

**COUNTY OF SAN MATEO**

**County Manager's Office**

**Date:** February 13, 2001

**TO:** Honorable Board of Supervisors  
**FROM:** John L. Maltbie, County Manager  
**SUBJECT:** FY 2000-01 Mid-Year Report

RECOMMENDATIONS

1. Accept the FY 2000-01 Mid-Year Budget Review Report.
2. Adopt an Appropriation Transfer Request (ATR) transferring \$4,131,426 from various budget units to cover costs related to upgrading Health network equipment to County standards, upgrading the County's IFAS financial system, funding one-time Board District 1 costs, Public Health services and supplies costs and County Counsel salaries and benefits.
3. Adopt a Resolution authorizing continuation of temporary increase in cash loan advances to Hospital and Community Health Clinics Enterprise Funds and waiver of interest charges through June 30, 2001.
4. Provide direction regarding the preparation of the Two-Year FY 2001-2002 and FY 2002-03 Budget.

**Background**

The Board reviews the current fiscal year budget at mid-year to ensure revenues and expenditures are in accordance with estimates and to provide direction to the County Manager regarding preparation of the next budget. The Two-Year FY 2001-2002 and FY 2002-03 Recommended Budget will be submitted to the Board on May 25. Budget hearings are scheduled to commence on Monday, June 25.

**FY 2000-01 County Financial Status**

Based on current estimates, the County is expected to end the fiscal year with an additional \$19.3 million in beginning Fund Balance above what was budgeted in the tentatively Adopted FY 2001-2002 Budget. This represents a 1.8% increase. The table below provides a summary of financial status for all County funds followed by explanation of significant variances

FY 2000-01 Estimated Year-End County Financial Summary	FY 2000-01 Working Budget	Unanticipated	
		Surplus (Deficit)	Variance %
<b>General Fund:</b>			
Criminal Justice	\$187,204,765	\$1,701,615	0.9%
Health Services Agency	175,309,964	(605,000)	-0.3%
Human Services Agency	161,006,912	724,726	0.5%
Environmental Services Agency	27,813,586	(114,985)	-0.4%
Public Works	12,415,820	(52,247)	-0.4%
Administration and Fiscal	62,965,055	729,859	1.2%
Non-Departmental and Contingencies	<u>98,730,348</u>	<u>7,470,549</u>	<u>7.6%</u>
<b>Total General Fund</b>	<b>\$725,446,450</b>	<b>\$9,854,518</b>	<b>1.4%</b>
<b>Other County Funds:</b>			
<i>Health Services Funds</i>			
Hospital and Clinics Enterprise Funds	138,490,715	(3,018,000)	-2.2%
Health Emergency Med Svcs Fund	2,770,539	0	0.0%
IHSS Public Authority	7,812,971	0	0.0%
<i>Environmental Services Funds</i>			
Structural Fire Protection Fund	\$5,209,356	(\$4,000)	-0.1%
County Service Area #1	1,646,855	0	0.0%
Coyote Point Marina	3,804,511	282,737	7.4%
Other Parks Funds	2,398,113	570,867	23.8%
<i>Public Works Funds</i>			
Airport Enterprise Fund	1,657,656	135,188	8.2%
Fleet Maintenance and Replacement	7,643,318	89,576	1.2%
Landscape Maintenance District	7,657	0	0.0%
Road Fund	25,325,208	0	0.0%
Roadway Improvement Fund	4,288,449	578,715	13.5%
Tower Road Internal Service Fund	3,115,563	29,819	1.0%
Solid Waste Fund	14,751,564	1,783,012	12.1%
Half-Cent Transportation Fund	6,080,982	0	0.0%
Public Works Special Districts	46,062,893	8,178,633	17.8%
<i>Non-Departmental Funds.</i>			
Accumulated Capital Outlay Fund	280,128	0	0.0%
Courthouse Construction Fund	3,093,454	65,376	2.1%
Criminal Justice Facilities Fund	2,662,928	111,142	4.2%
Capital Projects Fund	26,645,297	221,519	0.8%
Debt Service Fund	<u>24,621,895</u>	<u>387,016</u>	<u>1.6%</u>
<b>Total Non-General Funds</b>	<b>\$328,370,052</b>	<b>\$9,411,600</b>	<b>2.9%</b>
<b>TOTAL ALL FUNDS</b>	<b><u>\$1,053,816,502</u></b>	<b><u>\$19,266,118</u></b>	<b><u>1.8%</u></b>

## Explanation of Variances

### HEALTH SERVICES AGENCY

Health Services continues to face financial challenges in FY 2000-01, with identified deficits currently estimated at \$5.6 million, of which \$3.8 million is ongoing. The Agency has identified additional revenue and savings of \$2 million, of which \$1.1 million is ongoing, to reduce the deficit amounts to \$3.6 million in the current year and \$2.7 million in subsequent years. While current fiscal problems are not as extensive as last year, declines in health-related reimbursement, the continuing increase in the number of unsponsored patients, rising operational and technology costs, including electricity and gas costs due to the current energy crisis, all have a substantial impact on the Agency's financial situation. The table below summarizes fiscal issues in FY 2000-01 and FY 2001-02, and identifies additional solutions to address the remaining deficits in both years.

<i>Health Services Agency Mid-Year Financial Status</i>	<i>One-Time</i>	<i>Ongoing</i>	<i>FY2000-01 Total</i>	<i>FY2001-02 Total</i>
<b><u>Summary of Identified Deficits</u></b>				
<i>Agencywide</i>				
Tobacco Settlement Shortfall	(\$82 000)	(\$523 000)	(\$605 000)	(\$523 000)
<i>Hospital and Clinics Divisions</i>				
General Fund subsidy		(1 900 000)	(1 900 000)	(1 900 000)
Electric and Gas Utilities costs		(800 000)	(800 000)	(800 000)
Higher drug/pharmaceuticals costs	(200 000)		(200 000)	0
Tobacco Settlement Shortfall	(218 000)		(218 000)	0
Tobacco Tax (Prop 99) Shortfall		(100 000)	(100 000)	(100 000)
Non-SMS Software licenses		(500 000)	(500 000)	(500 000)
Contribution to prior year HIT (technology) costs	(500 000)		(500 000)	
SB1732 overstated equipment reimbursement	<u>(800,000)</u>	<u>0</u>	<u>(800,000)</u>	<u>0</u>
<b>Total Identified Deficits</b>	<b>(\$1,800,000)</b>	<b>(\$3,823,000)</b>	<b>(\$5,623,000)</b>	<b>(\$3,823,000)</b>
<b><u>Summary of Identified Solutions to Deficits</u></b>				
Savings from performing lab services in-house		\$200 000	\$200 000	\$200 000
Increased charges for services (FQHC)		900 000	900 000	900 000
Accts Receivable recovery (one-time catch-up)	900 000		900 000	
Health portion of Countywide retirement savings		0	0	2 732 465
One-time Increase in General Fund subsidy	<u>3,623,000</u>	<u>0</u>	<u>3,623,000</u>	<u>0</u>
<b>Total Identified Solutions</b>	<b>\$4,523,000</b>	<b>\$1,100,000</b>	<b>\$5,623,000</b>	<b>\$3,832,465</b>
<b>BALANCE</b>	<b><u>\$2,723,000</u></b>	<b><u>(\$2,723,000)</u></b>	<b><u>\$0</u></b>	<b><u>\$9,465</u></b>

Health Services' current year agencywide deficit, excluding the Hospital and Clinics, is \$605,000, of which \$523,000 represents an ongoing tobacco settlement reduction in FY 2000-01 and beyond due to lower tobacco sales.

Hospital and Clinics faces a \$3 million deficit in the current year, of which \$2.2 million is ongoing. Financial issues in Hospital and Clinics include:

Revenue Shortfalls:

- The Hospital overbudgeted the General Fund subsidy. That results in less revenue to fund negotiated labor increases (ongoing);
- Proposition 99 (Tobacco Tax) reduction implemented by State after the County budget was approved (ongoing);
- Overstatement of SB 1732 construction-related state reimbursement to fund Diagnostic & Treatment equipment (one-time);
- Tobacco Settlement reduction due to Non-Participating Manufacturer adjustment, implemented after the County budget was approved (one-time); the State Attorney General's office is currently trying to obtain an exemption to this adjustment for California, but it is unknown when this amount will be recovered if the exemption is granted; and
- Continued decline in tobacco sales, resulting in the reduction of scheduled Tobacco Settlement receipts (ongoing).

Expenditure Issues:

- Projected increase in electricity and gas costs (ongoing);
- Drug and pharmaceutical costs are higher than originally anticipated, even with implementation of Pharmacy for Indigents Program (ongoing);
- Current non-SMS software license costs formerly covered by Health Information Technology (HIT) (ongoing); and
- Contribution to HIT shortfall created by paying 16 months of invoices in current year (one-time).

Solutions to Offset Deficit:

- Energy conservation measures have been put in place and efforts to contain cost increases are being pursued;
- Reduction in Services & Supplies, based on bringing some reference lab testing in-house with enhanced lab system capacity (ongoing);
- Continued pharmacy cost containment efforts with new federal drug utilization management program in FY 2001-02 (ongoing),
- Increased charges for services in order to collect higher reimbursement from Federally Qualified Health Center (FQHC) Medi-Cal (ongoing);
- Increased accounts receivable collections through SSG/ARS revenue recovery project (one-time);
- Increase in General Fund subsidy (one-time) to be transferred at the end of the fiscal year, and
- Retirement savings generated by reduction in County contribution rates (ongoing).

Other Health Budget Issues:

Staff in Health Services and the County Manager's Office are also following a number of critical issues that may have substantial financial impact:

- Continued decline in Tobacco Settlement revenues which are used primarily to fund Health Center debt service payments and Health Information Technology (HIT) costs;
- In-Home Supportive Services (IHSS) caseload growth and negotiation issues;
- Negotiation of a new Independent Physician Association (IPA) agreement which expires in April 2002;
- Significant increases in rent for operations housed in Non-County facilities;
- Compliance with security and privacy standards under the Health Insurance Portability and Accountability Act (HIPAA) which restricts access to patient information; regulations become effective within two years; will require substantial workflow changes to ensure compliance with stricter patient confidentiality standards;
- Increased Medicare fraud and abuse investigations, leading to increasing Medicare compliance costs;
- Significant audit issues in Mental Health and the Federally Qualified Health Center (FQHC) program;
- Increasing costs of technology;
- Enhanced efforts to enroll more people in Medi-Cal, Healthy Families and other insurance programs.

**Health Network Upgrade** – In addition to the issues above, it is requested that \$1.2 million be transferred from one-time General Fund reserves to upgrade Health network equipment to County standards for utilizing the wide area network (WAN). The WAN provides access between facilities, such as the Hospital and outlying community clinics. The existing equipment is leased for \$407,000 annually and has not been configured efficiently to allow for maximum network access and availability. The \$1.2 million will purchase the types of equipment used for the County network which has 99.7% availability rate compared to 85% availability with the current leased equipment. The \$407,000 annual equipment lease will be terminated, which results in ongoing savings to the County.

**Extension of Term for Cash Loan Advances** – As a result of delayed receipts of Intergovernmental Revenues, including SB855 Disproportionate Share Hospital (DSH), SB1732 construction-related state reimbursement and Federally Qualified Health Center (FQHC) Medi-Cal revenue, an extension of the term for increased cash loan advances to the Hospital and Clinics Enterprise Funds is requested through the end of the fiscal year. Interest lost to the General Fund for this period is \$372,400 at the current Treasury pool rate.

## **OTHER BUDGETS**

### **Criminal Justice**

A recovered appropriation of \$1.7 million from the Billionaire Boys Club legal defense is offset by a decline in fine and forfeiture revenue in the County Support of the Courts budget unit (\$987,000) and higher than anticipated revenue and cost savings across a number of budget units, including the District Attorney/Public Administrator and Probation.

### **Environmental Services**

The General Fund shortfall of \$142,000 is primarily due to the cost of the current contract for plan checking services, which is based on a percentage of fees collected. These services are usually assigned to a permanent position in the Planning division, but the position has been vacant and hiring has been difficult, so contractual services are currently being used at a higher cost. A reduction in departmental reserves and other adjustments will be needed next fiscal year, if the shortfall is not addressed in the current year.

### **Human Services Agency**

The Housing budget unit is expecting to generate net additional operational savings of \$725,000 by year-end. This includes approximately \$834,000 in reimbursement for Safe Harbor Winter Shelter overruns that the Board approved to be covered by County Contingencies/Reserves. An Appropriation Transfer Request (ATR) from Contingencies to the Housing budget unit will be prepared when cost calculations have been finalized.

### **Public Works**

The General Fund shortfall of \$52,000 represents the estimated unfunded portion of increased utilities costs for County facilities maintained by Public Works. An ATR to transfer funds from Contingencies might be needed by fiscal year-end for these costs. Current year impact of increased utilities costs is \$400,000, but Public Works will be generating sufficient savings from vacant positions and conservation efforts to cover most of these costs. Unanticipated surplus amounts in Non-General Funds are primarily due to projects that won't be completed this year. These will be re-appropriated in the budget for completion next year.

### **Administration and Fiscal**

The majority of the \$730,000 unanticipated surplus is due to Assessor-Clerk-Recorder vacancies and unspent extra help and reserve funds (\$642,455). The Copy Center will generate additional revenue from increased demand for services. Copy Center business continues to increase and is projected to expand further with the provision of color copy services; Employee and Public Services will prepare an ATR prior to year-end to appropriate the unanticipated revenue.

### **Non-Departmental**

The \$7.5 million surplus in General Fund Non-Departmental is generated by unanticipated receipts in various revenue accounts, including property transfer tax and other property-related tax revenue, sales tax and vehicle license fees. It is estimated that general purpose revenues will be 7-8% higher than last year. Available Contingencies and Reserves have been reduced for the Health network upgrade and County financial system (IFAS) upgrades as well as reimbursement of cost overruns at the Safe Harbor Winter Shelter.

Surplus in capital and construction funds is anticipated due to some projects that will not be completed this fiscal year; these funds will be rolled over to next year's budget. The Debt Service fund surplus is mainly as a result of unbudgeted interest earnings.

### **Mid-Year Appropriation Transfer Request (ATR)**

The following adjustments are being requested at this time:

- (1) Transfer \$585,000 from Reserves to Services and Supplies in Non-Departmental Services (8000B) for initial outlay costs related to the County's Financial System (IFAS) upgrade; increase Intrafund Transfers by \$585,000 to reimburse Information Services budget (1800B) for IFAS upgrade costs including Fixed Assets (\$155,320), Services and Supplies (\$372,000) and Salaries and Benefits (\$57,680). Current processor is 4.5 years old and has reached storage capacity for production processing as well as active storage for 5 years of historical financial data. It currently takes four days to perform upgrades, affecting productivity Countywide. The new equipment and configuration will reduce time for upgrades by half and more importantly will increase productivity through faster access and processing of financial transactions and reports.
- (2) Transfer \$1,194,000 from Reserves in Non-Departmental Services (8000B) to Health Business Administration budget (5500B) for one-time upgrade of Health network configuration to comply with County standards and one-time buyout of existing network equipment lease which is costing the County \$407,000 annually; increase Intrafund Transfers by \$1,194,000 to reimburse Information Services budget (1800B), reduce ISD Salaries and Benefits (\$150,000) and reduce ISD Services and Supplies (\$10,000) to cover total network upgrade costs of \$1,354,000 including Fixed Assets (\$779,000), Services and Supplies (\$555,000) and Salaries and Benefits (\$20,000).
- (3) Transfer \$21,176 from Reserves in Non-Departmental Services (8000B) to Board District 1 (1110B) Salaries and Benefits (\$12,000), Services and Supplies (\$8,176) and Other Charges (\$1,000) to partially offset one-time costs related to retiree payout, infrastructure upgrades including electrical wiring and recabling, and office remodel.
- (4) Transfer \$136,250 from County Counsel (1600B) Services and Supplies to Salaries and Benefits to cover costs of Deputy County Counsel position added back with restored AB719 (Prop Tax Admin Program) revenue from Assessor.
- (5) Transfer \$256,000 from Salaries and Benefits to Services and Supplies in Public Health (6200B) to cover unanticipated contractual services costs due to staff vacancies, recruitment costs, tobacco education and other services and supplies costs.

## Major Budget Issues

The following issues will have a significant impact on the County budget in the current and subsequent fiscal years. Consideration of requests for additional funding in the upcoming FY2001-02 and FY2002-03 Budget should be made in light of these issues as well as other future operating cost increases that are projected to outpace growth in revenues:

- Energy Crisis
- Expiration of Labor MOUs
- Employee Recruitment and Retention
- Community-Based/Non-Profit Service Provider Contracts
- General Fund Contributions and Subsidies
- Capital Improvement Projects and Debt Service
- E-Government and Other Technology Projects

### Energy Crisis

*Estimated Impact: \$1.2 million in current fiscal year*

Public Works is estimating to spend \$400,000 above budgeted amounts for gas in the current fiscal year conservation and cost containment measures, as well as utilization of contingencies and one-time salary savings will reduce impact by \$340,000. Health Services is currently estimating an \$800,000 cost overrun due to increases in gas and electricity costs for its facilities. The General Fund will need to provide a one-time subsidy to cover these costs in the current year. The County's participation in the ABAG electrical pool has considerably contained costs, but the agreement is scheduled to expire in December 2001.

### Electricity Costs for Public Works-Maintained Facilities (excludes Health)

There has been stability in electricity rates through the ABAG electric pool. The County, as part of that purchasing group, entered into an agreement with Cal Pine, which fixed the electricity rate at .081 per kilowatt-hour through December 2001. The following conservation efforts are projected to reduce costs by 4% (\$50,000) for the months of December through June :

- Changed schedule for parking structure lights
- Lowered lighting to 50% in the County Office Building (COB), Hall of Justice (HOJ) and New County Office Building (COB2) Tunnels
- Turning off HOJ hallway and lobby lights after 5p.m
- Lowered the lighting in the COB lobby to 50%
- Changed lighting schedule for COB (reduction of 2 hours per day).
- Turned off chillers and evaporators, using outside air to cool the buildings.

### Gas Costs for Public Works-Maintained Facilities (excludes Health)

Gas costs have almost doubled this fiscal year. November/December bills in 1999 totaled \$123,477 – November/December bills in 2000 totaled \$200,435 – an increase of \$76,958 or 62.3%. Year to date expenditures (12/31/00) for gas are \$429,737, total expenditures for the entire 1999-2000 fiscal year were \$582,435. We are exploring the feasibility of joining the ABAG gas pool, if the rates compare favorably. A decision will be made in the next 30 days and will require Board approval. The following conservation efforts are projected to reduce costs by \$20,000:



- Lowered all domestic hot water from 120 degrees to 105 degrees (except kitchens)
- Lowered all hot water heating from 130 degrees to 90 degrees
- Reduced operating time of New Office Building in Redwood City (COB2) boilers by 10 hours.

#### Other Cost Containment Measures (\$270,000)

- The Facilities unit is preparing a plan for cost containment measures in service and supply areas to mitigate the increased utility cost impacts to net county cost
- Salary savings from vacant positions (\$104,211) and contingencies in the Facilities Maintenance budget (\$65,602) will be used to help offset increased utility costs.
- Possible savings from closing 455 County Center one day a week are being determined.

#### Expiration of Labor MOUs

*Estimated Impact \$3.9 million Countywide for 1% increase*

The majority of labor contracts will expire in October 2002 during the FY2002-03 budget cycle. Bay Area CPI for FY2001 is projected at 4.8%, declining to 3.5% in FY2002. A 3.5% increase in County salaries and benefits is \$13.4 million. Revenue projections for tax revenue and other general purpose revenue shows average annual growth of 3.8% or \$8 million per year. Any cost increases above this amount will need to be covered by other sources such as intergovernmental revenue and charges for services, or reductions in other costs.

#### Employee Recruitment and Retention

*Estimated Impact: TBD*

A one-day worksession of County senior management was held on January 12 to identify top recruitment and retention strategies that can be implemented this coming year. Identified priorities include enhancement of training and development programs; flexible/alternate schedules and worksites; utilization of retirees for County employment; enhancement of hiring package and creation of an employee referral program. A working committee of managers will prioritize these further as needed and identify potential costs for each.

#### Community-Based/Non-Profit Service Provider Contracts

*Estimated Impact minimum \$2.5 million for 10% increase*

The cost of doing business in our county is jeopardizing the ability of our community-based service providers to serve our clients who need the services where they live. Wages and rental costs are just a few factors that can affect a provider's ability to provide ongoing services. It is anticipated that these organizations will be provided with an increase by the County that reflects the reality of our area's costs.

#### General Fund Contributions and Subsidies

*Estimated Impact. \$Millions*

The County has increased its General Fund subsidy and has advanced funds to the Hospital and Clinics in order to address short and long-term deficits. Given continued increases in costs of providing health care services, the General Fund may need to provide additional operational subsidies in the current and coming budget years.

The County also participates in a number of Joint Powers agreements, including emergency services, library services and animal control services. As priorities for these services are identified by the County and cities, increased General Fund contributions could be required.

**Continued Decline in Tobacco Settlement Receipts** - This source of revenue remains unpredictable, which significantly impacts the County's ability to fund tobacco prevention programs, Health Center debt service and Health technology costs. Revenues are based on the amount of tobacco sales. At the time of the settlement, San Mateo County expected to receive \$245 million dollars over the course of the agreement. However, tobacco sales have declined and FY 1999-2000 receipts were \$930,000 lower than anticipated. The reduction was carried forward into future budgets.

We were also recently notified that the FY 2000-01 payment has been further reduced by \$823,000. This reduction was the result of a continued decline in tobacco sales (\$523,000) as well as the amount of settlement reduced by the Non-participating Manufacturer's portion of the market (\$300,000). The Attorney General's Office is making claim that California should be exempt from this reduction and is proceeding with the matter in Court. It is unknown if this portion of the settlement will be recovered. The latest reduction results in a shortfall of \$823,000 in Health's current year budget. As indicated below, the payments are structured to increase in FY 2001-02 and 2002-03; however, given the continuing declines in tobacco settlement revenues, an additional ongoing shortfall of \$523,000 has been projected.

	<i>Original Distribution</i>	<i>Revised as of 2/6/2001</i>	<i>Difference</i>
FY 1999-2000	11 048 000	10 118 000	(930 000)
FY 2001	8 681 000	6 840 000	(1 841 000)
FY 2002	10 423 000	8 542 000	(1 881 000)
FY 2003	10 522 000	8 542 000	(1 980 000)
FY 2004-2007	8 782 000	7 379 000	(1 403 000)
FY 2008-2017	8 956 000	7,031 000	(1 925 000)
FY 2018-2025	10 035 000	8 432 000	(1 603 000)
<b>TOTAL</b>	<b>245,642,000</b>	<b>201,324,000</b>	<b>(44,318,000)</b>

**Capital Improvement Projects and Debt Service**

*Estimated Impact \$Millions*

**Juvenile Services Campus** - San Mateo County has begun a process to determine the feasibility of developing a comprehensive juvenile campus that would collaboratively meet the needs of juveniles and their families who are involved with our criminal justice and/or social services systems. Services envisioned in such a campus could include those provided by the Court, Probation, Health Services, Human Services, County Office of Education and non-profit agencies who provide services to needy juveniles. Because this project is in preliminary planning stages, fiscal impact has not been fully determined. Minimum capital costs would be

\$50 million. It is most likely that funding for this project, including debt service payments, will be sought from multiple sources.

**Crime Lab** – The Board of Supervisors sought the approval of General Obligation Bond Measure B in the November 2000 election to construct a Forensic Laboratory/Coroner Office at the County-owned Tower Road site. Measure B failed to achieve the necessary two thirds majority. It is estimated that this project will cost approximately \$15,000,000. The Sheriff has set aside \$5,000,000 from his budget for funding portions of the project including design fees, geotechnical and environmental consulting fees and County administrative costs. The County intends to apply for State funds to assist jurisdictions in building crime labs and will finalize the amount of debt service to finance the remainder of the project.

**Condition of Existing County Facilities** – In April 2000, the County authorized a Facilities Assessment to be performed on 74 County buildings to identify and quantify physical deficiencies in each facility along with recommended corrections to return the facilities to reliable operating condition. This was done to identify long-term capital needs and to comply with new infrastructure reporting requirements under Governmental Accounting Standards Board 34 (GASB). The assessment found \$33 million in deficiencies, mostly in mechanical and electrical deficiencies. These will need to be prioritized and addressed along with other County priorities in upcoming budgets. Public Works is also in the process of implementing an Asset Management System, which will be used to maintain other infrastructure such as roads, sewers and lighting systems, which were not included in the Facilities Assessment.

### **E-Government and Other Technology Projects**

#### *Estimated Impact \$Millions*

**County Services over the Internet** - On January 23, the Board was given a status report on Countywide E-Government Initiatives. The Information Services Department has been working with departments to identify County services that can be provided over the Internet. An “inventory” of candidate services is being prepared, and recommendations will be presented to the Board in early June prior to budget hearings. Brief discussion with comparison counties suggests the total will range to several million dollars.

**Other Countywide Technology Projects** – Other projects that will potentially require additional resources include the standardization and implementation of Electronic Document Management Systems (EDMS), such as the one used to review and place Board agenda documents on the Internet. Document management is a significant issue for some departments who are running out of physical space to store mandated files and records.

The standardization of and access to various databases so data can be entered and information shared across departmental systems and platforms is another project with Countywide impact. This is particularly important if the County will be using performance data to make resource allocation decisions in the future.

## Local Economic Indicators

There is continued moderate growth in our local economy as seen in the following indicators, which are used to generate projections for general purpose revenue such as property tax, sales tax, transient occupancy tax and vehicle license fees:

### Bay Area Consumer Price Index (CPI)

The Consumer Price Index (CPI) measures the change in the price of goods over time. The change in the index is referred to as the rate of inflation. Bay Area Consumer Price Index (CPI) is projected to grow this fiscal year by 4.8%, up from 4.2% in FY2000. California CPI went from 3.1% to 3.9%, and national CPI from 2.9% to 3.1%. Projections beginning in FY2002 indicate a declining trend in CPI, with Bay Area CPI dropping to 3.5%.

<b>General CPI Fiscal Year</b>	<b>Bay Area % Change</b>	<b>California % Change</b>	<b>U.S. % Change</b>
2004*	3.7%	2.8%	2.5%
2003*	3.5%	2.6%	2.1%
2002*	3.5%	2.5%	2.1%
2001*	4.8%	3.9%	3.1%
2000	4.2%	3.1%	2.9%
1999	3.6%	2.5%	1.7%
1998	3.4%	2.0%	1.8%
1997	3.0%	2.3%	2.9%
1996	1.9%	1.4%	2.7%
1995	2.0%	1.7%	2.9%
1994	1.7%	1.8%	2.6%
1993	3.1%	3.2%	3.1%
1992	3.8%	3.6%	3.2%
1991	5.0%	5.3%	5.4%
1990	4.1%	5.0%	4.8%

Source: FY90 to FY00 Bureau of Labor Statistics,

\*FY01 to FY04 CA Dept of Finance projections for CA and U.S.,  
 Bay Area CPI Governor's Budget Forecast November 2000

### Housing Affordability Index

The housing affordability index is the most fundamental measure of housing well-being in the state. Only 18% of households in the Bay Area can afford to purchase a median-priced home, falling from 25% last year. San Mateo County was second to San Francisco as the least affordable county in the state, along with Contra Costa and Santa Cruz at 14%. In contrast, 53% and 47% of households can afford median-priced homes in Sacramento and Central Valley, respectively. The median home price in these areas was \$145,000 in December 2000 compared to \$470,000 in the Bay Area.

<b>Housing Affordability by Region</b>	<b>December 2000</b>	<b>December 1999</b>
California	32%	36%
United States	55%	55%
SF Bay Area	18%	25%
Santa Clara County	18%	26%
Monterey	14%	22%
Sacramento	53%	57%
Central Valley	47%	52%

Source CA Association of Realtors

### Median Home Price

Prices of homes continue to rise in the Bay Area as shown in the chart below. The County's median home price was \$499,250 in December 2000, up 25% from the prior year, compared to \$354,000 in Alameda County and \$270,000 in Contra Costa County

<b>DECEMBER Median Home Price by County</b>	<b>1997</b>	<b>1998</b>	<b>% change</b>	<b>1999</b>	<b>% Change</b>	<b>2000</b>	<b>% change</b>
San Mateo	310 000	338 341	9%	400,000	18%	499 250	25%
Marin	345 000	366 000	6%	450 909	23%	525 000	16%
San Francisco	315 000	325 000	3%	415,000	28%	525 000	27%
Santa Clara	279 000	314 000	13%	360 000	15%	460 000	28%
Alameda	215 000	249 000	16%	275 000	10%	354 000	29%
Contra Costa	185 000	206 750	12%	215 000	4%	270 000	26%

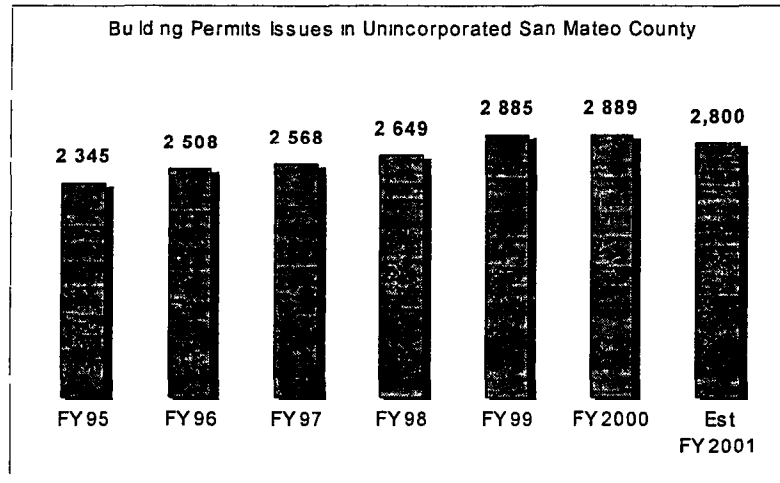
Source CA Association of Realtors

<b>Select Cities Median Home Price</b>	<b>December 2000</b>	<b>Select Cities Median Home Price</b>	<b>December 2000</b>
<b>San Mateo County:</b>	<b>\$499,250</b>	<b>Alameda County:</b>	<b>\$354,750</b>
Belmont	729 137	Dublin	393 000
Burlingame	807 500	Fremont	440 000
Daly City	418 000	Hayward	292 000
Foster City	659 091	Livermore	360 000
Half Moon Bay	498 000	San Leandro	300 000
Menlo Park	750 000	Union City	430 000
Millbrae	636 500	<b>Contra Costa County:</b>	<b>\$270,000</b>
Pacifica	435 000	Concord	239 500
Redwood City	622 000	Antioch	240 409
San Bruno	347 500	Martinez	260 000
San Carlos	725 000	Pittsburg	210 000
San Mateo	506 000	Pleasant Hill	330 000
South San Francisco	415 500	Richmond	186 000

Source CA Association of Realtors

### Building Permits

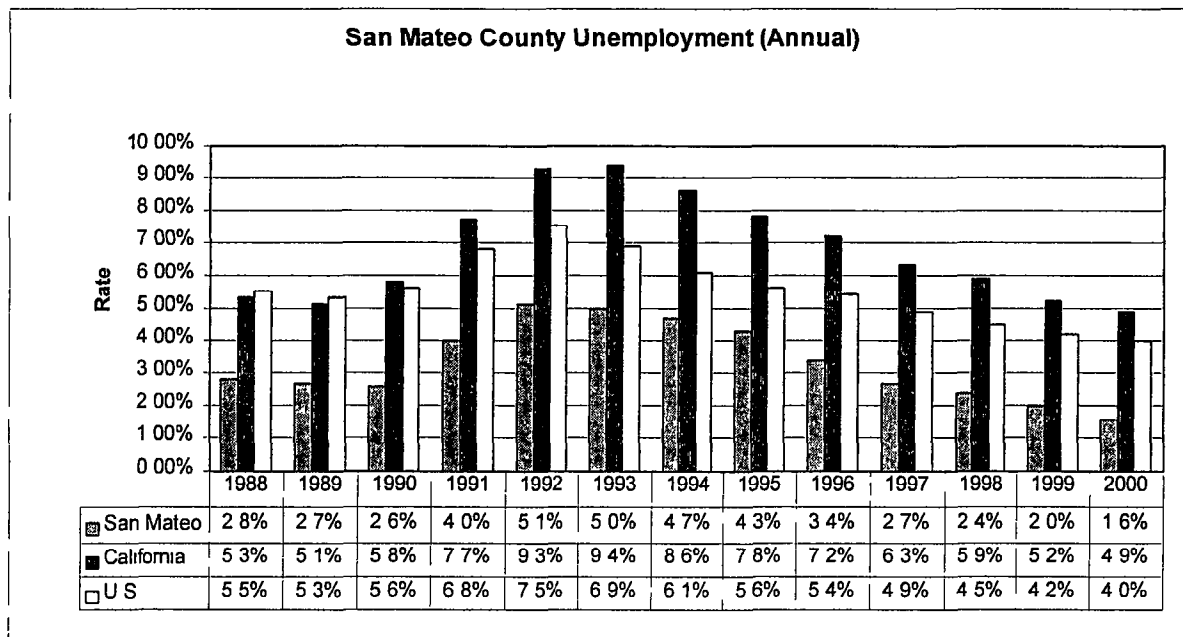
Growth in building permits issued in the unincorporated areas of the County was flat from FY 1999 to 2000. It is estimated that the number of permits issued by the end of this fiscal year will be 3% lower than last year, reflecting a decline in building activity.



Source: San Mateo County Planning Department

### Unemployment - Annual

The unemployment rate in the County was 1.6% in 2000, consistently one of the lowest in the state.



Source: CA Employment Development Department

## Historical General Revenue Trends

Revenue Source (In Thousands)	FY96-97 Actual	FY97-98 Actual	FY98-99 Actual	FY99-2000 Actual	FY00-01 Estimate	Average Annual Growth
<b>AMOUNTS RECEIVED:</b>						
Secured Property Tax	\$71 303	\$75 171	\$81 332	\$89 037	\$95 468	\$6 041
Unsecured Property Tax	8 673	8 535	9 330	9 878	11 307	658
Sales and Use Tax	12 724	13 566	13 035	15 665	17 231	1 127
Transient Occupancy Tax	2 065	1 833	328	540	767	-324
Motor Vehicle License Fees	30 811	33 255	36 297	40 934	44 721	3 478
Other Revenue	18 515	21 230	18 894	25 042	25 792	1 819
<b>TOTAL</b>	<b><u>\$144,091</u></b>	<b><u>\$153,590</u></b>	<b><u>\$159,216</u></b>	<b><u>\$181,095</u></b>	<b><u>\$195,287</u></b>	<b><u>\$12,799</u></b>
<b>GROWTH RATES:</b>						
Secured Property Tax	5 4%	5 4%	8 2%	9.5%	7 2%	7 1%
Unsecured Property Tax	-2 5%	-1 6%	9 3%	5 9%	14 5%	5 1%
Sales and Use Tax	4 1%	6 6%	-3 9%	20 2%	10 0%	7 4%
Transient Occupancy Tax	15 8%	-11 2%	-82 1%	64 4%	42 1%	5 8%
Motor Vehicle License Fees	5 3%	7 9%	9 1%	12 8%	9 3%	8 9%
Other Revenue	7 5%	14 7%	-11 0%	32 5%	3 0%	9 3%
<b>TOTAL % Change from Prior Yr</b>	<b><u>8.1%</u></b>	<b><u>6.6%</u></b>	<b><u>3.7%</u></b>	<b><u>13.7%</u></b>	<b><u>7.8%</u></b>	<b><u>8.0%</u></b>

\* Includes interest earnings, interfund revenue transfers, miscellaneous reimbursements and revenue that can fluctuate from year to year

## Five-Year FY 2002-2006 General Revenue Projections

Revenue Source (In Thousands)	FY01-02 Projected	FY02-03 Projected	FY03-04 Projected	FY04-05 Projected	FY05-06 Projected	Average Annual Growth
<b>AMOUNTS RECEIVED:</b>						
Secured Property Tax	\$103,084	\$110,247	\$116,834	\$123,815	\$130,006	\$6,730
Unsecured Property Tax	11,533	11,764	11,999	12,239	12,484	238
Sales and Use Tax	18,076	18,889	19,701	20,489	21,309	808
Transient Occupancy Tax	799	831	2,031	2,692	2,773	493
Motor Vehicle License Fees	44,846	45,473	46,279	46,841	47,410	641
Other Revenue	25,403	24,210	23,688	22,339	21,669	(934)
<b>TOTAL</b>	<b><u>\$203,742</u></b>	<b><u>\$211,414</u></b>	<b><u>\$220,533</u></b>	<b><u>\$228,416</u></b>	<b><u>\$235,651</u></b>	<b><u>\$7,977</u></b>
<b>GROWTH RATES:</b>						
Secured Property Tax	8.0%	6.9%	6.0%	6.0%	5.0%	6.4%
Unsecured Property Tax	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Sales and Use Tax	4.9%	4.5%	4.3%	4.0%	4.0%	4.3%
Transient Occupancy Tax	4.2%	4.0%	144.3%	32.5%	3.0%	37.6%
Motor Vehicle License Fees	0.3%	1.4%	1.8%	1.2%	1.2%	1.2%
Other Revenue *	-1.5%	-4.7%	-2.2%	-5.7%	-3.0%	-3.4%
<b>TOTAL % Change from Prior Yr</b>	<b><u>4.3%</u></b>	<b><u>3.8%</u></b>	<b><u>4.3%</u></b>	<b><u>3.6%</u></b>	<b><u>3.2%</u></b>	<b><u>3.8%</u></b>

\* Includes interest earnings, interfund revenue transfers, miscellaneous reimbursements and revenue that can fluctuate from year to year

### Revenue Growth Summary

The table above shows that general purpose revenue growth will average \$8 million or 3.8% annually for the next five years. For the upcoming FY2002 budget, there is sufficient growth to fund the net increase (adjusted with revenue and reimbursements) in negotiated labor costs. The following is a summary of factors that have significant influence on these revenue projections:



*Secured Property Tax*

The rate of growth in the secured property tax roll is projected to slow this coming fiscal year. Increase in redevelopment projects reduces the County's share of property taxes, since the County does not benefit from any growth in taxes generated within redevelopment areas. We will be working closely with the Assessor and Controller's Office to monitor impact of redevelopment, and will update property tax revenue projections during development of the Recommended Budget.

*Sales Tax*

Approximately 60% of the County's sales tax revenue comes from point-of-sale transactions or sales occurring in businesses located in the unincorporated areas of the county. About 45% of our point-of-sale revenues (\$5 million annually) comes from businesses at San Francisco Airport, primarily from car rental agencies and fuel. The tables below provide a breakdown of the County's sales tax revenue.

Revenue from sales generated by businesses in the new International Terminal should be received starting this quarter (January to March). We originally estimated that \$836,000 in sales tax revenue would be realized annually from the new terminal. We have factored more sustainable rates of growth in future years and requested a sales tax audit firm develop estimates for the new terminal.

<i>Sales Tax Revenue thru 12/31/00</i>	<i>Amount</i>	<i>% of Total</i>
Point of Sale Transactions	\$ 5 724 826	59%
County/State Pool Allocation	767 705	8%
County 1% Share of City Sales Tax	<u>3,273,966</u>	<u>33%</u>
<b>TOTAL</b>	<b>\$9 766 497</b>	<b>100%</b>

<i>Point of Sale Transactions Sales Tax by Major Business Group</i>	<i>% of Total</i>
Autos and Transportation	45%
Fuel and Service Stations	25%
Restaurants and Hotels	14%
Business and Industry	10%
General Consumer Goods	<u>6%</u>
<b>TOTAL</b>	<b>100%</b>

*Transient Occupancy Tax (TOT)*

A new hotel to replace the Hilton at the Airport is expected to open in 2003. Updated information regarding opening date will be used to prepare the FY2003 budget. The projections use opening date of July 2003. Transient occupancy tax (TOT) revenue of approximately \$1.2 million is projected in FY 2003-04 with full annual receipts of \$1.8 million thereafter.

*Vehicle License Fees (VLF)*

New vehicle registrations are projected to flatten this year, with low growth rates in future years. The state is projecting -0.7% growth in new car registrations in 2001. Current fiscal year revenues are estimated at 10% higher than last year, but are projected to slow significantly beginning next fiscal year.

**COUNTY OF SAN MATEO  
APPROPRIATION TRANSFER REQUEST**

REQUEST NO

DEPARTMENT COUNTY MANAGER'S OFFICE

DATE 02-13-01

1. REQUEST TRANSFER OF APPROPRIATIONS AS LISTED BELOW.

	C O D E S		AMOUNT	DESCRIPTION
	FUND OR ORG	ACCOUNT		
From	Various	Various	4,131,426   00	See attached
To	Various	Various	4,131,426   00	See attached

Justification (Attach Memo if Necessary)

FY 2000-01 Mid-Year Appropriation Transfer Request.  
SEE ATTACHED BOARD MEMO

DEPARTMENT HEAD  
BY *Reyna Morales* DATE 2/7/01

2  Board Action Required  Four-Fifths Vote Required  Board Action Not Required  
Remarks

COUNTY CONTROLLER  
BY *[Signature]* DATE 2-7-01

3  Approve as Requested  Approve as Revised  Disapprove  
Remarks

COUNTY MANAGER  
BY *[Signature]* DATE 2-8-01

**DO NOT WRITE BELOW THIS LINE — FOR BOARD OF SUPERVISORS' USE ONLY**

BOARD OF SUPERVISORS, COUNTY OF SAN MATEO STATE OF CALIFORNIA

RESOLUTION TRANSFERRING FUNDS

RESOLUTION NO \_\_\_\_\_

RESOLVED by the Board of Supervisors of the County of San Mateo that

WHEREAS the Department hereinabove named in the Request for Appropriation Allotment or Transfer of Funds has requested the transfer of certain funds as described in said Request and

WHEREAS the County Controller has approved said Request as to accounting and available balances and the County Manager has recommended the transfer of funds as set forth hereinabove.

NOW THEREFORE IT IS HEREBY ORDERED AND DETERMINED that the recommendations of the County Manager be approved and that the transfer of funds as set forth in said Request be effected

Regularly passed and adopted this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_

Ayes and in favor of said resolution  
Supervisors. \_\_\_\_\_

Noes and against said resolution:  
Supervisors: \_\_\_\_\_

**COUNTY OF SAN MATEO  
APPROPRIATION TRANSFER REQUEST (ATR)**

	CODES		Amount	DESCRIPTION	Item Reference
	Org	Account			
<b>FROM:</b>					
	80110	8612	\$ 1 800 176	Non-Departmental Reserves - General Fund	1 2 and 3
	18120	8121	1 194 000	ISD-Intrafund Transfers-Health Network Upgrade	2
	18120	8121	585 000	ISD-Intrafund Transfers-Financial System IFAS Upgrade	1
	18662	4161	150 000	ISD-Salaries and Benefits	2
	18662	5423	10 000	ISD-Services and Supplies	2
	16111	5856	136 250	County Counsel-Contract Services	4
	62910	4111	70 000	Public Health-Salaries and Benefits	5
	62910	4311	30 000	Public Health-Salaries and Benefits	5
	92600	4111	60 000	Public Health-Salaries and Benefits	5
	62600	4311	26 000	Public Health-Salaries and Benefits	5
	62420	4111	49 000	Public Health-Salaries and Benefits	5
	62420	4311	21 000	Public Health-Salaries and Benefits	5
			<u>\$ 4,131,426</u>	<b>Subtotal</b>	
<b>TO:</b>					
	80110	5873	\$ 585 000	Non-Departmental Data Processing Svcs-IFAS Upgrade	1
	18360	7311	155 320	ISD-Fixed Assets-IFAS Upgrade	1
	18360	5214	297 000	ISD - Software Purchase-IFAS Upgrade	1
	18360	5215	75 000	ISD-Software Maintenance-IFAS Upgrade	1
	18360	4171	57 680	ISD-Salaries and Benefits-IFAS Upgrade	1
	55310	6713	1 194 000	Health Automation Charges (ISD)-Network Upgrade	2
	18662	5515	555 000	ISD-Equipment Lease/Rental-Health Network Upgrade	2
	18662	7311	779 000	ISD-Fixed Assets-Health Network Upgrade	2
	18662	4171	20 000	ISD-Salaries and Benefits-Health Network Upgrade	2
	11101	4128	12 000	Board District 1-Employee Terminal Pay	3
	11101	5234	8 176	Board District 1-Furniture Tools and Equipment	3
	11101	6739	1 000	Board District 1-Service Charges	3
	16111	4111	136 250	County Counsel-Salaries and Benefits	4
	62910	5916	100 000	Public Health-Services and Supplies	5
	62500	5343	25 000	Public Health-Services and Supplies	5
	62010	5856	57 000	Public Health-Services and Supplies	5
	62010	5343	24 000	Public Health-Services and Supplies	5
	62010	5714	30 000	Public Health-Services and Supplies	5
	62010	5196	20 000	Public Health-Services and Supplies	5
			<u>\$ 4,131,426</u>	<b>Subtotal</b>	
<b>Balance</b>			-		

(1) Transfer \$585 000 from Reserves to Services and Supplies in Non-Departmental Services (8000B) for initial outlay costs related to the County's Financial System (IFAS) upgrade increase Intrafund Transfers by \$585 000 to reimburse Information Services budget (1800B) for IFAS upgrade costs including Fixed Assets (\$155 320) Services and Supplies (\$372 000) and Salaries and Benefits (\$57 680)

(2) Transfer \$1 194 000 from Reserves in Non-Departmental Services (8000B) to Health Business Administration budget (5500B) for one-time upgrade of Health network configuration to comply with County standards and one-time buyout of existing network equipment lease increase Intrafund Transfers by \$1 194 000 to reimburse Information Services budget (1800B) reduce Salaries and Benefits (\$150 000) and Services and Supplies (\$10 000) to cover network upgrade costs including Fixed Assets (\$779 000) Services and Supplies (\$555 000) and Salaries and Benefits (\$20 000)

(3) Transfer \$21 176 from Reserves in Non-Departmental Services (8000B) to Board District 1 (1110B) Salaries and Benefits (\$12 000) Services and Supplies (\$8 176) and Other Charges (\$1 000) to partially offset one-time costs related to retiree payout infrastructure upgrades including electrical wiring and recabling and office remodel

(4) Transfer \$136 250 from County Counsel (1600B) Services and Supplies to Salaries and Benefits to cover costs of Deputy County Counsel position added back with restored AB719 (Prop Tax Admin Program) revenue from Assessor

(5) Transfer \$256 000 from Salaries and Benefits to Services and Supplies in Public Health (6200B) to cover unanticipated contractual services costs due to staff vacancies recruitment costs tobacco education and other services and supplies costs

RESOLUTION NO. \_\_\_\_\_

BOARD OF SUPERVISORS, COUNTY OF SAN MATEO, STATE OF CALIFORNIA

RESOLUTION AUTHORIZING CONTINUATION OF TEMPORARY INCREASE  
IN CASH LOAN ADVANCES TO HOSPITAL AND COMMUNITY HEALTH CLINICS  
ENTERPRISE FUNDS AND WAIVER OF INTEREST CHARGES

---

RESOLVED, by the Board of Supervisors of the County of San Mateo, State of California, that

WHEREAS, the Hospital and Clinics are in need of cash loan advances from the General Fund to the Hospital and Community Health Clinics Enterprise Funds on an as needed basis up to an amount of \$19,600,000; and

WHEREAS, this Board approved a temporary increase in cash loan advances from the General Fund to these Enterprise Funds for all year-end closing activities for FY 1999-2000 as well as through September 30, 2000; and

WHEREAS, this Board approved an extension of the temporary increase in cash loan advance from September 30, 2000 through February 28, 2001; and

WHEREAS, this Board wishes to continue to provide funds from the General Fund to these Enterprise Funds without interest through June 30, 2001, effectively removing the February 28, 2001 expiration date;

NOW, THEREFORE, IT IS HEREBY DETERMINED AND ORDERED that the Hospital Enterprise Fund and the Community Health Clinics Enterprise Fund shall have authority to access funds from the General Fund, on an as needed basis, up to \$19,600,000 combined without a provision of interest through June 30, 2001, to ensure continued operation of all facilities and the Clerk of the Board shall transmit a copy of this resolution to the Controller for immediate implementation