

County of Sonoma



Strategic Planning

Work Group One *Setting and Implementing Priorities*



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Section1: Work Group Purpose and Scope of Work

Purpose:

Work Group One was charged with examining the strategic issue of:

How we most efficiently and effectively:

- *Set priorities and deploy the resources we have today to meet current community and performance expectations.*
- *Identify sources for additional resources.*
- *Allocate resources in the future to address both short and long term priorities.*
- *Carry out central oversight and support functions.*

Work Group One carried out this charge by putting the spotlight on an emerging gap between the resources and needs of the County of Sonoma (hereafter referred to as the County), the effectiveness of the County's current approaches to addressing this gap, and identification of best practices, including:

1. Assessing the current financial condition of the County and extrapolating for the next 5 years, given current financial priorities. Assessing the programmatic implications regarding levels of service versus levels of need (with input from Work Group Two).
2. Conducting an analysis of what we do now in setting and implementing priorities, budgeting/resource development, and performance measurement, including our strengths and weaknesses.
3. Conducting an analysis of best practices in setting and implementing priorities, budgeting/resource development and performance measurement in other counties, other levels of government, and the private sector.

Methodology:

The Work Group began its data collection effort by developing and implementing a survey of all Sonoma County Department Heads. The survey was administered using a web-based survey service. 18 of the 26 departments provided data, and the results were compiled and tabulated. County revenues and expenditures going back six years were reviewed to identify trends that had significant impacts on funding and levels of service. The Work Group also conducted a literature search on best practices. Finally, a second set of interviews were conducted with several Sonoma County Department Heads, a number of professional associations, key managers in other County and City governments, and private sector enterprises. The following key findings, as well as supporting statements, are a result of Work Group members' analyses of all collected data.

Work Group Members:

Chris Anderegg	Information Systems	
Gene Clark	General Services	
Karen Fies	Human Services	
Kathleen Kane	Community Development Commission	
Mark Sampietro	Auditor/Controller	
Lynn Scuri	Public Health	
Chris Thomas	County Administrator Office	
Mark Walsh	Information Systems	

Resources

Bruce Goldstein	County Counsel	
Christina Rivera	County Administrator Office	
Jo Weber	Human Services	Steering Committee Liaison
Steve Thomas	The Results Group	Consultant

Section 2: Key Findings and Conclusions

Based on the information gathered, Work Group One identified the following findings and conclusions as the most significant to the County of Sonoma over the strategic planning horizon of five to seven years. These and other issues are explored further in subsequent sections of this report.

1. Absent significant changes in employee benefits cost trends, the County's ability to fund key services will be compromised, leading to reductions in capacity and service.

While County staffing overall has increased just 2% over FY 99-00, the costs for salaries and benefits have risen 63.5%, an average increase of 9% per year (See Appendix A, Chart 1). These increases have been driven largely by benefits cost increases (retirement 14%/year, health insurance 15%/year, and workers compensation 19%/year). These trends, left unchecked, by 2012 could result in benefits costing 73 cents for every dollar paid in salaries. A recent actuarial report identified \$388 M unfunded liability that needs to be amortized over 30 years, requiring a \$17 M annual contribution towards this cost.

2. Sonoma County will not be able to provide its constituents an adequate level of service without significant intervention strategies to increase revenues, decrease costs, eliminate services or transfer responsibilities to other agencies.

This marks the 4th consecutive year in which the County was unable to provide enough funding to continue services at a level provided the year before. The choices for incremental reductions are becoming increasingly difficult and the County is nearing the point where reducing the level of some services any further may jeopardize the ability to provide those services at all (For specific examples, go to p.8, Section 3.1: *Current Financial Condition*).

Over the past five years, property tax revenues have rapidly accelerated due to a strong real estate market driving property values up and a high turnover in home sales. This has been a major source of discretionary income to the County, which has used these revenues to offset loss of other funding sources and increases in the County's cost structure and service demands. Some examples include:

- Continued growth in cities with no concomitant funding structure to subsidize new residents needs for County Services.
- A rising demand for key core services.
- Pass-through funding from the state and federal governments not keeping pace with sharply rising operating costs (including employee benefits costs noted in Finding 1).
- A leveling-off or erosion of traditional funding mechanisms.

Property values have recently declined, as has the number of home sales, and should that trend continue (as many in the real estate market predict), the County's current ability to offset operational costs through property taxes is likely to be compromised (see p. 9).

3. If the County wants public support for additional revenue or changes in service levels, it will need to be more explicit about how it sets priorities, and it will have to build broader public understanding of how well the County performs its functions and the value of the services the County delivers.

Most of what the County does is not clearly understood to the population at large. To a great extent, County services are those services most people do not care to see or be a part of, such as incarceration, prosecution, probation, treatment for substance abuse and other health and human services. And yet, these are the very services that require the highest proportion of the County's locally generated General Fund revenue, a source of funding at greatest risk of flattening out over the next five years (See Finding 2). Furthermore, the

community in general does not have a clear understanding of the need for, and downstream impact of, many of the County's services on Sonoma County residents' overall quality of life and the County's long-term economic viability.

Some specific County practices also contribute to this public understanding gap. The processes used by departments in setting priorities are not very consistent or explicit, nor is there a formal linkage between departmental priority-setting processes and Board of Supervisor (BOS)/County Administrator Office (CAO) priority setting. For example, there is no formal process for communication of priorities between the Board of Supervisors and departments or between departments and the community. The process or system used by departments to monitor performance or accountability was generally described as informal with little centralized or systematic reporting of data or results. For most departments, productivity and outcome measures are not routinely collected and reported as a measure of performance. In fact, in the process of developing this report, lack of consistent approaches made it difficult to generate comparable data on the potential impact of future cost-cutting measures or revenue enhancement options. Finally, relatively few Departments benchmark performance with national or statewide data or standards. (For additional information, see Section 4.A-C, p. 12-16)

In summary, the combined lack of public understanding and lack of explicit County processes creates obstacles to building, much less maintaining public support for County services.

4. State and federal governments will continue to pursue policies and legislation that shifts or mandates responsibility for providing services to the local level without concomitant funding structures. As funding from the state and federal government to local government tightens, local government agencies will continue to actively pursue strategies to develop funding structures that could negatively impact County revenue streams.

When the State of California has had a fiscal crisis in the past, the state has raided local discretionary funding, cut state-funded programs carried out by local governments, deferred payment of state obligations and shifted costs in the direction of local governments. In addition to the above noted impacts, many state and federally-funded County programs have seen increases in the cost of doing business, but no commensurate rise in funding. For several years services have been substantially reduced due to these increases in fixed costs. In the past, the State has "realigned" programs, forcing local governments to bear a greater share of program costs. While the state has also increased funding to theoretically cover these costs, the funding has not been enough to fully cover some of the service costs, e.g., mental health. Public health will likely find itself in this position in the years to come.

While state raids on local discretionary funding were significantly curtailed with the recent voter approved Proposition 1A, the state's fiscal woes are not over. It is difficult to predict what the timing and degree of impacts on local services will be, but it is very possible that in the next three to six years the County will see the state turn again to local governments to fill its shortfall.

Recently, several cities in Sonoma County have pursued strategies to secure revenues and develop funding structures which have negatively impacted County revenues, such as: forming Redevelopment Districts and diverting property taxes from the County to the city, and annexations of high-volume retail sales areas to increase sales-tax base. Furthermore, there has been a lack of coordination between cities, the County and special districts when going to voters to develop new revenue streams. Given the limits on taxpayers' acceptance of new

taxes, the cities, County and special districts must have better coordination in development of new revenue streams, or the County will have difficulty meeting its revenue needs. It will be hard to meet growing demands for new services.

5. **The criminal justice system (District Attorney, Public Defender, Sheriff /Jail and Probation) has been the single biggest cost to the General Fund, as is consistent with every California County. Over the next 5 years, criminal justice will need to be one of the highest priorities with regard to examining cost moderation and looking for opportunities to reduce increasing demands for service.**

Criminal justice system net costs have increased 103% from fiscal year 99-00 to fiscal year 05-06, largely a result of accelerating salary and benefits costs during that same period (See Funding 1). General Fund and designated discretionary fund revenues, on the other hand, have increased only 70% during the same time frame. In fiscal year 99-00, Criminal Justice net costs comprised 42% of General Fund and other designated discretionary expenditures, while in fiscal year 05-06 they comprised approximately 60% of those same funds. (See Appendix "A" Chart 2 and Work Group 2 Report, p.8). Several additional factors have led to these increased operating costs, including the number of violent assault cases involving multiple suspects (gangs) and the increasing number of alcohol and drug (AOD) substance abuse and sales cases. The approach to improving the effectiveness and efficiency of criminal justice services will most likely require one that considers the interdependencies between Criminal Justice Services and Health and Human Services.

Section 3: Discussion of Key Findings

1. Current Financial Condition

As fiscal year 05-06 draws to a close, the County's financial condition is at a crossroads in many respects. This marks the 4th consecutive year in which the County was unable to provide enough discretionary funding to continue services at the same level it provided the year before. The choices for incremental reductions are becoming increasingly difficult and the County is nearing the point at which further levels of service reduction may jeopardize the County's ability to provide those services at all. Some recent examples are:

- Human Services has cut staff in the employment and training, adult programs, and economic assistance programs, and have not added staff to support workload increases in child welfare.
- Elimination of outstation Medi-Cal workers at local clinics.
- Currently there is no defined financing for County roads that do not meet the definition of an Arterial or Collector Street.

The County has used reserves and available fund balances to mitigate the "hits" on discretionary revenues experienced since 2000-01. With this year's budget, however, the County has begun an effort to build reserves back to targeted levels and reduce reliance on one-time savings (or revenues above expectations) to finance on-going programs. The FY 06-07 budget still uses \$102 million in fund balances (a largely unreliable source) and relies on more than \$22 million in the General Fund beginning balance. This fund balance, the result of both current-year savings and current-year revenues has exceeded expectations and is largely a flat resource, yet it represents the second largest discretionary funding source available to the County.

Total County Revenues that include both County sources and all pass-through money for fiscal year 04-05 totaled \$972 million and came from the following sources:

Intergovernmental transfers (State and Federal pass-through)	37%
Property Taxes	21%
Charges for Services *	18%
Other Financing Sources**	12%
Miscellaneous Revenues	6%
Use of Money/Property ***	4%
Licenses/Permits Franchises	2%
Sales Tax	1%
Fines/Forfeitures/Penalties	.08%

**"Charges for Services" are billings or fees for professional services the County provides on demand

***"Other Financing Sources" is used for a variety of contributions from other entities, such as an amount of funding for a particular project or function

****"Use of Money/Property" is interest earnings and rental income from real estate or equipment owned by the County but used by others

County Expenditures for fiscal year 04-05 totaled \$977 million and were distributed to the following Core Functions:

Development Services	29%
Health and Human Services	29%
Justice Services	18%
Administrative & Fiscal	16%
Debt and Encumbrances	3%
Other County Services	3%
Non-Departmental	2%

2. Key Trends Impacting Levels of Service and Funding Needs

Over the last six years, the County has seen a number of trends emerge that could have significant impacts on funding and levels of service over the next 5-7 years.

While County staffing overall has increased just 2% over FY 99-00, the costs for salaries and benefits have risen 63.6%, an average increase of 9% per year. These increases have been driven largely by benefits cost increases (retirement 14%/year, health insurance 15%/year, and workers compensation 19%/year). These trends, left unchecked, by 2012 could result in benefits costing 73 cents for every dollar paid in salaries. A recent actuarial report identified \$388 M unfunded liability that needs to be amortized over 30 years, requiring a \$17 M annual contribution towards this cost.

When the State of California has had a fiscal crisis in the past, the state has raided local discretionary funding, cut state-funded programs carried out by local governments, deferred payment of state obligations and shifted costs in the direction of local governments. In addition to the above-noted impacts, many state and federally funded programs have seen no increases in funding for several years and services have been substantially reduced due to increases in fixed costs. While State raids on local discretionary funding were significantly curtailed with the recent voter-approved Proposition 1A, the state's fiscal woes are not over. It is difficult to predict when and how hard the hits to local services will be but it is very possible that in the next three to six years the County will see the state turn again to local governments to fill its shortfall (See Work Group 4 Report, p. 5-7).

In addition, state and federal governments have continued to pursue strategies that also negatively impact County revenues and expenses, some of which include:

- Transferred responsibility for services and concomitant expenses to counties; cutting back in areas of most need, believing the counties will make up the difference. In addition, COLA's have not been provided in most Human Services programs for 5 years.
- Shifted property taxes to schools and gave special districts permission to go after parcel taxes to establish benefit assessments. Allowed special districts the opportunity to tax local residents for services.
- Almost the entire cost of collecting property tax is borne by the County even though the County receives only 27% of the property tax revenue. The rest goes to the state, local government and education.
- Instead of receiving annual reimbursements for state-mandated costs borne by the County,, the state has given the County an "I.O.U.," which the County must collect over fifteen years.
- Mandated statewide information management systems for Human Services and Child Support systems and potentially Court systems, making County mainframe investments obsolete.
- Passed legislation authorizing cities reimbursement for 50% of the County Jail booking fee and making the County responsible for the other 50% expense.

Recently, several cities have pursued strategies to secure revenues and develop funding structures to meet their own interests, which have negatively impacted County revenues and services. Some of those strategies include:

- Forming Redevelopment Districts, diverting County property taxes to cities to underwrite cities' infrastructure development and fund maintenance and operational costs to support retail applications and generate sales tax revenue (Santa Rosa's Gateway project).
- Taking advantage of Mello Roos to form Community Facilities Districts, passing on costs to developers and eventually property owners (Santa Rosa recently formed Special Tax District 2006-1)
- Annexations of high-volume retail sales areas to increase sales tax base.

As special districts, cities, the County and the state continue to compete for tax dollars, there has been a lack of coordination when going to voters to develop new revenue streams. Given the limits on taxpayers' acceptance of new taxes, the cities, County and special districts must have better coordination in development of new revenue streams, or the County will have difficulty meeting its revenue needs. It will be hard to meet growing demands for new services.

The local economy, and tourism in particular, appear to have turned the corner into a solid recovery, but the last several years of strong growth in property taxes appear to be tapering off. At the same time, the County's discretionary revenues have seen increasing concentration on property tax and away from other economy driven sources (vehicle license fees and sales taxes). Property Tax revenues have grown a healthy amount over the past five years, primarily driven by a "hot" real estate market. However, due to the accelerating costs of employee salaries and benefits (See Finding 1) these extra revenues have only allowed the County to keep pace with recent cost increases; i.e., it has not been able to improve service delivery during this time period.

More recently, however, home sales in Sonoma County hit an 11-year low for the month of July and have dropped for 10 consecutive months in year-over-year comparisons. With the average home taking more than two months to sell, the supply of homes on the market has swollen to its highest level in a decade. July's median resale price was \$595,000, down 3.3 percent from the same month a year ago, when the median stood at \$615,000. It was the first year-over-year decline since February 2002 (Press Democrat 8.19.06). Should the real estate market continue its decline both in number of sales and property values, property taxes will fall as well, further compounding the problem of finding revenue to replace the shortfall created through rising operating costs.

There is a growing demand for services that can be contrasted with general population growth. Population has grown 4% over the last five years while the County has seen much higher increases in workload demand and increases in a number of core services provided by the County over the same time frame. For example:

- Probation investigations caseload has increased 53% (7,479 – 11,461).
- Jail bookings have increased 12% (14,929 – 16,715).
- The Juvenile Court hearings have increased 129% (5,881 – 13,462) and Juvenile Hall housing estimates have exceeded projections, significantly shortening the horizon for facilities expansion needs.
- Women, Infants and Children (WIC) clients have increased 11% (84,00 – 92,835).
- Permit and Resources inspections and customer contacts have increased 13% (85,518 – 96,739).
- The In-Home Support Services caseload has increased 40% (28,595 – 39,972).
- Adult Protective Services reports have increased 60% (1128 – 1800).
- Environmental Health permits and service units have increased 39% (5,806 – 8,087).
- County Parks acreage has increased 56% (4,669 – 7,300) and visitors to County Parks have increased 43% (2,878,373 – 4,105,716).
- Title transfers have increased 45% (28,000 - 40,467).

The County has absorbed these increases without an appreciable increase in staffing. Additionally, there is not only a greater need for services, but also the complexity of the work to be done and the increased time required to meet compliance standards has compromised organizational capacity across the board.

Another significant trend is that while the overall proportion of total expenditures for the different types of services has remained relatively constant over the last six years, the proportion of services funded by discretionary sources or accumulated fund balances has shifted between the service types. Criminal Justice Services have increased their reliance on discretionary sources or accumulated fund

balances from 42% to approximately 60% over the course of the last six years. Health and Human Services have gone from actually contributing to fund balances to relying on discretionary sources or accumulated fund balances for 8% of their total expenditures in fiscal year 05-06. All other service types have decreased their reliance on discretionary revenues or accumulated fund balance sources over time.

Even now, the highest percentage of current funding and resource allocation goes to “keeping the machine running” (i.e., basic operational needs), leaving little flexibility to address emerging issues and dynamics. Reductions of organizational capacity in key service areas such as Health and Human Services directly impact the criminal justice system, the leading General Fund expense (60%). Failure to provide mental health services, family support services, child protective services, violence and alcohol and other drug treatment and prevention services means the criminal justice system becomes the default fallback system.

In summary:

- Continued growth in urban areas with no concomitant funding structure to subsidize new residents’ need for County Services,
- A rising demand for key core services,
- Reduced pass-through funding from the state and federal governments,
- Sharply-rising operating costs, and
- A leveling-off or erosion of traditional funding mechanisms

are having a significant impact on the County’s ability to serve its residents. These conditions may lead to a general denigration of Sonoma County residents’ quality of life and the County’s long-term economic viability. This is especially true when considering that the community in general does not have a clear understanding of the need for and downstream impact of many of the County’s services in the areas of prosecution, public defense of indigents, probation, AOD treatment and mental health support.

3. Status Quo Future

Financial projections were prepared for the next 6 years using a set of escalation factors considering both revenue and expenditure growth. According to these estimates, it is anticipated that by the FY 2012, the County would either have to cut services or find new revenue sources to make up for a \$107 million gap, compounded over six years. (Note: The reality is that current County policy requires that the budget be balanced each year by reducing expenditures to match revenues for that year.) In fact, only in a scenario with the rosiest of revenue growth estimates and the most restricted expenditure growth will the County take in enough to finance operations at a minimum service level (See Appendix “A” Table 1).

Given past Board of Supervisor policy direction (predominantly driven by public sentiment), the General-Fund departments most impacted will be those providing non-mandated, non-funded services that are constrained from charging fees for services. Chief among these are: County Parks, Public Works (e.g., roads), The Office for Economic Development, General Services Administration (e.g., capital improvements and cuts in maintenance), Veteran Services, Human Services Commission, various Advisory Boards, and County administrative and support functions such as Human Resources, Information Systems Department and the CAO.

As mentioned above, employee benefit costs pose a significant threat to the future solvency of the County of Sonoma. Last year alone medical plan costs rose 24%; the year prior saw an increase of 20+%. In addition, Sonoma County provides some of the highest retiree medical benefits in the state.

Enterprise departments have the capability of passing these employee benefit costs on to their consumers through rate hikes, although some backlash can be anticipated should there be a consistent double digit fee increases driven by rising medical benefits costs. All other departments, whether General Fund or receiving pass-through funds from the state and federal governments will not be able to keep pace, absent an infusion of revenue, a transfer of responsibilities, or a reduction in service levels.

Business operational costs (such as fuel for County vehicles, electricity, postage and natural gas) are all increasing at an alarming rate. In addition, costs of construction and material over the last five years have increased at double digits annually. This is particularly relevant when considering forward-looking facilities requirements detailed in Work Group 3's report.

There being no anticipation of a general reduction in crime, cities add additional police personnel, take advantage of technology and forensic sciences, and the general population continues to grow (with higher rates of drug and substance abuse and gang violence), arrests and incarceration rates will continue to rise. The criminal justice system will become even more taxed with less capacity to respond, leading to extended rates of stay in pre-trial incarceration, and significant service demands being placed on the Public Defender's Office, Probation, Jail and Courts. This, in turn, will lead to severe fiscal pressures and a continued reduction of organizational capacity across the board, as limited discretionary funds are diverted to support the criminal justice system. Should revenue and expenditures trends continue as they have, and based on past budget deliberations, the following are examples of cost cutting measures that could be considered over the next five years:

- Abandonment of rural roads and reduced effort on arterial and collector streets.
- Cessation of any new park projects and elimination of capital maintenance projects.
- Elimination of some satellite AOD and Mental Health clinics.
- Reduction or elimination of Probation assistance to schools.
- Reduction of rental assistance to families.
- Loss of Sheriff's patrol officers
- Elimination of the Human Services Commission
- Elimination of grants for Homeless and Hunger programs, Veterans Programs, and a portion of the General Fund used to provide funding for child welfare and adult programs.

4. Current Practices

The following information on priority setting, resource development and performance-measurement practices were culled from survey responses by the County Department Heads (self reported). 90% of the departments report success implementing their top priorities and linking these priorities to employee performance evaluation processes, and 80% report having solicited input/feedback from their customers. There are no easily discernible, consistent and well-defined processes with which to validate survey results.

A. Priority Setting and Implementation

The County is in the process of developing its first strategic plan. Beyond the annual budget process, there is currently no formal priority-setting process used by the County to distribute or allocate resources (though prior to budget development, strategic issues are sometimes discussed). Instead, priorities are generally set on an ad hoc, subject-by-subject basis.

Several principles are used in the development of the annual budget. These include:

- The budget will be balanced.
- On-going expenses will be financed by on-going revenue, except in a planned effort to adjust to funding changes.

- General-purpose revenues will be maximized.
- Projected growth of on-going general purpose revenues will be shared proportionately among all users of general-purpose resources on “prior-year basis” for the purpose of “baseline” departmental budgeting.

In the budget process, priority recommendations are made by department heads with respect to their functions and service areas, and in some cases, with respect to issues that involve more than one or all departments. The County Administrator reviews departmental recommendations, offering an endorsement or an alternate recommendation in a total budget package, subject to the above principles for the Board of Supervisors final decision. For unfunded requests above budget targets, or to restore services that could not be accommodated in the baseline with the projected resources available, a separate prioritized list is generated for Board consideration should funding become available. The CAO approaches the analysis of the priorities on the list submitted by Departments through application of a number of different criteria:

- Public protection.
- Employee health and safety.
- Number of citizens/employees affected; programmatic or financial return on investment.
- Potential for unintended consequence or other risk assessment;
- Consistency with prior Board policy direction.
- Effect on overall organizational balance.

Availability of funds and/or legal mandates also drive the budget process and priority-setting for funding allocations. Funds are allocated based on incremental growth of County revenues with reserves set aside for fluctuations in the revenue cycle. This incremental approach to budgeting provides minimal discretion for the County to set priorities based on population data or assessment of community needs. Neither Board of Supervisor nor CAO priorities, beyond those articulated in the budget process, are formally communicated to departments, nor is there a formal process for aligning Board priorities with those of the departments.

All departments indicated in their survey responses that they have a mission statement and the majority have, or are developing, a strategic plan. Most employ a formalized priority-setting process that considers the Board of Supervisors and CAO criteria (noted above) legislative requirements, and their own assessment of customer needs, employee capacity, service impact, public safety and unmet community needs. Funding availability is considered the major limiting factor in priority-setting.

The processes used by departments in setting priorities are not very consistent or explicit, nor is there a formal linkage between departmental priority-setting processes and Board of Supervisor/CAO priority-setting. There is no formal process for communication of priorities between the Board and departments or among departments and community.

B. Resource Development

The County encourages departments to seek additional or alternative sources of revenue to augment County dollars. However, there is no central resource within the County to support such efforts. The County does provide grant-writing training and grant-development support to departments through a multi-year contract with the Glen Price Group.

About 60% of departments make an effort to generate additional or alternative revenues, using employees and/or contract staff. These departments pursue funding from four major sources: State/Federal funds, County General Funds, private foundation grants and fee-for-service revenue. When there is a new revenue source or ability to increase existing revenue through efficiencies or

cost cutting that was previously supported through the General Fund, the unwritten practice has been a 50% split between the Department and the County. This is not always the case however, as occasionally all the savings have gone to the County, which has the effect of minimizing any incentive to pursue these efforts.

The Work Group did not look specifically at cost cutting as a means of enhancing resources. However, all of the department heads interviewed indicated they believed they were operating as 'lean' as possible. Short of a detailed evaluation of operational practices department by department to identify opportunities for cost saving measures, the Work Group did acknowledge that technology solutions and collaboration between departments around shared interests, taking advantage of economies of scale and improved processes, could have a positive impact on the County's resource availability.

C. Performance Measurement

Other than high-level department head performance evaluations completed on a regular basis, the County method for monitoring departmental performance includes quarterly reporting through the budget process and periodic updates to the Board on specific programs or topics. In general, no metrics beyond financial performance are routinely monitored at the County level.

Over 90% of departments report success implementing their own top priorities. Over 80% of departments solicit input/feedback from their customers on their performance. Federal and state funding sources often mandate some form of performance measurement. Survey responses indicate that half the responding departments link performance to services using their own criteria, and almost 90% of departments report that their priorities are linked to employee performance evaluation processes. These linkages could occur in very broad categories, such as customer service, and are not specific to state and federal program accountability measures.

The process or system used by departments to monitor performance or accountability was generally described as informal, with little centralized or systematic reporting of data or results. For most departments, productivity and outcome measures are not routinely collected and reported as a measure of performance. Relatively few departments benchmark performance with national or statewide data or standards.

Section 4: Strengths, Weaknesses, Opportunities and Challenges, and Best Practices

The following strengths and weaknesses were identified by the Work Group as the most significant to the County of Sonoma. , The greatest challenges and opportunities facing the County over the planning horizon are also identified below.

A. SWOC: STRENGTHS, WEAKNESSES, OPPORTUNITIES, CHALLENGES

Priority Setting/Implementation

While many of the key elements for an effective system in Sonoma County are in place, the current system lacks a developed, formal method for ensuring overall alignment of separate departmental priorities with community expectations as articulated by the Board of Supervisors. In fact, in the process of developing this report, lack of consistent approaches across departments made it difficult to generate comparable data on the potential impact of future cost-cutting measures. In addition, the County's current approach may have a tendency toward reactive priority-setting, as opposed to effective and coordinated responses to adjustments in community needs or overall priorities. The new energy and focus on

planning by the Board, CAO and departmental leadership can help the County's efforts to engage in more proactive and responsive priority setting. The County will also need to take advantage of the growing awareness of significant demographic changes, and the experience of others who have successfully implemented priority setting processes congruent with their communities in other jurisdictions. At the same time, the County must be mindful that there are a multitude of expectations in the community, that there is a strong and growing group of County residents who are used to the existing methods for getting their own particular needs addressed, and that funding looks to be even more constrained in the next few years.

Strengths:

- a. Structured, stable budget process that involves department heads, CAO and the Board of Supervisors.
- b. Community support and buy-in, including a large number of community advisory boards.
- c. Departments report having individual mission statements and most have or are pursuing strategic plans.
- d. Employees are dedicated to public service, and have long and collaborative relationships with staff in other departments, facilitating effective priority setting and implementation strategies.

Weaknesses:

- a. No formal process to gather input/receive feedback from public and departments/staff for use in setting priorities and implementing programs for the County overall.
- b. Incremental budgeting does not provide timely responsiveness necessary to adapt to changing priorities.
- c. Views of a vocal minority may disproportionately affect policy.
- d. Roll-out of large projects/new initiatives sometimes resisted by some department heads, senior managers and line staff.
- e. Board of Supervisors and CAO are focused on General Fund discretionary dollars more than other County funding – no consistent method for looking at priorities across all funding sources.
- f. Departments have undertaken Strategic Plan efforts without significant involvement of the CAO or Board of Supervisors.

Opportunities:

- a. Some Sonoma County cities understand the interdependencies of both infrastructure needs and the value of health and human services efforts by the County and are willing to work with the County for long term solutions.
- b. Sonoma County cities are contracting with the County for services traditionally provided by their own organizations (for law enforcement, information systems, fleet maintenance, etc.).
- c. Open-space ballot measure may provide some opportunity to fund collaborative efforts with cities on regional parks/land use.
- d. High credibility with partner agencies in collaboration, and an openness by these partners to continue in regional and economy-of-scale efforts.
- e. State and federal funding flows through and is disbursed by the County, offering some form of control and access.
- f. A volume of strategic plans from other government agencies from which to draw best practices.

- g. Engaged electorate willing to provide support and guidance.

Challenges:

- a. Conflicting priorities from disparate community groups.
- b. Getting consensus on priorities from partner agencies and other key stakeholders is difficult.
- c. Limited funding, much of which is controlled by other jurisdictions.
- d. Resistance to change and unwillingness to try new things.
- e. If expectations are raised in the process of setting priorities and then the County doesn't perform, County leadership will have to address the resulting disappointments.

Resource Development

The County has strong human resources, used to collaborating with each other in service delivery and leveraging funds to bring in additional dollars. The County also has a history of dedicated leadership with a respected voice at the state and, in some cases, national levels. Yet there is little countywide information-sharing of resource development efforts and lack of a clear incentive system for developing resources. When devising and implementing strategic initiatives in this area, the County must take into account that competition for funds among jurisdictions is becoming more sophisticated and intense, traditional sources are coming with more strings and restrictions, and that the leadership and priorities at state and federal levels are changing at a faster pace than in the past.

Strengths:

- a. Retained employees through the encouragement of continuing professional development.
- b. High cooperation between departments and other agencies to obtain funding, crossing jurisdictions, and the use of a County grant writer.
- c. Good leveraging of existing funds to bring in additional dollars.
- d. Effective voice by department heads, the Board of Supervisors and the CAO at the state level to advocate for additional funding.
- e. Sound fiscal management and entrepreneurial spirit.

Weaknesses:

- a. The incentives for securing/saving funding are unclear, because in some cases the bulk of new funds often offset existing General Fund support.
- b. Grant dollars have a lot of strings attached, funders are requiring more performance measurement and are not sustainable.
- c. Department successes in resource development are not communicated Countywide.
- d. There are existing strategies to find additional resources but the County doesn't have the time or resources to pursue them.
- e. For high-level staff positions, the County is not competitive with private industry.

Opportunities:

- a. Sonoma County land assets can be used to develop, generate or leverage revenue.
- b. Large number of agencies and jurisdictions facing reduced funding looking to partner to realize maximum efficiencies.
- c. State's economic outlook is improving.

- h. Open-space ballot measure may provide some opportunity to fund collaborative efforts with cities on regional parks/land use.
- d. High credibility with partner agencies in collaboration, and openness by them to continue in regional and economy-of-scale efforts.

Challenges:

- a. It takes money to get money and there is tough competition for funding.
- b. Recruiting/retaining quality employees.
- c. Legislators are terming out during long-range projects.
- d. Continuing trend of Feds to divest themselves from local funding – and more strings attached to funding.
- e. Lack of long-term plans by state and federal government.

Performance Measurement

There is a growing awareness of the need for more results-based and explicit measurements of performance. The County can build on a strong commitment to customer service and strong financial management to address current shortages of useful management data and, in important areas, the automated systems to collect the data. Performance measurement plans and programs are in place in other jurisdictions and are supported through professional associations. However, the measurement of outcomes is not well understood throughout the County and may face significant resistance.

Strengths:

- a. Respond well to external feedback.
- b. Budget process accurately monitors financial performance – good credit rating.
- c. Formal employee evaluation requirement.
- d. Feeling that performance measurement and customer satisfaction are important to leadership/managers.

Weaknesses:

- a. The County is “data light”.
- b. Lack of human resources and administrative systems.
- c. Lack of plan and goals – lack of consistency.
- d. Staff lack expertise in performance management.
- e. Lack of consequences for not meeting performance goals.
- f. Lack of job classification alignment to job task assessment.

Opportunities:

- a. Numerous examples of performance measurement models available.
- b. CSAC, GFOA, LoC, ICMA and other professional organizations are willing to assist as needed.
- c. Increasing accountability and credibility with the public, and improved performance management.

Challenges:

- a. Resistance to change can be anticipated.
- b. Culture and structures are heavily invested in status quo.
- c. Knowledge base of employees/managers in performance measurement is minimal; training needs are significant.
- d. No base-line performance measurement has been established.
- e. Civil service policies and Union M.O.U.s constrain County options.

B. Best Practices

The Work Group was charged with identifying “best practices” that could be applied to improve Sonoma County government effectiveness. The Work Group’s research to meet this goal included a directed literature and Internet search as well as contact with the International City/County Management Association (ICMA) and the California State Association of Counties (CSAC). This investigation led to identification of local government models, within and outside California, known for success in setting and implementing selected priorities to improve the quality of life for the communities they represent. Over 15 executive officers from government, non-profit, and corporate entities were then personally interviewed and key strategic documents reviewed. What follows is not an endorsement of a particular approach, strategy or model, but rather a review of practices and sources describing current thinking around prioritizing goals, developing resources, and monitoring performance to ensure congruence with stated objectives.

The interviews and documents revealed a broad range of goals, approaches and management systems. Despite the disparate approaches, common elements emerged from programs celebrated for their success and organization. These key elements include the following:

- Effective processes and strong organizational commitment to obtaining community and staff input in setting overall Countywide priorities and monitoring progress e.g., client/employee satisfaction with performance.
- Multi-year planning that establishes budget goals and strategic priorities beyond a single fiscal year horizon.
- “Functional threading” mechanisms (i.e. intra-departmental work groups) to work across department lines to achieve stated goals.
- Broad goals and specific objectives tied to job functions, insuring that each employee understands their role.
- Performance goals and evaluation systems that measure outcomes, not outputs; that are consistently monitored and tied to an employee reward/evaluation system and integrated with strategic priorities and budget decisions.

a. Priority Setting/Implementation

The starting point and touchstone for an effective results-oriented government management system is a sound priority-setting process. Typically this includes a vision and/or mission statement, goal-setting in strategic focus areas and objectives to implement Board-directed themes or goals. A shared component of successful priority-setting processes is obtaining meaningful community, external stakeholder, and staff input. This can take the form of surveys, town meetings, workshops, and/or hearings and is often capped by an executive retreat to synthesize the information and set policy direction. Some jurisdictions, such as Santa Barbara County, use on-line and mail surveys to solicit input on County priorities, then explore the identified issues at community meetings. Another model is utilized in the City of Baltimore, where citizens utilize a “311 line” to report service problems and make requests that then become priorities for resolution.

Once priorities are proposed or adopted, active dissemination is necessary to validate, inform, redirect, and clarify the policy makers’ vision with the community and staff. At its best, priority-setting is an on-going, interactive, dynamic process with the Board refining priorities, departments providing implementation insights, and the community voicing feedback on relative priority importance. To implement its five-year strategic plan, San Diego County developed a General Management System which includes two-year budgetary operational plans, on-going monitoring and control of

performance standards, and an incentive system linked to outcomes. One key to its success is reorganization into functional “business units” to allow for groups of departments to work together based on functional goals to achieve strategic objectives. Similarly, Stanislaus County has established “Priority Teams” to work functionally on Board priorities across department lines. These “business units” or “Teams” play a critical role in helping set performance measures and operational plans for a priority, and then evaluating implementation.

b. Resource Development

Shrinking discretionary funds and budget trends indicating a growing cost-structure alongside flattening revenue starkly illustrate the imperative to identify new funding sources. This is particularly true as governments engage in proactive strategic planning and identify key organizational priorities that may fall outside traditional mandated programs and revenue streams. Organizations successful in capturing new funds have made a central administrative management commitment to aggressively identify and pursue “outside” funding sources. One such model is found in San Diego County, where “functional units” across departmental boundaries jointly fund a central development program, which includes special licensed software and experienced grant proposal writers. This program is especially successful in the areas of land use, health and human services, and public safety. It raised over \$30 million in the prior fiscal year toward addressing County priorities.

An entrepreneurial development model is used by Sutter Health, which makes funds available through a resource development committee, for a one-time investment in a department business plan that has the potential to lead to eventual self-sufficiency for a new program or service. Establishing resource development as a performance (and evaluation reward) measure provides incentives for both departments and staff to maximize results.

Government is human-service driven. Successful results-oriented management systems recognize that money generation alone does not achieve goals and that employee resource development is essential to organizational performance. In San Diego County and other jurisdictions that utilize the Balanced Scorecard performance management approach, the Employee Development Perspective is embedded in the analysis of each performance measure. This perspective assesses the employee skill level and support necessary to achieve the organizational goals. The organizational commitment to human resource development is then tied to the need for providing support and learning opportunities. This develops or improves the skill set or knowledge base necessary to accomplish the established objectives.

c. Performance Measurement

Interviews and the literature consistently indicate that one of the most challenging (but critical) aspects of implementing a strategic priority-driven management plan is devising an appropriate performance measurement system. One mistake commonly cited is a disproportionate focus on “outputs” e.g., clients served rather than “outcomes” e.g., reduction in methamphetamine addiction. Consultants are often engaged to help a County identify appropriate performance standards and measurement systems. These systems focus not simply on the easily measurable, but on indicators of whether there is progress in meeting the underlying goal or targeted result.

One model performance measurement approach, developed for the private sector and now embraced successfully by local government, is called the Balanced Scorecard. Employed by Charlotte, North Carolina and San Diego County, the strategic plan serves as the foundation for the Scorecard with performance measures selected for each focus area (or business unit) to gauge the government’s progress towards achieving its objectives. Examples of measures include service delivery ratings, quality of life index, and crime rates. Each “business unit” determines which

objectives directly impact government priorities and develops measures to track progress in reaching the objectives. Some effective systems benchmark performance by looking at and comparing outcomes at comparable jurisdictions as an important performance measure.

The “Balanced Scorecard” is a multidimensional measure that frames an issue from several perspectives: service to the customer, resource management, efficient business operations, and employee development. The scorecard is also reflected in employee evaluations with rewards to business units that achieve key objectives. To be effective, such a system must be a central component of a County’s operational and management plans and ultimately linked to the budget process.

Maricopa County, Arizona has taken performance management one step further by creating an internal audit program to ensure the reliability of performance measures. Once performance measures are established, audits are regularly conducted to provide an independent evaluation of departmental performance-measure collections methods, accuracy and reporting. Audits include a sampling of performance measures based upon a risk assessment and then certification ratings are provided that detail whether a given performance measure is relevant, timely, reliable, understandable, and verifiable. The Maricopa program won the Government Finance Officers Association (GFOA) Award of Excellence for its contribution to the practice of government finance.

The Maricopa County program underscores the critical importance of developing sound performance measures. However, a more common “best practice” utilized in model government management programs is a system which “operationalizes” the Scorecard/Benchmarks by providing incentives, evaluations and rewards to individuals and/or “business units” that meet or exceed performance expectations. In San Diego County, this component of the General Management System is called Motivation, Rewards, and Recognition (in Stanislaus County it is “Pay for Performance”) and provides financial and other incentives to all classes of employees to successfully meet strategic goals. Incentives include non-monetary recognition as well as performance “grades” that substitute for standard merit increases with larger raises corresponding with higher ratings. In each system the evaluation program, as well as professional development plan, is intended to align an employee’s focus with Board priorities and supervisor goals.

Appendix A

CHART 1

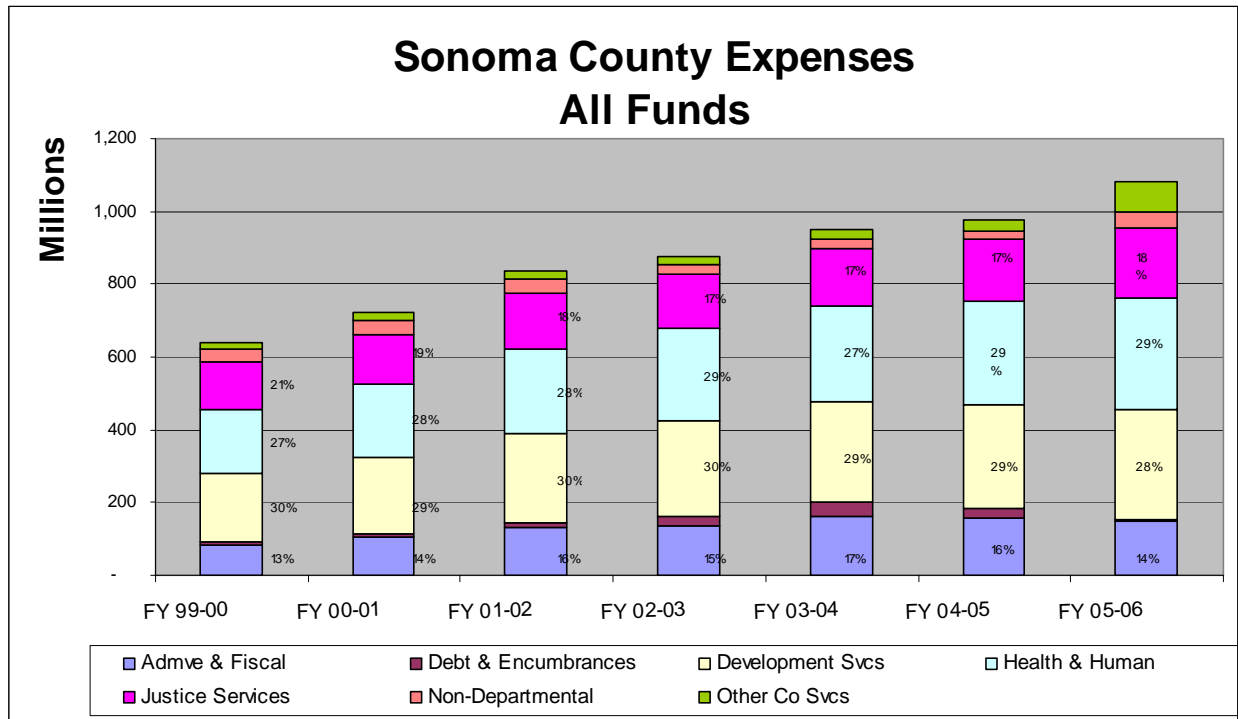


CHART 2

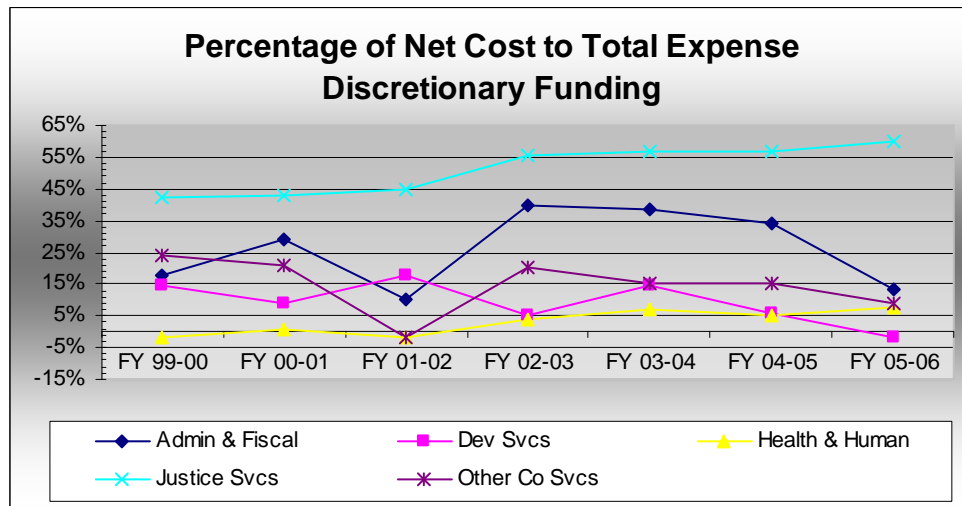


TABLE 1

Deficit Spending in FY 2011-12

	Low Expenditures	Mid Expenditures	High Expenditures
High Revenues	83,303,696		(128,107,270)
Mid Revenues		(106,714,181)	
Low Revenues	(85,321,092)		(296,732,058)

Deficit Spending in FY 2010-11

	Low Expenditures	Mid Expenditures	High Expenditures
High Revenues	68,194,901		(92,854,503)
Mid Revenues		(79,281,937)	
Low Revenues	(65,709,371)		(226,758,775)

Deficit Spending in FY 2009-10

	Low Expenditures	Mid Expenditures	High Expenditures
High Revenues	53,726,301		(63,744,502)
Mid Revenues		(55,971,846)	
Low Revenues	(48,199,190)		(165,669,993)

Deficit Spending in FY 2008-9

	Low Expenditures	Mid Expenditures	High Expenditures
High Revenues	39,984,341		(40,057,814)
Mid Revenues		(36,305,143)	
Low Revenues	(32,552,473)		(112,594,627)

Deficit Spending in FY 2007-8

	Low Expenditures	Mid Expenditures	High Expenditures
High Revenues	26,290,242		(21,383,162)
Mid Revenues		(20,015,522)	
Low Revenues	(18,647,882)		(66,321,286)