COUNTY OF SAN MATEO

County Manager's Office

Date: February 5, 2002

TO: Honorable Board of Supervisors

FROM: John L. Maltbie, County Manager

SUBJECT: FY 2001-02 Mid-Year Budget Report

RECOMMENDATIONS

1. Accept the FY 2001-02 Mid-Year Budget Report.

2. Adopt a Resolution authorizing continuation of the temporary increase in cash loan advances to Hospital and Community Health Clinics Enterprise Funds and waiver of interest charges through year-end closing activities for the fiscal year ending June 30, 2002.

3. Provide direction regarding the preparation of the Two-Year FY 2002-03 and FY 2003-04 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 FY 2002-03 and FY 2003-04 Recommended Budget will be submitted to the Board on May 24. Budget hearings will begin Monday, June 24.

The Mid-Year Budget Report includes year-end Fund Balance estimates and variance analysis for all County funds, identification of major issues affecting the development of the upcoming budget, data for local economic indicators and projections for general purpose revenue and Public Safety Sales Tax for the next five fiscal years.

FY 2001-02 County Financial Status

Based on current estimates, the County is expected to begin Fiscal Year 2002-03 with an additional $24.9 million in Fund Balance above what has been budgeted. The total represents 2.1% of the current budget. Of this amount, $21 million is General Fund. Included are savings generated from the hiring freeze and spending reductions in Services and Supplies implemented at the beginning of November, changes in estimated revenue and amounts to be re-appropriated next year for continuing capital improvements, technology and other one-time projects. The table on the following page provides a summary of all County funds followed by an explanation of the significant variances.

As discussed in more detail in subsequent sections of this report, major budget issues to consider in preparing this coming budget include the potential impact of the Governor's proposed budget reductions, currently estimated at a minimum of $11 million for Health and Human Services. Other issues include projected deficits in the Hospital and Clinics in the amount of $3.5 million in the current year and $2.2 million next year, as well as negotiated labor increases for agreements expiring this October. Countywide costs for a 1% increase in Salaries and Benefits is approximately $4 million. Average annual growth in General Fund tax and fee revenue and Public Safety Sales Tax revenue is projected at 2.7% or $7.7 million annually over the next five years.

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Fund Balance Summary
The following table provides a summary of updated FY 2002-03 Beginning Fund Balance estimates for the General Fund and other County funds. The total Fund Balance of $225.4 million represents 18.8% of the County's $1.2 billion budget. Significant variances to original Fund Balance estimates are explained by Agency.

County Agency by Fund (Dollars in Thousands)	*FY 2001-02 Working Budget*	*FY 2002-03 Budgeted Fund Balance*	*Updated Fund Balance Estimate as of Mid-Year*	*Unanticipated Fund Balance Variance **
Criminal Justice - General Fund	$ 200,658	$ 8,769	$ 8,492	($277)
Health Services - General Fund	191,782	5,662	6,952	1,290
Health Services - Other Funds	14,338	2,501	2,058	(442)
Hospital and Clinics Enterprise Funds	143,416	0	(3,463)	(3,463)
Human Services - General Fund	179,316	6,145	6,464	319
Environmental Services - General Fund	28,249	1,004	1,073	70
Environmental Services - Other Funds	29,627	6,555	7,336	780
Public Works - General Fund	13,462	329	405	76
Public Works - Other Funds	128,690	49,524	56,373	6,849
Administration/Fiscal - General Fund	74,459	6,865	10,231	3,365
Non-Departmental - General Fund	135,939	101,670	117,918	16,248
Non-Departmental - Other Funds	58,584	11,491	11,566	75
Subtotal General Fund	$ 823,867	$ 130,445	$ 151,535	$ 21,091
Subtotal Non-General Fund	374,655	70,071	73,869	3,798
Total ALL Funds	**$1,198,522**	**$200,516**	**$225,404**	**$24,889**

* Unanticipated variance represents additions (surplus) or reductions (shortfall) to budgeted FY 2002-03 Beginning Fund Balance based on updated estimates prepared as part of mid-year analysis.

Criminal Justice
Criminal Justice departments are estimated to carry over almost $8.5 million in Fund Balance, $276,700 less than budgeted. This is primarily the result of unanticipated costs in the Sheriff's Office related to terrorism response post-September 11th, 2001 and a 4.5% salary adjustment for the Deputy Sheriffs, Sergeants and other classifications. Unanticipated Salaries and Benefits expenditures ($576,280), together with the costs of terrorism response, are projected to contribute to a $962,879 shortfall in the Sheriff's Fund Balance target.

The Probation Department is projecting a Fund Balance shortfall of $366,466 due in large part to juvenile hall population levels requiring the operation of an unfunded 30-bed living unit at state-mandated staff-to-juvenile ratios in the Institutions Division. Less those expenses, the Department would achieve its target. Expenses in the Institutions Division will be closely monitored through the remainder of the fiscal year.

Each of the Criminal Justice departments, with the exception of the Sheriff's Office due to terrorism response costs, will achieve the 10% reduction in Services and Supplies target. The total savings is projected to total $916,455, exceeding projections by $186,467. Overall, the departments are projected to save $1,905,041 in Salaries and Benefits, $1,298,991 less than the salary savings anticipated from the hiring freeze.

Current fiscal year receipts from Public Safety Sales Tax Revenue (Proposition 172) have been flat with only 0.7% growth through December compared to last year. We are estimating a $4.5 million shortfall from budgeted amounts that can be covered by existing reserves in the trust fund. Due to the decline in sales activity at San Francisco Airport and resulting drop in current year sales tax revenue, we anticipate our Public Safety Sales Tax distribution factor to drop to 1999-2000 levels. This will negatively affect FY 2002-03 revenues and could result in a $5.7 million deficit next year. There are sufficient reserves to cover a portion of this amount, but the remainder will need to come from other General Fund sources. We will be monitoring current year receipts closely and should receive information regarding our updated distribution factor from the state by June. We expect receipts to pick up again in FY 2003-04 and subsequent years given projected growth in statewide taxable sales.

Human Services Agency (HSA)
HSA is estimated to carry over $6.8 million in Fund Balance, $318,866 more than budgeted. Of the total Fund Balance amount, $5.4 million is from unspent Reserves and $1.4 million is due to savings related to vacant positions, cost containment measures and unanticipated revenues.

The following significant factors have been included in the calculation of the Fund Balance estimate:
- State funding in the amount of $200,000 for the Safe Harbor homeless shelter has been cut in the current year.
- Lack of demand for Work Center services is contributing to reduced year-end projections in the Vocational Rehabilitation budget unit; an increased Net County Cost of $140,000 is projected.
- Overall Net County Cost savings of $2 million is projected in County Programs (General Assistance).
- As of December 31, 2001, Drug Court treatment costs funded through the state Comprehensive Drug Court Implementation (CDCI) grant in the Alcohol and Drug budget unit have been exhausted. Year-end projections do not include an anticipated need of $150,000 for continuation of these services through June 30. Drug Court partners are attempting to identify a funding source for these costs.
- The estimated construction and furnishing costs ($800,000) for the new receiving home facility is not included in current year-end projections. Discussions are currently underway with the other County departments and agencies involved regarding potential use of Reserves.

Environmental Services
Environmental Services is estimated to carry over $8.4 million in Fund Balance, $849,693 more than budgeted. The General Fund surplus of $69,543 is primarily the result of savings generated in Salaries and Benefits and Services and Supplies in the Parks and Recreation budget unit, offset by a decline in revenues in the Planning and Building budget due to slowing building permit activity and a decrease in demand for plan checking and engineering services.

An unanticipated surplus of $408,397 in the Library budget is due largely to high property tax increases in Atherton, Woodside and Portola Valley. A surplus of $368,828 for Coyote Point Marina is due to berth occupancy at higher than anticipated levels, resulting in increased revenue, coupled with fewer needed repairs and lower cost projects.

Public Works
Public Works is estimated to carry over $56.8 million in Fund Balance, $6.9 million more than budgeted. The General Fund surplus of $76,337 is primarily due to increased revenues from cable television franchise fees, property rents and parking meter fines. The shortfall in Craft Services of $106,548 is due to the timing of project completions, as projects are not billed until completed. Surpluses in the Road Fund and the Roadway Improvement Fund are due to project delays caused by staff vacancies in Engineering Services and shifting priorities. Road projects not completed this fiscal year will be re-appropriated in FY 2002-03.

Administration and Fiscal
Administration and Fiscal departments are estimated to carry over $10.2 million in Fund Balance, $3.4 million more than budgeted due in part to cost saving measures. Revenues in a number of departments have exceeded budgeted targets including the supplemental administration fee received by the Tax Collector, Assessor and Controller and document recording fees generated by the Assessor which have increased due to high volume of re-financing transactions. Commissions revenue in the Treasurer's Office, which are based on the administrative fee charged to all pool participants, will also exceed budget amounts.

The increase in revenues generated from supplemental property taxes are a result of the Assessor's Office reducing the backlog that was created when the EZ Access system was implemented. Since the backlog of supplemental notices has been addressed, revenue in this area will level off in FY 2002-03.

Non-Departmental
Non-Departmental Services is estimated to carry over $129.5 million in Fund Balance, $16.3 million more than budgeted. The additional amount is mostly in the General Fund and includes estimates for unspent appropriations in employee recruitment and retention, litigation/legal settlement costs, capital improvement and technology projects. These will be reviewed during the budget process to determine whether they will be re-appropriated next year. Shortfalls in sales tax ($2.2 million) and property transfer tax revenue ($1.1 million) due to the economy and reduced activity at San Francisco Airport are offset by higher than anticipated receipts from vehicle license fees and one-time supplemental secured and unsecured property tax revenue as a result of the Assessor's effort to eliminate backlogs in appraisals.

Health Services Agency
Health Services (exclusive of Hospital and Clinics) is estimated to carry over $9 million in Fund Balance, $847,260 more than budgeted. The Emergency Medical Services Fund (EMS) deficit of $250,000 is due to the depletion of the surplus which had historically been used to help support EMS General Fund operations (ongoing). The In-Home Supportive Services (IHSS) Public Authority is projecting a deficit of $194,000, primarily due to shortfalls in federal and state intergovernmental revenues. The General Fund Health Services budgets are projecting a net savings totaling $1.3 million due to the following:

- Reductions in Services and Supplies expenditures to meet the goal of a 10% level of savings are projected to total approximately $1.64 million. Of this amount, $640,000 will be directed toward already incurred or projected bioterrorism costs. Of the remaining savings, $250,000 is proposed to offset the current year EMS deficit, $148,000 to offset the current year Food and Nutrition Services deficit, and the remaining $600,000 in Agency-wide savings (ongoing).
- Food and Nutrition Services deficit of $148,000 is comprised of a carryover deficit from prior year operations as well as continuing shortfalls in revenues (ongoing).

Hospital and Clinics
The Hospital and Clinics are estimated to end the current fiscal year with a $3.5 million deficit. Despite a two-year projected deficit, it is important to note that the Health Center rate of increase in expenses has been reduced substantially in the current fiscal year by a concerted cost containment effort. Health Center expenditures increased by 7.5% in FY 2000-01 compared to FY 1999-00. The budget for current FY 2001-02 contained an expenditure **decrease** of 1% from prior year spending levels. The projected spending for the current fiscal year, while above the budgeted amount, still represents only a 2% increase over the prior year. Revenues are projected to increase nearly 6% in FY 2001-02 compared to the 4% increase experienced from FY 1999-00 to FY 2000-01.

Another positive development is the control over pharmacy costs. The successful implementation of the 340B program has contained pharmacy costs within budget. For the first time in several years, costs are projected to be lower than last year by 7.7%, representing a $2.2 million savings compared to expected spending, despite a 6% increase in the number of prescriptions.

The Division has implemented several cost saving and revenue enhancement measures. Without these measures, the deficit would total $6.4 million. The impact of the additional revenue and savings is $2.9 million in the current year and $4.1 million on an ongoing annual basis. The table below details the factors contributing to the deficit and the implemented solutions. Some solutions reflect partial-year implementation of measures included in the October final adjustments package for FY 2001-02.

HOSPITAL AND CLINICS Mid-Year Financial Status	*One-Time*	*Ongoing*	*FY2001-02 Total*	*FY2002-03 Total*
Summary of Identified Deficits				
Hospital and Clinics Divisions:				
SB 1732 State Revenue		$(400,000)	$(400,000)	$(400,000)
Net Patient Revenue		(1,500,000)	(1,500,000)	(1,500,000)
Salaries and Benefits Costs		(2,592,000)	(2,592,000)	(2,592,000)
Services and Supplies Costs		(1,748,000)	(1,748,000)	(1,748,000)
Willow Clinic Rent Increase		(105,000)	(105,000)	(105,000)
Fair Oaks Expansion	(60,000)	0	(60,000)	0
Total Identified Deficits	($60,000)	($6,345,000)	($6,405,000)	($6,345,000)
Summary of Identified Solutions to Deficits				
Disproportionate Share Hospital (DSH) SB 855 Revenue		$500,000	$500,000	$500,000
Distinct Part Skilled Nursing Facility Revenue		1,388,000	1,388,000	2,390,000
Psychiatric Emergency Services Revenue	600,000	0	600,000	0
Psychiatric Services Savings		50,000	50,000	350,000
Materials Management Savings		200,000	200,000	250,000
Early Retirements Savings		60,000	60,000	347,000
Services and Supply Savings		94,000	94,000	94,000
Medical Services Asst. /Housekeeping Conversion		50,000	50,000	200,000
Total Identified Solutions	$600,000	$2,342,000	$2,942,000	$4,131,000
BALANCE	**$540,000**	**$(4,003,000)**	**$(3,463,000)***	**$(2,214,000)**

*Does not include depreciation expense of approximately $950,000, which historically has not been budgeted.

Explanation of Revenue Shortfalls

- Reduction in SB 1732 estimated funding for reimbursement of Health Center construction costs and debt service, based on the most recent debt service schedules filed with the state (ongoing).
- Shortfall in net patient revenue is projected due to continued decline in inpatient volume and surgery decreases. These revenues are expected to fall $1.5 million below budget (ongoing).

Explanation of Expenditure Overruns

- Overrun in Salaries and Benefits, specifically in extra help and overtime in Long Term Care, Emergency Department, and inpatient Medical Surgery as a result of the difficulty in hiring nurses, the Diagnostic and Treatment Center move, and the number of acute patients requiring one-to-one staffing. Some additional overtime was incurred as a result of state long term care audit surveys. The laboratory also experienced overages in extra help since that department uses extra help as part of core staffing (ongoing).
- Overrun in Services and Supplies, specifically electricity and gas utility costs, contract professional services including nursing registry costs, and general Services and Supplies (ongoing).
- Rent increase for Willow Clinic facility (ongoing).
- Fair Oaks expansion to achieve more efficient and cost-effective operations (one-time).

Solutions to Partially Offset Deficit:

- Increased SB 855 Disproportionate Share Hospital (DSH) revenue based on prior year net receipts, reflecting state adjustments to account for Medi-Cal days (ongoing).
- Increased Distinct Part Skilled Nursing Facility (DP/SNF) revenues— the projection included in the October final budget adjustments package has been revised for this new payment source for long term care days, based on state calculation formula (ongoing).
- Unanticipated federal revenue allocation for Psychiatric Emergency Service (PES) for capital costs, to be applied to Hospital and Clinics construction costs (one-time).
- Changes in Psychiatric Services staffing including coverage practices for nights and overtime, and reduction of three positions—two Psychiatric Social Workers in 3A/B and in PES and one Psychologist; residency coverage in 3A/B and PES was increased. The FY 2001-02 cost savings represents partial-year implementation of this action included in the October final budget adjustments package (ongoing).
- Savings in Materials Management expenses through reductions in various contracts and purchasing arrangements. The FY 2001-02 cost savings represents partial-year implementation of this action included in the October final budget adjustments package (ongoing).
- Savings generated by utilization of the employee early retirement option in accordance with the resolution adopted by the Board on January 8, 2002 (ongoing).
- Various additional Services and Supplies savings identified by department managers (ongoing).
- The Medical Services Assistant (MSA)/Housekeeping conversion will reduce Salaries and Benefits expense by transferring eight MSAs into custodial positions, as reviewed with the San Mateo County Health Center (SMCHC) Board of Directors on January 23, 2002. FY 2001-02 savings represent partial-year implementation of this action (ongoing).

Solutions to Offset Remaining Deficit

Solutions to address the remaining $3.5 million estimated deficit in the current fiscal year will be developed over the next few months. A separate Board report that identifies specific solutions will be prepared towards the end of the fiscal year.

Temporary Increase in Limit and Extension of Term for Cash Loan Advances

As a result of delayed receipts in Intergovernmental Revenues and other revenue sources, including SB855 Disproportionate Share Hospital (DSH), SB1732 construction-related state reimbursement and Federally Qualified Health Center (FQHC) Medi-Cal revenue, the Hospital and Clinics currently have a negative cash balance of approximately $35 million. A temporary increase of the existing limit to $40 million and extension of the term for increased cash loan advances to the Hospital and Clinics Enterprise Funds through the end of FY 2001-02 is recommended at this time. A separate Board report will be prepared in late February after more analysis is performed on historical cash balances and impact on General Fund interest expense to determine a permanent level of cash advances for the Hospital and Clinics.

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 FY2002-03 and FY2003-04 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:

- Impact of Governor's Budget and Other Proposals
- Expiration of Labor Memoranda of Understanding (MOUs)
- Other Major Contract Negotiations
- Health Services Budget Issues
- Hospital and Clinics Budget Issues
- General Fund Contributions and Subsidies
- Applications for Calamity Relief and Increase in Assessment Appeal Filings
- Bioterrorism and Terrorism Prevention and Response
- Energy Conservation Efforts
- Capital Improvement Projects and Debt Service

Impact of Governor's Budget and Other Proposals

Estimated Impact to Human Services Agency: $8.9M+ loss
Estimated Impact to Health Services/Hospital and Clinics: $2M+ loss

Major impacts of Governor's proposed state budget for FY 2002-03 include:

- **Cost of Living Adjustments (COLAs) for Various Programs (Human Services)** – The Governor's Budget is not going to fund any cost of living increases. As a consequence, salary and benefit and overhead support levels for CalWORKs, Medi-Cal eligibility determination, CalWORKs employment services, AFDC Foster Care and Food Stamps administration are frozen at FY 1999-00 levels. The effect to HSA is a loss of approximately $7.8 million. HSA will have to meet its CalWORKs funding shortfall due to this COLA lag by either using its CalWORKs performance incentives or by not fully staffing to caseload growth.
- **CalWORKs Child Care (Human Services)** - The proposed budget would reduce the current Stage 1 allocation by 20.2% or $668,000 and would reduce the number of children served by about 90 a month. The proposed appropriation for Stage 2 is a reduction of 5% or $71,000 which would reduce the number of children served by a yet to be determined amount. The Governor's proposal phases out Stage 3 child care completely.
- **Alcohol and Drug Services (Human Services)** - The Governor's proposed budget would result in total reductions of $376,650 or 6.3% in allocations for substance abuse treatment services, consisting of the following items. These reductions would be on top of a current year reduction of $391,470 from the original total FY 2001-02 allocation of $6,404,255.
  - $201,150 to counties State General Fund (ongoing);
  - $67,500 to Perinatal;
  - $108,000 to Drug Court Partnership (Trail Track) current allocation.
- **Transfer of CHDP to Medi-Cal and Healthy Families (Health Services)** - The proposed transfer of Child Health and Disability Prevention program (CHDP) to Medi-Cal and Healthy Families would result in a loss of approximately $1 million at SMCHC and $100,000 in Public Health, which administers CHDP locally. Contrary to the assumptions contained in the Governor's budget, many of the children seen at SMCHC clinics who qualify for CHDP do **not** qualify for Medi-Cal or Healthy Families. In addition, SMCHC is not eligible for the Expanded Access to Primary Care (EAPC) funding the Governor proposes to make available in place of CHDP—only non-profit community clinics are eligible for this funding. Finally, if CHDP is eliminated, we expect that many private providers who currently see CHDP children, but do not qualify for EAPC funding, will withdraw from the program. This will hinder access for low-income children in San Mateo County to preventative check-ups and well-child care. It would leave the South County Community Health Center as the only provider eligible for funding to see CHDP children who do not qualify for Medi-Cal or Healthy Families.

- **SB855 Disproportionate Share Hospital Administrative Fee (Health Services)** - The proposed increase in the SB855 administrative fee from $29.8 million to $85 million would result in an estimated loss of $400,000 to the Hospital.
- **Children's System of Care Allocation and Special Education Youth (Health Services)** - The Mental Health division estimates a reduction of $70,000 in the children's system of care allocation and a deferral of advance payment of $569,000 for services to special education youth.
- **Nurse Staffing Ratios** - The Governor recently proposed nurse staffing ratio regulations will likely take effect on or after July 1, 2003. However, these proposed ratios will have substantial impacts on the SMCHC budget and the Hospital's ability to recruit and retain a sufficient number of qualified nurses.
- **IHSS Provider Wage Increases** - The Governor's proposed budget projects a 6.5% increase in average monthly caseload for next year and caps state participation in wages at the County's current approved rate of $9.10 per hour (including up to $.60 in benefits).

<u>Expiration of Labor MOUs</u>
Estimated Impact: $4 million Countywide for 1% increase
The majority of labor contracts will expire in October 2002 during the upcoming budget cycle. Bay Area CPI for FY 2001-02 is projected at 3.5%, declining to 1.2% in FY 2002-03. A 3.5% increase in County Salaries and Benefits is $14.1 million. Revenue projections for tax revenue, Public Safety sales tax and other general purpose revenue shows average annual growth of 2.7% or $7.7 million per year. Any increases above this amount will need to be covered by other sources such as charges for services, or reductions in positions or other costs.

<u>Other Major Contract Negotiations</u>
Estimated Impact: Unknown at this time
- **Independent Physicians Association (IPA) Contract Negotiations** - Under the terms of the Independent Physicians Association (IPA) agreement with the Hospital's contracting specialty physicians, the physicians have the option to be paid under the Medicare physician fee schedule for January through March 2002. Due to the variable nature of this fee for service payment mechanism, the actual payments to physicians may vary from the adopted budget during these three months. However, a long-term opportunity still exists to create a new agreement with physicians beginning in April 2002 that will align economic interests and reverse the negative acute volume and patient revenue trends at the hospital. The current contract amount is approximately $12 million.

<u>Health Services Budget Issues</u>
Estimated Impact: $ Millions
- **California Children's Services (CCS) Costs** - Public Health CCS costs have risen in the current fiscal year, mainly due to several patients who have required lengthy and costly treatments.
- **In-Home Supportive Services (IHSS) caseload growth** – a 6.5% growth in caseload is projected for next year. Program costs were prepared with a 6.4% growth factor. The 0.1% updated growth estimate would increase program costs by approximately $7,000.
- **HIPAA Compliance** - Compliance with security and privacy standards under the Health Insurance Portability and Accountability Act (HIPAA), which restricts access to patient information, will require substantial work flow changes to ensure compliance with stricter patient confidentiality standards.
- **Audit Issues** - Significant audit issues in Mental Health and the Federally Qualified Health Center (FQHC) program could result in reduced future revenue or return of funds to the state and federal government for prior year audit disallowances.

<u>Hospital and Clinics Budget Issues</u>
Estimated Impact: $ Millions
- **Estimated Deficit in the Current Fiscal Year** - Solutions to address the remaining $3.5 million estimated deficit in the current fiscal year will be developed over the next few months. A separate Board report that identifies specific solutions will be prepared towards the end of the fiscal year.
- **Hospital Inpatient Volume Decrease** - The hospital has continued to experience inpatient volume decreases, including both a projected 7% decrease in inpatient admissions and a projected 15% decrease in surgeries compared to

last year. Hospital and Clinics staff are developing plans for increasing inpatient volume, including analyses of physician referral patterns, a geriatric assessment and primary care clinic, labor and delivery service options, surgery activity, and long-term care options given the availability of new funding sources.

- **Health Plan of San Mateo** - The Health Plan of San Mateo (HPSM) has recently implemented a number of changes that will have impacts on SMCHC. The HPSM has eliminated coverage for undocumented individuals who qualify for Medi-Cal because they are receiving emergency services or are pregnant. These individuals will now be covered by the State Medi-Cal system, which is likely to lead to many more denials for coverage of care provided directly by SMCHC or referred to other providers by the County. In addition, the HPSM has reduced outpatient payment rates. While this is not likely to have a significant financial effect on SMCHC (due to Federally Qualified Health Center eligibility), private providers are likely to withdraw from the program, leading to increased outpatient demands at SMCHC clinics. The HPSM has committed to offsetting some of the negative financial impacts for SMCHC due to HPSM changes. However, no details have yet been made available.
- **Increased Insurance Outreach and Enrollment** - Insurance outreach and enrollment efforts are continuing to expand under the Community Access Program and other grant funding. Medi-Cal eligible visits have increased 8% compared to the same period in FY 2000-01, and the number of Medi-Cal eligible individuals in the County has risen 15% in the past year.
- **Additional Disproportionate Share Hospital (SB1255) Funds** - SMCHC staff are continuing efforts to qualify the Health Center for the SB 1255 program or a similar Medi-Cal supplemental payment mechanism. A legal analysis is currently underway to persuade State officials to permit this option. However, the SB 1255 Program is threatened beginning in FY 2003-04 by the new Upper Payment Limit rule released by the Bush Administration this month.
- **Extra Help Costs** - Extra help budgets for both the Hospital and Clinics was eliminated during the FY 2001-02 budget process. According to the reports SMCHC has developed regarding inpatient and outpatient extra help usage, a minimum amount of extra help is required to provide relief for non-productive time. While the current year vacancy rate in the clinics has permitted the clinics to remain within budget despite the elimination of the extra help budget, there is concern that additional extra help funding will be required as vacancies are filled. In the hospital, the current vacancy rate has not been sufficient to offset the extra help relief requirement, leading to overages in Salaries and Benefits.
- **Increasing costs of technology** – replacement and upgrade of existing systems and software such as Materials Management as well as the development of a utilization management system will require additional funding over the next several years.

<u>**General Fund Contributions and Subsidies**</u>

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 the major Health Services budget issues identified above and 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. As priorities for these services are identified by the County and cities, increased General Fund contributions could be required.

<u>**Applications for Calamity Relief and Increase in Assessment Appeals**</u>

Estimated Impact: $ Millions

As of November 2001, over 100 applications for calamity relief had been received by the Assessor's Office, mostly from airlines, hotels and other business in and around San Francisco Airport. The applicants claim losses of approximately $1.6 billion in property value. In addition to these applications, the number of assessment appeals filed with the Assessment Appeals Board are up from 669 last year to an estimated 1,249 this year, representing an 87% increase. Filings had fallen to 552 in FY 1999-2000. We will be working closely with the Assessor's Office and Assessment Appeals Clerk during budget development to determine potential loss of property tax revenue to the County.

<u>**Bioterrorism and Terrorism Prevention and Response**</u>

Estimated Impact: $800,000 current year

The following table summarizes current fiscal year expenditures related to bioterrorism/terrorism prevention and response as of January 28, 2002. It is anticipated that $800,000 will be spent Countywide by year-end primarily on emergency and non-emergency response and training. To date, most costs have been incurred by the Sheriff, Health Services (Public Health, Environmental Health, Emergency Medical Services, Mental Health), Public Safety Communications and Hospital and Clinics. A cost tracking structure has been put in place so that County departments can pursue reimbursement for costs when funding becomes available from other sources. Ongoing costs will depend on the level of preparedness determined adequate for the County.

The Sheriff will be undergoing a reorganization of his department partly to address increased security needs for all County facilities. Health Services is projecting year-end expenditures of approximately $361,000 for bioterrorism prevention and response. In addition, a goal has been established to direct 10% of budgeted Services and Supplies appropriations in Public Health, AIDS, Environmental Health, and Business Administration programs toward reserves for bioterrorism activities. The Agency is projecting that this initiative will establish FY 2001-02 reserves of approximately $279,000 for future equipment or other needs.

Bioterrorism/Terrorism Response and Prevention Expenditure Category	*Amount*
Emergency Response	$ 102,805
Training	84,052
Non-Emergency Response	81,832
Backfill	43,693
Administration	37,882
Communications	17,172
Surveillance	14,448
Security-County Facilities	3,011
Investigations	2,887
Total as of January 28, 2002	**$ 387,782**
Total Year-End Estimate	**$ 800,000**

Energy Conservation Efforts
Estimated Impact: $3.6 million one-time; ongoing savings in utility costs
Phase I ($1.6 million) of the energy efficiency program expanding the lighting retrofit work, changes in energy controls, replacement of HVAC units and the installation of thermal pane glass in County facilities has been completed. Phase II ($2.0 million), which has been approved in the current year using General Fund and other funding sources, is scheduled to go to the Board of Supervisors for approval in February. Estimated savings in energy costs will be included in the report. Work is anticipated to take place over the next nine months.

The Friday closure of 455 County Center has resulted in a reduction of more than 35% in therms (gas) and 25% in kilowatt hours (electric) use during the first five months of the fiscal year, which is well over the 17% projected savings. If this trend continues, annualized savings would be approximately $200,000.

San Mateo County was awarded "Outstanding Achievement in Energy Efficiency and Energy Conservation" from PG&E for 2001 (awarded 12/2001), and the new office building at 555 County Center has been designated as "Energy Star" by the EPA (requirements exceeded by 28%).

Energy usage is down due in part to the efforts of County Departments to "turn things off" as well as the continuation of operational controls (temperature/lighting/equipment usage) put into place in 2001 by Facilities Maintenance. The electricity rates paid by the County are higher than anticipated due to the suspension of the ABAG Power Electrical Aggregation Program and the resulting return of our electric accounts to PG&E (rates include PUC/State surcharges; long term contract costs). The County joined the ABAG Power Gas Program, which has stabilized the rates for natural gas.

Capital Improvement Projects and Debt Service
Estimated Impact: $ Millions
Juvenile Services Campus - San Mateo County has begun the planning for a new comprehensive juvenile services campus. It is a collaborative project expected to 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 juveniles. Because this project is in the early planning stages, the fiscal impact has not been fully determined; however, it is anticipated that a projected budget will be available in the coming months. Minimum capital costs would be $75 million. Funding for this project, including debt service payments, will be sought from multiple sources.

The County will submit an application on March 1st to the State Board of Corrections, which is making available nearly $49 million in the Federal Violent Crime Control and Law Enforcement Act Fund for juvenile detention facility construction grants. It is expected that an award by the Board of Corrections will only cover a portion of the project cost; additional resources will have to be identified.

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 $18 million. The Sheriff has set aside $5 million for funding portions of the project including design fees, geotechnical and environmental consulting fees and County administrative costs. The County is anticipating approximately $3 million in State (OCJP) funds and will need to make decisions on possible charges for services in order to pay debt service obligations. Annual debt service payments of $730,000 are scheduled to begin in FY 2002-03.

Countywide Radio Project – The major replacement and upgrade of the County's radio and public safety communications infrastructure will be completed this year. Estimated total project cost is $25.1 million of which $16.5 million has been financed by lease revenue bonds. Annual debt service payments of approximately $1.5 million will begin in FY 2002-03, funded by Sheriff revenue, contributions from cities (Emergency Services Council JPA), other user County departments and the General Fund.

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.

Local Economic Indicators

The local economy has slowed 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)
- Housing Affordability Index
- Median Home Price
- Number of Homes Sold
- Office Space Availability and Asking Rates per Square Foot
- Assessment Appeal Filings
- Unemployment Rate
- Building Permits Issued
- San Francisco International Airport – Total Passengers

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, and is used in assumptions for calculating future costs. Bay Area Consumer Price Index (CPI) is projected to grow this fiscal year by 3.5%, down from 5.5% in FY2001. California CPI went from 4.3% to 3.0%, and national CPI from 3.4% to 2.1%. Projections beginning in FY2003 continue a declining trend in CPI, with Bay Area CPI dropping to 1.2%.

General CPI Fiscal Year	*Bay Area % Change*	*California % Change*	*U.S. % Change*
2005*	2.3%	2.6%	2.6%
2004*	2.1%	2.4%	2.4%
2003*	1.2%	1.4%	2.0%
2002*	3.5%	3.0%	2.1%
2001	5.5%	4.3%	3.4%
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%

Source: FY91 to FY01 Bureau of Labor Statistics.
*FY02 to FY05 CA Dept of Finance projections for CA and U.S. Bay Area CPI, Governor's Budget Forecast November 2001.

Housing Affordability Index

The housing affordability index is the most fundamental measure of housing well-being in the state. Only 24% of households in the Bay Area can afford to purchase a median-priced home, up from 17% last year. At 21%, San Mateo County was fourth behind San Francisco, Contra Costa and Marin as the least affordable county in the state. In contrast, 51% and 47% of households can afford median-priced homes in Sacramento and Stanislaus counties, respectively.

Housing Affordability by Region	*November 2000*	*November 2001*
California	31%	34%
United States	54%	59%
SF Bay Area	17%	24%
Santa Clara County	17%	29%
Monterey	16%	22%
Sacramento	52%	51%
Alameda	17%	26%
Contra Costa	14%	18%
San Francisco	10%	14%
Marin	15%	20%
San Mateo	15%	21%
San Joaquin	36%	37%
Stanislaus	46%	47%

Source: CA Association of Realtors

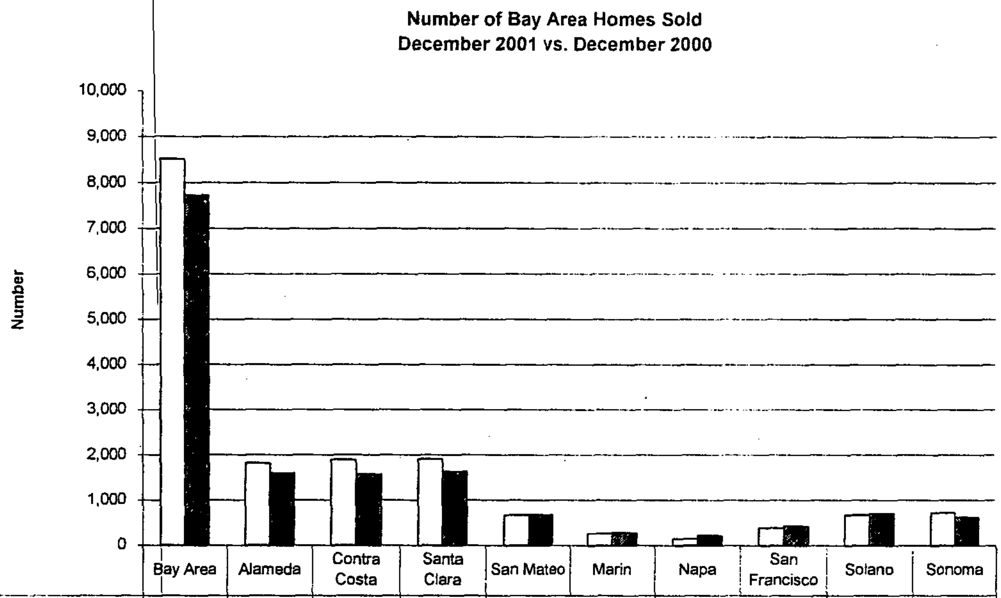
Median Home Price

Prices of homes continue to rise in some parts of the Bay Area but at reduced levels as shown in the chart below. The County's median home price was $501,000 in December 2001, up only 1.6% from the prior year, compared to $366,000 in Alameda County and $308,000 in Contra Costa County with 0.8% and 8.5% increases from prior year, respectively. These are significant declines from 1999 to 2000 growth, when San Mateo, Alameda and Contra Costa counties' home prices were up by 25%, 29% and 26% respectively. Reduced growth in home prices and fewer homes sold (see next page) will negatively affect property tax revenue received by the County.

Median Home Price by County	*December 2000*	*December 2001*	*% Change*
Bay Area	373,000	377,000	1.1%
Alameda	363,000	366,000	0.8%
Contra Costa	284,000	308,000	8.5%
Santa Clara	465,000	435,000	-6.5%
San Mateo	493,000	501,000	1.6%
San Francisco	538,000	500,000	-7.1%
Marin	506,000	518,000	2.4%
Napa	321,000	331,000	3.1%
Solano	210,000	242,000	15.2%
Sonoma	306,000	310,000	1.3%

Source: DataQuick Information Systems, www.DQNews.com

Number of Homes Sold

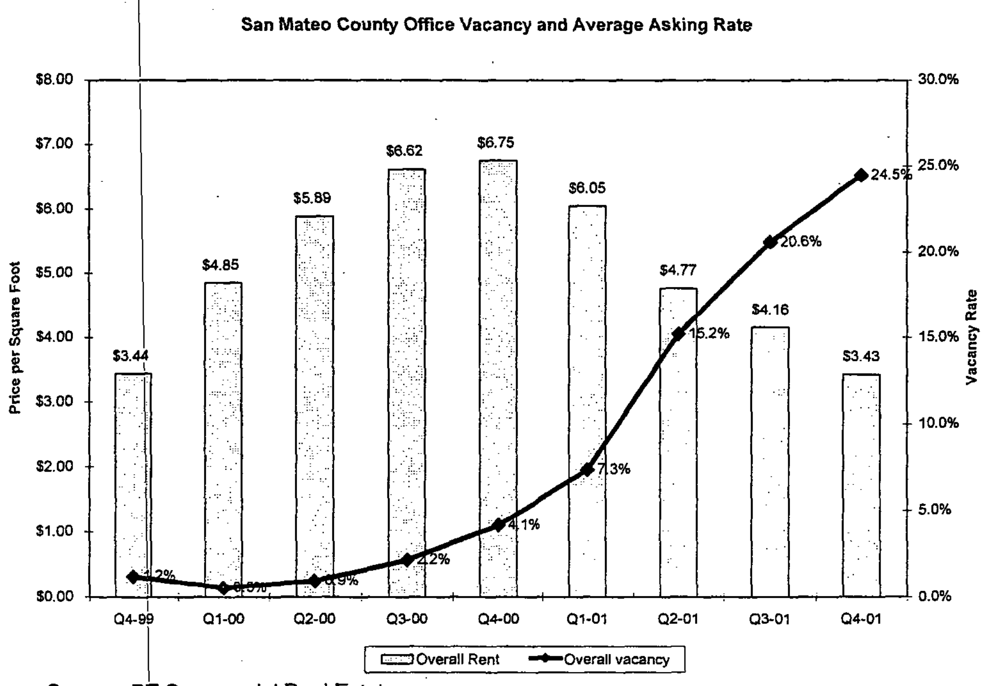


	Bay Area	Alameda	Contra Costa	Santa Clara	San Mateo	Marin	Napa	San Francisco	Solano	Sonoma
Homes Sold Dec-00	8,515	1,822	1,900	1,915	672	260	146	391	677	727
Homes Sold Dec-01	7,725	1,589	1,571	1,624	677	286	213	431	704	630

Source: DataQuick Information Systems, www.DQNews.com

Office Space Availability

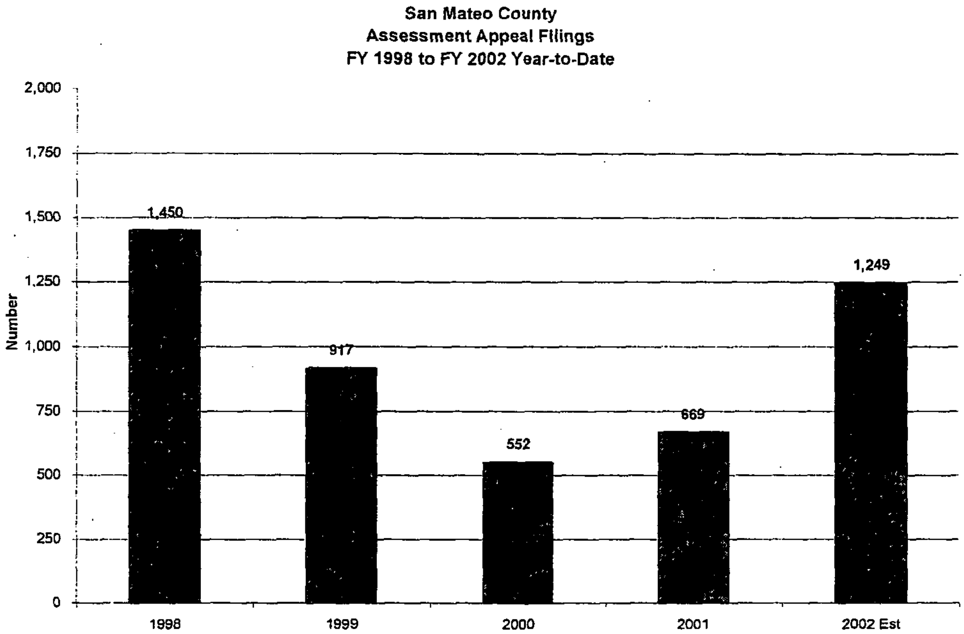
The San Mateo County office market was the hardest hit among all Bay Area office markets in 2001. Vacancy rates rose from 7.3% in the first quarter to 24.5% in the fourth quarter. In 2000, vacancy rates fell to less than 1% in the first two quarters. The availability of space bodes well for organizations that are now looking for space at reasonable rents. From a revenue perspective, the drop in the number of businesses and employees occupying office space in the county due to the downturn in the economy will result in reduced levels of tax revenues.



Source: BT Commercial Real Estate

Assessment Appeal Filings

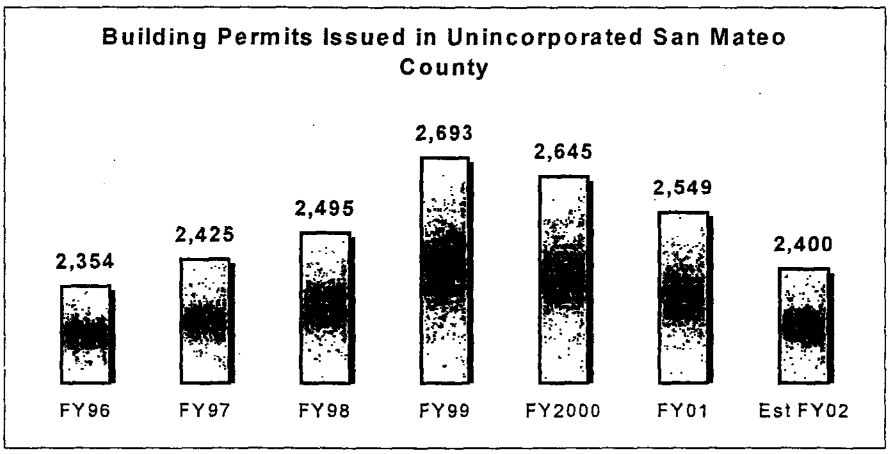
The number of assessment appeals filed with the Assessment Appeals Board are 1,249 in the current year, up from 669 last year, an 87% increase. Filings had fallen to 552 in FY 1999-2000. The increase in number of filings could result in reductions in assessed values of property, which negatively affects property tax revenue for the County.



Source: Assessment Appeals Board

Building Permits

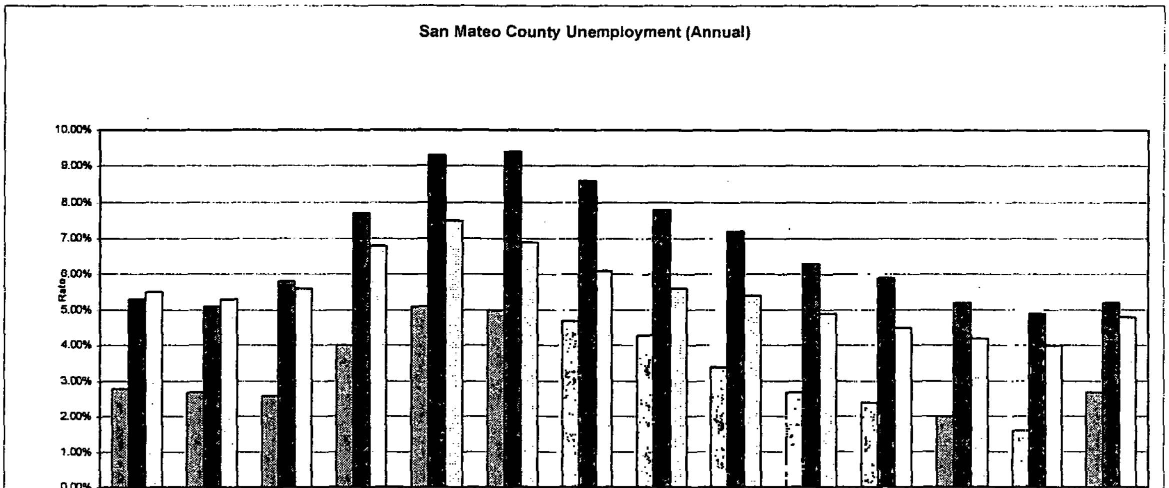
Growth in building permits issued in the unincorporated areas of the County fell 4% from FY 2000-01 to 2001-02. It is estimated that the number of permits issued by the end of this fiscal year will be 6% lower than last year, reflecting a continued decline in building activity. This results in fewer upward adjustments to property values, thereby affecting growth in property tax revenue for the County.



Source: San Mateo County Planning Department

Unemployment - Annual

The unemployment rate in the County was 2.6% in 2001, up from 1.6% in 2000. Increases in the number of unemployed results in reduced levels of consumption for goods and services provided by local businesses as well as a greater need for employment services, public assistance and other services offered by the County. Despite the increase in unemployment, the County's rate remains one of the lowest in the state and the Bay Area.

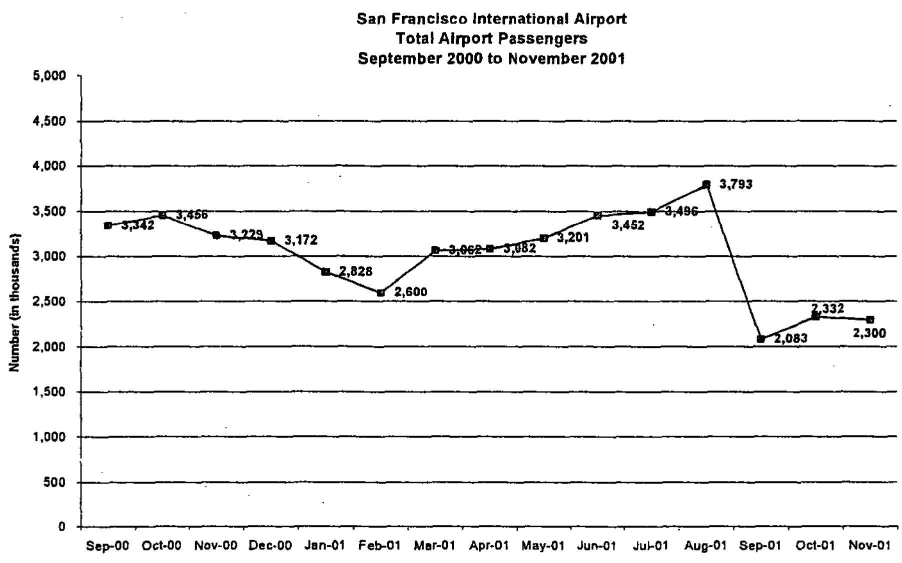


	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
San Mateo	2.8%	2.7%	2.6%	4.0%	5.1%	5.0%	4.7%	4.3%	3.4%	2.7%	2.4%	2.0%	1.6%	2.7%
California	5.3%	5.1%	5.8%	7.7%	9.3%	9.4%	8.6%	7.8%	7.2%	6.3%	5.9%	5.2%	4.9%	5.2%
U.S.	5.5%	5.3%	5.6%	6.8%	7.5%	6.9%	6.1%	5.6%	5.4%	4.9%	4.5%	4.2%	4.0%	4.8%

Source: CA Employment Development Department

San Francisco Airport – Total Passengers

A significant portion of the County's unsecured property tax and sales tax revenues come from businesses at San Francisco International Airport, so it is important to monitor patterns in airport activity. The total number of passengers arriving and departing from the airport fell drastically in September 2001, down 45% from the previous month, and 38% from September 2000. November activity was down 29% from the previous year. Third quarter 2001 sales tax receipts from the airport fell 33% from the previous year. These reduced levels of sales and business activity will significantly affect County revenues.



Source: San Francisco Airport Commission

Historical and Current Year General Revenue Trends

The last five fiscal years were financially healthy periods for the County as well as other government agencies at all levels. During this time, the economy at the local, state and national levels experienced significant growth coming out of the recession of the early 1990's. Property values in the county grew 8.3% in 1998 and 12.5% in 2001, and general-purpose revenue such as sales tax, vehicle license fees and property transfer tax grew by double-digit percentages. As seen in the table below, general purpose revenue and Public Safety Sales Tax (Proposition 172) revenue grew an average of $17.3 million or 7.9% annually between FY 1997 and the current fiscal year.

During 2000, the economy began to weaken and is now officially in a state of recession. This has affected and will continue to affect ongoing revenue streams of the County. In the current fiscal year, we estimate that receipts from general purpose revenue will remain relatively flat in total compared to the prior year, with significant declines in sales tax and property transfer tax. Due to a statewide decline in taxable sales, Public Safety sales tax receipts are estimated to be flat this year.

Revenue Source (Dollars In Thousands)	*FY97-98 Actual*	*FY98-99 Actual*	*FY99-2000 Actual*	*FY00-01 Actual*	*FY01-02 Estimate*	*Average Annual Growth*
AMOUNTS RECEIVED:						
Secured Property Tax	$75,171	$81,332	$89,037	$97,694	$107,801	$7,300
Unsecured Property Tax	8,535	9,330	9,878	11,536	12,113	688
Half-Cent Public Safety Sales Tax	51,858	55,656	62,072	67,502	67,739	4,196
Sales and Use Tax	13,566	13,035	15,665	18,243	15,472	550
Transient Occupancy Tax	1,833	328	540	766	740	(265)
Motor Vehicle License Fees	33,255	36,297	40,934	44,814	46,503	3,139
Other Revenue	21,230	18,894	25,042	35,221	27,101	1,717
TOTAL	$205,448	$214,872	$243,167	$275,777	$277,470	$17,324
GROWTH RATES:						
Secured Property Tax	5.4%	8.2%	9.5%	9.7%	10.3%	8.6%
Unsecured Property Tax	-1.6%	9.3%	5.9%	16.8%	5.0%	7.1%
Half-Cent Public Safety Sales Tax	10.9%	7.3%	11.5%	8.7%	0.4%	7.8%
Sales and Use Tax	6.6%	-3.9%	20.2%	16.5%	-15.2%	4.8%
Transient Occupancy Tax	-11.2%	-82.1%	64.4%	41.9%	-3.5%	1.9%
Motor Vehicle License Fees	7.9%	9.1%	12.8%	9.5%	3.8%	8.6%
Other Revenue	14.7%	-11.0%	32.5%	40.6%	-23.1%	10.8%
TOTAL % Change from Prior Yr	7.6%	4.6%	13.2%	13.4%	0.6%	7.9%

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

Five-Year FY 2003-07 General Revenue Projections

There is general consensus among many economists that the current recession is short-term in nature, and that the economy will begin to rebound in the spring of this year. The State Department of Finance and Legislative Analyst's Office both predict a more optimistic outlook after 2002, despite significant declines in personal income tax and capital gains in the current fiscal year that have contributed to the State's $12 billion budget deficit.

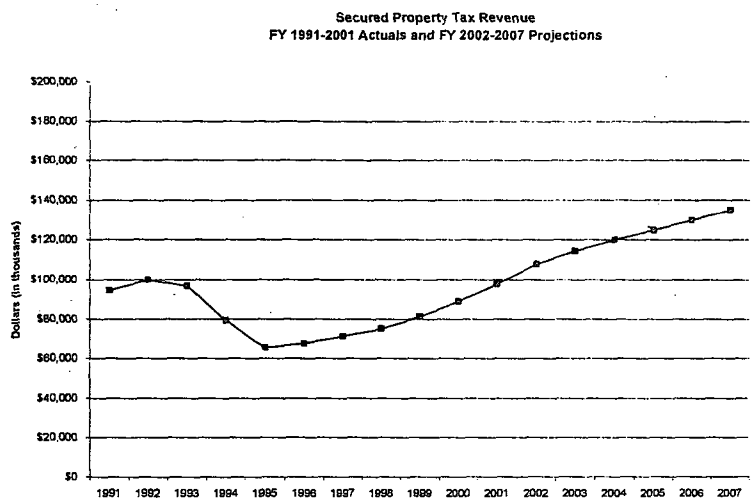
Given historical revenue patterns and available forecasts for local and state economic data, we are projecting a slight decline in general purpose revenues in FY 2002-03 followed by moderate increases in growth ranging from 2.3% in FY 2003-04 to 4.4% in FY 2006-07. The table below shows that general purpose revenue growth should average $7.7 million or 2.7% annually for the next five years, less than half the growth experienced in the last five years. Following the table is a summary of factors that have significant influence on these revenue projections:

Revenue Source (Dollars In Thousands)	*FY02-03 Projected*	*FY03-04 Projected*	*FY04-05 Projected*	*FY05-06 Projected*	*FY06-07 Projected*	*Average Annual Growth*
AMOUNTS RECEIVED:						
Secured Property Tax	$114,269	$119,983	$124,782	$129,773	$134,964	$5,433
Unsecured Property Tax	8,652	8,652	8,652	8,652	8,652	(692)
Half-Cent Public Safety Sales Tax	66,942	68,281	70,808	73,144	75,485	1,549
Sales and Use Tax	15,782	16,366	16,906	17,979	19,112	728
Transient Occupancy Tax	762	785	809	1,425	2,025	257
Motor Vehicle License Fees	46,829	45,705	47,611	50,134	54,095	1,518
Other Revenue	22,814	22,640	21,712	21,762	21,838	(1,053)
TOTAL	**$276,051**	**$282,412**	**$291,280**	**$302,870**	**$316,171**	**$7,740**
GROWTH RATES:						
Secured Property Tax	6.0%	5.0%	4.0%	4.0%	4.0%	4.6%
Unsecured Property Tax	-28.6%	0.0%	0.0%	0.0%	0.0%	-5.7%
Half-Cent Public Safety Sales Tax	-1.2%	2.0%	3.7%	3.3%	3.2%	2.2%
Sales and Use Tax	2.0%	3.7%	3.3%	6.3%	6.3%	4.3%
Transient Occupancy Tax	3.0%	3.0%	3.0%	76.2%	42.1%	25.5%
Motor Vehicle License Fees	0.7%	-2.4%	4.2%	5.3%	7.9%	3.1%
Other Revenue *	-15.8%	-0.8%	-4.1%	0.2%	0.4%	-4.0%
TOTAL % Change from Prior Yr	**-0.5%**	**2.3%**	**3.1%**	**4.0%**	**4.4%**	**2.7%**

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

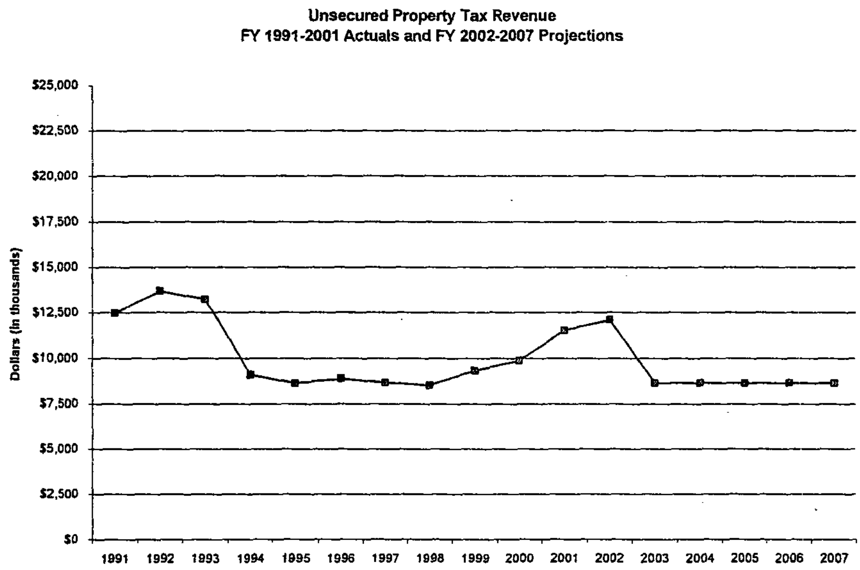
Secured Property Tax

The rate of growth in the secured property tax roll is projected to slow this coming fiscal year, from 10.3% in the current year to 6% growth next year, followed by further reduced growth to 4% in FY 2006 and 2007. Average growth in the last five years was 8.6%, while projections for the next five years reflect $5.4 million or 4.6% average annual growth. We will be working closely with the Assessor and Controller's Office to monitor the impact of the economy on property tax assessments, and will update revenue projections during development of the Recommended Budget.



Unsecured Property Tax

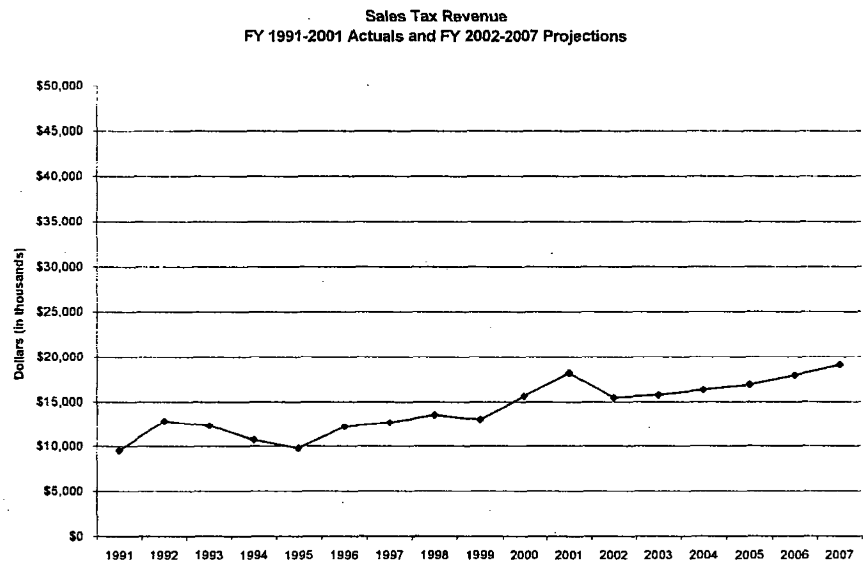
The reduction in flight and business activity at San Francisco International Airport will negatively affect unsecured property tax revenues beginning next fiscal year. A decrease of $3.5 million from the current year is projected in FY 2002-03. Average growth in the last five years was 7.1%, primarily due to the construction of the new international terminal at the airport. Projections for subsequent years are flat pending more information on assessment appeal filings and applications for calamity relief submitted by the airlines and businesses in and surrounding the airport.

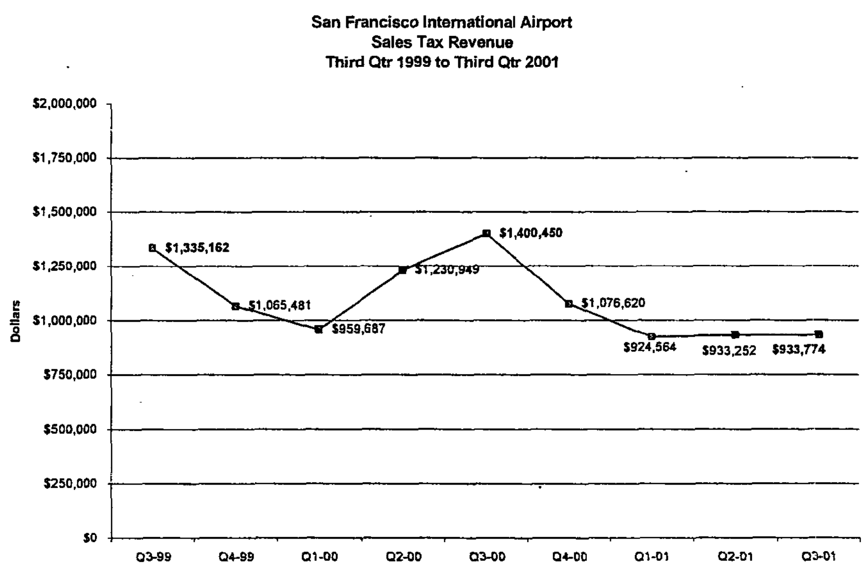


General Purpose Sales Tax (Non-Public Safety)

Sales tax receipts for the quarter ending December 31 was down by 19% compared to last year primarily due to the decline in sales activity at the Airport, including businesses in the new international terminal, as well as the general economic slowdown in the Bay Area. Average growth in the last five years was 4.8%; excluding the current year estimate, average growth was 7.8%.

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; the remainder comes from a portion of sales tax generated in the cities. About 45% of point-of-sale revenues ($5 million annually) comes from businesses at San Francisco Airport, mostly from car rental agencies and jet fuel. Growth in receipts is anticipated in FY 2003 and subsequent years, but at rates in the range of 2% to 6%. The decline in receipts in the current year will have a negative impact on Public Safety Sales Tax revenue as seen on the next page.



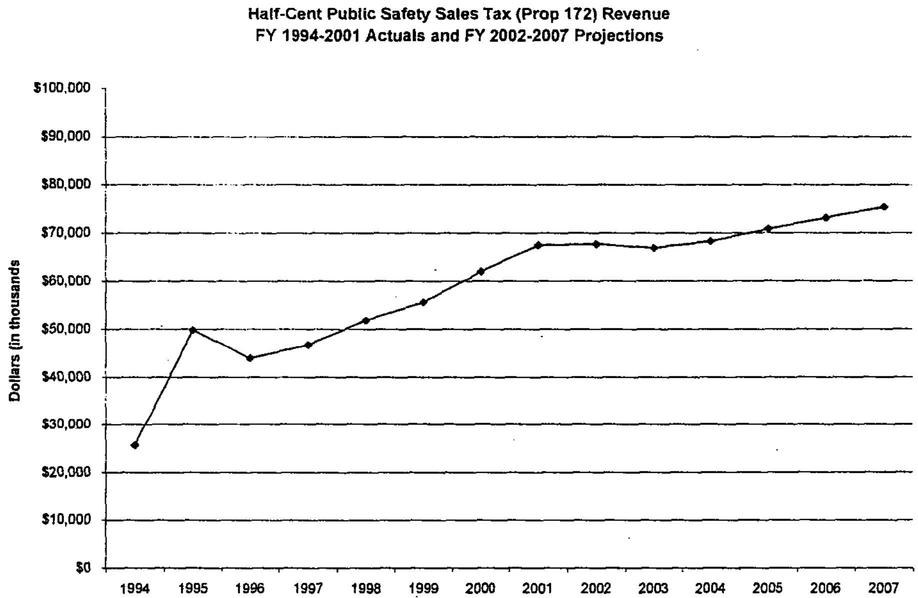


Public Safety Half-Cent Sales Tax (Proposition 172)

Current fiscal year receipts from this revenue source have been flat with only 0.7% growth through December compared to last year. Average growth for the last five years was 7.8%. This revenue has been the primary funding source of negotiated labor increases in Criminal Justice departments such as the Sheriff, Probation, District Attorney and Coroner.

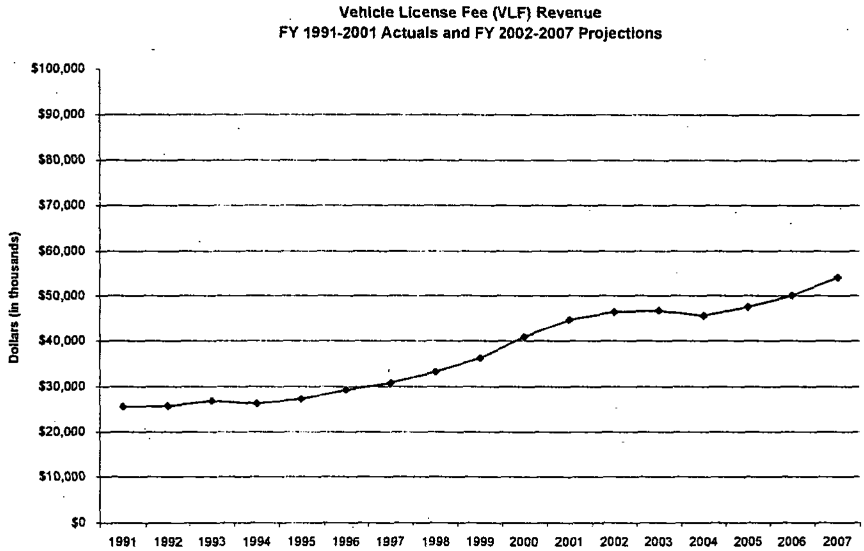
The County began receiving revenue from this tax in FY 1993-94 after the ballot initiative passed. Approximately 34% of Criminal Justice and 50% of Public Safety Communications expenditures are funded by this sales tax, which is distributed to the County based on its portion of statewide taxable sales.

Due to the decline in sales activity at San Francisco Airport and resulting drop in current year sales tax revenue, we anticipate our Public Safety Sales Tax distribution factor to drop to 1999-2000 levels. This will negatively affect FY 2002-03 revenues. We expect receipts to pick up again in FY 2003-04 and subsequent years given projected growth in statewide taxable sales.



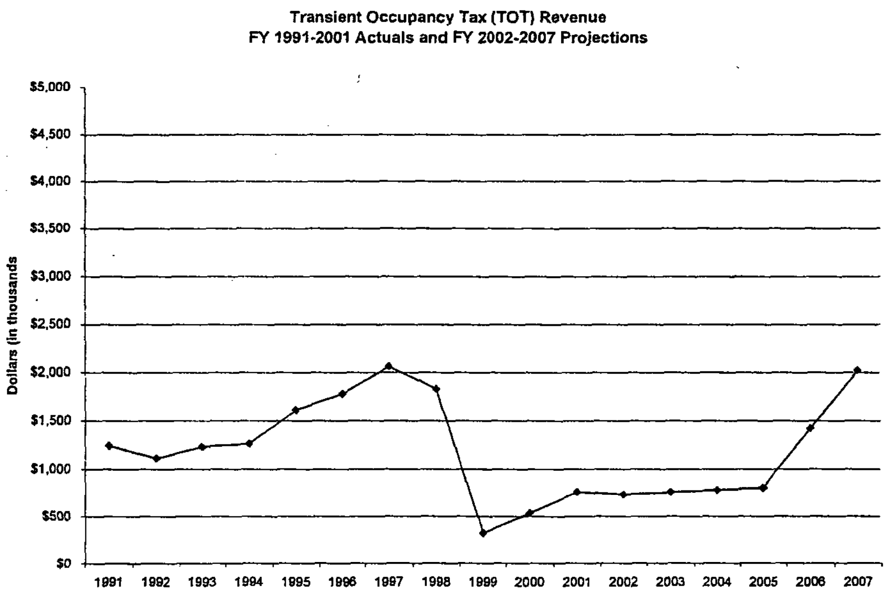
Vehicle License Fees (VLF)

Current fiscal year receipts from this revenue source are up only 2.5% through December compared to last year. Average growth for the last five years was 8.6%. According to the forecast from the State Department of Finance, new vehicle registrations in California are estimated to increase 0.7% in 2001, and projected to decline by 8.4% in 2002 and increase by 0.9% in 2003. Given the increase in new car sales in the last quarter of 2001 due to zero-percent financing incentives, we estimate a 3.8% growth in the current fiscal year. The following two fiscal years will be flat and then decline slightly, with growth resuming in FY 2004-05 through FY 2006-07. Average growth in the next five years is projected at 3.1%.



Transient Occupancy Tax (TOT)

Current fiscal year receipts from this revenue source are down 15.5% through December compared to last year. Average growth for the last five years was 1.9% primarily due to the closure of the Hilton hotel. We project a decline in the current year with moderate growth at 3% through FY 2004-05. A new hotel to replace the Hilton at the Airport is expected to open in December 2005. Transient occupancy tax (TOT) revenue of approximately $600,000 is projected in FY 2005-06 with full annual receipts of $1.2 million thereafter.



RESOLUTION NO. ____________________

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

* * * * * * * * * *

RESOLUTION AUTHORIZING INCREASE IN THE CASH ADVANCE LIMIT FOR THE HOSPITAL AND COMMUNITY HEALTH CLINICS ENTERPRISE FUNDS FROM JULY 1, 2001 THROUGH JUNE 30, 2002 INCLUDING ALL YEAR-END CLOSING ACTIVITIES FOR FY 2001-02 AND WAIVER OF INTEREST CHARGE

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 advance from the General Fund to the Hospital and Community Health Clinics Enterprise funds on an as needed basis up to an amount of $40,000,000; and

WHEREAS, this Board approved a temporary increase in cash loan advances to $19,600,000 from the General Fund to these funds without interest through all year-end closing activities from FY 1999-00; and

WHEREAS, this Board approved a temporary increase in cash loan advance from the General Fund to these Enterprise Funds without interest from $19,600,000 to an amount of $30,000,000 for the period through August 1, 2000 through all year-end closing activities for FY 2000-01 including all year-end closing activities; and

WHEREAS, this Board wishes to continue this cash advance without interest, increasing the amount to $40,000,000 through FY 2001-02, including all year-end closing activities.

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 $40,000,000 combined without a provision of interest through FY 2001-02 through all year-end closing activities 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.