COUNTY OF SAN MATEO

County Manager's Office

Date: January 31, 2006
Board Meeting Date: February 7, 2006
Special Notice/Hearing: None
Vote Required: Majority

TO: Honorable Board of Supervisors

FROM: John L. Maltbie, County Manager

SUBJECT: **FY 2005-06 County Budget Update**

RECOMMENDATIONS

1. Accept the FY 2005-06 County Budget Update.
2. Review key budget assumptions and provide direction regarding the preparation of the Two-Year FY 2006-07 and FY 2007-08 Budget.

Vision Alignment

Commitment: Responsive, effective and collaborative government
Goal 20: Government decisions are based on careful consideration of future impact, rather than temporary relief or immediate gain.

The County Budget Update contributes to this goal by providing information on the County's financial condition for the current fiscal year as well as issues and trends that will significantly affect future budgets. Projections for General Fund deficits and identified solutions are also provided for purposes of budget planning and management.

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 2006-07 and FY 2007-08 Recommended Budget will be submitted to the Board on May 26. Budget hearings will begin Monday, June 26.

This County Budget Update includes year-end Fund Balance estimates and variance analysis for all County funds, identification of major issues affecting the preparation of the upcoming budget, data for local economic indicators and projections for general purpose revenue and Public Safety Sales Tax. It also provides a plan for managing General Fund deficits for the next four fiscal years.

FY 2005-06 County Financial Status

Based on year-end estimates, the General Fund is expected to begin Fiscal Year 2006-07 with an additional $45.1 million, primarily from $36.7 million in unanticipated return of prior and current year Education Revenue Augmentation Fund (ERAF) contributions above mandated levels of school funding, and $9.4 million in unanticipated property tax revenue in-lieu of vehicle license fees (VLF). The table below provides a summary of all County funds followed by an explanation of significant variances. Major budget issues to consider in preparing the upcoming budget include the impact of the Governor's proposed budget, negotiations with employee bargaining units, unfunded pension liability and retiree health care costs, and operational costs for the new Youth Services Center.

FUND BALANCE SUMMARY

The following table provides a summary of updated FY 2006-07 Beginning Fund Balance estimates for the General Fund and other County funds. The total Fund Balance of $339.1 million represents 22.1% of the County's $1.54 billion budget. Significant variances to original Fund Balance estimates for each County agency are explained below.

County Agency by Fund (Dollars in Thousands)	*FY 2005-06 Working Budget*	*FY 2006-07 Budgeted Fund Balance*	*FY 2006-07 Updated Fund Balance*	*Unanticipated Fund Balance Variance **
Administration/Fiscal - General Fund	92,922	12,874	12,957	83
Criminal Justice - General Fund	247,642	10,559	8,418	(2,141)
Environmental Services - General Fund	33,347	3,072	3,779	707
Environmental Services - Other Funds	41,173	9,392	9,594	203
Health Services - General Fund	186,226	9,906	9,906	0
Health Services - Other Funds	18,005	4,299	4,299	0
Medical Center Gen Fund Contribution	54,048	0	0	0
Medical Center Enterprise Fund	209,299	0	(4,521)	(4,521)
Human Services - General Fund	194,726	4,439	4,764	325
Public Works - General Fund	18,212	1,148	895	(253)
Public Works - Other Funds	106,999	53,518	40,663	(12,855)
Department of Housing -- General Fund	13,870	85	85	0
Non-Departmental - General Fund	236,779	172,588	219,010	46,422
Non-Departmental - Other Funds	84,305	28,944	29,274	330
Subtotal General Fund	**$1,077,771**	**$214,671**	**$259,815**	**$45,144**
Subtotal Non-General Fund	**$459,781**	**$96,152**	**$79,309**	**($16,843)**
Total ALL Funds	**$1,537,552**	**$310,823**	**$339,124**	**$28,301**

*** Unanticipated variance represents additions (surplus) or reductions (shortfall) to budgeted FY 2006-07 Beginning Fund Balance based on updated estimates prepared as part of this County Budget update.**

Administration and Fiscal

Administration and Fiscal departments are estimated to carry over $13 million in Fund Balance, which is $83,000 more than budgeted next year. The following factors have contributed to the net increase in projected Fund Balance:

- Cost saving measures in the Assessor-County Clerk-Recorder, County Manager's Office, Employee and Public Services Department, Grand Jury, and ISD will generate an additional $1.1 million.
- The shortfall of $366,628 in the Treasurer/Tax Collector's Office is due to earlier completion of budgeted technology projects.
- The shortfall of $156,585 in the County Counsel's Office is primarily due to lower than anticipated salary savings and under-realized revenues.
- The shortfall of $457,116 in the Controller's Office is primarily due to a decrease in anticipated reimbursements due to delays in the enhancement of the Property Tax Project and payment of contracts related to the filing of SB90 claims for mandate reimbursement which has been deferred by the state. Solutions to this shortfall will be identified during budget development for FY 2006-08.

Criminal Justice

Criminal Justice departments are estimated to carry over $8.4 million in Fund Balance, approximately $2.1 million less than budgeted next year. The updated Fund Balance estimate contains $193,465 in adjustments to cover terminal pay related to employees who will retire this year.

The following factors have contributed to the projected net reduction in Criminal Justice Fund Balance:

- Use of Reserves to meet prior year Fund Balance targets. Within the past three years both the Probation Department the Sheriff's Office have used departmental reserves to achieve budget targets, resulting in both departments falling below the 2% Reserves Policy requirement. While each department has made some attempt to replenish their reserves, having lower reserve levels have contributed to their inability to meet Fund Balance targets. Both departments will remain under the hiring freeze until they can achieve the 2% Reserves requirement that will help prevent future shortfalls.
- Delay in filling new positions for previously unfunded positions at the Juvenile Hall. Positions were added to the Probation Department to fully staff the Juvenile Hall. During the time it took to complete background investigations and meet mandatory training requirements, the department had to continue the use of Extra Help and Overtime.
- With the exception of the District Attorney's Office, all departments are projecting tight Salaries and Benefits costs, primarily due to the continued use of Extra Help and Overtime to meet ongoing service needs during recruitment processes to fill vacant positions.
- With the passage of AB139, the Maintenance of Effort (MOE) for the County's Support of the Courts was reduced by $2.1 million. This savings was offset by the shift of non-designated court revenue, including civil assessment and other civil filing fees, from the County to the State. It is expected that this shift in revenue and expenditures will result in no fiscal impact to the General Fund.

Environmental Services

The Environmental Services Agency (ESA) is estimated to carry over $13.3 million in Fund Balance, which is approximately $910,000 more than budgeted next year. This represents an increase in Non-General Fund divisions of $707,000 and an increase of $203,000 in General Fund divisions. The following factors have contributed to a net additional Fund Balance in ESA's General Fund divisions:

- Estimated additional fund balance of $799,000 in the Planning and Building division due to demand for permits for larger new single-family residences, two major construction projects and diligent collection of reinstatement fees.
- Shortfall of $140,000 in Parks and Recreation due to lower than anticipated revenues from park entrance fees. Also, staff has spent less time than budgeted on Off-Highway and San Bruno Mountain projects, resulting in lower reimbursement amounts.

The following factors have contributed to net additional Fund Balance in ESA's Non-General Fund divisions:

- Estimated additional Fund Balance of $424,000 in the Structural Fire Protection Fund due to lower contract expenditures for California Department of Forestry (CDF) services, salary savings and unspent appropriations carried forward from the prior year.
- Shortfall of $330,000 in Coyote Point Marina Fund Balance due to completion of dredging project during current fiscal year. This project had been budgeted for completion during fiscal year 2006-07.

Health Department

The Health Department is estimated to carry over $14.2 million in Fund Balance—$9.9 million for General Fund programs and $4.3 million for Non-General Fund programs, with no variance from the amounts budgeted for next year.

San Mateo Medical Center

The San Mateo Medical Center (SMMC) is estimating a budget shortfall of $4.5 million due to lower than expected revenues. Both Intergovernmental Revenue and Charges for Services are anticipated to be approximately $2.2 million below budget. The shortfall in Intergovernmental Revenue is largely due to a reduction in Skilled Nursing Facility (SNF) reimbursement from operation of the Burlingame Long Term Care. Charges for Services are expected to be below budget because of lower than expected clinic and SNF volumes. SMMC plans revenue cycle enhancements to improve revenue collections.

Human Services Agency
The Human Services Agency is estimated to carry over $4.8 million in Fund Balance, approximately $325,000 more than budgeted next year, due primarily to savings generated in Salaries and Benefits as a result of position vacancies. The Agency will closely monitor and manage expenses for the remainder of the year to ensure that expenditures remain commensurate with revenues.

Public Works
Public Works is estimated to carry over $41.5 million in Fund Balance, approximately $13 million less than budgeted next year. The following factors have contributed to the net reduction in projected Fund Balance:
- Shortfall of $250,000 in General Fund units primarily due to rise in natural gas costs and related increased expenditures for facility services.
- Shortfall of $12.8 million in Non-General Fund units primarily due to the accelerated completion of capital projects in the Flood Control and Sewer Maintenance Districts.

Department of Housing
The Department of Housing is estimated to carry over $85,000 in Fund Balance, with no variance from the amounts budgeted for next year.

Non-Departmental
Non-Departmental General Fund is estimated to carry over a net additional $46.4 million, primarily from the following:
- $36.7 million in unanticipated prior and current year excess Education Revenue Augmentation Fund (ERAF) contributions above mandated levels of school funding
- $9.4 million in unanticipated property tax revenue in-lieu of vehicle license fees (VLF) due to prior year adjustments and actual growth rates used under the new State formula that replaced counties' Non-Realignment VLF with property tax revenue; future revenue will be based on growth in assessed valuation
- Higher than anticipated revenue from sales tax of $1.1 million due to improvement in the local economy and higher gas prices resulting in increased jet fuel sales tax generated at San Francisco Airport.
- Reduction to current year secured property tax revenues of $5.3 million due to retroactive and current year adjustments to meet requirements for Minimum City Tax apportionments, of which $1.3 million is ongoing.

MAJOR BUDGET ISSUES AND UPDATES
The following issues will have a significant impact on the County General Fund in the current and subsequent fiscal years:
- Preliminary Impact of Governor's January Budget Proposal
- Negotiated Salary and Benefits Increases
- Retirement Contribution Rates
- Retiree Healthcare Costs and Unfunded Liability
- Youth Services Center Operating Costs and Debt Service Payments
- San Mateo Medical Center Budget Deficit
- Increases to Community-Based Organizations (CBOs)
- Community Development (Planning and Building) – Implementation of Task Force Recommendations
- Fair Labor Standards Act (FLSA) Overtime Litigation
- Private Defender – Contract Negotiations with Bar Association
- Fire Protection Fund – Potential Revenue Shortfall

Updates for the following have been included to provide the Board with status:
- Proposition 63 Mental Health Funding
- Medical Center Major Budget Issues
- Women's Jail Facility Planning
- Courthouse Facilities Transfer to State
- Pandemic/Bird Flu Preparations
- Community Overcoming Relationship Abuse (CORA) Funding

Key Budget Assumptions

Given the significant budget issues identified above and described in more detail in the following sections, General Fund ongoing operating costs are projected to grow by $114.7 million or 11% over the next four fiscal years. The table on the next page summarizes the fiscal impact of major budget issues as well as solutions to balance the budget. The following assumptions have been included:

Major Budget Issues/Costs:

- Annual estimate of $6 million in funding losses currently identified in the Governor's January budget proposal; this will be updated as the state budget process continues and more information is known
- Assumption of 3% annual increases in total salaries and benefits after labor MOUs expire November 2006
- Retirement contribution rates have been kept flat until rates are developed by the new actuary in March; savings from reduced contribution rates, if any, will be used to reduce unfunded pension liability
- Assumption of $5.2 million increase in retiree healthcare costs to fund annual required contributions for other post-employment benefits; this amount could be reduced by funding a higher percentage of the unfunded liability
- Operating cost increases associated with the new Youth Services Center projected to grow to $12.5 million annually by FY 2009-10
- Debt service payments associated with bonds issued to construct the Youth Services Center to grow from $5.3 million in FY 2007-08 to $9 million annually beginning in FY 2008-09
- Increases to Health, Human Services and Probation agreements with community-based organizations at 3% annually through FY 2007-08 as approved by the Board last year
- Medical Center year-end budget deficit of $4.5 million to be funded by a loan from the General Fund
- General Fund support totaling $2.6 million over the next four years for staffing and other operating costs to implement Phases One and Two recommendations of the Planning and Building Task Force; General Fund support will be phased out in FY 2009-10 for Development Review Services
- Additional $49.8 million to fund 80% of the unfunded liability related to retiree health and other post-employment benefits

Budget Solutions:

- Include growth in general purpose revenue and Public Safety Sales Tax at a total average annual growth rate of $16.7 million or 4.9% from FY 2006-07 through FY 2010-11
- Include the return of 50% County portion of jet fuel sales tax from United Aviation in January 2008
- Reduce General Fund operating department budgets by $5 million in FY 2007-08; $10 million in FY 2008-09 and $13.4 million in FY 2009-10 to balance the budget without significant impact to direct services
- Include excess ERAF estimate of $25.8 million in FY 2006-07 to be used for funding retiree health unfunded liability
- Spend down General Fund Contingencies and Reserves to 14% of General Fund net appropriations in FY 2009-10
- Include assumption that the State will continue to pay a portion of SB90 mandate reimbursement claims; the County has received over $2 million in FY 2005-06 for claims related to FY 2004-05; assume conservative estimate of $1 million in FY 2006-07 and 5% increase in subsequent years

FY 2006-07 through FY 2009-10 General Fund Budget Planning

The following table summarizes the General Fund deficit and recommended solutions for the next four fiscal years. At the end of FY 2009-10, there will be $169 million remaining in Reserves and Contingencies, equivalent to about 14% of net appropriations.

GENERAL FUND					Four-Year
Budget Planning FY 2007-2010	**FY 2006-07**	**FY 2007-08**	**FY 2008-09**	**FY 2009-10**	**TOTALS**
Beginning Gen Fund Reserves/Contingencies *	**$219,010,319**	**$179,753,671**	**$172,158,100**	**$169,039,730**	
GENERAL FUND MAJOR BUDGET ISSUES:					
State Budget Impact - January Estimate	6,000,000	6,000,000	$6,000,000	$6,000,000	24,000,000
Salaries and Benefits Increases-Cumulative	13,122,000	26,637,660	40,558,790	54,897,553	135,216,003
Retirement Contribution (rates available in March)	0	0	0	0	0
Fund Retiree Health Unfunded Liability at 80%	49,781,473				49,781,473
Growth in Retiree Health contributions	5,203,000	5,463,150	5,736,308	5,736,308	22,138,765
New Youth Services Center Operational Increases	5,090,486	7,495,184	10,020,184	12,545,184	35,151,037
New Youth Services Center Debt Service Payments	0	5,300,000	9,000,000	9,000,000	23,300,000
Increases Community-Based Orgs-3% thru FY08	911,550	1,768,920	1,768,920	1,768,920	6,218,310
Phases 1 and 2 Planning and Building Recomm	1,254,128	882,279	456,276	0	2,592,683
San Mateo Medical Center Deficit (loan)	4,520,681	0	0	0	4,520,681
FLSA Overtime Litigation (TBD)	0	0	0	0	0
Private Defender Contract Negotiations (TBD)	0	0	0	0	0
Major Budget Costs/Issues Subtotal	**$85,883,318**	**$53,547,193**	**$73,540,477**	**$89,947,965**	**$302,918,952**
COUNTYWIDE BUDGET SOLUTIONS:					
General Revenue Growth-Cumulative	$18,209,114	$30,994,470	$44,663,174	$58,580,054	$152,446,811
Public Safety Sales Tax Rev Growth-Cumulative	1,617,557	3,607,151	5,656,434	7,767,194	18,648,336
Other Sources-Youth Services Center Debt Service	-	5,300,000	9,000,000	9,000,000	23,300,000
Restore SB90 Mandate Reimbursement - State	1,000,000	1,050,000	1,102,500	1,157,625	4,310,125
Estimate Excess ERAF - Returned to County	25,800,000	-	-	-	25,800,000
Use of Existing Non-Departmental Reserves	39,256,648	7,595,571	3,118,370	-	49,970,589
DEPARTMENTAL SOLUTIONS:					
Departmental Reductions FY 2006-07 None					0
Departmental Reductions FY 2007-08		5,000,000			5,000,000
Departmental Reductions FY 2008-09			10,000,000		10,000,000
Departmental Reductions FY 2009-10				13,443,091	13,443,091
Solutions Subtotal	**$85,883,318**	**$53,547,193**	**$73,540,477**	**$89,947,964**	**$302,918,952**
BALANCE	**$0**	**$0**	**$0**	**$0**	**$0**
Ending Gen Fund Reserves/Contingencies *	**$179,753,671**	**$172,158,100**	**$169,039,730**	**$169,039,730**	
* Represents Non-Departmental General Fund only; approx. $30 million in Departmental Reserves are not included				**Balance is approximately 14% of General Fund Net Appropriations**	

Preliminary Impact of Governor's January Budget Proposal

At its January 24 meeting, the Board was provided with a preliminary analysis of the Governor's January budget proposal with an estimate of $6 million in potential County reductions. The full cost and programmatic impacts of the Governor's Budget have yet to be determined. We will continue to provide the Board with updates throughout the budget process.

Negotiated Salary and Benefits Increases/Collective Bargaining in 2006

Salaries and Benefits for the entire County are projected to increase by $17.5 million or 3.1% in FY 2006-07 for a total of $582.1 million. The General Fund will increase by $13.1 million to $438.5 million. This includes existing negotiated salary increases and related benefits, increases in employee health benefits costs, and other estimated labor costs. Retirement contribution rates have been kept flat until new rates are developed in March. A 3% general growth rate for total salaries and benefits has been included in projections for subsequent years. The current Memoranda of Understanding with the majority of employee organizations will expire in November 2006. Negotiations with these organizations will begin this summer. It is anticipated that the unions will be seeking increases in salaries as well as increased pick-ups for health care costs and employee retirement that will have a significant impact on the County budget.

Retirement Contribution Rates/Unfunded Pension Liability

As of June 30, 2004, the County's Unfunded Actuarially Accrued Liability (UAAL) for retirement was $468.7 million with a funding ratio of 75.6%. Upon completion of the actuarial valuation as of June 30, 2005, this amount declined to $422.4 million and the funding ratio increased to 79.3%. Employer contribution rates fell by 20%, representing a $16 million reduction in annual contributions. The Retirement Board was concerned with the results of the valuation, partly because the actuary was late in completing the report and because the liability was expected to increase due to the reduction in the earnings rate assumption from 8.0% to 7.75%. The actuary resigned and a request for proposals (RFP) was issued to select a new actuary. The selected firm will prepare a valuation report in March. The County has kept contribution rates at last year's levels for projection purposes. If there is a reduction to the rates, savings will be used to reduce the unfunded liability.

Other Post Employment Benefits (OPEB)/Unfunded Retiree Health Liability

The Board appropriated $29.2 million in the current budget to provide advance funding of any unfunded liability related to retiree health and other post-employment benefit costs once an actuarial analysis was performed. Although the County's costs for retiree health care are controlled by a defined contribution approach for most retirees, the new Government Accounting Standards Board (GASB 45) requirements effective July 1, 2007 will mandate the reporting of annual required contributions (ARC) related to other post-employment benefits, including the amortization of any unfunded actuarially accrued liability. The County conducted a request for proposal (RFP) process and selected an actuary who has completed this analysis. The estimated unfunded liability for the County is $98.8 million. It is recommended that excess ERAF funds be used to appropriate an additional $49.8 million in FY 2006-07 to fund 80% of this liability.

Youth Services Center Operating Costs and Debt Service

The County issued $155.4 million in bonds in November 2003 to fund the building of the Youth Services Center (YSC). Initial move-in date is scheduled for July 1, 2006. One-time costs associated with the opening were included in departmental budgets and 32 new positions were added in December in anticipation of the opening. Hiring, training and transition planning is currently underway. Costs for security and contract services to operate the group homes have not yet been included in projections. There are currently five units in the existing Juvenile Hall that can each house 30 youth. There will be one additional unit in the new Juvenile Hall, but there are no current plans to add full time staff for that unit. Hall staffing is based on hall population needs. The Youth Services Center also adds a unit for the new girls camp. Staff for the girls camp was included as a part of the 32 positions added in December and hiring is underway. Capacity between the Hall and girls camp will be 7 units with the potential to house a total of 210 youth. The estimated annualized cost of operations, including the 32 positions, Extra Help shift relief, facilities maintenance, and food services is $5.1 million beginning in FY 2006-07. Costs for building security and operation of the group homes have not yet been determined. Debt service payments for YSC will begin in FY 2007-08 at $5.3 million, with annual payments growing to $9 million in FY 2008-09.

Increases to Community-Based Organizations (CBOs)

At the mid-year budget review last year, the Board approved a 3% annual increase through FY 2007-08 for CBOs in the Health Department and Human Services. CBOs agreements in the Probation Department have subsequently included these increases. The fiscal impact for each 3% increase is about $900,000 annually. Departments with CBO agreements over $25,000 need to phase in outcome measures into the agreements by the end of FY 2007-08. These measures also need to be included in Requests for Proposals (RFPs) and future amendments. County Manager Analysts are working with these departments to ensure these changes are implemented.

Implementation of Phase One and Two Recommendations-Planning and Building Task Force

The Board approved the implementation of recommendations from the Planning and Building Task Force. Phases one and two, which were approved in September and December 2005, add eight positions and other costs for an annualized total of $1.3 million in FY 2006-07. It is anticipated that the Development Review Services Program will be self-sufficient in three years and the annual General Fund allocation will no longer be required. Fee revenue will need to be monitored closely to reach this goal. General Fund support will continue for City/County Association of Governments (C/CAG) and Long Range Planning services.

San Mateo Medical Center (SMMC) Year-End Deficit

SMMC expects a $4.5 million deficit at the end of this fiscal year. This amount includes revenue from the Medi-Cal waiver ($8 million) and intergovernmental transfers (IGTs) from the state ($4 million), which SMMC has been accruing on a monthly basis. Revenues were $5.5 million unfavorable to budget at mid-year, offset by expenses being $2.5 million favorable to budget. Volume-driven net patient revenue is the primary cause of the deficit with receipts being $8.9 million under budget. Clinic visits and patient census at the Burlingame Long Term Care facility have been below expectations. The County's medically indigent program (WELL) and state/federal supplemental revenue are favorable to the budget by $2 million. Salaries and benefits continue to be the largest expense and are expected to be at budget by year-end. Any year-end deficit will be funded by a loan from the General Fund.

Fair Labor Standards Act (FLSA) Overtime Litigation

A recent court case held that "premium pay" must be included in regular pay for purposes of calculating overtime under FLSA. The County has performed an initial review and is in compliance with this provision for most premium pays. Retroactive payments to affected employees and programming changes to the County's payroll system will be needed to bring the County into compliance. Specific cost estimates are unknown at this time, but the impact to the budget could be significant.

Private Defender Contract with San Mateo County Bar Association

The Private Defender Program provides legal representation to individuals determined indigent by the Court. Services are provided through a $13 million contract with the San Mateo County Bar Association. The current contract will expire in June 2006. Negotiations are underway to continue services. A 1% increase in the contract is equivalent to $130,000 in additional General Fund support.

Fire Protection Fund – Potential Revenue Shortfall

The Board approved a final budget change last September to provide $286,140 in one-time General Fund support for the Structural Fire Protection Fund due to a $790,000 decline in property tax revenues. Fund Balance and Reserves in the Fire fund were also used to balance the budget. Revenues from the fund are used to pay for a contract with the California Department of Forestry (CDF) to provide fire protection services in the unincorporated area. A review of property tax projections is currently underway. If revenues are not sufficient to fund ongoing costs, a plan will need to be developed which could involve reductions in services provided by CDF and/or additional General Fund support.

OTHER BUDGET UPDATES

Mental Health Services Act (Proposition 63)

The Mental Health Services Act (MHSA) imposes a 1% tax on personal income above $1 million to fund county mental health services. Revenues from this tax may only be used to expand or create new mental health services. In order to receive funding, each County is required to submit a comprehensive three-year plan for community services and support that must be reviewed by the State's Proposition 63 Oversight and Accountability Commission and approved by the State Department of Mental Health. It is estimated that San Mateo County will receive $16 million in MHSA funding through FY 2007-08, which would also leverage an additional $7 million in other revenues, primarily Medi-Cal, for a total of $23 million.

The Board approved the County's MHSA plan on November 15, 2005 for submittal to the State. The programs detailed in the plan include: intensive services for the highest need/highest risk emotionally disturbed children/youth, transition age youth, and seriously mentally ill adults and older adults; expanded primary care-based services; outreach and engagement services that specifically target underserved ethnically diverse communities; school-based services; a criminal justice initiative; an older adult system of care; and expanded capacity in regional services to provide evidence-based treatment. The plan received extremely favorable review from the State Department of Mental Health in early January; formal approval is anticipated by late February. Once approval is received, an Appropriation Transfer Request and Salary Ordinance Amendment will brought to the Board to implement the plan for the remainder of the current fiscal year. Seventy-six percent of services will be contracted. Annualized and ongoing MHSA revenue and appropriations will be included in future budgets.

Pathways Program – One of the funded programs in the County's MHSA plan is the creation of a Mental Health Court called Pathways. MHSA funds will be used to add a Clinician and two Community Workers for this program. There were discussions last October with Supervisors Gordon and Church, Mental Health, Probation and the Courts, regarding the use of MHSA funds to add three Deputy Probation Officers to support Pathways. It has been determined that MHSA funds cannot be used for this purpose. Cost for the positions is estimated at $500,000, should the Board consider adding these positions with General Fund support.

San Mateo Medical Center (SMMC) Major Budget Issues

Medi-Cal Redesign - In last year's State budget, the Governor expressed a commitment to win approval from the federal government to redesign the Medi-Cal payment system for safety net hospitals, including public hospitals. This approach potentially could bring more Medi-Cal funding to SMMC since, under the current system, it can only obtain limited Medi-Cal funding (SB 1255) for which other public hospitals are eligible. The current hospital financing system penalizes counties that operate public hospitals within Medi-Cal managed care plans such as the Health Plan of San Mateo. Final details, including implementation timetable and the definition of certified public expenditures or CPEs, which would be used as the basis for funding allocations, are still uncertain at this time. SMMC is expecting to receive approximately $8 million in additional Medi-Cal funding this year.

Intergovernmental Transfers (IGTs) - The State Department of Health Services has continued to help San Mateo County obtain federal approval for IGTs to help offset losses incurred by SMMC in serving Health Plan of San Mateo (HPSM) Medi-Cal patients. Under this proposal, the County would transfer funding to the State to use as the matching non-federal share of Medi-Cal managed care capitation rate increases for the health plan. As the largest disproportionate share provider of adult (non-obstetric) inpatient hospital service days to members of HPSM, SMMC is expecting to receive a net $4 million ($8M gross less $4M expenses) increase in the current year.

Indigent Healthcare Pilot Study - As part of the FY2005-06 budget, amid concern over the continued increases in indigent healthcare costs and County contributions, the Board approved recommendations toward the creation of a long-term financially viable business model for providing healthcare to the County's medically indigent (Section 17000) population. One of these recommendations was to pilot a full financial screening and verification process using the modified One-e-App web-based system from October 2005 through March 2006. Full screening and verification using One-e-App has now been rolled out at all San Mateo Medical Center clinics, as well as at 14 community-based sites. Results from the pilot will be used to develop a Memorandum of Understanding (MOU) with the Medical Center for the provision of care to the medically indigent, as well as to explore the possibility of a proposed ordinance or other approaches to address the provision of and payment of charity care in the county. These will be developed as part of the upcoming budget process.

Women and Children's Services Unit - In 2003, the Medical Center prepared five-year financial projections to assess the financial viability of a proposed labor and delivery unit which would fill two empty ground floor hospital units. In December 2005, an outside consultant reviewed the 2003 projections and recommended revising net revenue and expense amounts to incorporate primarily California's new Medi-Cal reimbursement system (currently being developed). Revised projections for a labor and delivery unit should be completed by March 2006, along with an analysis of the viability of an alternate service line: an acute inpatient geriatric-psychiatric treatment program.

Repayment of Prior Year Loans from the General Fund - The County's budgeted contribution to the Medical Center in the current year is $54,047,737. In addition to the County's budgeted contribution, the County has provided General Fund loans and cash advances to the Medical Center to address year-end budget deficits and operating cashflow needs. Current balances for loans and cash advances through June 30, 2005 are approximately $30 million. The estimated current year deficit of $4.5 million would be added to this loan balance. The County Manager's Office will work with Medical Center management to develop a loan repayment agreement by June 2006.

Women's Correctional Center Facility Update

The County operates a Women's Correctional Center (WCC) with an average daily inmate population of 127. The facility is situated on a two-acre parcel of land that is jointly used by the WCC, the Sheriff's Work Program, a Men's Transitional Facility and a building leased to a local non-profit that houses the homeless. The existing facility has a number of issues including inadequate visiting and child care areas, lack of usable storage, drainage issues, lack of recreational space and limited programmatic space. With these concerns in mind, the Board approved $100,000 in the current budget to hire a consultant to conduct a program and facility needs assessment for incarcerated women. The Request for Proposal process to select a consultant is currently underway. It is premature to speculate if a completely new facility or a remodel of the existing facility will be required to meet the needs of the women's population and their families. Following completion of the needs assessment, the Jail Facilities Task Force, led by Supervisors Church and Tissier, will report back to the full Board with recommendations for next steps that will include cost and timeframe estimates.

Transfer of Court Facilities to the State

When the Lockyer-Isenberg Trial Court Funding Act was enacted in 1997, it provided that all trial court operations would be funded by the State, with counties assuming maintenance of effort based on past expenditures and the State assuming responsibility for future growth. Over the past eight years, responsibilities for court functions, including those related to court employees, have shifted to the State with trial court facilities being the only major operational area left unsettled. In the 2002 session, the State legislature adopted Senate Bill 1732 (Escutia), which provides for the transfer of trial court facilities to the State. The bill calls for the transfer of such facilities to be completed by June 30, 2007. The County has recently entered into negotiations with the Administrative Office of the Courts (AOC) and the local Court on the transfer of title and/or responsibility of the following court facilities: the Hall of Justice (shared-use) and the Traffic Annex in Redwood City, the Central Courthouse in San Mateo, the Youth Services Center (shared-use) on Tower Road, and the Northern Courthouse/Jail Annex (shared-use) in South San Francisco. Where there are shared-use facilities, the County would only transfer title and/or responsibility for the space in those facilities that is currently occupied by the Court.

The County is committed to negotiations that will result in a satisfactory outcome for both the Court and the County, but it is important that the County ensure that the final outcome of these negotiations provides for both current needs and future growth of County services. As noted above with regard to the maintenance of effort provisions in the Lockyer-Isenberg Trial Court Funding Act, Senate Bill 1732 also contains such provisions. The County will be required to provide funding to the State for the facilities transferred based on costs expended to maintain those facilities from 1995 to 2000, adjusted up for inflation. Staff in the Public Works Department and the County Manager's Office are working on these calculations and figures will be provided to the Board in the May budget.

The transfer of County facilities to the Court will require the relocation of County services within the Redwood City campus. This build-out has been incorporated in the County Center Master Plan that was updated three years ago. Funding will need to be identified in future budgets for this purpose.

Pandemic/Bird Flu Preparations

In November 2005, the County Health Officer presented to Executive Council the potential dangers of Pandemic/Bird Flu. As a result of this potential epidemic, and at the County Manager's request, the Health Department convened a group of representatives from various County departments to develop a Pandemic Flu Response Plan. A basic plan has been completed covering subjects such as surveillance, vaccine distribution, and education.

There are many additional preparedness activities that need to take place. Next steps are to fully develop the plan and perform practice drills, which would include training exercises with the cities. A report will be presented to the Board in March to provide some scope of effort and associated costs. Additional areas that would be built-out include: public information campaigns on how to stay healthy, caring for people at home and during a pandemic, and how to care for people who usually receive care at facilities; working further with local hospitals to develop policies and procedures for triage/assessment and treatment; developing policies/procedures for training volunteers to assist during an outbreak; and developing policies/procedures for procuring and storing supplies. The Health Department is also concerned that government, schools, and businesses are able to operate during an outbreak. Assistance to these entities will continue to be provided in developing preparations and systems that enable maintenance of operations with a reduced workforce.

Community Overcoming Relationship Abuse (CORA)

At the September Budget Hearings, the Board added $86,411 in FY 2005-06 as a six-month backfill to replace the loss of State funding for the emergency response to 911 domestic violence calls program under CORA, a 24-hour/7-day collaborative effort with County law enforcement agencies. A report-back was requested to clarify why State funds were cut this year and if the State will fund this program in the future, and also to indicate the level of funding raised from cities. This report-back will be submitted to the Board on the February 28, 2006 agenda.

CORA is unable to apply for additional State funding until the next three-year grant cycle in FY 2008-09. In the interim, Sheriff's Office has been working with the cities on an alternative cost-sharing solution. Based on the latest information to be presented in the report-back, the Board may need to consider funding alternatives for the balance of the current fiscal year and subsequent years.

LOCAL ECONOMIC INDICATORS

The following indicators provide information on current local economic activity compared to prior years and state/national trends. Trends in the data assist in generating projections for general purpose revenue such as property tax, sales tax, and transient occupancy tax:

- Bay Area Consumer Price Index (CPI)
- Housing Affordability Index
- Median Home Price
- Office Space Availability and Asking Rates per Square Foot
- Assessment Appeal Filings
- Building Permits Issued
- Unemployment Rate
- PeninsulaWorks Visits
- Emergency Room Visits
- Enrollment in WELL, Medi-Cal, Healthy Families and Healthy Kids
- Public Assistance Caseloads
- San Francisco International Airport – Total Passengers
- Jail and Juvenile Hall Populations

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 2.6%, up from 1.7% in FY2005. California CPI went from 3.3% to 4.4%, and national CPI from 3.0% to 4.0%. Projections in FY2007 show a decline due to expected reductions in home construction, gasoline, fuel and utilities costs.

General CPI Fiscal Year	*Bay Area % Change*	*California % Change*	*U.S. % Change*
2007*	1.7%	2.8%	2.3%
2006*	2.6%	4.4%	4.0%
2005	1.7%	3.3%	3.0%
2004	0.9%	1.9%	2.2%
2003	1.9%	2.6%	2.2%
2002	3.2%	3.0%	1.8%
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%

Source: FY96 to FY05 Bureau of Labor Statistics.
***FY06 to FY07 CA Dept of Finance projections for CA and U.S. and Bay Area CPI, Governor's Budget Forecast November 2005.**

Housing Affordability Index

The housing affordability index is the most fundamental measure of housing well-being in the state. The percentage of households in the Bay Area that can afford to purchase a median-priced home was at 12% in November, representing a decline of two percentage points compared with the same period a year ago. San Mateo County dropped from 15% to 12% to fall within the Bay Area average. The County continues to remain one of the least affordable counties in the state to own a home. By contrast, 19% of households can afford median-priced homes in Sacramento and 18% in Santa Clara, although affordability in these two areas has dropped significantly over the past two years as well.

Housing Affordability by Region	*November 2004*	*November 2005*
California	19%	14%
United States	55%	48%
SF Bay Area	14%	12%
Sacramento	24%	19%
Santa Clara	22%	18%
Monterey Region	11%	9%
Alameda County	15%	11%
Contra Costa County	10%	10%
San Francisco	11%	9%
Marin County	14%	12%
San Mateo County	**15%**	**12%**
San Joaquin County	18%	9%
Stanislaus County	27%	14%

Source: CA Association of Realtors www.car.org

Median Home Price

The median home price in the Bay Area climbed to $609,000 in December 2005, with San Mateo County increasing to $739,000 or 10.6% compared to the same period a year ago. Prices of homes are rising in all parts of the Bay Area, up by $76,000 or 14.3% from the previous year. The number of homes sold in the Bay Area, however, declined by 15.5%, from 11,068 in December 2004 to 9,347 in December 2005. The 15.5% decline was the steepest since sales fell 27.2% in November 2001. San Mateo County and San Francisco had the smallest declines in the number of homes sold, 7.9% and 5.3% respectively.

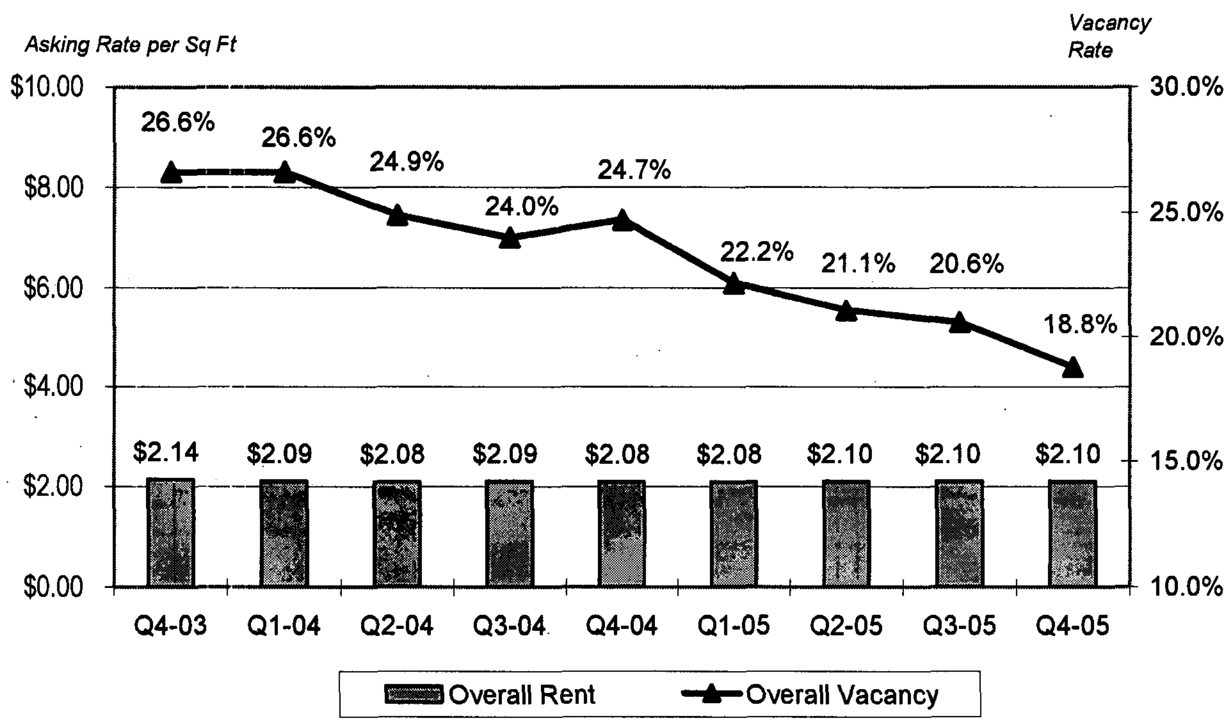
Median Home Price by County	*December 2004*	*December 2005*	*% Change*
Bay Area	$533,000	$609,000	14.3%
Alameda	497,000	575,000	15.7%
Contra Costa	480,000	573,000	19.4%
Santa Clara	569,000	642,000	12.8%
San Mateo	**668,000**	**739,000**	**10.6%**
San Francisco	683,000	727,000	6.4%
Marin	732,000	771,000	5.3%
Napa	550,000	572,000	4.0%
Solano	404,000	473,000	17.1%
Sonoma	484,000	558,000	15.3%

Source: DataQuick Information Systems www.dqnews.com/RRMain.shtm

Office Space Availability

Vacancy rates in the San Mateo County office market showed improvement during the past twelve months, dropping from 24.7% at the end of 2004 to 18.8% by the end of 2005. The highest vacancy rates were reflected in the southern part of the county at 26%. About 22.5% of the listings in this area are spaces of over 20,000 square feet, which may account for the high vacancy rate. Office space ranging from 1,000 to 10,000 is most in demand in all sub-markets. The average asking rate countywide, at $2.10 per square foot per month for 2005, is near the five-year low of $2.08 reported for 2004. The average asking rate has reached $2.16 in the southern area of the county and $2.15 in the central region, but lingers at $1.87 in the northern region. Although the market has seen positive net absorption, the average length of time office space was on the market in the county in 2005 was 28 months, up from 26.1 months in 2004. In a market that is largely employment driven, the acquisition of Siebel Systems by Oracle Corporation, and the anticipated reductions in staff, could be the bell weather of a setback in the recovering office market.

San Mateo County
Office Vacancy and Average Asking Rate

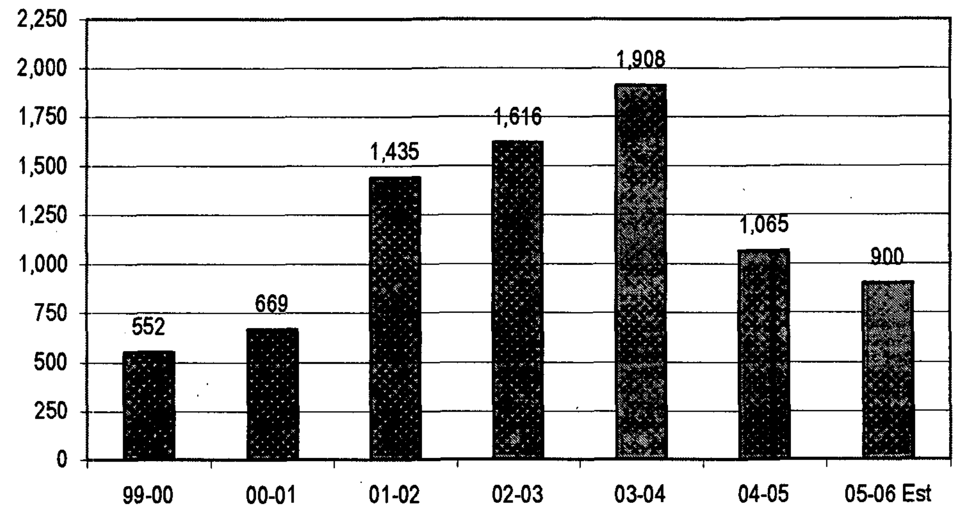


Source: BT Commercial

Assessment Appeals Filings

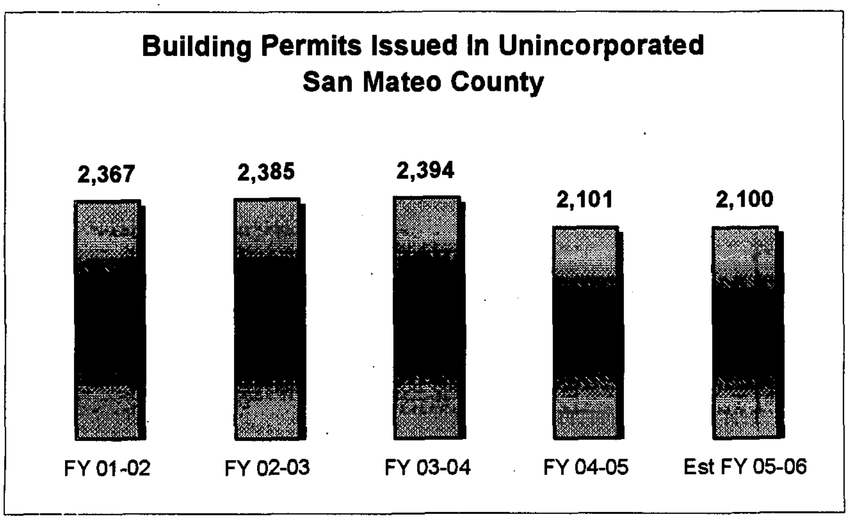
There were 869 assessment appeals filed with the Assessment Appeals Board as of December 2005, representing a decrease of 90 or 9.4% compared to the same period last year. The filing period for appeals is from June 2 through November 30. The appeals received after the deadline are primarily base year value appeals, which are a result of reassessments, and supplemental transactions during the year. It is anticipated that the number of filings in FY 2005-06 will be about 900, or 15% lower than the prior year. This decrease could be attributed to the improving economy. Filings have also declined since the implementation of a $30 filing fee in 2004-05.

San Mateo County
Assessment Appeals Filings
FY 2000 to FY 2006 Estimate



Building Permits

It is estimated that the number of building permits issued by the end of this fiscal year will reflect a steady two-year trend in development. Previous fiscal years reflected a period of greater economic growth throughout the region that has now steadied. Current activity indicates that the majority of building permits processed are for improvements to existing structures.

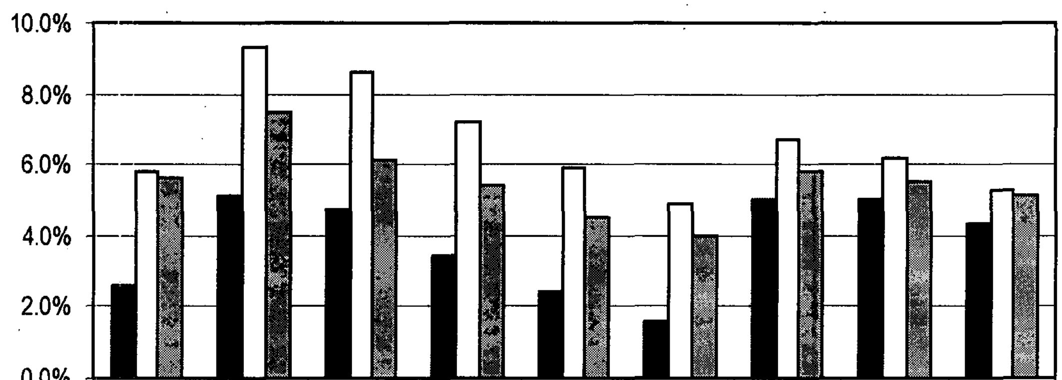


Source: San Mateo County Community Development Division (Environmental Services Agency)

Unemployment Rate

The County's latest unemployment figures show modest signs of improvement averaging 4.3% in 2005 compared to 5.0% in 2004. The average unemployment figure for California in 2005 was 5.3%, slightly higher than the U.S. average of 5.1%. The County's December 2005 unemployment rate of 3.6% remains one of the lowest in the state, down from 4.1% in December of last year.

San Mateo County Unemployment (Annual)



	1990	1992	1994	1996	1998	2000	2002	2004	2005
San Mateo	2.6%	5.1%	4.7%	3.4%	2.4%	1.6%	5.0%	5.0%	4.3%
California	5.8%	9.3%	8.6%	7.2%	5.9%	4.9%	6.7%	6.2%	5.3%
U.S.	5.6%	7.5%	6.1%	5.4%	4.5%	4.0%	5.8%	5.5%	5.1%

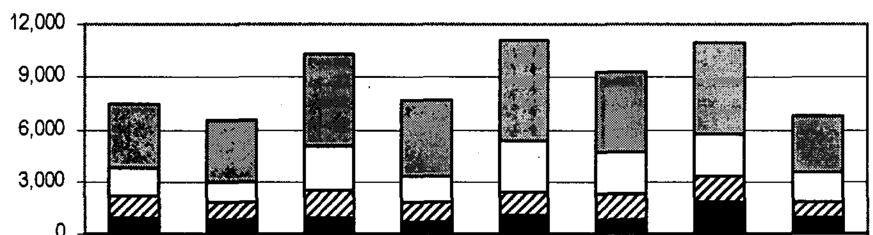
San Mateo California U.S.

Source: CA Employment Development Department **http://www.labormarketinfo.edd.ca.gov**

PeninsulaWorks Visits

Utilization of the County's PeninsulaWorks Centers has seen a gradual decline over the past six months. In December 2005, the total number of clients seeking career counseling, skills assessment, job training, and job search assistance was 6,767 compared to 9,203 in December 2004. It should be noted that December is traditionally a month of lower aid applications and usage, and that the 2005 totals to date indicate that current year targets will be met. The Northern Region Office, serving Daly City and South San Francisco, receives the heaviest usage, with 3,232 clients seen in December 2005.

PeninsulaWorks Visits

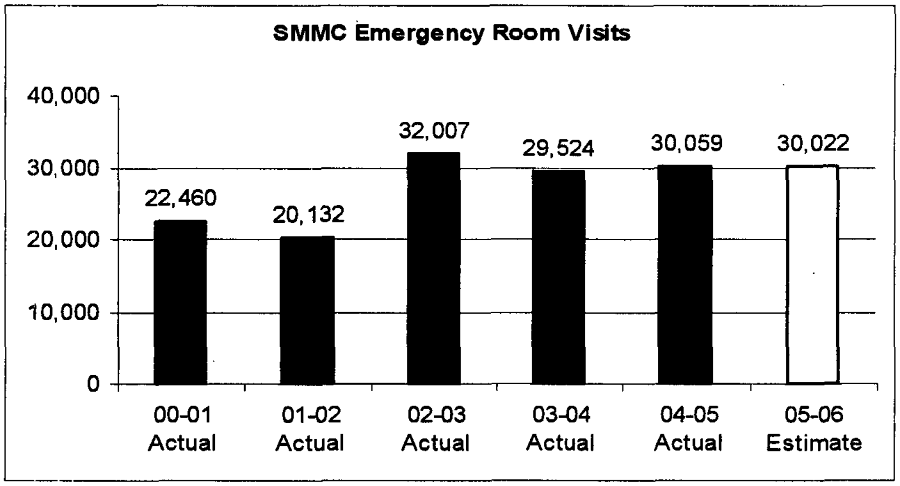


	Jun 02	Dec 02	Jun 03	Dec 03	Jun 04	Dec 04	Jun 05	Dec 05
Northern Region	3,612	3,598	5,292	4,289	5,804	4,539	5,261	3,232
Central Region	1,551	1,134	2,496	1,541	2,910	2,372	2,402	1,753
South RWC Region	1,300	1,022	1,628	1,147	1,401	1,519	1,477	915
South OICW Region	922	812	865	647	1,014	773	1,798	867

Source: Human Services Agency

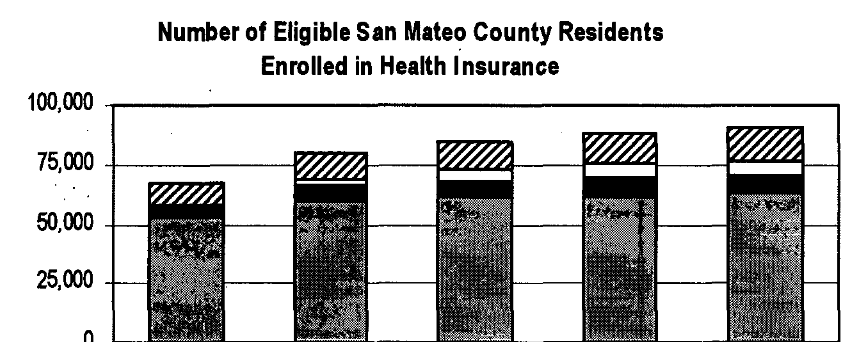
Emergency Room (ER) Visits

ER visits at the Medical Center increased dramatically from FY 2000-01 to FY 2002-03, largely due to increased unemployment and corresponding loss of health benefits associated with the recent economic downturn. ER visits increased by 43% during this time period-- from 22,460 to 32,007. This increase has leveled off, with approximately 29,524 visits in FY 2003-04 and 30,059 visits in FY 2004-05. Through November of the current fiscal year, there have been 12,509 ER visits. The Medical Center forecasts 30,022 visits this fiscal year, a .12% decrease from last year.



Children Enrolled in WELL, Medi-Cal, Healthy Families, Healthy Kids

The Health Department continues to lead efforts in identifying individuals who are eligible for health insurance, successfully enroll them in the appropriate program, and assist them in accessing needed preventive care. Concerted effort on insurance outreach and enrollment has enabled surpassing Countywide enrollment targets for Medi-Cal, Healthy Families, and Healthy Kids with over 75,000 children and adults enrolled in the three programs—a growth of 9% over the past three fiscal years. A key element of this effort is the Children's Health Initiative, which will have enrolled 5,800 children in the Healthy Kids insurance program by the end of FY 2005-06. The WELL Program continues to provide low-cost medical services to the County's medically indigent population. Enrollments have risen steadily since FY 2001-02, due in part to reductions in employer-sponsored insurance offered to patients.

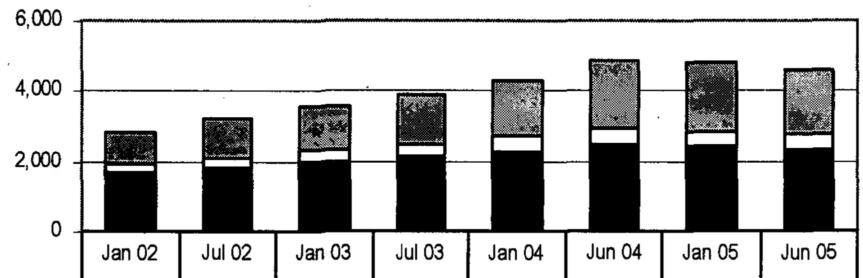


	01-02 Actual	02-03 Actual	03-04 Actual	04-05 Actual	05-06 Estimate
County WELL Program	9,132	10,792	12,029	13,054	14,061
Healthy Kids	0	2,850	4,861	5,805	5,800
Healthy Families	4,924	6,372	7,074	8,049	8,000
Medi-Cal	52,956	60,000	60,927	61,561	63,000

Public Assistance Caseloads

The latest caseload data for December 2005 shows a very slight decline of approximately 5% compared with the same period last year. There were 2,325 CalWORKS cases, 448 GA cases, and 1,806 Food Stamps cases. The Human Services Agency is planning to develop and implement a Food Stamp outreach and enrollment program for County residents.

Public Assistance Caseloads



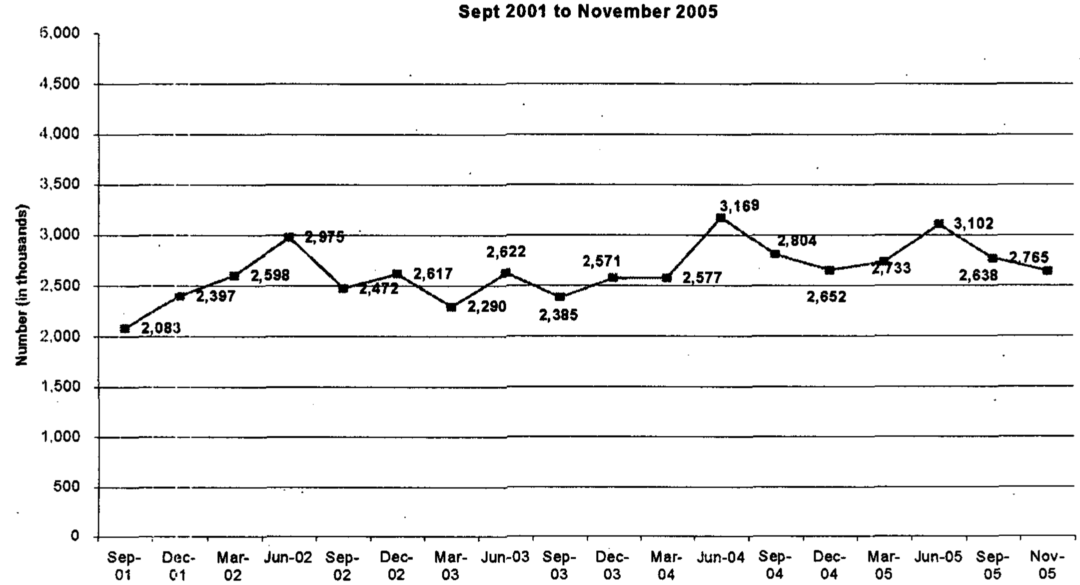
	Jan 02	Jul 02	Jan 03	Jul 03	Jan 04	Jun 04	Jan 05	Jun 05
Food Stamps Cases	872	1,135	1,244	1,418	1,637	1,918	1,951	1,806
GA Cases	238	290	320	355	401	456	429	448
CalWORKS Cases	1,706	1,819	2,004	2,141	2,288	2,471	2,406	2,325

Source: Human Services Agency

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. In November 2005, the total number of passengers arriving and departing from the airport was up by 4.7% compared to the prior year. Passenger activity continues to be above prior year levels.

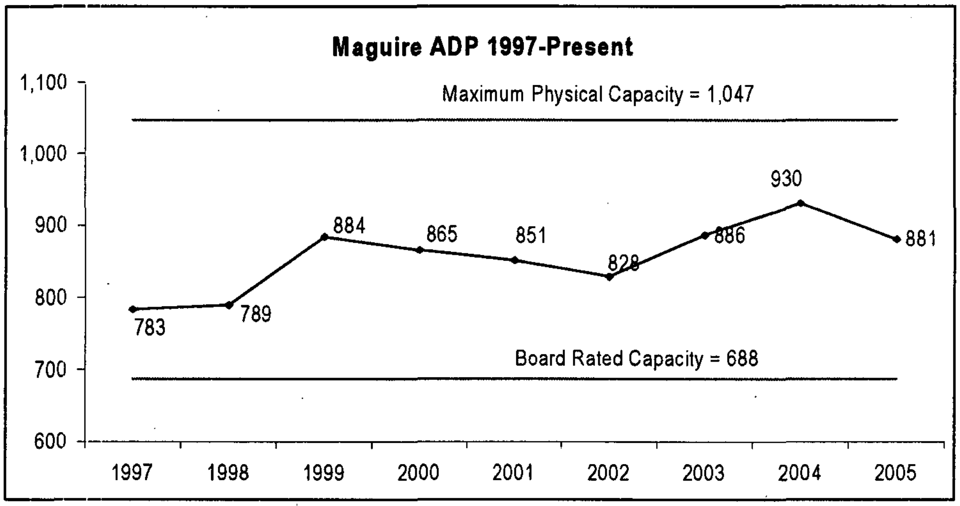
San Francisco International Airport
Total Airport Passengers
Sept 2001 to November 2005



Source: SFO Media Office http://www.flysfo.com/about/stat/pdf/as200511.pdf

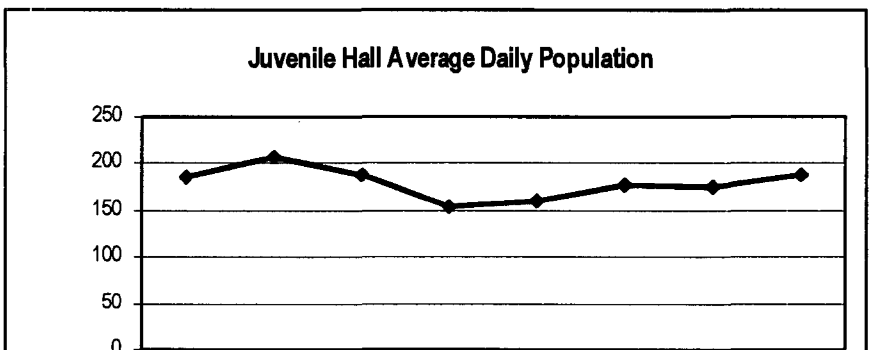
Jail and Juvenile Hall Populations

Following a drop from the peak of the Maguire Average Daily Population (ADP) in mid-2004, when population levels approached 1,000 inmates, the ADP has risen again. Though not to levels seen in 2004, the increase is significant given that the percent of gang-affiliated inmates has increased from 12% to 18% of the population. The recent increase is in part due to the success of the Gang Suppression Task Force. The increase in gang-affiliated inmates presents its own set of jail management issues. The Sheriff, the County Manager's Office and the Board's Jail Overcrowding Task Force continue to monitor jail population trends and seek alternatives to custody that can reduce inmate population and/or average length of stay.



Data Source: Sheriff's Office Daily Population Report (CJIS)

The Average Daily Population at the Juvenile Hall has dropped from a rolling average of 160-190 juveniles over the past three years to a current ADP of 154. The reduction in ADP is the result of successful implementation of Electronic Monitoring (EM) for lower-risk offenders and increased diversion through the Risk Prevention Program and Assessment Center. There are currently 60 youths on EM. The Probation Department recently implemented a plan to further reduce Hall numbers in an effort to close a unit. This would require a stable population of 133. The ADP is expected to continue to decline as a result of implementing EM for post-adjudicated youth and a new mandate to handle the majority of technical violators with alternatives sanction to detention. The Hall population has decreased despite an increase in referrals from the gang suppression task force; efforts to keep girls in-county in anticipation of the opening of the Girls Camp; and the Court's decision not to send the County's most serious offenders to the California Youth Authority.



	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
ADP	186	208	187	153	160	177	175	188

Data Source: Probation Department Institutions Management

HISTORICAL AND CURRENT YEAR GENERAL REVENUE TRENDS

The table below shows historical receipts and current year estimates for general revenue and Public Safety Sales Tax. Average annual growth without excess Education Revenue Augmentation Fund (ERAF) was $11 million or 3.9% in the last five years. Excess ERAF, which has been returned to the County since FY 2003-04, contributing over $123 million through the current fiscal year, has been set aside in Reserves and used for one-time purposes such as contributions toward unfunded liabilities. Revenue growth with excess ERAF averaged $21.1 million or 6.9% annually over the last five years.

Revenue Source (In Thousands)	FY01-02 Actual	FY02-03 Actual	FY03-04 Actual	FY04-05 Actual	FY05-06 Estimate	Average Annual Growth
AMOUNTS (In Thousands):						
Secured Property Tax	$110,468	$113,247	$121,498	$129,370	$135,393	$7,540
Unsecured Property Tax	12,200	12,437	$12,182	$10,349	$9,689	(369)
Public Safety Sales Tax (Prop 172)	67,547	64,179	61,746	62,269	64,702	(533)
Sales Tax (includes property tax in-lieu)	14,598	14,332	14,319	14,372	15,132	(622)
Transient Occupancy Tax	666	590	632	700	730	(7)
Vehicle License Fees (VLF)	45,658	49,713	37,955	3,724	0	(8,963)
Property Tax In-Lieu of VLF	0	0	0	50,074	62,493	12,499
Other Revenue (without Excess ERAF)	34,477	35,339	30,382	30,652	39,843	1,471
TOTAL without Excess ERAF	**$285,614**	**$289,837**	**$278,713**	**$301,511**	**$327,982**	**$11,015**
Excess ERAF Transfers-Returned to County	0	0	24,841	47,526	50,713	
TOTAL with Excess ERAF	**$285,614**	**$289,837**	**$303,555**	**$349,037**	**$378,696**	**$21,157**
GROWTH RATES:						
Secured Property Tax	13.1%	2.5%	7.3%	6.5%	4.7%	6.8%
Unsecured Property Tax	5.8%	1.9%	-2.0%	-15.0%	-6.4%	-3.2%
Public Safety Sales Tax (Prop 172)	0.3%	-5.0%	-3.8%	0.8%	3.9%	-0.8%
Sales Tax (includes property tax in-lieu)	-20.0%	-1.8%	-0.1%	0.4%	5.3%	-3.2%
Transient Occupancy Tax	-13.1%	-11.4%	7.1%	10.8%	4.2%	-0.5%
Vehicle License Fees (VLF)	1.9%	8.9%	-23.7%	-90.2%	-100.0%	-40.6%
Property Tax In-Lieu of VLF	---	---	---	---	24.8%	---
Other Revenue (without Excess ERAF)	6.1%	2.5%	-14.0%	0.9%	30.0%	5.1%
TOTAL % Change without Excess ERAF	**4.7%**	**1.5%**	**-3.8%**	**8.2%**	**8.8%**	**3.9%**
TOTAL % Change with Excess ERAF	**4.7%**	**1.5%**	**4.7%**	**15.0%**	**8.5%**	**6.9%**

FIVE-YEAR FY 2007-11 GENERAL REVENUE PROJECTIONS

Given historical revenue patterns (adjusted for one-time events), current trends and forecasts for local and state economic data, as well as growth factors from the Assessor's Office, general revenues are projected to grow an average of $16.7 million or 4.9% annually for the next five years. Growth of 6.4% is projected in FY 2006-07, which is higher due to the restoration of property tax previously shifted to the State in the prior two fiscal years as part of the agreement made by local governments with the Governor for his support of Proposition 1A to protect local revenues. Subsequent fiscal years include continued increases in growth ranging from 4.4 to 4.5%.

Revenue Source (In Thousands)	FY06-07 Projected	FY07-08 Projected	FY08-09 Projected	FY09-10 Projected	FY10-11 Projected	Average Annual Growth
AMOUNTS (In Thousands):						
Secured Property Tax	$147,757	$155,883	$164,457	$173,502	$183,045	$8,730
Unsecured Property Tax	9,495	9,495	9,590	9,782	10,076	77
Public Safety Sales Tax (Prop 172)	66,320	68,309	70,359	72,469	74,644	1,988
Sales Tax (includes property tax in-lieu)	15,964	17,363	18,861	19,804	20,794	1,132
Transient Occupancy Tax	766	805	845	887	932	40
Property Tax In-Lieu of Vehicle License Fees	61,778	65,175	68,760	72,542	76,532	3,650
Other Revenue (without Excess ERAF)	31,031	30,856	30,733	30,646	30,593	1,105
TOTAL without Excess ERAF	**$333,112**	**$347,886**	**$363,604**	**$379,632**	**$396,614**	**$16,723**
Excess ERAF Transfers-Returned to County	25,800	0	0	0	0	
TOTAL with Excess ERAF	**$358,912**	**$347,886**	**$363,604**	**$379,632**	**$396,614**	**$6,581**
GROWTH RATES:						
Secured Property Tax	6.0%	5.5%	5.5%	5.5%	5.5%	5.6%
Unsecured Property Tax	-2.0%	0.0%	1.0%	2.0%	3.0%	0.8%
Public Safety Sales Tax (Prop 172)	2.5%	3.0%	3.0%	3.0%	3.0%	2.9%
Sales Tax (includes property tax in-lieu)	5.5%	8.8%	8.6%	5.0%	5.0%	6.6%
Transient Occupancy Tax	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Property Tax In-Lieu of Vehicle License Fees	6.0%	5.5%	5.5%	5.5%	5.5%	5.6%
Other Revenue (without Excess ERAF)	23.8%	-0.6%	-0.4%	-0.3%	-0.2%	4.5%
TOTAL % Change without Excess ERAF	**6.4%**	**4.4%**	**4.5%**	**4.4%**	**4.5%**	**4.9%**
TOTAL % Change with Excess ERAF	**-1.3%**	**-3.1%**	**4.5%**	**4.4%**	**4.5%**	**1.8%**