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April 7, 2009

Board of Supervisors
County of Riverside
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SUBJECT: RESTRUCTURING COUNTY GOVERNMENT

Honorable Members of the Board:

We have begun restructuring operations to bring County government in line with the changing economy. The changes require that we anticipate problems and evaluate policies to remain financially solvent.

Since we began restructuring operations:

- Net county cost has been cut 5 percent in the current fiscal year and a 10 percent cut has been programmed into budget directives for FY 09/10.
- Management pay has been cut through reducing leave payouts by 75 percent.
- 715 positions were reduced by early retirement, including 44 management.
- 831 positions were reduced by attrition and maximum fill rate control.
- 67 employees were laid off.

These are important steps but we need to do more. Therefore, following on today's agenda are various reports to update the Board, and recommendations are presented to improve the County's financial position and focus on maintaining core services.

Further Decline in Property Values

A preliminary report from the Assessor now indicates that home values have declined more rapidly and deeply than projected. The Assessor now projects a 10 percent loss in assessed valuation in the coming year, double the projected 5 percent decline reported earlier. This erosion will reduce local revenues available to fund the upcoming budget.

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Sales of single-family residential properties have begun to increase but median prices have dropped and distress sales are the norm. The declining prices constitute a much lower Prop. 13 value and, by establishing comparable-sales prices, are the basis for additional Prop. 8 reductions.

Based on the Assessor's revised report we will adjust budget forecasts in the third-quarter report when it is presented to the Board on April 28, 2009.

PARC Report - Increased Costs of Pensions

The Pension Advisory Review Committee reports that costs for the Public Employee Retirement System (PERS) will increase beginning July 1, 2011. The increase is attributable to dramatic PERS investment losses in real estate and stock holdings.

The County's increased PERS costs will range from 4.5 percent for miscellaneous to 7 percent for safety. We suggest freezing county retirement contributions in order to manage the expense.

SCRAPE Report

We have filed a report on implementing SCRAPE proposals presented on the Feb. 3, 2009 agenda and have incorporated many of the findings. We will be working with departments to implement other measures and refine projected savings.

Also on that agenda, the Executive Office was directed to review and update use of take-home vehicles. Based on a preliminary review, we believe that we should further limit overnight retention of vehicles. We recommend revising the vehicle-use policy D-10 for greater control.

The vehicle review was expanded to evaluate management compensation for vehicles. In summary, vehicle use by managers should be reformed to an economic model and the fleet, with few exceptions, should be reduced to accommodate that model. We should systematically discontinue acquiring county vehicles for management, in favor of the economic model. The economic model should be regularly updated.

Hiring Freeze Until Final Budget Adoption

With the need to capture payroll savings associated with the majority of early retirements that occurred on March 30, 2009, as well as the further loss of staffing expected due to the NCC cuts in next year's budget, a hiring freeze is recommended until July 1, 2009. At that point, departmental maximum fill rates will be adjusted to the level that the approved department budget will support. Departments may apply to the Executive Office to show cause for exemption.

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Early Retirement Option for the Safety Group

Given miscellaneous employees' strong response to the early retirement program and the continuing need to manage costs, we propose that early retirement be evaluated for the safety group. We will report back promptly with motions for Board consideration.

Management Resolution

The management resolution presented today has been modified to add language that provides for the options of management furloughs and freezing retirement-program contributions and reduces 401(a) deferred-compensation contributions.

Management compensation on leave payouts already has been reduced by 75 percent. Further reductions help management lead by example, illustrate the resolve to enlist employee unions in sharing the cost-cutting burden and set the stage for unions to participate.

With this show of resolve, we hereby call upon the unions to participate and help manage our extraordinary financial conditions, and to save jobs. Labor concessions will be vital in managing effects of the economic downturn and returning to stable operations.

Respectfully submitted,



BILL LUNA
County Executive Officer

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