MEMORANDUM
OFFICE OF THE
COUNTY EXECUTIVE
COUNTY OF PLACER

TO: Honorable Board of Supervisors

FROM: Thomas M. Miller, County Executive Officer

DATE: February 24, 2009

SUBJECT: FY 2009-10 Strategic Budget and Policy Briefing

ACTION REQUESTED

That the Board of Supervisors provide direction to staff with respect to the following actions:

1. Approve preliminary direction for development of the FY 2009-10 Placer County budget as outlined in this memorandum.

2. Approve the following Management and Confidential employee actions:

    a. Labor adjustments as recommended in this memorandum for Management and Confidential employees and direct the County Executive Office to return to the Board of Supervisors with a "no lay off" budget for those employees.
    b. Formation of an employee "Cost Saving Task Force" to analyze and develop implementation strategies for cost saving solutions as identified by the Management and Confidential Team for FY 2010-11.

3. The County Executive Office to further engage the Placer Public Employee Organization (PPEO) to:

    a. Discuss options for comparable labor adjustments for PPEO represented employees or discuss employee layoffs to be effective no later than July 1, 2009.
    b. Authorize the Executive Office to discuss work reassignment from declining work activity functions to other needed functions or initiate layoffs should agreement not be reached with PPEO.

4. Approve policy direction of other cost saving measures as outlined in the staff report:

    a. Helicopter Acquisition and Program
    b. Expand Internal Department Audits
    c. Fleet Utilization and Replacement Policy
    d. Travel and Training Practices and Required Overnight Approvals

e. Affirm the current policy direction for current County activities such as hiring restrictions, use of extra help, overtime practices, communications utilization, fixed asset acquisition, etc.

BACKGROUND

In this slowing economy, county governments are faced with significant declines in their revenue base, particularly real estate, sales tax and other revenues as they attempt to find ways to pay for rising labor and other costs to provide vital services. Deficits result when the cost to provide services exceeds the funding available to pay for those services. In this economy, deficits abound in cities, counties, state and federal budgets. Regionally many cost cutting measures have already been implemented and include such actions as employee furloughs, layoffs, reductions in service days / hours, pay raise suspensions, etc. (Attachment 1).

While it is clear that governments across the nation can not continue to operate with a "business as usual" philosophy, the dramatic changes in economic conditions seen recently are not completely the result of a sudden and or unexpected action, but have in fact been evolving over the last several years. In recognition of the change in economic conditions, the Placer County Board proactively preserved the County's financial health with the following actions and maintained its goal to continue to provide the highest level of service possible within limited funding constraints.

PRIOR BOARD ACTIONS

- **September 18, 2007** – FY 2007-08 final adopted budget maintained funding necessary for critical services but directed departments to continue to seek operational economies and efficiencies for service delivery. Board actions redirected funding of $2.6 million to Health and Human Service Programs and used $4 million in one-time funding to pay for ongoing operating costs. Board memorandum specified that slowing revenue growth for the next 2-3 fiscal cycles would make it difficult to fund growing labor and operating costs. Directed the deferral of non essential purchases.
- **December 6, 2007** – The County Executive Officer implemented hiring restrictions due to the combined effect of State budget impacts, the considerable decline in the real estate market and an overall stagnant economy.
- **September 9, 2008** – FY 2008-09 final adopted budget constrained program growth, and redirected funding to critical health and human services ($2.1 million) and public safety programs. Used up to $12 million in one-time funds to offset operating costs in the General and Public Safety Funds.
- **November- December, 2008** – The Executive Office met with department heads to review internal costs such as vehicle utilization, cell phones, productive hours, etc. As a result of the review Departments were able to identify $827,000 of ongoing savings.
- **December 9, 2008** – Received a report on the status of the FY 2008-09 Budget's performance and provided direction to correct the $9.5 million revenue collection

shortfall projected in the General and Public Safety Funds (budget revision approved January 27, 2009).

- **December 9, 2008** -- Directed office closures for 4 days during the remainder of the fiscal year to save at least $2 million. Non-essential employees would be required to take these days off unpaid in a mandatory time off (MTO) status.
- **January 27, 2009** -- Approved a budget revision of $945,187 to address revenue shortfalls in Health and Human Services. The revenue reduction was offset by expenditure reductions.
- **January 2009** – Executive Office met with department heads and administration staff to identify further cost savings for FY 2009-10 budget as well as reviewed 3, 5, and 7% tier budget reductions.

The Board's thoughtful, fiscally responsible actions positioned the County to provide a high level of services to constituents each of the last few years. The County is mandated to provide a diverse array of services to our community such as criminal justice programs (corrections, patrol, district attorney, probation services, etc.) as well as other services such as property assessment, library services, road maintenance, health and human service programs, treasury and auditor functions, child support services, and veterans' services to name a few.

Unfortunately, due to the persistence and broadening of the current economic downturn, programs and services are threatened as the resources available are no longer sufficient to fund the growing cost to provide them. In addition, as a direct service provider labor costs represent a predominant expense to the County's budget and employee costs continue to grow each year due to labor contract agreements and benefit cost increases. As a result of growing operating costs, coupled with flat or declining revenues, unless a drastic shift occurs and the real estate and economic sectors rebound quickly, the County budget is projected to have operating deficits each of the next several fiscal cycles.

In November 2008 the Executive Office staff met with all county department heads and their chief administrators to discuss the County's projected $9.5 million revenue shortfall in the General and Public Safety Funds and worked together to create solutions necessary to close the budget gap. As a result of this successful collaboration, the County's team identified a combination of General Fund reserves and additional cost cutting measures to offset the revenue reduction that was recommended to the Board at its December 9th meeting. Essential to the recommended solution were 4 days of office closures approved by the Board that same meeting; these days represented $2 million or 21% of the solution.

Remedies Enacted to Resolve FY 08-09 Revenue Shortfall	
Cancellation of Reserves	**$1,747,946**
Expenditure Reductions	
Salaries and Benefits	**2,923,288**
Services and Supplies	**1,675,835**
Office Closures / Mandatory Time Off (MTO)	**2,000,000**
Road Fund Contribution	**1,150,000**
Total of all Remedies:	**$9,497,069**

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ECONOMIC AND BUDGETARY CHALLENGES CONTINUE

STATE BUDGET IMPACTS

At the state level, the State Controller's Office has started to issue "IOUs" to counties for funds appropriated with in the State's FY 2008-09 Budget which has resulted in delayed payments to counties in the millions of dollars. The County currently recognizes approximately $3.4 million in Placer County impacts that were derived from current State discussions and proposals, and have included these dollars in the projected FY 2009-10 Placer County budget deficits that will be discussed further in a later section. Staff will provide updated information on February 24th should the State arrive at a budget agreement subsequent to the preparation of this staff report.

MANAGEMENT AND CONFIDENTIAL TEAM MEETINGS

At the close of the December 9th Board presentation, the County Executive Officer received a number of emails from county staff that outlined their concerns as to how the current economic situation would impact employees. To that end, these emails contained a number of suggested options that staff thought would be appropriate to help close the identified budget shortfall and preserve staff employment. Some key ideas that were shared included the option of additional mandatory time off (MTO) or furlough days; a reduction in the "work week" to 4, 10 hour days; a reduction for full time employees to 72 hours per pay period; voluntary 5% reduction of salary, etc.

In an effort to share these ideas with a larger portion of the County's workforce, a series of meetings were scheduled by the County Executive Officer and all management and confidential employees were invited. Management and confidential employees are not represented by a labor organization and, as a result, the meetings could provide a forum for direct communication. Represented labor organizations were invited to hold similar discussions in regards to the County's financial challenges. Three sets of meetings were scheduled and were attended by a majority of confidential and management employees.

During the meetings, the Executive Officer clarified the County's financial position; shared regional county and city implemented cost saving measures; and outlined suggestions that he had received from county employees to save money. Staff was asked to rank these employee submitted cost saving measures and, in addition, submit their own "new" options for the Executive Office to consider. The response to this request by management and confidential employees was overwhelming with approximately 60% returning the survey and over 200 non-duplicative cost saving ideas generated.

Completion of the survey was thoughtful and thorough, with the attention to detail clearly demonstrating leadership and strong initiative as well as a willingness to work together to resolve the issue. Many of the submitted ideas will require additional research and are being considered for implementation next year. To support that effort, the Executive Office is seeking Board approval to convene a "Cost Saving Task Force" to complete this work for implementation no later than FY 2010-11. Thorough vetting of the concepts should glean savings in future years and improve the County's ability to provide service in the most efficient, cost effective manner.

The highlight of the second series of meetings held in late January was the sharing of new information generated by management and confidential employees with other team members. Also discussed were policy issues related to the use of county reserves; as well as clarification of the CalPERS 2 Year Service Credit and the Sacramento City Buyout Options (Attachment 2 - selected materials).

Management and Confidential - Recommendations

On February 11th a final set of meetings was held, and the outcome from those meetings was key to the recommendation coming before your Board today. **During this meeting the Executive Officer shared labor options for reduced labor costs that this group could weight in on in an effort to avoid layoffs within the management and confidential team.** It was explained that labor adjustments would be necessary next year and that the team could provide collective input into the solution. It was also clarified that identified management and confidential labor adjustments would need to equate to at least $1.6 million. The labor options focused primarily on the following elements:

- Layoffs of management and confidential employees.
- Reduced or elimination of the scheduled November 2009 COLA.
- Time off without pay (MTO) ranging from 4 to 12 days.
- Additional employee pick up of the PERS employee contribution.
- Other reductions in specific management / confidential benefits.

Approximately two thirds, or over 200, management and confidential team members responded to the survey and the results suggested that:

- Approximately 88% of managers and confidential employees would choose reductions in pay to avoid lay offs of the existing workforce.
- Over 66% identified 12 MTO days as the preferred approach to achieve required budget reductions.
- Over 87% indicated that MTO should incorporate office closures.
- 70% were opposed to allowing employees to use MTO similar to a vacation bank.

The County Executive Officer, in keeping with input from the management and confidential employee's survey results, recommends that the following labor adjustments be implemented and applied to management and confidential employees in FY 2009-10:

1. 12 MTO days; and
2. The November 2009 COLA be capped at 2.5%; and
3. Vacation cash out options and accrual limits be temporarily redefined.

If approved by your Board, these recommendations would be implemented as a cost saving measure for FY 2009-10 and the budget would be prepared in keeping with this course of action. By approving this action, management and confidential employees would not be subject to layoffs in FY 2009-10; a condition that would hold true unless an unexpected and significant financial impact to the County's budget would occur subsequent to this direction. Implementation of these salary and benefit related actions would become effective the first pay period in FY 2009-10. If approved by your Board, staffs will return at a later date with the Board actions necessary to implement these salary and benefit related changes.

FY 2009-10 BUDGET DEVELOPMENT

On December 9th the Board directed staff to begin to explore options to address the then projected $25 million budget deficit anticipated for FY 2009-10. Today, in response to that direction, strategic input is being sought from your Board earlier than is typical for the development of a county budget due to the unusual economic circumstances. Board direction now would allow cost saving measures to be fully implemented by July 1st, the beginning of the next fiscal cycle, in order to achieve full year savings and to position the County to adjust to continuing changes in the economy. Please note that these discussions are based upon preliminary financial information and that production of next years' budget is currently in process.

Over the last several budget cycles, your Board significantly constrained expenditures and implemented budget reductions in General Fund departments. These reductions served to reduce General Fund spending overall and, further, created funding that was then redirected to Board designated critical priorities such as public safety programs, and used to offset State funding shortfalls for health and human service programs and direct client services. Given the number of years that these spending reductions have been necessary to balance the budget, the General Fund departments currently focus their budget spending on delivery of legally mandated and / or required services. With prior period and ongoing budget reductions, discretionary dollars have long since been removed from department budgets and the ability to absorb a significant budget deficit will require deeper, more difficult decisions including labor cost reductions.

Even with the cumulative effect of the budget correction approved in December, staff currently estimates the FY 2009-10 budget deficits to be approximately $18.5 million in the combined General and Public Safety Funds. *Of this amount, $13.2 million is directly attributable to the Public Safety Fund's labor cost increases and revenue reductions, $3.4 million has been included to offset known State Budget impacts, and $1.9 million was the identified shortfall in the General Fund.*

For your Board's consideration today are recommended budget actions that, if approved, will guide development of the County's FY 2009-10 budget. Staff's recommendations include measures to further reduce appropriations and curtail spending, revise revenue estimates in keeping with current economic projections, specify a phased-in approach to the utilization of reserve funds over several fiscal years, and require "labor adjustments" that would position the County to address the next year's deficit.

While staffs recommendations contained herein address the County's FY2009-10 estimated deficit estimate, it should be clear that this resolution to the shortfall is imperfect. Budget projections, particularly revenue estimates, have been unusually volatile over the last 6 months and are expected to continue to be dynamic but with an overall downward trend. Though County departments and the County Executive Office staff continue to work together to enhance revenue collections, redirect funding to "critical program" areas, refine revenue estimates and manage costs, it is not expected that the County's financial outlook will improve materially over the next 12 to 18 months and, in fact, could worsen. Containing labor costs which are currently outpacing County revenue growth is particularly important in addressing ongoing shortfalls expected each of the next 3 years.

ADDRESSING THE $18.5 MILLION BUDGET DEFICIT

The following budget recommendations would close the currently projected $18.5 million deficit in the General and Public Safety Funds and, if labor adjustments are implemented, would preserve county employment and more importantly, service delivery, through FY 2009-10. An abbreviated version of the General and Public Safety Funds budget recommendations are as follows:

FY 2009-10 Budget Development Recommendations		
One Time Funds / Reserves	$	4,000,000
Revenue (net reductions)		(1,323,595)
Short Term Internal Charge Reductions		4,186,399
Tier 1 & Other Policy Reductions		4,979,108
Labor Adjustments		6,717,894
Total Recommendations:	**$**	**18,559,807**

Staff wants to reiterate that short-term or one-time budget solutions are not ideal as they compound budget deficits in outlying years.

Closure of the FY 2009-10 budget deficit is being recommended through:

Revenue Expenditures Reserve Adjustments

- Revised revenue estimates: The net decrease in revenue comes from increased estimates for property tax penalties and redirection of TOT funding to support Tahoe Services ($500,000). These revenue increases have been offset by reductions to secured property tax and other revenues. Revenue adjustments provide a combination of ongoing (can be counted on to continue into future fiscal cycles) and one-time solutions (amounts will vary up and down as a result of changes in economic conditions so the dollars can not be counted on to continue into future fiscal cycles).

- Expenditure reductions (ongoing and one-time solutions):

  - These options were developed through a concentrated effort by departments to identify additional cost saving measures for the upcoming fiscal year. These options were placed in "Tiers 1, 2 & 3" whereby the impact on the current labor force (layoffs) and service delivery impacts were clearly defined. Tier 1 solutions did not require layoffs and have less service impacts. Tier 3 options caused the most drastic impacts.

  - A series of meetings were held in January and February with each department's management team to further discuss these options and ultimate impacts. As a result of these collaborative discussions, all of the Tier 1 recommendations are being included for expenditure reduction due to the minimal employee and service delivery effects.
    - Tier reductions in the General Fund equate to $2.1 million. These budget "sweeps" are offset by expenditure restorations to preserve the employee workforce and service levels of $2.7 million for a <u>net</u> budget increase of $693,327.
    - Tier reductions in the Public Safety Fund equate to approximately $4 million.
  - In addition to the Tier reductions a number of budget policy changes are being recommended that will serve to reduce costs to the General and Public Safety Funds by reducing their charges for internal county services. These charges are being reduced significantly for FY 2009-10 and will require proprietary funds (the internal service providers) to consume portions of their reserves balances to offset the revenue loss and fund their operations. Savings will be felt countywide from these internal service fund actions. The internal service policy change can be safely implemented for 2 to 3 years after which time the charges will need to be increased to reflect the full cost of providing the service since reserve balances in the proprietary funds would otherwise be diminished below prudent levels.
    - Internal policy funding redirections equate to $6.1 million.

- Use of one-time reserves: Over the next several years it will be necessary to draw down the County's reserve balances in response to extreme economic and financial conditions that are expected to continue well into FY 2011-12. The plan calls for phasing in the one-time reserve funding over the next 3+ years in $4 to $5 million dollar per year increments. As General fund revenue begins to grow in the outlying budget years, staff strongly recommends that the use of reserves begins to phase out given their finite nature and the structural budget imbalance that their use to fund ongoing operations creates.

Labor Adjustments

- Labor adjustments comprise $6.72 million in savings as part of an overall and sustainable budget solution. This salary and benefit savings target includes Management and Confidential employees (estimated at $1.62 million / 24% of total) as well as PPEO represented employees (estimated at $5.10 million / 76% of the labor solution). Apportionments noted above have been calculated from compensation ratios for each group assuming similar labor adjustments. It is expected that total labor adjustments implemented will be proportionate to these ratios.

- Attainment of identified / full labor adjustments is expected to save between 98 and 115 county jobs in FY 2009-10. Absent agreement to the labor adjustments and resulting salary and benefit savings, layoffs must occur prior to July 1st. Should agreement not be reached with organized labor over labor cost saving measures as previously identified, it may be prudent to incur additional layoffs sooner in anticipation of the FY 2010-11 budget shortfall. At this time, should organized labor prefer such a solution it is anticipated that an additional 100 to 150 layoffs would be necessary in FY 2010-11.

Work Reassignments

It is clear that due to the decline in the economy that some county department's personnel do not have enough "work" available to keep them busy in their primary business. If labor adjustments are agreed to, the county would consider redirecting these staff's time to alternative work through contract arrangements with other county departments. The Executive Office has already tentatively identified meaningful and necessary work applications in cooperation with other departments where such individuals can be reassigned for at least the next fiscal year. Absent this reassignment, approximately 15-20 additional individuals would face lay off.

As noted previously, the County's General and Public Safety Funds FY 2009-10 budgets would be balanced with implementation of these recommendations, however at least $14.7 million of the current solution are short-term in nature and are expected to have long-term budget implications. In addition, labor adjustments that are not "on-going" in nature will add to the growing deficit figure projected for future fiscal cycles. Examples of short-term labor adjustments include such items as a furlough program or a short-term reduction in work hours (employees going from full time to part time). In order to provide sustainability into FY 2010-11 and beyond, labor adjustments should have a long-term financial benefit and would include such items as elimination of a COLA or increased employee pick up of benefit costs (retirement or health insurance).

FUTURE YEAR BUDGET PROJECTIONS

Given the nature of the recommended budget solutions, unless economic conditions shift resulting in additional county revenue growth, the County can expect that future budget cycles will continue to see growing deficits. Absent corrective action in FY 2009-10 it is projected that each of the next two years would see deficits between $21 to $30 million.

Implementation of staff's recommendation to the FY 2009-10 budget shortfall, while it helps offset projected deficits, does not eliminate the deficits in the two outlying years. The FY 2010-11 the deficit would be reduced from $21 million to an estimated $11.3 million, and in

FY 2011-12 the deficit is reduced from $30 to an estimated $24.1 million. Staff anticipates that these projected deficits will decline further as cost saving ideas recommended by the Cost Saving Task Force are implemented and as the overall workforce declines due to future retirements and / or other staff departures.

Budget Projections:
General and Public Safety Funds

Description	FY 2009-10	With FY 2009-10 Action FY 2010-11	With FY 2009-10 Action FY 2011-12
Base Funding Shortfall	**$ (18,559,807)**	**$ (20,798,184)**	**$ (29,177,868)**
One Time Funds / Reserves	$ 2,676,405	$ 626,405	$ 126,405
Expenditure Reductions:			
Short Term Reductions	(4,186,400)	(3,736,400)	-
Long Term Reductions	(4,979,108)	(4,979,108)	(4,979,108)
Labor Adjustments	(6,717,894)	(206,784)	-
Shortfall After Adjustments:	**$ -**	**$ (11,249,487)**	**$ (24,072,355)**

Projections are based on the December 9th data and figures may changes as the FY 2009-10 budget is more fully developed.

GENERAL AND PUBLIC SAFETY FUND RESERVES

Reserves have been set aside over time to provide for unanticipated occurrences and to sustain the County during short term economic downturns. And, in fact, use of reserves will be of key importance to addressing the shortfall for the current and upcoming fiscal years. That said, the use of reserves should be used judiciously to avoid depletion of resources that may be necessary to provide for cash flow or emergency circumstances. Given the reliance on one time funds / reserves, the General and Public Safety Funds' reserve balances would be expected to decline with staff's recommended action as these funds would be used in each of the 3 budget cycles to close funding shortfalls.

General & Public Safety Funds Reserve Detail:

Description	FY 2009-10	FY 2010-11	FY 2011-12
General Purpose	$ 16,299,280	$ 11,299,280	$ 6,299,280
Capital Outlay	39,525,228	27,509,672	22,478,935
Designated / Restricted	5,214,755	5,214,755	5,214,755
Totals:	**$ 61,039,263**	**$ 44,023,707**	**$ 33,992,970**

Reserves 2/2/09. Will draw down Capital Reserve to fund the South Placer Jail and other projects beginning in FY 2010-11. Expect less than $9 million will be available in in Capital Reserve by FY 2013-14 if no additional reserve contributions are made.

LABOR ORGANIZATIONS

The Placer Public Employee Organization (PPEO) - Local 39 represents a majority of county employees, or approximately 1,800 individuals. The County is currently under contract with PPEO through June 2010. Executive staff has attempted to avoid focusing discussions on layoffs by offering to Meet and Confer with PPEO over labor cost saving options. While no formal negotiations or layoff impact discussions have yet begun with PPEO, the request to meet subsequent to this Board meeting date has been initiated. Over the last several months your Board has continued to receive correspondence from individual employees, letters from the union representative of PPEO-Local 39, and has also heard comment from employees under the "Public Comment" portion of regular Board agendas. Those communications identified certain measures that the authors believed should be considered when addressing the County's overall fiscal condition up to and including wage freezes, voluntary furloughs, reduction in work hours and service credit options to name a few. These measures are in keeping with the labor adjustment recommendations being made for management and confidential employees and, if agreed to by PPEO, could be applied to that labor organizations represented employees equally. As of this writing, no agreements or adjustments have been struck with PPEO-Local 39. In keeping with the action requested from your Board today, staff will actively engage the labor organization in a discussion of these matters.

The Placer County Deputy Sheriffs' Association (DSA) represents 227 employees in the Sheriff's Department, District Attorney's Office and Health and Human Services Departments. The County will ask to meet with the DSA representative to discuss the County's current financial situation and potential remedies from that organization.

OTHER POLICY DIRECTION / COUNTY COST SAVING MEASURES

Helicopter

Discussion: On January 23, 2007, based upon the information contained in a detailed Feasibility Study, your Board approved a series of staff recommendations related to the purchase of a new Aerostar AS 350 B helicopter. At that time sufficient funding was set aside to allow for the ordering of the base helicopter, but funding had yet to be identified for the provision of required mission equipment and the projected increase in ongoing operational costs.

Your Board's approval included a series of directives to the Sheriff's Department to pursue funding sources to fully account for the identified gaps in both the one-time capital and the on-going operational expenses. The Sheriff's Department and County Executive Office were directed to develop a "full-funding approach" related to all increased costs to support the acquisition and operation of the new helicopter.

Since that January 2007 Board meeting the Sheriff's Department has made progress toward meeting the financial requirements of the approved conditions. However, although the new helicopter is approaching its completion and delivery date, County staff has not been able to achieve the Board's directives for identifying a "full-funding approach" and a significant gap exists been the funding available and the amount necessary to complete the acquisition, outfitting, and operation of the new helicopter.

Key elements that have contributed to this situation include:

- The one-time capital costs for both the base helicopter and the mission equipment identified by the Sheriff's Department have increased from the $3.4 million identified in the original Board memo to $4 million, **an increase of $562,000**. As the amount set aside for the capital expenditures was $2.5 million, a **one-time expenditure gap of $1.5 million now exists**.

- The increased operational costs for the new helicopter for the same level of service were estimated by the Sheriff's Department to range from $330,000 to $530,000. No new funding source has been identified to cover this expenditure. **Although the Sheriff's Department has indicated a willingness to absorb these increased operating costs within its existing budget, it would have to redirect $330,000 to $530,000 in existing services in addition to the $3 million in budget cuts it has agreed to in order to assist in the balancing of the County's FY 2009-10 budget.**

- Hoped for revenue sources identified in the original Board report have not materialized. Specifically, no contributions from the local jurisdictions receiving significant benefits from the helicopter program for either one-time or ongoing operational costs have been forth coming. Further, neither Cal-Fire nor the United States Forest Service has shown a willingness to enter into reimbursement agreements for potential fire support services.

The Sheriff's Department has, however, developed a draft donation document with the United Auburn Indian Community to provide $1 million allocated over a multi-year period to assist with the capital funding gap. This draft document also provides the option to negotiate a donation payment schedule to support an outright purchase option should it be in the best interest of the County. Furthermore, the Sheriff's Department, in another good faith effort to close the capital-funding gap, has decided to sell its current helicopter, the Bell OH-58. Sheriff Department staff estimates that the sale of the existing aircraft could contribute $500,000 to $600,000 toward closing the funding shortfall.

Although highly supportive of these actions, the County Executive Office has the following recommendations:

- The Sheriff's Department should work with the United Auburn Indian Tribe to provide the $1 million as a one-time cash contribution in recognition of the capital shortfall for the helicopter and the County's current fiscal position.

- The Sheriff's Department should actively advertise and enter into a sales contract for its existing helicopter so its actual market value can be determined (estimated at $500,000 – $600,000) and the proceeds allocated toward the capital-funding gap.

Options for Board Consideration

Given the funding gaps that exist with both the one-time and operational costs related to the purchase of the new helicopter, staff has not yet been able to satisfy the "full-funding approach" approved previously by your Board.

Options for your Board's consideration include:

1. Fulfill the contract obligation for the purchase of the base helicopter and resell it to another agency.

2. Fulfill the contract obligation for the purchase of the base helicopter and defer the purchase of the mission equipment and its placement in operations until an agreement to sell the existing helicopter is secured and the remainder of the capital shortfall is absorbed by the Sheriff's Department from non-general fund sources. Also, direct that the anticipated increased operating expenses also be absorbed by the Sheriff's budget in addition to those otherwise directed by your Board action today.

3. Accept delivery of the helicopter and fund the one-time expenditure gap with a temporary loan from the general fund reserves. Direct that other Sheriff Department fixed asset purchases be deferred until the County Reserves Loan is repaid from the sale of the existing helicopter, other agency contributions or other public safety fixed asset sale proceeds. Also, direct that the anticipated increased operating expenses be absorbed by the Sheriff's budget in addition to those otherwise directed by your Board action today.

Recommendation: The County Executive Office recommends your Board adopt Option 2.

Expand Internal Department Audits

Discussion: Placer County departments continue to provide responsive and quality services to the public. Current economic conditions and budget constraints, as well as prudent business practices would dictate that the county maximize efficiency and effectiveness. While many cost saving approaches have been initiated with measurable success, such as countywide reduced use of extra help, additional review of procedures and protocol are anticipated to result in further savings.

The Executive Office with the assistance of the Auditor Controller and Administrative Services Departments, in cooperation with the Community Development Resource Agency (CDRA) managers, launched an audit of financial, administrative, and management practices of CDRA. This review of internal controls, accounting, records management, labor management, use of overtime and leave, core function and work load, procurement practices, and personnel practices is highlighting areas of current efficiency and those areas that present opportunity for efficiency enhancement.

At your Board's direction, the Executive Office will proceed to apply this model for auditing systems and practices to additional departments with the intention of identifying and quickly addressing areas where additional cost savings can be gained.

Options for Board Consideration

1. Continue existing practices of variable implementation of financial controls management, use of overtime, personnel/labor management, procurement/contract management, and other administrative and program function.

2. Direct Executive Office, Auditor's Office, and Administrative Services Department to collaboratively work with departments to conduct audits to, but not be limited to, evaluation of:

    a. Internal control structures, assets accountability (billing, cash disbursements, and payroll), assets security and financial record keeping, reconciliation and reporting to be consistent with County policy and the Placer County Internal Control Manual.

    b. Labor management, including practical uses of overtime and leave, travel and training and general performance expectations.

    c. Procurement and contract management practices, such as ordering processes, review of existing contracts and identification of opportunities for savings, and adherence to Purchasing Guidelines and Credit Card Guidelines.

    d. Departmental specific programs and practices and identify well reasoned work load and service delivery models.

Recommendation: Implement Option 2 primarily utilizing existing staff resources and within approved budgets.

Fleet Utilization and Replacement Policy

Discussion: Current fleet policies allow considerable discretion among county departments in utilization, assignment of take home vehicle programs and, in some cases, replacement schedules. While significant progress has been made to reduce costs in general fleet practices, fleet costs in some departments have increased at a pace beyond standards generally expected.

Over the past few years, the Executive Office and Fleet Management have implemented various measures to control general fleet costs and to build a more efficient pool of vehicles.

Specifically, early fleet management changes resulted in a 25% increase in purchase of more fuel efficient light vehicles, constrained operating costs by 10% to reduce rates, extended the useful life of vehicles by two years before replacing, and data developed to assist departments in reducing fleet costs. As of last November, at the request of the

Executive Office, departments further shifted utilization practices to achieve savings of $215,747.

This office, in consultation with Fleet Management, believes that additional savings can be achieved through implementation of policies that curtail use of take home vehicles beyond current practices; further incorporate use and purchase of fuel efficient replacement vehicles, further incentivize use of light fuel efficient vehicles over SUVs, and implement other methods outlined below.

Total take home vehicles in the county are 157. Placer County's Public Safety Department's currently have a total of 128 assigned vehicles (Sheriff – 112, District Attorney- 16, Probation – 0). This number includes a limited number of take home patrol cars approved through Board directed action. The majority of take home vehicles estimated (100 plus) are the result of departmental directed actions.

The growth over time of the take home car program has resulted in a significant expense for the public safety departments and has contributed to the need for ongoing contributions from the general fund to the public safety fund to cover operating expenses. Additionally, the program has evolved such that Placer County vehicles are currèntly being taken home out of the County and in one instance, out of the state. Neither of these circumstances are considered to meet the objectives of the Board approved take home car program. As part of the County Executive Office's efforts to minimize expenses while maximizing contributions to core county services, the following options are presented for your Board's consideration.

Options for Board Consideration

1. Continue with existing practices of:

   a. Department discretion over fleet utilization, purchase or lease of sedans, and selection of SUV's or similar vehicles.

   b. Public Safety Take Home Program which, in addition to the Board directed level of vehicles, allows department level discretion to determine the total level of approved take home vehicles; allows county vehicles to be taken home out of the County and out of state; and allows for non-patrol and non-investigative vehicles to be largely unidentified as county cars.

2. Direct the County Executive Office to work with the Public Work's Fleet Services Division to:

   a. Formalize a comprehensive Take Home Vehicle Program that will establish general program criteria, but specifically will continue existing take home car program for marked patrol cars to the Board authorized level, while reducing the number of unmarked public safety vehicles by 50% to approximately no more than 52 vehicles.

1. Require that all non-patrol and non-investigative vehicles in the program be clearly marked as Placer County cars, except for leased vehicles or those specifically exempted by the Executive Office.

2. Allow for expansion beyond the proposed 50% number only if approved on a case by case basis by the County Executive Office.

3. Except for, County Services provided east of the Donner Summit, restrict take home vehicles to Placer County addresses only, unless otherwise approved by the Executive Office. Staff recommends that existing "Tahoe" practices are appropriate and remain in place, given the limited nature of housing opportunities in Eastern Placer County.

b. Implement minimum utilization standard for department assigned vehicles, such as requiring 6,000 – 8,000 miles per year minimum.

c. Continue fleet replacement and modernization towards fuel-efficient vehicles.

d. Limit future SUV acquisitions to specific off road and snow country applications.

e. Initiate the application of larger "Placer County Decals" on county vehicles except for lease vehicles or vehicles specifically exempted by this office.

Recommendation: Authorize staff to implement Option 2

Travel and Training Practices and Required Overnight Approval

The FY 2008-09 Final Budget provided approximately $917,000 for travel, transportation, lodging, and mileage for General and Public Safety fund departmental travel. These budgeted funds reflect the need for departments to travel for training and to attend conferences that benefit the overall services of the county. Currently, the Departments must request advance approval for most out of state travel. Travel within the state is at the discretion of the department. As such, approvals are dispersed throughout the County and criteria for approval vary to some extent between departments. In an effort to strengthen policies and to provide for assessment of travel practices from a countywide perspective consistent further evaluation of travel practices and greater consistency is in order.

Recommendation: Therefore, it is recommended that until further notice, all overnight travel requests be approved in advance by the County Executive Office.

CONCLUSION

To say that these are challenging budget times is perhaps an understatement. However Placer County has been ahead of the curve virtually since it became apparent that the economy was changing, and with it, has carefully managed the amount of resources available to serve our citizenry.

The $18.6 million operating deficit mentioned above is indeed an estimate, based upon the best information and the most thorough analysis possible at this point in time. There are significant factors that could change throughout the remainder of the fiscal year, and that are beyond the control of the County to influence. Nonetheless the County Executive and department staff have crafted an approach to resolving our budget shortfall that requires a prudent mix of reserves, expenditure reductions, and labor solutions that result in the best of possible outcomes. With this in mind, it is recommended that the Board approve the action items listed at the beginning of this memorandum.

ATTACHMENTS: 1 – County and City Cost Saving Measures
2 – Selected Materials

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