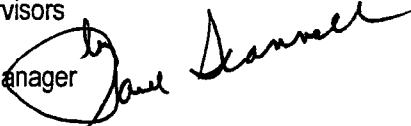


# COUNTY OF SAN MATEO

## County Manager's Office

Date: September 24, 2002

TO: Honorable Board of Supervisors  
FROM: John L. Maltbie, County Manager   
SUBJECT: Final Budget Changes to the Fiscal Year 2002-03 Recommended Budget

### RECOMMENDATIONS

Approve Final Budget changes to the Fiscal Year 2002-03 Recommended Budget and adopt the following Budget Resolutions and amendment to the Master Salary Ordinance:

1. Adopt a resolution approving the budget of the County of San Mateo as to the expenditures for Fiscal Year 2002-03 and making appropriations therefore;
2. Adopt a resolution approving the budget of the County of San Mateo as to the means of financing for Fiscal Year 2002-03;
3. Adopt an ordinance amending the Master Salary Ordinance for changes related to the Final Budget;
4. Adopt a resolution establishing the appropriation limit for the County in accordance with Article XIII B of the California Constitution; and
5. Accept reports related to budget items discussed during June Budget Hearings.

### Discussion

On May 28, 2002, the Fiscal Years 2002-2004 Recommended Budget was submitted to the Board. Public hearings were conducted from June 24 through June 26, 2002. As a result of the adoption of the State budget, results of the County's financial year-end closing activities and availability of more current information, changes have been made to the County's Recommended Budget.

Final Budget changes for all County funds (Attachment F) result in the net reduction of 50 positions. Of the positions being eliminated as part of departmental reductions, ten are filled. Five can be transferred to vacancies in other departments and five will result in either a demotion or layoff. Attachment C contains a summary of position changes. Major changes include the following:

- Adjustments to address the \$32.9 million shortfall in the General Fund:
  - Net reductions in General Fund departments (\$16.8M) to meet 12% Net County Cost targets that include the deletion of 62 positions, reductions in other operating expenses, reduction of Departmental Reserves (\$4.5M) and increase in Revenue (\$1.3M). The net reductions (\$16.8M) have been appropriated in Services and Supplies of the Non-Departmental Services budget unit until actual adjustments can be made as a result of labor negotiations and final State Budget adjustments.
  - Reduction in Non-Departmental General Fund Reserves (\$16.1M) to cover the remainder of the \$32.9M budget shortfall and addition of Services and Supplies (\$3.5M) for unknown impact of other funding losses and cost increases.
- Net additions in General and Non-General Funds (\$18.6M) which include: addition of 12 fully funded positions for the Children's Health Initiative (5) and San Mateo Medical Center (7); revenue enhancement initiatives in the San Mateo Medical Center; new grant funding and appropriations; update of tax revenue estimates; reappropriation of capital and technology projects in progress; and addition of fully funded positions and related Salaries and Benefits to reconcile with the Master Salary Ordinance.
- The reductions and additions above result in an increase of \$5.9 million to Total Requirements of all County funds, for a revised County Budget total of \$1.23 billion.

**ESTIMATED BUDGET SHORTFALL**

The table below summarizes the components of the \$32.9 million estimated budget gap for Fiscal Year 2002-03. The impact of the State Budget is approximately half of the original May/June estimate. However, the Governor has not yet signed all budget measures, and additional reductions remain to be made. These could have an impact at the local level that is unknown at this time. County labor negotiations are currently in progress, with major MOUs expiring in early November.

Budget Item	Departments Affected	May/June Estimate	September Estimate
Human Services (HSA) – Total Estimate		\$ 6,400,000	
CalWORKS	Human Services Agency		\$ 953,000
Medi-Cal Eligibility/Administration	Human Services Agency		986,000
Child Welfare Services	Human Services Agency		660,000
Adoptions	Human Services Agency		103,000
Food Stamps	Human Services Agency		229,000
Crime Prevention Act (CPA) 2000 – no additional reductions made	Probation Department	2,400,000	-
Mental Health Services – Total Estimate		1,200,000	-
Mental Health Children System of Care	Mental Health		362,500
Early Periodic Screening Diagnosis and Treatment (EPSDT)	Mental Health		32,000
Homeless Mentally Ill	Mental Health		950,000
Adult Protective Services	Aging and Adult Services	-	148,000
In-Home Supportive Svcs Wage Increase	IHSS General Fund Contribution	-	550,000
Hospital and Clinics – Total Estimate		1,800,000	
Disproportionate Share (DSH) Admin Fee	Hospital and Clinics		690,000
Healthy Families/Medi-Cal Outreach Funding	Hospital and Clinics		250,000
AB915 revenue for unreimbursed outpatient Medi-Cal	Hospital and Clinics		(750,000)
Revenue loss from HSA cuts in Medi-Cal Eligibility/Administration	Hospital and Clinics	-	unknown
	<b>Subtotal Estimated State Budget Impact</b>	<b>\$ 11,800,000</b>	<b>\$ 5,163,500</b>
	<b>Estimate for Unknown Impact of Other Funding Losses/Cost Increases</b>	<b>-</b>	<b>\$ 7,000,000</b>
Public Safety Sales Tax Revenue Shortfall due to reduced factor from 2001 sales	Public Safety Departments	5,000,000	7,500,000
Release on Own Recognizance – was included in June Revisions	General Fund	2,800,000	-
General Fund COLA – negotiations pending	General Fund	13,200,000	13,200,000
	<b>Subtotal Estimated Other Budget Impact</b>	<b>\$ 21,000,000</b>	<b>\$ 20,700,000</b>
	<b>TOTAL ESTIMATED BUDGET SHORTFALL</b>	<b>\$ 32,800,000</b>	<b>\$ 32,863,500</b>

**State Budget Impact**

Attachment A contains a September 16 update on the status of the State's budget, as well as updated impact analysis from Health Services, Hospital and Clinics, and Human Services. Estimated budget impact at this point is a \$5.2 million loss of funding, primarily in Human Services and Mental Health. Intergovernmental Revenue has been reduced in the budget along with a corresponding reduction in Non-Departmental Reserves to reflect this estimated loss. It is important to emphasize that the Governor has not yet signed all budget measures, and that County departments have not received complete information regarding actual impact on their budgets. State departments have already been asked to prepare 20% reduction plans for next fiscal year to address additional State budget deficits estimated to be \$45 billion over the next five years. It is highly anticipated that larger reductions will be made to County programs in the next and subsequent years.

Human Services has estimated a funding loss of \$2.9 million and potential reduction of 25 positions. Reductions will negatively affect Medi-Cal and CalWORKS enrollment efforts which will in turn reduce income assistance and reduce access to medical care for those in need. Impact on revenue for the Hospital and Clinics due to reduced enrollment is unknown at this time. Reductions in Child Welfare Services will result in delays in investigating reported abuse and neglect and longer stays in temporary and emergency placement. Cuts would also result in the delay of adoptions and reduced Food Stamps assistance.

Mental Health has an estimated funding loss of \$1.4 million. This includes a 50% reduction in the Children System of Care which would result in elimination of approximately 5.3 FTE and services for up to 132 high-risk seriously emotionally disturbed youth currently being served in collaboration with Probation, Education and Child Welfare Services. Reductions in funding for homeless mentally ill would result in the loss of 75 community treatment slots and 40 shelter beds for homeless mentally ill adults who have been unable to link with any other treatment programs.

**Departmental Reductions**

County departments were given reduction targets based on their Net County Cost (NCC), which represents the portion of departmental budgets that is funded by General Fund Non-Departmental revenue such as property tax, sales tax and vehicle license fees. Departments were asked to prepare NCC reductions at 3.5%, 7% and 12% levels. These reduction scenarios are summarized in Attachment B. The table below reflects reductions being recommended at the 12% level. Detailed descriptions of reductions can be found in Attachment F – Final Budget Changes.

GENERAL FUND County Agency	Staff Reduction	Salaries and Benefits	Other Operating	Departmental Reserves	TOTAL COST IMPACT	TOTAL REVENUE IMPACT	NET COST IMPACT
Administration/Fiscal	(8)	\$(330,421)	\$(574,875)	\$(1,681,834)	\$(2,587,130)	\$94,503	\$(2,681,633)
Criminal Justice	(27)	(2,719,107)	(320,883)	(1,713,941)	(4,753,931)	641,314	(5,395,245)
Environmental Services	(5)	(330,603)	(478,747)	(254,425)	(1,063,775)	30,000	(1,093,775)
Health Services	(1)	(296,040)	(1,427,002)	0	(1,723,042)	408,009	(2,131,051)
Hospital and Clinics Contribution and Correctional Health	(7)	(465,811)	(2,509,752)	0	(2,975,563)	0	(2,975,563)
Human Services	(14)	(465,897)	(966,734)	(875,021)	(2,307,652)	100,000	(2,407,652)
Public Works	0	0	0	(49,913)	(49,913)	0	(49,913)
<b>TOTAL</b>	<b>(62)</b>	<b>\$(4,607,879)</b>	<b>\$(6,277,993)</b>	<b>\$(4,575,134)</b>	<b>\$(15,461,006)</b>	<b>\$1,273,826</b>	<b>\$(16,734,832)</b>

Administration and Fiscal (\$2,681,633)

Savings in Administration/Fiscal were achieved by eliminating seven positions (\$383,447), increasing revenue (\$59,503), reducing operating accounts (\$448,849), and reducing Departmental Reserves (\$1,681,834).

The Assessor-County Clerk-Recorder, the Board of Supervisors, County Counsel, and the Tax Collector/Treasurer have met their reduction targets by reducing Departmental Reserves. Ongoing reductions will be achieved through a combination of increased revenues, Salary and Benefits savings through FTE reductions and reduced Services and Supplies. The Controller's Office will eliminate six positions in General Accounting and reduce consulting services, computer processing charges and Departmental Reserves. With the efficiencies gained through the new Accounts Payable process and the short-term use of Extra Help staff, the Controller's Office should be able to manage without a reduction in service quality. The County Manager's Office will eliminate the vacant Public Services Specialist position, which will reduce front desk coverage and shift administrative support workload to other staff, and reduce various Services and Supplies accounts as well as Departmental Reserves. Funding for OBM implementation and budget document production were reduced in the Non-Departmental Services budget unit. Remaining funds will be used for departmental needs in the areas of data collection and analysis as well as other areas identified by program managers.

Employee and Public Services will eliminate a vacant Mail Services Driver position, reduce various Services and Supplies accounts, and defer computer equipment replacement and technology improvements in Public Safety Communications. Potential impacts from these reductions could result in computer/communication failures, decrease the frequency of mail delivery and pick-ups, reduce number of employees receiving tuition reimbursement, reduce the number of classification/compensation studies and limit advertising for executive searches and hard to fill positions.

Criminal Justice (\$5,395,245)

The largest reduction proposed in the Sheriff's Office is the closure of the Men's Honor Camp in La Honda, which results in the elimination of 13 positions. This closure will save the department close to \$2 million annually, but will impact the census at Maguire and will eliminate a minimum-security sentencing alternative for minor offenders. In addition, work programs utilizing Honor Camp offenders, like the Fire Safe program, will be eliminated. Such programs have saved public agencies money and provided valuable service that is not otherwise available. Departmental Reserves were reduced by \$1.5 million, and revenues were increased by \$264,000 from increased reimbursement for services provided to East Palo Alto and \$231,000 from one-time Facilities Maintenance rebate from Public Works. Other staff reductions were made in Narcotics enforcement and Women's Honor Camp, and overtime and vacancy coverage for Maguire Jail was also reduced, which will result in increased workload and potential staffing challenges in the affected programs.

The Probation Department reduced ten positions in both Juvenile and Adult Supervision programs. The reduced staffing will affect programs across the board and will impact the timeliness and effectiveness of programs offered. Notable programs affected by staffing reductions include both juvenile and adult court services programs, the Mental Health Diversion Program for Adult probationers, and staffing levels at Hillcrest Juvenile Hall and Camp Glenwood, both of which are currently running at low staffing levels and are utilizing extra help to offset shortages.

The District Attorney's Office focused on reducing expenses by putting off technology upgrades and utilizing Departmental Reserves, and the Coroner's Office restructured its administrative unit and reduced special pay incentives.

Human Services (\$2,407,652)

Reductions in HSA include the elimination of 14 vacant positions: 10 positions from Tower House which are being replaced by contracted services, two positions from the VRS WorkCenter, an Accountant from Financial Services and an Office Assistant from Planning and Research. Agency Reserves were reduced by \$673,251, Child Care Reserves by \$145,665 and Out of Home Placement Reserves by \$56,105. The reduction of Departmental Reserves is intended to cover the cost for various contracted services in FY 2002-03. It is anticipated that funding will not be available for these services beginning FY 2003-04. Other reductions include the elimination of a General Assistance cost of living adjustment, elimination of

maintenance funds budgeted for SAFE Harbor, removal of enhanced transportation services for children, reductions to Alcohol and Other Drug Services for transition services, reduced funding for employment training to foster care youth and reductions to Out of Home Placement services. As a result, the Agency anticipates fewer resources for clients in the community. Some of its clients will experience a delay in receiving services and receive less one-on-one time, and there will be less administrative and financial support provided to programs.

Health Services (\$2,131,051)

Health Services met reduction targets through expenditure reductions which incorporate corresponding losses of \$103,200 in California Children's Services and Medi-Cal revenue associated with certain program reductions, and an increase of \$481,209 in Realignment revenue based on prior year actual receipts and caseloads. Only one position was deleted in the agency.

In Aging and Adult Services, a reduction of approximately one-third (\$19,713) of the proposed allocation for Geriatric Assessment Center startup funds was made, as well as a reduction in contract services for difficult placements of dementia clients.

In Mental Health Services, reductions in provider network referrals to a cumulative total of 207 of the original 300 treatment slots will result in longer waiting periods for clients to enter treatment and some earlier-than-indicated treatment terminations. The elimination of five beds for the Women's Recovery Association dually-diagnosed women clients will result in a loss of services to 20 women; and reductions in the Caminar contract will mean fewer available housing placements and reduced client services for intensive case management clients.

In Public Health Services, there will be a decrease of approximately 400 nursing home visits and 40 fewer families served in the North County area, and decreases in therapy services for California Children's Services (CCS) clients will result in disabled children being placed on longer waiting lists for services and an associated loss in State revenue. There will be a delay in implementing the pilot hand-held food inspection program in Environmental Health Services.

Hospital and Clinics Contribution/Correctional Health (\$2,975,563)

Hospital and Clinics will implement a number of revenue enhancement initiatives and expect to receive additional reimbursement from Health Plan of San Mateo (HPSM) and federal/state sources, resulting in a \$2.5 million reduction to the General Fund subsidy.

Correctional Health Services met the reduction target of \$471,838 through expenditure reductions that included deletion of seven positions. This will reduce the services provided to Sheltered Living patients who require assistance with daily living functions and necessitate that some of these types of inmates be sent to the hospital for care. Elimination of a vacant nursing position at the Women's Correctional Center may require that certain additional responsibilities be covered by Sheriff's Deputies. A delay in diversion evaluation and mental health consultations to Court and Adult Probation Services will result from elimination of a Licensed Psychiatric Technician position. Other staff reductions will reduce evening and weekend mental health services to inmates, requiring that some inmates currently managed in the jail will require transportation and housing in other facilities.

Environmental Services (\$1,093,775)

Environmental Services reductions include the elimination of five vacant positions, four from the Parks and Recreation Division and one from Planning and Building. The Agency reduced Departmental Reserves by \$284,425. Other reductions include decreases to various Services and Supplies accounts and Extra Help.

As a result of these cuts, the Parks and Recreation Division anticipates a reduction in its ability to provide parks maintenance, cleanup and visitor services. There will be less clerical support. Tasks will need to be reassigned and low priority tasks eliminated. Due to the elimination of a vacant Office Assistant in the Planning and Building Division, there will

be fewer staff available for phone coverage and other office support functions. The Division will eliminate positions in FY 2003-04 to replace the use of Departmental Reserves used in FY 2002-03. The Agricultural Commissioner/Sealer reduced Departmental Reserves in FY 2002-03 and will eliminate a vacant Biologist/Standards Specialist and make additional reductions to Services and Supplies to achieve ongoing reductions in FY 2003-04. UC Cooperative eliminated three of its four leased vehicles and reduced contract services. ESA Administration reduced Departmental Reserves, reduced its Executive Secretary position to part-time and made a reduction to Services and Supplies.

Public Works-General Fund (\$49,913)

In addition to savings already included in the Recommended Budget, Public Works reduced Departmental Reserves by \$49,913. The Agency will sustain the 12% target in future years through a reduction in the payment to the City of Redwood City for the maintenance of the Fair Oaks Community Center and a reduction in countywide graffiti abatement services.

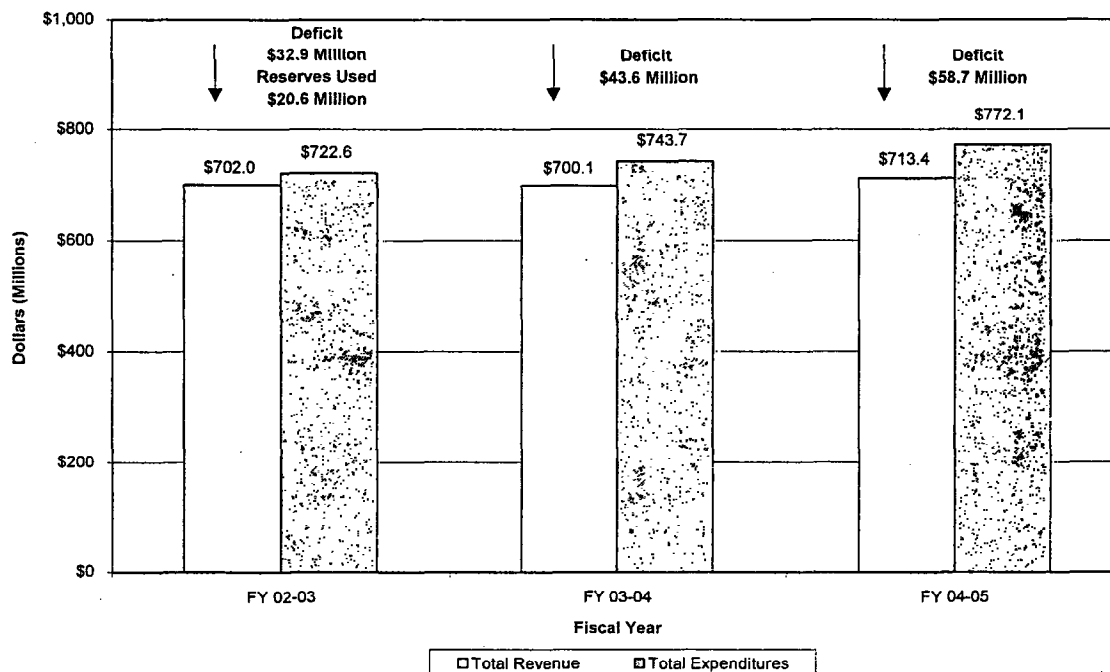
**IMPACT OF FUTURE DEFICITS ON RESERVES**

The \$32.9 million General Fund shortfall was addressed this year with a combination of departmental reductions and use of Reserves. In total, \$20.6 million in Departmental Reserves (\$4.5M) and Non-Departmental Reserves (\$16.1M) were used. The current Reserves balance in the General Fund is \$127.3 million. It is anticipated that, given continued losses in state/federal funding, increased labor and retirement contribution costs, an average four-percent growth factor in other revenues, and other increased costs, these Reserves will be used in subsequent years to help balance the budget. The graph below shows usage of Reserves to balance the budgets for FY 2002-03 through FY 2004-05. Depletion of Reserves will occur in FY 2005-06 if there are no additional cost reduction or revenue enhancement measures implemented.

Implementation of Business License Tax

A preliminary analysis on imposing a Business License Tax in the unincorporated area of the county for revenue raising purposes indicates that approximately \$4.5 million in new ongoing revenue can be generated for the County General Fund. Additional revenue could also be generated by using the number of trips or per-trip fee as the basis for imposing the tax on ground transportation operators doing business at San Francisco International Airport. Imposition of the tax would require a countywide election. The earliest the Board can place the tax on the ballot is at the general county election in March 2004.

**Use of General Fund Reserves  
 to Address Future Budget Deficits**



### **REPORT BACK ITEMS**

Attachment E contains the following reports requested at the June Budget Hearings:

- Sustainability of the Solid Waste Fund to provide ongoing support of the Children's Health Initiative
- Update on Children's Health Initiative
- County Health activities on the Coast and Coastside Medical Clinic
- Report on Non-Profit Real Property Acquisition Program
- Tobacco Settlement funding for tobacco prevention activities
- North Peninsula Family Alternatives' Juvenile Sexual Responsibility Program: History of Human Services Agency Financial Support and Impact of Reductions on Out-of-Home Placements
- Raising a Reader Program and participating childcare providers
- Vocational Rehabilitation Services
- Revenue Analysis of City of East Palo Alto (to be sent under separate cover)

### **FINAL FUND BALANCES**

As adopted by Board Resolution, final adjustments to Fund Balances after year-end closing activities are included in the Recommended Budget and must comply with County Reserves Policy guidelines. After FY 2001-02 year-end closing, additional Fund Balances of \$28.9 million for all County funds (\$15.5M General Fund and \$13.4M Other Funds) were included in the budget. These adjustments are summarized in Attachment D. Of the total amount, \$16.3M was set aside in Reserves (\$9.0M General Fund and \$7.3M Non-General Fund Reserves). A number of departments used Reserves to meet reduction targets in FY 2002-03.

### **ATTACHMENTS**

- Attachment A – Latest Update on State Budget Impact and HSA and Health Impact Summaries
- Attachment B – Summary of Departmental Reduction Plans at 3.5%, 7% and 12% Net County Cost reduction levels
- Attachment C – Position Changes Summary
- Attachment D – Final Fund Balance Adjustments
- Attachment E – Report Back Items
- Attachment F – Final Budget Changes FY 2002-03 and FY 2003-04