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January 15, 2013

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

SUBJECT: Recommended Separations from the Voluntary Separation Incentive Program

Dear Board Members,

RECOMMENDATION:
Approve the following actions related to the County's Voluntary Separation Incentive Program as detailed in the staff report:

1. Approve recommended 43 voluntary separations as specified in Attachment A, and authorize associated reductions upon separation; and
2. Approve distribution of the one-time $25,000 incentive payment before taxes to each applicable separated employee with 10 years or more of tenure, or $15,000 for those with 5-10 years of tenure.

SUMMARY:
Given the County's projected long-term budget shortfall, on October 16, 2012 your Board approved the fifth phase of the Voluntary Separation Incentive Program (VSIP) to increase voluntary attrition that would result in ongoing cost savings to the County as a component of the FY 2013-14 budget process. Your Board noted that this would be the last VSIP opportunity for at least the next two years.

As part of the VSIP guidelines, the County will provide a one-time cash payment of $25,000 to employees with a minimum of the equivalent of ten (10) years of full-time service hours with the County in a regular position to voluntarily separate from the County – or $15,000 for approved employees with between 5-10 years of full-time service hours – in a 0.75 FTE or greater position. Participation in the program is subject to approval by your Board based on operational impact, consistency with long-term restructuring vision, and the ability to eliminate the applicable position or an offsetting reduction that achieves at least 50% of the full cost of the separating employee's position. If more employees in a classification applied than a department can separate, then the selection of employees is 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 the separation incentive payment is not included in the final average compensation for retirement purposes.

Program Response

The County received a total of 92 VSIP applications from employees in 16 departments. One applicant has withdrawn from consideration and one applicant did not meet the eligibility requirements for the program. After receiving the applications, our office reviewed them with respective departments. Of the 90 applications reviewed, 43 are recommended for approval by your Board based on the VSIP criteria (Attachment A). 36 of the recommended separations are in General Fund departments, while 7 recommended non-General Fund separations are from the Library (4), Child Support Services (2), and the Marin County Parks' Open Space District (1). 5 of the General Fund recommended separations are within the Department of Health & Human Services' Public Health Laboratory program, representing approximately $636,100 in value. However, consistent with your Board's previous direction, savings will be utilized to contract with Solano County for regional public health laboratory services and to reinvest in other Health & Human Services operations, resulting in no net reduction or savings of County cost.

The net annual savings of approving these VSIP separations and implementing the associated reductions would be up to approximately $2.87 million beginning in FY 2013-14 (all funds), and $2.47 million General Fund.

VSIP Timeframe

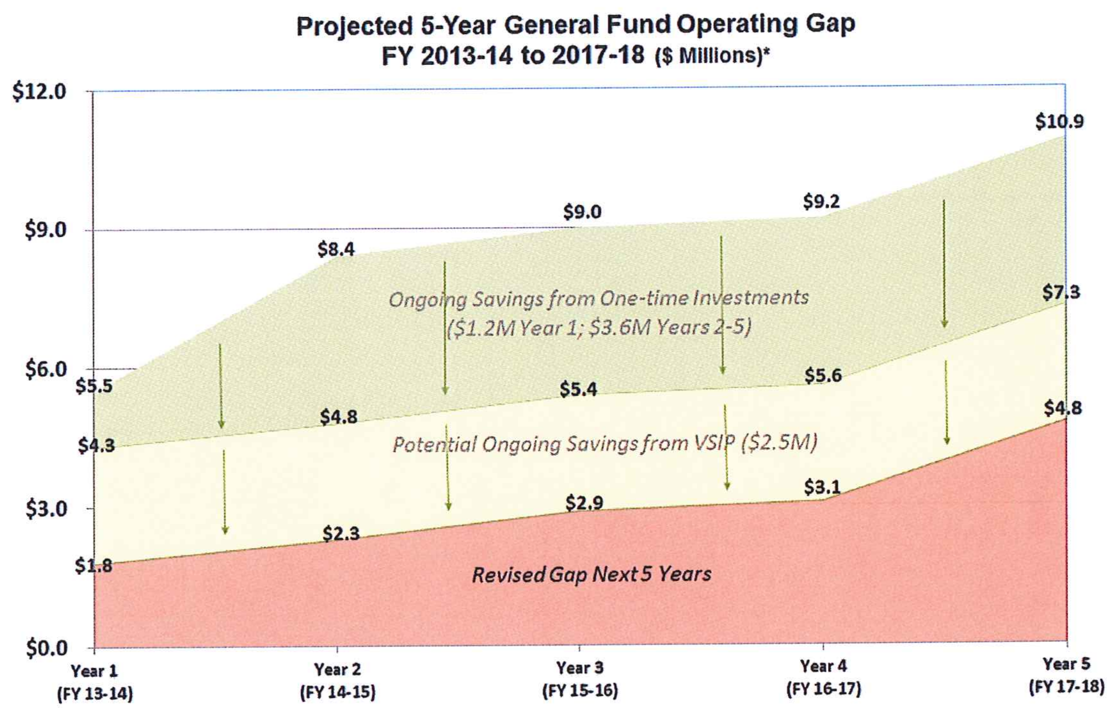
If your Board approves these recommended separations, the County Administrator's Office will notify these employees accordingly and execute their signed Separation Agreements no later than January 17, 2013. Once their Separation Agreement is executed, employees will have 7 (seven) calendar days to revoke their election to voluntarily separate. If these criteria are met, the approved employees would need to separate from the County no later than June 28, 2013. Consistent with previous VSIP phases, the date of departure requires department approval to ensure effective operational transitions.

Given previous experience, approximately 10%-15% of approved VSIP applicants may decide to withdraw from the program after your Board approves their applications. Once recommended VSIP employees actually separate, the approved reductions associated with their application's approval will take place and the employee would receive the one-time cash payment of $25,000 (before taxes), or $15,000 (before taxes) for those with 5-10 years of service credit. Given the flexibility in this year's program to offset at least 50% of a position's value, it is recommended that the County Administrator have your Board's authorization to approve alternate savings options in the event some approved VSIP applicants decide to withdraw from the program.

FISCAL/STAFFING IMPACT:

If all agreements are executed, the VSIP program would result in a net ongoing cost savings of approximately $2.87 million on an all funds basis by the reductions associated with the approved VSIP applications presented in Attachment A and inclusive of the flexibility authorized by your Board for some offsetting reductions that achieve less than 100% of the full cost of the separating employee's position.

Of this potential savings, up to $2.47 million of net General Fund savings would reduce our projected $4.3 million General Fund operating budget shortfall for FY 2013-14, leaving a remaining gap of $1.8 million (see red area below). The chart below illustrates our revised 5-Year General Fund Operating Gap inclusive of the $3.6 million in savings associated with your Board's previous decision to invest one-time sources to reduce ongoing operating costs and to generate additional revenues from the Marin Commons facility (green area below) – as well as now including potential General Fund VSIP savings of $2.47 million (yellow area below):



Salary and benefit projections assume known COLA's FY 2013-14 and FY 2014-15 consistent with annual Consumer Price Index (CPI) adjustments per California Dept of Finance forecasts. Most bargaining unit agreements expire June, 2015. Approximately 2.0% CPI projections beyond FY 2014-15 are for planning purposes only and do not indicate a commitment or ability to fund. Projections do not include any state or federal budget reductions, assume continued slow growth in the economy, and do not include PEPRA savings.

We will present recommendations to your Board in March for reducing the remaining $1.8 million FY 2013-14 budget gap based upon department submissions of their remaining cost reduction options.

There would be a one-time cost of up to $840,000 General Fund and $165,000 special funds for the incentive payments, which is available from existing funding for these positions within the County's operating budget for FY 2012-13.

Respectfully Submitted,

Michael Aycock
Management & Budget Analyst

Reviewed by:

Matthew Hymel
County Administrator