COUNTY OF MARIN OFFICE OF THE ADMINISTRATOR

3501 CIVIC CENTER DRIVE, SUITE 325, SAN RAFAEL, CA 94903

415/499-6358 - FAX 415/507-4104

Matthew H. Hymel County Administrator

May 18, 2010

100

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

SUBJECT: Status Report on FY 2010-11 Proposed Budget and the Voluntary Separation

Incentive Program (VSIP)

Dear Board Members:

RECOMMENDATION: Approve following actions:

1. Approve recommended voluntary separations as specified in the attached list (Attachment A) and authorize deletion of the applicable positions upon separation;

2. Approve distribution of the one-time \$25,000 incentive payment, or \$15,000 for approved employees with between 5-10 years of full-time service hours; and

3. Approve next steps in the budget process, including noticing employees potentially impacted by reductions in force (RIF).

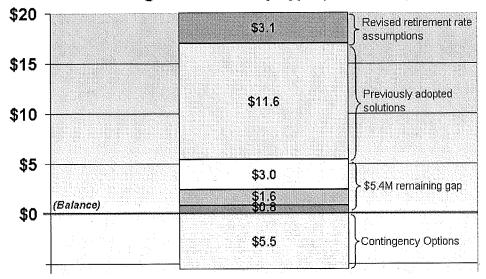
BUDGET UPDATE:

Staff presented your Board with recommended budget reductions during the March 29th and 31st budget workshops. Your Board has already approved approximately \$11.6 million in budget reductions, including 60 FTE vacant positions. Since March, the Marin Employees Retirement Association (MCERA) has approved employer pension contribution rates for FY 2010-11 which are approximately \$3 million less than originally projected due to rate mitigation efforts. As a result, there is a remaining gap of \$5.4 million to balance next year's budget.

The chart on the next page illustrates the various stages of this year's budget process that comprise balancing solutions - including the revised retirement rates; previously approved "A1"-"A3" level reductions; and recommended additional solutions to close the remaining \$5.4 million gap. These recommended reductions include:

- \$3.0 million in Countywide budget reductions consisting of shifts of personnel costs to the Capital fund; rent, copier and cell phone savings; and other non-departmental reductions; and
- \$2.4 million in recommended "A4" and "B" level reductions (see Attachment B for summary by department of recommended reductions).

Budget Solutions by Type (\$ Millions)



"A4" and Revised "B" Category Reductions

Since March, CAO staff and departments have worked to identify VSIP and alternative reductions to mitigate up to 20.60 of a potential 28.95 FTE Reductions in Force (RIF). The chart below highlights the nearly \$2.4 million in additional recommended solutions to balance the Proposed Budget with "A4" and revised "B" categories:

	Vacant/ VSIP	Filled	Total	NCC
A4	FTE*	FTE	FTE	Savings
County Counsel	(0.50)		(0.50)	(\$202,250)
District Attorney	(4.00)		(4.00)	(504,056)
Health & Human Services	(3.30)		(3.30)	(418,280)
Public Defender	(2.00)		(2.00)	(308,126)
Probation	(0.80)		(0.80)	(60,846)
Sheriff	(1.00)		(1.00)	(87,224)
Subtotal	(11.60)	0.00	(11.60)	(\$1,580,782)
В				
District Attorney		1.00 **	1.00	\$83,839
Health & Human Services	(7.00)	(6.75)	(13.75)	(\$591,658)
Probation		(2.60) **	(2.60)	(117,423)
Public Defender	(1.00)		(1.00)	(111,176)
Sheriff	(1.00)		(1.00)	(78,952)
Subtotal	(9.00)	(8.35)	(17.35)	(\$815,370)
Total	(20.60)	(8.35)	(28.95)	(\$2,396,151)

The "A4" category totals \$1.6 million in savings, and consists of 11.60 FTE reductions that are vacant or anticipated to be vacant largely because of the VSIP. In addition, if the VSIP is not taken, there are alternative reductions that would not involve layoffs.

The "B" level of reductions totals \$0.8 million and includes 17.35 FTE, consisting of up to 9.0 vacant and 8.35 filled FTE. The "B" list includes anticipated vacancies due to the VSIP

^{*}Includes anticipated VSIP agreements; subject to change pending approved applicants who complete their agreements by VSIP program deadlines in July.

^{**}Includes 1.0 FTE Mediation Case Developer-Bilingual proposed as transfer from Probation to District Attorney's Office.

program, as well as filled reductions. RIF notices are required for both in this category because a RIF will be necessary for filled positions, or if VSIP's are not taken.

Generally speaking, expected layoffs are associated with GYN program reductions in Health & Human Services, and Mediation Services program reductions in the Probation Department associated with the reorganization of that service into the District Attorney's Consumer Protection Unit. Attachment C provides a summary by department of classifications impacted by the recommended "A4" and "B" category reductions.

In addition, some special funds may have reduction in force or other specific budget reductions required to balance their budgets. We will budget these funds on a balanced basis for the Proposed Budget, but we may need to return to your Board in July with specific budget reductions. The following funds are anticipated to have FY 2010-11 budget balancing issues:

- Airport
- Child Support Services
- Environmental Health Services
- Open Space District

The Open Space District will propose layoffs to the Open Space District Board of Directors at its June 8, 2010 budget hearing. The timing of RIF notices and layoffs will occur at the same time as the rest of the County.

Finalizing the FY 2010-11 Proposed Budget

Staff will prepare the FY 2010-11 Proposed Budget for your Board's consideration including the additional \$5.4 million in recommended solutions outlined above. Again, these solutions consist of \$3 million in countywide savings and \$2.4 million among the recommended "A4" and revised "B" categories.

Your Board will have the opportunity to formally approve specific reductions during the July budget hearings as part of the Final Budget for FY 2010-11. By this time, we will know to what extent any VSIP applicants choose not to complete the required VSIP agreements. Your Board would be asked to formally approve any Reductions in Force (RIF) in July. Given that some of the approved VSIP applicants may chose not to participate, we are anticipating approximately 10-15 layoffs may be necessary.

Future Challenges

In addition to the County's own internal structural gap, we face significant reductions of State revenues next fiscal year. Estimated local impacts from the Governor's January Proposed Budget included up to \$15 million in revenue losses to the County. Given our projected structural budget imbalance, we will need to reduce our spending to live within revised state budget allocations.

Once the final State budget is known this summer, we will present to your board additional reduction options to rebalance our budget. These reductions may involve layoffs. We also recommend that we continue our hiring freeze and other long-term restructuring efforts to work to close future projected shortfalls.

SPRING 2010 VSIP PROGRAM

To help reduce the number of required layoffs, the County offered another round of VSIP in April. We received a total of 40 applications from employees in 10 departments. The County Administrator's Office reviewed the applications with respective departments to determine the operational impact, consistency with long-term restructuring vision, ability to eliminate the applicable or equivalent position on an ongoing basis – as well as the ability to mitigate a layoff.

Two applications were denied for lack of eligibility for the program. Of the 38 remaining applications reviewed, 23 are recommended for approval by your Board based on the VSIP criteria (Attachment A attached is a listing of these recommended positions). Of these, 19 are in General Fund departments, while the 4 recommended non-General Fund separations are from the Department of Public Works' Roads Fund. The total annual savings of approving these separations and eliminating the positions would be up to \$2.7 million beginning in FY 2010-11, of which \$2.4 million is General Fund savings.

If your Board approves these recommendations, we will notify these employees and request that they sign a Separation Agreement and Release of All Claims no later than July 2, 2010. After signing this agreement, employees will have 7 calendar days to revoke their election to voluntarily separate. Once the employee separates, the position would be permanently deleted and the employee would receive the one-time cash payment of \$25,000 before taxes (the incentive payment is eligible for deferred compensation treatment subject to annual limits) – or \$15,000 for approved employees with between 5-10 years of full-time service hours.

As in previous rounds, 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.

NEXT STEPS REGARDING FY 2010-11 BUDGET

When we provided your Board the proposed "B" level reductions in March, our goal was to offset potential layoffs through the VSIP program. We are pleased to report that up to 20.60 of the filled positions in the original "B" level of reductions may be offset with VSIP applications or alternative reductions.

It is recommended that we proceed with official noticing to approximately 40 impacted individuals as a result of the elimination of the 17.35 budgeted FTE in the "B" category until staff is more certain on the final disposition of the VSIP program. Final budget and position decisions would be recommended as a component of the July budget hearings. Final Reduction in Force actions would be taken at that time, and employees would separate by August 8, 2010.

FISCAL IMPACT: If VSIP agreements are executed, we estimate an ongoing cost savings of up to \$2.7 million from the elimination of the 23 positions. Of this savings amount, approximately \$2.4 million is from the General Fund. There will be a one-time cost of \$535,000 for the incentive payments (\$435,000 General Fund), which will be budgeted for in the FY 2010-11 Proposed Budget.

Please let me know if you have any questions or concerns.

Respectfully submitted,

Matthew H. Hymel County Administrator

Attachments