

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** - includes centralizing services within the County organization and sharing (buying/selling) services with other public agencies in the county/region
- **Transfer of Services/Annexation** - annexation of unincorporated areas and transfer of 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** – need process and criteria (minimum level savings, contractor requirements like health benefits, time to allow for improvement/efficiencies within existing structure, etc.); 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;
- **Use of Volunteers** - includes centralizing services within the County organization and sharing (buying/selling) services with other public agencies in the county/region

REORGANIZATIONS AND LABOR COST RESTRUCTURING

- **Charter Review** – opportunities to consolidate departments; reorganizations
- **Review of Boards and Commissions** – evaluation of effectiveness/necessity, with recommendations toward consolidations/restructuring/elimination and reductions in County staff support.

- **Skills Mix** - add/delete positions to better match job classification with duties performed
- **Pay Adjustments** – includes salary freezes, increased Voluntary Time Off (VTO), mandatory furloughs, and other negotiated reductions in pay.
- **Cost Sharing** - includes cost-sharing of COLA (County currently pays 100% of retirement COLAs) to address significant increase in retirement contributions due to investment losses in Retirement Fund; higher cost-sharing for health premiums (County currently picks up 90% of cost for most employees); creation of incentives such as reduced share of premiums linked to participation in wellness programs and activities
- **Benefits Restructuring** –changes allowed by approved legislation (judicial benefits); creation of new retirement tier for new employees; creation of hybrid defined benefit/defined contribution plan as an option for new and existing employees
- **Span of Control** – review supervisor-to-staff ratios and restructure management to increase span of control, providing opportunities to increase levels of responsibility among supervisors and managers.

ORGANIZATIONAL INCENTIVES

- **Separation Incentives** – to minimize layoffs, offer voluntary separation incentives based on years of service and business need, to include limited-time coverage of health premiums;
- **Wellness Incentives** – creation of 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** – 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.

REAL PROPERTY/FACILITIES

- **Space Consolidation/Reduction Initiatives** - includes completion of Countywide Facilities Master Plan; standardization of space requirements per employee, updates of telecommuting policies and increase in commute alternatives to lower rent/facilities maintenance charges; also savings from EDMS efforts/less space needed for filing and storing records.
- **Real Property (County-Owned Facilities and Leased Facilities)** – sale of assets, creating new agreements to increase revenue from leasing/use of County property; renegotiating existing agreements with landlords for lower rent
- **Other Uses for Geographic Information System (GIS)** - tool for prioritizing services and targeting solutions toward demand and gaps by neighborhood/region; multi-resource centers in targeted areas where outcomes can be tracked over time.
- **Debt Restructuring** – refundings/refinancing existing debt to reduce debt service (minimum 3% annual debt service reduction) for existing buildings or use savings for new debt service.

ADMINISTRATIVE EFFICIENCIES

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

REVENUE GENERATION

- **Full Cost Recovery/Standard Methodology for Charges for Services** - more accurate basis for charging costs for both internal services (ISD, facilities maintenance, human resources) and services provided to other public agencies; increase revenue by phasing in higher rates for areas where more cost recovery makes sense, better benchmarking with other agencies; includes development of County Fee Policy
- **New 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