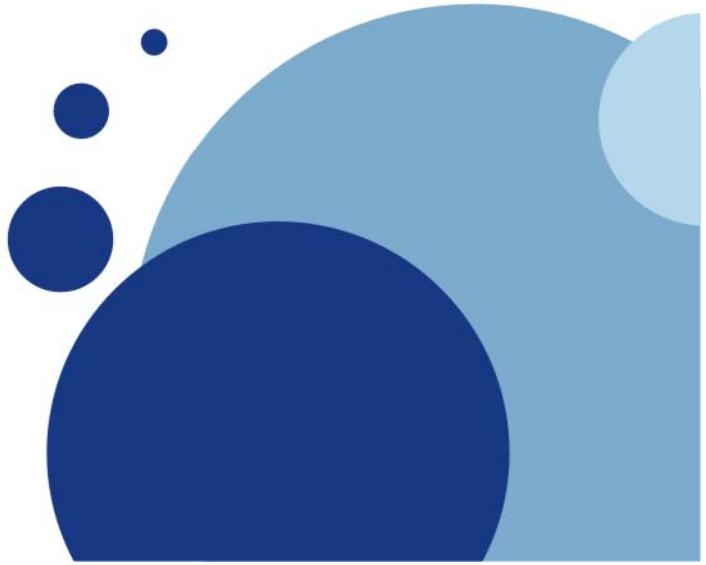
Board of Supervisors' Workshop

Budget & Long-term Restructuring

Marin Center,
November 15, 2011



Workshop Agenda

- Financial overview
- Overview of workforce and budget data
- Revised 5-year General Fund projections
- Two-year budget strategy
- Update on Long-Term Restructuring
- Next Steps

Overall Goal

- Build upon our past success
- Keep ahead of the curve
- Understand major trends, challenges and opportunities over the next 5 years
- Encourage innovation and effectively lead organizational change through challenging times
- Lead an organization that employees are proud of
- Lead an organization that residents can trust to do the right thing

Response to Economic Downturn: *What We've Done to Date*

- Over the past three years, we have reduced ongoing expenses by $30 million and eliminated over 200 positions (over 10% of our workforce)
- Created a new, lower cost retiree health plan for new employees since 2008, and limited growth in existing retiree health plans
- Negotiated a new Miscellaneous retirement tier of 2% @ 61.25 with most bargaining groups
- Set aside and budgeted for unfunded retiree health liabilities above 'pay-as-you-go'

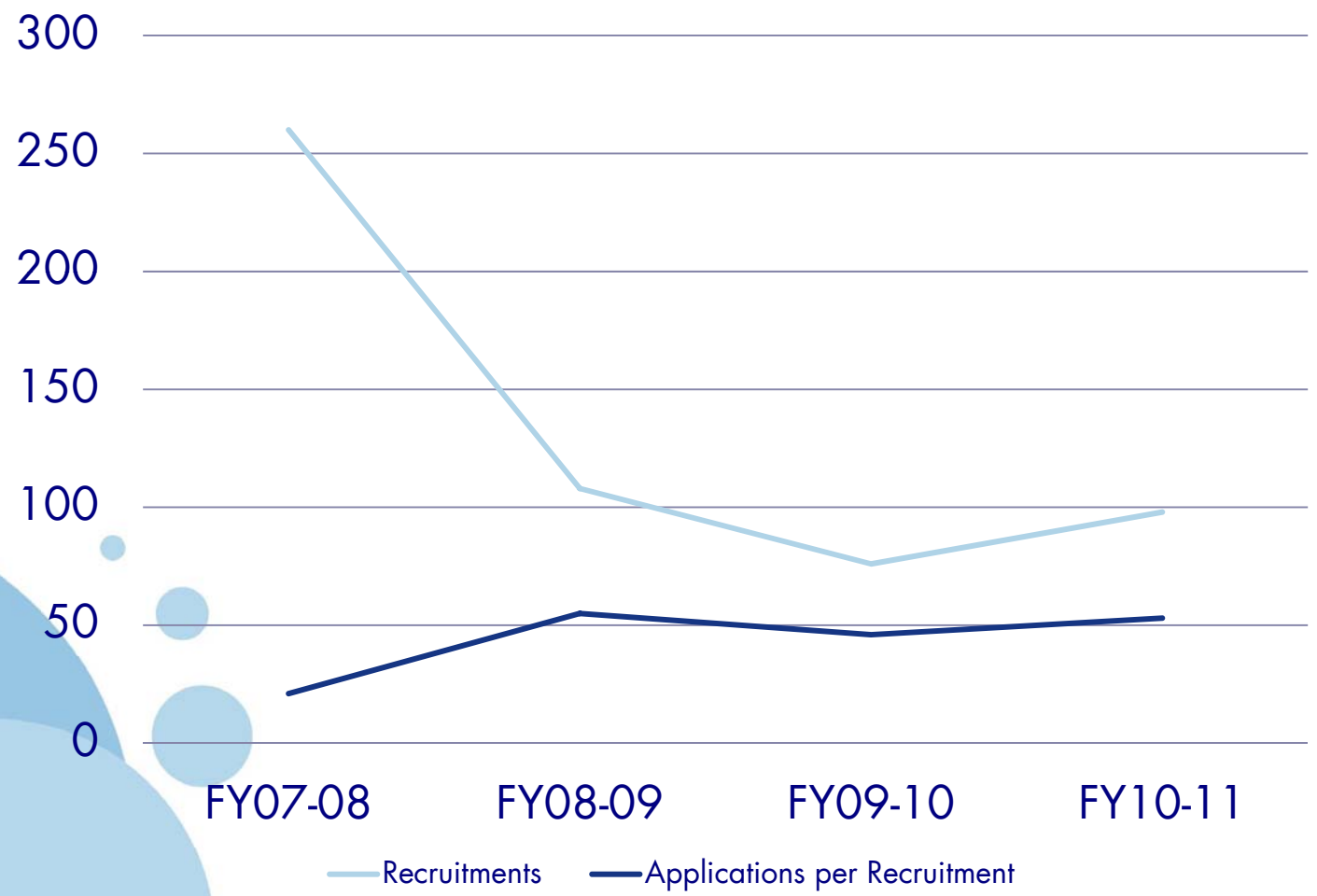
What Will Our Future Look Like?

- Continued scarcity of resources
- Higher staff turnover
- More diverse community and a younger, more diverse staff
- Changing service expectations
- Expectations that employee benefits will adapt to economic and demographics changes

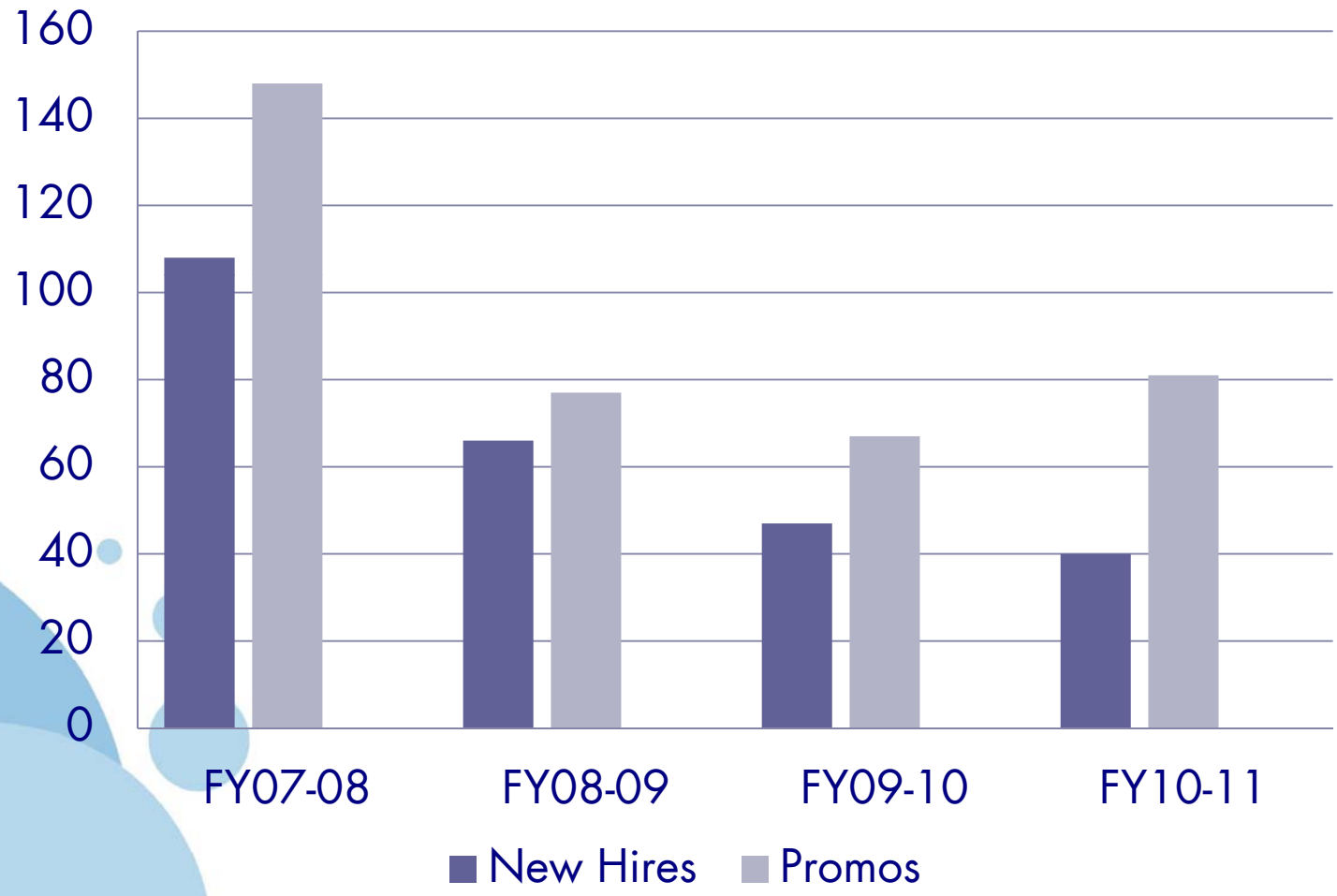
Our Future Leadership Challenge – *Effectively Manage Change*

- Changing workforce – managing the new generation of workers
- Changing resources – making trade-offs
- Changing organizational structure – a flatter, more efficient organization
- Changing service delivery – more services over the internet
- Changing expectations as to how we work with one another– more collaboration, more delegation, more feedback and recognition

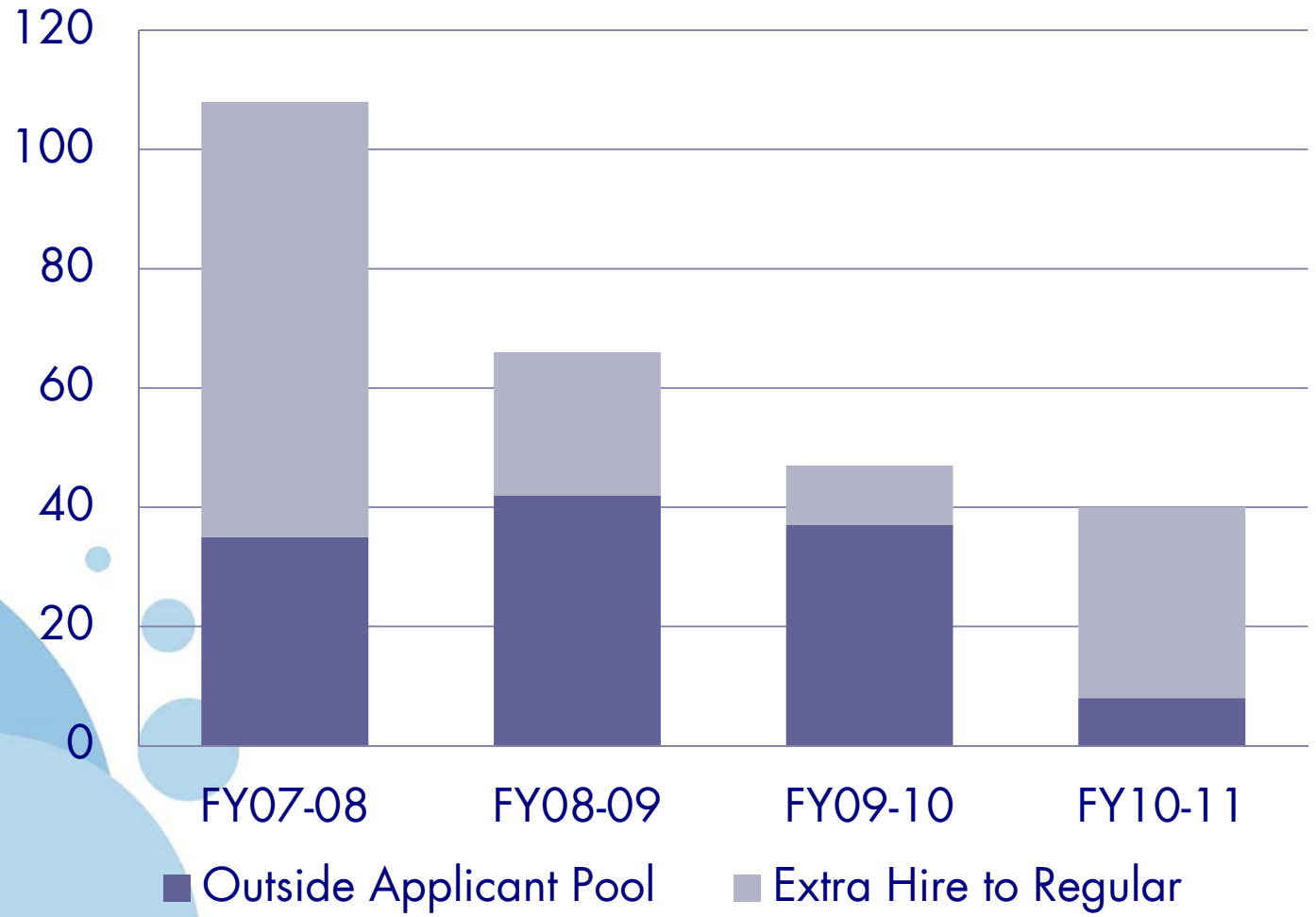
Talent Management – *Recruitment Trends*



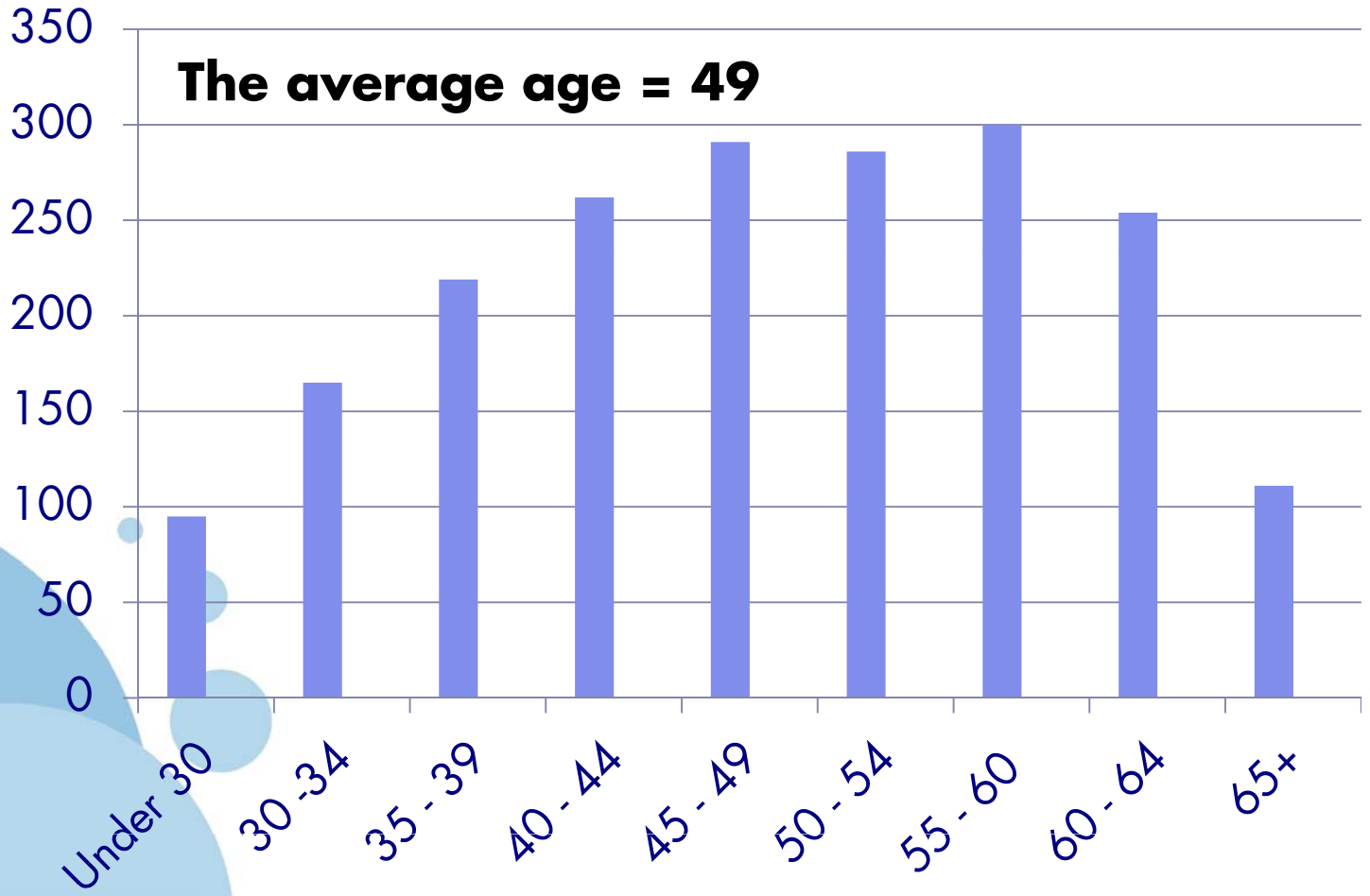
Talent Management - *Appointments and Promotions*



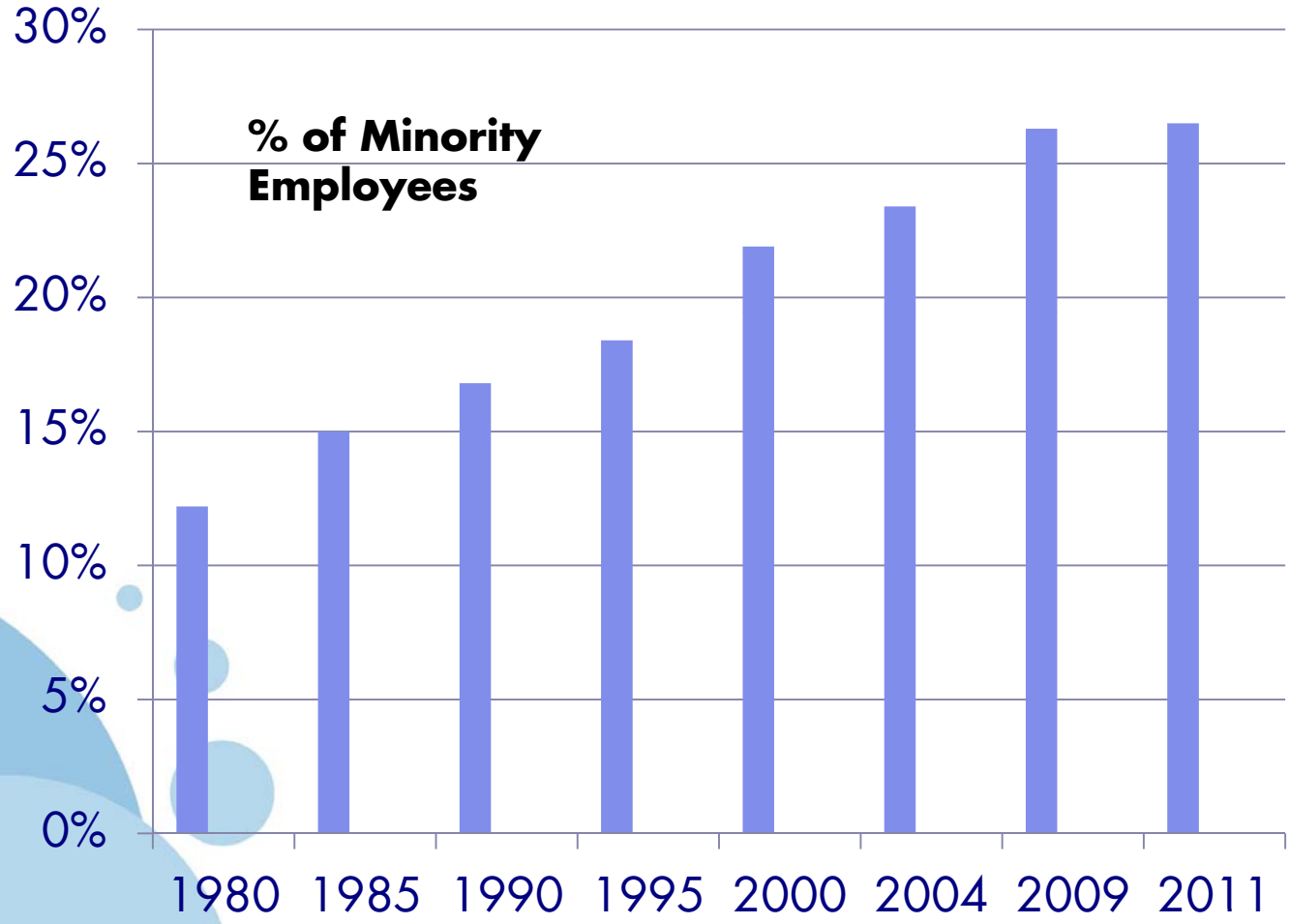
Talent Management – *Utilization of Applicant Pools*



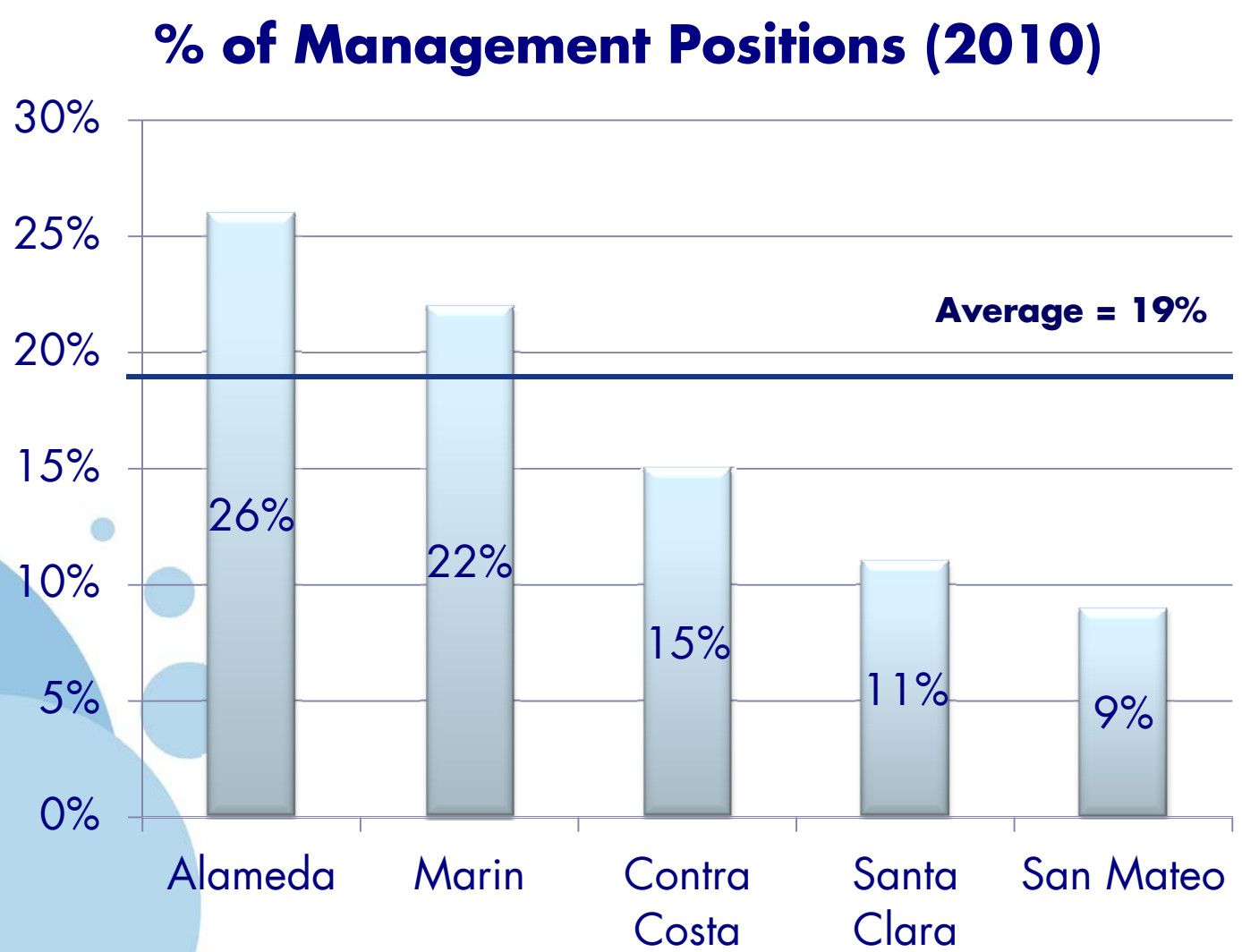
Workforce Patterns – *Age Patterns of Workforce*



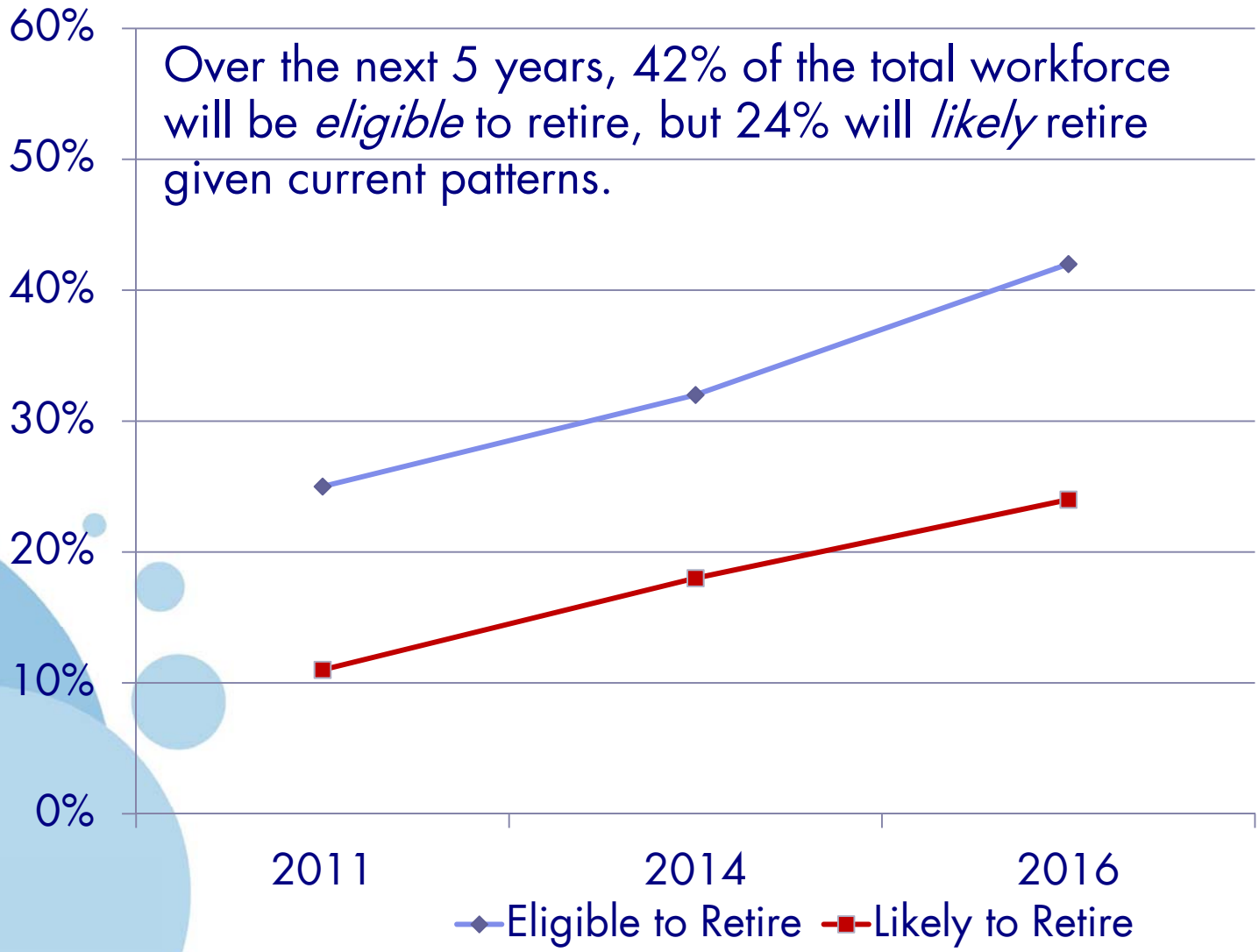
Workforce Pattern - *Growing Levels of Diversity*



Workforce Pattern - *Management to Staff Ratios vs. Comparison Counties*



Risks of Talent Loss - *Our Likelihood of Retirement*

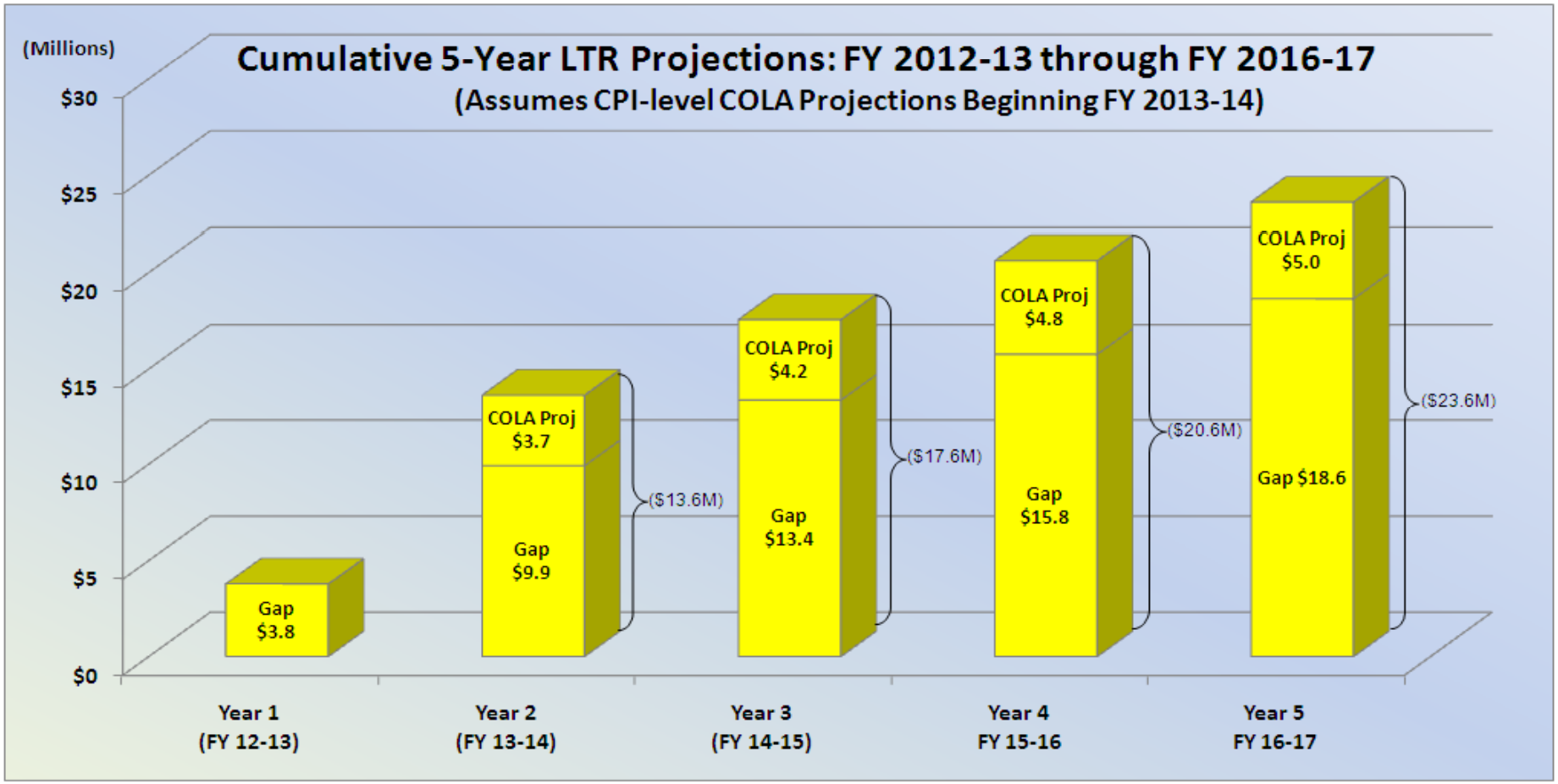


5-Year General Fund Projections - *Significant Drivers*

Although our shortfalls are smaller, we still expect future budget shortfalls because of the slowness of the economic recovery:

- Projections assume a slow recovery, but not a secondary recession
- Slow property tax growth - projected at 1.5% next year; 2.0% - 2.5% following four years
- Benefit costs are increasing faster than inflation because of higher pension costs and contributions toward long-term retiree health liabilities
- Projections assume flat State and federal revenues. We are still responding to existing cuts (for example, AB 3632), and we expect further State trigger cuts.

5-Year General Fund Projections
(Not Including State/Federal)



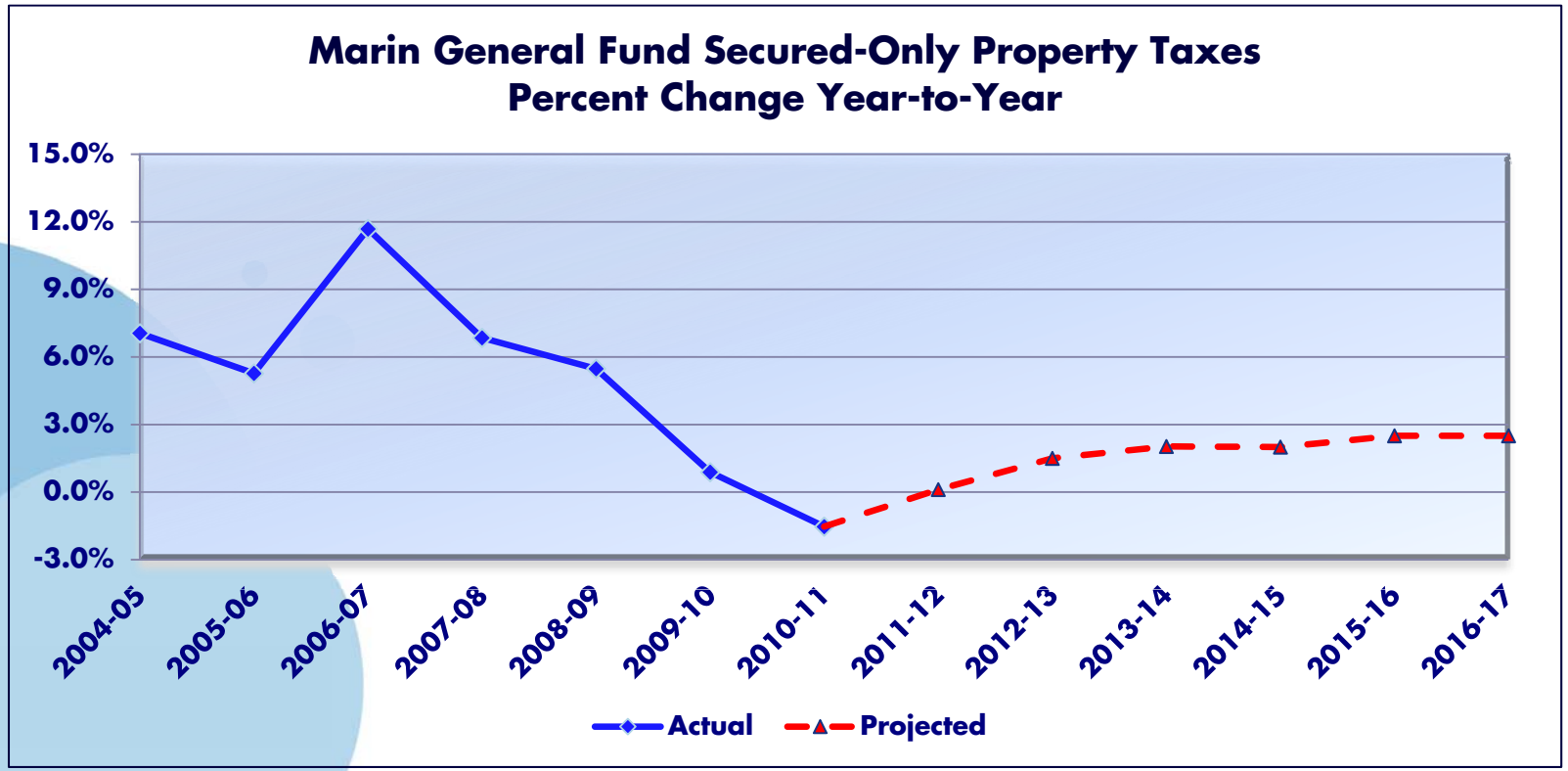
**Salary and benefit projections assume Consumer Price Index (CPI) adjustment of 2.0% beginning FY 2013-14; 2.2% FY 2014-15; and 2.5% thereafter based upon California Dept of Finance CPI forecast on a fiscal year basis through FY 2014-15. (FY 2013-14 includes CPI contract obligations for several units.)*

Given these projected operating gaps, CPI projections in this document are for planning purposes only and do not indicate a commitment or ability to fund. In fact, not funding future COLA's could be part of the budget solution going forward. For discussion purposes, every 1% COLA equals approx $2M.

Projections also assume no State or Federal budget impacts, and do not assume an economic recovery or a secondary recession.

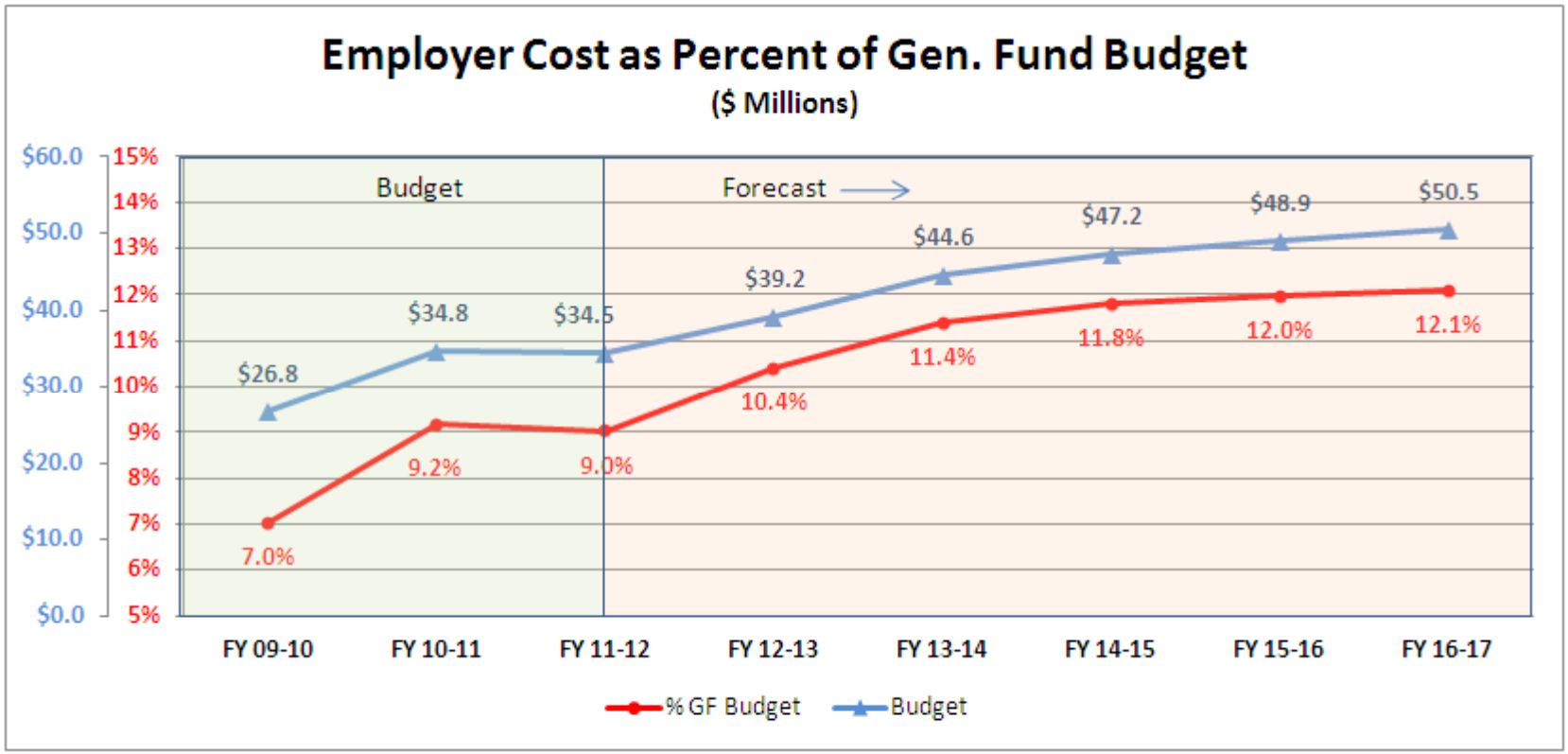
5-Year General Fund Projections – *Property Tax Revenues*

- Projected property tax revenue growth much flatter going forward - we require approximately 6% annual growth to cover the increased cost of doing business



5-Year General Fund Projections - *Employer Pension Costs*

- As a percentage of budget, June 30, 2009 market losses are having a long-term budget impact. If investment assumptions are met, we expect increases next 2-3 years - then fairly flat costs:



Two Year Budget Strategy

- We face a two-year budget gap of $10-$15 million, driven largely by flat property tax growth and higher benefit costs
- This year's budget process will focus on countywide savings options and the development of department policy options to close the two-year budget gap
- Departments will be asked to develop policy options to address a 10% NCC reduction target over the two-year period
- We encourage departments to adopt *early* (FY 2012-13) ongoing reductions to close the two-year operating gap of $10-$15 million
  - Departments doing so will receive a one-time credit next year as an incentive, similar to this past year

Two Year Budget Strategy
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- We will continue the hiring review process to help close the two-year budget gap with attrition to the extent possible. As part of a Countywide attrition management plan, when vacancies arise:
  - A department can recommend early (FY 2012-13) elimination of the vacant position (and receive a one-time credit next year)
  - The CAO may also recommend the elimination of the vacant position to close the two-year budget gap
- CPI assumptions are for planning purposes only and are subject to future negotiations. Foregoing future COLAs would reduce projected budget gaps
- We will not be offering the VSIP in this budget year or next

5-Year Vision Plan & 2-Year Budget/ LTR Policy Options

- As departments look at the next 2–5 years, they are being asked to consider:
  - What is the department's strategic vision, including an evaluation of strengths, weaknesses, opportunities and threats?
  - Where the department will be in 5 years – its mission extending into the future, changing requirements for programs and services, organization changes?
  - Changes in business model?
  - What immediate changes are expected within the next 2 years, and what assistance will departments require to accomplish them?
  - Some long-term restructuring options may be reviewed with your Board in April, with additional work to implement savings effective July 1, 2013

Long-Term Restructuring – *What We've Done Already*

- Initiated January, 2009 to guide decisions over a three to five year time horizon to close a project $50 million gap over five years
- Adopted January, 2010, the plan identified over 50 potential countywide and department-specific policy options and future strategies to address 9 key emerging issues, including:

Growth in Pension Costs	More Adaptive Budget Strategies	Use of E-government for service delivery
Growth in Health Benefit Costs	Enhanced Community Partnerships	Dynamic Structures and Systems for high performance
Long term Facilities Maint. Needs	Greater Levels of Volunteerism	Long term Road & Bridge Maint. Needs

Long-Term Restructuring – *What We've Done Already*

- Of Countywide options, the following were implemented or started:
  - Restructuring the Green Commute program
  - Reductions to the Print Shop
  - Implementation of the VSIP and Voluntary Time Off programs,
  - A lower-tier retirement plan
- Of department-specific items, about one half were included in the FY 2010-11 budget, including:
  - Elimination of Civic Center cafeteria subsidy
  - Reduction of staffing levels
  - Voter approval of the EMS parcel tax increase
  - Transition of gynecological services to a community provider
  - Elimination of general fund program costs of mediation services

Long-Term Restructuring – *What We've Done Already*

- In the FY 2011-12 budget, the County eliminated County-provided obstetric care
- Going forward, we will need new Countywide or department-specific policy options to close out the remainder of our LTR plan

Long-term Restructuring Strategies – *What's Ahead*

- Broad strategies to explore for continued long-term restructuring or budget reduction could include:
  - Pension reform legislation
  - Community partnerships/volunteerism
  - Workforce planning/reorganization
  - Enhanced communication with new technology/ social media
  - Expanded E-business opportunities

Long-term Restructuring - *Outline*

- Countywide budget strategies for FY 2012-13
- Some known long-term policy options to reduce cost or increase efficiencies
  - Continued realignment of public health services
  - New rental revenue at Marin Commons
  - Eliminate remaining Green Commute program
- Policy review of emerging issues, including:
  - Homelessness
  - Domestic violence
  - Affordable housing
  - Fire fuel management
  - Other issues identified by the Board

Next Steps

- 2-year budget strategy and next steps on Long-Term Restructuring efforts
  - Assist departments in identifying new LTR policy options to reduce costs over two year period
- Board workshop in April
  - Review department 5-year vision plans, FY 2012-13 performance plans, and long-term restructuring options
  - Review proposed reductions to close FY 2012-13 budget gap
- June Proposed and Final budget
  - Board action to adopt Proposed Budget, as well as any adjustments regarding State impacts (if known)
- Summer through Winter, 2012
  - Work with departments for July 1, 2013 LTR savings

Questions?