



SAN MATEO COUNTY
COUNTY MANAGER'S OFFICE

Date: May 25, 2007
 To: Honorable Board of Supervisors
 From: John L. Maltbie, County Manager
 Subject: Recommended Budget for FY 2007-08 and FY 2008-09

I am pleased to present to the Board of Supervisors and the residents of the County of San Mateo the Recommended Budget for FY 2007-08. This budget proposes to spend \$1.6 billion on criminal justice, health, parks, alcohol and drug programs, resource protection and other vital public services.

Total spending in the FY 2007-08 Recommended Budget for all funds is nearly identical to the FY 2006-07 revised budget. However, the current year General Fund budget included \$50 million in one-time funding to reduce the County's unfunded obligation for retirees' healthcare. That means the actual increase in the FY 2007-08 Recommended Budget is 3.1 percent. This budget provides funding for 60 new positions, which would bring total County employment to 5,777. The budget also provides funding for full-year operating and debt service for the new Youth Services Center, negotiated employee salary and benefit increases and additional loans to the San Mateo Medical Center. The budget covers anticipated spending for expanding alcohol and other drug services, increased criminal justice caseloads, new capital improvements and two general elections.

TOTAL REQUIREMENTS - ALL FUNDS					
All County Funds	FY 2006-07 Revised	FY 2007-08 Recommended	Change	% Change	FY 2008-09 Recommended
Total Budget	\$ 1,647,122,403	\$ 1,648,248,306	\$ 1,125,903	0.1%	\$ 1,595,614,184
Total Positions	5,717	5,777	60	1.0%	5,786

Overall, our local economy is strong. We live in an area of innovation with leading companies as well as small businesses thriving. The recent approval of Virgin America to begin operations at San Francisco International (SFO) should increase traffic at SFO and assist visitor serving businesses.

Our County government utilizes Outcome-Based Management – a budgeting system that aligns County programs and spending with long-term goals to ensure efficiency and effectiveness. The County is in the process of updating its Shared Vision 2010 to provide new direction to County government as it enters the second decade of the 21st Century. I am reminded of a quote by the famed inventor Charles Franklin Kettering, "We should all be concerned about the future because we will have to spend the rest of our lives there."

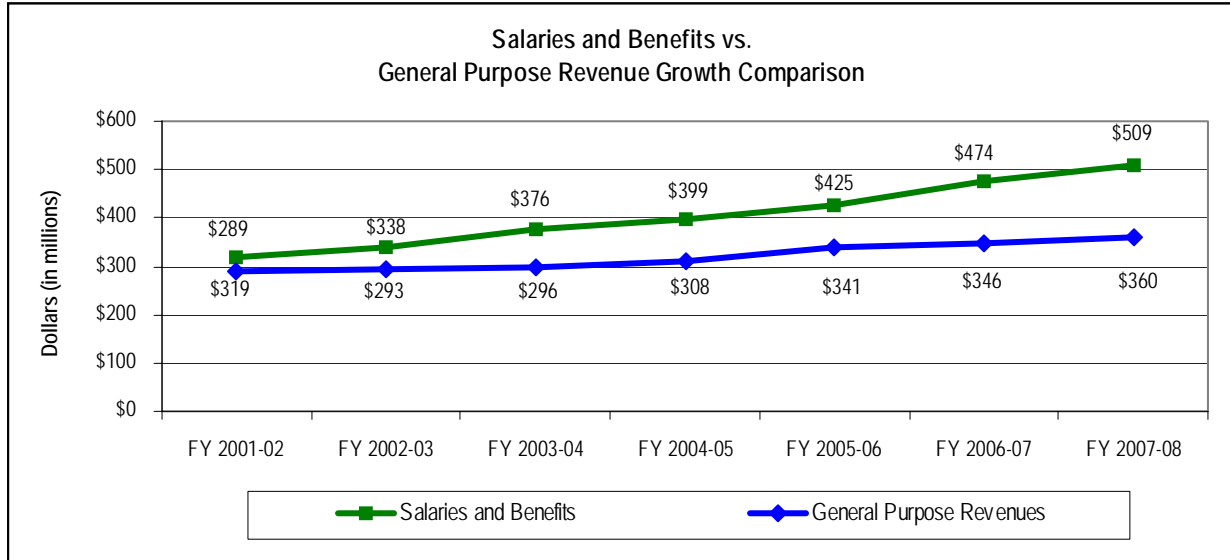
Structural Budget Deficit

As I look at the budget – our blueprint for the future – I foresee many challenges. But I believe that together we can find the answers. One of my concerns is the County's growing structural budget deficit, which I discussed in last year's budget message and this year's mid-year budget report. A structural deficit occurs when expenditures grow faster than anticipated revenues.

The County has been using excess Education Revenue Augmentation Funds (ERAF) to balance its budgets. This excess ERAF is the amount of local property tax generated in one year that exceeds the amount due the state. Without these funds, the County

would have experienced actual deficits in two of the previous four years. The trouble is that these funds are an unpredictable and potentially unstable source of funding for operating budgets.

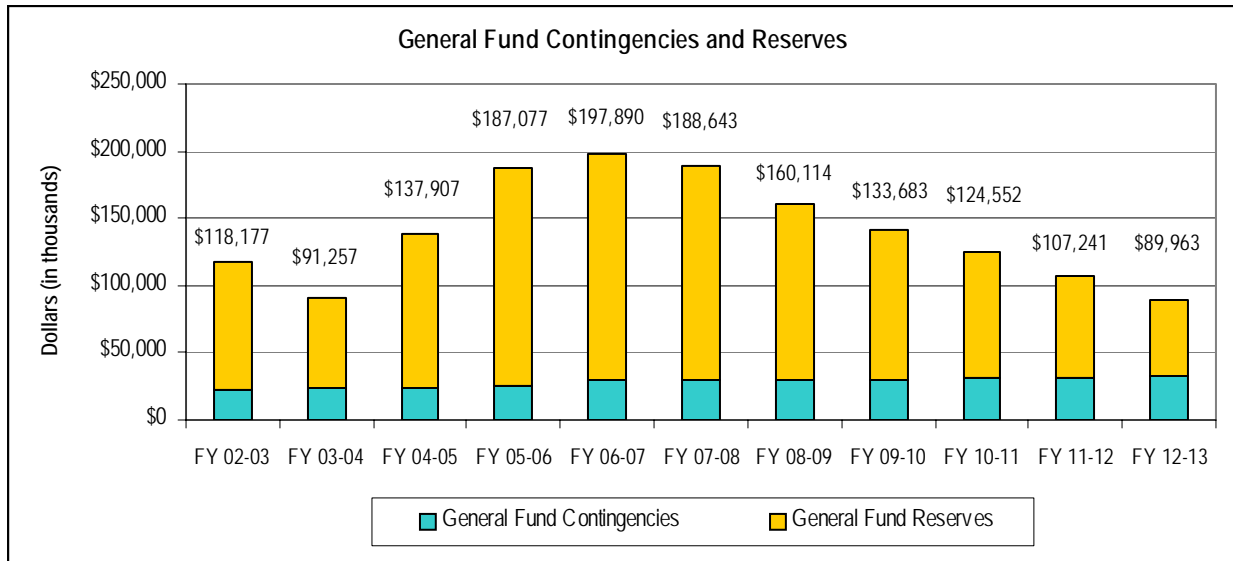
Rapidly increasing salaries and benefits are one of the factors causing the structural deficit. Since FY 2004-05, these costs have increased about 28 percent. This is due to the addition of 517 new positions, negotiated salary and benefit increases and additional funding to ensure we meet our obligations for retirees and their health care needs.



Many other factors contribute to the structural deficit. These include opening the Youth Services Center (\$14 million); reductions in state funding (\$2.4 million); Sheriff’s Office relief pool staffing (\$5.25 million); loans to the San Mateo Medical Center (\$17.9 million); implementation of the Alcohol and Other Drugs (AOD) Strategic Plan (\$1.5 million); and cost-of-living adjustments for community-based organizations (\$1.0 million). Meanwhile, the cost of building and staffing a new jail, which is now under consideration, would increase annual operating and debt service costs by at least \$8.0 million.

The General Fund will be increasing contributions or assuming costs previously paid from the following: San Mateo Medical Center Enterprise Fund, Fire Fund, Crystal Springs Sanitation Fund, Solid Waste Fund and Half-Cent Transportation Fund. These are described in more detail in the following sections.

San Mateo County cannot sustain the present growth rate for salaries and benefits and fund increasing operating costs for expanding caseloads, loans to the hospital and new initiatives. The County is rapidly spending its reserves and, if not addressed, structural budget deficits will grow exponentially.



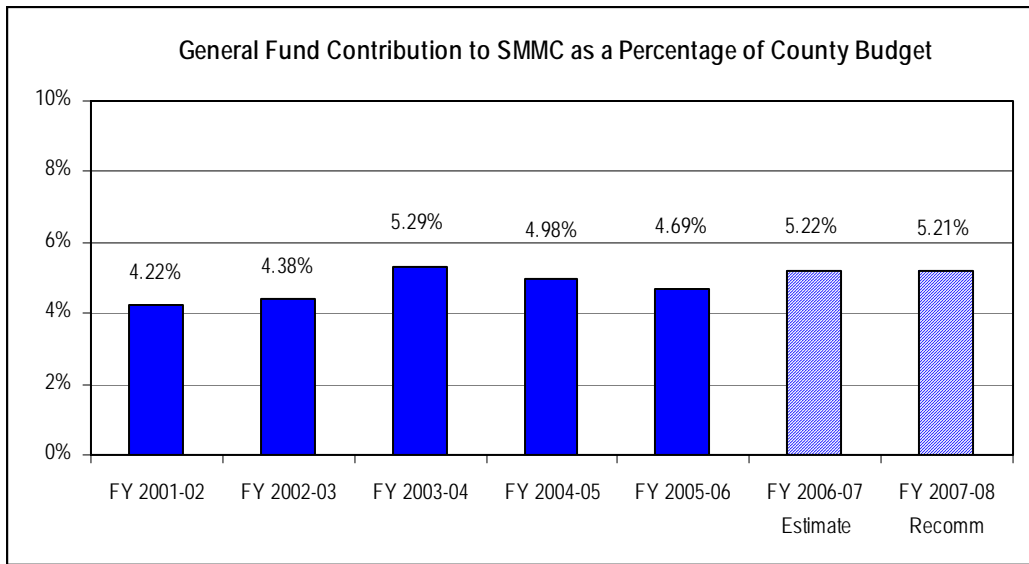
If we take prudent action now, the County can avoid the very difficult choices that other counties have had to make. San Mateo County is in much the same position as Franklin Roosevelt once described the nation, "We can afford all that we need, but we cannot afford all that we want."

I believe we cannot continue to live beyond our means. Therefore, the Board should establish a firm goal of eliminating the deficit by 2013. To accomplish this, I recommend the following strategies:

1. Undertake no new expenditures without corresponding new revenue or cost-reduction offsets.
2. Reduce the annual rate of increase in General Fund net cost from 7 percent to 3 percent to match the expected growth of revenue. (This will necessitate service reductions.)
3. Eliminate the General Fund subsidies to the County Fire and Crystal Springs County Sanitation districts.
4. Reduce the General Fund contribution to San Mateo Medical Center to a level consistent with the Welfare and Institutions Code § 17000 indigent health care obligation.
5. Limit future use of excess ERAF to facility and technology infrastructure improvements, productivity enhancements, cost avoidance, reduction of unfunded liabilities and one time projects.

San Mateo Medical Center (SMMC)

Next year's recommended County contribution to SMMC is \$72.2 million. From FY 2003-04 to FY 2005-06 the annual contribution was approximately \$58 million. During this period SMMC was able to maximize state and federal revenues and contain costs. Beginning in FY 2006-07, disproportionate share hospital (DSH) and other federal payments and reimbursements for MediCal in-patient care have not kept pace with rapidly increasing healthcare costs; including negotiated salaries and benefits, medical supplies and equipment, additional staffing to meet state mandated nursing ratios and growing caseloads. The County's contribution to SMMC in relationship to the County's General Fund has increased by almost 20 percent over 5 years. Assuming the same growth rate in the next 5 years the County's annual contribution would be approximately \$115 million.



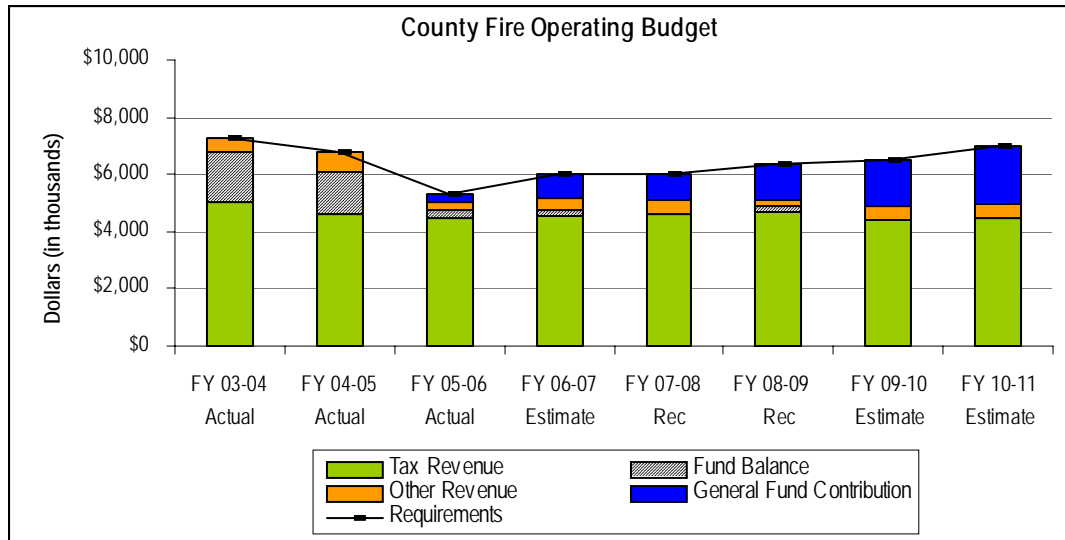
All counties in California are required under Welfare and Institutions Code (W&I) § 17000 to pay for the cost of healthcare for those residents that meet the requirements established by the Board of Supervisors. The County has updated its medically indigent healthcare policies and initiated an e-application screening process for the Wellness Education Linkage Low Cost (WELL) program that serves this population. Approximately 9,000 medically indigent adults were seen at SMMC in 2006. The annual cost of caring for these patients is estimated at \$25 million to \$35 million. This raises several questions that need further analysis:

1. Why is the County's contribution to SMMC more than double the cost of meeting its W&I Code § 17000 obligation for indigent care?
2. Is the County subsidizing the MediCal program? If so, by how much and in what service lines?
3. How much should the County pay for indigent healthcare?

The County cannot sustain the present rate of increases in its contribution to SMMC. The Recommended Budget includes funds for a consultant to assist the County with a comprehensive review of its system of healthcare for the medically indigent and poor. This review should be closely coordinated with the Blue Ribbon Task Force co-chaired by Supervisors Hill and Tissier that is studying healthcare coverage for the uninsured in the County. The review should answer the question, "How can the County best meet its W&I Code § 17000 obligation to provide access to quality healthcare for medically indigent residents?"

Fire Fund

For the third consecutive year there will be a deficit in the Fire Fund. The Recommended Budget includes a General Fund contribution of \$900,000 to offset the projected deficit. Unsecured property tax (levied at SFO) makes up 50 percent of the property tax revenue in the Fire Fund. These taxes have declined by \$1.3 million since FY 2003-04. Beginning in FY 2003-04, annual operating costs, primarily for the California Department of Forestry (CDF) contract, have increased by \$1.1 million. In addition to eliminating the operating deficit there is a need to replace aging vehicles and fire stations. Assuming the cost of the vehicles is amortized over 15 years and fire stations over 30 years, the combined operating and capital deficit could be as high as \$4.0 million a year by FY 2010-11.



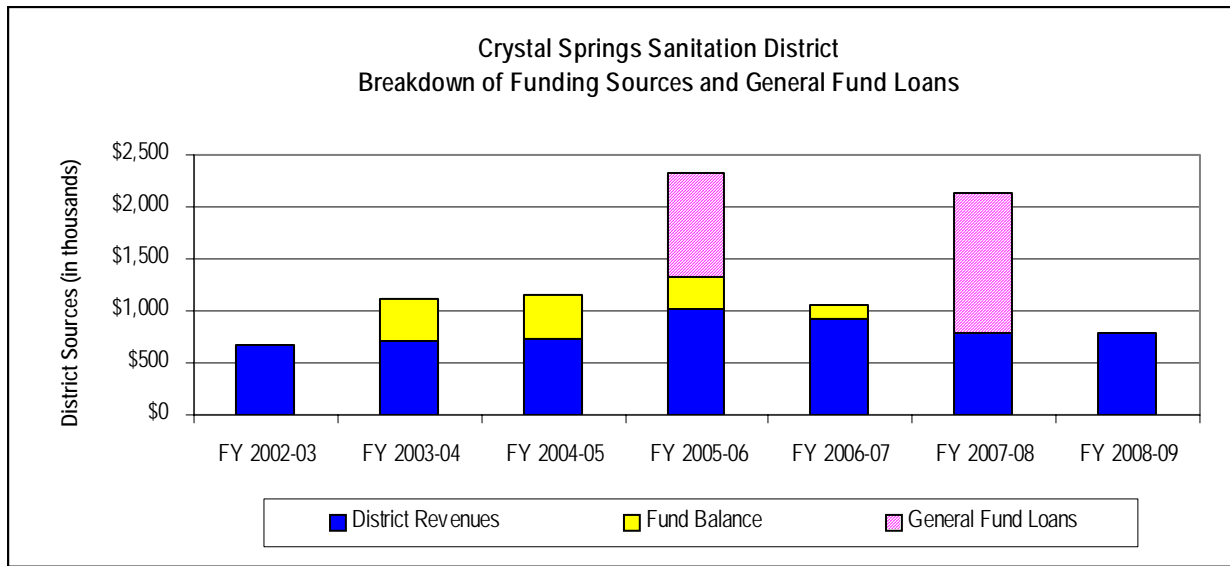
The Fire Services Subcommittee, co-chaired by Supervisors Church and Gordon, has been reviewing different alternatives to bring the Fire Fund into balance. The subcommittee is likely to recommend a parcel tax be placed on the ballot next year in those unincorporated areas not within an existing Fire Protection District or County Services Area. Alternative service reductions will be identified that could be implemented if the tax is unsuccessful.

Sanitation Districts

There are 10 sanitation districts for which the Board of Supervisors serves as the governing board. The districts contract with other agencies to treat sewage and with cities to use their trunk lines to transport sewage to the treatment plants. Public Works employees maintain the districts sewer lines and respond to blockages. These districts range in size from 55 connections with a \$21,100 annual budget to the Fair Oaks Sewer Maintenance District with 7,345 connections and a \$3.5 million annual budget.

In recent years, the State Regional Water Quality Board has significantly increased the requirements on treatment plant operators and all agencies with sewer lines in order to improve water quality. These requirements have necessitated major capital improvements and have dramatically increased the cost of operations. A significant percentage of the costs incurred by the districts are paid to other agencies for transportation and treatment of sewage. As these costs rise they are passed on to the customers in the form of higher sewer charges.

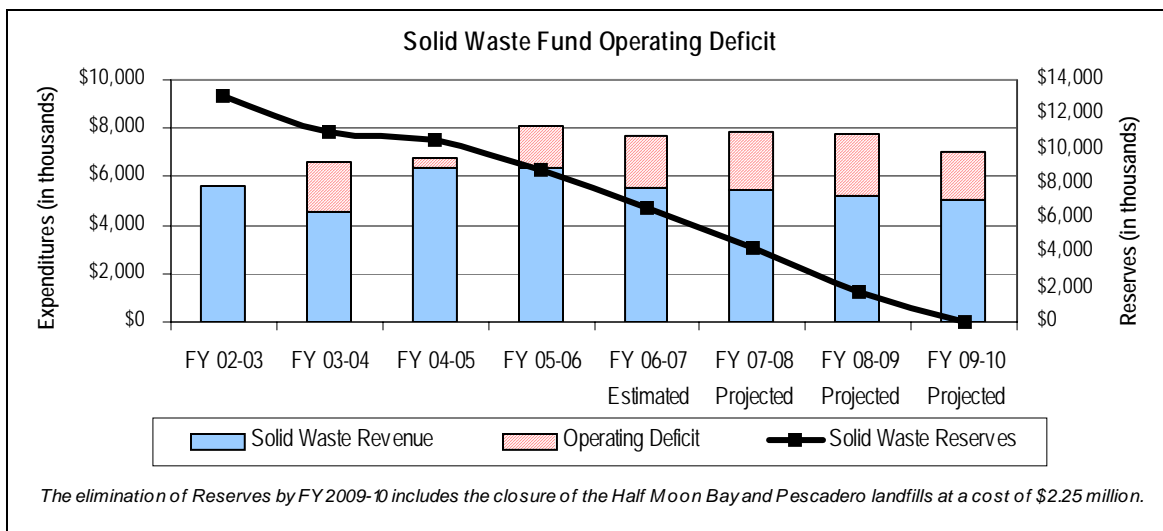
The Crystal Springs County Sanitation District provides sewer services to the property owners in the unincorporated area immediately west of the City of San Mateo and south of the Town of Hillsborough. The District's sewage flows through systems operated by the Town of Hillsborough and the City of San Mateo. The District is obligated, based on existing agreements, to financially participate in the maintenance and upgrades of the downstream systems. In FY 2005-06, the District was billed \$1,177,575 for its share of improvements by Hillsborough. The Board of Supervisors loaned the District \$1,000,000 from the General Fund to pay for these improvements, with the District financing the remaining costs over 7 years with interest only payments in FYs 2006-07 and 2007-08. A rate increase was proposed to pay for this obligation and additional downstream system improvements. However, the property owners lodged a majority protest under Proposition 218. Therefore, the increase could not be implemented. Additional downstream system improvements at San Mateo's wastewater treatment plant are currently being constructed. The project is estimated to cost \$30.5 million with the District's share totaling \$1,357,250.



The Board is scheduled to hold a hearing on rate increases for all sanitation districts on July 24, 2007. Rate increases ranging from \$12 to \$404 per year are proposed. Public Works has scheduled a series of meetings with residents and homeowners associations to discuss the proposed rate increases. The district budgets this year have included options to reduce County controlled expenses and strategies for amortizing significant cost increases from other agencies over future years. Wherever possible existing reserves are being used to cover these additional costs. Nevertheless, rate increases are still necessary. For some districts, annexation to nearby cities or becoming independent sewer districts with separately elected governing boards may provide a better means of controlling future costs. The County will work with residents that wish to pursue these options.

Solid Waste Fund

The Solid Waste Fund has had an operating deficit since FY 2003-04. It has utilized reserves to balance the budget without impacting expenditures. At the present rate of expenditures the reserves will be exhausted in three years.



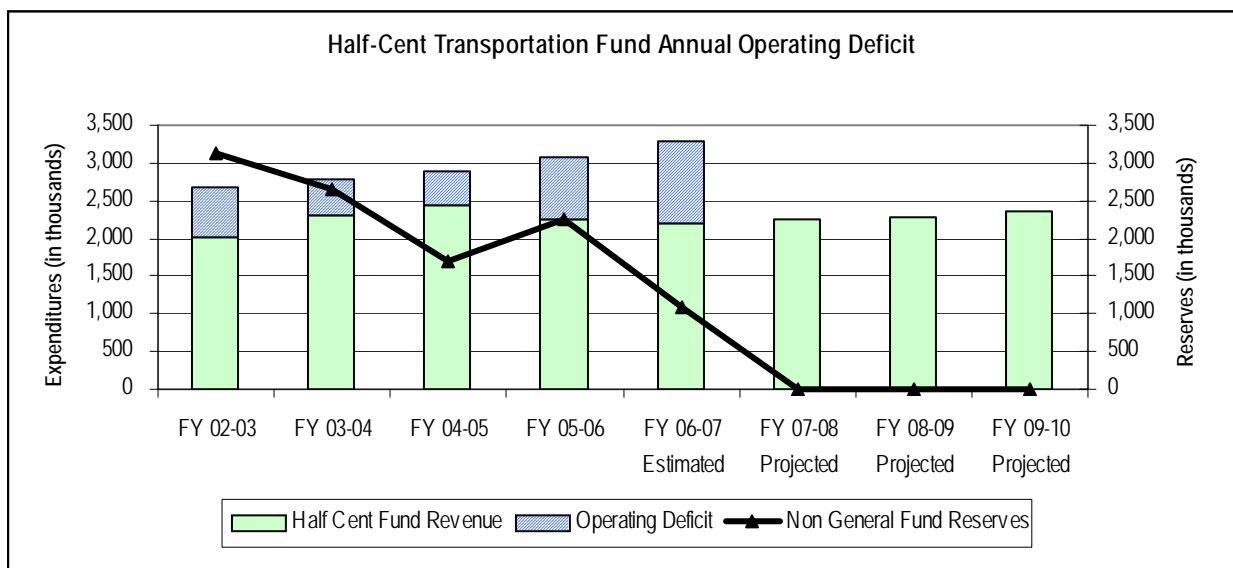
Revenues in the fund are derived primarily from "tipping fees" on solid waste transported to Ox Mountain. The fees peaked in FY 2005-06 and have declined since then due to a reduction in the amount of material deposited at the landfill.

This fund finances a variety of environmental health programs and the County's contribution to the Children's Health Initiative (CHI). Since FY 2002-03, the most significant changes in expenditures in the fund have been for the CHI (\$2.7 million),

RecycleWorks (\$700,000), County waste, medical waste and hazardous material disposal costs (\$550,000) and the Pescadero Transfer Station (\$200,000). The Recommended Budget for FY 2007-08 includes \$1.5 million for the CHI from the Solid Waste Fund, beginning the process of phasing out this contribution. The General Fund will make-up the difference thereby increasing the structural deficit in that fund.

Half Cent Transportation Fund

Last year, the Board directed the County Manager to reduce expenditures in this fund consistent with on-going revenues. The Recommended Budget is \$2.3 million, a reduction of \$2.0 million from the current budget. This was achieved by eliminating all road projects and transferring expenditures for client transportation to the General Fund. The single largest expenditure remaining in the fund is for the Employee Transit Subsidy program (\$832,000). The cost of this program has nearly doubled since FY 2002-03 as more employees have used the program and the cost of transit passes has increased. The amount the County charges employees for various passes is inconsistent; some employees make no contribution, others have to pay 75 percent of the cost of a monthly pass. Requiring all employees to make at least a \$10 contribution toward the cost of passes would save this fund about \$136,000 a year. There will be a small increase in revenue in this fund beginning in FY 2009-10 when the new Half Cent Sales Tax distribution formula goes into effect.

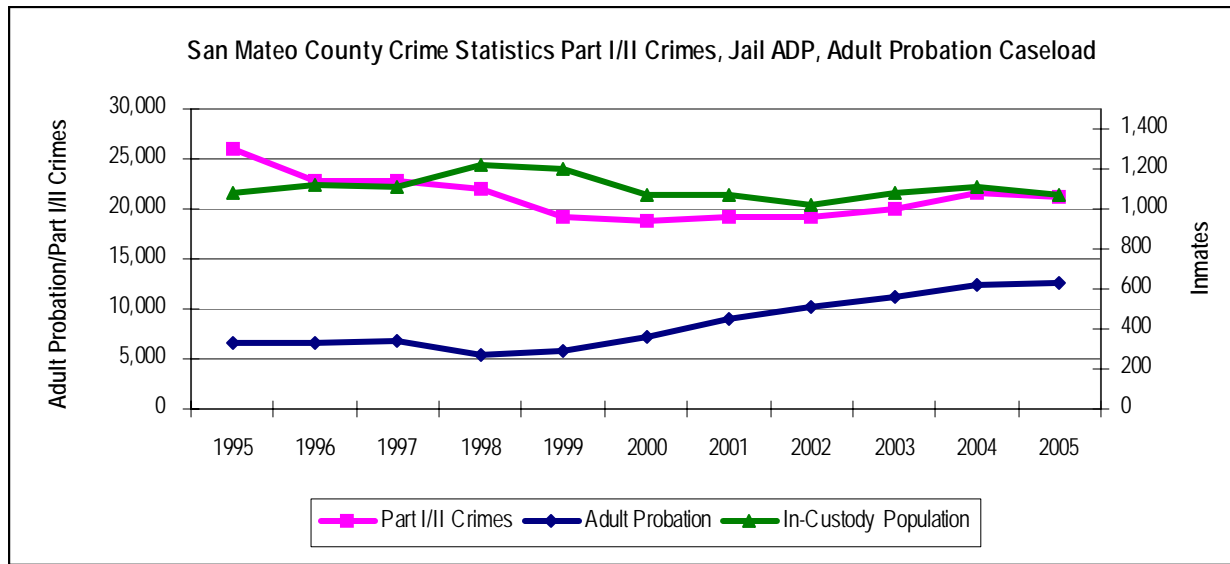


Road Fund

The Recommended Budget for FY 2007-08 includes a conservative projection of \$2.0 million in State Transportation Bond proceeds (Proposition 1B). This estimate takes into account the projected loss of \$2.0 million in sales tax revenue from gasoline purchases pursuant to Proposition 42. In the event that the Bond funding is not realized in FY 2007-08, the Department is holding twelve positions vacant in the Engineering and Roads Sections to ensure that revenues and expenditures are in balance. If the Governor's proposed budget is approved, San Mateo County will receive \$5.5 million next year. SB 286 by Senators Lowenthal and Dutton and sponsored by the California State Association of Counties and the League of California Cities, would allocate 50 percent of the Bond money by January, 2008. If this bill becomes law, San Mateo County would receive approximately \$9.0 million in FY 2007-08.

Criminal Justice System

The County is studying the feasibility of building another jail due to overcrowding in the Maguire and Women's jails. The "new" Maguire jail was opened in 1994 at a cost of \$55 million. Since that time the County has closed the Honor Camp (140 beds), Medium Security Facility (100 beds) and Men's Work Furlough Facility (140 beds). Inmates formerly housed in these facilities are now held at the Maguire and the Women's jails.



According to Federal Bureau of Investigation's crime statistics, arrests for all crimes in the San Mateo County have declined by 18 percent since the Maguire jail opened. This is a credit to the outstanding performance of the police agencies in the County. During this same period the jail population was unchanged and probation caseloads doubled.

Building a new jail is a major long-term financial commitment that requires a careful analysis of why our jail population is not declining due to fewer arrests and what programs can help to mitigate future population growth. The Jail Overcrowding Task Force, co-chaired by Supervisors Church and Tissier, has engaged two consultants to study these issues.

It has been said that the "definition of insanity is repeating the same thing and expecting a different result." For over 40 years in California our response to crime has been to pass new and tougher laws on criminal behavior, hire more peace officers and build more jails and prisons. If this is the answer to crime, why do we need to keep doing more of the same thing?

I believe it is time to re-examine fundamental public policies regarding crime and public safety. Can we distinguish between criminals that present a real and continuing danger to society from those who do not? Is it possible to deal with those who are not a danger to society in a different way with better long-term results and less expense? Most inmates in County jail re-enter the community within a short time. Is the County doing what it needs to do to prepare them to avoid future criminal conduct and become productive citizens? Is jail the appropriate setting for rehabilitating the inmate population? What is the purpose of detention and court-ordered supervision? Public safety? Punishment? Rehabilitation? In San Mateo County we spend over \$411 million a year on the criminal justice system for police, courts, probation, prosecution, defense and detention. Is there a smarter and less costly way to better protect the public than building a new jail every 15 years?

Sheriff's Relief Staffing

In February, the Board approved a plan to phase-in additional relief staffing. The initial 9 positions authorized in September, 2005 have now been filled and are fully operational. All 9 positions are assigned to mandated posts in either Patrol or the Maguire Correctional Facility to backfill vacant posts due to position vacancies, academy training, vacation leave or disability leave. As positions are added to the Relief Staffing Unit, assignments will expand to assist in relief needs at the Women's Correctional Center and the Men's Minimum Security Transition Facility.

The Recommended Budget includes an additional 9 positions – 8 deputies and 1 sergeant. The FY 2008-09 budget also includes 9 more positions. It is estimated that each position will provide approximately 2,000 hours annually to meet relief needs. As relief positions are filled, the Sheriff's overtime use for relief needs will decline.

The Sheriff's Office will monitor the success of the Relief Staffing Unit in meeting relief needs and reducing overtime. Regular reports will be made to the County Manager's Office.

Risk Prevention Program (RPP)

The Probation Risk Prevention Program (RPP) provides Probation Officers on-campus at 31 elementary, middle and high schools throughout the county. School districts and cities are billed at an hourly service rate that is discounted by 73 percent reflecting Temporary Assistance for Needy Families revenue and County funding. As a result, cities and school districts pay only 27 percent of the cost of the program. (For every \$1.00 the cities and districts pay they get \$4.00 in services). From FY 2001-02 through FY 2005-06 total charges billed to school districts and cities was \$1,991,500, with actual collections totaling \$1,508,835. During this period 6 cities and one high school district either underpaid or made no payment for at least one year.

The RPP is supposed to be a shared-cost program. When cities and school districts do not pay their share the County General Fund makes up the difference. This is not fair to the cities and school districts that pay their share of program costs and it increases the County's structural deficit. Inasmuch as cities and school districts make an annual request for these services in advance of the school year, I recommend that the Board adopt a policy to discontinue services if timely remittance is not made.

Public Safety Communications (PSC)

The Board has asked the County Manager to determine the feasibility of the PSC becoming an answering point for 911 cellular telephone calls currently answered by the California Highway Patrol. The County contracted with the Galena Group to study this issue.

In order to handle the increased volume of calls that would be transferred to the center, 2 to 4 additional call takers would be needed. There are no state funds available to reimburse the County for these costs. It is possible to pass these additional costs on to PSC customers; 5 law enforcement agencies, 16 fire agencies and the Emergency Medical Services agency. However, about one-half of the costs would be covered by the General Fund for unincorporated area responses.

There are no funds in the budget for these ongoing costs. Due to the lead time in hiring and training call takers, the existing vacancies in PSC and the need to reconfigure space in the center to accommodate additional staff, the earliest the County could implement this program is in FY 2008-09.

Emergency Medical Services Ambulance Costs

The contract for emergency ambulance and advanced life support services ends in June, 2009. The contract represents a partnership between American Medical Response (AMR) and all fire agencies in the county. Under the terms of this agreement the average response time to medical emergencies has declined from 9 minutes to 7 minutes.

Ambulance contractor fees for emergency transport are regulated by the County. The fee schedule established at the beginning of the contract in 1999 was held to the 1998 rates in the previous contract, but provided for annual fee increases. The average patient charge has increased from \$951 to \$1,426, which is one of the highest in the state. Patient fees support both the contractor's operations as well as paramedic first response by the fire service.

An Emergency Medical Services (EMS) redesign process is underway and includes approximately 100 participants working on various subcommittees. Participants in the redesign process include fire and ambulance paramedics, physicians, nurses, fire chiefs, city managers, information technology experts and consumers. The redesign process is focusing on performance measurement, information sharing and innovative deployment strategies. This process will lead to the issuance of a request for proposal (RFP) in early 2008.

Health and Human Services

The May Revision makes no changes to the Governor's earlier proposals to eliminate families and children from CalWORKs. The Governor proposes to eliminate safety-net benefits for some timed-out families, impose a 60-month limit for certain child-only cases and suspend the COLA for FY 2007-08. The Governor's proposal to eliminate some safety-net benefits would impact an estimated 87 San Mateo County families constituting 237 children. By imposing a 60-month limit for certain child-only cases, approximately 675 San Mateo County families with about 1,793 children would be impacted next year.

The Governor proposes to suspend the COLA for SSI/SSP recipients. It represents a \$23 per month increase for the elderly and disabled. The average monthly grant for these individuals is \$860 per month.

The Governor also proposes to change the methodology used to calculate the reimbursement for administration of state social service programs. This methodology would take effect in FY 2008-09 and would include a county share of cost for federal child

welfare service penalties. In addition, it fails to account for the prior 7 years of flat funding, which have resulted in a \$8.0 million County shortfall due to increased administration costs.

The May Revision also continues the Governor's previous proposal to eliminate funding for the Integrated Services for Homeless Adults with Serious Mental Illness (AB 2034) program. San Mateo County would lose an estimated \$914,000 that currently funds the Transitions Program for 75 of the County's highest need clients. In addition, the loss of this funding could destabilize the County's Mental Health Services Act (MHSA) program activities, which build on the AB 2034 program.

The Federal Deficit Reduction Act (DRA) of 2005 requires certified documentation of U.S. citizenship or immigration status as a condition of MediCal eligibility for applicants and beneficiaries. Based on January, 2007 CalWIN data, the citizenship requirement will need to be reviewed and met for approximately 13,000 adults and 21,000 children currently receiving MediCal, and 800 adults and 3,900 children currently receiving CalWORKs-linked MediCal. On an ongoing basis, approximately 300 CalWORKs and 1,700 MediCal applications per month will need to be screened using the new requirements. If determined to be ineligible, these adults and children would be referred to a County funded program such as WELL or Healthy Kids.

The Human Services Agency (HSA) is committed to implementing the DRA requirements in a client-sensitive manner. HSA is conducting advanced planning in coordination with the San Mateo Medical Center and the Health Plan of San Mateo. HSA's Recommended Budget includes 16 new positions—8 Benefit Analysts and 8 Office Assistants—to ensure applicants and beneficiaries receive the appropriate level of assistance in gathering, reviewing and documenting acceptable evidence needed to meet the new requirements. The increased costs for these positions will be fully covered by MediCal revenues.

Hunger in San Mateo County is addressed primarily through the Food Stamp program with the Second Harvest Food Bank providing an important contribution to those who have inadequate or unreliable access to food. Participation in the Food Stamp program has declined in recent years. It is estimated that of those who qualify only 45 percent are receiving Food Stamps. Second Harvest Food Bank delivers the equivalent of 5.4 million meals to County residents each year. The County contracted with Second Harvest in FY 2006-07 for \$89,000 to provide meals and Food Stamp outreach activities. The Recommended Budget includes an additional \$150,000 for Second Harvest and the core service agencies to expand outreach services to identify and enroll qualified residents for the Food Stamp program. If successful these efforts will reduce hunger and improve nutrition in low-income households.

Youth Commission Adolescent Report

In February, 2007 the Board heard a presentation on the Adolescent Report 2007 from the Youth Commission. In a follow up meeting facilitated by Supervisor Gordon several specific actions were identified. The group consensus was that there needs to be authentic involvement of youth in the affairs of the County, including active participation on Boards and Commissions, with the youth members assigned adult "buddies" to ensure a positive experience and meaningful role.

Youth Commissioners are meeting with each department to discuss how County programs impact youth. The County is planning to host a "Youth Mentoring Fair" in August to help connect youth to mentors and provide information on programs, internships and summer jobs. The County Manager's Office is researching best practices from the private, public and nonprofit sectors for meaningfully engaging youth and exploring ways to more effectively communicate with the broader community regarding youth issues.

The County has a long history of working collaboratively with youth. Over the coming months, staff will explore ways to strengthen and enhance those connections. Some of the forthcoming recommendations may have budget implications that will need to be considered by the Board in September.

Supplemental Funding for First 5

As a result of declining tobacco tax revenue, First 5 San Mateo County is reducing funding of its community-based organization grants while sustaining its commitments to the CHI and early childhood education. Several programs at risk of losing funding are essential to the system of care in San Mateo County. In addition to a funding level of \$1.6 million from First 5, County support will be provided as follows: HSA will redirect \$100,000 within their budget to support Daly City's Second Home; the Health Department will also redirect Mental Health staff resources toward Second Home; and a Public Health Nurse will be added in Family Health Services to support the Lucile Packard "Premie Project," which will be 40 percent offset by revenue from the California Children's Services (CCS) program, with the balance representing additional Net County Cost.

Alcohol and Other Drugs (AOD)

The AOD Strategic Plan was approved by the Board of Supervisors on November 7, 2006. This plan charts an important pathway for substantially addressing the serious impact that substance abuse has on the community and its institutions. Following Board approval, a Steering Committee was formed to implement the strategies called for in the plan. This group is comprised of a broad range of stakeholders from businesses, cities, probation, child welfare, and advocacy groups, as well as County representation from health, mental health and AOD programs.

The Human Services Agency (HSA) has identified \$750,000 in additional funding that has been included in the budget as first year start-up funding for implementation of this plan. The ongoing goal is to identify additional revenue sources to provide \$1.5 million in funding by FY 2008-09. This will provide opportunities to enhance and expand services such as supportive housing stipends and continuing case management. Additional funding will also be used to increase residential and intensive day treatment capacity for women and young children in the dependency court system, residential treatment for adults returning to the community from jail, residential treatment for youth, peer advocacy and support, community-based prevention and training key partners.

Mental Health

The County's Mental Health programs interface with several vulnerable County populations -- criminal justice, AOD, homeless and youth. The County is fortunate to leverage its Mental Health funding with revenue from other programs to meet the comprehensive needs of its clients.

Mental Health is adding 8 positions to expand service coverage in accordance with the County's Plan under the Mental Health Services Act and 3 positions to provide services to Health Plan of San Mateo patients under the Care Advantage program. All of these positions will be fully funded by additional revenue. Correctional Health is adding 3 positions in response to inmate overcrowding. Correctional Health is a General Fund expense.

Behavioral Health

Under the direction of the Assistant County Manager, County staff has been exploring the feasibility of creating a Behavioral Health Division by merging AOD with the existing Mental Health Services Division. Staff and other stakeholders have been meeting to develop a scope of services plan for the new Division, which would have the goal of improving the health and mental health outcomes of individuals with both addiction and mental health issues. A complete report, including an implementation plan and timeline, will be presented to the Board of Supervisors for consideration on July 24, 2007.

County Facilities

In Fall 2006, Public Works contracted with a firm to conduct a facilities condition assessment for 76 facilities owned by the County. The assessment was completed in March and was documented in a new Facilities Condition Information System. The assessment identified and estimated costs for renewal of building systems, cyclic maintenance, deferred maintenance, health and safety requirements and preventive maintenance for the next 15 years. The total estimated cost of correcting all deficiencies and projected requirements is \$55.7 million. A multi-year maintenance and repair plan will be used to develop and fund a Five-Year Capital Improvement Plan, which will be completed in the next budget cycle. The need for new facilities, including the correctional and re-entry facilities, will also be included in the plan when requirements and cost estimates have been completed.

Information Technology

An Information Management Planning Council (IMPC), consisting of representatives from the County Manager's Office, Information Services Department and seven County departments, has been created as recommended in the County organizational review that was completed last year. The IMPC will review the draft County IT Strategic Plan and make recommendations regarding Countywide IT priorities and initiatives so that departmental efforts align with the County mission and goals. The IMPC will complete its review of the strategic plan and make recommendations in the Fall so that key initiatives can be prioritized and included in future budgets.

Management Reviews

The Audit Committee, co-chaired by Supervisors Church and Tissier, completed the management review of the Department of Housing in March. A proposed framework for future management reviews has been developed and is currently being reviewed by

County departments. The framework will be presented to the Board Finance and Operations Committee in July with recommendations for future departments to be reviewed and a draft request for proposals for management consulting services. Funds have been included in the budget to conduct one or two management reviews beginning in September.

Succession Planning

The Succession Planning Task Force completed its report and recommendations in January. An implementation and evaluation committee consisting of task force members and the County Manager's Office was formed in March to prioritize and begin implementation of Countywide initiatives. Current year priorities include creating succession plans for retiring managers, preparing existing managers for executive level positions and meeting the annual target of 20 hours of training for all County employees. A number of subcommittees have also been created to focus on other initiatives, including the expansion of mentoring programs, multimedia training, individual development plans and marketing to youth. The need for resources will be identified over the next few months and will be included in September Revisions.

Conclusion

This budget begins the process that will require the Board of Supervisors to make difficult decisions in order to eliminate the structural deficit and bring the budget into balance by 2013. The decisions include:

1. How much should be allocated for medically indigent adult care and how should that care be provided in the future?
2. What programs and services will have to be reduced in order to build and operate a new jail?
3. By what means will the Fire Fund and Crystal Springs County Sanitation District budgets be balanced to avoid future subsidies? Tax or rate increases? Service reductions? Governmental reorganizations?
4. Will future County salary and benefit increases be consistent with revenue growth and/or productivity increases?
5. How will the County pay for future new program initiatives?

Quoting Franklin Roosevelt again, "No man can tame a tiger by stroking it." Nor can budget deficits be eliminated by wishing them away! Hard work and difficult decisions will be required. We are fortunate that we have accumulated significant reserves that will give us time to avoid a crisis. But it is important that we use that time wisely. I am confident that the Board will approach this task as it has always conducted County business in a deliberate and measured manner by engaging the community and our public service partners in the decision making process.

This budget marks a "changing of the guard" within the management staff of the County. I welcome David Boesch, Sang-ick Chang, Peggy Jensen, Beverly Beasley Johnson, Greg Munks, Jim Porter, Iliana Rodriguez and Donna Vaillancourt to their new positions with the County. As always I want to thank all the men and women who work for San Mateo County for their hard work and dedication to public service. Particularly I want to thank my staff Peter Bassett, David Boesch, Reyna Farrales, Jimmy Forbis, Nancy Guerrero, Christine Hollender, Betsy Jack, Peggy Jensen, Liz Kauk, Joy Limin, Mary McMillan, Ross Nakasone, Ashnita Narayan, Lisa Okada, Dennis O'Rourke, Marie Peterson, Jim Saco, Joanne Ward, Marshall Wilson, and Jack Yaco for all they do on behalf of the people of San Mateo County throughout the year and for the extraordinary effort that goes into the preparation of this document. Finally my sincere appreciation to the Board for its vision of a safer, healthier, sustainable and more humane community. All of us who have the privilege of working for you are inspired by your vision and commitment to improving the lives of all who live and work in this community.