

**January 28, 2009**

## **San Mateo County Takes Steps to Protect Vital Programs and Services**

**REDWOOD CITY, Calif.** – San Mateo County is holding about 10 percent of the total workforce of about 5,800 positions vacant to help reduce expenditures as a result of the nationwide economic slowdown and limit potential future cost cutting, according to [a report presented Tuesday](#) to the Board of Supervisors.

The vacancies are part of a larger plan to ensure the current fiscal year budget and future budgets continue to fund vital programs and services without drawing heavily upon reserves. Despite the 10 percent vacancy rate, San Mateo County faces a \$18 million shortfall in the General Fund heading into the 2009-10 fiscal year, which begins July 1. The shortfall for all funds is projected to be \$23 million. The County's total current fiscal year budget is \$1.8 billion.

The shortfall is largely due to losses sustained when the Lehman Brothers investment bank declared bankruptcy in 2008, resulting in losses of \$14.4 million in San Mateo County funds. The County is pursuing legal action against top Lehman executives to recover losses and is also seeking relief in cooperation with federal legislators as part of the economic stimulus package.

Despite the budget challenges, San Mateo County is moving forward with a plan to reduce an ongoing structural budget deficit of \$41 million over the next five years. The plan includes reducing the annual subsidy to the San Mateo Medical Center by \$4.4 million per year, reducing general fund operating budgets by \$10.9 million per year and freezing hiring in most positions except public safety and other essential jobs.

“The good news is that we have a plan,” County Manager David Boesch said. “We have a plan to place us on strong financial footing and hopefully sustain our services as much as possible.”

The largest unknown is how the state's budget crisis will impact California's counties. The state's general fund deficit through the end of the 2009-10 fiscal year is estimated at approximately \$40 billion without corrective action. Counties throughout California are concerned the state will solve its budget problems by shifting funding responsibility for some programs from the state to counties.

Another potential problem is a proposal to delay payments from the state to counties for some programs that assist the elderly, mentally ill, foster youth and others most in need. Delaying payment to August as part of one proposal could require San Mateo County to spend \$80 million to make up for the shortfall, significantly affecting cash reserves.

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