The County of San Bernardino

Case Summary

Located in Southern California, the County of San Bernardino has a population of over 2 million. It has a five-member board of supervisors elected by district. In addition to their legislative duties, supervisors are responsible for appointing senior administrative staff and overseeing administrative departments. Historically, supervisors focused on protecting the financial interests of their respective districts, and were reluctant to work together in setting priorities across districts. Policy and political fragmentation combined with financial turmoil and operational dysfunction resulted in the perfect storm of impending economic collapse when the Great Recession hit in 2008. At the time, the county was facing a structural deficit due to its failure to account for full costs of capital projects and benefits agreements with county employees. In addition, the county lacked well-coordinated processes for making budgetary decisions across county departments and for coordinating across various governing entities within the county. When faced with steep reductions in property and sales tax revenues as well as state transfers triggered by the Great Recession, the county was facing the prospect of bankruptcy.

The county subsequently managed to avoid the fate of bankruptcy through a fortunate combination of new elected and administrative leaderships willing to tackle challenges arising from the jurisdiction’s fragmented decision-making and operational processes. With the election of two new supervisors and the subsequent appointment of a seasoned public management professional, the county created a centralized chief executive officer structure that allowed for the development of an integrated system for tracking financial decisions across departments, with each department being required to provide estimates of long-term overhead administrative expenses and 10-year expenditure forecast. Department directors that failed to adjust to the new reporting and financial management system were replaced. A full-cost and long-term budget allowed elected officials and the public alike to understand the full extent of the various problems facing the county. Greater transparency encouraged departments to identify measures for cost savings and for more effective use of transfers from higher-level governments. The 10-year forecast also informed collective bargaining across separate negotiations, which led to agreements with unions in pension benefit reductions and reduced salary raise increments.

The county also initiated county-wide strategic planning processes that involved county officials, officials from the 24 cities in the county, officials from regional planning agencies, and civic leaders. In these processes, officials examined long-term strategies for allocating financial
resources in the region. Two key and inter-related questions were used to guide the
discussions: where do we want to be in 20 years and how do we get there? The discussions also
included ways for leveraging strengths from multiple jurisdictions and agencies for greater
cost-effective ways of delivering services in the county.

These strategic planning processes helped all stakeholders to understand that the
county’s “survival” required that they continuously stay engaged with one another in making
tough financial and service delivery choices. One of the key outcomes from this effort was a
shared understanding that the county’s long-term development hinged upon having the
financial resources needed to sustain its proposed populations—basically, the creation of a new
view of what it meant to be in the county, with a shared set of interests, connected across
districts, all facing the same set of difficult external conditions. Thus, a focus on collective
vision replaced the previous focus on fragmented interests through the development of a
network of interpersonal and inter-agency relationships.

All these efforts have enabled the county to avoid bankruptcy. But given the legacy of
political fragmentation and operational dysfunction, the county has continued to face
challenges in maintaining fiscal health. While maintaining a Moody MIG–1 rating as a whole, the
county has faced a downgrade of its pension obligation bonds. Continuing efforts will be
needed to consolidate strategies and institutional design conducive to maintaining fiscal
sustainability in the county.

**Connections to the Financial Sustainability Framework**

**LS #2 – Help stakeholders to build trustworthy reputations.** With a new majority in the board
working and with a seasoned public management professional, in the chief executive, the
county leadership began to demonstrate a commitment to developing a transparent and honest
budgetary process.

**LS #3 – Convince stakeholders there can be benefits from collective efforts.** The new budgetary
system rewarded departments for sound fiscal planning and decisions.

**LS #4 – Ensure that key participants remain engaged.** Extensive processes were put in place in
different arenas to ensure that all relevant stakeholders are involved in planning and budgetary
processes geared toward building shared visions for the county as a whole.

**LS #5 – Build long-term horizons into fiscal planning.** The budgetary process included a 10-
year expenditure forecast requirement.
**IDP #1 – Well-defined boundaries.** Systematic efforts were undertaken to facilitate communications across departments and supervisory districts and among all relevant stakeholders in the entire region.

**IDP #3 – Collective choice arrangements.** Strategic planning processes involved county officials, city officials, regional planning officials, and civic leaders. A structured method was developed to help department heads to participate in a transparent and orderly budgetary process.

**IDP #5 – Graduated sanctions and credible rewards.** A budgetary process was put in place that required full-cost accounting from each department, and those department directors who failed to do so were replaced. Opportunities were created to help officials from different agencies and jurisdictions to identify cost-effective ways for collaboration in service delivery.

**IDP #8 – Networked enterprises.** The county initiated county-wide strategic planning processes that involved county officials, officials from the 24 cities in the county, officials from regional planning agencies, and civic leaders.

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