

March 26, 2018

Matthew H. Hymel
COUNTY ADMINISTRATOR

Daniel Eilerman
ASSISTANT COUNTY
ADMINISTRATOR

Angela Nicholson
ASSISTANT COUNTY
ADMINISTRATOR

Marin County Civic Center
3501 Civic Center Drive
Suite 325
San Rafael, CA 94903
415 473 6358 T
415 473 4104 F
CRS Dial 711
www.marincounty.org/cao

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

SUBJECT: FY 2018-19 Proposed Budget Hearings

Dear Supervisors:

RECOMMENDATION:

1. Approve the recommended budget reductions and direct staff to incorporate the reductions into the FY 2018-19 Proposed Budget as outlined in the fiscal impact and Attachment A
2. Approve the recommended adjustments to department personnel allocations as outlined in Attachment B

OVERVIEW

We are holding budget hearings on March 26th, 27th and 28th as part of the FY 2018-20 budget planning process. The purpose of the hearings is to (1) provide a budget update and an overview of the recommended budget reductions; (2) review draft performance plans for each department; (3) receive public input on the County's budget and performance planning process; and, (4) receive Board direction and approval of ongoing budget reductions. If approved by your Board, we will incorporate the budget adjustments into the FY 2018-20 Proposed Budget.

Due to the slowing of local revenue sources, increasing personnel costs, and deferred maintenance needs, the County of Marin is projecting a General Fund budget shortfall beginning in FY 2018-19. In December 2017, your Board directed General Fund departments to work with the County Administrator's Office to develop budget reduction proposals that address a projected budgetary shortfall of \$5.6 million over the next two years.

BOARD PRIORITIES WILL CONTINUE TO INFORM FY 2018-20 BUDGET

To be a responsive government, we must continue to understand major trends, adapt to new community needs, and plan for future uncertainties. The County's 5 Year Business Plan provides strategic direction and will continue to help empower employees to better serve the community. Your Board has also refined and articulated its guiding principles for creating a sustainable future in Marin, which include focusing on our environment, economy, equity and education.

Your Board has identified the following community priorities to help guide our budget preparation:

- Preserving affordable housing
- Prioritizing racial equity
- Investing in County infrastructure
- Addressing climate change and adapting to sea level rise
- Balancing the two-year budget
- Improving emergency preparedness

These priorities will help inform our operating budget as well as our June recommendations for one-time spending. Your Board’s priorities have also led to significant improvements in County services over the past few years, including:

- Restructuring mental health service delivery programs
- Adopting Housing First approach and expanding homeless outreach and support programs
- Opting into Deep Green renewable energy
- Installing energy efficient lighting and solar panels at County facilities
- Completing a countywide sea-level rise risk assessment
- Improving unincorporated road pavement condition index (PCI) scores from 49 to 65 over 10 years
- Reducing unfunded retiree liabilities by over \$200 million over 5 years

PERFORMANCE MANAGEMENT

Performance management continues to be a priority in the organization. The County currently uses “Managing for Results” (MFR) as the framework for countywide performance management. The key elements of this framework are department performance plans; which include:

- Mission Statements
- Goals
- Initiatives
- Performance Measures

To make performance management more meaningful, we have convened a stakeholder group to recommend improvement strategies. The stakeholder group includes Board Members, Department Heads, Assistant Department Heads, employees from throughout the organization, and community members.

Based upon the stakeholders’ initial recommendations, we have instructed departments to update their performance plans to include at least one initiative derived from meaningful employee engagement and at least two metrics to determine whether the initiative is helping the department to improve performance. Since the performance planning process is still being

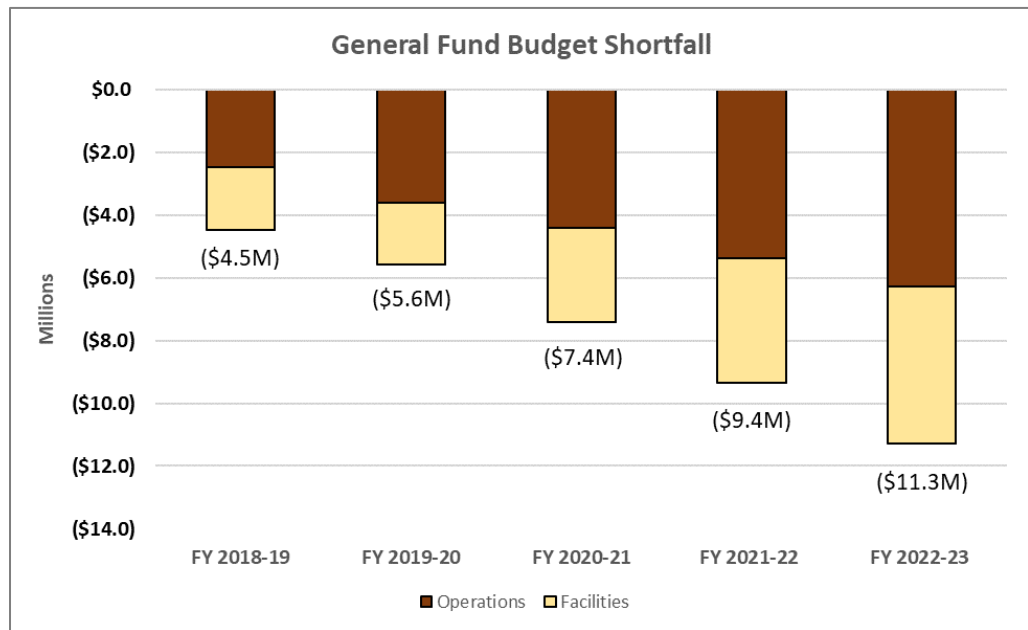
evaluated by the stakeholder group, the performance plans are only for the first year of our two-year budget plan. Departments will provide your Board an overview of their performance plans and new performance metrics during these March budget hearings.

2 YEAR PROJECTED BUDGET GAP OF \$5.6 MILLION

As shown in the chart below, the County of Marin is projecting a General Fund budget shortfall beginning in FY 2018-19. The shortfall is initially expected to be \$4.5 million and is projected to increase to \$5.6 million by FY 2019-20.

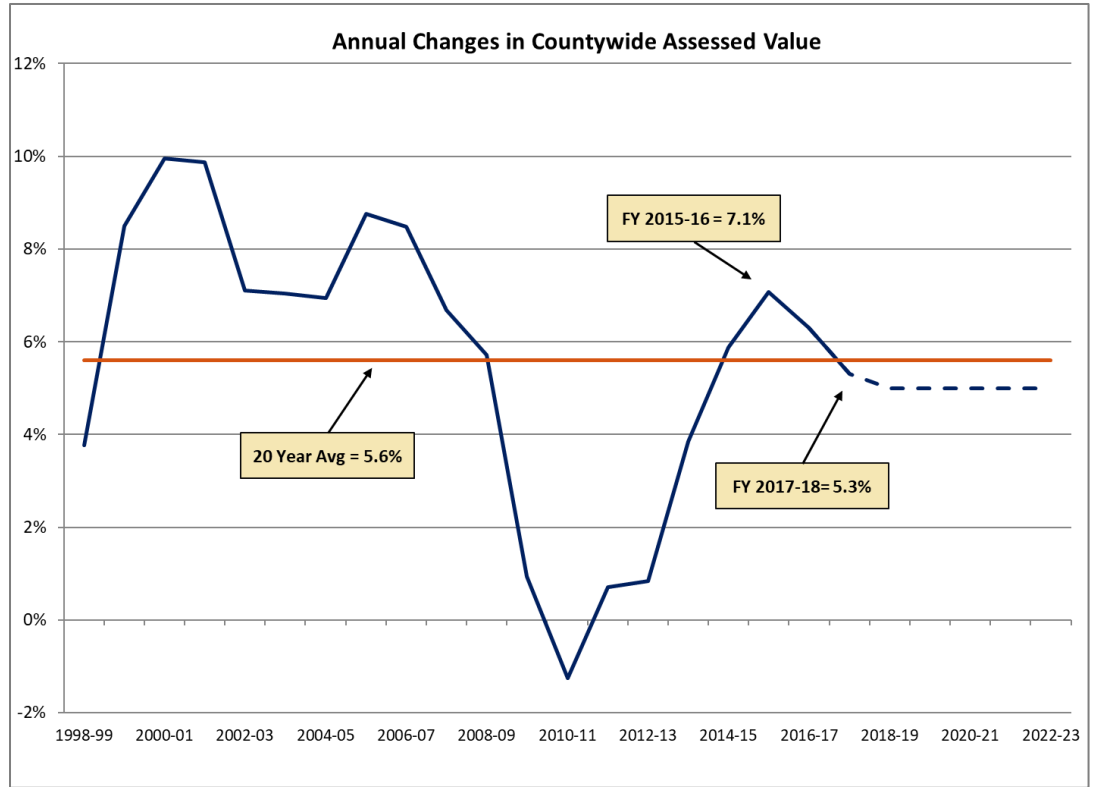
The projected General Fund shortfalls incorporate the following assumptions:

- Continued regional economic stability
- Annual property tax growth of 5 percent
- Updated department fee schedules
- Continued growth in state and federal revenues
- Cost of living adjustments for all employees



Property tax growth is slowing in Marin. These revenues represent over 30 percent of General Fund revenues and are the source for nearly all discretionary spending for the County. Although median sales prices remain near record high levels, the majority of assessed property values are limited by Proposition 13 to an annual growth rate of two percent.

As shown in the figure below, annual growth in property tax has declined from 7.1 percent in FY 2015-16 to 5.3 percent in FY 2017-18. In collaboration with the County Assessor, we are expecting annual growth in property tax revenue to be approximately 5 percent over the next five years.



The most significant expenditure growth areas for the County budget are personnel costs and countywide infrastructure maintenance. Personnel costs represent nearly 70 percent of the County budget and have grown over the past five years due to cost of living adjustments, increased retiree liabilities, and increased workers compensation costs.

In February 2018, your Board conducted a Capital Planning Workshop in which staff provided an overview of the County’s 44 buildings. The County’s annual General Fund support for capital improvements is currently \$4 million and staff estimates that there is over \$150 million in deferred maintenance at County buildings, libraries, and parks. To address the mounting deferred maintenance, staff recommends \$2 million in increased ongoing infrastructure investments over the next two years.

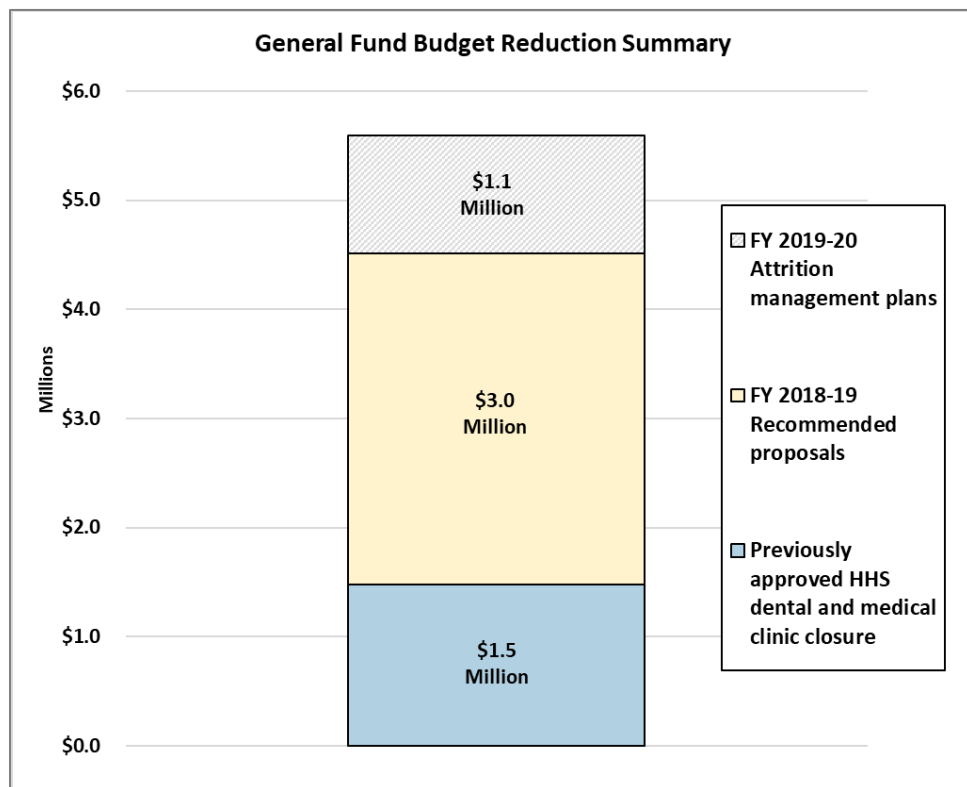
\$9 MILLION IN REDUCTION OPTIONS CONSIDERED TO CLOSE GAP

To close the two-year budget gap of \$5.6 million, General Fund departments have submitted reduction proposals that totaled over \$9 million Countywide. Our recommended plan to close the budget gap is summarized on the following page and is presented in more detail in Attachment A. The additional recommended budget adjustments do not include any involuntary

layoffs for current employees. The criteria and principles that guided our recommendations for the FY 2018-20 budget are:

- All General Fund departments participate in closing the gap by at least 1% of their respective Net County Cost (NCC)
- Reductions above 1% are based on a review of programmatic impacts
- Countywide goals, such as equity and sustainability, are incorporated
- Minimize impacts on current employees and make reductions through attrition to the extent possible

As shown below, the process for balancing the General Fund budget can be separated into three distinct phases. In 2017 the County closed medical and dental clinics and transferred the patient care services to Marin Community Clinics (MCC), which resulted in a net ongoing savings to the General Fund of \$1.5 million. Over the past few months, County departments have identified an additional \$3.0 million in ongoing budgetary savings. This is comprised of expenditure reductions, countywide efficiency savings, and enhanced revenue collection opportunities. The final phase of the budget balancing process will occur next year as part of department-specific attrition management plans. We will return to your Board in 2019 to finalize the remaining \$1.1 million in ongoing budgetary actions to close the two-year budget gap.



FISCAL IMPACT

As detailed in Attachment A, the total recommended budget reductions result in an ongoing savings of \$4,482,897 in FY 2018-19 and \$5,593,390 in FY 2019-20. Your Board’s approval of the recommended FY 2018-19 budget adjustments will not impact budgetary appropriations in the current fiscal year. The recommended reductions include modifications to department personnel allocations as detailed in Attachment B.

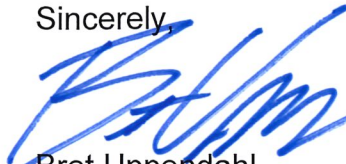
Department	FY 2018-19	FY 2019-20	FTE
Previously Approved Reductions			
Medical and Dental Clinic Closures	(\$1,446,146)	(\$1,475,068)	(23.00)
Previously Approved Total	(\$1,446,146)	(\$1,475,068)	(23.00)
Department Proposals			
Assessor, Recorder, County Clerk	(\$148,500)	(\$171,413)	
Agriculture, Weights & Measures	(\$20,000)	(\$20,000)	
Board of Supervisors	(\$32,500)	(\$32,500)	
County Administrator	(\$75,000)	(\$75,000)	
Community Development Agency	(\$107,852)	(\$110,704)	(0.50)
County Counsel	(\$117,650)	(\$117,650)	
Cultural Services	(\$17,257)	(\$34,514)	
District Attorney	(\$209,786)	(\$214,917)	(1.00)
Finance	(\$85,000)	(\$85,000)	
Elections	(\$60,000)	(\$60,000)	
Fire	(\$78,000)	(\$78,000)	
Health and Human Services	(\$147,577)	(\$650,528)	(1.00)
Human Resources	(\$164,050)	(\$168,975)	(1.00)
Information Services and Technology	(\$230,146)	(\$395,062)	(2.00)
Parks	(\$100,000)	(\$100,000)	
Probation	(\$123,922)	(\$274,360)	(1.50)
Public Defender	(\$109,324)	(\$147,325)	(1.20)
Public Works	(\$325,214)	(\$332,819)	(2.50)
Sheriff	(\$495,863)	(\$505,170)	(1.00)
UCCE Farm Advisor	(\$9,110)	(\$9,385)	(0.10)
Department Proposals Total	(\$2,656,751)	(\$3,583,322)	(11.80)
Countywide Savings Proposals			
Public Works	(\$30,000)	(\$60,000)	
Information Services and Technology	(\$100,000)	(\$200,000)	
Countywide	(\$250,000)	(\$275,000)	
Countywide Savings Proposals Total	(\$380,000)	(\$535,000)	
General Fund Total	(\$4,482,897)	(\$5,593,390)	(34.80)

NEXT STEPS

If approved by your Board, we will incorporate the recommended budget adjustments in our Proposed FY 2018-20 two-year budget. Over the next few weeks, we will finalize our departmental performance plans, prepare a balanced operating budget, and make additional recommendations for one-time and cost-covered FY 2018-19 budget change proposals for your Board's consideration in June.

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

Sincerely,



Bret Uppendahl
Budget Manager

Reviewed by,



Matthew H. Hymel
County Administrator

Attachment A: Summary of Recommended General Fund Budget Reductions

Recommended Department Proposals	Type	FY 2018-19	FY 2019-20	FTE
Agriculture, Weights & Measures				
Decrease extra hire budget	Expenditures	(\$3,500)	(\$3,500)	
Increased Farmers Market inspection revenue	Revenue	(\$8,000)	(\$8,000)	
Pesticide Mill Assessment revenue	Revenue	(\$5,000)	(\$5,000)	
Decrease services and supplies budget	Expenditures	(\$3,500)	(\$3,500)	
Assessor, Recorder, County Clerk				
Decrease extra hire budget	Expenditures	(\$13,500)	(\$13,500)	
Executive Management Restructuring	Expenditures	\$0	(\$22,913)	TBD
Increase DA Fraud Fee administrative reimbursement	Revenue	(\$35,000)	(\$35,000)	
Increase SB2 administrative reimbursement	Revenue	(\$100,000)	(\$100,000)	
Board of Supervisors				
Decrease extra hire budget	Expenditures	(\$12,500)	(\$12,500)	
Assessment Appeals Board (AAB) processing fees	Revenue	(\$20,000)	(\$20,000)	
County Administrator				
Decrease extra hire budget	Expenditures	(\$30,000)	(\$30,000)	
Decrease training budget	Expenditures	(\$30,000)	(\$30,000)	
Decrease services and supplies budget	Expenditures	(\$15,000)	(\$15,000)	
Community Development Agency				
Eliminate vacant part-time Accountant I	Expenditures	(\$56,510)	(\$57,923)	(0.50)
Re-organization in Current Planning and Building Permit inspections	Expenditures	(\$31,141)	(\$32,075)	
Convert vacant Senior Planner to Planner	Expenditures	(\$20,201)	(\$20,706)	
County Counsel				
Decrease extra hire budget	Expenditures	(\$87,000)	(\$87,000)	
Decrease services and supplies budget	Expenditures	(\$30,650)	(\$30,650)	
Cultural Services				
Staff reorganization*	Expenditures	(\$17,257)	(\$34,514)	TBD
District Attorney				
Eliminate vacant Deputy District Attorney II	Expenditures	(\$205,253)	(\$210,384)	(1.00)
Increase SB 1020 realignment revenue	Revenue	(\$4,533)	(\$4,533)	
Elections				
Consolidate GIS mapping schedule	Expenditures	(\$20,000)	(\$20,000)	
Decrease office supplies and printing cost budget	Expenditures	(\$36,000)	(\$36,000)	
Decrease travel and transportation budget	Expenditures	(\$4,000)	(\$4,000)	

Attachment A: Summary of Recommended General Fund Budget Reductions

Recommended Department Proposals	Type	FY 2018-19	FY 2019-20	FTE
Finance				
SB107 Revenue	Revenue	(\$25,000)	(\$25,000)	
Decrease services and supplies budget	Expenditures	(\$60,000)	(\$60,000)	
Fire				
Wildland fire protection reimbursements	Revenue	(\$78,000)	(\$78,000)	
Health and Human Services				
Restructure Chronic Care Management Program	Expenditures	(\$147,577)	(\$150,528)	(1.00)
Attrition management	Expenditures	\$0	(\$500,000)	TBD
Human Resources				
Eliminate vacant Personnel Analyst II	Expenditures	(\$164,050)	(\$168,975)	(1.00)
Information Services and Technology				
Attrition management	Expenditures	\$0	(\$159,875)	(1.00)
Eliminate vacant ERP Sr Analyst	Expenditures	(\$178,070)	(\$181,810)	(1.00)
Convert vacant Principal Systems Support Analyst to Senior Systems Support Analyst	Expenditures	(\$39,286)	(\$40,267)	
Convert vacant Senior Programming Analyst to a Program Analyst III	Expenditures	(\$12,790)	(\$13,110)	
Parks				
Decrease services and supplies budget	Expenditures	(\$100,000)	(\$100,000)	
Probation				
Reduce training budget	Expenditures	(\$35,000)	(\$35,000)	
Decrease print and publication budget	Expenditures	(\$25,335)	(\$25,335)	
Attrition management	Expenditures		(\$150,000)	(1.00)
Reduction of 0.25 FTE for the Juvenile Hall Cook (voluntary)*	Expenditures	(\$23,041)	(\$23,041)	(0.25)
Reduction of 0.25 FTE for the Juvenile Hall Housekeeper (voluntary)*	Expenditures	(\$23,040)	(\$23,040)	(0.25)
Convert vacant Senior Deputy Probation Officer to Deputy Probation Officer II	Expenditures	(\$8,753)	(\$8,972)	
Convert vacant Senior Deputy Probation Officer to Deputy Probation Officer II*	Expenditures	(\$8,753)	(\$8,972)	
Public Defender				
Eliminate vacant Legal Process Specialist	Expenditures	(\$109,324)	(\$112,057)	(1.00)
Attrition management	Expenditures	\$0	(\$35,268)	(0.20)
Public Works				
Restructure Building Maintenance Program	Expenditures	(\$27,410)	(\$28,094)	
Eliminate vacant Technology Systems Support Specialist II	Expenditures	(\$149,040)	(\$152,020)	(1.00)
Eliminate vacant Reprographic Technician*	Expenditures	(\$104,257)	(\$106,863)	(1.00)
Eliminate vacant part-time Office Assistant III	Expenditures	(\$44,507)	(\$45,842)	(0.50)

Attachment A: Summary of Recommended General Fund Budget Reductions

Recommended Department Proposals	Type	FY 2018-19	FY 2019-20	FTE
Sheriff				
Ballistic Vest Grant	Revenue	(\$28,000)	(\$28,000)	
Fee Enhancements	Revenue	(\$198,000)	(\$198,000)	
Parking Fine Collection	Revenue	(\$221,000)	(\$221,000)	
Elimination of Sheriff Sergeant FTE*	Expenditures	(\$48,863)	(\$58,170)	(1.00)
UCCE Farm Advisor				
Reduce vacant OA III to 0.9 FTE	Expenditures	(\$9,110)	(\$9,385)	(0.10)
Department Proposals Total		(\$2,656,751)	(\$3,583,322)	(11.80)
Countywide Savings Proposals				
Information Services and Technology				
Changes to technology procurement and replacement	Expenditures	(\$100,000)	(\$200,000)	
Public Works				
Changes to County Fleet policies and procedures	Expenditures	(\$30,000)	(\$60,000)	
Countywide				
Changes to countywide insurance, maintenance and procurement procedures	Expenditures	(\$250,000)	(\$275,000)	
Countywide Savings Proposals Total		(\$380,000)	(\$535,000)	
Previously Approved				
Health and Human Services				
Dental and Medical Clinic closure	Expenditures	(\$1,446,146)	(\$1,475,068)	(23.00)
Previously Approved Total		(\$1,446,146)	(\$1,475,068)	(23.00)
General Fund Total		(\$4,482,897)	(\$5,593,390)	(34.80)

*Indicates action that will be effective on July 1, 2018, or upon the retirement of incumbent

Attachment B: Summary of Recommended FY 2018-19 Adjustments to General Fund Personnel Allocations

Department	Proposal Title	Program	Position Number	FTE
Community Development Agency	Eliminate vacant part-time Accountant I	Affordable Housing	3710008	(0.50)
Community Development Agency	Convert vacant Senior Planner to Planner	Current Planning	6080002	
District Attorney	Eliminate vacant Deputy District Attorney II	Criminal Unit	25220006	(1.00)
Health and Human Services	Restructure Chronic Care Management Program	Aging and Adult Services	10020018	(1.00)
Human Resources	Eliminate vacant Personnel Analyst II	Benefits	3250014	(1.00)
Information Services and Technology	Convert vacant Principal Systems Support Analyst to Senior Systems Support Analyst	Web and Mobile	9100015	
Information Services and Technology	Convert vacant Senior Programming Analyst to a Program Analyst III	Application Development	9330045	
Information Services and Technology	Eliminate Vacant ERP Sr Analyst	MERIT	3040002	(1.00)
Probation	Convert Senior Deputy Probation Officer* to Deputy Probation Officer II	Juvenile Services	13080008	
Probation	Reduction of 0.25 FTE for the Juvenile Hall Cook (voluntary)*	Juvenile Hall	11500003	(0.25)
Probation	Reduction of 0.25 FTE for the Juvenile Hall Housekeeper (voluntary)*	Juvenile Hall	11470012	(0.25)
Probation	Convert vacant Senior Deputy Probation Officer to Deputy Probation Officer II	Juvenile Services	12890003	
Public Defender	Eliminate vacant Legal Process Specialist	Defense Services	14170052	(1.00)
Public Works	Convert vacant Maintenance Electrician to Bldg. Maintenance Worker III	Building Maintenance	11300001	
Public Works	Convert vacant Bldg. Maintenance Worker III to Bldg. Maintenance Worker II	Building Maintenance	11380007	
Public Works	Upgrade Building Maintenance Worker III to Administrative Services Technician	Building Maintenance	TBD	
Public Works	Convert vacant Custodial Supervisor to Custodian	Building Maintenance	11390001	

Attachment B: Summary of Recommended FY 2018-19 Adjustments to General Fund Personnel Allocations

Department	Proposal Title	Program	Position Number	FTE
Public Works	Eliminate vacant Technology Systems Support Specialist II	Communications	2790009	(1.00)
Public Works	Eliminate vacant Reprographic Technician*	Reprographics	TBD	(1.00)
Public Works	Eliminate vacant part-time Office Assistant III	Administration	13410098	(0.50)
Sheriff	Elimination of Sheriff Sergeant FTE*	Patrol	7060014	(1.00)
UCCE Farm Advisor	Reduce vacant OA III to 0.9 FTE	Farm Advisor	13420049	(0.10)

**Indicates action taken effective July 1, 2018, or upon retirement of incumbent*