
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

LONG-TERM BUDGET BALANCING STRATEGIES

September 15, 2009 Budget Study Session - Fiscal Years 2010-2013

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 (for example, 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 geographic information systems (GIS) to prioritize services and target solutions based on demand and performance gaps by neighborhood or 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 (for example, 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 five 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 and purchasing cards
- **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).
- **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 (Information Services Department, Facilities Maintenance and 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 revenue.
- **Economic Development**– expand County's role in job creation and growth in tax base.