



Addressing the Projected FY 11/12 Deficit and Beyond

Agenda Item 10-0990



Fiscal Options

- ERI Sustainable Savings
- Use of One Time \$ and/or Reserves
- Concessions from Labor
- Contracting Out
- Discretionary Program Reductions and /or Eliminations
- Service Level Reductions via NCC Targets



Early Retirement Incentive

- As of Sept 10 there were 58 applications approved by Board of Supervisors
- 33 of these were in the General Fund
- If all applicants retire, that will result in \$3.3M in ongoing **sustainable savings** due to their positions being eliminated
- A second round of ERI's is anticipated to apply by the final due date of November 19



Use of One Time \$ and/or Reserves

- The County has a practice of not using one time funds to support on going operational costs
- Typically one time funds are placed in reserve or contingency for economic uncertainties, dedicated to a capital project or to offset unfunded liabilities
- Examples of one time funds are: Reserves & Contingency, Designations for Capital Projects and WS Animal Shelter, Retiree Health Funding
- However one time funds can be used to support the organization while economic conditions improve or to allow it to downsize more gradually



Use of One Time \$ and/or Reserves

- Choosing to use one time funds to support ongoing operations should be done strategically with a specified plan that expresses the time limited nature of the commitment
- Redirecting previously dedicated funds to support ongoing operations should clearly demonstrate cost and benefits of action
- Any decision to use one time \$ for ongoing operations needs to recognize that when its gone its gone!



Use of One Time \$ and/or Reserves

- One area that needs to be addressed is departmental use of Special Revenue Funds
- Departments should be directed annually to use Special Revenue Funds first in order to ameliorate the use of General Funds
- The Board should discourage departments from building up departmental controlled Special Revenue Funds in lieu of use of general fund unless specifically approved by the Board



Concessions from Labor

- Salaries and benefits represent 63% of general fund expenditures
- 1% equals \$\$1,231,081
- At \$100K per average position that equates to 12 positions
- The bargaining process has the potential to yield significant long term savings through agreements to reduce employer costs for salary and benefits
- All bargaining groups are in active negotiation with the County except one
- If significant savings can be achieved through the bargaining process by the beginning of CY2011 that could ameliorate some staff reductions



Contracting Out

- Contracting out should be integrated with overall strategy of organization
 - Need to know clearly what the expectations are: cost savings, improved efficiencies, better product/service
 - Need to take into consideration Labor Agreements and Charter requirements
- Requires active leadership by top management
- Contracting out should not involve mechanistic consideration of contracting out existing tasks or processes
 - It should be used as an opportunity to re-evaluate both the rationale for existing tasks and the processes used to carry them out



Contracting Out

- Need to specify what the activity is, not how the activity is to be performed in order to give contractor operational flexibility to be innovative
- A management process still needs to be in place to oversee the contracting process
 - Bid development and procurement process
 - Contract negotiation and development
 - Performance monitoring and evaluation
- Savings from successful contracting out maybe in the range of 10% plus administration costs



Contracting Out

- Recommend the CAO continue to work with departments to identify opportunities for contracting out services and activities that would result in measureable cost savings and efficiencies and still meet needs of organization and citizens
- Request Board identify any areas that you would like considered for contracting out



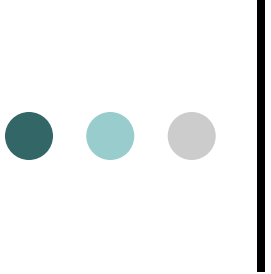
Discretionary Program Reductions/Eliminations

	Mandated Program	Discretionary Program
Mandated Service Level	Program and service levels are required by either Federal or State statute, or Court ruling	Revenue-Grant Funded: County is not required to operate these programs. If County chooses to then service level is generally stipulated as condition of funding
Discretionary Service Level	Required by law but the level of service is mainly left to discretion by the Board of Supervisors	Programs and activities County is not required to operate or provide and for which the service level is optional



Discretionary Program Reductions/Eliminations

- County has significant General Fund committed to the support of discretionary programs
- Need to assess commitment of these funds in lieu of other potential program impacts especially as they relate to priority public safety services
- Departments will begin to present information on major discretionary programs on September 15th



Examples of Discretionary Program/Discretionary Service Level

- General Fund Library Services
- Senior Nutrition/Senior Services
- General Plan Implementation
- Economic Development/Promotions
- General Fund Contribution to Roads
- GIS
- UCCE
- Parks Operation & Maintenance
- Museum
- STARS Program
- Veterans Services
- Sheriffs' Patrol



Service Level Reductions via NCC Targets

- Target usually set as a % of NCC
- Flattens organization equally and maintains functional group funding commitment
- Generally drives costs down without respect for program impact
- Mechanism to squeeze capacity out of system during initial stages of cost reduction
- Does not work well as an across the board tool once organization becomes lean
- Still valuable to get departments without clearly defined (usually central service) programs to describe service impacts



General Government

- Most general government departments are lean
- Overall the functional group has 16% fewer employees than it did in 2004/05
- The group has regularly absorbed its NCC targets
- Difficult to call out specific programs to reduce/eliminate due to nature of services
- Need to rely on departments to describe consequences of less funding i.e. fewer staff



General Government

- To assess the ability of General Government departments to absorb additional reductions the CAO recommends the Board hold a workshop on November 8th for the departments noted below to describe:
 - The impact of a 10% NCC reduction – CAO, Auditor-Controller, Board of Supervisors
 - The impact of a 5% NCC reduction – Human Resources and County Counsel
- The sustainable value of these reductions would be \$735K



General Government

- The different targets recognize that some departments have limited ability to absorb additional staff reductions and still deliver the most essential level of service – Human Resources and County Counsel
- Departments who have achieved sustainable savings through ERI process and Addenda have been excluded because they have already achieved sustainable savings of 10% or greater – Assessor 14%, Information Technologies 11%, Recorder-Clerk 14%, Treasurer-Tax Collector 10%. However if the ERI applicants do not follow through then they may no longer be excluded



Closed System

- We are working in a closed fiscal system
- In order to protect some programs others may need to be reduced or eliminated
- One time \$ can be used but should only be utilized after all other options have been exhausted and the consequence of doing so is fully understood
- There is a big Wild Card yet to be played – State Budget!
- The Closed System Fiscal Decision Tool helps demonstrate options



Comments and Discussion