

COUNTY OF SAN MATEO

County Manager's Office

Date: September 20, 2004

Board Date: September 28, 2004

TO: Honorable Board of Supervisors
FROM: John L. Maltbie, County Manager
SUBJECT: Final Budget Changes to the Fiscal Year 2004-05 Recommended Budget

RECOMMENDATIONS

Approve the following actions related to final budget changes to the Fiscal Year 2004-05 Recommended Budget:

1. Adopt resolutions:
 - a. approving the County of San Mateo budget as to the expenditures for Fiscal Year 2004-05 and making appropriations therefore;
 - b. approving the County of San Mateo budget as to the means of financing for Fiscal Year 2004-05;
 - c. establishing the appropriation limit for the County in accordance with Article XIII B of the California Constitution;
2. Adopt an ordinance amending the Master Salary Ordinance for changes related to the Fiscal Year 2004-05 budget;
3. Consider Board budget requests from District 4;
4. Accept reports related to budget items discussed during June Budget Hearings; and
5. Accept the FY 2003-04 Year-End Performance Report.

Discussion

The Board's public hearings on the FY 2004-05/2005-06 Recommended Budget were conducted from June 28 through June 30, 2004. As a result of the adoption of the State budget, the County's financial year-end closing activities and availability of more current information, changes are proposed to the Recommended Budget.

The FY 2004-05 Recommended Budget tentatively adopted by the Board in June was \$21.9 million (or 1.7%) higher than the prior year. In May, a \$56.3 million General Fund budget deficit was anticipated, including \$23.1 million in estimated State budget impacts. This anticipated deficit was addressed in the Recommended Budget by reducing departmental spending requests, increasing revenues and utilizing County Reserves. This was the third consecutive year that significant Reserves were used to balance the budget. Since June, the County's financial situation has improved. Upon completion of the year-end financial closing process, the County generated an additional \$29.4 million in Fund Balance, including \$13.5 million in the General Fund. In addition, the State budget impact has been reduced from \$23.1 million to \$6.2 million due in large part to the redistribution of the \$1.3 billion local government contribution to the State budget crisis. As part of the State/local government negotiated agreement, local governments will surrender \$1.3 billion in 2004-05 and 2005-06 in exchange for constitutional protections from future State efforts to take local revenues.

| Agencies | FY 2004-05 Recommended Budget | Final Fund Balance Adjustments | September Revisions (colored sheets) | FY 2004-05 Final Budget | FY 2004-05 Recommended Positions | September Revisions (colored sheets) | FY 2004-05 Final Positions |
|---------------------------------|-------------------------------------|--------------------------------------|--|-------------------------------|--|--|----------------------------------|
| Administration and Fiscal | 78,421,972 | 1,403,140 | 305,000 | 80,130,112 | 573 | 1 | 574 |
| Criminal Justice | 230,645,727 | 3,099,387 | 669,753 | 234,414,867 | 1,252 | 10 | 1,262 |
| Environmental Services | 64,308,906 | 3,500,707 | 0 | 67,809,613 | 262 | 0 | 262 |
| Public Works | 116,630,278 | 5,988,347 | (725,294) | 121,893,331 | 323 | (8) | 315 |
| Health Services | 181,830,466 | 827,884 | 532,285 | 183,190,635 | 867 | 9 | 876 |
| Medical Center | 189,478,982 | 767,172 | (2,511,270) | 187,734,884 | 1,232 | (16) | 1,216 |
| GF Contrib to Med Center | 51,822,833 | 0 | 0 | 51,822,833 | 0 | 0 | 0 |
| Human Services | 182,017,717 | 552,937 | 2,820,883 | 185,391,537 | 742 | 11 | 753 |
| Non-Departmental | 195,501,376 | 12,378,120 | 19,462,758 | 227,342,254 | 0 | 0 | 0 |
| Total All Agencies/Funds | 1,290,658,257 | 28,517,694 | 20,554,115 | 1,339,730,066 | 5,251 | 7 | 5,258 |

FINAL FUND BALANCE ADJUSTMENTS

As adopted by Board Resolution, final adjustments to Fund Balances after year-end closing activities are included in the Recommended Budget and comply with County Reserves Policy guidelines. After FY 2003-04 year-end closing, additional Fund Balances of \$29.4 million for all County funds (\$13.5 million in the General Fund and \$15.9 million in Other Funds) were included in the budget, resulting in increased appropriations of \$28.5 million (see chart above), while approximately \$900,000 was used to offset declining revenues. Increased appropriations total \$11 million for operating purposes and \$17.5 million is set aside in Reserves (\$6.9 M in General Fund Reserves and \$10.6 million in Non-General Fund Reserves). These adjustments are summarized in Attachment D.

FINAL BUDGET CHANGES (September Revisions)

Final budget changes for all County funds (Attachment C) result in the addition to the County Budget of \$17.9 million and a net increase of seven positions (27 additional position in the General Fund and reductions of 16 positions in the Medical Center and four positions Public Works). Attachment A contains a summary of position changes. The revised County Budget is \$1.34 billion and 5,258 positions. The following are the significant budget changes:

1. Update State Budget Impact (\$16.9 million)
 Intergovernmental Revenues and Reserves were reduced by \$23,108,554 in the Recommended Budget based on estimated impact of the Governor's May Revision. This estimate has been updated based on the final State budget. Impact is now estimated at \$6,227,322, mainly due to the agreement reached with local governments. The County's loss from the VLF/property tax swap for each of the next two years is \$6,704,877, offset by \$477,555 in additional revenue as described in County Manager's Report #12. Intergovernmental Revenues are increased and Reserves are restored to reflect this updated estimate.
2. Upgrade and Renovation of Safe Harbor Shelter (\$1 million)
 The Office of Housing has been awarded one-time Proposition 46 funding for the upgrade and renovation of the SAFE Harbor emergency shelter. Renovations will include: upgrading of shelter beds, reorganizing space to provide more privacy and secure storage, and creating private offices for counseling and treatment. There is no change in Net County Cost.

3. Implement Recommendations to Child Welfare Services (\$906,397)
In response to the Grand Jury and Blue Ribbon Committee recommendations for Child Welfare Services, the following will be implemented: increase core training to social workers, add one Social Worker Supervisor, three Social Worker IIs, and one Administrative Secretary II to lower caseloads to 25 cases per worker and support the centralized administration of countywide functions in the Central Region. Policies and procedures to support staff will be implemented through a user friendly online Child Welfare Services Handbook, and funding is increased for County Counsel legal services, including training for staff and representation in Court. Reserves and Federal funding will be utilized in FY 2004-05, as ongoing funding solutions will need to be examined. There is no change in Net County Cost.
4. Public Works Staffing Reductions (\$859,128)
Reductions in State funding for transportation projects and declining gasoline tax proceeds have resulted in fewer funded road construction and maintenance projects, significantly reducing workload in the Engineering and Road Construction units. As a result, nine vacant positions are being eliminated, including four Associate Engineer positions and the equivalent of one road crew, consisting of one Road Maintenance Supervisor, three Road Maintenance Workers and one Utility Worker II. Savings from the elimination of these positions offset the reduced revenues. There is no change in Net County Cost.
5. Medical Center Revised Revenue Estimates (\$2.7 million)
Earlier funding estimates are revised to more conservatively budget anticipated revenue from certain sources such as Disproportionate Share Hospital Payments (SB 855) and SB 1732, resulting in a decrease of approximately \$2.7 million. To offset this decrease in estimated revenues, a number of expenditure reductions are being made, including contracted services and capital purchases. There is no Net County Cost.
6. Medical Marijuana Funding Adjustment (\$178,000)
The Medical Marijuana clinical study was initiated over five years ago and is near completion. The General Fund contribution to the Medical Center for this project has been reduced from \$428,000 to \$250,000. The \$250,000 contribution should sustain the program through January 2005. As part of the mid-year budget review process, it is recommended that the Board make a determination as to continued funding for the program.
7. Medical Center Position Reconciliation (\$198,868)
Staffing level adjustments and reconciliation of budgeted positions to the Master Salary Ordinance result in a reduction of 16 vacant positions. Savings from position reductions are offset by increased appropriations for Overtime and Extra Help, resulting in a net increase in Salaries and Benefits of \$198,868. These costs are offset by revenue adjustments to Contractual Allowances and fees for drug and pharmaceutical sales. There is no Net County Cost.
8. Health Promotion and Disease Control (HPDC) Reorganization (\$714,360)
The Health Services Agency is reorganizing HPDC to integrate and expand Public Health operations within the Edison Clinic at the San Mateo Medical Center. This will include establishment of a Center for Excellence for infectious and other communicable diseases with an initial emphasis on STD screening, diagnostic, and treatment services. A net staffing increase of four positions will be added as a result of this reorganization. Funding will be provided by combination of Medi-Cal fees-for-services and categorical grant funding, as well as available year-end Fund Balance (\$524,087). There is no change in Net County Cost. Health's use of Fund Balance for this purpose is included in the Countywide Summary of Final Fund Balance—Attachment D. A separate Board report on the initiative is included in Report Back Items-Attachment B.
9. Inpatient Mental Health Treatment Options (\$375,125)
Inmate mental health services have been provided through a contract for four beds at the Santa Clara County Correctional Treatment Center (CTC) for inmate placement. Following a recent rate increase of over 600% per bed, the Health Services Agency has explored alternate service delivery options including: 1) reopening the San Mateo County CTC, which was closed in 1996 due to budget constraints, using County employees; 2) reopening the County CTC with

contract services; and 3) enhancing mental health staffing to enable intervention and other efforts aimed at maintaining the mental health of inmates without requiring inpatient care. Option 3 is being recommended, which will result in increased appropriations of \$375,125, including a net increase of four staff. These costs will be covered by Intrafund Transfers of \$175,125 from other units within Health Services and available Fund Balance (\$200,000). There is no change in Net County Cost. Health's use of Fund Balance for this purpose is included in the Countywide Summary of Final Fund Balance-Attachment D. A separate Board report on this initiative is included in Report Back Items-Attachment B.

10. Children and Youth Services System of Care (\$172,560)

The Health Services Agency has undertaken a comprehensive review of children's health services programs and the systems that support those services. The proposed changes are designed to produce an improved system of care by: 1) addressing concerns identified in the *Healthy San Mateo 2010* report and Health Disparities Summit; 2) improving management and supervisory capacity in youth mental health services; 3) providing a more independent structure within the Children's Health Initiative (CHI); 4) better integrating categorical funding programs and bringing greater clinical perspective to Family Health Services programs; and 5) accommodating caseload growth in the Women, Infants, and Children (WIC) program. The total cost of \$172,560, including one net additional position, is fully offset by funding from First 5 San Mateo and private contributors, as well as State funding from the Child Health and Disability Prevention Program (CHPDP) and WIC. There is no change in Net County Cost. A separate Board Report on this initiative is included in Report Back Items-Attachment B.

11. Countywide Street Crime Enforcement Pilot Project (\$313,092)

Establishes a pilot Countywide Street Crime Enforcement Team that will service gang-afflicted areas in North County, South County, and East Palo Alto, working with adjacent jurisdictions. This will be a 3-agent team, with no new positions added. The Sheriff's Office will staff one position internally through re-assignment of an existing Deputy in South County gang investigation. The other two positions, a Deputy and Sergeant, were restored in an unfunded capacity to the East Palo Alto street enforcement unit during June Budget hearings. Agents from other police departments are expected to participate in this initiative. This pilot program is funded through the one-time use of year-end Fund Balance. There is no change in Net County Cost. The program will be evaluated prior to the FY 2005-06 budget to determine its success and to identify sources of ongoing funding. The Sheriff's use of Fund Balance for this program is included in the Countywide Summary of final Fund Balance-Attachment D.

12. Funding for East Palo Alto Investigative Services (\$90,000)

At the time of June Recommended Budget hearings, negotiations were still underway to address costs associated with Investigative Services provided by the Sheriff's Office to the City of East Palo Alto. At that time a \$90,000 gap existed. The program costs were included in the Department's budget with the understanding that offsetting revenue and/or reductions would be made in September following agreement with the City. East Palo Alto has agreed to increase contract reimbursement by \$45,000 to partially cover the gap. The Sheriff's Office will close the remainder of this gap for FY 2004-05 by using year-end Fund Balance of \$45,000. The contract for FY 2005-06 will be reviewed with the City to determine its ability to finance investigative services and its desire for continued Sheriff's services. This action results in a Net County Cost reduction of \$90,000 to the Sheriff's Office budget. The Sheriff's Fund Balance contribution for this program is included in the countywide summary of final Fund Balance-Attachment D.

13. Restore Community Schools Positions (\$230,905)

The County Office of Education has agreed to pay for three part-time Group Supervisor I positions for supervision in the community schools. These positions were deleted in the June Recommended Budget to achieve the Department's Net County Cost target. Now with offsetting revenue, these positions are added back. There is no change in Net County Cost.

14. Restore Camp Glenwood Positions (\$162,515)

One Group Supervisor II and one Group Supervisor III were eliminated in the Recommended Budget with the planned closure of a unit at Camp Glenwood. To prevent an increase in out-of-county placements at a higher cost, the unit will remain open. Sufficient Temporary Aid to Needy Families (TANF) revenue to offset the position costs has been identified and added to the budget. There is no change in Net County Cost.

REPORT BACK ITEMS

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

- Contributions to Criminal Justice Council (County Manager)
- Status of Countywide Hiring Freeze (County Manager)
- Inpatient Mental Health Treatment Options (Health Services)

HEALTH SERVICES REORGANIZATIONS

Attachment B also contains information on the following organizational changes in Health Services. Changes to staffing and funding have been included as Final Budget changes (September Revisions):

- Children and Youth Services System of Care
- Public Health Clinic and Disease Control Unit Reorganization

UPDATE ON INCREASE TO COMMUNITY-BASED PROVIDER CONTRACTS - JUNE BUDGET HEARINGS

During June budget hearings, your Board approved an increase of 1% to certain agreements with community-based providers and core services agencies in the Health Services Agency and Human Services Agency. The budget units within these agencies were increased by a total of \$264,762. This has been reduced by \$15,486 as a result of excluding Proposition 36 providers that were included in the original list provided in June. The agreements with the providers need to be amended to include the increase retroactive to July 1, 2004. These amendments will be brought to the Board in October.

BOARD BUDGET REQUESTS-DISTRICT 4

Attachment E contains the following budget requests from District 4 for the Board's consideration:

- Renew the County's membership with the National Association of Counties (NACO) - \$13,508 ongoing
- One-time augmentation of Peninsula Conflict Resolution Center (PCRC) contract to provide additional hours of lease mediation services to residents of Bayshore Villa - \$3,500 one-time
- Sponsor a countywide Medical Errors Summit - \$20,000 one-time
- Provide funding for a Day Laborer Center in North Fair Oaks - \$15,000-\$25,000 ongoing

Funding Alternatives

The PCRC contract augmentation and the Medical Errors Summit would represent one-time costs, while the renewal of the NACO membership and the Day Laborer Center would be ongoing. Funding options for these items include General Fund Reserves for the one-time items, and \$45,000 in ongoing available General Fund dollars from additional revenue to be paid by the City of East Palo Alto for investigative services provided by the Sheriff's Office.

FY 2003-04 YEAR-END PERFORMANCE MEASURE REPORT

Attachment F contains the County's FY 2003-04 Year-End Performance Report.

ATTACHMENTS

- Attachment A – Position Changes Summary
- Attachment B – Report Back Items and Health Services Reorganizations
- Attachment C – September Revisions (Final Budget Changes)
- Attachment D – Final Fund Balance Adjustments
- Attachment E – Board Budget Requests-District 4
- Attachment F – FY 2003-04 Year-End Performance Measure Report