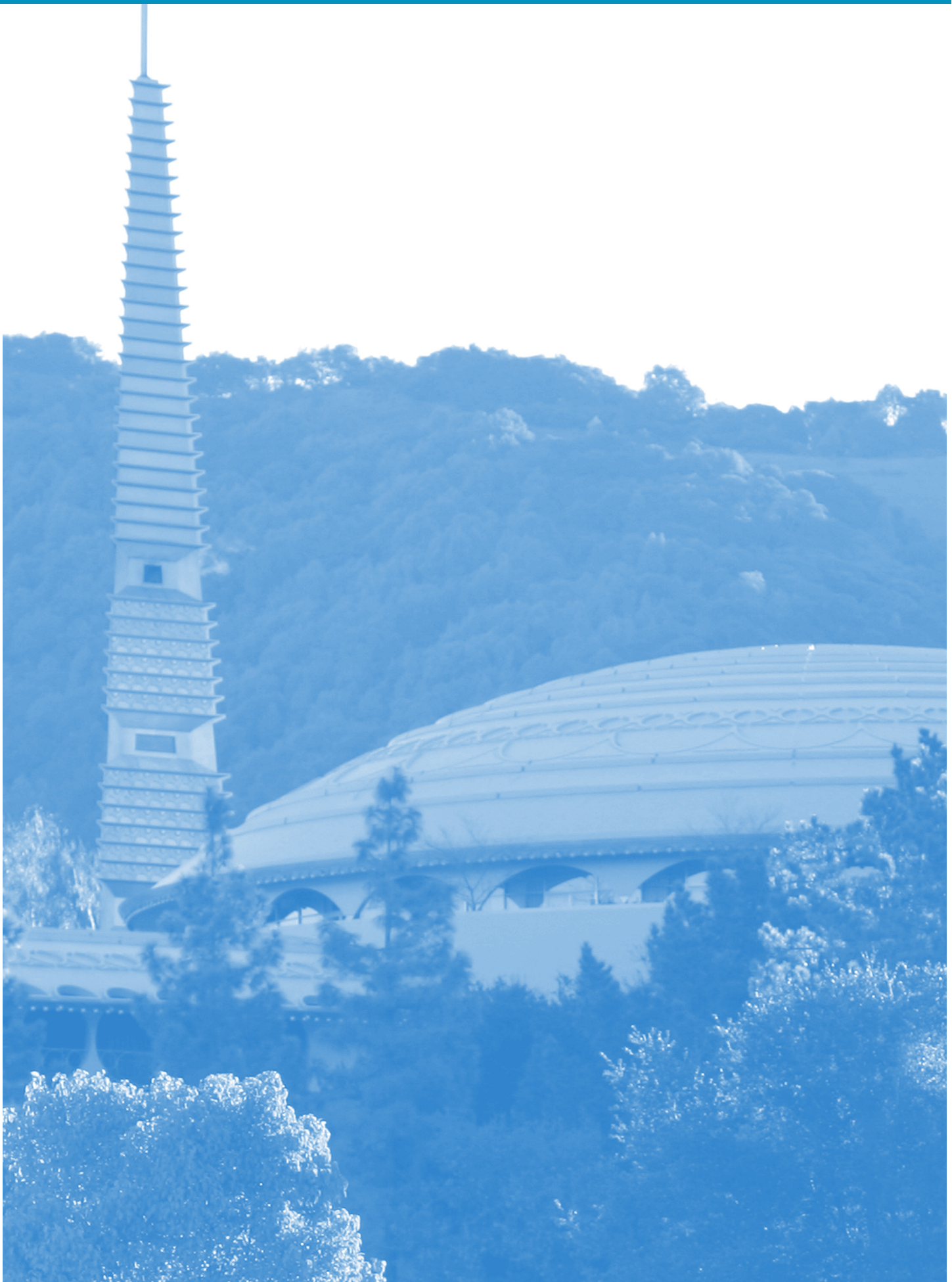


Budget Message



Budget Message

June 22, 2010

Board of Supervisors
County of Marin
San Rafael, CA 94903

SUBJECT: Proposed FY 2010-11 Budget for Marin County

This letter transmits the County Administrator's Proposed County Budget for FY 2010-11 and makes the following recommendations:

1. Accept the Proposed FY 2010-11 County Budget for public review;
2. Schedule public hearings on the Proposed FY 2010-11 County Budget to begin on July 26, 2010 in the Board of Supervisors Chambers at 10:00 a.m.;
3. Adopt the Proposed FY 2010-11 County Budget as the County's interim spending plan for FY 2010-11, including position and salary changes, pending your Board's formal adoption of the FY 2010-11 County Budget.

Introduction

Like communities across the nation, Marin County is adapting to a new economic reality. Although the economy has shown some signs of recovery, such as stock market gains and slight increases in property values, county government continues to deal with reductions in property and sales tax collections as well as substantial cuts in state funding. This proposed budget continues our tradition of making tough choices to live within our means. We have reevaluated services and reduced spending so that we can continue to provide quality services to our residents. If the proposed budget is approved, over the past three years we will have reduced spending by \$25 million - including the elimination of 180 positions.

Given the scope of our projected budget shortfall, for the first time in many years we will be recommending layoffs. We have reduced the number of layoffs through our voluntary separation program. Overall, we are anticipating that 10 to 15 layoffs will be required to balance our budget for next year. They are, for the most part, programmatic recommendations related to the County's Mediation Services Program and the Gynecology Clinic. While both of these programs have provided high quality and valuable services, alternative providers can provide these services to our residents at no additional cost to the County's General Fund.

Unfortunately, we will need to make additional budget cuts because of the state's ongoing budget crisis. The Governor recently released his May Revise Budget which, if enacted, would create a new \$20 to \$25 million budget gap for the County. Much of this proposal shifts costs to counties and/or substantially reduces state funding for county-run programs. For example, the Governor proposes to cut over \$20 million in "safety net" services such as childcare services, employment training, In-Home Support Services and mental health services. Although we hope the final scope of cuts will not be as broad or as deep as proposed by the Governor, we know we will face significant additional cuts when the state budget is ultimately adopted this summer.

Key Issues Impacting the FY 2010-11 Proposed Budget

The proposed budget represents a work plan to achieve our mission and priorities in the coming year. Below are a number of key issues that have informed the development of our budget for next year.

Long-Term Restructuring: This past year, we initiated a process to rebalance and restructure our budget. A long-term restructuring initiative was developed in January 2009 and culminated with a guideline in January 2010 which provides policy

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options and proposals for implementation in FY 2010-11 and beyond. Our office will continue working with your Board and departments to further develop strategies to address this budget imbalance and to provide the most effective and high quality services within our available resources.

Many of our proposed budget reductions were developed as part of the long-term restructuring initiative. Departments were asked to review their mandated and discretionary programs and service levels to identify what could be eliminated or reduced over the short and longer-term. Workshops were held with your Board throughout the past year, with adoption in January 2010 of the County's Long-Term Restructuring Plan. We sought community and employee comment and input, with two community forums (in Novato and San Rafael) and employee presentations with opportunities for questions and answers. As in past years, we also solicited suggestions through our budget email mailbox from employees and the public. Our Long-Term Restructuring Plan will be a guide as we continue to address our budget challenges over the next few years.

Property Tax Slowdown: The downturn in the housing market continues to impact the County budget as approximately one quarter of County revenues comes from property taxes. While the housing market is slowly improving, it continues to impact our budget. The County is projecting a -2.0% (negative) property tax growth rate for FY 2010-11, the first year since voters approved Proposition 13 in the 1970's that property tax growth is anticipated to be negative. During the housing boom, we experienced 7%-9% annual growth. This reduced growth rate means that less money will be available to fund current and emerging service needs.

Employee Benefits and Retiree Health Care: A continuing pressure point on our budget is the cost of benefits, including health care for employees and retirees. Health care costs for active and retired employees are a growing component of county expenditures. Health care rates have grown considerably faster than inflation, with insurance costs increasing 10% to 12% annually over the last 12 years. As detailed in our Long Term Restructuring Plan, the County intends to work with our unions and employee organizations to develop more affordable health plans to avoid future increases and to make our plans more affordable to employees.

Three years ago, we introduced changes to help make our current employee benefits more competitive while reducing retiree health care costs for future employees. This substantially slowed the growth of our long-term liability related to providing retiree health care benefits. Changing our plan design will continue these efforts.

Public pensions are also a significant factor contributing to our projected budget shortfall. Equity market losses through June 30, 2009 in Marin County Employee Retirement Association (MCERA) investment assets have resulted in a 30% increase next year in our required employer pension contribution - or approximately an \$8 million increase in General Fund costs in FY 2010-11. Even with recent stock market gains, pension contributions are expected to increase in the next several years as asset gains and losses are typically smoothed to control rate volatility. In an effort to reduce these growing costs over the long-term, we will be exploring a less costly retirement plan tier for new employees - or other options that could save an equivalent amount of money - which will occur through negotiated agreements with our bargaining groups.

State Budget Uncertainties: Given that we receive approximately 30 percent of our funding from the state, the county's budget is significantly impacted by continuing state budget uncertainties. The state faces a structural deficit of \$19.9 billion for FY 2010-11. Our proposed budget includes a one-time \$2 million budgeted contingency reserve to allow us time to adapt to the expected loss of program revenues. In addition, we have worked with departments to develop approximately \$5 million in additional contingency options which could be considered by your Board to assist with anticipated state budget impacts.

Facilities Maintenance/Disabilities Access: To adequately maintain our public assets and provide effective service, we need to make cost-effective investments in our facilities. Given the age of many of our facilities, we have accrued substantial deferred maintenance, as well as required upgrades to ensure that our facilities are accessible to disabled residents and clients. The County's recently updated Americans with Disabilities Act (ADA) Transition Plan estimates the need for approximately \$30 million to address our existing infrastructure. The proposed capital improvement budget allocates \$4 million for the highest priority facility and disability access improvements, a \$2 million increase over the prior year. Also, the budget includes an additional \$1 million for ADA improvements.

Salmon Enhancement Plan: This past February, the Board accepted the Salmon Enhancement Plan (SEP), which studied environmental issues concerning the Coho salmon population of the San Geronimo Valley. Over the next budget year, the County will be investing significant resources to begin several of the implementation efforts recommended in the plan. By allocating existing and new resources, departments will be contributing over \$1.1 million in staff time and resources toward these efforts. The Community Development Agency, with assistance from County Counsel, will be responsible for preparing an interim riparian vegetation ordinance for the San Geronimo Valley for consideration by the Board of Supervisors. The Department of Public Works will allocate a full-time planner for public outreach and homeowner assistance. Parks and Open Space will be working on grant-

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funded restoration projects in the communities of San Geronimo, Woodacre and Lagunitas. Lastly, the Fire Department will also provide assistance for our regulation and enforcement efforts.

Managing for Results / Overview of Proposed FY 2010-11 Budget

As in previous years, the Proposed Budget has been guided by the County's Managing for Results (MFR) process. MFR is designed to achieve your Board's vision of being a results-oriented and customer-focused organization whose resources are aligned with its overall mission, values, and goals. MFR helps us by continuously improving our services to ensure we are doing the most important things well.

A primary focus of MFR is the development and use of performance measures to help assess the quality of County programs and overall progress in achieving the County's most important priorities. Departments have enhanced their efforts in developing meaningful measures to provide key results of program performance. Throughout the year, departments will measure their success and make any necessary adjustments to achieve their program objectives.

Overview of Expenditures and Revenues

The FY 2010-11 Proposed Budget is essentially flat, decreasing slightly by 0.8%. The budget is balanced and reflects sound financial practices. For example, ongoing revenues are used for ongoing expenditures while one-time revenues support one-time spending.

The General Fund is the primary fund for most County programs and services. The FY 2010-11 Proposed Budget includes \$350 million in General Fund revenues and \$407.3 million in revenues for all funds. A portion of General Fund sources is obligated to support equity transfers for capital projects and debt service payments.

All Funds Proposed Sources for Fiscal Year 2010-11

ALL FUNDS: PROPOSED SOURCES			
Revenue Type	FY 2009-10 Approved	FY 2010-11 Proposed	% Change from FY 2009-10
General Fund:			
Revenues	\$357,560,698	\$349,990,468	-2.1%
Prior Year Fund Balance	24,553,889	24,822,285	1.1%
Less: Transfers	(2,567,027)	(4,907,739)	91.2%
Total General Fund Sources	\$379,547,560	\$369,905,014	-2.5%
All Funds:			
Revenues	\$412,096,595	\$407,256,849	-1.2%
Prior Year Fund Balance	28,298,806	29,816,474	5.4%
Total All Fund Sources	\$440,395,401	\$437,073,323	-0.8%

The FY 2010-11 Proposed Budget for all funds is \$437.1 million, a 0.8% decrease from the FY 2009-10 Approved Budget (see table below). The General Fund budget for FY 2010-11 is \$369.9 million, a more significant 2.5% decrease versus the prior year.

The Proposed Budget includes approximately \$5 million in one-time General Fund closeout funds from prior years. With a required use of prior year fund balance of \$24.8 million for FY 2010-11, approximately \$19.9 million is required for ongoing General Fund operations. One-time funds of approximately \$5 million are being used to support one-time spending to establish a \$2 million state budget uncertainties reserve; \$1 million toward additional Americans with Disabilities Act (ADA) project improvements; \$707,000 toward one-time Budget Change Proposals (BCP's); \$500,000 toward a one-time offset for the delayed implementation of recommended reductions in force and Voluntary Separation Incentive Program (VSIP) payments; and several miscellaneous one-time expenditures within baseline funding.

All Funds Proposed Uses for Fiscal Year 2010-11

ALL FUNDS: PROPOSED USES			
Fund	FY 2009-10 Approved	FY 2010-11 Proposed	% Change from FY 2009-10
General Fund	\$379,547,560	\$369,905,014	-2.5%
Other Funds	60,847,841	67,168,309	10.4%
Total Uses	\$440,395,401	\$437,073,323	-0.8%

Budget Adjustments

Approved First Round

To achieve a balanced budget, the FY 2010-11 Proposed Budget reflects three rounds of budget adjustments. The first round of adjustments totaled \$3.65 million in ongoing General Fund savings, was approved by your Board in January of this year, and has been incorporated into our baseline budget for FY 2010-11 (please refer to attachment C for a summary by department of these reductions). These actions, comprised of voluntary separation incentive (VSIP) program reductions and several mid-year departmental budget adjustments, maintain core services and are based on countywide priorities rather than an "across-the-board" reduction approach. Department expenditure reductions total \$3.3 million and include elimination of 30.05 vacant positions. In addition, your Board approved \$356,000 in revenue increases.

Approved Second Round

The second round of budget adjustments totaled \$8.1 million in ongoing General Fund savings, was approved by your Board in March of this year, and has also been incorporated into our baseline budget for FY 2010-11. Department expenditure reductions total \$5.7 million and include elimination of an additional 30.05 vacant positions (please see attachment D for a summary by department of these reductions). In addition, your Board approved \$2.4 million in revenue increases.

Proposed Third Round

To close the remaining shortfall, we are recommending a third round of reductions totaling \$5.4 million, including the elimination of approximately 29 positions overall. Please see Attachment A for a summary of these reduction options. These adjustments include countywide savings of approximately \$3 million, including:

- Health plan redesign savings (\$750,000)
- Real estate lease savings (\$160,000)
- 50% reduction in Green Commute incentive payments (\$150,000)
- Copier lease savings (\$200,000)
- Capital staffing transfer to Capital fund (\$900,000)
- Eliminate office modernization allocation (\$500,000)
- Cell phone plan savings (\$75,000)
- Additional VSIP and Voluntary Separation program savings (\$275,000)

In addition, we are recommending \$2.4 million in programmatic reductions. Ultimately, we anticipate 10-15 layoffs will be necessary as some VSIP applicants may withdraw from the program. If all VSIP applicants remain within the program, as few as 8.35 FTE layoffs would be required. Your Board will be asked to approve these reductions during your July budget hearings. Again, further reductions will likely be necessary once the final state budget is adopted.

Budget reduction information is reflected in the departmental sections of this document for the initial two rounds of already approved budget reductions. Attachment A details the recommended new third round of departmental and countywide reductions for your Board's final approval in July; a brief narrative description of the programmatic impacts of the third round of departmental reductions is also included in Attachment B.

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Budget Change Proposals

As in previous years, departments submitted Budget Change Proposals (BCPs) to request additional funds for departmental operational needs. Given our limited ability to fund new initiatives, we are very selective in recommending new positions and expenses.

The Proposed Budget recommends \$1,220,238 in total BCP funding. Of this amount, \$707,000 is for one-time expenses; \$361,033 is cost-covered; and \$152,205 is ongoing. Below is a listing of the recommended BCPs by category:

One-time BCPs:

Update to Housing Element	\$400,000
Implement Salmon Enhancement Program	250,000
Fund Voice-Recognition Crime Report Writing in Sheriff Patrol Vehicles	57,000
Total	<u>\$707,000</u>

Cost Covered BCPs:

Public Defender Reorganization (Add 1.0 FTE Deputy Public Defender II and Extra Hire; delete 1.0 FTE Chief Deputy Public Defender)	\$229,698
Child Support Reorganization (Add 1.0 FTE Collections Officer I and 1.0 FTE Intermediate Clerk Typist)	131,335
Total	<u>\$361,033</u>

On-going BCPs:

Cal-Park Tunnel Maintenance	\$137,000
Human Resources Reorganization (Add 1.0 FTE Personnel Technician; delete 1.0 FTE Senior Clerk Typist)	15,205
Total	<u>\$152,205</u>

Conclusion

Throughout these challenging times, our county workforce has continued to provide quality services to our community. I am confident that this commitment will continue over the coming year as we adapt to state budget cuts and our long-term challenges. I want to thank your Board and our department heads for their leadership, collaboration and support. I also want to recognize our employees for their thoughtful input, suggestions and questions. Lastly, I would like to recognize my staff for their contributions and dedication throughout this year-long process.

Respectfully Submitted,



MATTHEW H. HYMEL
County Administrator

Attachment A

Summary of Proposed Third Round of FY 2010-11 Budget Reductions

Department	FTE Reduced (Vacant / VSIP)*	FTE Reduced (Filled)*	Changes in Expenditure **	Change in Revenue	Total Change in Net County Cost (NCC)
County Counsel	(0.50)		(\$72,250)	(\$130,000)	(\$202,250)
District Attorney	(4.00)	1.00	(\$313,472)	(\$106,745)	(\$420,217)
Health & Human Services	(10.30)	(6.75)	(\$1,525,810)	\$515,873	(\$1,009,938)
Probation	(0.80)	(2.60)	(\$423,302)	\$245,033	(\$178,269)
Public Defender	(3.00)		(\$524,302)	\$105,000	(\$419,302)
Sheriff	(2.00)		(\$166,176)		(\$166,176)
General Fund Departmental Reductions	(20.60)	(8.35)	(\$3,025,312)	\$629,161	(\$2,396,152)
Countywide	-	-	(\$3,010,000)	-	(\$3,010,000)
Total General Fund Reductions	(20.60)	(8.35)	(\$6,035,312)	\$629,161	(\$5,406,152)

*Pending Voluntary Separation Incentive Program and Reduction in Force bumping, we anticipate 10-15 layoffs will be necessary

**Includes both personnel and non-personnel expenses.

Attachment B

Description of Programmatic Impacts of Proposed Third Round FY 2010-11 Departmental Budget Reductions

Total:

Total Impacted FTE (Antic. Vacant / VSIP)*	Total Impacted FTE (Antic. Filled)*	Change in Expenditure	Change in Revenue	Change in Net County Cost
(20.60)	(8.35)	(\$3,025,312)	\$629,160	(\$2,396,152)

By Department:

County Counsel:

Total Impacted FTE (Antic. Vacant / VSIP)*	Total Impacted FTE (Antic. Filled)*	Change in Expenditure	Change in Revenue	Change in Net County Cost
(0.50)	-	(\$72,250)	(\$130,000)	(\$202,250)

Description: Reduce 1.0 FTE vacant Chief Deputy County Counsel position (at mid-year), offset with extra hire funds for programmatic effort toward Public Administrator functions to generate \$130,000 added revenue.

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Programmatic Impacts of Reductions: Reducing attorney staff longer term may increase workload longer term, and may reduce customer service to client departments.

District Attorney:

Total Impacted FTE (Antic. Vacant / VSIP)*	Total Impacted FTE (Antic. Filled)*	Change in Expenditure	Change in Revenue	Change in Net County Cost
(4.00)	1.0	(\$313,473)	(\$106,745)	(\$420,217)

Description: Reduce 1.0 vacant FTE Chief Deputy District Attorney; 1.0 vacant FTE Deputy District Attorney IV; and 2.0 vacant FTE Legal Process Specialist positions; accept transfer in of 1.0 filled FTE Mediation Case Developer-Bilingual position from Probation Mediation Services program.

Programmatic Impacts of Reductions: Reducing attorney positions could result in increased caseloads for remaining staff, and reduced capacity to prosecute cases. Addition of Mediation Case Developer-Bilingual position will assist the Consumer Protection Unit's absorption of Probation's Mediation Services program, and increase bilingual capacity to program clients.

Health and Human Services:

Total Impacted FTE (Antic. Vacant / VSIP)*	Total Impacted FTE (Antic. Filled)*	Change in Expenditure	Change in Revenue	Change in Net County Cost
(10.30)	(6.75)	(\$1,525,810)	\$515,873	(\$1,009,938)

Description: Reduction of 10.30 anticipated vacant includes the following classifications: 1.00 FTE Office Services Supervisor; 0.50 FTE Policy Analyst; 1.00 FTE Public Health Program Manager I; 1.00 FTE Secretary; 0.50 FTE Sr. Clerk Typist; 1.00 FTE Sr. Clerk Typist Bilingual; 1.00 FTE Social Services Worker II Bilingual; 0.50 FTE Support Service Worker II; 0.50 FTE Support Service Worker II; 1.00 FTE Senior Registered Nurse; 1.00 FTE Sr. Clerk Typist; 0.50 FTE Sr. Clerk Typist; 0.80 FTE Project Coordinator.

The additional 6.75 anticipated filled positions includes the following classifications: 1.00 FTE Accounting Assistant; 0.25 FTE Accounting Assistant; 0.70 Clinic RN II; 1.00 FTE Dental Hygienist; 0.35 FTE Nurse Practitioner; 0.90 FTE Nurse Practitioner; 1.00 FTE Sr. Clerk Typist; 0.50 FTE Sr. Clerk Typist Bilingual; 0.05 FTE RN; 1.00 FTE Support Service Worker II Bilingual.

Programmatic Impacts of Reductions: Reduction of administrative positions will require increased coordination among various units in HHS which work on contracting, purchasing, budget, program planning and evaluation, and other activities. Potential service consequences may reflect reduced oversight of various programs and procedures, but may also include increased efficiencies and program coordination.

Significant reduction in clinic services, including closure of gynecological clinics; revenue and expenditure reductions associated with the reductions in services including closure of gynecological clinics.

Probation:

Total Impacted FTE (Antic. Vacant / VSIP)*	Total Impacted FTE (Antic. Filled)*	Change in Expenditure	Change in Revenue	Change in Net County Cost
(0.80)	(2.60)	(\$423,302)	\$245,033	(\$178,269)

Budget Message

Description: Eliminate Mediation Services Program, reducing 0.80 FTE vacant and 2.60 FTE filled staff positions associated with the program (including 1.0 FTE transfer to District Attorney of Mediation Case Developer-Bilingual position).

Programmatic Impacts of Reductions: It is anticipated that services provided by this program can largely be provided by the Consumer Protection Unit of the District Attorney's Office at no added cost to the General Fund.

Public Defender:

Total Impacted FTE (Antic. Vacant / VSIP)*	Total Impacted FTE (Antic. Filled)*	Change in Expenditure	Change in Revenue	Change in Net County Cost
(3.00)	-	(\$524,302)	\$105,000	(\$419,302)

Description: Reduce 1.00 FTE vacant Deputy Public Defender III and 1.00 FTE vacant Deputy Public Defender IV position; reduce 1.0 vacant Social Services Worker II position. Loss of revenue of \$105,000 associated with reductions.

Programmatic Impacts of Reductions: Decreased Attorney staffing will result in increased workloads for remaining staff, and a potential decrease in the number of cases that can be supported. Loss of the Social Worker position may reduce the link between department clients and community treatment/rehabilitative services - potentially resulting in increased recidivism.

Sheriff:

Total Impacted FTE (Antic. Vacant / VSIP)*	Total Impacted FTE (Antic. Filled)*	Change in Expenditure	Change in Revenue	Change in Net County Cost
(2.00)	-	(\$166,176)	-	(\$166,176)

Description: Reduce 1.0 FTE vacant Assistant Emergency Services Coordinator, as well as a 1.0 FTE vacant Legal Process Specialist in the Civil Division.

Programmatic Impacts of Reductions: The elimination of the Emergency Services Coordinator will require the elimination of support to some programs facilitated through the Office of Emergency Services, along with an increased workload for existing staff. The Legal Process Specialist position elimination will likely result in an overall delay in the processing of civil documents.

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Attachment C

Summary of Approved First Round (FY 2009-10 Voluntary Separation Incentive Program and Mid-Year Budget Reductions Adopted by Board in January, 2010)

Department	FTE Reduced (Vacant)	Changes in Expenditure*	Change in Revenue	Total Change in Net County Cost (NCC)
Assessor-Recorder	(2.00)	(\$138,650)		(\$138,650)
Community Development		(\$57,685)	(\$356,108)	(\$413,793)
Department of Finance	(2.00)	(\$215,748)		(\$215,748)
District Attorney	(3.00)	(\$335,192)		(\$335,192)
Fire	(1.00)	\$234,556		(\$234,556)
Health & Human Services	(16.05)	(\$1,724,282)		(\$1,724,282)
Information Services & Technology	(1.00)	(\$173,000)		(\$173,000)
Probation	(3.00)	(\$246,213)		(\$246,213)
Public Defender		(\$2,500)		(\$2,500)
Public Works	(1.00)	(\$106,397)		(\$106,397)
Sheriff	(1.00)	(\$69,014)		(\$69,014)
Total General Fund Reductions	(30.05)	(\$3,303,237)	(\$356,108)	(\$3,659,345)

*Includes both personnel and non-personnel expenses.

Attachment D

Summary of Approved Second Round FY 2010-11 Budget Reductions (Adopted by Board in March, 2010)

Department	FTE Reduced (Vacant)	Changes in Expenditure*	Change in Revenue	Total Change in Net County Cost (NCC)
Agricultural Commissioner		(\$29,801)	(\$30,868)	(\$60,669)
Assessor-Recorder	(1.00)	(\$71,429)	(\$591,613)	(\$663,042)
Board of Supervisors	(0.30)	(\$197,127)	(\$30,000)	(\$227,127)
Community Development	(1.00)	(\$174,278)		(\$174,278)
County Administrator	(1.10)	(\$199,536)	(\$20,000)	(\$219,536)
County Counsel			(\$279,000)	(\$279,000)
Cultural & Visitor Services	(1.00)	(\$95,332)		(\$95,332)
Department of Finance	(1.00)	(\$99,268)		(\$99,268)
Farm Advisor		(\$5,000)	(\$22,720)	(\$27,720)
Health & Human Services	(9.15)	(\$1,379,103)	\$385,333	(\$993,770)
Human Resources	(1.25)	(\$390,727)		(\$390,727)
Information Services & Technology	(1.00)	(\$942,296)	(\$357,505)	(\$1,299,801)
Parks and Open Space	(1.00)	(\$125,449)	(\$184,600)	(\$310,049)
Probation		(\$47,429)	(\$30,000)	(\$77,599)
Public Defender	(0.75)	(\$107,599)		(\$107,599)
Public Works	(3.00)	(\$523,541)	(\$577,161)	(\$1,100,702)
Sheriff	(7.00)	(\$1,073,878)	(\$535,500)	(\$1,609,378)
Treasurer-Tax Collector	(1.50)	(\$219,894)	(\$113,384)	(\$333,278)
Total General Fund Reductions	(30.05)	(\$5,681,687)	(\$2,387,018)	(\$8,068,705)

*Includes both personnel and non-personnel expenses.

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