



COUNTY OF MARIN  
OFFICE OF THE ADMINISTRATOR

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January 12, 2010

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

**SUBJECT:** Adoption of County's Long-Term Restructuring (LTR) Plan

Dear Board Members:

**RECOMMENDATION:** Adopt the *County of Marin Long-Term Restructuring Plan: A Blueprint for Financial Sustainability* as a policy guide, including the following items as part of the Plan's adoption:

1. Guiding Principles to guide decision-making and strategies
2. Future Strategies to address key emerging issues facing the County
3. Use of the following four categories to guide the development of potential policy options to address our long-term shortfall: Countywide Cost Savings, Service and Program Reductions/Eliminations, Organizational Restructuring/Redesign and Process Improvements, and Revenue Increases

If the Plan is adopted by your Board, we will use the plan to help inform future budget processes. Your Board is not specifically adopting the potential policy options presented in the Plan. Implementation of these options will require additional study and subsequent approval by your Board. In addition, some policy options require future discussions with our bargaining units.

**SUMMARY:** Marin County has a tradition of prudent fiscal management as indicated by having the highest bond rating among California counties. We have taken many actions in recent years to address our budget challenges, including adopting a lower-cost retiree health plan for new employees, enacting pension reforms, and developing a five-year road maintenance project. The County has also reduced spending to reflect our new reality and has made approximately \$28 million in overall budget reductions and eliminated over 100 vacant positions over the past two years.

Despite these efforts, the County faces an estimated budget shortfall of approximately \$15 million in FY 2010-11, which will grow to nearly \$50 million by FY 2014-15 if no corrective actions are taken. The financial challenges we now face call for an even greater effort to live within our means while continuing to achieve a high level of services to our residents. We know we cannot support the same level of services we currently provide. However, by planning ahead we hope to minimize the impact of service reductions by addressing structural budget issues and improving our business practices to better adapt to diminishing resources.

In January 2009, the County initiated a long-term restructuring process to help the County organization adapt to this new reality. This process included engaging both the public and our employees for their ideas and input. The LTR Plan before your Board for adoption is the culmination of this year-long process and identifies key trends impacting our budget and articulates our initial plan for responding to these forces. An initial draft of the LTR Plan was presented to your Board for review on December 15, 2009 and posted on the County's budget website at <http://www.co.marin.ca.us/budgetinfo/>. The website also includes a brief informational video that provides a summary of the LTR Plan.

The LTR Plan is not a specific list of budget reductions to balance our projected shortfall, but is rather a policy guide to help the County adapt to changing conditions and address our long-term financial challenges in a thoughtful and deliberate manner. As part of adopting the LTR Plan, your Board will be adopting the following three elements of the Plan to guide decision-making.

### **LTR Guiding Principles**

These principles are intended to guide decision-making and strategies in addressing key issues and specific policy options as part of the County's long-term restructuring efforts.

1. Make budget adjustments consistent with vision of sustainability while continuing to ensure safe and healthy communities
2. Identify ongoing savings to reduce long-term costs
3. Explore opportunities for additional revenues to offset or augment program costs
4. Focus on priorities and make service tradeoffs based on community and organizational needs
5. Use results to inform decisions and continue providing high quality of service
6. Promote creative and innovative solutions
7. Provide fair and consistent process
8. Develop mix of options and solutions at countywide, service area and departmental levels
9. Engage the public and employees to share information and involve them in finding solutions
10. Provide supportive work environment for employees to adapt to continuously changing conditions

### **Future Strategies for Emerging Issues**

Looking ahead, there are a number of key emerging issues that will shape and influence the County budget and organization. These issues are not necessarily unique to Marin

County, as many public organizations are contending with similar issues given our new fiscal reality. As part of the long-term restructuring process, the County is proposing to address these issues with a number of future strategies as summarized below:

<b>Emerging Issue</b>	<b>Future Strategies</b>
Growth in Pension Costs	Explore less costly retirement plan tiers for new employees or other options which would save an equivalent amount of money
Growth in Health Benefit Costs	Work with employee groups to explore health plan redesign options to reduce costs for both the County and employees
Long-Term Facilities Maintenance Needs	Increase CIP budget to \$4 million annually to meet deferred maintenance and barrier removal issues
Long-Term Road and Bridge Maintenance Needs	Develop and implement a second five-year road and bridge maintenance program totaling \$40 million to continue addressing the deferred maintenance backlog
Need for More Adaptive Budget Strategies to Respond to Changing Service Demands	Consider changes over time to the County's current budgeting process, including evaluating and prioritizing services and considering tradeoffs associated with doing less of some programs in favor of others deemed more critical or emerging issues
Potential for Enhanced Community Partnerships	Explore additional opportunities to enhance community partnerships through shared services, consolidation of existing services, and other means
Opportunities for Greater Level of Volunteerism with County Government	Explore additional opportunities to increase the use of volunteers in County government to help achieve desired outcomes
Use of "Electronic Government" to Improve Service Delivery and Engage the Public	Offer a greater mix of online services to provide better access to County services and redesign and reconfigure the County website as a primary source for information, services, and engagement
Need for More Dynamic Structures and Systems to Support a High-Performance Organization	Continue to explore opportunities to redesign the structures, processes, policies, and support systems to achieve organizational goals with fewer resources

## **Use of Four Categories to Guide Development of Policy Options**

Beginning in July 2009, County departments and the County Administrator's Office began developing a list of potential countywide and department-specific policy options as part of the long-term restructuring process. At the current time, there are over 50 potential options under consideration and a summary listing of these options is attached to the LTR Plan (additional detail on each option is posted on the County's website). As a reminder, your Board is not specifically adopting the potential policy options presented in the Plan. Implementation of these options will require additional study and subsequent approval by your Board. In addition, some policy options require future discussions with our bargaining units.

These potential policy options are grouped into the following four categories to develop a balanced approach to addressing our long-term shortfall:

### **Countywide Cost Savings**

Countywide Cost Savings encompasses options that span multiple departments or potentially impact employees across the organization. Many of these options would reduce the relative cost per employee with numerous options requiring negotiations with employee groups. Implementation of these options would lead to long-term cost avoidance in many cases rather than immediate cost savings. However, greater use of countywide options would lessen the need for more specific service reductions or eliminations.

### **Service and Program Reductions/Eliminations**

Service and Program Reductions/Eliminations includes options that would impact the level of service provided by the County, either by reducing the level or eliminating the service entirely. These options respond to the County's need to consider what services or facilities the County cannot afford to provide anymore (or at the current level) given the new fiscal reality. Implementation of these options would produce immediate cost savings, but also have greater impact on both the public and employees within these services.

### **Organizational Restructuring/Redesign and Process Improvements**

Organizational Restructuring/Redesign and Process Improvements encompasses options that involve changes to structures, processes, or funding criteria within departments and programs to improve efficiency and effectiveness. In some cases, these options may provide quantitative cost savings while in other cases the savings may be less quantifiable and more efficiency savings. These options could involve consolidation of functions, streamlining processes, or changing funding distribution to minimize General Fund costs.

### **Revenue Increases**

Revenue Increases represent options to increase specific or general purpose revenues to fund County services. Given the extent of our budget shortfall, it is neither realistic nor appropriate to balance our budget on increased revenue alone as the County must make further reductions in spending. However, there are potential opportunities to explore revenue increases such as to offset the existing costs of programs or to fund an augmentation of an existing program.

**NEXT STEPS:** If the LTR Plan is adopted by your Board, the County Administrator's Office will work with County departments to begin implementation of the Plan as part of the FY 2010-11 budget and MFR processes. As part of this implementation, potential policy options will continue to be reviewed and considered. In addition, the LTR Guiding Principles and future strategies will be incorporated into planning for FY 2010-11.

At the beginning of FY 2010-11, the LTR Plan would be evaluated and updated to reflect the adopted budget for the year as well as changing conditions and needs. Both the Guiding Principles and future strategies would be revisited along with the list of LTR policy options, as some options may need to be removed while others added. In addition, the County would determine the next steps in the long-term restructuring process including potential changes in County goals, priorities, and strategies.

**FISCAL IMPACT:** If each of the potential policy options identified at this time in the LTR Plan were approved and implemented, the County would generate annual General Fund savings of approximately \$10-12 million over the next five years based on available savings estimates. In addition, there would be approximately \$800,000 in non-General Fund savings for the Library and Open Space District.

We recognize that this total savings amount of \$10-12 million would not fully address the County's \$46 million shortfall over the next five years. In addition, some options may ultimately not be feasible to implement and some options would lead to less quantifiable efficiency savings. However, these potential policy options provide a starting point for articulating and developing the scope of reductions needed over the next several years. In addition, the total savings amount will likely increase once additional options have defined savings estimates.

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

**REVIEWED BY:**

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

Respectfully submitted,



Matthew H. Hymel  
County Administrator

Attachment