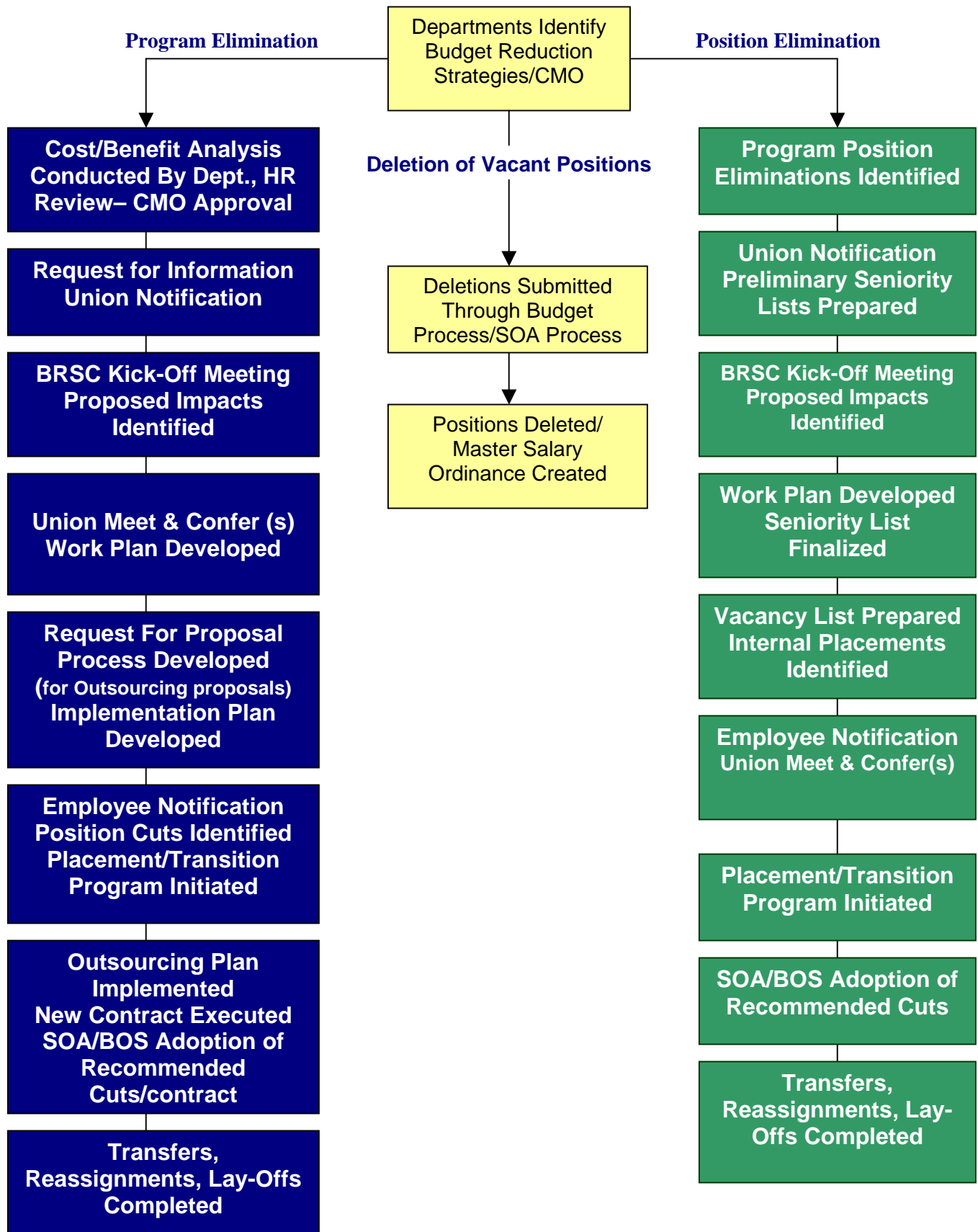
Department Coordinators

Department Coordinators and assigned CMO/Budget Analyst are responsible for communicating the department's budget reduction strategies, providing program specific knowledge and research for the BRSC Committee, conducting cost/benefit analyses when needed, coordinating RFP processes when applicable, liaison between committee and department, preparation of department specific work plans in conjunction with BRSC, preparing and disseminating notification letters, oversee payroll changes for employees, and assist in the coordination of transition services for placement and out placement services.

Outplacement Services Coordinator

Responsibilities for the Outplacement Coordinator is to coordinate services that assist impacted employees including; working with Labor/Seniority Coordinator on early retirement options, MHN workshops for employees, benefits upon termination, Unemployment Insurance Benefit information, preparing resource packets, and a list of external employment resources.

Budget Reduction Process Flow Chart



Timeline

| | |
|------------------------------|--|
| <p>March 2009</p> | <ul style="list-style-type: none"> • Budget Reduction Strategies Finalized • CMO Notifies Departments of Reductions/Impacts • Unions Notified of Budget Reduction Strategies • Budget Reduction & Staffing Plan Finalized & Presented • Department Coordinators Identified • BRSC & Labor Kick-Off Meeting • Departments Identify Vacant Positions to be Used for Placement Activities • Preliminary Seniority List Developed • Impacted Classifications Identified (Bumping Scenarios Identified) • Frequently Asked Questions (FAQ's) Developed • Intranet Site Established for BRS FAQ's • Draft Work Plan(s) Developed |
| <p>April 2009</p> | <ul style="list-style-type: none"> • Department Specific Work Plans Completed • Employee Notification of Proposed Budget Reductions (Department Meetings) • Seniority Lists Finalized • Vacancy Plan Finalized & Vacancy Board Established • Impacted Employees Notified • Intranet Site – FAQ's Posted, Calendar of Process Posted? • Skill Assessments Completed/Training Recommendations • Draft Placement Process/Interview Plan Completed • Meet and Confer Schedule Completed • Early Retirement Considerations Proposed (BOS Approval & Employee Interest) • Actuarial Studies Conducted/Cost Implications for Early Retirement Initiated • Project Work Plans Completed (Department Specific) • Draft Calendar of Activities Finalized • Executive Council Update • Members Memo to BOS – BRS Update • Out Placement Resources/Contacts Identified |

| | |
|----------------------------|---|
| <p>May 2009</p> | <ul style="list-style-type: none"> • Employee, Supervisor & Manager Question & Answer Session(s) Held • Placement Process Finalized & Initiated • Job Matches Identified (Same Class Transfers) • Meet & Confers Continue • Job Descriptions Finalized and Submitted • Interview Process Finalized • Job Overview Orientations Conducted by New Hiring Managers • Employee Training Sessions Scheduled/Held • Early Retirement Considerations Finalized • Executive Council Update • Out Placement Resources/Contacts Identified • Draft Master Salary Ordinance Prepared |
|----------------------------|---|

| | |
|-----------------------------|--|
| <p>June 2009</p> | <ul style="list-style-type: none"> • June Budget Hearings Conducted/Proposed Cuts Approved • Master Salary Ordinance Finalized – Late June • Out Placement Resource Packets & Resource Meetings are Held • Interviews, Transfers, Reassignments – Notice to Employees • New Supervisors and Current Supervisors Coordinate Start Dates • Lay-Off Letters Prepared/Lay-Off 1-on-1 Meetings Held • Payroll Coordinators Initiate Appropriate Paperwork • Executive Council Update • Final Members Memo to BOS – BRS Update • BRS Process Completed • Process Review Conducted |
|-----------------------------|--|

Communication Plan

| Source/Reviewer | Bi-Weekly Updates | Budget Reduction Plan | Meetings | Work Plans | Vacancy Reports/Placement | Meet & Confers | Training |
|--------------------|-------------------|-----------------------|------------------|------------|---------------------------|----------------|----------|
| BOS | | X | June | X | | | |
| CMO | X | X | | X | X | | |
| Executive Council | X | X | April, May, June | X | X | | |
| BRSC | X | X | Weekly | X | X | X | X |
| Unions | X | X | Weekly/Bi-Weekly | X | X | X | |
| Impacted Employees | | X | As Needed | X | | X | X |
| New Supervisor | | | TBD | X | | | X |
| Former Supervisors | | | TBD | X | | | X |