County of Marin Long-Term Restructuring Plan: A Blueprint for Financial Sustainability

JANUARY 12, 2010

1. Executive Summary

One of the most important responsibilities of government is to spend resources in a manner consistent with community values and with an eye toward future generations. Marin County has a tradition of prudent fiscal management as indicated by having the highest bond rating among California counties. The financial challenges we now face call for an even greater effort to live within our means while continuing to achieve a high level of services to our residents. We know we cannot support the same level of services we currently provide. However, by planning ahead we hope to minimize the impact of service reductions by addressing structural budget issues and improving our business practices to better adapt to diminishing resources.

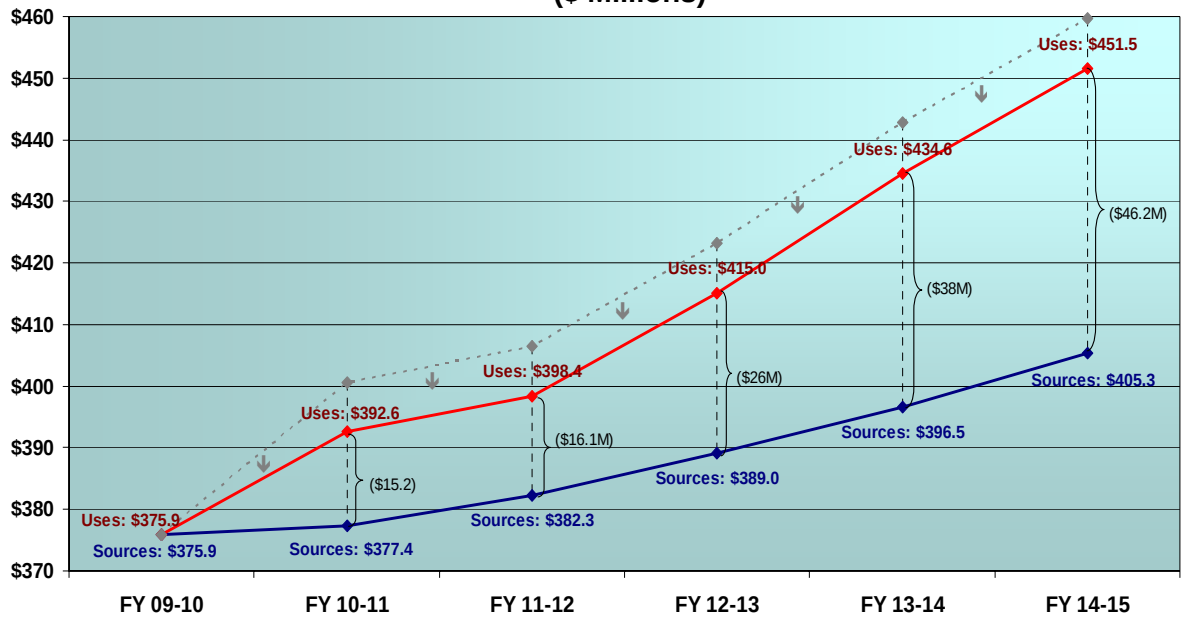
The County has already taken several steps to address these challenges, including:

- Adopting a lower-cost retiree health plan in 2007 for new employees
- Beginning to set aside funds for the unfunded liability of retiree healthcare
- Enacting pension reforms such as basing pension benefits on a three-year average rather than the highest single year and capping annual cost of living adjustments at two percent
- Developing and implementing a five-year $20 million road maintenance project

We have also reduced spending to reflect our new fiscal reality. Over the past two years, the County has made approximately $28 million in overall budget reductions, including $7.8 million in State reductions, and eliminated over 100 vacant positions. **Despite these efforts, the County faces an estimated budget shortfall of approximately $15 million in FY 2010-11, which will grow to nearly $50 million by FY 2014-15 if no corrective actions are taken**. This five-year projection will be revised in February based on a current review of countywide revenues.

Below is a chart illustrating this five-year budget shortfall beginning in FY 2010-11. The red line (uses) indicates projected expenditures for current services, while the blue line (sources) indicates projected revenues. The gap between expenditures and revenues represents the County's projected annual budget shortfall. In addition, the light gray line indicates the higher level of projected expenditures had the County used one-time sources (such as reserves) to balance this year's budget instead of making ongoing solutions.

Five-Year Projected General Fund Operating Budget Gap
($ Millions)



To meet these challenges, the County initiated a long-term restructuring process in January 2009 to help the County organization adapt to this new fiscal reality. This process included engaging both the public and our employees for their ideas and input. This Long-Term Restructuring (LTR) Plan is the culmination of this year-long process and identifies key trends impacting our budget and articulates our initial plan for responding to these forces. **The LTR Plan is not a specific list of budget reductions to balance our projected shortfall, but is rather a policy guide to help the County adapt to changing conditions in a thoughtful and deliberate manner**. This Plan provides information on structural challenges facing the County and offers a roadmap of guiding principles, future strategies, and policy options to address these long-term challenges.

The Plan includes a set of LTR Guiding Principles intended to guide decision-making and strategies in addressing key issues and policy options. Below is a listing of these principles:

1. Make budget adjustments consistent with vision of sustainability while continuing to ensure safe and healthy communities
2. Identify ongoing savings to reduce long-term costs
3. Explore opportunities for additional revenues to offset or augment program costs
4. Focus on priorities and make service tradeoffs based on community and organizational needs
5. Use results to inform decisions and continue providing high quality of service
6. Promote creative and innovative solutions
7. Provide fair and consistent process
8. Develop mix of options and solutions at countywide, service area and departmental levels
9. Engage the public and employees to share information and involve them in finding solutions
10. Provide supportive work environment for employees to adapt to continuously changing conditions

Building on these principles, the Plan identifies a number of future strategies to address key emerging issues such as growth in pension and health care costs and facilities and infrastructure needs. Examples of these future strategies include:

- Exploring less costly retirement plan tiers for new employees or other options which would save an equivalent amount of money
- Working with employee groups to consider health plan redesign options to reduce costs for both the County and employees
- Increasing our facility maintenance investments by $2 million annually to extend the useful life of our publicly-owned facilities
- Continue to explore opportunities to redesign the structures, processes, policies, and support systems to achieve organizational goals with fewer resources

The Plan also includes over 50 potential countywide and department-specific policy options that reflect both the LTR Guiding Principles and the proposed strategies for addressing emerging issues. These policy options are not presented to the Board of Supervisors for action at this time, but will be considered and brought to the Board for approval at the appropriate time. In addition, some options are subject to discussions with the County's unions as part of labor bargaining obligations. The potential policy options are grouped into the following four categories:

- Countywide Cost Savings
- Service and Program Reductions/Eliminations
- Organizational Restructuring/Redesign and Process Improvements
- Revenue Increases

If each of the policy options identified were approved and implemented, we would generate General Fund annual savings of $10-12 million over the next five years. Although we recognize that these options would not fully close the estimated funding shortfall, they do represent a significant portion of the gap and begin to help us examine our budget challenges with a long-term perspective rather than in one-year increments.

This Plan is intended to be a working and evolving blueprint to evaluate and update as conditions change. Following approval of the Plan by the Board of Supervisors in January, the County will begin implementation as part of the FY 2010-11 budget process. **The Plan will be used to ensure our annual budget choices are consistent with our long-term strategies to balance our budget.** Despite the difficulties we face, this is also an opportunity for us to think differently and creatively about how Marin County government can best serve our community in today's environment.

The County of Marin is committed to adapting to these changing economic times while still providing a high overall level of service to the community. This LTR Plan can help us use our organizational strength of innovation and financial discipline to "do the most important things well." The Plan can also help us better coordinate with our community partners who share our mission to live in a healthy, safe, and sustainable community. With the support of staff and our community partners, we can continually restructure County government to meet our future challenges for the benefit of Marin residents.

2. Overview of Long-Term Restructuring (LTR)

Marin County has a long tradition of being a leader and innovator in enhancing the quality of life for our residents. Our long-term vision of a sustainable Marin, articulated in our nationally recognized Countywide Plan, is intended to protect our communities and natural resources so future generations can enjoy this special place. Within the County organization, the County's Strategic Plan adopted in 2001 provides a roadmap for a "well-managed county" that focuses on serving customers, supporting employees, communicating internally and externally, and measuring results. The County's mission summarizes the important role of County government:

> *The mission of the County of Marin is to provide excellent services that support healthy, safe, and sustainable communities; preserve Marin's unique environmental heritage; and encourage meaningful participation in the governance of the County by all*

The County provides an array of countywide services for all residents and municipal services for residents in unincorporated areas. These services range from flood control to property tax collection, from ensuring a fair criminal justice system to providing a "safety net" for residents most impacted by the economy. The County delivers its services in a fiscally-responsible manner based on prudent decisions such as developing strong reserves, minimizing debt service costs, and limiting one-time revenues to one-time uses. As a result, the County has not had to make the scope of service reductions other California counties have already made. However, as we look ahead, we know we will need to make difficult choices given our limited resources.

Our world has changed as the nation has experienced the most severe economic downturn since the Great Depression. Marin County government is not immune to these difficult times and faces a budget shortfall of approximately $15 million next year, which grows to nearly $50 million in five years if no corrective actions are taken. Just as we're committed to creating a more sustainable Marin, we're also committed to financial sustainability and will need to reduce spending to live within our means. Given the severity of economic conditions, the County cannot maintain the same level of program and services and provide a high quality of service. At the same time, we recognize the important role of County government in helping residents meet the challenges of this new reality.

In January 2009, the County initiated a long-term restructuring process to help the County organization adapt to this new reality. This Long-Term Restructuring (LTR) Plan is the culmination of this year-long process and identifies key trends impacting our budget and articulates our initial plan for responding to these forces. The LTR Plan is not a specific list of budget reductions to balance our projected shortfall, but is rather a policy guide to help the County adapt to changing conditions and address our long-term financial challenges in a thoughtful and deliberate manner. In addition to providing background on County's finances, the LTR Plan:

- Outlines the County's "policy filter" and a set of guiding principles to inform the process;
- Articulates key emerging issues and our proposed strategies to address them;
- Highlights potential policy options under consideration; and
- Identifies recommended next steps in the long-term restructuring process.

By planning ahead, our goal is to close our budget shortfall consistent with our priorities and values to achieve our long-term vision of sustainability. We will face difficult choices that will have impacts on both the public and our employees, but by planning ahead we seek to minimize these impacts wherever possible. At the same time, we see this as an opportunity for us to think differently and creatively about how Marin County government can best serve our community in today's environment. Building on our strengths, we are confident we can meet our challenges while strengthening relationships with both the community and within the County organization.

3. County Financial Overview

20-Year Review of County Budget

As part of the long-term restructuring process, the County conducted a 20-year review of the County budget and the number of budgeted positions (full-time equivalents or FTE) from FY 1988-89 to FY 2008-09 to identify key trends. Over the 20-year period, the overall County growth rate exceeded the rate of inflation on a nominal basis. Adjusted for inflation, our all-funds real growth rate was approximately 3.25% per year over the 20-year period. The costs of benefits, including health care, retiree health and pension contributions, increased more than other expense types. In addition, there have been significant investments in technology and safety net services over the period contributing to this growth, but also addressing community needs and improving productivity.

Below are three charts indicating this budget and position growth over the past 20 years:

Chart A

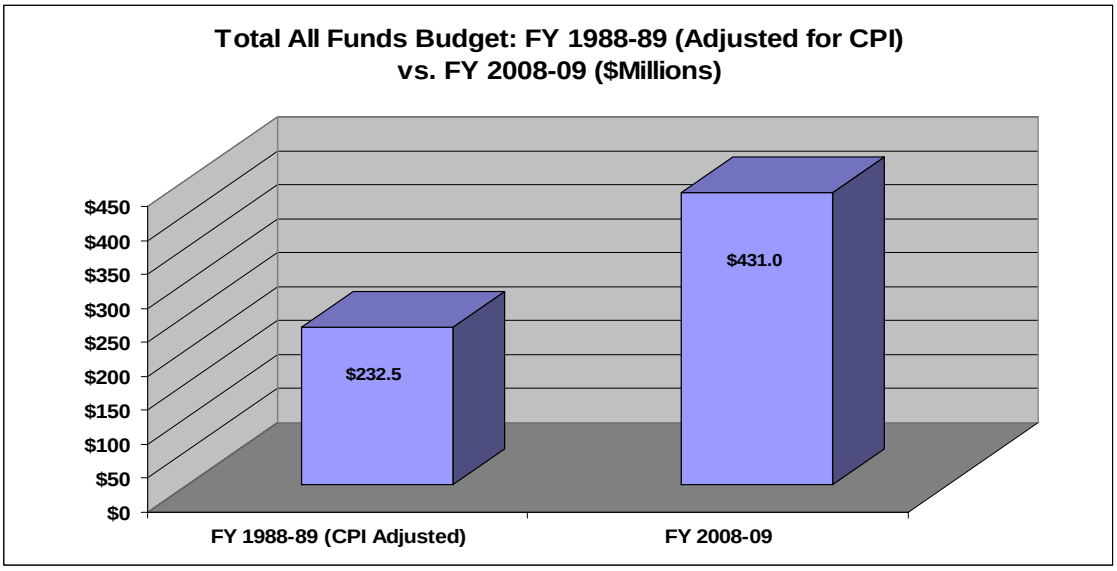


Chart B

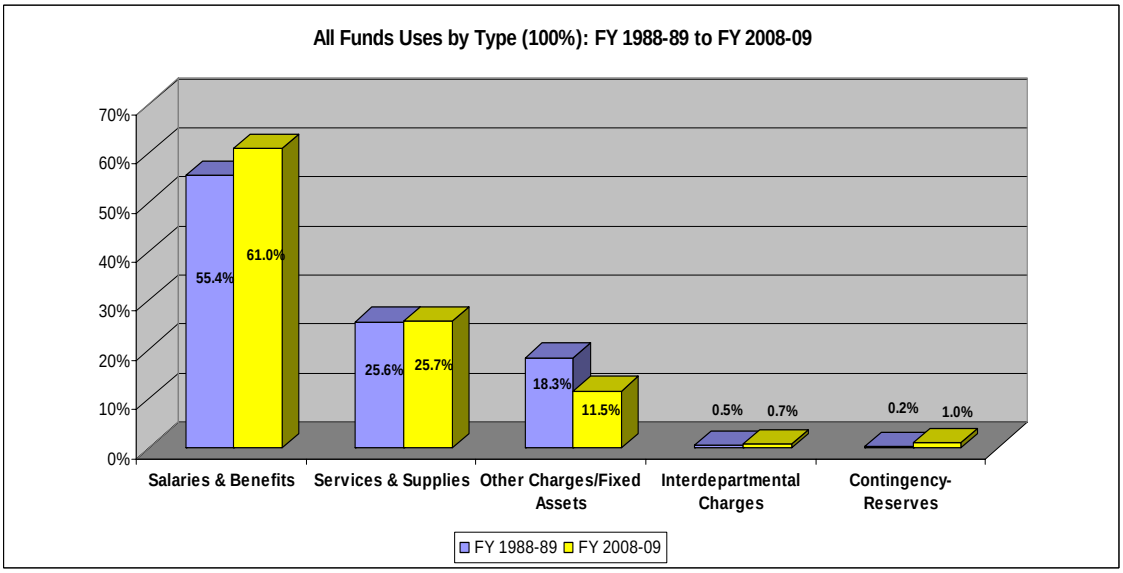
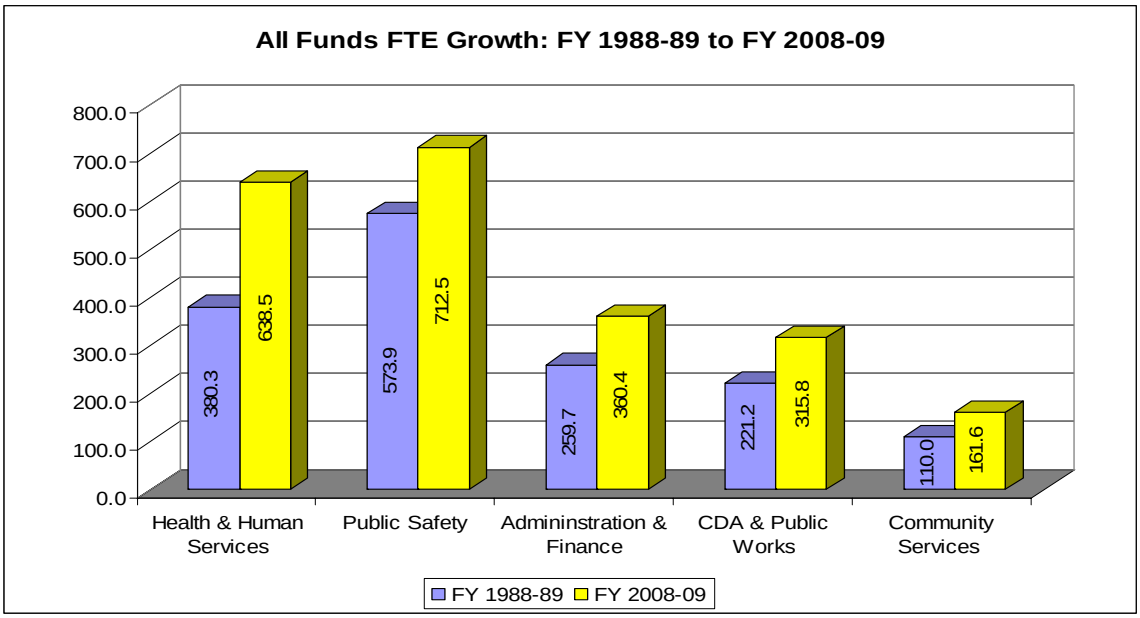
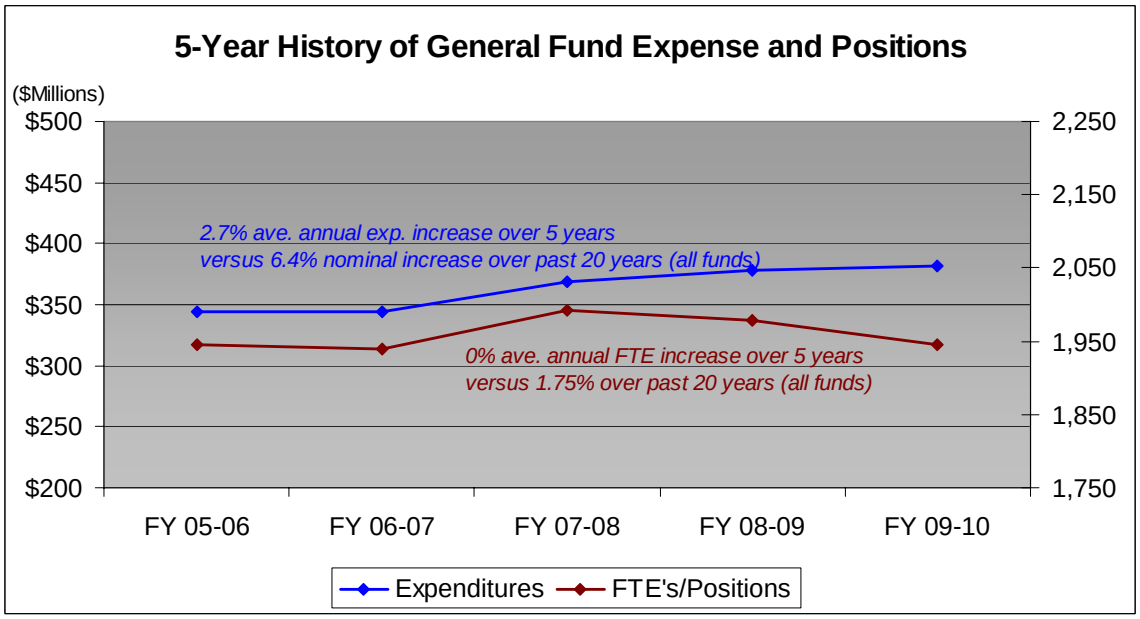


Chart C



Looking over the past five years, however, there has been slower growth in spending and no growth in budgeted positions as we began adjusting to changing economic conditions. Below is a chart indicating these five-year changes:

Chart D



Per Capita Spending Comparison

The County routinely compares its service levels, budgets, and other data with seven comparable counties in California, including San Mateo, Sonoma, Monterey, Santa Barbara, Santa Cruz, San Luis Obispo, and Napa. These counties were selected due to sharing similar characteristics to Marin County, such as population, organization size, coastal location with both suburban and rural environments, and emphasis on environmental preservation. When comparing Marin County's all

funds budget to these comparable counties, Marin's per capita (per resident) expenditures rank as the second lowest as highlighted in the chart below:

Counties	Expenditures	Revenues	Allocated Positions (FTEs)	Per Capita Expenditure (Total Pop)
Monterey	$939,499,117	($843,033,021)	4,638	$2,175
Napa	$296,497,538	($239,671,760)	1,292	$2,155
San Mateo	$1,494,411,052	($1,399,216,657)	5,516	$2,004
Santa Barbara	$826,121,705	($753,443,369)	4,025	$1,915
Sonoma	$885,428,016	($816,292,970)	4,048	$1,820
San Luis Obispo	$460,056,559	($443,786,930)	2,434	$1,701
Marin	**$434,594,815**	**($405,244,209)**	**2,193**	**$1,680**
Santa Cruz	$402,918,306	($391,671,989)	2,262	$1,500
Median	$643,089,132	($598,615,150)	3,229	$1,867
Mean	$717,440,889	($661,545,113)	3,301	$1,869

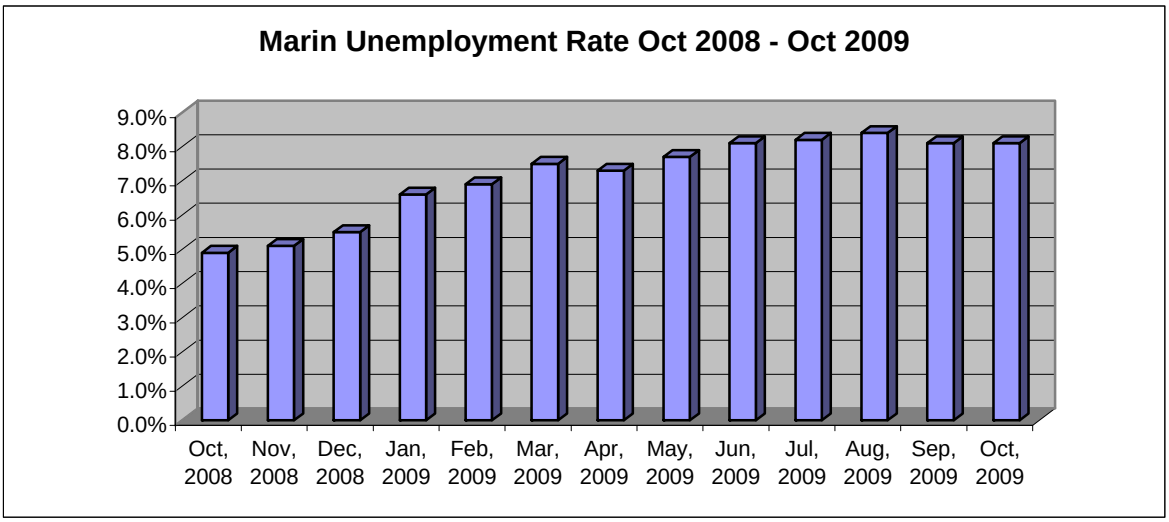
In addition to comparing budgets at the countywide level, the County also compared departmental budgets among our comparable counties. Approximately 60% of Marin County departments are at or below the median cost among these comparable counties as well as the ratio of FTEs (positions) to residents. Some departments are above the median cost per capita, including the Board of Supervisors, District Attorney, Human Resources, Information Services and Technology, Public Defender, and Treasurer-Tax Collector.

County Impacts from Economic Downturn

Like other counties, the County of Marin has and will continue to be impacted by the national recession as evidenced by key economic indicators. Two of the more significant indicators are the unemployment rate and local property tax collections. While sales tax collections are down significantly, this tends to affect cities and towns more than it does our County budget since there is comparatively less retail activity in unincorporated areas.

Unemployment

Marin County's unemployment rate was 8.1% in October 2009, compared to 12.5% statewide and 4.9% in Marin County one year ago. Higher unemployment tends to increase the demand for job training and other social services (at the same time the State is reducing these programs). It also impacts the housing market, as job loss softens demand for housing and, by extension, property values. The chart on the next page shows Marin County's unemployment rate over the past year:

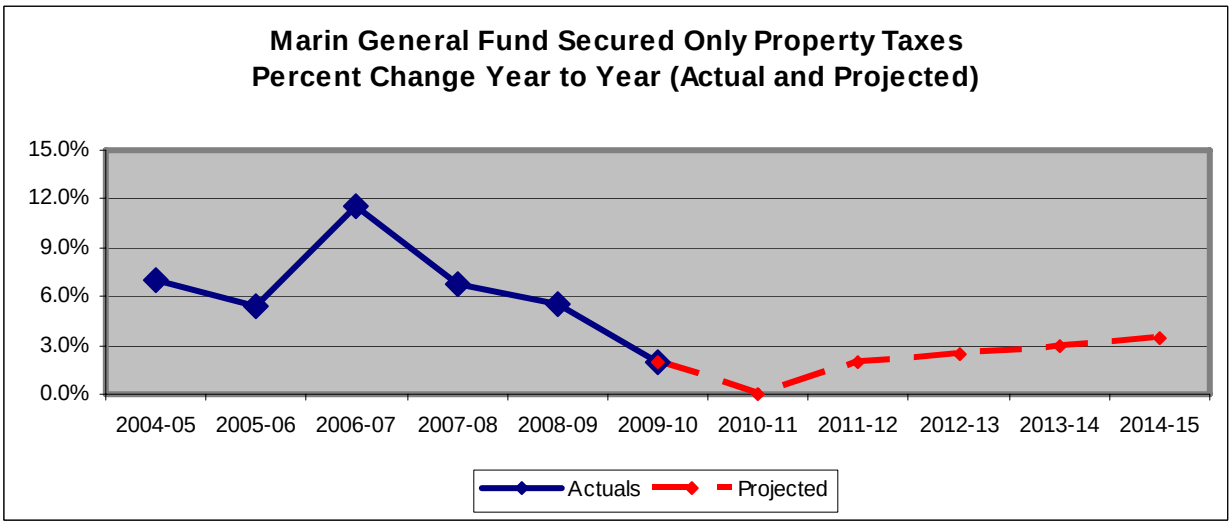


Property Taxes

Marin County's General Fund property tax collections have nearly doubled in the past 10 years on a nominal basis to approximately $100 million this fiscal year. However, the rate of increase from year to year has slowed significantly, from an average 8.5% annually over the period to 2% growth this year. In FY 2010-11, collections are projected to be as much as -2% (i.e. less than the prior year). This would be the first time that property tax growth is negative relative to the prior year since Prop 13 was approved by voters in 1978.

Over the past five years, the typical 7%-9% annual growth in property tax collections was sufficient to cover the cost of providing current service levels. For example, the additional revenue offset or exceeded the cost of living for staff, associated benefits and contract increases. Looking ahead, we will need to consider reductions to maintain even core services, over and above addressing new or emerging community issues.

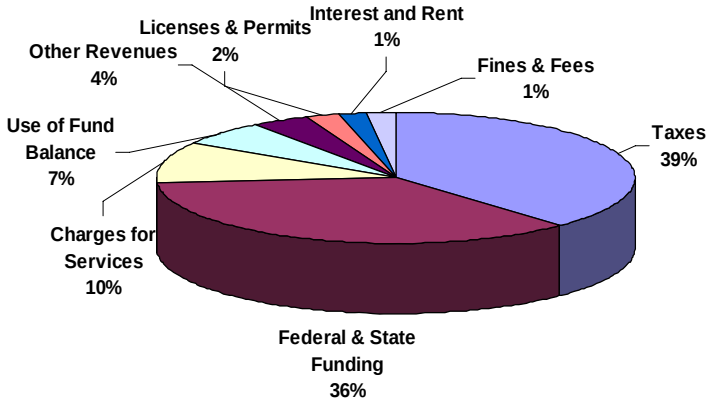
The chart below illustrates the County's General Fund (only) secured property tax collections for the previous five years, as well as our projection for the following five years. As noted in the chart, collections have fallen recently compared with the previous 7%-9% annual growth and are projected to take several years to recover.



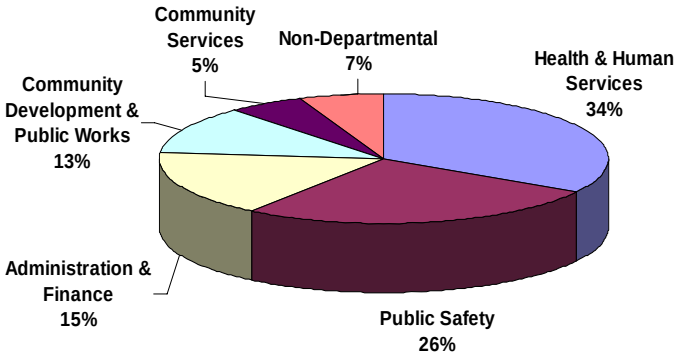
Overview of County Budget and Five-Year Projection

The County of Marin's budget for FY 2009-10 totals $440 million. As shown in the chart below, funding for County government comes primarily from tax revenues and State and Federal government. County expenditures are spent on one of five service areas (not including non-departmental funds), with 60% of the budget spent on Health and Human Services and Public Safety services.

FY 2009-10 County Revenues--$440 million



FY 2009-10 County Expenditures--$440 million



The County of Marin has a strong tradition of prudent fiscal decision-making and financial discipline. We have one of the lowest spending rates per resident among our comparable counties and the highest bond rating among all counties statewide. In addition, only about 1% of our budget is spent on debt service compared to up to 5% for most counties. Though Marin is facing challenging times, the County has taken many actions in recent years to respond to these economic difficulties and reduce costs. These actions include:

- Enacting a hiring freeze in 2007 except for essential positions (such as 24x7, emergency services, or high-priority positions)
- Adopting a lower-cost retiree health plan in 2007 for new employees
- Approving approximately $28 million in overall budget reductions over the past two years, including $7.8 million in State reductions, and eliminating over 100 vacant positions
- Putting on hold $10 million in one-time project spending
- Saving $1 million from foregoing or deferring cost-of-living adjustments by the Board of Supervisors, department directors and assistants, and several labor groups
- Creating a Voluntary Separation Incentive Program to increase voluntary attrition that results in long-term cost savings

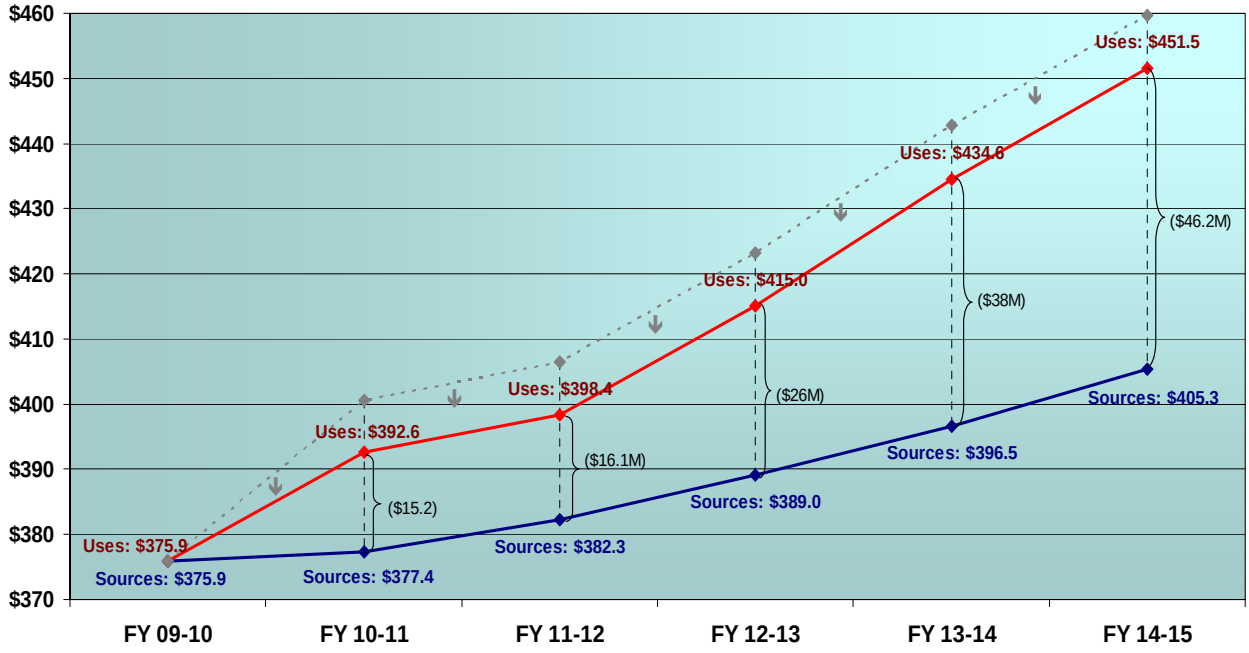
In addition, the County has taken steps to make County pensions and retiree health benefits more fiscally-responsible. Several years ago, the County recognized that public pensions and the County's previous retiree health plans were fiscally unsustainable, despite the fact that the County's current pension benefits rank among the lowest of our comparable counties and is in lieu of Social Security. In addition to adopting a lower-cost retiree health plan for new employees, the County also bases current pension benefits on a three-year average rather than the highest single year to prevent the possibility of "pension spiking," and has capped annual cost of living adjustments at two percent.

Looking ahead to FY 2010-11, the County's projected internal operating shortfall is anticipated to be $15 million next year. Absent any decisions to mitigate this trend, the General Fund operating deficit is projected to be $46 million by FY 2014-15. These projections do not include additional State budget cuts, which are nearly certain. It also assumes no cost of living increase for the next two years. Several significant factors are contributing to the projected shortfalls:

- **Slower property tax growth**. We are estimating flat to very slow growth for the next several years in property tax collections (our largest revenue source), given the economic downturn. As already mentioned, it is likely that growth will be flat to negative in FY 2010-11.
- **Higher benefits costs**. Our employee and retiree health benefits costs continue to grow faster than inflation, and faster than our revenues can support. This is not unique to Marin, as health care inflation has grown 2-3 times faster than core inflation nationwide for well over a decade. We have also begun to set aside funds annually to phase in funding for our retiree heath liability, which places a significant burden on our operating budget going forward.
- **Facilities Maintenance/Americans with Disabilities Act costs**. While the County has been successful in owning (rather than leasing) many of its buildings, our facilities maintenance budget will need to increase over time given the age of our facilities to keep them in good working order, as well as accessible to employees and clients.

On the next page is a chart illustrating this five-year budget shortfall beginning in FY 2010-11. The red line (uses) indicates projected expenditures for current services, while the blue line (sources) indicates projected revenues. The gap between expenditures and revenues represents the County's projected annual budget shortfall. In addition, the light gray line indicates the higher level of projected expenditures had the County used one-time sources (such as reserves) to balance this year's budget instead of making ongoing solutions.

Five-Year Projected General Fund Operating Budget Gap
($ Millions)



In general, County revenues are not keeping pace with the cost of providing our current services. While we are in relatively a better position than many other counties, we nevertheless face challenging circumstances heading into the budget year. Over the next five years, this projected shortfall could grow to equal approximately 10% of our General Fund operating budget if nothing is done to address this trend.

State Budget Outlook

At the same time we face our own budget shortfalls, we likely face additional State budget cuts over the next several years due to the State's deteriorating financial condition. State budget solutions this year have brought in approximately $6 billion less than anticipated. It is likely that when the Governor releases his Proposed State Budget for FY 2010-11 in January, he will declare a new special session of the Legislature and propose an 18-month budget solution - much like he did this year – to include cuts to address this year's deficit as well as next year's shortfall. With one-time budget solutions and federal stimulus funds drying up, in addition to slowed revenue collections this year and other state budget solutions not having materialized, the State's 18-month operating deficit through June 30, 2011 was recently estimated by the Legislative Analyst's Office at nearly $21 billion.

Many of the County's safety net services are largely supported by State and Federal funds. Over the next five years, we know that the State budget crisis will result in significant State funding reductions in addition to those we face to address our own internal structural deficit. Because approximately 30 percent of County services are funded by the State, additional State budget cuts will reduce the level of safety net services that the County is able to provide to its residents. The County simply does not have the capacity to backfill the loss of funding to maintain the service level of programs currently funded by the State.

In FY 2009-10, State budget reductions resulted in reduced County revenues of approximately $15.6 million, with $10.6 million in one-time borrowing related to suspension of Proposition 1A. Many of the remaining $5.0 million in ongoing General Fund reductions have already been implemented, including elimination of 10 vacant positions. Marin County's participation in the Proposition 1A securitization process is anticipated to make the County whole with respect to the State's one-time borrowing of $10.6 million in local property taxes. Participating agencies, including the County's General Fund, County Library, Open Space District, and other affected special districts, will receive their first payment of one-half the amount securitized on January 15, 2010, with the remaining balance scheduled to be paid on May 3, 2010. These payments will replace those local funds borrowed by the State as one of its current year budget solutions, and the State will be unable to borrow these local funds again for another three years.

Mandated vs. Discretionary Services

It is also important to review the County's mix of mandated and discretionary services as part of the long-term restructuring process. Many programs operated by the County are mandated by State and Federal law or by court ruling. Earlier in 2009, the County Administrator's Office worked with County departments to analyze the extent of mandated County programs as well as service levels. On the following page is a chart that summarizes the results of this analysis:

General Fund Program Category

Service Level	Mandated	Discretionary
Mandated	**Mandated-Mandated (M/M)** **Program and service levels are required by either Federal or State statute, or Court ruling** *-Public/General Assistance Payments* *-Jail Staffing for Six Detention Pods* *-Debt Service* *Expenses: 8.4%* *Net County Cost: 3.6%*	**Revenue-Grant Funded (D/M)** **County is not required to operate these programs. If County chooses to operate them, then service level is generally stipulated as condition of funding** *-Dispatch Services to Marin Agencies* *-Grant Funded Programs* *-Fire Protection for CDF Contract Services* *Expenses: 5.6%* *Net County Cost: 0.2%*
Discretionary	**Mandated-Discretionary (M/D)** **Required by law (Federal, State, or Court ruling), but the level of service is mainly left to discretion by the Board of Supervisors** *-Many Mental Health/Public Health Programs* *-Prosecution and Indigent Defense* *-Health and Social Program Overmatches* *-Election Services* *Expenses: 59.7%* *Net County Cost: 66.3%*	**Discretionary-Discretionary (D/D)** **Programs and activities County is not required to operate and for which the service level is optional.** *-Parks* *-Most Internal/Administrative Services* *-Marin Center* *-CDA Sustainability* *Expenses: 26.4%* *Net County Cost: 29.9%*

Below is a further description of these four quadrants of County programs and services:

- The **top left** (Mandated-Mandated) quadrant represents programs for which the County is mandated to both provide the program and at a certain service level (approximately 8% of the County's budget). Examples include jail staffing, public assistance programs, and debt service.

- The **top right** (Revenue-Grant Funded) quadrant represents programs for which the County is not required to operate the program, but must do so at a certain level if the County chooses to operate it (approximately 5% of the County's budget). A common example is a grant-funded program where the County must provide a certain service level as a condition of funding.

- The **bottom left** (Mandated-Discretionary) quadrant represents programs that the County is mandated to provide, but the service level is discretionary (approximately 60% of the County's budget). Examples include many of the County's health services, prosecution and indigent defense services, elections, and other areas.

- The **bottom right** (Discretionary-Discretionary) quadrant represents programs that the County is not required to provide and for which the service level is discretionary (approximately 26% of the County's budget). Examples of these programs include parks and cultural facilities, sustainability programs, and many of our internal services.

In general, approximately 2/3 of the County budget is spent on programs that are mandated for the County to provide. However, over 3/4 of the County's budget is spent on service levels where there is some degree of discretion even for mandated programs. As a result, it is important to consider reductions in service levels for both mandated and discretionary programs as part of the County's long-term restructuring process, as making reductions only in the discretionary program/service category would eliminate many of the "quality of life" programs that make Marin a unique place to live.

Overall Assessment of County Finances

Below is a listing of the relative strengths and weaknesses of the County's current financial position. In general, the County has a strong tradition of fiscal discipline and decision-making, which has led to having the highest bond rating in California. The County's primary weaknesses focus on funding long-term liabilities such as retiree health, health care and pension in an environment of limited revenues.

Strengths

- Tradition of fiscal discipline
- Decision-making based on strategic planning
- High bond rating
- Use of one-time sources only for one-time uses
- Net County Cost focus provides incentive to increase revenues
- History of innovation and collaboration
- History of making reductions to live within means

Weaknesses

- Greater need for organization to adapt to changing conditions
- Projected revenue slowdown over next several years
- Continued threat of State budget reductions
- Significant funding need for long-term liabilities such as retiree health, facility and road maintenance, and pension liabilities
- Limited capacity to address new and emerging needs

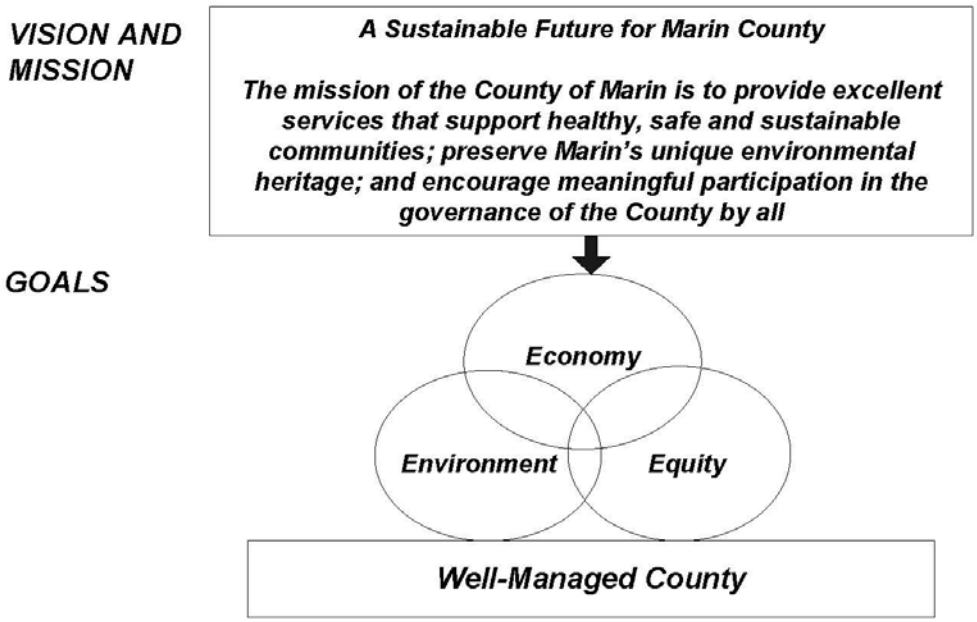
Building on our strengths, the overall focus of the LTR Plan is to address our weaknesses in these challenging times while still providing a high overall level of service to the community.

4. Policy Filter

A key element of the County's long-term restructuring process is to use the County's overall policy framework as a "filter" to inform the process and develop principles, strategies, and specific options. In addition to using this policy filter, the County has engaged the public and County employees to enable both groups to participate in the long-term restructuring process. In addition, the County convened a Long-Term Restructuring Working Group comprised of employees across the organization to provide input throughout the process.

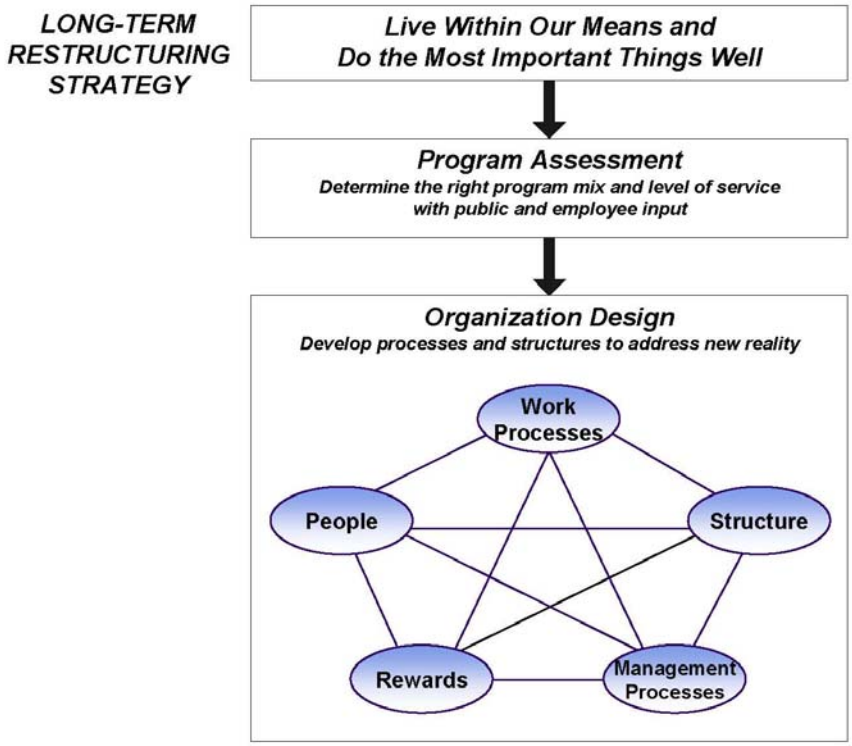
Policy Framework

The County's policy framework begins with a vision and mission as well as a set of goals:



Consistent with the framework of the 2007 Countywide Plan, the overarching vision of the County of Marin is to achieve a sustainable future for Marin County. The mission describes the important role of County government in supporting this vision by providing excellent services that support healthy, safe, and sustainable communities as well as preserving Marin's unique environmental heritage and encouraging meaningful participation in government. The three circles (Economy, Environment, and Equity) represent three broad goals of County government consistent with the three "Es" of sustainability. To achieve these goals, the organizational goal of a "Well-Managed County" serves as a foundation for internal operations and is informed by the County's Strategic Plan. Regardless of our mix of services, our goal is to provide these services in the most efficient and effective manner consistent with our organizational values.

Building from this framework, the diagram on the following page shows the County's strategy in pursuing a long-term restructuring process that evaluates our service mix and improves our internal operations to ensure effective and efficient services.



The overall intent of the long-term restructuring process is to *live within our means and do the most important things well*. As part of this process, the County will need to consider reducing the number of positions over time given the size of the County's long-term budget shortfall and the high percentage of County costs that are personnel-related (approximately 75%). Our intent is to reduce positions by attrition where possible, but reduction of filled positions will likely be necessary given the size of the shortfall. As part of this process, the County will need to continually assess its program mix to allocate resources in priority areas that are achieving desired results, which means some programs and services may need to be reduced or eliminated.

Lastly, an "organization design" effort is important to develop processes and structures to address our new reality. In contrast to the quantitative savings as part of the program assessment described above, organization design may lead to greater efficiency improvements to ensure organizational sustainability in an environment of long-term reductions.

Community Survey

The County conducted its biennial countywide community survey in spring 2009 to identify community issues and funding priorities, as well as assess the performance of County services. Consistent with past surveys, residents gave high marks to the overall performance of County services with an 86% satisfaction rate. The top issues facing the community cited by respondents were traffic congestion and the economic downturn, with the latter issue cited more frequently than previous surveys.

The survey also asked residents to indicate their satisfaction level and funding priority of 25 County services and programs. In general, Marin residents wanted to see most County services maintained despite declining resources. On the following page is a list of these services and programs ranked on a scale of 0-10 using survey results on funding priority and derived importance (impact of the service on perceptions of overall quality of life).

Rank	Service Areas	Funding Priority[2]	Derived Importance[3]	Ranking Score[1]	Satsifaction[4]
1	Increasing availability of local jobs	2.40	0.23	9.40	-0.14
2	Maintaining county bus systems	2.20	0.25	9.40	0.53
3	Providing mental health services	2.10	0.23	8.80	0.43
4	Providing services for seniors	2.10	0.23	8.80	0.96
5	Providing building and planning permits	1.90	0.23	8.40	0.21
6	Preparing for and responding to a major emergencies	2.20	0.17	7.80	1.31
7	Providing law enforcement services	2.00	0.19	7.80	1.34
8	Providing specialized transit services	2.10	0.18	7.80	0.88
9	Maintaining county roads and streets	2.10	0.17	7.60	0.36
10	Providing drug and alcohol abuse programs	1.90	0.18	7.40	0.77
11	Supporting local businesses and industries	2.10	0.16	7.40	0.76
12	Conducting elections	1.90	0.17	7.20	1.50
13	Maintaining county library services	2.00	0.16	7.20	1.33
14	Maintaining county parks facilities	1.90	0.17	7.20	1.34
15	Reducing homelessness	2.00	0.16	7.20	0.13
16	Reducing pollution and greenhouse gas emissions	2.10	0.15	7.20	0.78
17	Preventing wildfires	2.10	0.14	7.00	1.44
18	Increasing the amount of affordable housing	2.10	0.13	6.80	-0.19
19	Protecting agricultural land	1.90	0.15	6.80	1.21
20	Restoring watershed areas	2.00	0.14	6.80	1.06
21	Acquiring, restoring, and maintaining additional open space	1.70	0.16	6.60	1.17
22	Maintaining storm drains and channels	2.20	0.09	6.20	0.73
23	Providing local arts, cultural events and facilites	1.60	0.15	6.20	1.26
24	Providing health services for low-income residents	2.20	0.06	5.60	0.32
25	Providing bicycling and pedestrian paths	1.70	0.03	4.00	0.92

1. The Ranking Scores formula is based on funding priority (50%) and derived importance (50%).

2. Funding priorities of County programs and services in the survey is measured on a 0 to +3 scale: Expand (+3.0), Maintain (+2.0), Reduce (+1.0), and Eliminate (0).

3. Derived Importance in the survey is measured on a 0 to +.25 scale: least (0) to most (.25) important.

4. Satisfaction with County programs and services in the survey is measured on a -2 to +2 scale: Very Satisfied (+2.0), Somewhat Satisfied (+1.0), Somewhat Dissatisfied (-1.0), and Very Dissatisfied (-2.0).

Countywide Budget Suggestions

The County also solicited countywide budget suggestions on the County's website from the public and employees from February to September 2009. Nearly 300 suggestions were received and grouped into roughly 30 common issues in three categories (Salaries and Benefits, Equipment and Supplies, and Other). In general, the County has already implemented or will implement or consider around half of the 30 common issues, including:

- Reduction in outside consultants
- Forgoing of COLA (cost of living adjustment) by the Board of Supervisors, Department Heads, and Assistant Department Heads
- Offering a Voluntary Separation Incentive Program to increase attrition
- Offering a Voluntary Timeoff (furlough) Program to reduce costs
- Minimizing replacement of office computers
- Reducing utilities costs at the Civic Center

The County will continue to review budget suggestions to determine if additional suggestions can be implemented as part of the County's budget process.

Community and Employee Forums

The County also conducted its first community forum on the County budget on November 9 in Novato. This initial forum, hosted by Supervisors Judy Arnold and Steve Kinsey, provided an opportunity for the public to learn more about County government and share constructive ideas and solutions to help the County adapt to these challenging times. The forum was held at Homeward Bound of Marin's Next Key Room and was attended by 27 people. The overall purpose of the forum was to:

1. Inform community about County budget and role of County government
2. Gather community's ideas about potential options to address County budget shortfall
3. Get creative ideas about how to save the County money

One of the main goals of the community forum was to generate constructive ideas and solutions to help inform the County's long-term restructuring and budget decisions. To gather this information, five groups of attendees (with approximately 5-6 people per group) worked together with County staff facilitators to brainstorm answers and then arrive at their top suggestions. To begin this brainstorming process, attendees in the small groups were asked how the County can adapt to the changing economic times while preserving Marin's legacy. Common themes from the small group discussions were:

- Consolidate services within the County and between the County and other agencies
- Look for public-private partnerships
- Find new revenue sources such as grant funding and new tax revenue
- Utilize "green" options such as telecommuting and installation of solar panels
- Consider pension reform

In addition to the community forum, the County held three "employee budget forums" in November to communicate key budget trends and projections, discuss long-term issues facing the County, and get employee input and suggestions. Approximately 175 employees attended one of these forums, not including employees who watched the live or archived webcast of the first forum. Numerous suggestions and questions were raised on a variety of topics, including:

- High costs of health care benefits
- What can be done to minimize increases in pension and retirement costs
- Consideration of mandatory furloughs
- Impact on layoffs on the County workforce
- Specific savings suggestions such as Department Head car allowance, Green Commute Program, and changes to the County's SAP system

Along with the community forum, the feedback from these employee forums will be used to inform the County's long-term restructuring process and the FY 2010-11 budget process.

The County will use the comments and feedback from the community and employee forums to continue informing the County's long-term restructuring efforts and FY 2010-11 budget process. In addition, we will consider holding additional forums to further engage the community and our employees in the County's budget process.

LTR Guiding Principles

Based on the County's policy framework and public and employee engagement, we have developed a set of "LTR Guiding Principles" (listed below). These principles are intended to guide decision-making and strategies in addressing key issues and specific policy options as part of the County's long-term restructuring efforts.

1. Make budget adjustments consistent with vision of sustainability while continuing to ensure safe and healthy communities

2. Identify ongoing savings to reduce long-term costs

3. Explore opportunities for additional revenues to offset or augment program costs

4. Focus on priorities and make service tradeoffs based on community and organizational needs

5. Use results to inform decisions and continue providing high quality of service

6. Promote creative and innovative solutions

7. Provide fair and consistent process

8. Develop mix of options and solutions at countywide, service area and departmental levels

9. Engage the public and employees to share information and involve them in finding solutions

10. Provide supportive work environment for employees to adapt to continuously changing conditions

Though these principles are generally consistent with the County's long-term restructuring process to date, the principles will be formally applied as part of the implementation of the LTR Plan and revisited as needed given changing conditions.

5. Emerging Issues

Looking ahead, there are a number of key emerging issues that will shape and influence the County budget and organization. These issues are not necessarily unique to Marin County, as many public organizations are contending with similar issues given our new fiscal reality. As part of the long-term restructuring process, the County is proposing to address these issues with a number of future strategies as summarized below:

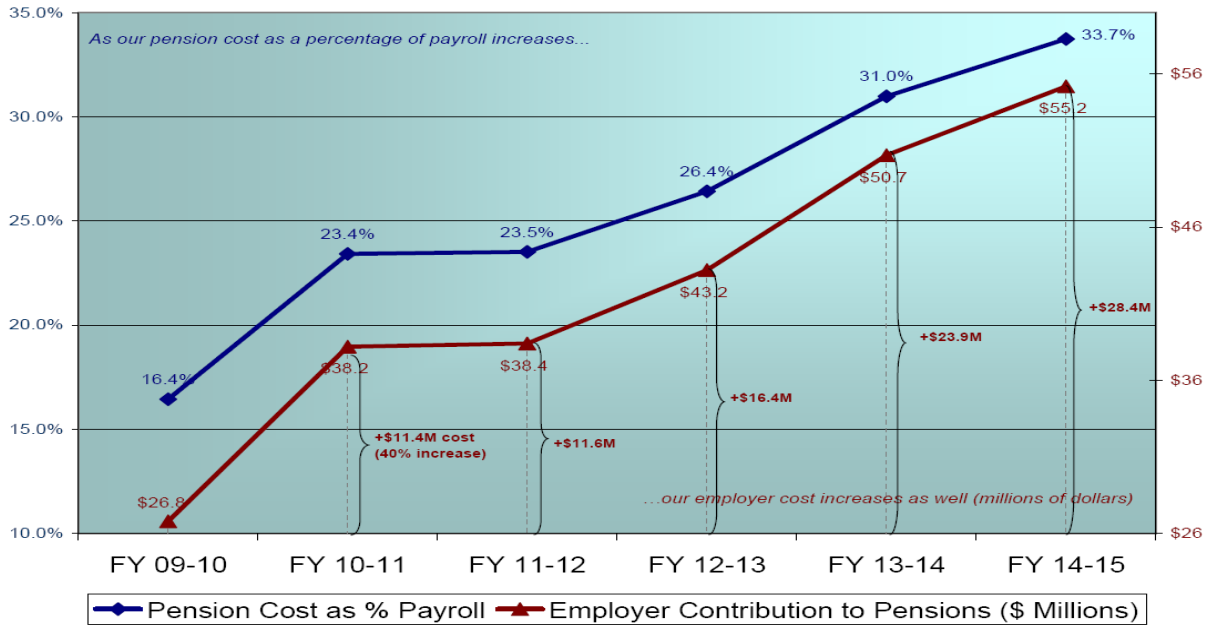
Emerging Issue	**Future Strategies**
Growth in Pension Costs (page 21)	Explore less costly retirement plan tiers for new employees or other options which would save an equivalent amount of money
Growth in Health Benefit Costs (page 23)	Work with employee groups to explore health plan redesign options to reduce costs for both the County and employees
Long-Term Facilities Maintenance Needs (page 26)	Increase CIP budget to $4 million annually to meet deferred maintenance and barrier removal issues
Long-Term Road and Bridge Maintenance Needs (page 28)	Develop and implement a second five-year road and bridge maintenance program totaling $40 million to continue addressing the deferred maintenance backlog
Need for More Adaptive Budget Strategies to Respond to Changing Service Demands (page 30)	Consider changes over time to the County's current budgeting process, including evaluating and prioritizing services and considering tradeoffs associated with doing less of some programs in favor of others deemed more critical or emerging issues
Potential for Enhanced Community Partnerships (page 33)	Explore additional opportunities to enhance community partnerships through shared services, consolidation of existing services, and other means
Opportunities for Greater Level of Volunteerism with County Government (page 33)	Explore additional opportunities to increase the use of volunteers in County government to help achieve desired outcomes
Use of "Electronic Government" to Improve Service Delivery and Engage the Public (page 35)	Offer a greater mix of online services to provide better access to County services and redesign and reconfigure the County website as a primary source for information, services, and engagement
Need for More Dynamic Structures and Systems to Support a High-Performance Organization (page 37)	Continue to explore opportunities to redesign the structures, processes, policies, and support systems to achieve organizational goals with fewer resources

The following pages provide further detail on these emerging issues and the proposed future strategies in addressing them.

Growth in Pension Costs

ISSUE:
At current levels, public pension systems are not financially sustainable without reform. Factors contributing to this conclusion include current economic and investment climates, pension changes in the private sector, longer life expectancies, and an aging workforce.

Under current actuarial assumptions, it is projected that the County of Marin will experience an approximately 40% increase in employer pension contribution rates in FY 2010-11, due largely to a 17% decline in the Marin County Employees' Retirement Association (MCERA) investment earnings through June 2009. This represents an increased General Fund cost of approximately $11.4 million next fiscal year, the most significant component of the County's estimated $15 million structural gap for FY 2010-11. Employer costs will continue to rise in subsequent years barring a significant rebound in investment earnings. The chart below illustrates the impact of the MCERA projected increase in County employer rates as a percentage of pay, and the County's increased funding requirements over a five-year period, based upon investment earnings through June 2009:



Overall, the "defined benefit" (DB) plan system has worked well for decades and should be retained. However, reforms should be considered to maintain principles of sound fiduciary management, such as including elimination of abuse, sharing of risk between employer and employee, and establishing more predictable costs, while also preserving the ability to recruit and retain quality employees.

BACKGROUND
Over the past two decades, DB pensions have become increasingly rare in the private sector. It should be noted, however, that DB plans in the public sector are often in-lieu of Social Security benefits. While County employees do not pay Social Security payroll taxes (unless they have accumulated sufficient credit before or after their employment with the County), they will not receive Social Security benefits upon retirement. DB plans in the public sector therefore are likely the most significant source of income for most public sector retirees. Further, for those that may receive any Social Security benefits, Social Security Administration reduces benefits for people who receive pensions from employers who do not participate in the Social Security program.

Defined benefit plans, including MCERA, are funded from three sources:

1. *Employee contributions.* Employees are required under law to contribute rates established for each plan tier. County 1937 Act plans like MCERA require employees to pay a rate based upon age of entry into the system. These employee rates can range from 5% to 12% (the older the employee hired – the higher the rate).
2. *Investment returns.* These are established by MCERA, with extensive input from actuarial firms. These investment rates have always taken a long view – and are currently expected to generate 8.0% annual rates of return in the MCERA system.
3. *Employer contribution rates.* To the extent assumed investment earning rates are not achieved, employer contribution rates fill the gap.

Most private employers offer "defined contribution" (DC) plans, where the employer contribution is a fixed dollar amount and the benefits are based on contributions and investment earnings. Given their structure and limitations (per IRS regulations), these defined contribution plans put the majority of investment planning and market risk on the employee rather than the employer.

<u>Marin Municipal Managers' Association (MMA) Recommandations</u>
The County continues to support DB pension plans, as do city and town managers in Marin. However, there is general agreement that changes should be made to reflect growing economic concerns about our financial sustainability. There is also a belief that if local agencies and employees do not begin making changes, the electorate or State legislature will start doing so with less thoughtful or appropriate approaches. For these reasons, MMA has reached out to other city and county organizations throughout the state who are considering similar proposals.

MMA recognizes that any modifications that would affect existing or future employees would only occur through negotiated agreements with bargaining groups. With this in mind, MMA has forwarded a number of recommendations to be achieved regionally:

- Negotiating reduced pension benefits for <u>new hires</u> with the following targets:
    - 2% at 50 for safety employees
    - 2% at 60 for miscellaneous employees
    - ✓ Average of highest three years (rather than highest single year) – *this is already true in the County.*
- ✓ Limiting pension COLAs to 2% (*already true in the County, but not all Marin jurisdictions)*
- ✓ Eventually having employees pay their share of pension contributions *(already true for the County)*
- ✓ To the extent that they continue despite point #3 above, eliminating the practice of reporting employer-paid employee pension contributions as compensable earnings *(this is not applicable to the County).*

<u>What Has the County Done?</u>
While the MMA recommendations above are helpful toward potentially achieving – over time – a more consistent retirement benefit structure regionally, the County has already implemented most of these recommendations. For example, the County already:

- ✓ uses the average of highest three years for pension calculations;
- ✓ limits pension COLAs to 2% annually;
- ✓ requires employees to pay 50% of their share of pension contributions; and
- ✓ does not report any employer-paid employee pension contributions as compensable earnings.

FUTURE STRATEGY

Given the budget challenges outlined above, we recommend exploration of less costly retirement plan tiers for new employees or other options which would save an equivalent amount of money. For example, the County could negotiate a lower cost retirement plan for new employees, such as a 2% at 61 benefit formula for miscellaneous (vs. current 2% at 55 formula) and a 3% at 55 benefit formula for safety employees (vs. current 3% at 50 formula). The 2% at 61 and 3% at 55 tiers existed prior to approval of the current enhanced tiers several years ago.

While recognizing that any modifications to current pension benefits affecting existing or future employees would only occur through negotiated agreements with bargaining groups, it is estimated, for example, that reverting to the prior County benefit formulas would save from 1%-1.5% of employer payroll over time (25-30 years). As these savings would accrue only to new employees on or after the date of implementation, savings are estimated at approximately $100,000 in the first year and up to $2.5 million ongoing. However, the full $2.5 million (present value) estimated annual savings would not accrue for some 25-30 years into the future. Savings of up to $1 million per year would not likely accrue until approximately 7-8 years after the new tiers were adopted.

It should also be noted that these savings may be partially offset if positions must be reduced to balance the budget, as employer contributions will increase as a percentage of payroll if payroll is reduced. However, the County would be in a better financial position with reduced tiers for new employees than with unaltered benefit tiers continuing into the future.

While maintaining the goal of providing full-career employees with pension benefits that maintain a reasonable standard of living into retirement, benefit levels should be fair and adequate but also fiscally sustainable both for employers and taxpayers. An additional interest is ensuring that changes to pension plans be mindful of regional impacts to recruit and retain competitively for the best employees.

Growth in Health Benefit Costs

ISSUE

Health care costs for active employees and retirees are a significant and growing component of the County's expenditures. The County currently contributes $33.4 million (or nearly 9%) of its General Fund operating budget toward health insurance for its active and retired employees, which will increase in the coming years if action is not taken to forestall future growth. Of this $33.4 million in FY 2009-10, $23.8 million (or 6.3%) of the General Fund budget is for active employees. Another $9.6 million annually (or 2.5%) of the General Fund budget is for retiree health care costs.

Marin County is not alone in experiencing this challenge. Across the nation, health care rates have grown considerably faster than core inflation. In Marin, health plan insurance costs have increased by 10% to 12% annually over the last 12 years. The result is higher costs for the County (which largely funds retiree medical premiums); for active employees (who receive a fringe benefit amount that covers some but not always all medical premium costs); and for retirees who retired after 1987 (who contribute toward the cost of their medical insurance).
In addition to these costs, the County has an unfunded liability for retiree health costs of approximately $375 million. The County has taken steps in recent years to reduce this liability: a new, less costly retiree health plan was created for new employees ("Plan 4"), and a strategy was developed to begin paying down the liability and enable the County to "catch up" to its actuarially required contribution. The strategy has entailed setting aside an additional $3 million per year, each year, toward funding the unfunded liability.

When taking into account these additional payments, the County will contribute $15.6 million this year toward retiree health—$6 million toward the unfunded liability and $9.6 million toward annual premiums, or 4% of the General Fund budget. Overall health care costs this year will total over $45 million for retiree and active employees, or 12% of the General Fund budget. This amount will increase in FY 2010-11 to nearly $50 million, due largely to the funds being set aside to address our retiree health unfunded liability. This amount will grow considerably over time until the County can "catch up" to its actuarially required contribution toward retiree health liabilities (much like it already does for pensions).

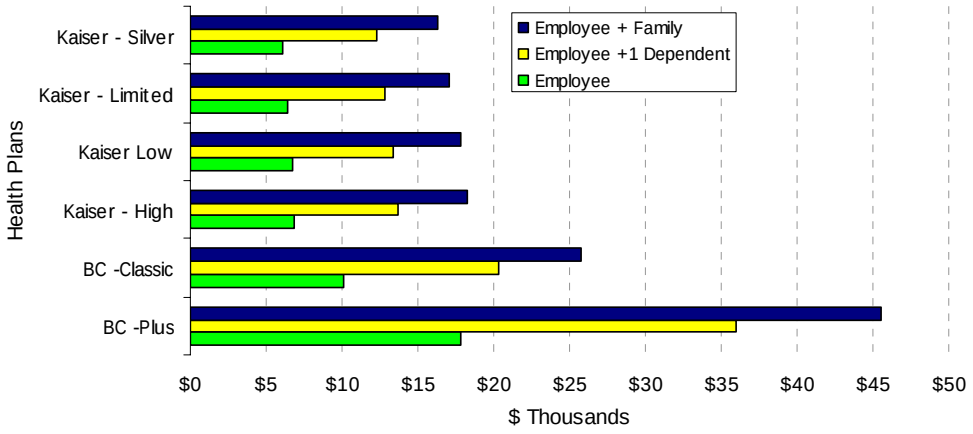
The issues facing the County, therefore, are how to 1) reduce current health care costs and maintain or improve health plan affordability for employees, while still offering a choice of plans and competitive plan benefits, and 2) further reduce the County's retiree health cost liability.

BACKGROUND

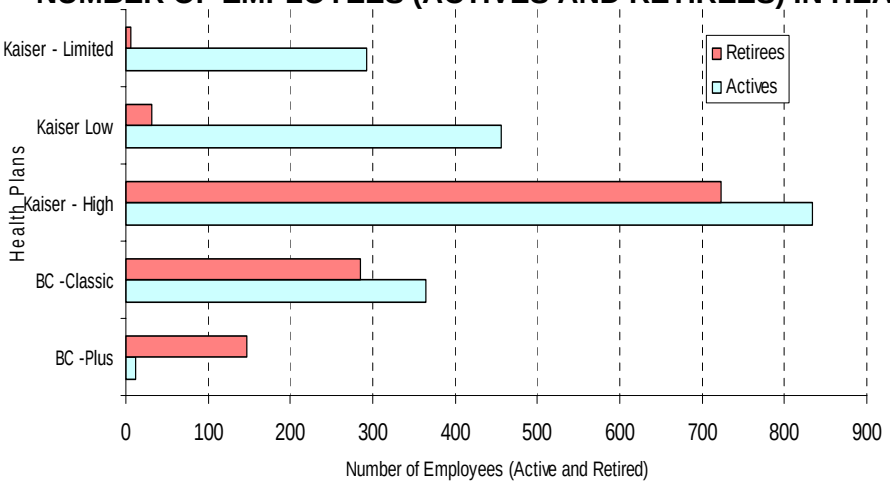
The County's Health Insurance Plans: The County currently provides Kaiser (HMO) and Blue Cross (PPO) health insurance plans. Of the Kaiser plans, four options are provided: High, Low, Limited and Silver (offered beginning January 2010). The 2010 rates have increased by 10.2% from the previous year's rates for active employees. Of the Blue Cross plans, two options are available to active employees: Prudent Buyer Classic and Prudent Buyer Plus. The 2010 rates increased 6.6% from the 2009 rates for active employees.

The following charts show the differences in costs of the plans and number of employees in each plan. As illustrated below, the Kaiser plans are less costly than the Blue Cross plans for all categories (employee alone, employee plus one dependent, and employee plus family). Most of the active and retired employees are in the Kaiser High Plan, followed by the Blue Cross Classic and Kaiser Low. Relatively few employees are in the Blue Cross Plus plan.

COUNTY HEALTH INSURANCE PLANS AND ANNUAL 2010 RATES

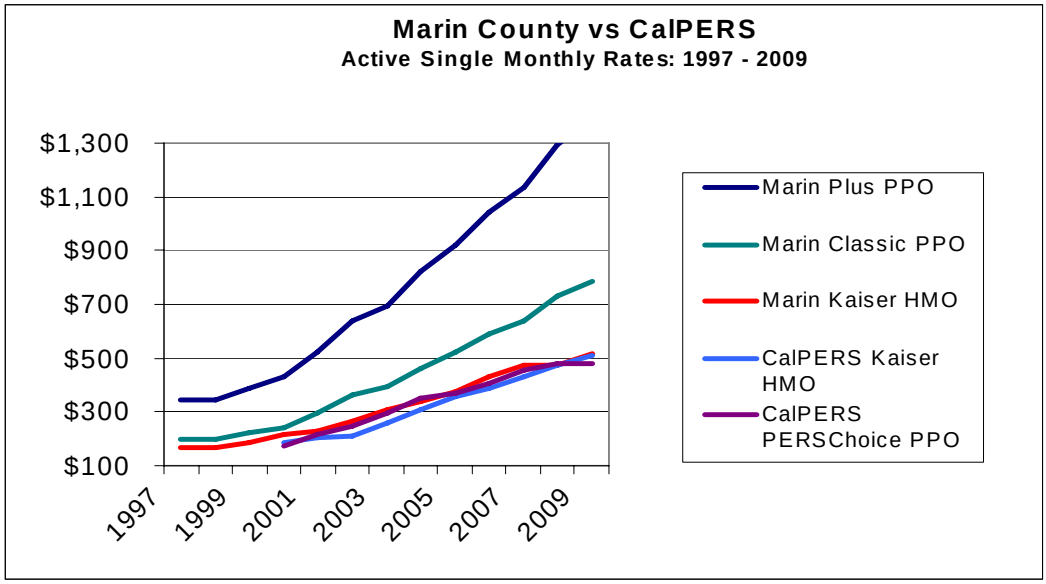


NUMBER OF EMPLOYEES (ACTIVES AND RETIREES) IN HEALTH PLANS



Factors contributing to Marin rates: Certain factors weigh into the rates, and therefore the cost, of health insurance plans. The benefits of the plan, co-payment costs and amount of deductible are all factors determined by the County, working with its employee organizations and unions. The rates, given the desired attributes of the plans, are provided by the health care providers, Kaiser and Anthem Blue Cross. The rates are influenced by the size of the participant pool, age of participants, past utilization of service, local area cost of living and availability of competing health care providers. The participants in the Marin County plan (active employees and retires of the County and a few special districts) are considered to be on average an older population with greater utilization living in a higher cost area, and therefore are priced at a slightly higher premium rate than for example CalPERS, which is a much larger pool.

The chart below illustrates the growth in the last 12 years of Marin's plans compared to CalPERS HMO and PPO plans. While the annual rate of increase has been about the same, the monthly costs are higher for the Marin PPO plans.



County contributions for active employees and retirees: The County's contributions to <u>active employees</u> are bargained with each employee association or union. Currently, four fringe packets are offered consisting of a flat biweekly amount plus a percentage of biweekly salary (rates as of January 2010):

- Non-safety $410 plus 3%
- Safety $440 plus 3%
- Probation safety $425 plus 2%
- Probation non-safety $525 and no additional percent

Quarterly medical reimbursements are also given to employees who have the most out-of-pocket expenditure for premiums relative to annual salary. The maximum eligible salary for safety employees is $84,000 and for non-safety $104,999.99. In order for the employee to receive the reimbursement, s/he must be enrolled in one of the County's medical plans. The employee receives reimbursement for actual out-of-pocket expenditure up to the maximum potential reimbursement amount.

The County's contribution for <u>retired employees</u> vary by date of membership in the retirement system (which is typically start date of County service) and requires five years of County service to receive a contribution. Four retiree health plan contribution levels are offered:

- Plan 1 Entry before October 1, 1987 – County pays 100% of premiums
- Plan 2 Entry between October 1, 1987 and September 30, 1993 – County pays $2,275 per year
- Plan 3 Entry between October 1, 1987 and December 31, 2007 - County pays allocation factor ($442.65 in 2009) per year of service up to 20 years, with a maximum of $8,853.
- Plan 4 Entry after January 1, 2008 – County pays $150 per year of service up to $3,000 annually

FUTURE STRATEGY

Plan Affordability and Design: For existing employees and retirees, the County would like to continue to provide choices (HMO and PPO plans); provide health care plans that are affordable; and designed with benefits and copays/deductibles similar to those offered in our comparable jurisdictions. One driver would be to avoid future rate increases by evaluating and possibly redesigning our existing plans, particularly the more costly Blue Cross plans.

As part of this exploration, the County will be meeting with its unions and employee organizations over the next year on this subject. One suggestion by public safety union groups is to evaluate joining CalPERS, and thereby take advantage of its larger pool and typically lower rates. Other suggested ideas have included evaluating a plan with similar characteristics to a CalPERS plan; introducing health savings account and cafeteria style programs; and consolidating plans or reducing the number of plans. Staff will evaluate these options over the coming months.

Wellness Programs: As part of evaluating plan design, the County would like to consider wellness programs that improve the health of our employees and over time, potentially reducing medical claims and therefore assisting with rate stability. Typically, 80% of medical costs are spent on 20% of participants who suffer from chronic to catastrophic conditions. Through wellness programs that offer screenings, promote health, and manage health risks and chronic diseases, the County can reduce or avoid cost and help employees better prevent more severe and costly diseases. Staff will be evaluating feasible and low-cost programs over the coming year, which will be discussed with employee groups as part of possible redesign discussions.

Retiree Health Cost: As is currently the case, the health plan choices designed for active employees will determine the plan choices for County of Marin retirees. Open enrollment has not been offered to retirees (they are enrolled in the plan they chose their last year of County service. We could consider the possibility of a one-time change for retirees if there are significant plan choice changes. While plan choices may change, no changes to the four retiree health plan tiers are expected.

Long-Term Facilities Maintenance Needs

ISSUE:

Fortunately, the County owns most of its facilities and pays less than 1% of its budget for debt service related to facilities. Unfortunately, many of our facilities are over 20 years old and need investments to extend their useful life. In addition, many facilities do not meet the requirements for accessibility to persons with disabilities.

The County has a responsibility to both the public and our employees to adequately maintain these public assets to ensure they are being used most effectively. In many cases, an investment in the next few years will avoid more expensive investments in future years. Based on our assessment of current facility conditions, it is clear that the current $2 million annual Capital Improvement Program's budget will not be sufficient to adequately address these issues

over the next five years. In addition, investing in our facilities is consistent with our overall vision of reducing our carbon footprint as many of these investments will increase energy efficiency and significantly reduce our energy usage.

BACKGROUND:

The County owns 43 buildings with approximately 1,100,000 square feet of space. The most prominent building is the Marin County Civic Center designed by famed architect Frank Lloyd Wright. Other facilities include fire, law enforcement, health, libraries, parks, cultural and office facilities. Of these, 28 of the County's buildings are more than 20 years old and have not had any significant upgrades to the building systems or structure.

In 2007, the County Administrator's Office and Department of Public Works staff performed a high-level assessment on all the County's facilities except the Fire Department and libraries, for which separate feasibility studies are being performed. The high-level assessment identified obvious maintenance and repair needs and provided a range of cost estimates for repair and/or remodel work. Since no testing or engineering assessment was included in the visual assessment, these estimates do not include all major building systems. In addition, the Disability Access Program identified through the Self Evaluation and Transition Plan specify a range of projects needed at all County buildings to meet accessibility requirements.

Over the next 10 years, current estimates range from a total of $43 to 55 million to meet the identified needs. These dollar figures do not take into account that the Fire Department feasibility studies currently underway anticipate $42 to 57 million needed for upgrading existing or constructing new stations in the next 10-20 years, not including any land acquisition costs.

In addition, the Department of Parks and Open Space prepared a 20-year strategic plan in June 2008 showing that there are over $25 million of renovations needed in parks projects and about $18 million for new improvements. This total of $43 million for Parks projects over the next 20 years does not include the Open Space District, which is funded outside the General Fund.

Capital Improvement Program (CIP)

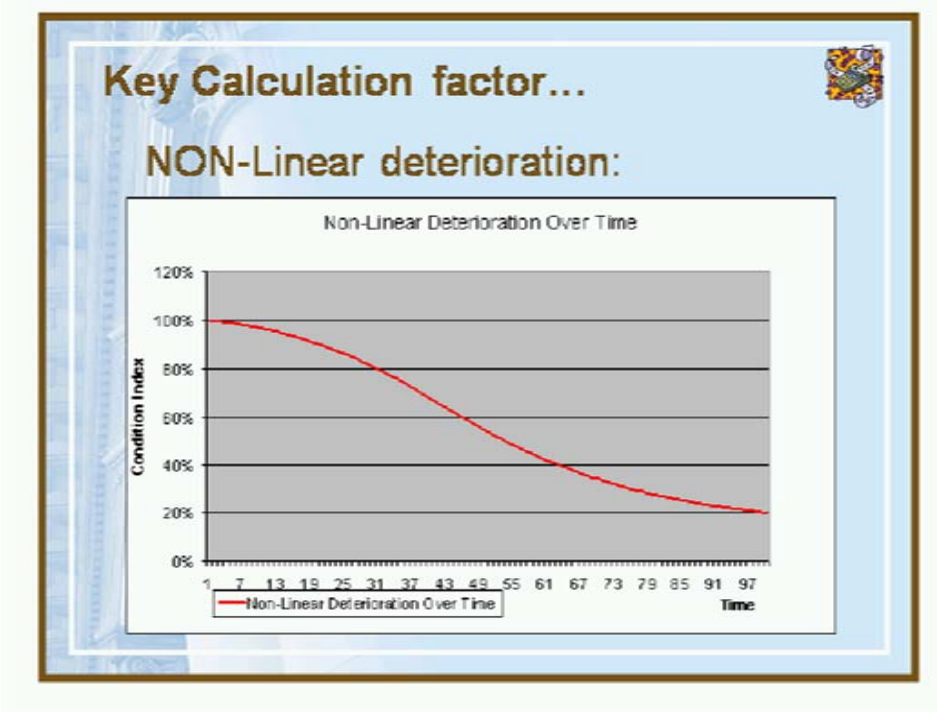
The County utilizes a Facilities Asset Management (FAM) methodology to adequately assess, maintain and invest in the County's owned facilities. This portfolio based approach allows for better environmental and operational performance of assets. The Capital Improvement Program (CIP) is a component of FAM which is used to strategically plan and allocate funds for the County's highest priority projects. In the CIP, various County departments submit projects that are ranked using the below criteria:

- Removes or reduces hazards or threats to health and safety
- Meets legal mandates
- Maintains operations and functions
- Prevents major repair or replacement costs
- Saves energy
- Meets County goals
- Major functional benefit

Building Deterioration

Research has shown that building deterioration occurs on a "nonlinear" level and that deferred maintenance ultimately costs more in repair work than if regular maintenance is performed when needed. A simple example is when roof repair is not maintained – eventually waterproofing problems will occur and perpetually damage other building systems. This can

lead to non-use of the facility and/or safety concerns for the users. The graph on the following page shows how deterioration accelerates the longer a building is not maintained.



FUTURE STRATEGY:
Overcoming the maintenance and barrier removal backlog for County facilities cannot be achieved within the existing $2 million CIP annual budget, as documented in the 2007 Visual Assessment and current feasibility studies. The County has already implemented the Facilities Asset Management system to allocate funds for the highest priority projects. Continuing to defer needed maintenance in facilities will lead to more expensive repairs in the future.

Based on these findings, it is recommended that the CIP budget be increased to $4 million annually. This amount will allow the County to substantially meet the most important of these deferred maintenance and barrier removal issues. Even by increasing the annual allocation, additional needs will exist. Staff will continue to pursue grant funding opportunities or one-time sources to address these remaining needs.

Long-Term Road and Bridge Maintenance Needs

ISSUE
The Department of Public Works has just completed a $20.5 Million "Five-Year Road and Bridge Maintenance and Rehabilitation Program." This program was a very successful beginning in catching up on deferred road maintenance. Funds were allocated based on providing the most cost-effective treatments to the highest usage roads with geographic equity. The completed program included 68 miles of slurry/cape seal, 38 miles of new asphalt resurfacing, 7.7 miles of roadway shoulders widened, 9 miles of bike lanes constructed and/or striped, 141 curb ramps installed and 3,000 feet of sidewalk installed.

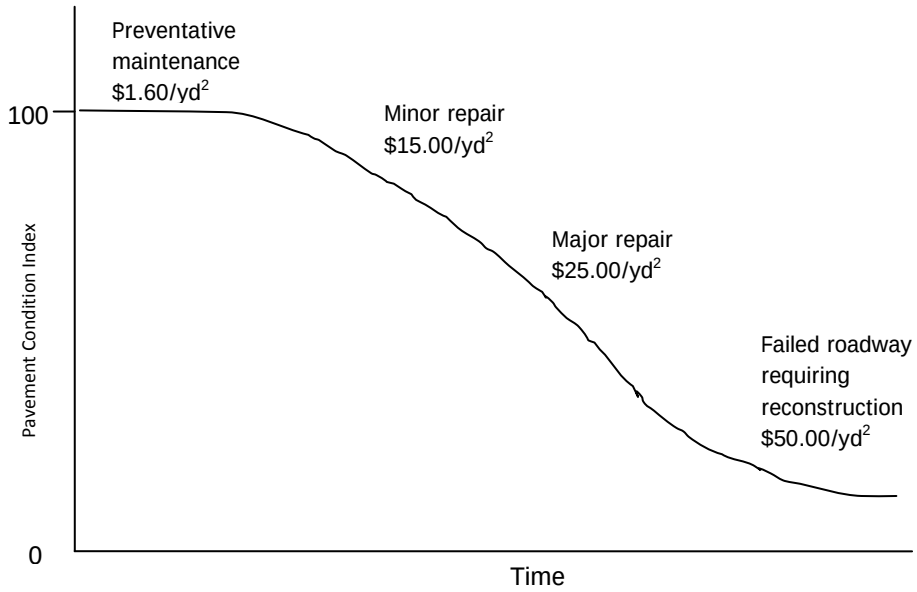
Even with these significant investments, the County's deferred maintenance backlog for roads is estimated to be approximately $250 million. Maintaining infrastructure for all modes of public mobility is an essential service and affects nearly every county resident. As we look to the next

five years, we would like to build on our recent efforts and propose a follow up five-year plan for roads and bridges that is consistent with our cost-effective approach.

BACKGROUND

The County maintains 421 miles of road, consisting of 1,100 lane miles. As a perspective, the number of lane miles is comparable to two round trips from Marin County to Los Angeles. The quarter billion dollar backlog is the cumulative result of funding for maintenance of road infrastructure having fallen short of even minimum needs for more than two decades. This shortfall is a result of the affect of inflation on fixed gas tax revenues and the State borrowing or redirecting road maintenance funds. Ongoing fiscal problems at the State level have compounded this problem in recent years and the current economic downturn has exacerbated it yet further.

When routine maintenance work is deferred, road maintenance costs increase dramatically. Preventive maintenance treatments applied earlier in a pavement life cycle will save vastly more expensive resurfacing treatments later on. The chart below illustrates the increase in maintenance costs over time.



Deferred maintenance results in increasingly scarce funds being used for more expensive repairs and reconstruction. This results in fewer funds being available for the more cost effective preventive maintenance treatments.

The County maintains 151 bridges, with most more than 50 years old and many needing substantial repairs to ensure their continued safe service. Permits for bridge repairs are required from multiple state and federal agencies and often involve performing a number of environmental studies. This process is costly, very staff intensive and usually takes a minimum of a year. It is not unusual for the permitting costs to exceed the cost of repairs. Dedicated funding is needed in order to pursue the planning, design and implementation of a bridge maintenance program.

Road infrastructure projects of necessity also incorporate repair and replacement of culverts and retaining walls. This level of programmatic repair greatly reduces the potential for failure of such facilities and the probability of subsequent road closures. Road infrastructure projects also provide the opportunity to improve those facilities for bike/pedestrian access and access for persons with disabilities.

PROPOSED STRATEGY

Taking advantage of the success of the recently completed five-year program, a follow up program over another five-year period is proposed in order to continue to address the deferred maintenance backlog. Resources would focus on the most heavily travelled roads, roads in extremely poor condition and providing preventive maintenance measures where possible. The focus would again include incorporating bike/pedestrian improvements and access for persons with disabilities. Projects would be selected to ensure geographic equity throughout the county. Continuing an active road maintenance program is especially favorable at this time as the current economic climate is resulting in extremely competitive bids for construction.

Proposed funding sources and uses:

Sources	
County General Fund	$12.0 M
(one-time sources over five years)	
Measure A	3.8 M
DPW Roadway Impact Fee	1.3 M
State and federal sources	12.0 M
Other unidentified sources*	11.0 M
Total Sources	$40.0 M

Uses	
Bridge improvements	$9.0 M
Road maintenance	31.0 M
Total Uses	$40.0 M

*Over the next few years, staff would work to identify other sources to fund the full $40 million program. At a minimum, $20 million in road maintenance would be accomplished and up to $31 million if staff can identify other funds from grants, TAM and other potential sources.

Need for More Adaptive Budget Strategies to Respond to Changing Service Demands

ISSUE

Even in better economic times, the ability to address new and emerging needs in the community has been limited because Marin is a slow-growth county. Relatively strong property tax growth in recent years was offset by flat or declining State and Federal revenue, as well as benefit growth that outpaced inflation. As a result, little funding was available for new or emerging community needs. During the economic downturn, it becomes clear that we needed to adjust our spending to reflect our most important community values and needs.

Most governments rely on a “baseline” budgeting process which largely funds the same core services each year after adjusting for the cost of living, while also addressing some new initiatives or priorities. Most changes in service level, however, tend to be “on the margin.” This traditional budgeting process may not adapt well to changing conditions. Given the County’s projected five-year shortfall, we need to augment this budgeting process with an ongoing review of our service mix and new strategies to create incentives for departments to adapt more quickly to changing service demands and resource availability.

We have already implemented some practices and strategies to delve more deeply into baseline budgets, including our Managing for Results (MFR) and Long-Term Restructuring processes. Looking ahead, however, we need to consider new practices or strategies toward a budget “model”

that is more flexible and transparent (including more frequent and open discussion regarding trade-offs). These new strategies could include, for example, incentives for departments to identify budget solutions that go deeper into their baseline operations, and/or reduction options even when times are good to create more policy flexibility to address new and emerging priorities. In the end, with limited resources, significant challenges and the likelihood that any economic recovery will be long and slow, the County will need to focus more comprehensively on doing the right things well in a more dynamic and uncertain economic climate.

BACKGROUND

Baseline Budgeting

Baseline budgeting is certainly not unique to Marin. To paraphrase the Congressional Budget Office in its explanation of the federal baseline process, "the baseline is a benchmark for measuring the budgetary impacts of proposed changes in revenues and spending. It assumes that receipts and mandatory spending will continue or expire into the future, and that future funding for discretionary programs will equal the most recently enacted appropriation, adjusted for inflation." In short, a baseline is simply a projection of what the level of spending will be if your Board makes no changes to current policy – and serves as a base to estimate the ongoing impacts of any change to that current policy. In practice, however, a baseline budget process may tend to shift the focus of critical analysis from core functions and broad prioritization more toward the margins of the overall budget.

The County's beginning baseline budget for any budget year is calculated by increasing the current year's proposed budget by any recurring budget changes in the current year. Each spring, the County Administrator's Office (CAO) works with departments to identify and analyze issues potentially impacting the budget year – for example, a new program or initiative; changing demand in an existing program; or changes in the cost of doing business, including changes in resources. The CAO centralizes changes in benefit costs, and adjusts salary and benefit data for anticipated inflationary impacts, then works with the Board of Supervisors and departments to facilitate and prioritize the sum of these impacts and policy changes to achieve a balanced and sustainable budget.

Existing Strategies to Improve Budgeting Process

A baseline budgeting process without a way to identify and reflect priorities would be too simplistic and formulaic a process to effectively allocate limited resources. Your Board therefore adopted the County's Managing for Results program in 2004 as a key strategy to help better achieve the long-term vision of a "well-managed county."

Managing for Results (MFR) is a tool that helps the County to "do the most important things well." It helps identify the County's most important priorities, align department and program activities to reflect those priorities, and to track our progress in accomplishing them. As such, MFR is a dynamic, ongoing process that helps the County build a high-performance organization that achieves results in addressing community and organizational needs. Now in its fifth year, the MFR process has established a foundation for departments to more proactively assess and analyze its core functions.

Long-Term Restructuring Process

Given the County's long-term structural imbalance and State budget problems, one of our most important initiatives in the past year has been to rebalance and restructure the County budget. This long-term restructuring process has required the County organization to think strategically about how we become a smaller organization given limited resources. The CAO has worked with departments in developing a plan to accomplish this restructuring over the next 3-5 years. The goals of this long term restructuring plan are to:

- Develop a 3-5 year plan to help guide decisions in an environment of limited resources;
- Ensure the County is operating in the most effective and efficient manner given available resources and focused on achieving the right results; a
- Acknowledge and make tradeoffs to address new and emerging needs;
- Better align programs with County and department goals;
- Redesign the organizational structure to better reflect and support this fiscal environment; and
- Make the County budget more transparent to decision makers and the public.

Through this process, the County has developed over 50 potential restructuring policy options – some of which, being time-sensitive, the Board has already begun to consider. Several proposals will contribute toward addressing the County's estimated $15 million structural deficit for FY 2010-11.

A component of analyzing these proposals, as well as analyzing the County's baseline level of service, will include a determination as to which current programs are mandated vs. discretionary programs. If mandated, a critical element of this analysis will include working with departments to determine what the required level of service is within that mandated program. Most of the County's net county cost falls within the mandated program/discretionary service level or discretionary program/discretionary service level quadrants of our review of baseline services.

FUTURE STRATEGY

Looking ahead then, in our fifth year of Managing for Results and going into our second year of our long-term restructuring process, departments are well-positioned to begin looking more deeply into their baseline level of service. We should anticipate more open discussion regarding what we do; what is truly mandated vs. discretionary; and the trade-offs associated with doing less of some programs in favor of more in those areas the Board may identify as more critical issues.

However, we may also wish to consider additional changes to our current baseline budgeting process to increase the County's overall budget flexibility. Some examples might include:

- A "reserve policy" where departments could retain a certain percentage of their fund balance (i.e. any unspent appropriations or unanticipated revenues) at the end of a fiscal year. Departments could roll over reserves from year-to-year subject to good financial practices, with surplus amounts available for one-time spending consistent with approved Board policy. Such a policy would need to be coordinated with strategies to reduce our reliance on fund balance;
- An "innovation and entrepreneurial fund" to incent one-time and short-term incentives for team efforts, and to generate ongoing savings or revenues in new and creative ways. This could include one-time investments in infrastructure and other areas, with established parameters regarding payback periods and returns on investment;
- Consideration of a "pay for performance" structure based on achieving operational goals tied to client and customer outcomes; and
- Consideration of a process to re-examine our baseline services, such as a more extensive review of baseline services for a subset of County departments each year or development of a program/service prioritization process to inform resource allocation.

Potential for Enhanced Community Partnerships

ISSUE:
Given the County's long-term budget shortfall, the County cannot continue providing the same level of service to clients and customers. Some current County services may need to be reduced or eliminated to reduce overall costs. However, there could also be opportunities to reduce costs by improving the overall coordination and delivery of these services with community-based organizations and other local agencies. These opportunities could involve shared services, consolidation, and other means. By exploring these opportunities, the County is not implying it will simply contract out services, but rather seek to develop a greater sense of shared responsibility among community partners and greater coordination of limited public resources toward the most important services.

BACKGROUND
Marin has several unique community resources available to address many of the shared community challenges we face. For example, Marin Community Foundation provides approximately $50 million in grants each year to many non-profit agencies across the county. Marin has one of the highest per capita rates of non-profit agencies in the country. We need to identify those non-profits that share our mission and goals and better coordinate to not duplicate services and address service gaps, building on the County's current work with non-profit agencies. Health and Human Services, for example, partners with numerous non-profit agencies to provide health services, mental health services, and other services.

In addition, the County has a strong track record in working with other local governments to deliver services. The County works with other jurisdictions to provide animal control services, taxi cab regulation, stormwater protection, and other services. The County's Information Services and Technology Department also provides technology infrastructure to a number of local agencies and the Sheriff's Office oversees the Major Crimes Task Force to provide more efficient and effective enforcement among most cities and towns in Marin.

FUTURE STRATEGY
The County should explore additional opportunities to enhance community partnerships through greater coordination of service delivery among organizations with shared missions and goals. For example, the County is currently implementing a "safety net" initiative in partnership with the Marin Community Foundation using $500,000 in one-time County funds and $400,000 in ongoing homeless programs. In addition, the County is exploring opportunities to reduce or eliminate provision of specific health services in areas where the Marin Community Clinics has the capacity to take on these services.

Opportunities for Greater Level of Volunteerism with County Government

ISSUE:
Since 1979, the Marin County Civic Center Volunteers (CCV) program has enabled volunteers to make significant contributions by supporting paid staff in providing services to the community. Civic Center volunteers serve in a variety of roles throughout County departments and perform office, technical, professional, and field assignments. The CCV program works with an estimated 7,000 volunteers, who generated more than 200,000 service hours in calendar year 2008 valued at approximately $8.9 million. In addition to this monetary value, the CCV program provides a tangible example of civic engagement and helps the public get involved with their county government.

The County's volunteer efforts are even more critical in today's economic conditions. Our traditional pool of volunteers (retirees, career-changers, students, newcomers, immigrants, traditional give-from-the-heart volunteers, and re-entry women) has been substantially augmented by a large number of highly skilled residents with additional time available given the impacts of the recession. Building from the foundation of its current program, the County should explore opportunities to increase the number of volunteers and interns in County government.

BACKGROUND

One of the first centralized County government volunteer programs in the nation, the Marin County Civic Center Volunteers (CCV) program was launched in January 1979 after the passage of Proposition 13. CCV was created to supplement the work of County employees to help maintain Marin's high quality of County services. Since 1979, the program has contributed a total of $98.7 million in services. Civic Center Volunteers allows County government to experiment with new ideas and respond to emerging community needs.

Below are some specific examples of volunteer contributions:

- 1990 – Volunteers started providing translating services on the court floor, joining the ranks of existing volunteer traffic court translators
- 1991 – Launched CCV's Student Intern Program
- 1991 – In response to Oakland Hills Fire, volunteers began staffing the Fire Lookout on Mount Tamalpais
- 1995 – CCV, in partnership with Community Mental Health, launched the nationally recognized Job Coach Program to provide volunteer job coaches to volunteers with mental illness
- 1996 – CCV initiated, launched, and continues to manage *Frankly Speaking*, the County employee newsletter
- 2000 – NACO's Acts of Caring Award to CCV cited CCV is a model for programs in the U.S., Canada, Europe, Scandinavia, and S.E. Asia
- 2003 – CCV provided initial volunteer program development and launch preparation for Library Beyond Walls, a Marin County Free Library program that delivers library materials to homebound seniors.
- 2005 – CCV collaborated with the Center for Volunteer & Nonprofit Leadership to help develop Masters of Marin, a project focusing on engaging older adults in volunteerism

Over its 30-year history, CCV has received local, state, and national recognition, including:

- U.S. Congressional Certificate of Special Recognition –2004
- California Legislature Resolution – 2004
- National Association of Counties' *Acts of Caring* Award—2000
- Volunteer Bureau Agency of the Year for innovative use of volunteers - 1980

The CCV program provides numerous volunteer opportunities for the public. These opportunities are posted on the CCV website (http://www.co.marin.ca.us/depts/HR/ccvol/index.cfm) as well as on Craigslist, volunteermatch.com, and CVNL's volunteersolutions.com. In addition, these opportunities are sent to targeted audiences such as Regional Occupation Program and various colleges and universities, as well as local newspapers. Current opportunities include:

- Assistant to Director of Maintenance (Cultural and Visitor Services)
- Facilitators for Chronic Disease Self-Management Program
- Docents for tours of Civic Center
- Patient Advocates for Division of Aging

- Bilingual Receptionist at Health and Wellness Center
- Administrative Assistant for Medical Reserve Corps
- Interviewer and Writer for Human Resources Handbook
- Research Assistant for Marin Women's Study
- Civic Center Landscape Steward (Parks and Open Space)
- Dental Assistant (Health and Human Services)
- Gatehouse Attendant (Parks and Open Space)
- Library Internet Tutor (Library)
- Spanish-Speaking Peer Counselor (Health and Human Services)

The County's extensive volunteer efforts have greatly contributed to the high quality and level of service the County provides to the community. Over the next five years, the County is facing a long-term budget shortfall of nearly $50 million and will need to consider a variety of actions to reduce costs, including reduction of services. Given these budget challenges, the use of volunteers within the County will be even more important in augmenting the role of County employees in providing services to the community.

FUTURE STRATEGY

Given economic realities, the County should explore additional opportunities to increase the use of volunteers in County government. In addition to greater volunteer service, this would provide an opportunity for greater civic engagement with the public. The County's CCV program provides an excellent foundation to build from with a strong record of success. The CCV is undertaking a review of the program to identify any efficiencies that can be achieved through restructuring procedures and processes and increasing the use of technology. However, given the complexity of today's challenges, the County may need to explore additional options for recruiting, placing, and managing volunteers. These options may include exploring additional resources for CCV program, convening a Marin County Volunteer Consortium of public agencies to coordinate, share and support volunteer efforts in the County organization and within communities, and adding capacity to existing community programs that recruit and place volunteers.

Use of "Electronic Government" to Improve Service Delivery and Engage the Public

ISSUE:

Since 2000, the County's website at www.co.marin.ca.us has been a primary source of information about Marin County government and the services provided to the community. The County's website has won numerous awards over the years, including receiving fifth place in the Digital Counties rankings in 2006 and 2007. The website is also linked to the Marin.org community website, which provides a community-wide portal with links to local government agencies and nonprofits. In addition to providing information, in recent years the County's website has also provided access to specific services including payment of property taxes, reservation of picnic areas at park facilities, and other services.

Providing greater online access to County services and information is an important element of the County's long-term restructuring process. Not only will providing greater online access benefit the public and the environment, it will also benefit the County by enabling County departments to provide more services online and shift staff resources to meet other needs in an era of budget constraints. As part of this effort, the County is also exploring how to redesign and reconfigure its website to modernize and enhance the usefulness of the website.

BACKGROUND

The County's website was first created and posted in 2000. The website was one of the early websites developed by county governments and provided public access to a wealth of information about Marin County government. The website was developed and maintained by the County's Information Services and Technology (IST) Department with departmental involvement by a committee of "webmasters" from each department. Over the past decade, the website has won numerous awards for its design, navigation, and extent of information provided. The initial design of the website continues in its overall format today and is shown in the screen shot below:

The County's IST Department continues to provide overall coordination and management of the County's website. Though the overall "look and feel" of the website has remained in place, there have been a number of changes to the County website to provide the community with greater access to information and services. These changes include:

- Enabling residents to conduct certain transactions, including payment of property taxes and reservation of park facilities
- Providing access to countywide GIS maps
- Developing the "Marin County Government Channel" (or "G-Channel") which provides live and archival webcasting of Board of Supervisors meetings and other public meetings as well as videos about County services and issues
- Providing links to County sites on popular "social media" websites such as Facebook, Twitter, and YouTube

Earlier in 2009, the IST Department initiated an effort to explore long-term changes and enhancements to the County's website. A new web steering committee has been created consisting of staff from IST, the County Administrator's Office, and several County departments. The committee's charge is to update the County's website so that it offers a full range of online services and information to the public; provides County departments more flexibility and control over their web presence; and promotes civic engagement through collaborative two way communications and technologies.

The web steering committee is working toward those goals by working with departments to disseminate information about current web technology, as well as the County's new Content

Management System. The committee also works with departments to help them understand which parts of their business would be candidates for automation via the new website, as well as prioritizing those needs. The committee will also provide feedback as the County develops a new look and feel for the website.

FUTURE STRATEGY

Over the next few years, the County should take steps to offer a greater mix of online services to provide better access to County services. Led by the IST Department, County departments should pursue additional opportunities to offer services online and how to shift staff resources to other areas. In addition, the County should continue its efforts to redesign and reconfigure its website to modernize its "look and feel" and enable the public to use County's website as a primary source for information, services, and engagement with their County government.

Need for More Dynamic Structures and Systems to Support a High-Performance Organization

ISSUE

An important part of the County's long-term restructuring process is reviewing and improving the overall design of the County organization. At the same time the County takes actions to reduce long-term costs, the County needs to consider redesigning organizational structures, work processes, and systems so that they support the goal of a "well-managed county" and promote the values of accountability, innovation, results-focus, and collaboration. Organization design is a key element of the County's strategy for adapting the organization to changing conditions and sustaining effectiveness and performance with fewer resources.

BACKGROUND

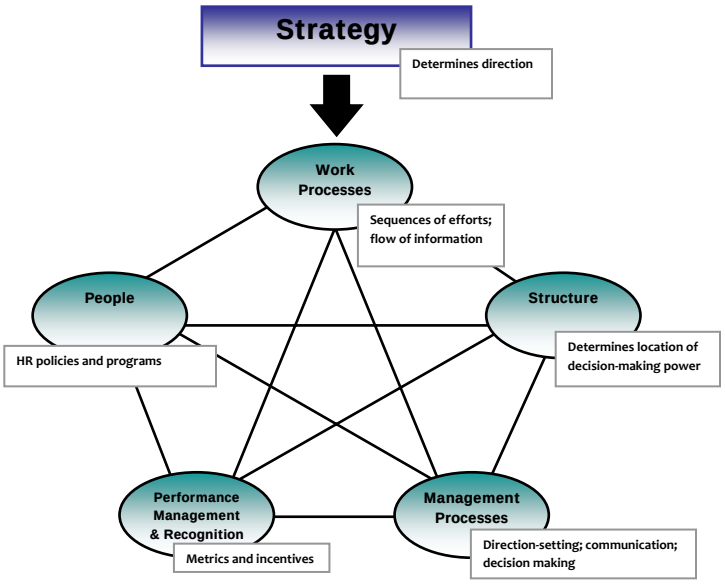
In spring 2009, the County conducted two organization design briefings presented by Professor Chris Worley from the University of Southern California to introduce the topic of organization design to the County. Below is a definition of organization design by Dr. Worley:

> *"Organization design is the process of purposefully changing and aligning organizational elements to foster achievement of valued County, resident, and employee outcomes.*

Organization design is important because of the direct correlation between design and performance. Effective design should enable an organization to achieve greater results and improve the extent to which employees are engaged in their work and are well utilized. There are five primary elements of organization design:

- Work processes
- Structure
- Management processes
- Performance management and recognition systems
- People systems and policies

On the following page is a model showing these five elements. Business strategy is at the top of the model and is the driver for design efforts. The model illustrates that design encompasses more than how an organization is structured and that all five elements of organization design should be in alignment.



Adapted from: Galbraith (1994)

The current County organization generally reflects the following characteristics:

- High degree of segmentation among services with 23 different departments
- Functional-type structures within departments
- Steep hierarchies
- Centrally-controlled decision making
- Wide variations in span of supervision
- Narrowly-defined jobs that limit flexibility in achieving work objectives

The County's existing systems and structures have served us well and provided the foundation for providing a high level of service to our various clients. However, organizations are dynamic in nature and thus the design of the County organization needs to be examined to keep pace with the changing business environment. This organization design initiative is led by the Organizational Development and Training program of the Human Resources Department with support from the County Administrator's Office. Through this initiative, our intent is to:

- Create a flatter and leaner organization over time by streamlining the management hierarchy and by addressing narrow spans of supervision
- Increase manager performance and accountability by providing clearly-defined authority at each level of organization
- Reduce segmentation by shifting our focus from functions to work processes that link people across departments and programs in pursuit of common objectives
- Increase collaboration across departments and service areas through the effective use of lateral-based or team structures
- Create more dynamic/flexible jobs that allow for the greatest possible contribution
- Enable and encourage process efficiencies
- Improve performance measurement systems and metrics to focus County employees on the right outcomes and provide the information for continuous improvement
- Modernize classification and compensation systems to create efficiencies and to link incentives to performance

A number of County departments have already initiated or completed major changes. Examples include the new Health and Wellness Campus which consolidated numerous services into one location and the continued reorganization of the County's administrative services departments.

FUTURE STRATEGY

In conjunction with the long-term restructuring process, the County should continue to explore opportunities to redesign the structures, processes, policies, and support systems to achieve organizational goals with fewer resources. These opportunities should be pursued at all levels including the countywide level, service area or inter-departmental level, and department or program level. Expected reductions in positions and services due to the County's budget shortfall will also provide redesign opportunities.

6. LTR Policy Options

Beginning in July 2009, County departments and the County Administrator's Office began developing a list of potential countywide and department-specific policy options as part of the long-term restructuring process. At the current time, there are 53 potential options under consideration and a summary listing of these options is attached to the LTR Plan (additional information on each option is posted on the County's website). These options reflect both the LTR Guiding Principles and the proposed strategies for addressing emerging issues. **These policy options are not presented to the Board of Supervisors for action at this time, but will be considered and brought to the Board for approval at the appropriate time**. Some of the options have already been approved and implemented given their timing while others are subject to discussions with the County's unions as part of labor bargaining obligations.

Overall, if each of the 53 policy options identified at this time were approved and implemented, the County would generate annual General Fund savings of approximately $10-12 million over the next five years based on available savings estimates. In addition, there would be approximately $800,000 in non-General Fund savings for the Library and Open Space District.

We recognize that this total savings amount of $10-12 million would not fully address the County's $46 million shortfall over the next five years. In addition, some options may ultimately not be feasible to implement. However, these potential policy options provide a starting point for articulating and developing the scope of reductions needed over the next several years. In addition, the total savings amount will likely increase once additional options have defined savings estimates.

These potential policy options are grouped into the following four categories to develop a balanced approach to addressing our long-term shortfall.

- Countywide Cost Savings
- Service and Program Reductions/Eliminations
- Organizational Restructuring/Redesign and Process Improvements
- Revenue Increases

Countywide Cost Savings

Countywide Cost Savings encompasses options that span multiple departments or potentially impact employees across the organization. Many of these options would reduce the relative cost per employee with numerous options requiring negotiations with employee groups. Implementation of these options would lead to long-term cost avoidance in many cases rather than immediate cost savings. However, greater use of countywide options would lessen the need for more specific service reductions or eliminations. Examples of these options include:

- Restructure Green Commute Program to reduce program costs
- Implement a Voluntary Separation Incentive Program
- Implement a Voluntary Timeoff (Furlough) Program
- Consider less costly retirement plan for new employees
- Explore more affordable health plans

Service and Program Reductions/Eliminations

Service and Program Reductions/Eliminations includes options that would impact the level of service provided by the County, either by reducing the level or eliminating the service entirely. These options respond to the County's need to consider what services or facilities the County

cannot afford to provide anymore (or at the current level) given the new fiscal reality. Implementation of these options would produce immediate cost savings, but also have greater impact on both the public and employees within these services. Examples of these options include:

- Reduce provision of direct patient care for gynecology and most County-provided obstetric care services and related programs
- Consider eliminating specialty courts including Adult Drug Court and STAR Court
- Eliminate or substantially reduce General Fund contribution to Mediation Services
- Eliminate the Marin City Walking Beat program in Housing Authority Area
- Review park facilities to explore divestiture program and options

Organizational Restructuring/Redesign and Process Improvements

Organizational Restructuring/Redesign and Process Improvements encompasses options that involve changes to structures, processes, or funding criteria within departments and programs to improve efficiency and effectiveness. In some cases, these options may provide quantitative cost savings while in other cases the savings may be less quantifiable and more efficiency savings. These options could involve consolidation of functions, streamlining processes, or changing funding distribution to minimize General Fund costs. Examples of these options include:

- Consolidate Coroner and Sheriff's Office
- Shift Public Works Capital staff from the General Fund to the Capital Fund
- Become service provider to Marin Community Clinic for dental services
- Consider merger of Parks and Open Space into single entity to minimize growth in General Fund costs
- Restructure Parole by expanding use of GPS monitoring

Revenue Increases

Revenue Increases represent options to increase specific or general purpose revenues to fund County services. Given the extent of our budget shortfall, it is neither realistic nor appropriate to balance our budget on increased revenue alone as the County must make further reductions in spending. However, there are potential opportunities to explore revenue increases such as to offset the existing costs of programs or to fund an augmentation of an existing program. Examples of these options include:

- Increase animal control fees
- Explore potential naming rights to the Marin Center
- Increase parcel taxes to offset Emergency Medical Services subsidy and fund Vegetation Management Program
- Consider parcel tax for library facilities and services
- Explore increase to countywide revenues (such as sales tax or transient occupancy tax)

7. Recommended Next Steps

This LTR Plan is a policy guide to inform the continued long-term restructuring of County government. It is intended to be a working and evolving blueprint that will need to be reviewed and updated as conditions change. Below is a summary of immediate recommended next steps as part of the LTR Plan:

1. **Adoption of Final LTR Plan** **January 12, 2010**
   Following the presentation of the draft plan on December 15, 2009, the Board of Supervisors will be asked to approve a final version of the LTR Plan. In addition to giving conceptual approval of the entire Plan, the Board will be asked to specifically approve the LTR Guiding Principles incorporated in the Plan and the future strategies to address the nine emerging issues listed in the Plan.

2. **Begin implementation of LTR Plan** **January 2010**
   Upon the Board's approval of the final LTR Plan, the County Administrator's Office will work with County departments to begin implementation of the Plan as part of the FY 2010-11 budget and MFR processes. As part of this implementation, potential policy options will continue to be reviewed and considered. In addition, the LTR Guiding Principles and future strategies will be incorporated into planning for FY 2010-11.

3. **Evaluate and update LTR Plan and determine next steps** **Summer 2010**
   At the beginning of FY 2010-11, the LTR Plan would be evaluated and updated to reflect the adopted budget for the year as well as changing conditions and needs. Both the Guiding Principles and future strategies would be revisited along with the list of LTR policy options, as some options may need to be removed while others added. In addition, the County would determine the next steps in the long-term restructuring process including potential changes in County goals, priorities, and strategies.

In conclusion, the County of Marin is committed to adapting to these changing economic times while still providing a high overall level of service to the community. Our mission of achieving excellent services that support healthy, safe, and sustainable communities is based upon a foundation of trust, integrity, and respect. We will continue to harness our organizational discipline, innovation, and collaboration to reduce our spending given our new fiscal reality and to "do the most important things well." With this LTR Plan as a blueprint, the County organization will work together in partnership with the community to meet the challenges ahead.

Potential Countywide and Department-Specific LTR Policy Options
January 2010 *(subject to subsequent Board actions)*

General Fund
COUNTYWIDE
Restructure Green Commute Program to balance program goal of reducing car trips with reducing program costs
Reduce General Fund support of County Print Shop
Implement Voluntary Separation Incentive Program (VSIP) *
Implement a Voluntary Time Off (voluntary furlough) Program as a method of reducing County costs *
Explore increase to countywide revenues
Explore restructuring or elimination of specialty courts including Adult Drug Court and STAR Court
Explore a new, less costly retirement plan for new employees
Explore more affordable health plans
DEPARTMENT-SPECIFIC
AGRICULTURE/WEIGHTS AND MEASURES AND FARM ADVISOR
Shift staff workload to ongoing revenue-generating activities
Explore consolidating AWM's and Farm Advisor's expenses and identify potential costs billable to the State
ASSESSOR-RECORDER
Utilize one-time revenue from Property Tax Administration Program
Automate processes by establishing an electronic recording delivery system and automated indexing program
Transition County Clerk function from Treasurer-Tax Collector to Assessor-Recorder as a result of Measure B *
COMMUNITY DEVELOPMENT AGENCY
Establish a fee recovery policy for Geographic Information Systems (GIS) internal and external customers
Streamline current planning processes to shift resources to long-term planning
CORONER
Consolidate the Coroner with the Sheriff's Office *
COUNTY ADMINISTRATOR
Shift Facilities General Fund staff cost to the specific projects within the Capital Fund
Increase Animal Control-related fees *
CULTURAL AND VISITOR SERVICES
Purchase box office ticketing software to retain per-ticket handling fee and increase revenue
Add an additional day of the Farmers Market at the Civic Center
Eliminate Civic Center cafeteria subsidy
Explore potential of naming rights to the Marin Center
Consider changing the department's organizational and/or management model
DISTRICT ATTORNEY
Reduce attorney staffing levels by approximately 5.0 FTE to comparable county levels
FIRE
Increase Community Services Area (CSA) 28 parcel tax to offset Emergency Medical Services (EMS) subsidy
Increase Community Services Area (CSA) 31 parcel tax to fund fire suppression and prevention services
HEALTH AND HUMAN SERVICES
Reorganize leadership of Social Services Division, and review and evaluate Social Services overmatch
Become service provider to Marin Community Clinic for dental services
Reduce provision of direct patient care for gynecology and most County-provided obstetric care services and related programs

*** Policy option already implemented**

Potential Countywide and Department-Specific LTR Policy Options
January 2010 ***(subject to subsequent Board actions)***

General Fund
HUMAN RESOURCES
Reduce contract services for labor relations
INFORMATION SERVICES AND TECHNOLOGY
Conduct ROI (return on investment) analysis on the County's administrative and financial systems
Offset system development costs through partnerships
PARKS
Consider merger of Parks and Open Space into single entity to minimize growth in General Fund costs
Review park facilities to explore divestiture program and options
Conduct comprehensive review of park fees
Explore creation of new Community Services Areas and/or assessment districts to augment current services
PROBATION
Eliminate or substantially reduce General Fund support for Mediation Services
Restructure O.R. (own recognizance) program
Shift responsibility for Diversion Program from Probation to the Courts
Restructure Parole by expanding use of GPS monitoring
PUBLIC DEFENDER
Reduce attorney staffing levels by approximately 5.0 FTE to comparable county levels
PUBLIC WORKS
Shift 6.0 FTE Capital Staff from General Fund to Capital Fund
Reduce or eliminate General Fund contribution of Real Estate program
SHERIFF
Eliminate the Marin City Walking Beat program (2 Deputies) in Housing Authority Area
Eliminate the Marine Patrol program servicing the aquatic environment surrounding Marin County
Eliminate School Resource Officer program serving all schools in the unincorporated areas of Marin
Eliminate STAR Program Deputy serving mentally ill offenders in Marin County
TREASURER-TAX COLLECTOR
Begin charging administrative surcharge to non-General Fund agencies for billing and collections services
Other Funds
MARIN COUNTY FREE LIBRARY
Consider parcel tax for library facilities and services in November 2010
Reduce library hours to maximum of eight hours per day
Close Civic Center Library on Saturdays
Close Library branches on Sundays
OPEN SPACE DISTRICT
Establish assessment districts to fund creation and maintenance of defensible space and fuelbreaks

*** Policy option already implemented**