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October 16, 2012

Marin County Board of Supervisors
3501 Civic Center Drive
San Rafael, CA 94903

SUBJECT: Proposed New Phase of the Voluntary Separation Incentive Program

Dear Board Members,

RECOMMENDATION:

Approve new phase of the Voluntary Separation Incentive Program (VSIP) for eligible County employees to help address the County's FY 2013-14 budget shortfall.

SUMMARY:

In 2009, your Board authorized the establishment of a Voluntary Separation Incentive Program to increase voluntary attrition that would result in ongoing savings to the County. The program has been very successful in accelerating attrition, with the previous four phases resulting in the elimination of approximately 96 vacant positions and nearly \$12 million in countywide savings. The elimination of these vacant positions mitigated what otherwise would have been additional reductions in force, while also providing departments with the opportunity to restructure and reorganize their operations.

We now propose to open a new phase of VSIP Countywide to incent additional attrition as a component of the FY 2013-14 budget process. This would be the last VSIP opportunity for at least the next two years. Should your Board approve, we would plan to open the program November 5, 2012 to employees Countywide with the application period closing Monday, December 3, 2012.

We recognize that departments have been reducing their budgets for the past several years, potentially making it more difficult to reduce a full position. We therefore recommend a modification to the program to allow departments to utilize the VSIP as long as the reduction achieves an ongoing savings of at least 50% of the value of the separating employee's position. This modification to the program guidelines would provide more flexibility in ensuring a successful program, as well as better enabling reorganization or restructuring opportunities. All other program guidelines and parameters would remain the same, summarized below:

- Minimum requirements for VSIP eligibility would be established at a 0.75 FTE or greater regular position (Fixed-Term, Extra-Hire and Special Appointment are excluded);

- Minimum service requirement would be the equivalent of five (5) years of full-time service hours with the County in a regular position (at the time of application); and
- A \$25,000 incentive payment amount for approved employees with at least ten (10) years of full-time service hours, with a lower tier incentive payment of \$15,000 for approved employees with between 5-10 years of full time service hours.

As with the previous four phases, participation in the program would be subject to approval by your Board based upon operational impact, consistency with long-term restructuring vision, and ability to eliminate the applicable position or an appropriate offsetting cost reduction. If more employees in a classification apply than a department can separate, then the selection of employees would be based on seniority with the County (total number of service hours with the County). The decision by your Board is final and is not appealable or grievable, and this payment is not included in the final average compensation for retirement purposes. Employees separating under this program would not be eligible to seek unemployment compensation through the California Employment Development Department, nor submit an application for County employment within 12 months following the effective date of the separation.

VSIP Timeframe

Should your Board approve the recommendation for this fifth phase of VSIP, the program will be promoted by the Department of Human Resources and the County Administrator's Office.

Interested employees will be requested to submit a Letter of Intent no later than December 3, 2012. Upon submission of the Letter of Intent, applicants will be provided with a Separation Agreement for their consideration and will have up to 45 (forty-five) calendar days to review and submit their signed Separation Agreement to voluntarily separate. If an applicant is approved by your Board for the program (tentatively anticipated for Board consideration January 8 or January 15, 2013), applicants would have the remainder of their 45-day consideration period to choose to proceed or withdraw. All signed Separation Agreements would be due to the County Administrator's Office no later than January 17, 2013. Approved applicants would then have an additional 7 (seven) calendar days from the date the County fully executes the Separation Agreement to finally withdraw, after which their separation would become irrevocable.

The fifth phase of the VSIP program would be timed to provide certainty about VSIP attrition by March 2013, prior to your Board's March budget workshops. This would allow departments to review VSIP applications prior to development of their potential budget reductions for FY 2013-14.

If program criteria are met, approved employees would need to separate from the County no later than Friday, June 28, 2013. Once the employee separates, the position – or an appropriate offsetting position/cost reduction that achieves an ongoing savings of at least 50% of the separating employee's position – would be

eliminated. The separating employee would receive a one-time cash payment of \$25,000 before taxes (the incentive payment is eligible for deferred compensation treatment subject to annual limits, so long as the incentive payment is deferred on the separating employee's last day of employment), or \$15,000 in the event the employee has between 5-10 years of full-time service hours.

FISCAL/STAFFING IMPACT:

While there is no current fiscal impact to approving the fifth phase of VSIP, this program will ultimately result in an ongoing cost savings to the County by the elimination of positions upon separation. There will be a one-time cost for the incentive payments to qualifying and approved participants, which may be available from existing funding for these positions within the County's current year operating budget, or as a planned one-time cost component of the FY 2013-14 County budget.

Under this program, the County will pay out \$15,000 or \$25,000 on a one-time basis from the amount already budgeted in FY 2012-13. We estimate that the savings will exceed this payment within the first year and be ongoing thereafter. Total savings for the program would depend upon the number of positions eliminated.

REVIEWED BY:

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|---|---|
| <input checked="" type="checkbox"/> Department of Finance | <input type="checkbox"/> N/A |
| <input type="checkbox"/> County Counsel | <input checked="" type="checkbox"/> N/A |
| <input checked="" type="checkbox"/> Human Resources | <input type="checkbox"/> N/A |

Respectfully Submitted,

Reviewed by:



Michael Aycock
Management & Budget Analyst



Matthew Hymel
County Administrator