

Recommended Budget Preserves Critical Services

REDWOOD CITY, Calif. – San Mateo County Manager David Boesch has unveiled a proposed two-year budget that preserves critical services and continues the process of closing a structural budget deficit. Further declines in property tax revenues, estimated losses in state funding and a 50 percent increase in retirement costs due to investment losses in the Retirement Fund will double the deficit to \$100 million by Fiscal Year 2014 if left unchecked.

The 2009-10 Recommended Budget of \$1.76 billion is \$46 million less than the prior year. It funds 132 fewer positions than the prior year for a total of 5,724 positions.

Boesch estimates there will be a \$49.4 million gap in revenues and expenses, which does not include major impacts from the State budget that will be negotiated by the Governor and State Legislature over the next several weeks and months. He proposes to close the gap by using \$34.1 million in General Fund reserves and \$15.3 million in operational reductions.

The Board of Supervisors authorized using reserves as part of a five-year plan to reduce a projected structural budget deficit that occurs when expenditures outpace revenues. With these adjustments, County General Fund reserves in Fiscal Year 2009-10 will be \$214.7 million; about \$90 million is being set aside for future replacement of critical infrastructure such as the women's jail, re-entry facilities and a long-term care facility.

"Just as we are committed to creating a more sustainable county, we are also committed to being responsible fiscal stewards as we experience the most severe economic downturn since the Great Depression," Boesch said. "While other surrounding jurisdictions and the State of California may well be forced to make draconian cuts to lifeline services, this organization and our community are coming together to maintain a vision focused on the long-term."

To trim costs, the County has directed all departments to maintain a 5 percent vacancy rate and to fill only essential vacant positions. Reserves are expected to be used in each of the next three years to balance the budget until the structural deficit is eliminated in 2013.

Boesch said the County is facing numerous fiscal challenges. The slump in housing and commercial real estate values has resulted in almost no growth in property tax revenues compared with an average 7 percent growth in each of the past five years. Revenue from document recording fees and property transfer taxes is also impacted.

The County's unemployment rate stood at 8.3 percent in March, nearly double the rate of a year ago. This has led to significant increases in demands for public assistance and safety-net services.

Consumer spending has fallen statewide by roughly 14.7 percent in the fourth quarter of 2008 from the same period in 2007. This translates to a drop in sales tax revenue, which funds numerous public safety and health programs.

Due to the State budget crisis, the County has estimated cuts of \$20 million to \$25 million in funding for the coming fiscal year, which starts July 1. Additional reductions are possible due to the uncertainty over how the state will close its budget gap. These cuts have yet to be included in the County's budget. San Mateo County is a subdivision of state government charged by law to provide certain services, although state funding often falls short of providing those services.

The Recommended Budget calls for eliminating a total of 149 positions, of which 44 are currently filled, and the addition of 17 new positions.

The 2009-10 Recommended Budget proposes the following reductions by department: Medical Center, 62; Public Works, 19; Probation, 17; Human Services, 7; Assessor-County Clerk-Recorder, 6; Child Support Services, 6, Correctional Health, 5; Parks, 3; Sheriff's Office, 3; Housing, 2; Public Safety Communications, 1; and Treasurer-Tax Collector, 1. Every effort is being made to transfer employees whose positions are being eliminated to vacant positions elsewhere in the organization.

The Recommended Budget for the 2010-11 Fiscal Year is \$1.68 billion and funds 5,723 positions.

The five-year plan to eliminate the deficit includes undertaking no new expenditures without adequate funding either through new revenue or cost reductions, eliminating General Fund subsidies to County Fire and sanitation districts and reducing the subsidy to the Medical Center from \$72 million to \$50 million.

In addition, the 2010-11 budget for the General Fund – the County's main operating fund – includes no increases for employee salaries and benefits beyond previously negotiated contracts. Retirement contributions have been increased by 30 percent due to investment losses through October 2008 in the Retirement Fund; increases could be higher depending on market performance for the rest of the fiscal year. It also anticipates \$15.3 million in reductions from departments.

"The unprecedented state budget crisis will continue to require our collective, steadfast resolve and perseverance in the coming months ahead as we struggle with our structural budget imbalance and as demands on local services grow," Boesch said. "We encourage everyone in our diverse community to become involved in the ensuing dialogue, especially those whose voices may not often be heard in the halls of government."

Boesch and his staff have been providing current budget information on the Web and holding budget "brown bag" meetings with managers in County departments to discuss the budget challenges ahead and steps that can be taken to eliminate the \$100 million structural budget imbalance over the next three fiscal years.

Monthly meetings have also been held with labor organizations since January 2008 to provide employees with updates on the County and State budgets.

The Board of Supervisors will hold three successive days of public hearings on the Recommended Budget beginning June 22 in the Board Chambers, 400 County Center, Redwood City. Hearings begin at 9 a.m. on June 22 and 23 and at 1:30 p.m. on June 24. The public is encouraged to attend.

The Recommended Budget and related materials are available for public viewing Monday-Thursday from 7:30 a.m. to 5:30 p.m. and Fridays from 8 a.m. to 5 p.m. at the County Manager/Clerk of the Board Office, 400 County Center, Redwood City.

The budget, schedule of budget hearings, and other current information on the local and State budget are also available online under the "Budget" tab at www.co.sanmateo.ca.us

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