COUNTY OF SAN MATEO

County Manager's Office

Date:	January 20, 2009
Board Meeting Date:	January 27, 2009
Special Notice/Hearing:	None
Vote Required:	Majority

TO: Honorable Board of Supervisors

FROM: David S. Boesch, County Manager

SUBJECT: FY 2008-09 County Budget Update

RECOMMENDATIONS

1. Accept the FY 2008-09 County Budget Update;
2. Review key budget assumptions and provide direction regarding the preparation of the FY 2009-10 and FY 2010-11 Budget; and
3. Accept the following reports: Impact of the Hiring Freeze on Countywide Performance; Reserves Policy Review and Disparities in Reserves Balances; Food Stamp Enrollment Update; and the Medical Center Transportation Unit.

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 FY 2008-09 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 2009-10 and FY 2010-11 Recommended Budget will be submitted to the Board on May 22. Budget hearings will begin Monday, June 22.

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 eliminating the structural deficit by FY 2012-13.

FY 2008-09 County Financial Status

Based on year-end estimates, all County funds are expected to bring in $23 million less in Fund Balance. The General Fund is expected to begin FY 2009-10 with $18 million less in Fund Balance. Due to the struggling economy, every Agency in the County is projecting shortfalls in most General Fund and Non-General Fund budget units. 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: elimination of the County's structural deficit; the impact of the Governor's proposed budget; worsening economic conditions, including a stagnant housing market; increasing unfunded actuarial liabilities due to investment losses incurred by SamCERA and CalPERS; the Medical Center's financial situation; and deficits in other operating funds, including Structural Fire and Solid Waste.

FUND BALANCE SUMMARY

The following table provides a summary of updated FY 2009-10 Beginning Fund Balance estimates for the General Fund and other County funds. The total Fund Balance of $325.8 million represents 17.9% of the County's $1.82 billion budget. The anticipated shortfall for the General Fund heading into FY 2009-10 is $18 million and the shortfall for all funds is projected at $23 million. This is largely due to the Lehman Brothers bankruptcy, which resulted in investment losses of $8.7 million to the General Fund and $14.4 million for all appropriated funds. Significant variances to original Fund Balance estimates for each County agency are explained below.

County Agency by Fund (Dollars in Thousands)	*FY 2008-09 Working Budget*	*FY 2009-10 Budgeted Fund Balance*	*FY 2009-10 Updated Fund Balance*	*Unanticipated Fund Balance Variance **
Administration/Fiscal - General Fund	94,294	15,450	12,404	(3,046)
Criminal Justice - General Fund	292,276	11,611	8,842	(2,769)
Community Services - General Fund	70,412	6,308	5,335	(973)
Community Services - Other Funds	183,596	64,248	61,345	(2,903)
Health Department - General Fund	256,065	17,272	16,994	(278)
Health Department - Other Funds	22,866	6,101	6,101	0
Medical Center Gen Fund Contribution	78,110	0	0	0
Medical Center Enterprise Fund	251,363	0	(2,114)	(2,114)
Children, Youth & Family Services - GF	219,194	10,195	9,058	(1,137)
Non-Departmental - General Fund	254,579	196,299	186,492	(9,807)
Non-Departmental - Other Funds	98,603	21,341	21,320	(21)
Subtotal General Fund	1,264,929	257,134	239,125	(18,009)
Subtotal Non-General Fund	556,428	91,690	86,652	(5,038)
Total ALL Funds	1,821,357	348,824	325,777	(23,047)

* Unanticipated variance represents additions (surplus) or reductions (shortfall) to budgeted FY 2009-10 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 $12.4 million in Fund Balance, which is approximately $3 million less than budgeted for next year. The following factors have contributed to the net decrease in projected Fund Balance:

- The shortfall of $4,372,982 in the Assessor/County Clerk/Recorder is due to a net decrease in Charges for Services by $1,523,394. This shortfall does not include the $2 million reimbursement from the State for the February 2008 primary election, which was deposited in Non-Departmental Services. Among the factors contributing to this are a reduction of $707,047 in Tax Assessment Document and Recording fee collections as a result of the slowdown in the real estate market; a decrease in Property/Supplemental tax administrative fees of $419,555; and an unanticipated decrease in November 2008 Election Services revenues of $396,792. In addition, the Department exceeded appropriations in Salary and Benefits and Services and Supplies by $1,193,124. This was primarily due to the record-breaking increase in voter registration and number of ballots cast for the November 4, 2008 Presidential General Election and the increased tracking, custody, security, and post election manual tally requirements from the Secretary of State.

- The shortfall of $244,767 in the Controller's Office is primarily due to under-realized savings from vacant positions, unanticipated recruitment costs for internal auditors, which are hard-to-fill positions, plus salary and benefits costs for a new Financial Services Manager II position added in mid-year of FY 2008-09.
- A surplus of $47,069 in the County Manager's Office is primarily due to salary and benefits savings as a result of vacant positions and projects not completed in the current year.
- A surplus of $162,257 in the Treasurer/Tax Collector's Office is primarily due to commissions and operating costs, which have been controlled in the area of general supplies, lower-than-expected costs for remodeling the Revenue Services office, and certain technology projects that remain on hold.
- A surplus of $1,393,680 in the County Counsel's Office is primarily attributable to attorney fees received in the settlement of a complex litigation matter.
- The shortfall of $30,966 in the Human Resources Department is primarily due to terminal pay and other one-time costs.

Criminal Justice

Criminal Justice departments are estimated to carry over $8.8 million in Fund Balance, approximately $2.8 million less than budgeted next year. The following factors have contributed to the projected net reduction in Criminal Justice Fund Balance:

- The Sheriff's Office is estimated to carry over $5,127,471 in Fund Balance, which is on target for FY 2009-10. This represents an improvement over prior years, due at least partly to minor salary savings, the carry over of grant funding, and the County match for a new Jail Management System.
- The shortfall of $1,800,812 in the Probation Department is due primarily to a projected decrease of over $1,064,000 in revenues from the State. Additional contributing factors are unbudgeted costs related to the escapes at the YSC and Camp, as well as one-time costs for an Interim Chief Probation Officer while recruitment for a permanent chief is underway. Within the past three years, the Probation Department has depleted its departmental reserves, and no longer meets the 2% Reserves Policy requirement.
- The shortfall of $794,929 in the District Attorney's Office is primarily due to a 50% reduction in Community Oriented Policing Services (COPS) grant funding, the elimination of the Spousal Abuser Prosecution Program grant, a reduction in Public Administrator estate fees, and the investment losses that resulted from the Lehman Brothers bankruptcy.

Community Services

Community Services is estimated to carry over $66.7 million in Fund Balance, approximately $3.9 million less than budgeted next year. This represents an increase of $973,000 in General Fund departments and a decrease of $2.9 million in Non-General Fund departments. The Non-General Fund departments will be able to cover their shortfalls with reserves and meet the 2% Reserves Policy requirement. The following factors have contributed to the changes in Fund Balance:

- The shortfall of $114,342 in Public Safety Communications is due to use of extra help and overtime to backfill for vacancies, as well as coverage issues such as medical leaves.
- The surplus of $129,286 in the Housing Department is largely due to unspent program funds from projects still in progress.
- The surplus of $999,585 in the Vehicle and Equipment Services program is largely due to grants received for equipment purchase to meet air quality requirements.
- The surplus of $14,190 in the Public Works Transportation Services program is primarily due to higher than anticipated proceeds from the Half-Cent sales tax.
- The surplus of $319,612 in the County Airports Fund is due to salary savings from vacant positions and the delay of various capital projects.
- The shortfall of $256,993 in the Structural Fire Protection Fund is due to unanticipated shortfalls in Property Tax and Plan Checking Fee revenues.
- The shortfall of $52,862 in County Service Area No. 1 is primarily due to the investment losses that resulted from the Lehman Brothers bankruptcy.

- The shortfall of $104,582 in the Parks Department is primarily due to an increase in Services and Supplies and a slight decrease in charges for service.
- The shortfall of $2,392 in Fish and Game is primarily due to the investment losses that resulted from the Lehman Brothers bankruptcy.
- The shortfall of $99,650 in Off-Highway is primarily due to the investment losses that resulted from the Lehman Brothers bankruptcy.
- Cost savings of $275,929 in Parks Acquisition and Development are primarily due to the elimination of Fixed Asset purchases.
- The shortfall of $142,810 in the Coyote Point Marina is primarily due to the investment losses that resulted from the Lehman Brothers bankruptcy.
- Cost savings of $63,158 in the County Library Fund is primarily due to savings in Salaries and Benefits reflecting position vacancies.
- The shortfall of $1.1 million in the Road Fund is primarily due to the deferral of supplemental Proposition 1B Transportation Bond proceeds totaling $1.6 million. Road projects will be put on hold until the State releases the funds.
- The shortfall of $80,645 in the Construction Services is primarily due to the repayment to the Solid Waste Fund of loan from FY 2007-08.
- The shortfall of $888,139 in the Solid Waste Fund is primarily due to the contribution to the Children's Health Initiative (CHI) for FY 2007-08 that was incorrectly made in FY 2008-09, and the investment losses that resulted from the Lehman Brothers bankruptcy. Beginning in FY 2008-09, the County's contribution to CHI was eliminated from the Solid Waste Fund and assumed entirely by the General Fund. To help balance the Fund, the Public Works Department is exploring the possibilities of increasing the fees at Ox Mountain with the new contract in January 2010 and adding a new surcharge to the Ox Mountain fees to pay for the costs of Environmental Health and Household Hazardous Waste programs.
- The shortfall of $1.9 million in Public Works Utilities is primarily due to the investment losses that resulted from the Lehman Brothers bankruptcy.

<u>Health System</u>

- The Health Department is estimated to carry over $23.3 million in Fund Balance, consisting of $17.2 million in General Fund programs and $6.1 million in Non-General Fund programs. The General Fund portion represents a decrease of $277,708 from the amount budgeted for next year, due primarily to elimination of contract revenue received from Animal Control Program adoption fees—which will be addressed in future years by increasing collections from the participating cities—partially offset by a small projected surplus in Agricultural Commissioner/Sealer revenues.
- The Medical Center is estimating a $2.1 million deficit by the end of the fiscal year. The main sources of this deficit are longer-than-anticipated ramp up times for several key budget initiatives, as well as potential shortfalls in revenue from various State programs. While this compares favorably to the $5 million deficit projected at the same time last year, Medical Center management is working aggressively to close the deficit by year-end. Further information regarding the Medical Center's financial status, and how the overruns will be addressed, can be found on page 11 of this report.

<u>Children, Youth and Family Services</u>

Children, Youth and Family Services—which is comprised of First 5 San Mateo County, the Department of Child Support Services, and the Human Services Agency—is estimated to carry over $9.0 million in Fund Balance, approximately $1.1 million less than budgeted for the next year in the Human Services Agency (HSA). This is primarily due to decreased Intergovernmental Revenue and the economic downturn in general, lower State Medi-Cal allocation related to eligibility determination programs, reduced Realignment funding related to child welfare services, and decreased charges for services revenue for Vocational Rehabilitation Services (VRS) food services and Workcenter programs. Partially offsetting these reduced revenues are salary savings and lower than anticipated costs related to caseloads in General Assistance, Interim Aid, welfare aid, childcare, and out-of-home placement programs. Even with increasing unemployment, many clients do not meet the Federal or State aid requirements for County services, so caseloads for some programs may not have increased yet. As the unemployment rate increases and clients are unemployed longer, it is expected that caseloads will increase to match client demand. This shortfall will be covered by Agency Reserves at year-end.

<u>Non-Departmental</u>
Non-Departmental General Fund is projected to end the year with $186.5 million in Fund Balance, approximately $9.8 million less than budgeted next year. The primary reasons for this decrease are due to the Lehman Brothers bankruptcy and the resulting loss of investment earnings of $8.7 million in the General Fund, as well as combined shortfalls in Property Tax Supplementals and Property Transfer Tax of $4.5 million. Virtually all general purpose revenues, with the exception of Sales Tax, are down due to the struggling economy and the stagnant housing market. Though San Mateo County's leading economic indicators compare favorably to most counties and statewide averages, there is no doubt that both the local housing market and statewide sales are having a dramatic impact on County revenues, including Public Safety Sales Tax and Health and Social Services Realignment Sales Tax. On a positive note, the County is projecting additional Sales Tax proceeds of $1.9 million, largely due to the return of jet fuel from the City of Oakland and receipt of $2 million in unanticipated State reimbursements for elections costs associated with the February 2008 Presidential Primary.

It should be noted that the above projections include the anticipated repayment to the State of $7 million in disallowed Federally Qualified Health Centers (FQHC) claims that were paid to the Medical Center during FYs 2001 through 2006.

Non-General Fund budget units—which include the County's capital, construction, and debt service funds—are projected to end the year with $21.3 million in Fund Balance, approximately $21,000 less than budgeted next year, due to lower-than-anticipated Court fines.

<u>MAJOR BUDGET ISSUES AND UPDATES</u>
The following issues will have a significant impact on the County Budget in the current and subsequent fiscal years:

- Governor's January Budget Proposal
- Criminal Justice
  - Jail Overcrowding
  - Replacement Jail Facility Planning
  - Sheriff's Overtime/Relief Pool
- Employee Compensation
  - Negotiated Salary and Benefits Increases
  - Retirement Contribution Rates and Unfunded Liability
  - Other Post-Employment Benefits (OPEB) and Unfunded Retiree Health Liability
- San Mateo Medical Center Financial Status
- Capital Improvement Projects
  - Transfer of Court Facilities to the State
  - Ongoing Capital Maintenance (Facility Assessment Study)
  - Solid Waste Fund Reserves
- Other Budget Updates
  - Educational Revenue Augmentation Fund (ERAF) Revenues
  - Teeter Plan Reserves
  - Fire Protection Fund Revenue Shortfall
  - Solid Waste Fund Reserves
  - Hiring Freeze
  - Increased Independent Provider (IP) Hours for Public Authority In-Home Supportive Services
  - Budget Communications with Employees and Unions

Key Budget Assumptions

Major Budget Issues/Costs:

- No assumptions are made for Governor's January budget proposal; this will be updated as the State budget process continues and more information is known.
- Annualized General Fund increases in Salaries and Benefits of $10.9 million in FY 2009-10 and approximately $8.1 million per year thereafter as no assumptions have been made for negotiated increases beyond what has already been ratified with the employee bargaining units; a 1% increase in employee salaries would amount to $4.4 million in additional Salary and Benefit costs.
- Average Employer Retirement Contribution Rates will decrease from 23.76% to 23.62% effective July 1, 2009, with increase assumptions of 30% in FY 2010-11 and 2.5% each year thereafter due to significant investment losses during the last two quarters of calendar year 2008.
- Retiree healthcare costs will increase $4.15 million next year as the County begins funding the Annual Required Contribution of $10.8 million, with the same increase assumptions as Retirement of 30% in FY 2010-11 and 2.5% each year thereafter.
- Debt service payments will remain relatively flat, as no assumptions have been made for additional capital construction or debt refinancing pursuant to the five-year plan adopted by the Board in December; future major constructions projects, such as a new sentenced jail facility, would be funded primarily with excess ERAF.
- Reopening of the Medium Security Facility in La Honda with annual operating cost of $5.2 million in FY 2009-10 and annual increases of 3% each year thereafter.
- Reductions to the San Mateo Medical Center subsidy of $4.4 million per year beginning in FY 2009-10 through FY 2013-14, for a total reduction of $22 million over the five-year period.
- No annual increases to Health, Human Services, and Probation for agreements with Community-Based Organizations beyond the current year.
- Private Defender Program contract costs will grow 4% per year through FY 2010-11 based on current contract provisions, with no assumptions for increased costs beyond that point.
- Structural Fire Fund deficit will increase from $915,000 to $1,746,000 in FY 2009-10 with annual increases of 6.5% each year thereafter, based on projected vehicle replacement and facility replacement debt service.
- Solid Waste Fund's current structural deficit is approximately $1.4 million per year, with depletion of Fund Balance projected to occur by FY 2011-12.

Budget Solutions:

- General purpose revenues will grow at an average annual rate of $11 million or 2.7% annually from FY 2009-10 through FY 2013-14.
- Public Safety Sales Tax revenue, which decreased in recent years due to anemic statewide sales, is projected to grow by 2% per year beginning in FY 2009-10 due to increases in the County's factor, which is based on the County's sales tax proceeds as a percentage of statewide sales for the prior calendar year. With the return of jet fuel from the city of Oakland, County sales tax proceeds have substantially outperformed statewide averages.
- Salary and Benefit cost offsets will increase $3.5 million in FY 2009-10, growing to $19 million by FY 2013-14, from those General Fund operating departments that can generate additional revenue from increased costs through higher State and federal claims, grants, and fees for services.
- General Fund operating department budgets will be reduced by $10.9 million in each of the next four years, beginning in FY 2009-10, to eliminate a projected deficit of $43.5 million by the start of FY 2013-14.
- Non-Departmental General Fund Reserves totaling $102.5 million will be used during the five-year time frame to reduce the annual reductions to departments.
- Non-Departmental General Fund Contingencies and Reserves will be spent down to $53 million or 4.7% of General Fund net appropriations by FY 2013-14.

FY 2009-10 through FY 2013-14 General Fund Budget Planning

The structural deficit for FY 2008-09 is currently projected at $41.1 million. The following table summarizes the General Fund structural deficit and recommended solutions for the next five fiscal years. At the end of FY 2013-14, there will be approximately $53 million remaining in Reserves and Contingencies, equivalent to approximately 4.7% of net appropriations, assuming that ERAF revenues are used for one-time purposes, such as paying down unfunded liabilities, capital improvements and technology initiatives.

General Fund Projected Structural Budget Deficit FY 2010 to FY 2014					
Dollars (in thousands)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Carryover FY 2008-09 Structural Budget Deficit	$ (41,098)	$ (41,098)	$ (41,098)	$ (41,098)	$ (41,098)
PROJECTED EXPENDITURE INCREASES					
Salaries and Benefits Increases-Cumulative	$ 10,876	$ 17,527	$ 25,481	$ 34,012	$ 43,173
Growth in Retirement Conbribution	162	24,491	27,343	30,272	33,281
Growth in Retiree Health Contributions	4,150	6,976	7,282	7,596	7,918
Medium Security Facility Reopening	5,200	5,356	5,517	5,682	5,853
Reduction in Medical Center Subsidy	(4,400)	(8,800)	(13,200)	(17,600)	(22,000)
Capital Improvements to Existing Facilities	250	513	788	1,078	1,381
Ongoing Debt Service-Existing Facilities	120	171	223	276	329
Technology Maintenance/Upgrade Existing Apps	222	455	700	957	1,227
Private Defender Program - Contract Increases	633	1,291	1,291	1,291	1,291
Structural Fire Fund Deficit	831	945	1,067	1,193	1,319
Solid Waste Fund Deficit	0	0	201	1,436	2,902
Projected Expenditures Subtotal	$18,043	$48,925	$56,693	$66,193	$76,674
PROJECTED REVENUE GROWTH					
General Revenue Growth-Cumulative	$ 9,476	$ 16,182	$ 25,396	$ 36,258	$ 48,910
Public Safety Sales Tax Rev Growth-Cumulative	1,223	2,471	3,743	5,041	6,365
Department Salary and Benefit Increase Offsets	3,528	10,551	13,188	16,002	19,009
Projected Revenues Subtotal	$ 14,227	$ 29,204	$ 42,328	$ 57,302	$ 74,283
PROJECTED STRUCTURAL BUDGET DEFICIT	$ (44,914)	$ (60,819)	$ (55,463)	$ (49,989)	$ (43,488)
SOLUTIONS					
One-Time Solutions/Reserves	$ 34,042	$ 39,075	$ 22,847	$ 6,501	$ -
Ongoing Reductions/Revenue-Annual	10,872	21,744	32,616	43,488	43,488
TOTAL SOLUTIONS	$ 44,914	$ 60,819	$ 55,463	$ 49,989	$ 43,488

Preliminary Impact of Governor's January Budget Proposal

On Wednesday, December 31, 2008, Finance Director Mike Genest released the Governor's FY 2009-10 Proposed State Budget. Citing the unprecedented budget crisis, the Governor reportedly directed the Department of Finance to prepare and release the proposal early, indicating that the State could not wait for the customary January 10 deadline. The Proposed Budget includes $41.7 billion in budgetary solutions to close the gap and establish a $2.2 billion reserve.

The State's General Fund deficit through the end of FY 2009-10 is estimated at approximately $40 billion, without corrective action.

The Governor's proposal intends to resolve the State budget deficit through a combination of revenue increases ($14.8 billion), borrowing ($10.3 billion) and spending cuts ($16.5). Components of the proposed revenue package include a 1.5 percent increase in the sales tax, imposing a 9.9 percent per barrel tax on oil extracted from the State, an increase of $12 per vehicle in annual registration fees, and a 5 cents a drink excise tax on alcohol. Elements of the proposed borrowing package include the sale of $4.7 billion in revenue anticipation warrants in July 2009 and $5 billion from investors against future lottery earnings, which must be approved by voters.

The Governor's FY 2009-10 Proposed State Budget includes cuts that would have a significant impact on County revenues and services. Preliminarily, County staff is projecting budget cuts and delayed payments of approximately $100 million that include in part:

- $10 - $11 million in monthly in delayed payments to the Human Services Agency for all Social Services, Medi-Cal and other programs the Department serves
- $9.6 million in reductions to Health Department services including Behavioral Health and Recovery Services, Family Health Services, Medi-Cal Managed Care Rates, and IHSS
- $8 million in deferred payments to Public Works of the State gas tax and suspension of fourth quarter payments from Proposition 42
- $1.3 million in reductions for public safety programs including youth crime prevention, juvenile offender programs and juvenile probation and camps

The recently proposed 30-day delay of payments by the State Controller's Office for SSI/SSP, CalWORKS grants, county administration of social service programs and Medi-Cal, local assistance for mental health, and alcohol and drug programs will have a devastating impact on services to the County's neediest residents. The Administration's proposal to suspend the entire local share of the State's gas tax to counties and cities would run from January through July of 2009 with a proposed payback due in September and October 2009. The proposed Proposition 42 deferral would take effect in the fourth quarter with a proposed payback scheduled for October 2009.

Staff will analyze the impacts of either a midyear adjustment and/or the May Revise to adjust the County budget accordingly in June and again in September. Over the next several months, the County Manager's Office will continue to monitor and analyze the Governor's proposals, as well as the Legislature's responses, and keep the Board and departments apprised of potential impacts on County revenues and services.

Criminal Justice

Jail Overcrowding – During calendar year 2008, the Maguire Correctional Facility (MCF) averaged 138.8% of rated capacity with an average daily census of 955 inmates. The Women's Correctional Center (WCC) averaged 151.1% of rated capacity, with an average daily census of 127 inmates. This is a moderate decrease from calendar year 2007 when the MCF averaged 147.1% of rated capacity, with an average daily census of 1,012 inmates and the WCC averaged 171.4% of rated capacity, with an average daily census of 144 inmates. This decrease can be attributed in part to a progressive Community Re-Entry program for inmates and a slight decrease in new street bookings. To relieve overcrowding at both the MCF and the WCC, the Sheriff's Office continues to house overflow inmates at Maguire in the converted Clinical Treatment Center (CTC) Unit, now called the Overflow Housing Unit, when either the Maple Street or the MCF population becomes unacceptable and unsafe. The Sheriff's Office is looking at structural aging issues in all current jail facilities. These overcrowded conditions are preventing the necessary maintenance required to prolong the life of the buildings. Opening the Medium Security Facility in La Honda will assist in relocating some current inmates to reduce the population at the MCF, which will allow maintenance projects to begin.

The Board Criminal Justice Committee continues to examine short- and long-term solutions to jail overcrowding, by reviewing potential facilities to house excess persons (e.g., La Honda Medium Security Facility, the Overflow Housing Unit at MCF), plus new and/or expanded programs that will introduce alternatives to incarceration. The goals of these alternatives are stabilizing inmate populations at acceptable levels, while providing essential programming for inmates to successfully return to communities, particularly the underserved women's population. Jail space is limited and should be used to house those individuals that represent the greatest danger to the general public and themselves. The risk classification of inmates has increased in recent years, with measurably more inmates classified in the Medium to Maximum risk classification. This is attributable to increased gang-related violence and criminal activity.

The refurbishing of the Medium Security Facility (MSF) in La Honda was funded in the last fiscal year. A staffing plan was developed along with inmate programs suitable for this remote location. The funding needed to operate, staff, and maintain the MSF will be included in the FY 2009-10 Recommended Budget.

The Sheriff's Office has also explored the possibility of contracting for jail beds with other counties; however, this is also an expensive option that carries significant risks, given the possibility of State inmates being remanded back to local custody due to the overcrowding of State prisons. Other Counties will be facing the same issue with State inmates possibly returning to their jails, which could cause the contracted County to withdraw from any agreement with San Mateo County causing an immediate crisis in housing.

Replacement Jail Facility Planning – Over the past two years, the County has contracted with the consulting firm of DMJM H&N to complete a comprehensive jail facilities needs assessment. DMJM sub-contracted with consultant Bobbie Huskey to assist with the inmate profile and programming needs portion of the needs assessment. The work performed by these contractors includes projecting pre-trial and sentenced inmate growth over the next twenty years, identifying programming needs (particularly for women inmates), determining the size of the facility based on projections and programming, and conducting a preliminary evaluation of various site locations for a replacement jail facility.

Other recent activities of the Jail Planning Unit include: the successful AB 900 application process that resulted in a $100 million local jail bed construction award from the California Department of Corrections and Rehabilitation (the offer was declined to date due to the state facility requirements associated with the funding); the facilitation of three community outreach meetings to inform the public and local officials about the replacement jail project; the selection of a project manager to oversee the construction disciplines of the replacement jail; the completion of a preliminary site selection and evaluation matrix; the touring of seven correctional facilities across the country in order to evaluate correctional best practices; the participation in the National Institute of Corrections jail planning seminar; and, most recently, the selection of a functional program consultant to assist in the development of operational scenarios.

Sheriff's Overtime/Relief Staffing Unit Update – Between 2005 and 2008, the Board has authorized the Sheriff to add a total of 27 Relief Staffing Unit positions in response to critical staffing levels and an over-reliance on overtime use for relief staffing needs in three core areas of the Sheriff's Office—Corrections, Patrol, and Inmate Transportation. The final nine positions were added to the Sheriff's budget and authorized to fill in August 2008. As of December 5, 2008 all 27 positions are filled, 26 serving relief duty assignments in Maguire (16), Patrol (8), and Inmate Transportation (2). The 27th position is the supervising Sergeant who also provides some relief duty in the jail.

It is estimated that savings in overtime costs of $2 million will be realized this fiscal year. In FY 2009-10, with a full year of all the relief positions working, a 27-position Relief Staffing Unit will offset overtime use by approximately 50,000 hours per year and save the County approximately $3.2 million per year in overtime expenses.

Employee Compensation

Negotiated Salary and Benefits Increases – Based on current Memoranda of Understanding with all bargaining units, Salaries and Benefits for the entire County are projected to increase by $20.3 million in FY 2009-10 for a total of $728 million. The General Fund will increase by $15.2 million for a total of $550.3 million. This includes existing negotiated salary increases, step increases, increases in employee health benefits costs, increases in retiree health costs to fully fund the annual required contribution, and other estimated labor costs. The chart below shows budgeted Salaries and Benefits for the past two years, the current FY 2008-09 budget, and estimates for the next two years for the entire County and the General Fund. The large increases in FY 2006-07 were the result of negotiations and a 25% increase in the County's Retirement contribution rates based upon an actuarial study conducted in March 2006. Likewise, the projected increases in FY 2010-11 are based on preliminary projected increases of 30% in the County's Retirement and Retiree Health contribution rates based upon investment losses incurred by SamCERA and CalPERS during the last two quarters of calendar year 2008.

Fund Level	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
All Funds	629,000,596	676,901,135	707,629,493	727,963,963	773,021,596
All Funds % Inc	11.4%	7.6%	4.5%	2.9%	6.2%
General Fund	473,529,895	511,078,048	535,077,232	550,265,232	584,071,232
General Fund % Inc	11.3%	7.9%	4.7%	2.8%	6.1%

Retirement Contribution Rates and Unfunded Pension Liability – As of June 30, 2007, the County's Unfunded Actuarial Accrued Liability (UAAL) for retirement was $578.8 million with a funded ratio of 77.4%. Despite net investment losses of $176.2 million during FY 2007-08, the UAAL sustained only a moderate increase to $587.3 million and the funded ratio actually increased to 79.1%. As a result, retirement contribution rates will dip slightly in FY 2009-10, from the current rate of 23.76% to 23.62%. The primary reason for these moderate changes is due to SamCERA's Market Stabilization Account reserve, which is used to smooth the actuarial value of assets over a five-year period. As of June 30, 2008, the reserve was a negative $208,198,190. When the next valuation is conducted, these losses plus the losses suffered by the fund during FY 2008-09 will be amortized over 15 years – causing both the UAAL and the unfunded ratio to increase substantially. Though those figures will not be known until the actuary performs the next review, early indications are that the Retirement contribution rates could increase by 30% in FY 2010-11. A 30% rate increase would translate to additional retirement costs of $31.4 million for all County funds and $24.8 million for the General Fund. These figures have been included in the County's five-year structural budget deficit projections.

Other Post Employment Benefits (OPEB) and Unfunded Retiree Health Liability – On May 15, 2008 the County transferred $145.4 million to CalPERS to pre-pay the County's retiree health unfunded liability (OPEB UAAL). At the time of the transfer, this represented 92.7% of the County's OPEB UAAL of $156.8 million based on a July 1, 2007 actuary study. Without having used any of these proceeds, the September 2008 quarterly statement from CalPERS indicated that the amount transferred had been reduced to $123.4 million, a $21 million loss, due to market instability. Though the December 2008 quarterly statement has not yet been received, it is expected that the funds held by CalPERS will be down 30% from the original amount deposited, consistent with the recent performance of CalPERS, SamCERA, and similar funds over the past two calendar quarters. In June 2008 the County's actuary estimated that the Annual Required Contribution (ARC) to fund County OPEB costs would approximate $10.8 million in FY 2009-10. Consistent with the County's retirement contribution rates, it is being assumed at this time that the OPEB ARC will increase by 30% in FY 2009-10. A 30% rate increase would translate to additional OPEB costs of $3.3 million for all County funds and $2.5 million for the General Fund. The next OPEB actuarial valuation is scheduled to begin in Spring 2009.

San Mateo Medical Center (SMMC) Financial Status

In the current fiscal year, SMMC's budgeted General Fund contribution was held flat over the prior fiscal year at approximately $72 million, consisting of a subsidy portion of $54.5 million, and a loan portion of $17.5 million. An initially projected gap between projected revenues and expenses of $16 million in FY 2008-09 was closed through a variety of initiatives led by the Health System Redesign process and the recommendations of Health Management Associates, as well as general efficiency improvements and the Countywide 5% hiring freeze.

Key Redesign initiatives, described previously in a Report-Back to the Board, included expansion of pediatric services in South County, reduction of under-reimbursed acute care "administrative days" in both medical-surgical and psychiatry services, improved enrollment and retention in Medi-Cal of Long Term Care patients and teens accessing sensitive services in our two teen clinics, improved rates for outside medical services obtained at outside hospitals, and physician contract restructuring.

As part of the Redesign effort, the Health Plan of San Mateo was successful in obtaining an additional $4 million in federal funding over the prior fiscal year through the Managed Care Intergovernmental Transfer (IGT) program.

The Sequoia Health Care District renewed its prior support of the care provided to its district's residents at the Fair Oaks Clinic for $1.6 million. SMMC is moving forward with the elimination of its patient transportation program, with service to be provided instead by a combination of currently available community-based medical transportation providers and taxi companies, including those already under contract with Aging and Adult services.

Despite the significant progress in implementing these initiatives, slower-than-anticipated ramp-up times and unforeseen risks of lower reimbursement from the State in a variety of areas including Long Term Care and the Coverage Initiative, have resulted in SMMC projecting for a potential $2.1 million deficit by year's end. The SMMC management team is taking immediate action to avert this potential loss by implementing four initiatives: 1) immediate freeze of 35 additional vacant positions; 2) rapid ramp up of clinic volume; 3) increased Long Term Care patient census; and 4) improvements in billing and physician staffing in the Psychiatry Division.

Capital Improvement Projects

Transfer of Court Facilities to the State – In December 2008, the County entered into transfer agreements with the State for the two court facilities located at the Redwood City campus: the Hall of Justice (52.7% Court occupied) and the Traffic/Small Claims Annex (100% court occupied). The County retained title to the Hall of Justice and is the managing party of the joint occupancy agreement between the parties, while the State assumed title to the Annex pursuant to the Trial Court Facilities Act of 2002 (SB 1732). Beginning in March 2009, the State will be responsible for maintaining court-exclusive areas in each of these facilities and will be required to reimburse the County for its share of building-wide system maintenance and utility costs. Concurrently, the County will begin paying quarterly County Facility Payments (CFP) to the State of $1,128,175, which represents the County's cost of maintaining court facilities at the time of transfer. The County and the State have recently reopened negotiations for the remaining Court facilities: The Central Branch (100% Court occupied) and the Youth Services Center (7.93% Court occupied) in San Mateo; and the Northern Branch (79.88% Court occupied) and the Jail Annex (29.28% court occupied), also known as Courtroom "O", in South San Francisco. It is anticipated that the total CFPs for these four facilities will approximate $425,000. The ongoing CFPs for all six facilities will total $1.6 million on an annual basis.

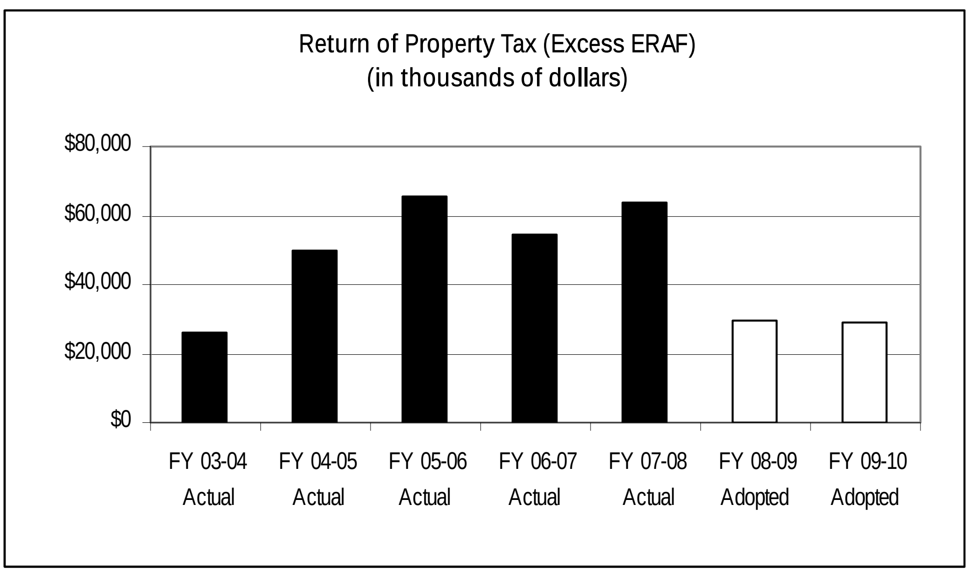
Ongoing Capital Maintenance (Facility Assessment Study) – During FY 2007-08, Public Works completed a countywide facility assessment study of all County-owned facilities using the Facility Condition Index System (FCIS). This tool provides a baseline Facility Condition Index (FCI) number for each facility and develops projections of costs and improvements that will be required in each budget year in order to maintain the facilities, thereby assisting Public Works in prioritizing long-term maintenance and capital improvement projects for all County facilities. Public Works is currently developing the FY 2009-10 Capital Improvement Program (CIP) utilizing the FCIS planning tool.

The County has made a long-term commitment of $5 million per year in General Fund appropriations and $1.2 million per year in Facility Surcharges to fund capital improvement projects over the next five years. The FY 2009-10 CIP will be a comprehensive report made available during the June 2009 budget hearings. It will include fiscal data for all scheduled and proposed capital improvement and FCIS maintenance projects through FY 2013-14, as well as descriptions of all projects. It will also detail the methods used for submission, evaluation, and review by the Planning Commission for General Plan conformity.

<u>Other Budget Updates</u>

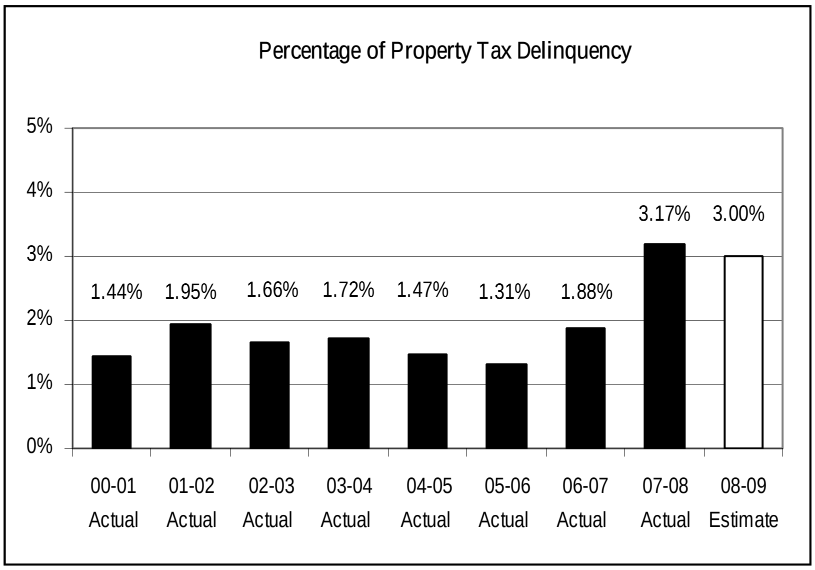
Educational Revenue Augmentation Fund (ERAF) Revenues – Since FY 2003-04, the General Fund has received $248.2 million in excess ERAF revenues which have been used to fund OPEB, balance the budget, and fund future capital and technology projects. Every January the County Controller distributes 50% of the estimated excess ERAF for the current year, the remaining balance due from the previous fiscal year and a residual balance held in reserve relating to prior years. The County has adopted a policy of appropriating the remaining 50% from the current year in the following year's budget. So for example, the excess ERAF from the January 2008 apportionment of $28.6 million is the amount that was budgeted for FY 2008-09. Current law states that, in order to fulfill the mandatory ERAF obligations, additional property tax dollars can be transferred from non-basic aid school districts. These non-basic aid school districts are then backfilled by the State up to their revenue limit. Estimates indicate the Community College District is $380,000 away from becoming a basic aid school district. For FY 2008-09, in order to fulfill the ERAF obligations, $36 million was transferred from the Community College District. If the Community College District were to become basic aid later in the fiscal year, the $36 million would be returned to the Community College District by the remaining K-12 non-basic aid school districts. K-12 may not have sufficient funds to fulfill this obligation and would have to wait for its allocation from the State in order to pay ERAF back. In order to fulfill all of the ERAF obligations in a timely manner, the County Controller recommends that $36 million of the County's share of the January 2009 excess ERAF distribution remain in the ERAF trust fund. The amount remaining in ERAF will accrue interest at the County Investment Pool rate until it can be reasonably determined if the Community College District will turn basic aid.

With the decline in property taxes and increased enrollments in some school districts, the County could eventually be reliant on the State to fulfill some portion of the ERAF obligations (including excess ERAF). The County continues to recommend use of ERAF for one-time purposes, given this volatility in basic and non-basic aid status.



Teeter Plan Reserves – The Teeter Plan allows counties to apportion taxes based on amounts levied, not collected. This guarantees taxing agencies the full amount of taxes levied, and gives counties the rights to collect delinquent taxes and associated penalties and interest, which would, over time exceed the amounts advanced to taxing agencies. Under the

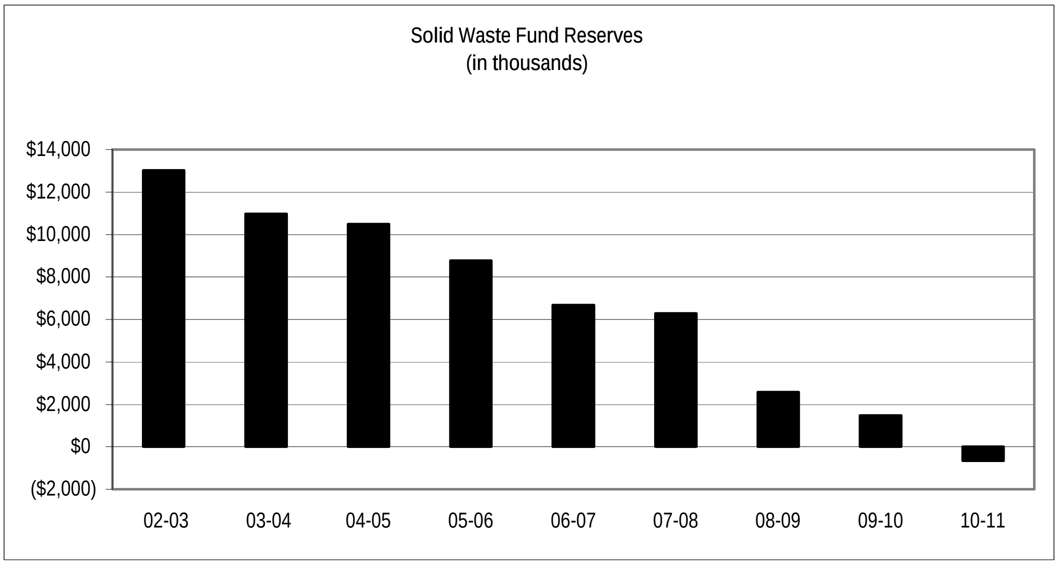
Teeter Plan, reserves of 1% of the total of all taxes and assessments levied on the secured roll must be maintained. Beginning in FY 2008-09, as part of the Structural Deficit Elimination Plan, the County included $6 million per year over a five-year period to assist with the payment of debt service for the Youth Services Center. Due to the increasing amount of Property Tax delinquencies the past two fiscal years and the Teeter Plan reserves requirement, it now appears that the County will have to cut back or eliminate any ongoing assumptions for Teeter proceeds in the Structural Deficit Elimination Plan. The year-end projection of Teeter balances in excess of the reserves requirement is $3.5 million. With the increase in delinquencies, Teeter proceeds will increase over time, but in the short-term, when the levies paid out by the County are outpacing the receipt of delinquent taxes and penalties, it becomes more difficult to rely on Teeter as a steady funding source. The County Manager's Office and the Controller's Office will continue to monitor Teeter over the next few months and make a determination as to what amount of Teeter, if any, should be factored into the FY 2009-10 Recommended Budget.



Fire Protection Fund Revenue Shortfall – With the failure of Measures Q and R in November, a dedicated funding source to supplement Property Tax revenues needs to be identified to maintain existing fire services in the County's unincorporated areas. The General Fund began subsidizing Fire Protection in FY 2005-06 and through FY 2007-08 has transferred $1,941,318 to the Structural Fire Fund with $915,000 appropriated in FY 2008-09. Factoring in labor and non-labor increases and the need to begin replacement of capital equipment and facilities, the subsidy is expected to increase to $1,746,049 in FY 2009-10. Property Tax revenues that accrue to the Structural Fire Fund have been unable to keep pace with costs due to the disproportionate amount of unsecured property taxes in the Structural Fire tax rate area. Growth in the Unsecured Property Tax roll, which is comprised largely of assets at the San Francisco International Airport, has remained relatively flat since 9/11. Over the next year the Board Finance and Operations Committee will continue to develop strategies that may include a combination of new revenues, reductions in services or consolidation of services provided by CAL FIRE, and General Fund support.

Solid Waste Fund Reserves – The revised projection for the Solid Waste Fund shows that there will be a Fund Balance of $2.5 million for FY 2008-09 instead of the $500,000 deficit that was originally forecasted. The reason for the change is partly due to delays in design work and securing permits for the construction of the improvements needed to close the Pescadero and Half Moon Bay landfills. Construction of these projects will not begin until late FY 2008-09. The other reasons for the improved Fund Balance status are attributable to a number of measures that have been put in place to address the structural deficit in this fund. The Childrens' Health Initiative, previously budgeted at $2.7 million, was reduced to $1.5 million in FY 2007-08 and completely removed from the Solid Waste Fund in FY 2008-09. It is now funded through the County's General Fund. The Environmental Health Section of the Health Department has received almost $1.7 million annually in Solid Waste Fund subsidies. This amount was reduced by $100,000 in FY 2008-09 and will go down by another $200,000 in

FY 2009-10. Environmental Health has made up these funds through adjustments in its fees. Future savings and revenue enhancements are also being developed. The payment for garbage collection from County buildings and the monitoring of underground fuel tanks will become part of the rent charges in FY 2009-10 instead of coming from the Solid Waste Fund. A legislative proposal has been put forth to charge a fee for solid waste being taken to out-of-county disposal sites by the waste hauler companies. The County is held responsible for the out-of-county waste disposed when determining whether it has achieved the legally mandated diversion rate. Finally, the County will be proposing rate increases as part of the negotiation of the new contract for the Ox Mountain landfill site. Currently the tipping fees charged at Ox are significantly lower than landfills in neighboring counties.



Increased Independent Provider (IP) Hours for Public Authority In-Home Supportive Services – Aging and Adult Services (AAS) is experiencing an increase in the number of clients enrolling in the In-Home Supportive Services (IHSS) program and is analyzing the corresponding increase in IP hours expected in FY 2008-09. AAS will be submitting an Appropriation Transfer Request (ATR) to the Board of Supervisors in March to reflect the increased costs and corresponding State, Federal, and Realignment revenues to fund the increase.

Hiring Freeze Update – A Countywide hiring freeze was implemented on December 10, 2007. Departments have been directed to maintain a 2% reserve and 5% vacancy rate during the hiring freeze in order to accomplish the goals of generating salary savings, keeping positions vacant to plan for future service reductions, and avoiding layoffs as the County works toward eliminating the structural budget deficit. The current County vacancy rate is 10%. Human Resources and the County Manager's Office jointly review vacancy plans and requisitions on an ongoing basis and work with departments to manage reserve and vacancy targets.

Communication with Employee Organizations – The County Manager's Office and Human Resources have been meeting monthly with employee organizations since January of last year to provide regular updates on the State and County budgets. This effort has led to the development of an Employee Budget Suggestions website on the County Intranet, as well as the creation of seven Employee Budget Workgroups and a new employee incentive (STARS Employee Suggestion Award) to encourage and reward employee input that improves the efficiency and effectiveness of county government.

Employee Budget Workgroups – Employee Budget Workgroups were created last year to consider employee suggestions submitted through the County Intranet, as well as other sources, and prepare cost savings and revenue enhancement recommendations for future budget years in order to eliminate the County's structural budget deficit by 2013. The seven workgroups (Cost Containment, Fiscal Officers Technical Team, Green, Health System Redesign, Revenue Enhancement, Salaries and Benefits, and Workload and Retention) are co-led by managers from County departments and union representatives, and have represented and non-represented membership.

The workgroups are in the process of reviewing and prioritizing 122 employee suggestions for inclusion in the County budget. There were 56 employees who requested consideration for a STARS Award. The workgroups have referred six suggestions to the STARS Awards Committee and Fiscal Officers Technical Team for consideration. Award recipients will be notified in March and suggestions highlighted in the County's Recommended Budget.

<u>LOCAL ECONOMIC INDICATORS</u>

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)
- First-Time Housing Affordability Index
- Median Home Price and Home Sales
- Foreclosure Activity
- Property Reassessment and Assessment Appeal Filings
- Building Permits Issued
- Unemployment Rate
- PeninsulaWorks Participants
- Public Assistance Caseloads
- Emergency Room Visits
- Health Insurance Enrollment Adults and Children
- Health Insurance Enrollment in Healthy Kids, Healthy Families, and Medi-Cal
- Office Space Availability and Asking Rates per Square Foot
- San Francisco International Airport – Total Passengers
- Jail Populations – Maguire and Women's Correctional Center
- Juvenile Hall Population

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. In FY 2008-09 a decrease of one-tenth percentage point, from 3.2% to 3.1%, is forecast for the Bay Area CPI while California is forecast to decrease one-half percentage point, from 3.4% to 2.9%. The national CPI is forecast to decrease an entire percentage point, from 3.7% to 2.7%. Bay Area and California CPIs are forecast to decrease to 1.7% and the national CPI is forecast to decrease to 1.3% in FY 2009-10 due to the continuing recession and reductions in fuel and utilities costs.

General CPI Fiscal Year	*Bay Area % Change*	*California % Change*	*U.S. % Change*
2011*	2.6%	2.7%	2.0%
2010*	1.7%	1.7%	1.3%
2009*	3.1%	2.9%	2.7%
2008	3.2%	3.4%	3.7%
2007	3.3%	3.4%	2.6%
2006	2.7%	4.2%	3.8%
2005	1.7%	3.3%	3.0%
2004	0.9%	1.9%	2.2%
2003	1.9%	2.6%	2.2%
2002	3.2%	2.9%	1.8%
2001	5.5%	4.3%	3.4%
2000	4.2%	3.2%	2.9%

Source: FY98 to FY08 Bureau of Labor Statistics.
*FY09 to FY11 CA Dept of Finance for CA and U.S.; Governor's Budget Forecast, November 2008

First-Time Housing Affordability Index

The housing affordability index is the most fundamental measure of housing well-being in the state. The percentage of first-time buyers in the Bay Area who can afford to purchase a median-priced home in the third quarter of 2008 was 35%, the highest figure since the first quarter of 2004 when the percentage of first-time homebuyers reached 37%. The statewide figure of 53% is one of the highest on record. San Mateo County saw an increase from 18% to 29% over the past year but continues to be one of the least affordable places to buy a home in California, with only Marin at 24% and San Francisco at 26% ranked lower. These figures are more indicative of a depressed housing market than increases in personal income.

First-Time Buyer Housing Affordability Index	*3rd Quarter 2006*	*3rd Quarter 2007*	*3rd Quarter 2008*
California	24%	24%	53%
United States	60%	62%	68%
SF Bay Area	22%	18%	35%
Sacramento	39%	46%	71%
Santa Clara	26%	21%	39%
Monterey Region	17%	16%	51%
Alameda County	23%	23%	39%
Contra Costa County	17%	16%	30%
San Francisco	17%	15%	26%
Marin County	21%	20%	24%
San Mateo County	20%	18%	29%
San Joaquin County	32%	NA	NA
Stanislaus County	36%	NA	NA

Source: CA Association of Realtors www.car.org

Median Home Price

The number of homes sold in the Bay Area is up by 12.3% from last November, after hitting a 20-year low in December 2007. Median home prices are down by 44.4% compared to the prior year. The median price paid for a Bay Area home was $350,000 in November 2008 compared to $629,000 a year ago. The volume of homes sold in San Mateo County was down by 21%. The median home price dropped by 25.6% to $580,500 compared to $780,000 last year. Prices of homes in the County continue to be one of the highest in the Bay Area and the State. Recent reports on California real estate activity indicate a substantial increase in the use of Federal Housing Administration (FHA) loans from less than 1% in November 2007 to 20.6% in November 2008 and a slowdown in sales of expensive homes financed by "jumbo" loans, which are down by 39% from last year.

Bay Area Counties	*Number of Homes Sold November 2007*	*Number of Homes Sold November 2008*	*Number of Homes Sold % Change*	*Median Price November 2007*	*Median Price November 2008*	*Median Price % Change*
Bay Area	5,127	5,756	12.3%	$629,000	$350,000	-44.4%
Alameda	985	1,182	20.0%	565,000	356,500	-36.9%
Contra Costa	879	1,423	61.9%	528,500	265,000	-49.9%
Santa Clara	1,317	1,120	-15.0%	678,000	450,000	-33.6%
San Mateo	504	398	-21.0%	780,000	580,500	-25.6%
San Francisco	479	340	-29.0%	814,750	648,000	-20.5%
Marin	206	155	-24.8%	871,000	625,000	-28.2%
Napa	81	93	14.8%	562,000	406,500	-27.7%
Solano	313	596	90.4%	375,550	234,500	-37.6%
Sonoma	363	449	23.7%	470,000	310,000	-34.0%

Source: DataQuick Information Systems http://www.dqnews.com/News/California/Bay-Area/RRBay081218.aspx

Foreclosure Activity

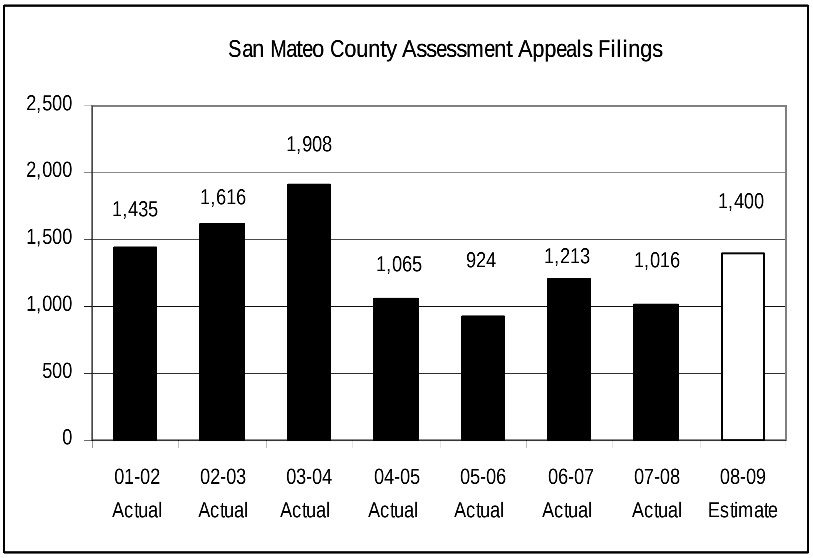
During the third quarter 2008, mortgage default notices were up statewide by 29.9% from the same period last year with lending institutions issuing 94,240 notices, highlighting the negative impact on overall property values from at-risk home loans. In terms of percentage change, default notices are the highest in Santa Clara, Monterey, and Alameda counties. In San Mateo County, default notices have increased by 216 or 37.2%.

Notices of Default	*3rd Quarter 2007*	*3rd Quarter 2008*	*% Change*
California	72,571	94,240	29.9%
SF Bay Area	10,427	15,027	44.1%
Sacramento	4,947	5,541	12.0%
Santa Clara	1,655	2,814	70.0%
Monterey Region	751	1,260	67.8%
Alameda County	2,126	3,482	63.8%
Contra Costa County	3,216	4,103	27.6%
San Francisco	252	353	40.1%
Marin County	172	258	50.0%
San Mateo County	581	797	37.2%
San Joaquin County	2,961	3,432	15.9%
Los Angeles County	13,583	17,073	25.7%

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

Property Reassessment and Assessment Appeals Filings

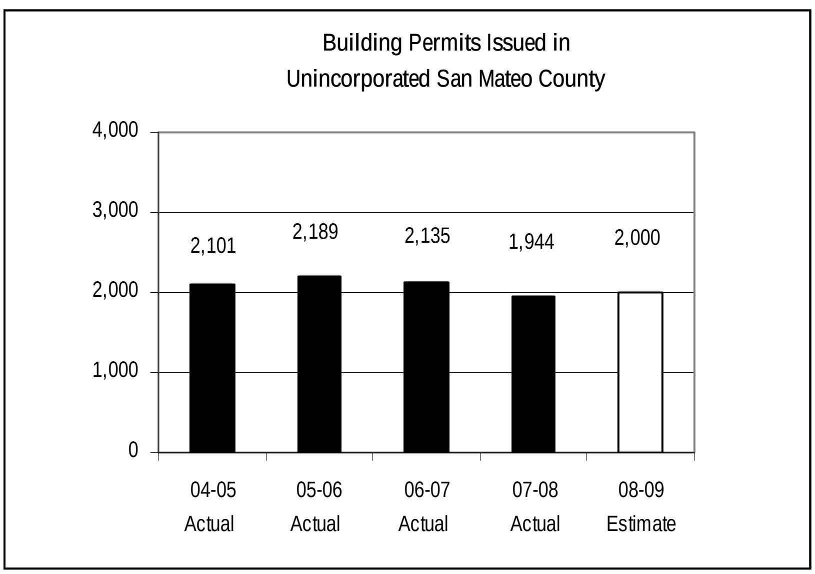
There were 8,600 property reassessment requests received in 2008 compared to 1,200 in 2007. So far 7,200 have been reviewed, of which 4,400 or 61% warranted a reduction. There were 816 assessment appeals filed with the Assessment Appeals Board as of mid-January 2009 and another 600 estimated by year-end, representing an increase of 384 filings or 38% from FY 2007-08 appeals. The filing period for appeals is from June 2 through December 1, 2008. The appeals received after the deadline are primarily appeals of Supplemental or Escape Assessments. There are currently 1,127 open appeals of which 877 were filed in the past two years.



Source: San Mateo County Assessor's Office

Building Permits

It is estimated that the number of building permits issued by the end of the fiscal year will show a leveling out trend in construction and development. This trend reflects the general economic downturn, including a depressed real estate market, increasing requirements to qualify for construction and home equity loans, modifications to lending and banking procedures and requirements as a result of the fall-out from the lending crises and increased concerns about the current economic recession. Current permit activity indicates that the majority of building permits processed continue to be for improvements to existing homes and structures.

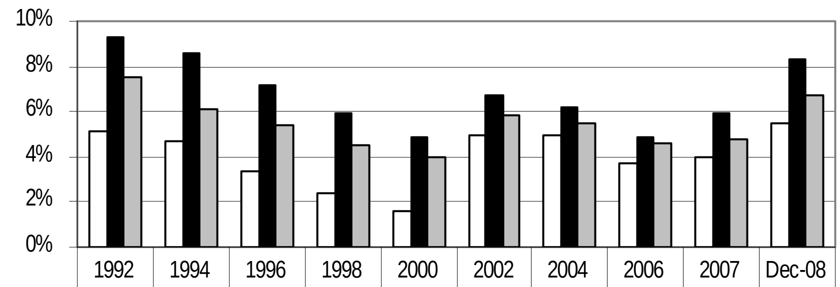


Source: San Mateo County Planning and Building Department

Unemployment Rate

Unemployment rates at the local, state and national levels are up from last year. San Mateo County unemployment is up from 4.0% in December 2007 to 5.5% in December 2008, with 21,800 unemployed. The county continues to have one of the lowest unemployment rates in the state, second only to Marin County with 5.0% unemployment in December 2008.

San Mateo County Unemployment

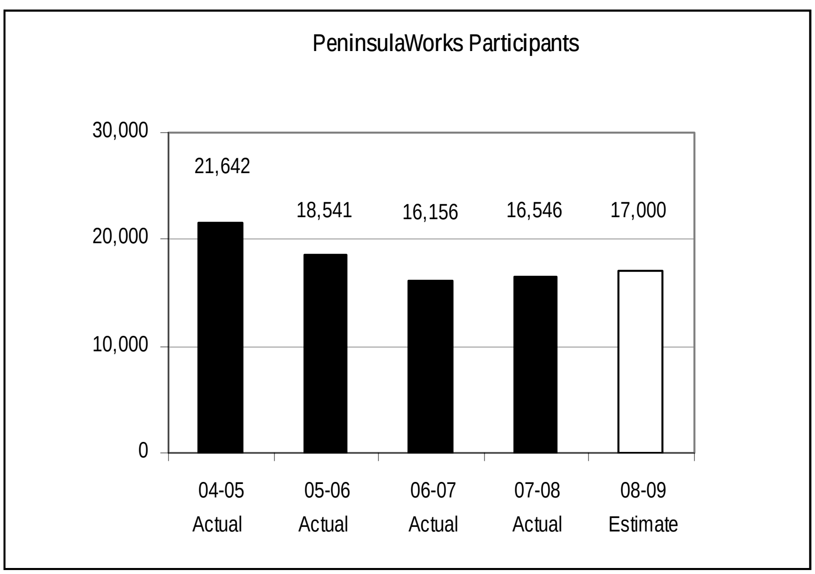


	1992	1994	1996	1998	2000	2002	2004	2006	2007	Dec-08
San Mateo	5.1%	4.7%	3.4%	2.4%	1.6%	5.0%	5.0%	3.7%	4.0%	5.5%
California	9.3%	8.6%	7.2%	5.9%	4.9%	6.7%	6.2%	4.9%	5.9%	8.3%
U.S.	7.5%	6.1%	5.4%	4.5%	4.0%	5.8%	5.5%	4.6%	4.8%	6.7%

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

PeninsulaWorks Participants

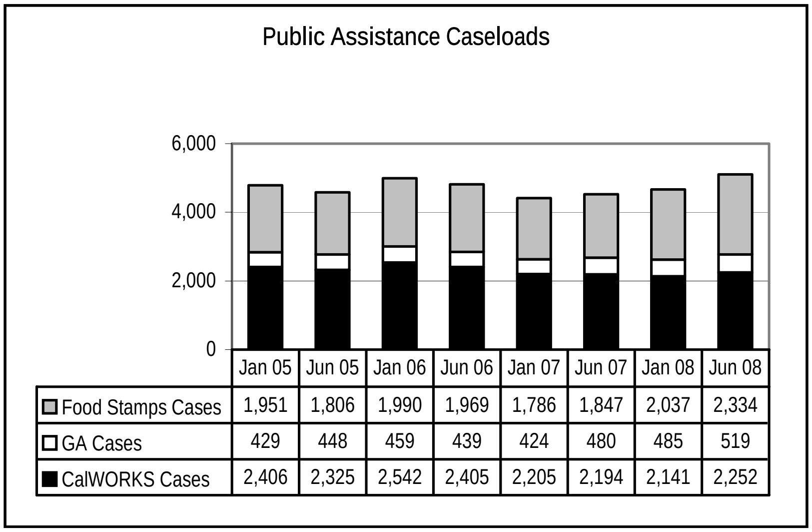
The number of clients seeking career counseling, skills assessment, and job search assistance increased 2% from FY 2006-07 to FY 2007-08, closely reflecting the County's moderate unemployment rate increase for the period. Increasing unemployment and mass layoffs by County employers starting in August 2007 and the unprecedented financial collapse and economic turndown that began in May 2008 are increasing demands for workforce development and training services; however, due to the extended period of unemployment benefits and the low income level requirements for aid, an increase in participants at the PeninsulaWorks sites is not yet being experienced. Unfortunately, workforce funding has not yet adjusted to reflect the increased need. In the coming months, as participants exhaust their unemployment benefits and other resources, increased numbers of participants are expected through FY 2009-10.



Source: Human Services Agency

Public Assistance Caseloads

The point-in-time caseload data for June 2008 compared to June 2007 shows a 26% increase in the number of Food Stamp (only) cases. Over the same comparative time period, the General Assistance caseload increased by 8% and the CalWORKs caseload increased by 3%.

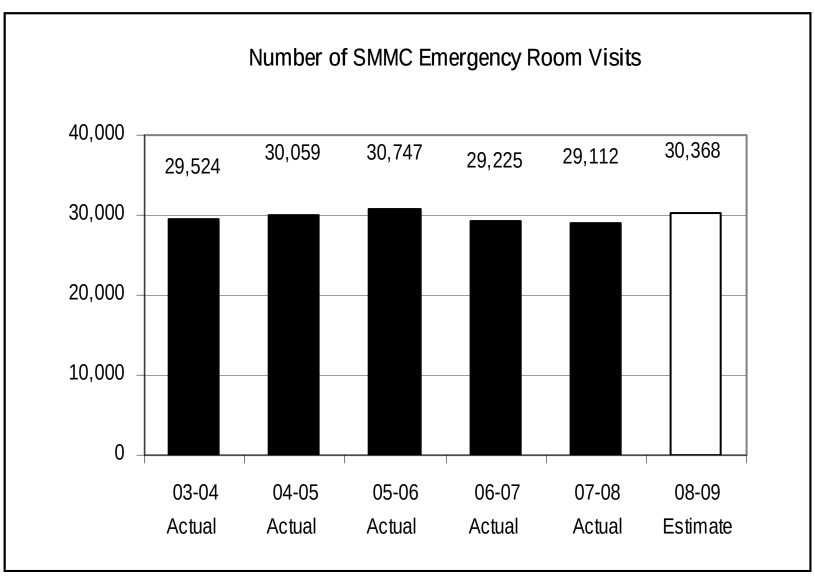


	Jan 05	Jun 05	Jan 06	Jun 06	Jan 07	Jun 07	Jan 08	Jun 08
Food Stamps Cases	1,951	1,806	1,990	1,969	1,786	1,847	2,037	2,334
GA Cases	429	448	459	439	424	480	485	519
CalWORKS Cases	2,406	2,325	2,542	2,405	2,205	2,194	2,141	2,252

Source: Human Services Agency

Emergency Room (ER) Visits

After five years of relatively stable ER visit volume, visits at the San Mateo SMMC have increased 4% over last year, with 15,184 visits YTD as of December, compared to 14,556 for the prior year at the same time. While the YTD impact is modest, in the last two months, there was a 10% increase in ER visits. Given the state of the economy, rising unemployment, increasing loss of employer-sponsored health insurance, and proposed reductions in Medi-Cal eligibility by the state, there is a high likelihood that demand for health care for the uninsured will rise in San Mateo County. Emergency Rooms are typically the provider of only resort for persons who cannot afford preventive and elective care, and further volume increases in the ER are anticipated. In response, the clinic system is in the process of improving flow and productivity to be able to expand capacity, and development of expanded urgent care capacity will be studied.



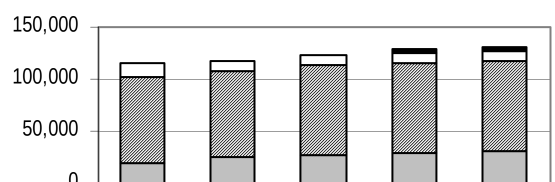
Source: San Mateo SMMC

<u>Insurance Enrollments</u>

The Health System continues to lead efforts in identifying individuals who are eligible for health insurance, successfully enrolling them in the appropriate program, and assisting them in accessing needed preventive care. Several community enrollment sites have been established throughout the County and application assistance is available seven days a week including evening and weekends. The enrollment locations include schools, family centers, and all free and low-cost clinics in the County. There are over 50 Certified Application Assistors (CAAs) in the County assisting families with both enrollment and re-enrollment into the various health programs. With One-e-App, the web-based application processing system, CAAs have conducted phone enrollments with families unable to come in for in-person appointments. The Health System continues to partner with community-based organizations to conduct new member orientations throughout the County in which important information on preventive care is discussed and families are encouraged to utilize their health benefits.

In addition, the WELL Program—the County's Section 17000 program that provides coverage for healthcare services at SMMC facilities at little or no cost for persons living below 200% of the federal poverty line and who are not eligible for other programs—continues to support the County's indigent population. Effective January 1, 2009, the administration of the WELL program (now referred to as ACE County) was transferred to Health Plan of San Mateo. The lower-than-projected enrollment in ACE County reflects efforts to ensure maximum coverage in other programs supported by Federal and State funding, including Medi-Cal and the ACE Coverage Initiative program.

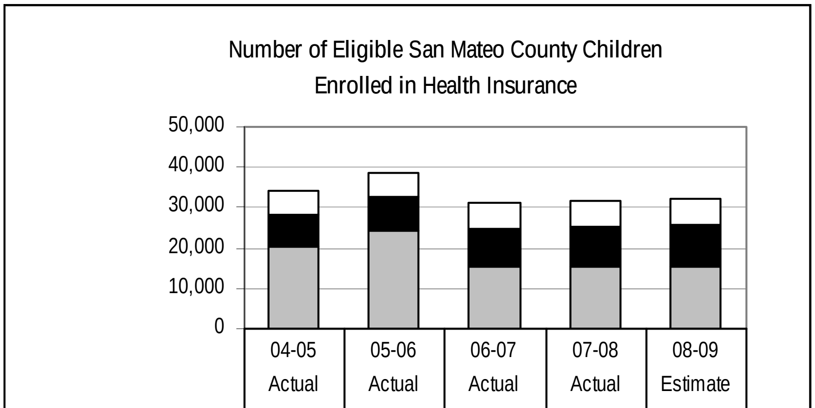
Number of Eligible San Mateo County Adults
Enrolled in Health Insurance



	04-05 Actual	05-06 Actual	06-07 Actual	07-08 Actual	08-09 Estimate
ACE Coverage Initiative	0	0	0	3,419	4,136
ACE County*	13,054	9,686	10,407	8,852	9,048
Medicare	82,597	83,289	84,741	86,191	87,656
Medi-Cal	19,200	24,468	27,874	29,499	30,089

*Formerly referred to as County WELL Program
Source: Health System, Human Services Agency

Another key element of this effort is the Children's Health Initiative, which will have enrolled an estimated 6,300 children in the Healthy Kids (HK) insurance program by the end of FY 2008-09. The projection for HK enrollment was based on the steady growth of this program since its inception in 2002. The Health System has seen this growth flatten during FY 2008-09 and hold relatively stable at around 6,300. It is believed that this reflects the higher proportion of families who qualify for programs available to those at the lower ends of the economic spectrum (Medi-Cal and Healthy Families), as well as changes in immigration patterns to San Mateo County as the availability of employment has decreased. In addition, the average number of HK members turning 19 and aging out of the program has increased in the past two years. In 2006, there were approximately 21 HK members turning age 19 every month. In the past twelve months, approximately 34 HK members are aging out per month.

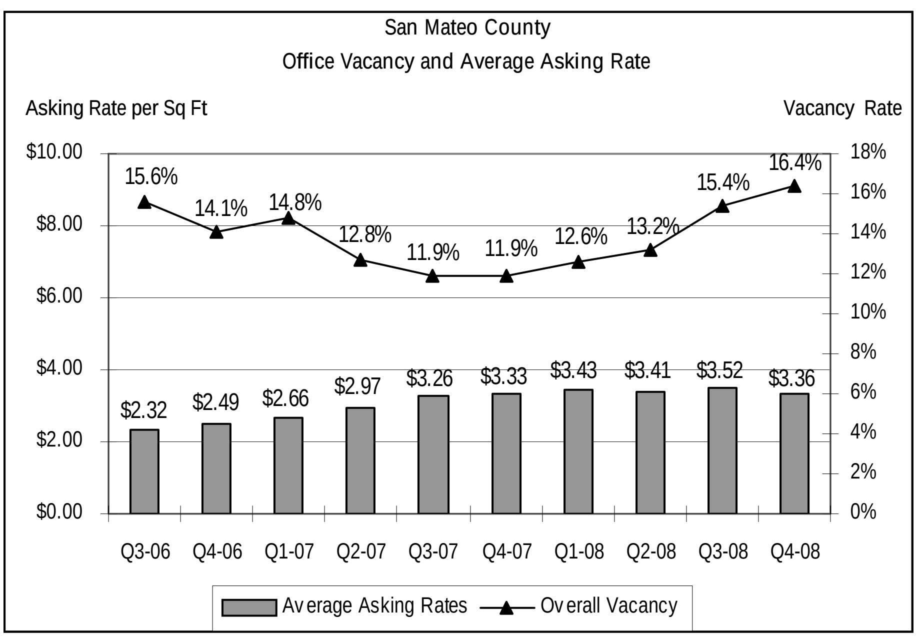


	04-05 Actual	05-06 Actual	06-07 Actual	07-08 Actual	08-09 Estimate
Healthy Kids	5,805	6,073	6,315	6,414	6,300
Healthy Families	8,049	8,585	9,246	9,910	10,287
Medi-Cal*	20,346	24,058	15,397	15,402	15,592

*The Children's Medi-Cal data above only accounts for beneficiaries enrolled in Full Scope No Share-of-Cost Medi-Cal.
Source: Health System, Human Services Agency

Office Space Availability

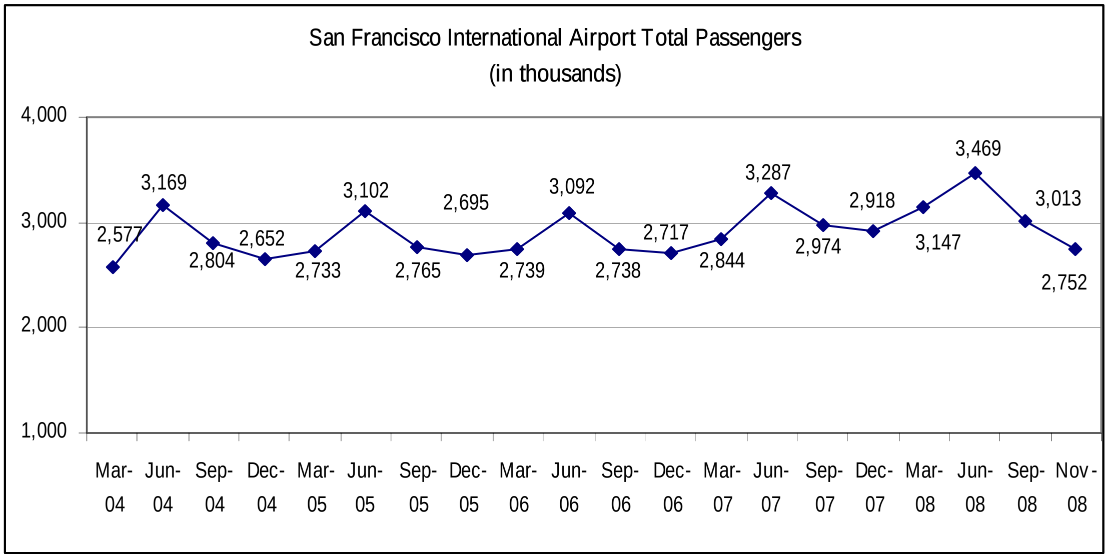
A steadily declining vacancy rate fueled a brief spike in market rates in 2007 that carried into the first half of 2008. Five consecutive quarters of negative absorption pushed the vacancy rate to 16.4% by the end of 2008, the highest vacancy in six quarters. Significant negative absorption of existing inventory was compounded by the introduction to the market of nearly 400,000 square feet of new construction, resulting in a total increase in available space of more than 1,400,000 square feet. The amount of space available for sublease jumped by more than 90% in 2008, an increase of more than 550,000 square feet. The change in the market has not been reflected in a corresponding drop in asking rates, which peaked in Q3 2008 at $3.52 before dropping to $3.33 at the end of the year. The rising vacancy rate and the significant increase in the proportion of space available for sublease indicate that a dramatic drop in asking rates should be anticipated.



Source: NAI BT Commercial

San Francisco Airport – Total Passengers

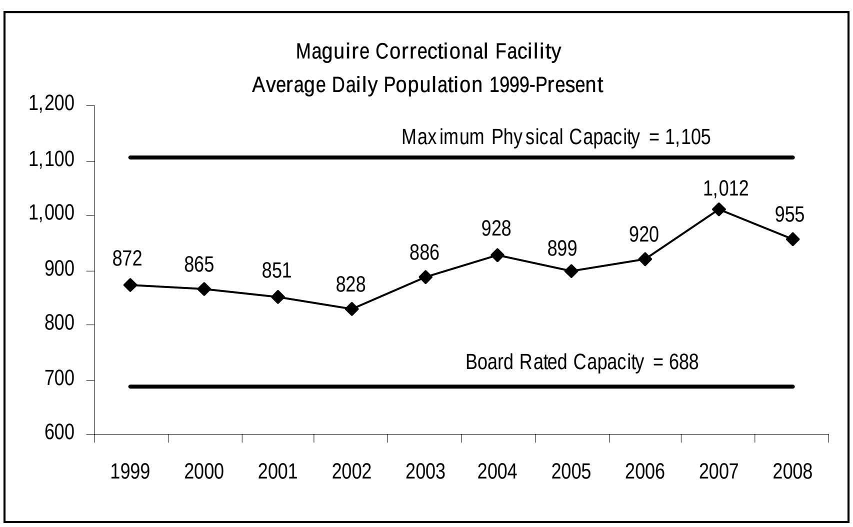
A significant portion of the County's unsecured property tax and sales tax revenues come from businesses at San Francisco International Airport, so it is important to monitor patterns in airport activity. In November 2008, the total number of passengers arriving and departing from the airport was down by 6.2% at 2.75 million compared to last November at 2.93 million. However, passenger activity is above prior year levels with 4.9% growth with 37.3 million total passengers from January to November 2008 compared to 32.9 million in the prior year.



Source: SFO Media Office http://www.flysfo.com/about/stat/pdf/as200811.pdf

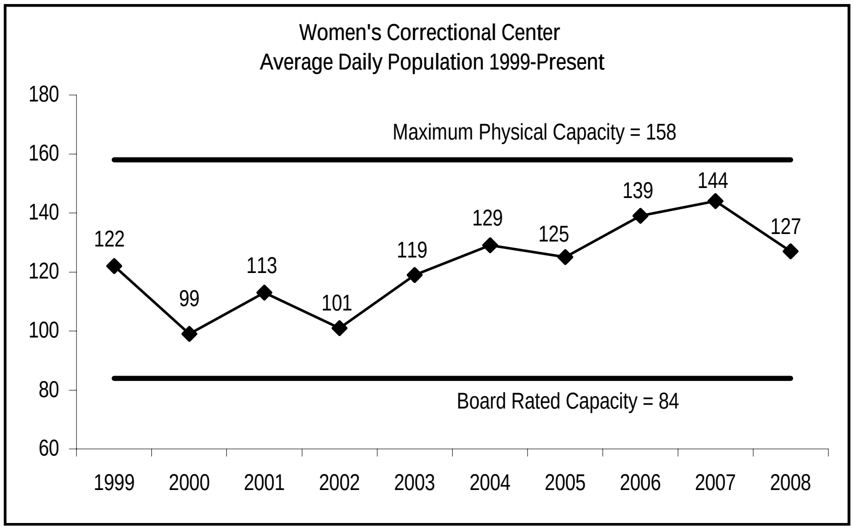
Jail Populations

Following a rise in the peak Maguire Average Daily Population (ADP) beginning in mid-2004, the ADP is beginning to decrease, primarily due to the Countywide community re-entry efforts that focus on identifying sentenced in-custody inmates for referral to community placement. The Sheriff, County Manager's Office, and the Board Criminal Justice Committee continue to monitor jail population trends and seek alternatives to custody that can further reduce inmate population and/or average length of stay. The average daily population at Maguire has decreased 5.6% – from 1,012 inmates in 2007 to 955 inmates in 2008.



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

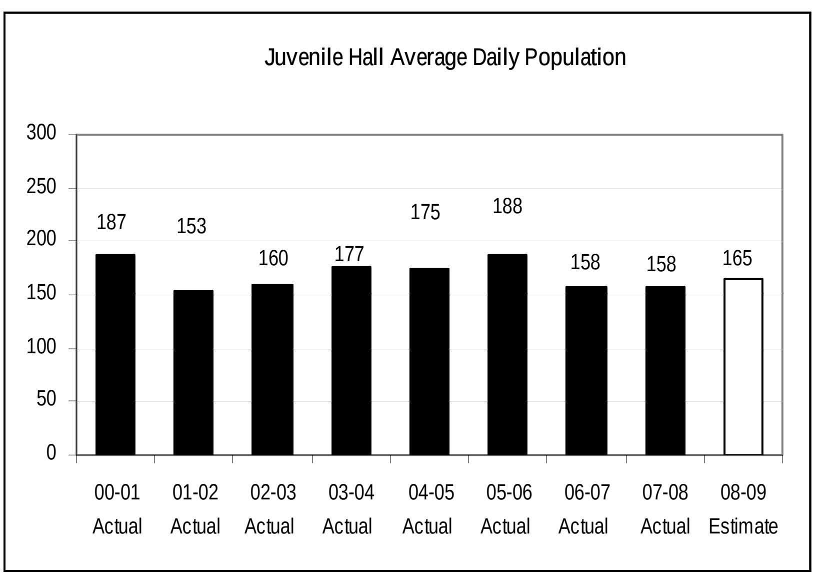
While the female bookings grew at an average annual rate of two percent, ADP for women decreased 11% from 144 in 2007 to 127 in 2008. The reason for the decrease is primarily due to the countywide community re-entry efforts that focus on identifying sentenced in-custody inmates for referral to community placement. This is a significant accomplishment considering, historically, there exist limited alternatives to jail for women offenders, limited intermediate out-of-custody sanction options, and limited treatment options for women who either can't pay for treatment, have children, or both.



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

<u>Juvenile Hall Population</u>

After a steady recent decline, the ADP at Juvenile Hall has increased in the first half of FY 2008-09 from an average of 158 in FY 2007-08 to 167. Three factors contributed to this trend. First, there were several high-profile incidents of youth running away from Camp Glenwood. Probation halted sending new youth to the Camp; in mid-January, Probation began sending appropriate youth to Camp again. Secondly, the State began shutting down its Department of Juvenile Justice facilities, and some youth with serious offenses are no longer sent to State custody. Finally, Probation discontinued its contract with the Rites of Passage placement program due to allegations of mistreatment of youth. Probation has implemented a multi-disciplinary Detention Expediter Team that regularly reviews the status of all youth in Juvenile Hall for possible alternatives to detention programs such as electronic monitoring, house arrest, and day/evening/weekend reporting programs.



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 Education Revenue Augmentation Fund (ERAF) was $21 million or 6.7% over the last five years. The amount of excess ERAF projected in FY 2008-09 has been left at the budgeted figure of $28.6 million as the County Controller holds back $36 million of the County's General Fund apportionment in case the Community College District turns basic aid before June 30, 2009.

Revenue Source (In Thousands)	FY04-05 Actual	FY05-06 Actual	FY06-07 Actual	FY07-08 Actual	FY08-09 Estimate	Average Annual Growth
AMOUNTS (In Thousands):						
Secured Property Tax	$129,370	$139,153	$154,067	$165,963	$177,376	$11,176
Unsecured Property Tax	10,349	8,963	8,705	8,565	8,705	(695)
Sales Tax (includes property tax in-lieu)	14,372	14,834	16,702	18,302	19,174	971
Public Safety Sales Tax (Prop. 172)	62,269	63,774	63,713	62,476	61,156	(118)
Transient Occupancy Tax	700	772	907	750	974	68
Vehicle License Fees (VLF)	3,724	0	0	0	0	(7,591)
Property Tax In-Lieu of VLF	50,074	62,238	63,081	67,927	72,694	14,539
Other Revenue (without Excess ERAF)	30,652	60,892	55,144	47,858	43,818	2,687
TOTAL without Excess ERAF	$301,511	$350,625	$362,320	$371,840	$383,896	$21,037
Excess ERAF Transfers-Returned to County	47,526	62,716	52,109	61,128	28,817	795
TOTAL with Excess ERAF	$349,037	$413,341	$414,429	$432,968	$412,714	$21,832
GROWTH RATES:						
Secured Property Tax	6.5%	7.6%	10.7%	7.7%	6.9%	7.9%
Unsecured Property Tax	-15.0%	-13.4%	-2.9%	-1.6%	1.6%	-6.3%
Sales Tax (includes property tax in-lieu)	0.4%	3.2%	12.6%	9.6%	4.8%	6.1%
Public Safety Sales Tax (Prop. 172)	0.8%	2.4%	-0.1%	-1.9%	-2.1%	-0.2%
Transient Occupancy Tax	10.8%	10.2%	17.6%	-17.4%	29.9%	10.2%
Vehicle License Fees (VLF)	-90.2%	-100.0%	0.0%	0.0%	0.0%	-38.0%
Property Tax In-Lieu of VLF	100.0%	24.3%	1.4%	7.7%	7.0%	28.1%
Other Revenue (without Excess ERAF)	0.9%	98.7%	-9.4%	-13.2%	-8.4%	13.7%
TOTAL % Change without Excess ERAF	8.2%	16.3%	3.3%	2.6%	3.2%	6.7%
TOTAL % Change with Excess ERAF	15.0%	18.4%	0.3%	4.5%	-4.7%	6.7%

FIVE-YEAR FY 2009-13 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 $11.1 million or 2.7% annually for the next five years. As in year's past, no assumptions for excess ERAF have been made beyond FY 2009-10.

Revenue Source (In Thousands)	FY09-10 Projected	FY10-11 Projected	FY11-12 Projected	FY12-13 Projected	FY13-14 Projected	Average Annual Growth
AMOUNTS (In Thousands):						
Secured Property Tax	$184,471	$189,083	$194,756	$201,572	$209,635	$6,452
Unsecured Property Tax	8,531	8,360	8,360	8,360	8,360	(69)
Sales Tax (includes property tax in-lieu)	19,701	20,245	20,809	21,392	21,995	564
Public Safety Sales Tax (Prop. 172)	62,379	63,626	64,899	66,197	67,521	1,273
Transient Occupancy Tax	994	1,013	1,034	1,054	1,075	20
Property Tax In-Lieu of Vehicle License Fees	75,602	77,492	79,816	82,610	85,914	2,644
Other Revenue (without Excess ERAF)	42,919	42,729	43,362	44,011	44,670	171
TOTAL without Excess ERAF	$394,595	$402,549	$413,036	$425,196	$439,171	$11,055
Excess ERAF Transfers-Returned to County	28,817	0	0	0	0	(5,763)
TOTAL with Excess ERAF	$423,413	$402,549	$413,036	$425,196	$439,171	$5,291
GROWTH RATES:						
Secured Property Tax	4.0%	2.5%	3.0%	3.5%	4.0%	3.4%
Unsecured Property Tax	-2.0%	-2.0%	0.0%	0.0%	0.0%	-0.8%
Sales Tax (includes property tax in-lieu)	2.7%	2.8%	2.8%	2.8%	2.8%	2.8%
Public Safety Sales Tax (Prop. 172)	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Transient Occupancy Tax	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Property Tax In-Lieu of Vehicle License Fees	4.0%	2.5%	3.0%	3.5%	4.0%	3.4%
Other Revenue (without Excess ERAF)	-2.1%	-0.4%	1.5%	1.5%	1.5%	0.4%
TOTAL % Change without Excess ERAF	2.8%	2.0%	2.6%	2.9%	3.3%	2.7%
TOTAL % Change with Excess ERAF	2.6%	-4.9%	2.6%	2.9%	3.3%	1.3%

COUNTY OF SAN MATEO

Inter-Departmental Correspondence

COUNTY MANAGER/CLERK OF THE BOARD

DATE:	January 20, 2009
BOARD MEETING DATE:	January 27, 2009
SPECIAL NOTICE/HEARING:	None
VOTE REQUIRED:	Majority

TO: Honorable Board of Supervisors

FROM: David S. Boesch, County Manager/Clerk of the Board

SUBJECT: Impact of Countywide Hiring Freeze on Program Performance

RECOMMENDATION:

Accept this report providing an update on the hiring freeze and identifying where the Countywide 5% hiring freeze has had an impact on program performance.

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.

This report contributes to Goal 20 by providing an update on the countywide hiring freeze and identifying areas in which there is an impact to program performance. The hiring freeze was implemented as a cost control strategy to address the County's structural budget deficit.

BACKGROUND:

A hiring freeze was implemented in December 2007 as part of the five-year plan to help eliminate the structural budget deficit, address the issue of salaries and benefits increases that are outpacing revenues, and avoid future layoffs by holding positions vacant. In January 2008, departments were directed to review all vacancies and develop plans to eliminate, fill, reallocate, or hold positions open to meet the 5% vacancy requirement. For the last year, a team made up of County Manager's Office (CMO) staff and Human Resources (HR) staff have reviewed vacancy plans submitted in January 2008 and subsequent position requisitions. Requisitions from Departments not meeting the 2% Reserves requirement have received an additional level of scrutiny. Requisitions for mission critical and hard to fill positions have been approved.

Parameters and criteria of the hiring freeze established in December 2007 include:

- Savings Target – Maintain at least 2% of net appropriations in Reserves
- Vacancy Target – Maintain at least 5% of all positions vacant

As an example, a department with 50 authorized positions must hold 3 positions vacant and a department with 1,000 positions must hold 50 positions vacant.

Criteria:

- No Net County Cost Departments
    - Exempt as long as savings and vacancy targets are met
    - These departments should hold vacant those classifications that are commonly used in other County departments
- No Net County Cost Departments include:
    - Department of Child Support Services
    - County Library
    - Department of Housing
    - Information Services Department (work authorized by users)
    - Department of Public Works (work authorized by users)
    - Real Property Services (work authorized by users)
- Positions that are at least 75% funded by sources other than the General Fund
    - Approved if savings and vacancy targets are met
    - Considered for approval when a requisition is completed and reviewed by the Department Head or approved designee
- Hard to Fill and 24/7 Operations
    - Approved if savings and vacancy targets are met
    - Considered for approval when a requisition is completed and reviewed by the Department Head or approved designee
- All other requests are reviewed on a case by case basis
- A decision will be made within 5 business days after the request is received

Review Process:

- No Net County Cost Departments – Exempt from the hiring freeze (no review) as long as savings and vacancy targets are met
- All other requisitions in NeoGov need to include funding sources
- HR and the CMO Analyst will establish regular meetings with departments to jointly review requisitions and make recommendations for approval/denial

DISCUSSION:

The vacancy rate as of December 2008 was 10% or 578 positions, which is an increase of 54 vacancies from December 2007. In September 2008, the Board of Supervisors asked the CMO to conduct a review to determine if the hiring freeze was having an impact on program performance. A survey was developed and sent to departments, which also included twelve months of vacancy rate data. Departments were asked to:

- Determine if the hiring freeze has impacted program performance
- Determine if factors other than the hiring freeze have impacted performance
- Provide quantifiable data to support determinations that program performance has been impacted by the hiring freeze

The review team carefully examined and discussed each survey response. In addition to survey responses, the team reviewed vacancy plans submitted in January 2008, requisition requests from the past year, and performance measure data to determine if program performance has been impacted. If a determination was made that program performance has been impacted, the team determined if the impact was solely because of the hiring freeze or if there were other factors such as recruitment issues and/or funding issues that may be the primary cause.

FINDINGS:

The table below summarizes responses from departments. Of the 22 departments surveyed, 11 indicated the hiring freeze has had an impact on program performance and 10 indicated that either program performance has not been impacted or that factors other than the hiring freeze have had an impact on program performance.

Of the 11 departments that indicated that the hiring freeze had an impact on performance, the review team had very little quantifiable data to support the claim that the hiring freeze in fact has had an impact to program performance. Many of these departments described other factors such as hard to fill positions, and state and federal funding issues that seemed to be the more prominent factors influencing staffing and program performance. In addition, 9 of the 11 departments had vacancy rates in excess of 5%, which supports the fact that there are issues other than hiring freeze to be considered in assessing performance.

The table below shows all of the departments surveyed and lists the departments that said there was an impact to performance and those who said that other factors were affecting performance.

Summary of Responses		Department Indicates Hiring Freeze has Affected Performance	Factors Other than the Hiring Freeze have Affected Program Performance
1300D	Assessor-County Clerk-Recorder	YES	YES
1400D	Controller's Office	YES	YES
3300D	Coroner's Office	NO	NO
1600D	County Counsel	YES	NO
3700D	County Library	NO	NO
1200B	County Management	NO	NO
2600D	Department of Child Support Services	NO	YES
7900D	Department of Housing	YES	YES
4500D	Department of Public Works	YES	YES
2510D	District Attorney/Public Administrator	NO	YES
5000D	Health System - Health Department	NO	YES
6600D	Health System - San Mateo Medical Center	YES	YES
1700D	Human Resources Department	NO	YES
7000D	Human Services Agency	NO	YES
1800D	Information Services Department	YES	YES
3900D	Parks Department	YES	YES
3800D	Planning and Building	YES	YES
3200D	Probation Department	YES	YES
1240D	Public Safety Communications	YES	YES
1220D	Real Property Services	NO	NO
3000D	Sheriff's Office	NO	YES
1500D	Treasurer - Tax Collector	*No response*	*No response*

The review team focused on 4 of the 11 departments that indicated an impact to program performance: 1) Assessor-County Clerk-Recorder, 2) Planning and Building, 3) Probation Department, and 4) Health System-San Mateo Medical Center. These departments stood out because the hiring freeze appeared to be having the most significant verifiable impact on performance, or funding issues were the most significant factor influencing performance. The other 7 departments have hard to fill positions or other recruitment issues, funding issues, other factors affecting performance, or they were not able to present data that clearly showed an impact to performance.

The Assessor's Office indicated that the hiring freeze has had a direct impact on program performance especially in the area of Appraisal Services. The Department held two Appraiser positions vacant for several months as part of its 5% vacancy plan. Holding these positions vacant, coupled with shifts in workload because of the current condition of the housing market, appears to have had an impact to program performance. Over the last three fiscal years, the Department has shown a decline in achieving targets for Quality and Outcomes performance measures. In FY 2005-06, the Department achieved target for 84% of its Quality and Outcomes measures. In FY 2006-07 it achieved 76% and at the end of FY 2007-08 only 56% of its Quality and Outcomes targets had been met. The Assessor's Office is the third department to participate in the Countywide Management Review process, which is scheduled to begin this month. Staffing and program performance will be analyzed in more detail during that process.

The Planning and Building Department has had a vacancy rate in excess of 5% in the last twelve months and has met its 2% Reserves requirement. The Department currently has six vacancies, which is an 11% vacancy rate. The number of vacancies in excess of the hiring freeze minimum is mostly due to hard to fill positions. In FY 2006-07 the Department achieved target for 75% of its Quality and Outcomes measures but by the end of FY 2007-08 targets had been met for only 50% of its Quality and Outcomes measures. Impact to performance has mostly been in Long Range Planning, including code compliance and management of special projects. One of the six vacant positions is a Senior Code Compliance Officer, which has been a hard to fill position. The Department provided data showing that the number of code compliance cases opened in the first third of 2008 (January – April) declined by approximately 40% from the same period in 2007. The number of code compliance cases closed during the first third of 2008 declined by approximately 60% from the same period in 2007. The number of code compliance related site visits also declined by approximately 40% during the first third of 2008 as compared to the same time period in 2007. Other positions such as a Building Inspector position remain vacant because of a decline in application fees. Positions directly impacted by declining fees have been held vacant. Filling three of six vacancies would still leave the Department within its 5% vacancy requirement.

The Probation Department has not met its 2% Reserves requirement. The Department has held its vacancy rate higher than the required 5% level and savings have been used to offset other current operating costs. The Department indicates that areas primarily impacted by the hiring freeze include clerical services, parenting programs, and high-risk offender caseloads. The Department has been using overtime and extra help to maintain workloads. For every vacant court officer and clerical workload, there are roughly 24 documents or investigations that cannot be completed unless overtime or extra help are used. The Department indicates an increase in court continuances, which has resulted in longer detention facility time and higher overall costs. The CMO and HR carefully review all requests to fill permanent positions. Requisitions to cover critical positions and workloads have been approved. The Department met 73% of targets for Quality and Outcomes measures by the end of FY 2007-08, which was a significant improvement over the prior year's 50% and an improvement from 68% in FY 2005-06.

The Health System – San Mateo Medical Center (SMMC) has 1,340 permanent positions and 173 of those positions are currently vacant. The vacancy rate for SMMC has been 13% or higher in the past twelve months. The vacancies in excess of the 5% requirement have mostly to do with hard to fill positions and recruitment issues for physicians and nurses. The CMO and HR carefully review all requests to fill permanent positions. Mission critical requisitions have been approved. The major impact to performance, because of the hiring freeze, has been in the wait time for ancillary services. By the end of FY 2007-08 SMMC reached target for only 42% of its Quality and Outcomes measures, which was a significant decline from 80% for FY 2006-07 and 62% for FY 2005-06.

The following 21 tables show the last twelve months of vacancy rate history with comments provided by the department. A conclusion about program performance from the review team is noted in each table. The 21 tables are divided into two sections: 1) departments that said program performance was affected by the hiring freeze, and 2) those departments that said program performance was not affected or that factors other than hiring freeze have had an impact to performance.

The following departments reported that the Countywide 5% Hiring Freeze has had an impact on program performance.

<table>
<tr><th colspan="7">ASSESSOR-COUNTY CLERK-RECORDER</th></tr>
<tr><td colspan="6">Department indicates the hiring freeze has had an impact on program performance:</td><td>YES</td></tr>
<tr><td></td><td>2% Reserves Met</td><td>Positions</td><td>Vacancies</td><td>Vacancy Rate</td><td>5% Met</td><td>Comments</td></tr>
<tr><td>January 2008</td><td>NO</td><td>124</td><td>9</td><td>7%</td><td>YES</td><td rowspan="12">Vacant deputy director positions have been hard to fill
Workload in the area of value reviews and appeals has increased significantly
As of December 2008, vacancies were primarily in the area of Appraisal Services including 2 IT positions, 2 Appraiser positions, and 1 clerical position
There are 2 vacancies in Elections
Positions are primarily funded by General Fund</td></tr>
<tr><td>February 2008</td><td>NO</td><td>124</td><td>9</td><td>7%</td><td>YES</td></tr>
<tr><td>March 2008</td><td>NO</td><td>124</td><td>9</td><td>7%</td><td>YES</td></tr>
<tr><td>April 2008</td><td>NO</td><td>124</td><td>15</td><td>12%</td><td>YES</td></tr>
<tr><td>May 2008</td><td>NO</td><td>124</td><td>17</td><td>7%</td><td>YES</td></tr>
<tr><td>June 2008</td><td>NO</td><td>124</td><td>17</td><td>7%</td><td>YES</td></tr>
<tr><td>July 2008</td><td>NO</td><td>124</td><td>11</td><td>7%</td><td>YES</td></tr>
<tr><td>August 2008</td><td>NO</td><td>124</td><td>11</td><td>7%</td><td>YES</td></tr>
<tr><td>September 2008</td><td>NO</td><td>121</td><td>8</td><td>7%</td><td>YES</td></tr>
<tr><td>October 2008</td><td>NO</td><td>121</td><td>8</td><td>7%</td><td>YES</td></tr>
<tr><td>November 2008</td><td>NO</td><td>121</td><td>6</td><td>7%</td><td>YES</td></tr>
<tr><td>December 2008</td><td>NO</td><td>121</td><td>7</td><td>6%</td><td>YES</td></tr>
<tr><td colspan="7">Conclusion: Hiring freeze has had an impact on performance in the area of appraisal services. Recruitment and funding issues are primary factors influencing program performance in other areas. At the end of FY 2007-08, the Department overall reached target for 56% of its Quality and Outcome performance measures.</td></tr>
</table>

<table>
<tr><th colspan="7">CONTROLLER'S OFFICE</th></tr>
<tr><td colspan="6">Department indicates the hiring freeze has had an impact on program performance:</td><td>YES</td></tr>
<tr><td></td><td>2% Reserves Met</td><td>Positions</td><td>Vacancies</td><td>Vacancy Rate</td><td>5% Met</td><td>Comments</td></tr>
<tr><td>January 2008</td><td>YES</td><td>44</td><td>6</td><td>14%</td><td>YES</td><td rowspan="12">Fewer audit special projects were completed in the last year
There were no major operational audits conducted last year, which typically result in new ongoing revenue – this was mostly due to high turnover and recruitment issues for hard to fill auditor positions
As of December 2008 there were 3 vacant Senior Auditor positions and 1 vacant Office Assistant position in Fiscal Services
Positions are funded by the General Fund</td></tr>
<tr><td>February 2008</td><td>YES</td><td>44</td><td>6</td><td>14%</td><td>YES</td></tr>
<tr><td>March 2008</td><td>YES</td><td>44</td><td>6</td><td>14%</td><td>YES</td></tr>
<tr><td>April 2008</td><td>YES</td><td>44</td><td>6</td><td>14%</td><td>YES</td></tr>
<tr><td>May 2008</td><td>YES</td><td>44</td><td>5</td><td>11%</td><td>YES</td></tr>
<tr><td>June 2008</td><td>YES</td><td>44</td><td>5</td><td>11%</td><td>YES</td></tr>
<tr><td>July 2008</td><td>YES</td><td>44</td><td>4</td><td>9%</td><td>YES</td></tr>
<tr><td>August 2008</td><td>YES</td><td>44</td><td>4</td><td>9%</td><td>YES</td></tr>
<tr><td>September 2008</td><td>YES</td><td>44</td><td>5</td><td>11%</td><td>YES</td></tr>
<tr><td>October 2008</td><td>YES</td><td>44</td><td>5</td><td>11%</td><td>YES</td></tr>
<tr><td>November 2008</td><td>YES</td><td>44</td><td>5</td><td>11%</td><td>YES</td></tr>
<tr><td>December 2008</td><td>YES</td><td>44</td><td>4</td><td>9%</td><td>YES</td></tr>
<tr><td colspan="7">Conclusion: Recruitment and retention issues, not the hiring freeze, are the primary factors influencing program performance. At the end of FY 2007-08, the Department overall reached target for 85% of its Quality and Outcome performance measures.</td></tr>
</table>

COUNTY COUNSEL						
Department indicates the hiring freeze has had an impact on program performance:						YES
	2% Reserves Met	Positions	Vacancies	Vacancy Rate	5% Met	*Comments*
January 2008	YES	40	1	3%	NO	• As of December 2008, vacancies include 1 Lead Legal Secretary and 1 Deputy County Counsel; the Deputy County Counsel position will be filled as of January 20, 2009 • There are 8 legal secretaries supporting 24 attorneys; 3 additional support staff positions are temporarily vacant due to medical leave and/or family leave, which has severely compromised the legal support - extra help and overtime have been used to cover these workloads
February 2008	YES	40	1	3%	NO	
March 2008	YES	40	1	3%	NO	
April 2008	YES	40	1	3%	NO	
May 2008	YES	40	2	5%	YES	
June 2008	YES	40	2	5%	YES	
July 2008	YES	40	2	5%	YES	
August 2008	YES	40	2	5%	YES	
September 2008	YES	40	3	8%	YES	
October 2008	YES	40	2	5%	YES	
November 2008	YES	40	2	5%	YES	
December 2008	YES	40	2	5%	YES	
Conclusion: At this point, the 5% hiring freeze has not had a demonstrable impact on performance. At the end of FY 2007-08, the Department overall reached target for 100% of its Quality and Outcome performance measures.						

DEPARTMENT OF HOUSING						
Department indicates the hiring freeze has had an impact on program performance:						YES
	2% Reserves Met	Positions	Vacancies	Vacancy Rate	5% Met	*Comments*
January 2008	NO	19	2	11%	YES	• As of December 2008, vacancies include 1 Management Analyst and 1 Accountant position • The hiring freeze has prevented the department from implementing its succession plan • Operating costs are 100% funded by sources other than the General Fund • Salary savings have been used to offset other operating costs
February 2008	NO	19	2	11%	YES	
March 2008	NO	19	1	5%	YES	
April 2008	NO	19	1	5%	YES	
May 2008	NO	19	1	5%	YES	
June 2008	NO	19	1	5%	YES	
July 2008	NO	19	2	11%	YES	
August 2008	NO	19	2	11%	YES	
September 2008	NO	19	2	11%	YES	
October 2008	NO	19	2	11%	YES	
November 2008	NO	19	2	11%	YES	
December 2008	NO	19	2	11%	YES	
Conclusion: Housing and Community Development is fully funded but has not met the Countywide 2% Reserves policy. Filling one of the two vacancies would leave the Department within the required 5% vacancy minimum. At the end of FY 2007-08, the Department overall reached target for 56% of its Quality and Outcome performance measures. While there appear to be performance issues, the hiring freeze does not appear to be the primary factor influencing program performance.						

DEPARTMENT OF PUBLIC WORKS					
Department indicates the hiring freeze has had an impact on program performance:					YES
	2% Reserves Met	Positions	Vacancies	Vacancy Rate	5% Met
January 2008	YES	332	45	14%	YES
February 2008	YES	332	45	14%	YES
March 2008	YES	332	43	13%	YES
April 2008	YES	332	49	15%	YES
May 2008	YES	335	49	15%	YES
June 2008	YES	335	50	15%	YES
July 2008	YES	335	50	15%	YES
August 2008	YES	335	50	15%	YES
September 2008	YES	335	49	15%	YES
October 2008	YES	335	51	15%	YES
November 2008	YES	335	53	16%	YES
December 2008	YES	335	54	16%	YES

Comments

- At least 10 vacant Road Maintenance positions have been held vacant due to the state withholding gas tax revenues for the last five months
- The majority of positions in Public Works are funded by sources other than the General Fund
- Positions held vacant in facilities have resulted in a backlog of service requests because of the impact of transferring Court facilities to the State
- Salary savings in Roads have been used to restore Fund Balances depleted in prior years
- Extra help and overtime have been used to meet temporary service level needs, to provide minimum crew staffing in Roads during seasonal workload increases, and for specific projects of limited duration

Conclusion: Positions have been held vacant in excess of the 5% minimum for the past year primarily due to state funding issues and a reduction in reimbursements from other County departments for project related services. At the end of FY 2007-08, the Department overall had reached target for 74% of its Quality and Outcome performance measures.

INFORMATION SERVICES DEPARTMENT					
Department indicates the hiring freeze has had an impact on program performance:					YES
	2% Reserves Met	Positions	Vacancies	Vacancy Rate	5% Met
January 2008	YES	154	24	16%	YES
February 2008	YES	154	24	16%	YES
March 2008	YES	154	22	14%	YES
April 2008	YES	154	23	15%	YES
May 2008	YES	154	22	14%	YES
June 2008	YES	154	21	14%	YES
July 2008	YES	154	21	14%	YES
August 2008	YES	154	21	14%	YES
September 2008	YES	154	19	12%	YES
October 2008	YES	154	19	12%	YES
November 2008	YES	154	16	10%	YES
December 2008	YES	154	15	10%	YES

Comments

- The 5% hiring freeze affects ISD's performance by preventing the Department from hiring staff whose responsibilities would include providing long-term support for production systems and relying on contractual staff for this support
- The Department has been using contract staff for short term projects in lieu of permanent staff
- Positions remain vacant until there is a proven medium to long-term need/ commitment for a given skill set
- Positions vacated due to the mainframe elimination have been trained into new

Conclusion: The Department is fully funded through charges and reimbursements from other departments and has met the County 2% Reserves requirement. The current hiring freeze criteria allow departments to fill fully funded vacancies as long as the 2% Reserves requirement and the 5% vacancy requirement are met. At the end of FY 2007-08, the Department overall had reached target for 94% of its Quality and Outcome performance measures.

PARKS						
Department indicates the hiring freeze has had an impact on program performance:						YES
	2% Reserves Met	Positions	Vacancies	Vacancy Rate	5% Met	*Comments*
January 2008	YES	56	1	2%	NO	• All positions are funded by the General Fund • Salary savings have been used for extra help and overtime to provide public service and meet health and safety standards
February 2008	YES	56	1	2%	NO	
March 2008	YES	56	1	2%	NO	
April 2008	YES	56	1	2%	NO	
May 2008	YES	56	2	4%	NO	
June 2008	YES	56	2	4%	NO	
July 2008	YES	56	3	5%	YES	
August 2008	YES	56	3	5%	YES	
September 2008	YES	56	4	7%	YES	
October 2008	YES	56	4	7%	YES	
November 2008	YES	56	3	5%	YES	
December 2008	YES	56	4	7%	YES	
Conclusion: Parks has met the 5% vacancy minimum since July 2008 and the 2% Reserves requirement has been met during the year. As of December 2008, the Department had 1 vacant Administrative Secretary III position and 3 vacant Park Ranger positions (1 at Coyote Point, 1 at Crystal Springs, and 1 at Huddart Park). At the end of FY 2007-08, the Department overall had reached target for 77% of its Quality and Outcome performance measures.						

PLANNING AND BUILDING DEPARTMENT						
Department indicates the hiring freeze has had an impact on program performance:						YES
	2% Reserves Met	Positions	Vacancies	Vacancy Rate	5% Met	*Comments*
January 2008	YES	56	5	9%	YES	• Impact to performance mostly has been in Long Range Planning, including Code Compliance and management of special projects • Not filling one of three vacant Code Compliance Officer positions, which is funded by the General Fund, has resulted in fewer code enforcement cases being opened and resolved and has impacted the ability to deliver timely code compliance services • One Senior Code Compliance Officer position is a hard to fill position • One Building Inspector I/II position, funded by application fees, has been held vacant to meet the 5% hiring freeze • The Building Inspector I/II position has also been held vacant because building permit applications and inspection requests have declined by 20% in the past year • Overtime and extra help have not been used to backfill for these vacancies • Salary savings have been used to augment the operating budget
February 2008	YES	56	5	9%	YES	
March 2008	YES	56	5	9%	YES	
April 2008	YES	56	8	14%	YES	
May 2008	YES	56	8	14%	YES	
June 2008	YES	56	7	13%	YES	
July 2008	YES	56	6	11%	YES	
August 2008	YES	56	6	11%	YES	
September 2008	YES	56	5	9%	YES	
October 2008	YES	56	5	9%	YES	
November 2008	YES	56	5	9%	YES	
December 2008	YES	56	6	11%	YES	
Conclusion: The Department has met the 2% Reserves requirement and has exceeded the 5% minimum requirement in 2008. Filling 3 of the 6 vacant positions would allow the Department to address service needs while remaining within the 5% minimum vacancy requirement. At the end of FY 2007-08, the Department overall had reached target for 50% of its Quality and Outcome performance measures.						

PROBATION DEPARTMENT						
Department indicates the hiring freeze has had an impact on program performance:						YES
	2% Reserves Met	Positions	Vacancies	Vacancy Rate	5% Met	*Comments*
January 2008	NO	466	24	5%	YES	• Juvenile Probation clerical services – Unfilled positions has resulted in the use of overtime and extra help to complete required court documents; continuances have become necessary resulting in increased jail and Juvenile Hall overcrowding • Juvenile Services – 300 fewer parents have been served in the last year in Parenting Programs • Adult Probation – Each vacant supervision officer position has resulted in 50-75 high risk offender cases transferred to banked caseload • Lack of administrative staff has resulted in missed deadlines and late contracts • Several positions have been held vacant as a result of anticipated reductions in state revenue • Salary and benefits savings have been used to offset shortfalls in operating costs
February 2008	NO	466	24	5%	YES	
March 2008	NO	466	28	6%	YES	
April 2008	NO	466	35	8%	YES	
May 2008	NO	466	33	7%	YES	
June 2008	NO	466	35	8%	YES	
July 2008	NO	466	33	7%	YES	
August 2008	NO	463	33	7%	YES	
September 2008	NO	463	33	7%	YES	
October 2008	NO	463	32	7%	YES	
November 2008	NO	463	27	6%	YES	
December 2008	NO	463	27	6%	YES	
Conclusion: Requests to fill vacant positions have been carefully reviewed. Mission critical positions have been approved for recruitment. At the end of FY 2007-08, the Department overall had reached target for 73% of its Quality and Outcome performance measures.						

PUBLIC SAFETY COMMUNICATIONS						
Department indicates the hiring freeze has had an impact on program performance:						YES
	2% Reserves Met	Positions	Vacancies	Vacancy Rate	5% Met	*Comments*
January 2008	YES	58	5	9%	YES	• In the past PSC positions have been hard to fill • Turnover has been low in the past year • PSC believes that vacancies could be filled and retained • Overtime is currently used to fill vacancies, personal time off, and training
February 2008	YES	58	5	9%	YES	
March 2008	YES	58	5	9%	YES	
April 2008	YES	58	5	9%	YES	
May 2008	YES	58	5	9%	YES	
June 2008	YES	58	5	9%	YES	
July 2008	YES	58	6	10%	YES	
August 2008	YES	58	6	10%	YES	
September 2008	YES	58	7	7%	YES	
October 2008	YES	58	5	9%	YES	
November 2008	YES	58	5	9%	YES	
December 2008	YES	58	6	10%	YES	
Conclusion: As of December 2008 PSC had 5 dispatcher and 1 supervising dispatcher positions vacant. PSC has met the 2% Reserves requirement and has exceeded the 5% vacancy requirement for the past year. Funding for positions in this unit is 78% from other sources and 22% by the General Fund. Filling 3 of the 6 vacancies would keep the unit within the 5% minimum requirement. At the end of FY 2007-08, the Department overall had reached target for 80% of its Quality and Outcome performance measures.						

HEALTH SYSTEM – SAN MATEO MEDICAL CENTER						
Department indicates the hiring freeze has had an impact on program performance:						YES
	2% Reserves Met	Positions	Vacancies	Vacancy Rate	5% Met	*Comments*
January 2008	NO	1369	186	14%	YES	• The major impact has been an increase in wait time for ancillary services • Funding has had an impact on program performance • Recruitment issues for physicians and nurses has had an impact on performance • Positions for the Ron Robinson Senior Care Center have been held vacant during the completion of capital renovation • Average vacancy rate is typically above 5% for this department
February 2008	NO	1369	186	14%	YES	
March 2008	NO	1369	182	13%	YES	
April 2008	NO	1369	187	14%	YES	
May 2008	NO	1369	183	13%	YES	
June 2008	NO	1369	182	13%	YES	
July 2008	NO	1369	173	13%	YES	
August 2008	NO	1340	173	13%	YES	
September 2008	NO	1340	175	13%	YES	
October 2008	NO	1340	177	13%	YES	
November 2008	NO	1340	183	14%	YES	
December 2008	NO	1340	173	13%	YES	
Conclusion: Requests to fill vacant positions have been carefully reviewed. Mission critical positions have been approved for recruitment. At the end of FY 2007-08, the Department overall had reached target for 42% of its Quality and Outcome performance measures.						

The following departments reported that either the Countywide 5% Hiring Freeze has <u>not had an impact</u> on program performance <u>or other factors have had an impact</u> on program performance.

CORONER'S OFFICE						
Department indicates the hiring freeze has had an impact on program performance:						NO
	2% Reserves Met	Positions	Vacancies	Vacancy Rate	5% Met	*Comments*
January 2008	YES	15	1	7%	YES	• The Department reports that the hiring freeze has not had a significant impact on program performance
February 2008	YES	15	1	7%	YES	
March 2008	YES	15	1	7%	YES	
April 2008	YES	15	1	7%	YES	
May 2008	YES	15	1	7%	YES	
June 2008	YES	15	1	7%	YES	
July 2008	YES	15	1	7%	YES	
August 2008	YES	15	1	7%	YES	
September 2008	YES	15	1	7%	YES	
October 2008	YES	15	1	7%	YES	
November 2008	YES	15	1	7%	YES	
December 2008	YES	15	1	7%	YES	
Conclusion: Extra help has been used in the last year to cover mission critical work. At the end of FY 2007-08, the Department overall had reached target for 83% of its Quality and Outcome performance measures.						

COUNTY LIBRARY						
Department indicates the hiring freeze has had an impact on program performance:						NO
	2% Reserves Met	Positions	Vacancies	Vacancy Rate	5% Met	*Comments*
January 2008	YES	128	7	5%	YES	• County Library reports that program performance has not been impacted by the County hiring freeze
February 2008	YES	128	7	5%	YES	
March 2008	YES	128	11	9%	YES	
April 2008	YES	128	17	13%	YES	
May 2008	YES	128	16	13%	YES	
June 2008	YES	128	16	13%	YES	
July 2008	YES	128	19	15%	YES	
August 2008	YES	128	19	15%	YES	
September 2008	YES	128	14	11%	YES	
October 2008	YES	128	13	10%	YES	
November 2008	YES	128	11	9%	YES	
December 2008	YES	130	9	7%	YES	

Conclusion: County Library has met the 2% Reserves requirement and has complied with the 5% vacancy requirement. There are no countywide performance measures for County Library.

COUNTY MANAGER'S OFFICE						
Department indicates the hiring freeze has had an impact on program performance:						NO
	2% Reserves Met	Positions	Vacancies	Vacancy Rate	5% Met	*Comments*
January 2008	YES	40	2	5%	YES	• Program performance has been maintained by analyzing workloads to identify tasks to be eliminated, deferring projects, and improving overall efficiency
February 2008	YES	40	2	5%	YES	
March 2008	YES	40	2	5%	YES	
April 2008	YES	40	3	8%	YES	
May 2008	YES	40	2	5%	YES	
June 2008	YES	40	2	5%	YES	
July 2008	YES	40	2	5%	YES	
August 2008	YES	40	2	5%	YES	
September 2008	YES	40	4	10%	YES	
October 2008	YES	40	5	13%	YES	
November 2008	YES	40	5	13%	YES	
December 2008	YES	40	5	13%	YES	

Conclusion: The Department currently is in the process of filling 2 of its 5 vacancies. The Agenda Coordinator position and the Countywide Legislative Coordinator positions will be filled in January 2009. At the end of FY 2007-08, the Department overall had reached target for 72% of its Quality and Outcome performance measures.

DEPARTMENT OF CHILD SUPPORT SERVICES					
Department indicates the hiring freeze has had an impact on program performance:					NO
	2% Reserves Met	Positions	Vacancies	Vacancy Rate	5% Met
January 2008	YES	98	14	14%	YES
February 2008	YES	98	14	14%	YES
March 2008	YES	98	19	19%	YES
April 2008	YES	98	19	19%	YES
May 2008	YES	98	11	11%	YES
June 2008	YES	98	10	10%	YES
July 2008	YES	98	11	11%	YES
August 2008	YES	98	11	11%	YES
September 2008	YES	98	11	11%	YES
October 2008	YES	98	10	10%	YES
November 2008	YES	98	10	10%	YES
December 2008	YES	98	9	9%	YES

Comments

- The Department is fully funded with state and federal revenue
- Funding has been flat or reduced for the last 7 years and therefore the Department has had its own modified hiring freeze in place for the last 7 years
- Program performance is directly related to available levels of state and federal funding

Conclusion: The Department will continue to monitor position vacancies in accordance with state and federal funding levels, which is the primary factor influencing performance. At the end of FY 2007-08, the Department overall had reached target for 40% of its Quality and Outcome performance measures.

DISTRICT ATTORNEY'S OFFICE					
Department indicates the hiring freeze has had an impact on program performance:					NO
	2% Reserves Met	Positions	Vacancies	Vacancy Rate	5% Met
January 2008	YES	130	6	5%	YES
February 2008	YES	130	6	5%	YES
March 2008	YES	130	4	3%	YES
April 2008	YES	130	4	3%	YES
May 2008	YES	129	7	5%	YES
June 2008	YES	129	6	5%	YES
July 2008	YES	129	5	4%	YES
August 2008	YES	129	5	4%	YES
September 2008	YES	129	3	2%	YES
October 2008	YES	129	3	2%	YES
November 2008	YES	129	4	3%	YES
December 2008	YES	129	4	3%	YES

Comments

- The Department reports that the hiring freeze has not had an impact on performance

Conclusion: The Department currently has 4 vacancies: 2 Legal Secretaries, 1 Paralegal, and 1 Deputy District Attorney. The 2% Reserves requirement has been met. At the end of FY 2007-08, the Department overall had reached target for 100% of its Quality and Outcome performance measures.

HEALTH SYSTEM – HEALTH					
Department indicates the hiring freeze has had an impact on program performance:					NO
	2% Reserves Met	Positions	Vacancies	Vacancy Rate	5% Met
January 2008	YES	1097	86	8%	YES
February 2008	YES	1097	86	8%	YES
March 2008	YES	1097	87	8%	YES
April 2008	YES	1097	88	8%	YES
May 2008	YES	1097	99	9%	YES
June 2008	YES	1097	100	9%	YES
July 2008	YES	1097	107	10%	YES
August 2008	YES	1102	107	10%	YES
September 2008	YES	1102	108	10%	YES
October 2008	YES	1102	111	10%	YES
November 2008	YES	1102	106	10%	YES
December 2008	YES	1102	102	9%	YES

Comments

- 5% is a typical vacancy rate for Health due to time needed to fill vacant positions and/or funding issues
- The impact of a consistently high rate of vacancies is mitigated by the Department's ability to rotate vacancies within the department
- In anticipation of future funding reductions, Health has maintained a vacancy rate of 8% or more, which has been a challenge for the Department but is more manageable with the ability to rotate filled positions to cover key workloads

Conclusion: The Department has met its 2% Reserves requirement. Vacancies will continue to be held in excess of 5% in order to address anticipated funding reductions. At the end of FY 2007-08, the Department overall had reached target for 81% of its Quality and Outcome performance measures.

HUMAN RESOURCES DEPARTMENT						
Department indicates the hiring freeze has had an impact on program performance:						NO
	2% Reserves Met	Positions	Vacancies	Vacancy Rate	5% Met	*Comments*
January 2008	YES	57	6	11%	YES	• As of December 2008, the Department has 6 vacant positions including: 1 Employee Labor Relations Manager, 1 Benefits Program Manager, 1 HR Technician, 2 Modified Worker positions, and 1 Information Technology Analyst • Extra help has been used to cover the Employee Relations Manager position • Savings as a result of vacant positions has been set in Reserves
February 2008	YES	57	6	11%	YES	
March 2008	YES	57	7	12%	YES	
April 2008	YES	57	7	12%	YES	
May 2008	YES	57	7	12%	YES	
June 2008	YES	57	6	11%	YES	
July 2008	YES	57	5	9%	YES	
August 2008	YES	56	5	9%	YES	
September 2008	YES	56	5	9%	YES	
October 2008	YES	56	6	11%	YES	
November 2008	YES	56	6	11%	YES	
December 2008	YES	56	6	11%	YES	

Conclusion: The Department expects to hold the Modified Worker positions and the HR Technician position vacant to meet the 5% requirement. At the end of FY 2007-08, the Department overall had reached target for 92% of its Quality and Outcome performance measures.

HUMAN SERVICES AGENCY						
Department indicates the hiring freeze has had an impact on program performance:						NO
	2% Reserves Met	Positions	Vacancies	Vacancy Rate	5% Met	*Comments*
January 2008	YES	849	83	10%	YES	• 5% or more is a typical vacancy rate for the Department
February 2008	YES	849	83	10%	YES	
March 2008	YES	849	89	10%	YES	
April 2008	YES	849	104	12%	YES	
May 2008	YES	852	102	12%	YES	
June 2008	YES	852	105	12%	YES	
July 2008	YES	852	105	12%	YES	
August 2008	YES	858	105	12%	YES	
September 2008	YES	858	89	10%	YES	
October 2008	YES	858	90	10%	YES	
November 2008	YES	858	94	11%	YES	
December 2008	YES	858	92	11%	YES	

Conclusion: The Agency will continue its planned approach to filling positions in anticipation of future funding issues. At the end of FY 2007-08, the Agency overall had reached target for 70% of its Quality and Outcome performance measures.

REAL PROPERTY SERVICES						
Department indicates the hiring freeze has had an impact on program performance:						NO
	2% Reserves Met	Positions	Vacancies	Vacancy Rate	5% Met	*Comments*
January 2008	YES	4	1	25%	YES	• One of four positions was vacant for most of FY 2007-08 due to recruitment issues • The Administrative Assistant position was filled in August, which has helped with service delivery and the completion of administrative activities
February 2008	YES	4	1	25%	YES	
March 2008	YES	4	1	25%	YES	
April 2008	YES	4	1	25%	YES	
May 2008	YES	4	1	25%	YES	
June 2008	YES	4	1	25%	YES	
July 2008	YES	4	1	25%	YES	
August 2008	YES	4	1	25%	YES	
September 2008	YES	4	0	0%	YES	
October 2008	YES	4	0	0%	YES	
November 2008	YES	4	0	0%	YES	
December 2008	YES	4	0	0%	YES	

Conclusion: The unit is fully funded through charges to other departments for services and reimbursements. The unit has met its 2% Reserves requirement. At the end of FY 2007-08, the Department overall had reached target for 50% of its Quality and Outcome performance measures.

SHERIFF'S OFFICE						
Department indicates the hiring freeze has had an impact on program performance:						NO
	2% Reserves Met	Positions	Vacancies	Vacancy Rate	5% Met	*Comments*
January 2008	NO	638	59	9%	YES	• The vacancy rates are normally higher than 5% mostly due to the length of time to recruit, complete background checks, and fill positions • Rates in 2008 were slightly less than the prior year
February 2008	NO	638	59	9%	YES	
March 2008	NO	638	53	8%	YES	
April 2008	NO	638	52	8%	YES	
May 2008	NO	638	57	9%	YES	
June 2008	NO	638	57	9%	YES	
July 2008	NO	638	62	10%	YES	
August 2008	NO	638	62	10%	YES	
September 2008	NO	645	50	8%	YES	
October 2008	NO	645	48	7%	YES	
November 2008	NO	645	45	7%	YES	
December 2008	NO	645	41	6%	YES	
Conclusion: Savings generated from vacancies will be set aside to help restore Reserves. At the end of FY 2007-08, the Department overall had reached target for 77% of its Quality and Outcome performance measures.						

FISCAL IMPACT:

There is no fiscal impact by accepting this report. As of December 2008, there were 578 vacant positions. Assuming an average cost of $100,000, or $57.8 million and applying an estimated average countywide revenue offset of 30%, savings generated by holding positions vacant could potentially amount to $40.5 million.

COUNTY OF SAN MATEO
Inter-Departmental Correspondence

COUNTY MANAGER'S OFFICE

DATE: January 21, 2009
BOARD MEETING DATE: January 27, 2009
SPECIAL NOTICE/HEARING: None
VOTE REQUIRED: Majority

TO: Honorable Board of Supervisors

FROM: David S. Boesch, County Manager

SUBJECT: Reserves Policy Review and Disparities in Reserves Balances

RECOMMENDATION:
Accept this report on the County Reserves Policy and disparities in department reserves balances.

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

This report contributes to this goal by ensuring that the County Reserves Policy remains effective in maximizing County reserves.

BACKGROUND:
During June budget hearings the Board directed staff to review the County's Reserve Policy and disparities in department reserves balances. The Board of Supervisors approved the policy in April 1999, which was initiated by the County's Fiscal Officers to help reduce the negative impact on the County during times of economic uncertainty and potential losses of funding from other governmental agencies. Fund balance and reserves are viewed as one-time sources of funding that should only used for one-time purposes or as part of a multi-year financial plan to balance the budget. The policy establishes minimum requirements for departmental reserves, General Fund contingencies, reserves for Countywide capital improvements and automation projects, and provides guidelines for the use of these funds.

Departments are required to maintain reserves at a minimum of two percent of Net Appropriations which may be used for one-time emergencies, unanticipated mid-year losses of funding, and to avoid employee lay-offs provided there is a long-term financial plan. Departments with negative fund balances are responsible for absorbing 100% of the shortfall. When a department is projecting a shortfall by year-end, plans are put in place so that the department stays within budget. Shortfalls at year-end are addressed on a case-by-case basis.

The Reserves Policy goes hand in hand with the Fund Balance Policy, which allows departments to carry over fund balance from one year to the next. Under the current Fund Balance Policy, General Fund departments can retain 75% of their year-end fund balances and 100% of unspent contingencies and reserves. Non-General Fund departments and zero Net County Cost departments can retain 100% of fund balances unless there is agreement to do otherwise. The remaining 25% of non-reserved departmental fund balance will go into Non-Departmental General Fund reserves. Unspent appropriations for technology projects and other special one-time projects can be carried over by departments at 100%.

DISCUSSION:

I. Summary Table – Reserves by Department

There are currently four General Fund departments and one Non-General Fund department that do not meet the County's two percent reserves requirement, as follows:

General Fund	% Res	Non-General Fund	% Res
Assessor-County Clerk-Recorder	0.0%	San Mateo Medical Center	0.0%
Probation Department	0.0%	Structural Fire	9.5%
Department of Child Support Services*	0.0%	Parks Department-Non-General Fund	29.3%
Public Works-General Fund*	0.0%	Health Department-Non-General Fund	36.4%
Department of Housing	0.6%	County Library	48.7%
Sheriff's Office	1.7%	Public Works-Non-General Fund	55.2%
Parks Department	2.1%	County Service Area #1	57.1%
Real Property Services	2.4%		
Public Safety Communications	3.2%		
Board of Supervisors	3.4%		
Human Services Agency	5.3%		
Health Department-General Fund	5.6%		
County Counsel	6.4%		
Human Resources Department	7.0%		
Coroner's Office	7.3%		
County Manager/Clerk of the Board	7.6%		
Controller's Office	8.3%		
District Attorney/Public Administrator	8.5%		
Treasurer - Tax Collector	19.9%		
Local Agency Formation Commission	21.9%		
Grand Jury	23.5%		
Information Services Department	27.9%		
Planning and Building	44.5%		
Message Switch	54.2%		

*Exempt from 2% Reserve requirement.

II. Findings – Departments below 2% Requirement

The following is a brief explanation on why each of the departments has not met the two percent reserves requirement.

Assessor-County Clerk-Recorder: For several years the Department has relied on document recording fees and proceeds from three trust funds—the Automation, Micrographics, and Vital Records trust funds—to meet budget targets. Due to the decline in volume of property related transactions, revenues from these sources have steadily declined from a high of $5.5 million in FY 2002-03 to $3 million in FY 2008-09. The balances in all three trust funds will be depleted by year-end. Ongoing revenues from these sources are projected at $1.8 million per year beginning in FY 2009-10, resulting in a structural deficit of $3 million.

Probation Department: The Department's revenues have remained stagnant for several years. Over the past six years, revenues have grown at a rate of $334,000 or 1.0% per year while expenditures have grown $4.47 million or 7.5% per year. Salaries and benefits have grown $2.84 million per year or 6.2%. The disparity between overall cost growth compared to growth in revenues is the primary contributor to the Department's structural problem. Similar to the Sheriff's Office and the Medical Center, the Probation Department has a difficult time generating salary savings due to the mandated staffing requirements at the Youth Services Center. The Department has no reserves and has a current structural deficit of $2.3 million, which does not include a projected shortfall of $1 million in State revenues in FY 2008-09.

Department of Housing: The Housing Department has historically achieved the two percent reserve requirement but recent cuts in Housing and Urban Development (HUD) block grant funding and Community Development Block Grant (CDBG) and HOME funding for the administrative fee have forced the Department to reduce reserves below the two percent threshold in FY 2008-09. On a positive note, despite the reductions, the Department's ongoing appropriated revenues are in balance with expenditures, so they do not have a structural deficit.

Sheriff's Office: Since FY 2002-03, when the Sheriff's Office used all of its reserves to keep the Men's Honor Camp operational for one additional year, the Department has not achieved the two percent reserves requirement. For the five years following, through FY 2007-08, the Department was able to maintain a modest reserve in the $800,000 range. The Department has had difficulty increasing its reserves due to overtime costs that have negated salary savings. This is primarily due to mandated staffing requirements at the Maguire and Women's Correctional facilities. With the resurrection of the Relief Unit, the Department has been able to increase reserves to $2,459,849 or 1.7% of Net Appropriations in FY 2008-09. With overtime reductions of $2 million projected in FY 2008-09 and $3.2 million projected in future years, the Department should be able to achieve the two percent reserves requirement in FY 2009-10.

San Mateo Medical Center: The Medical Center has not had a positive reserve balance since FY 1997-98 and has not achieved the two percent reserves requirement since FY 1995-96. That being said, this marks the third consecutive year that the General Fund subsidy to the Medical Center has remained at $72 million. The County's goal over the next five years is to reduce the subsidy to its FY 2002-03 level of $50 million. Similar to the Sheriff's Office and the Probation Department, the Medical Center is a 24/7 facility with strict staffing ratios; these ratios make it difficult to generate salary savings as shifts must be filled with overtime, extra help, and contract Nurses and Physicians. The Medical Center recently entered into an agreement with the Health Plan of San Mateo for the administration of the Access and Care for Everyone (ACE) County and ACE Coverage Initiative programs to provide better tracking of the Medical Center's service lines, in an effort to determine the County's W&I Code 17000 mandate.

III. Findings – Structural Budget Deficits in Other Funds

In addition to the five departments noted above, there are some appropriated funds that have structural budget deficits that need to be addressed in the coming year.

Structural Fire Fund: The Structural Fire Fund currently meets the County's two percent Reserve Policy requirement with reserves of $590,705 or 9.5% of Net Appropriations; however, these reserves are the bi-product of General Fund support totaling $2,852,419 over the past four years. Factoring in labor and non-labor increases and the need to begin replacement of capital equipment and facilities, the subsidy is expected to increase to $1,746,049 in FY 2009-10. Property Tax revenues that accrue to the Structural Fire Fund have been unable to keep pace with costs due to the disproportionate amount of unsecured property taxes in the Structural Fire tax rate area, which have remained relatively flat over the past seven years. The Board Finance and Operations Committee will be developing strategies over the next year that may include a combination of new revenues, reductions or consolidation of services provided by CAL FIRE, and General Fund support.

Half-Cent Transportation Fund: Reserves were depleted in FY 2006-07. At the Board's direction, the Director of Public Works reduced expenditures in this program to match ongoing revenues. This was achieved by eliminating all road projects and transferring expenditures for client transportation services for Probation, Human Services, and the Medical Center to the General Fund. The single largest expenditure remaining in the Fund is for the Employee Transit Subsidy Program. The County has been paying the cost of the transit passes for Court employees; beginning FY 2008-09, the Court will reimburse the County for a portion of these costs. In FY 2009-10, the Court will be charged the full $150,000 cost of this program. In FY 2008-09, the Fund has no reserves, however, the ongoing revenues and expenditures are in balance.

Solid Waste Fund: The Solid Waste Fund has had an operating deficit since FY 2003-04. At the present rate of expenditure, the reserves will be exhausted in two years. Revenues in the fund are derived primarily from tipping fees on solid waste transported to Ox Mountain landfill, which have declined over time due to reductions in the amount of material deposited at the landfill. The County has taken a number of steps to get the Fund back into structural balance including transfer of the County's annual contribution to the Children's Health Initiative of $2.7 million to the General Fund. In addition, Environmental Health has reduced its subsidy for County programs by $100,000 in FY 2008-09 and an additional $200,000 in FY 2009-10. Also beginning in FY 2009-10, the County will move garbage collection and underground fuel tank monitoring costs into County rents. Even with these measures, the Fund's structural budget deficit remains $1.8 million heading into FY 2009-10.

IV. Findings – Departments above 2% Requirement

To fully understand the underlying factors that impact a department's ability to build up reserves, it is important to understand how the County has historically set budget targets. Net County Cost (NCC) targets are set by adjusting the current budget target by the amount of the negotiated salary and benefit increases. Generally, most departments receive the entire increase, while the Health Department receives 80% and the Human Services Agency receives

45% of the increase. Departments with no NCC do not receive any adjustments. What this means in practical terms is that there are three major components that must be considered when reviewing a General Fund department's ability to maintain or increase its reserves: (1) growth in ongoing revenues, (2) growth in salary and benefit costs, and (3) growth in overall costs.

In analyzing why some departments have achieved higher reserve balances, this discussion will focus on the Health Department and the Human Services Agency, the two General Fund operating departments that have the largest reserve balances in terms of total dollars.

Health Department: The Health Department's General Fund reserves for FY 2008-09 are $13.4 million or 5.6% of Net Appropriations. Since FY 2003-04, average annual growth in revenues for the Department has been $6.3 million or 4% while average annual costs have grown by $10.7 million or 5.2%. During the same time frame, salary and benefit growth has averaged $7.4 million or 7.3%. Unlike the Probation Department where total growth in revenues and personnel costs are far below overall cost growth, the Health Department's combined revenue and personnel cost growth, net the 20% offset noted above, is outpacing overall cost growth by $1.5 million, as follows:

$6.3 M (revenue growth) + [$7.4 M (S&B growth) x 80%] - $10.7 M (total cost growth) = $1.5 M

Assuming that the Department is able to achieve its budgeted revenue projections, the current system of developing targets builds in a structural surplus of $1.5 million per year since FY 2003-04.

Human Services Agency (HSA): The Agency's reserve for FY 2008-09 is $10.2 million or 5.3% of Net Appropriations. Since FY 2003-04, average annual growth in revenues for the Agency has been $5.7 million or 4%, while average annual costs have grown by $8 million or 4.8%. During the same time frame, salary and benefit growth has averaged $5.7 million or 7.7%. The Agency's combined revenue and personnel cost growth, net the 55% offset noted above, is outpacing overall cost growth by $265,000 per year, as follows:

$5.7 M (revenue growth) + [$5.7 M (S&B growth) x 45%] - $8 M (total cost growth) = $265,000

Assuming that the Agency is able to achieve its budgeted revenue projections, the current system of developing targets builds in a structural surplus of $265,000 per year. It should be noted that prior to FY 2007-08 the revenue offset for HSA was 30%. With that rate, the Department's structural surplus would have been $1.7 million.

V. Findings – Review of the 75/25 Fund Balance Split

The final section of this report will review the County's Fund Balance Policy and specifically, the 75/25 non-reserved fund balance split. The following table illustrates the amount of additional fund balance that would have accrued to Non-Departmental Services had the split been 50/50 instead of 75/25 over the past five years. These figures do not factor in changes in departmental spending patterns that might occur with a different split.

Fund Balance Change Summary					
Fiscal Year	**Fund Balance Adjustment**				
	75/25	**50/50**		**Difference**	**% More**
FY 04-05	8,835,263	4,341,501		4,493,762	51%
FY 05-06	6,409,226	3,106,221		3,303,005	52%
FY 06-07	2,178,818	-2,189,156		4,367,974	200%
FY 07-08	8,887,350	5,459,991		3,427,359	39%
FY 08-09	5,528,028	2,386,119		3,141,909	57%
Total	**31,838,685**	**13,104,676**		**18,734,009**	**59%**

Given the current economic climate and the County's structural budget deficit, it is recommended that the current policy remain in effect. The fund balances shown in the above table were generated in years prior to the implementation of the structural budget deficit elimination plan. It is safe to assume that, as NCC targets are reduced and vacant positions are eliminated, departments will be unable to generate these levels of fund balance. It is in the best interest of the County during these difficult times to promote fiscal restraint. We believe that the continuation of 75/25 split will do that.

VI. Conclusions and Recommendations

The majority of County departments achieve the two percent reserves requirement. However, two General Fund departments, the Assessor-County Clerk-Recorder and the Probation Department, have critical issues heading into FY 2009-10 as fund balances have been depleted and ongoing revenue sources are falling. Though progress has been made in some areas, the structural budget situations in the Structural Fire, Half-Cent Transportation and Solid Waste Funds continue to be a major concern. Also, it appears that the methodology of setting targets, while effective as an overall strategy, may be disproportionably advantaging or disadvantaging some departments based on their ability to increase revenues. Based on these findings, the County Manager recommends the following:

- Review methodology for setting targets across all departments;
- Review reserves policies of other jurisdictions for updated best practices;
- Revise Reserves Policy to outline consequences for departments that fall below the two percent reserves requirement; and
- Work with the Finance and Operations Board Committee and the Fiscal Officers to revise the Reserves Policy by July 1, 2009.

COUNTY OF SAN MATEO
Inter-Departmental Correspondence

Human Services Agency

DATE: January 9, 2009
BOARD MEETING DATE: January 27, 2009
SPECIAL NOTICE/HEARING: None
VOTE REQUIRED: Majority

TO: Honorable Board of Supervisors

FROM: Beverly Beasley Johnson, Director, Human Services Agency
Elsa Dawson, Director, Economic Self Sufficiency

SUBJECT: Report Back Regarding Food Stamp Program Enrollment

RECOMMENDATION:
Accept this report regarding enrollment in the Food Stamp Program of San Mateo County.

VISION ALIGNMENT:
Commitment: Ensure basic health and safety for all.
Goals 5 and 8: Residents have access to healthcare and preventive care; and Help vulnerable people – the aged, disabled, mentally ill, at-risk youth and others – achieve a better quality of life.

This report contributes to the commitment and goals by describing outreach and engagement strategies to ensure that county residents who are eligible for Food Stamp benefits know about and receive them, thereby enhancing the basic health and quality of life of all residents.

BACKGROUND:
In an April 16, 2008 update to the Board, the Human Services Agency (HSA) reported that San Mateo County, like many other California counties, has experienced underutilization of the Food Stamp Program. This is attributed to lack of awareness about the program, few application access points and regulations that pose barriers to participation. HSA provided program statistics and described actions underway to increase new applications and thereby start to improve program utilization. The Board requested a follow up report back regarding progress in new Food Stamp enrollments at mid-year FY 2008-09.

The Food Stamp Program is part of the Farm Bill, which Congress reauthorized in October 2008. Significant policy changes include:

- Increasing the minimum benefit from $10 a month to $14 and excluding tax preferred retirement accounts such as IRAs and 529 education accounts from the resource tests determining eligibility. Unfortunately, 401k and pension accounts are still included when identifying an applicant's resources, which could impact benefits received.

- Renaming the program to the Supplemental Nutrition Assistance Program (SNAP), a change that supports HSA outreach efforts. The new federal name emphasizes that the program is not welfare, nor is it designed to be the sole food resource for a family. It is created with the intent to provide a nutritional supplement to a family's monthly food needs. Using the new SNAP name for the program is an option for states. Currently, in California, it remains the Food Stamp Program.

While the 2008 Farm Bill reauthorization provided much needed policy changes, it did not eliminate all barriers to participation. Research shows that states that have significantly improved their Food Stamp utilization have done so by removing barriers to participation at the legislative levels. California recently passed AB 433, which will allow California to choose a new name for the program and eliminate the asset test for all Food Stamp applicants. This means that assets in an individual's checking, savings, retirement and pension accounts will no longer be considered when determining eligibility. AB 433 takes effect on July 1, 2009. The Human Services Agency has requested of the California Department of Social Services early implementation of AB 433. This will allow HSA to assist families who may have some remaining resources using the provisions of the new legislation.

DISCUSSION:

HSA began FY 2007-08 with an active Food Stamp monthly caseload of 3,977. Since a food stamp case may include one individual or a family with several members, this means that 10,097 people were utilizing the benefit as of June 30, 2007.

Though considerable work remains, HSA believes that the Agency and its partners are making substantial progress to reach and enroll more people who are eligible for the benefit, as indicated by the statistics in the table below. At mid-year FY 2008-09 (November 2008), the monthly caseload has increased to 5,070, meaning that 12,925 county residents are now actively using the benefit. This represents a 28% increase in the utilization rate.

In February 2008, California Food Policy Advocates ranked San Mateo County as one of the lowest large county performers in the state, estimating that 54% of San Mateo County 's 18,588 eligible residents were not participating in the program. Since that time, HSA has made considerable progress – the percentage of non-participants has now been reduced to approximately 30%.

	San Mateo County Food Stamp Utilization		
	July 2007	**July 2008**	**November 2008**
Caseload	3,977	4,585	5,070
Individuals	10,097	11,522	12,925
Participation Rate	54%	62%	70%

HSA attributes progress to date in Food Stamp Program enrollment and utilization to the following activities:

- Close Collaboration with the California Department of Social Services (CDSS). The CDSS Food Stamp Policy Bureau Chief and Community Relations Director met recently with HSA staff to discuss how to increase enrollment and retention in the Food Stamp Program. State officials encouraged HSA to adjust operations to allow the greatest number of individuals to receive Food Stamp benefits, and to notify the State of regulatory barriers to success.

- Expansion of Application Incentives and Access Points. HSA's application incentive program invites community partners to participate in outreach efforts and receive a monetary benefit for doing so. Approximately 30% of applications completed by community partners are approved for benefits.

- Expansion of Public Information and Targeted Marketing to Seniors, Single Individuals, Immigrants and Families of Under-represented Ethnic Backgrounds. In an effort to appeal to underserved populations, culturally and linguistically appropriate Food Stamp ads can be seen throughout the county in key locations such as on the back of eight grocery store receipts and two discount store receipts. HSA launched a marketing campaign by posting flyers on all 300 SamTrans buses and all 100 CalTrains. In March 2008, HSA began collecting data on how residents hear about the Food Stamp Program. Thirty percent of applicants surveyed identify the grocery store receipt, public transportation flyer or referral from a community partner as their entry into the Food Stamp Program.

- Expansion of Food Stamp 101 Education Seminars. The seminars are a 4-part series offered quarterly to educate the community and other county departments. Each seminar includes a basic program overview, information on special populations such as seniors and immigrants, and in-depth training on the application process.

- Ongoing Workgroup to Address Participation Barriers. A Food Stamp Program Workgroup of HSA staff and community partners meet quarterly to recommend and coordinate outreach strategies and measures to remove participation barriers.

- Five Year Strategic Plan. Promoting greater self-sufficiency among the county's neediest eligible residents by increasing food security is a five-year strategic goal. A third-party research company is assisting HSA in the ongoing evaluation of outcomes.

Next Steps
To continue the above progress, especially in response to the food and shelter crisis impacting San Mateo County, HSA's plans for the rest of this fiscal year are to:

- Advocate for Legislative Changes to the Food Stamp Program. This includes collaboration with the Silicon Valley Community Foundation and other community partners, on Food Stamp education, community advocacy and working with policy makers to introduce legislation to change or remove regulations that pose barriers to Food Stamp Program participation such as the fingerprint requirement.

- Expand the Social Marketing Campaign and Community Education. This includes meeting with community-based organizations on a quarterly basis.

- Expand Outreach to Vendors including Farmer's Markets to Increase the Number of Locations where Recipients can use their Electronic Benefit Transfer (EBT) Cards.

- Implement corrective measures to ensure program integrity.

HSA is pleased with its outreach and successes thus far. While HSA is in the midst of fiscal challenges, and still has work to do to improve the County's comparative ranking in program utilization, HSA remains optimistic about being able to increase enrollments in the Food Stamp Program by implementing the strategies outlined above.

FISCAL IMPACT:
There is no fiscal impact associated with acceptance of this report.

COUNTY OF SAN MATEO

County Manager's Office

DATE: January 20, 2009
BOARD MEETING DATE: January 27, 2009
SPECIAL NOTICE: None
VOTE REQUIRED: Majority

TO: Honorable Board of Supervisors

FROM: David S. Boesch, County Manager

SUBJECT: **Changes to Medical Center Transportation Services**

RECOMMENDATION:

Accept the report on changes to Medical Center transportation services to achieve current year budget savings.

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.

Reductions to provide only mandated services and other changes to the provision of transportation services will ensure that budgeted savings will be realized in the current and subsequent fiscal years. Use of existing provider contracts with Aging and Adult Services, public and private transportation, and emergency taxi vouchers, will ensure that patients in need will have access to transportation to Medical Center facilities.

BACKGROUND:

At the June budget hearings, your Board adopted the FY 2008-09 budget, which included $240,000 in annual savings from deleting filled positions and contracting out transportation services currently provided by the San Mateo Medical Center. Your Board directed staff to work with the labor organizations to do a more comprehensive cost analysis of contracting out versus implementing union proposals to modify the existing service structure to achieve the goals of increased reliability and quality of services, as well as cost savings.

The affected employees were or are currently under-filling other positions at the Medical Center until a final decision is made regarding the provision of transportation services. Funding for staff to provide the same level of service was included through February

2009. Some of the affected employees have already accepted positions in other County departments. Human Resources has continued to work with County departments to keep holding vacant positions for the remaining employees. No layoffs are anticipated and we are confident that all employees will be placed.

DISCUSSION:
A work plan was prepared and submitted to your Board in July. Staff from the Medical Center, County Manager's Office and Human Resources has been meeting with AFSCME and SEIU since that time, and a formal Request for Proposals (RFP) process was completed. Proposals were submitted by MedEx Transit and Semax.

After evaluation of proposals and interviews with the two companies, staff concluded that proposed costs were either too high or the vendor did not have the capacity to provide the level of service required. In addition, it was discovered that approximately $200,000 in Medi-Cal administrative activities reimbursement was not included in the original savings calculation, which would have resulted in annualized savings of less than $100,000. Information on the level of patient transportation services provided by other Bay Area public hospitals was also obtained. No other public hospital provides funding for patient transportation, with the exception of San Francisco, which provides funding for only the mandated level of services for long-term care patients at Laguna Honda.

Given the information above and in light of the County's current budget imbalance and the high levels of uncertainty with regard to State funding levels, staff has explored other alternatives and will be implementing the following in order to achieve $270,000 in annual savings. A summary of the changes is attached:

- Eliminate all discretionary transportation services, and provide only mandated services (Burlingame Long Term Care outings and scenic drives) and daily pick-up and drop-off for supplies and laboratory tests through contracts for an annual cost of $62,400.

- Increase patient and staff awareness and usage of existing network of transportation providers at low or no cost to patients (attachment Where To Go For Help).

- Continue to provide taxi vouchers on an emergency basis for patients in need, and monitor usage through June 30 to determine if increased appropriations are required in the budget.

FISCAL IMPACT:
It is anticipated that the $240,000 in budgeted savings will be realized in the current fiscal year. No additional budget changes are being recommended at this time. The annualized savings under the new service structure will be included in the FY 2009-10 Recommended Budget.

SMMC TRANSPORTATION SERVICES PROPOSAL

		Proposal	
Service	**Current County Cost**	**How Provided**	**Estimated County Cost**
BLTC outings/ drives		Contract with Semax	$12,480
BLTC clinic visits (est. 4/day; 1000/yr)		• Network of existing providers for Medi-Cal patients • Contract with Semax for Medi-Cal pending and non-Medi-Cal patients who have no other transportation options	$0 [1]
RRSC clinic visits (est. 3800/year, for total RRSC and other clinic visits below)		• Resource network • Taxi service through existing Aging & Adult contracts if needed	$0
Other clinic visits (est. 3800/year, for total RRSC and other clinic visits)		• Resource network • Public transportation • Private transportation • Taxi service for urgent needs	$0
Lab/supply transport		Contract w/Ultra-Ex 1x/day plus point-to-point	$49,920
Employee shuttle (est. 20/day; 5000/yr)		Discontinue	$0
Dental shuttle (est. 1200/yr)		Contract (TBD)	$0 (to be completely grant funded)
Total Cost	($644,000) expense $200,000 Medi-Cal $10,000 dental grant ($334,000) net cost	BLTC outings/drives Lab/supply transport	($12,480) ($49,920) ($62,400) net cost
Savings			$271,600

Notes:

1) The cost for this contract is to be determined, but is expected to be nominal to cover the approximately 10% of BLTC patients who are not eligible for Medi-Cal.

Where To Go For Help
Transportation

Insurance coverage		Areas served	Special Needs	Contact info	Number
Clients with Medi-Cal/ Medicare					
	Health Ride	All County	Ambulatory/ Wheelchair	Health Plan SM	(650) 616-0050
	AMR Transportation	All County	Wheelchair/ Cognitive		(650) 652-5300
Clients with no insurance					
	Redi-Wheels	All County	Ambulatory/ Wheelchair	SM Co. Transit District	1-800-660-4287
	Friends in Service to Humanity (FISH)	Burlingame, Foster City, Millbrae, San Mateo	Ambulatory		(650) 570-6002
	FISH	Belmont, RWC, San Carlos	Ambulatory		(650) 593-1288
	American Cancer Society	All County – Cancer Patients Only	Ambulatory		(650) 578-9902
Private Pay clients					
	Need-A-Ride	San Mateo to Palo Alto	Ambulatory		(650) 462-0853
	FISH	Burlingame, Foster City, Millbrae, San Mateo	Ambulatory		(650) 570-6002
	FISH	Belmont, RWC, San Carlos	Ambulatory		(650) 593-1288
	American Cancer Society	All County – Cancer Patients	Ambulatory		(650) 578-9902
Contact					TIES Line

Insurance coverage		**Areas served**	**Special Needs**	**Contact info**	**Number**
Aging and Adult Services for the following:					1-800-675-8437
Taxi vouchers	Daly City Cab	No. County			(650) 992-8865
	Serra Cab	All County	Ambulatory/ Wheelchair		(650) 991-3881
	San Mateo Yellow Cab	Central Co.	Ambulatory/ Wheelchair		(650) 692-2555
	Yellow Cab Peninsula	Central/So. County			(800) 595-1222
Bus vouchers	Sam Trans	All County	Ambulatory/ Wheelchair		(800) 660-4287