

County of Marin Long-Term Restructuring Plan: A Blueprint for Financial Sustainability

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Executive Summary

One of the most important responsibilities of government is to spend resources in a manner consistent with community values and with an eye toward future generations. Marin County has a tradition of prudent fiscal management as indicated by having the highest bond rating among California counties. 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.

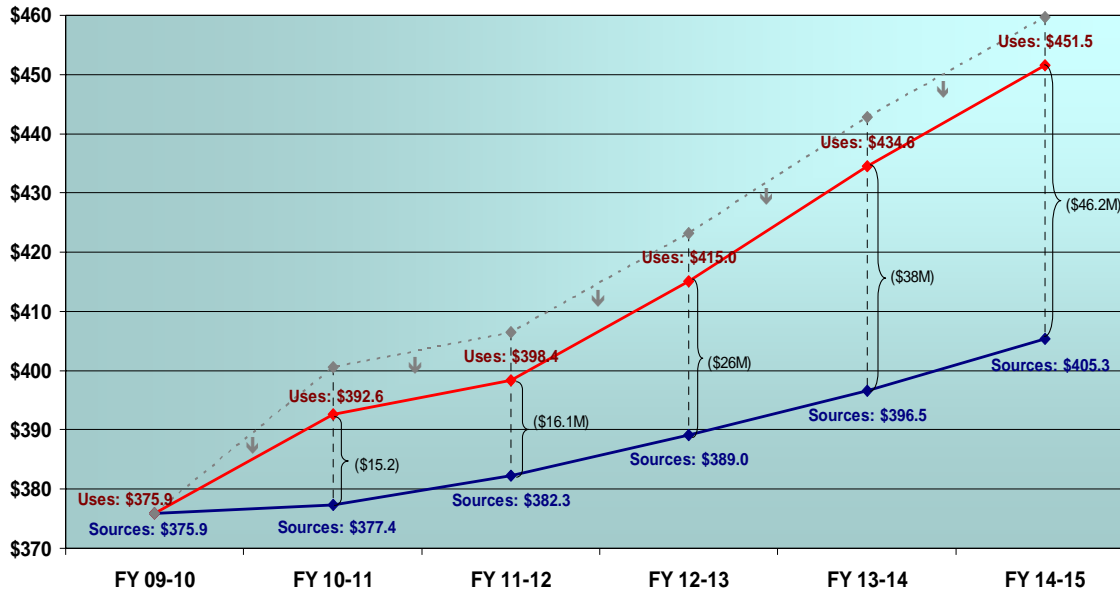
The County has already taken several steps to address these challenges, including:

- Adopting a lower-cost retiree health plan in 2007 for new employees
- Beginning to set aside funds for the unfunded liability of retiree healthcare
- Enacting pension reforms such as basing pension benefits on a three-year average rather than the highest single year and capping annual cost of living adjustments at two percent
- Developing and implementing a five-year \$20 million road maintenance project

We have also reduced spending to reflect our new fiscal reality. Over the past two years, the County has made approximately \$28 million in overall budget reductions, including \$7.8 million in State reductions, and eliminated over 100 vacant positions. **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.** This five-year projection will be revised in February based on a current review of countywide revenues.

Below is a chart illustrating this five-year budget shortfall beginning in FY 2010-11. The red line (uses) indicates projected expenditures for current services, while the blue line (sources) indicates projected revenues. The gap between expenditures and revenues represents the County's projected annual budget shortfall. In addition, the light gray line indicates the higher level of projected expenditures had the County used one-time sources (such as reserves) to balance this year's budget instead of making ongoing solutions.

Five-Year Projected General Fund Operating Budget Gap (\$ Millions)



To meet these challenges, the County initiated a long-term restructuring process in January 2009 to help the County organization adapt to this new fiscal reality. This process included engaging both the public and our employees for their ideas and input. This Long-Term Restructuring (LTR) Plan 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. **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 in a thoughtful and deliberate manner.** This Plan provides information on structural challenges facing the County and offers a roadmap of guiding principles, future strategies, and policy options to address these long-term challenges.

The Plan includes a set of LTR Guiding Principles intended to guide decision-making and strategies in addressing key issues and policy options. Below is a listing of these principles:

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

Building on these principles, the Plan identifies a number of future strategies to address key emerging issues such as growth in pension and health care costs and facilities and infrastructure needs. Examples of these future strategies include:

- Exploring less costly retirement plan tiers for new employees or other options which would save an equivalent amount of money
- Working with employee groups to consider health plan redesign options to reduce costs for both the County and employees
- Increasing our facility maintenance investments by \$2 million annually to extend the useful life of our publicly-owned facilities
- Continue to explore opportunities to redesign the structures, processes, policies, and support systems to achieve organizational goals with fewer resources

The Plan also includes over 50 potential countywide and department-specific policy options that reflect both the LTR Guiding Principles and the proposed strategies for addressing emerging issues. These policy options are not presented to the Board of Supervisors for action at this time, but will be considered and brought to the Board for approval at the appropriate time. In addition, some options are subject to discussions with the County's unions as part of labor bargaining obligations. The potential policy options are grouped into the following four categories:

- Countywide Cost Savings
- Service and Program Reductions/Eliminations
- Organizational Restructuring/Redesign and Process Improvements
- Revenue Increases

If each of the policy options identified were approved and implemented, we would generate General Fund annual savings of \$10-12 million over the next five years. Although we recognize that these options would not fully close the estimated funding shortfall, they do represent a significant portion of the gap and begin to help us examine our budget challenges with a long-term perspective rather than in one-year increments.

This Plan is intended to be a working and evolving blueprint to evaluate and update as conditions change. Following approval of the Plan by the Board of Supervisors in January, the County will begin implementation as part of the FY 2010-11 budget process. **The Plan will be used to ensure our annual budget choices are consistent with our long-term strategies to balance our budget.** Despite the difficulties we face, this is also an opportunity for us to think differently and creatively about how Marin County government can best serve our community in today's environment.

The County of Marin is committed to adapting to these changing economic times while still providing a high overall level of service to the community. This LTR Plan can help us use our organizational strength of innovation and financial discipline to "do the most important things well." The Plan can also help us better coordinate with our community partners who share our mission to live in a healthy, safe, and sustainable community. With the support of staff and our community partners, we can continually restructure County government to meet our future challenges for the benefit of Marin residents.

Please visit <http://www.co.marin.ca.us/budgetinfo/> to get the complete LTR Plan and other information and documents