COUNTY OF SAN MATEO
County Manager's Office

DATE: January 25, 2012
BOARD MEETING DATE: January 31, 2012
SPECIAL NOTICE/HEARING: None
VOTE REQUIRED: Majority

TO: Honorable Board of Supervisors

FROM: John L. Maltbie, Acting County Manager

SUBJECT: **Budget Planning Workshop**

RECOMMENDATION
For the FY 2013 Budget and five-year plan to eliminate the deficit by FY 2017:
1. Place tax measures on the June 2012 ballot, including transient occupancy tax increase, vehicle rental and parking tax in the unincorporated area;
2. Budget half of Excess ERAF as ongoing revenue;
3. Lease one of the Circle Star buildings to generate revenue; include the other building in a future bond issuance to claim state and federal reimbursement for debt service;
4. Direct staff to prepare a financing plan for the construction and operation of the new jail;
5. Direct staff to explore additional options to eliminate the deficit by FY 2017 and report back to the Board during the March and June budget hearings.

BACKGROUND
The County prepared a five-year plan in 2008 to eliminate our structural deficit by FY 2013. Since that time, we have cut over 500 positions, reduced departmental budgets and negotiated labor costs to achieve over $70 million in ongoing savings. Despite this progress, we continue to use Reserves to balance the budget, and our spending continues to outpace revenues as the economy slowly recovers. Based on projections over the next five years and assumed ongoing use of Excess ERAF, it is estimated that another $28 million in solutions will be needed in FY 2013, growing to $50 million by FY 2017.

DISCUSSION
The attached workshop materials provide a variety of options for the Board's consideration toward preparing a five-year plan. The next two pages highlight the deficit amounts and options that need Board direction. In developing projections, spending assumptions do not include the following:
- **Future Impacts of State Budget and Major Reforms -** Continued uncertainty with state funding could result in additional reductions to Medi-Cal reimbursement rates, CalWORKS and child care programs. The Legislature will defer these decisions to the May Revision. State budget cuts could result in reduced client services in affected state programs.
- **Facilities Master Plan and Infrastructure Needs** – Over $300 million in Facilities Master Plan projects are not included, as well as replacement or upgrades to communications and technology infrastructure and major business systems, which can be funded by Reserves or financed.
- **Negotiated Labor Cost Increases** – No new increases have been included beyond those already negotiated with employee organizations. The County will need continued cooperation to explore options for balancing the budget, increasing efficiencies and producing savings.

The following table includes various proposals to increase revenue, change service delivery, reduce costs and streamline government operations. Ongoing use of 50% of Excess ERAF funds to balance the budget is recommended, except for FY 2013 when 66% or $53 million is needed. The other significant revenue changes include a parking and vehicle rental tax in unincorporated areas of the county (requires an election) and the dissolution of one or both the healthcare districts, with the County becoming the “successor agency” (requires LAFCo action). Also included are the closure of Burlingame Long-Term Care facility in June 2013 and the opening of a 32-bed long-term care unit at the San Mateo Medical Center. In addition, other service delivery and cost savings measures of approximately $8 million in FY 2013 and $18 million thereafter are included in this proposal. Beginning in FY 2014, the cumulative impact of these proposals could produce modest surpluses. However, some of these proposals may not be realized or may be delayed, thereby reducing or even eliminating the projected surpluses. I encourage the Board to identify other potential solutions that can be used either in lieu of, or in addition to, the solutions identified. Assuming the budget for the next 5 years can be balanced using these solutions, existing service levels can be maintained if there are no further state reductions.

PROJECTED DEFICIT AND PROPOSED SOLUTIONS

(in millions)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Ongoing Deficit and Spending Increases	$ 77	$ 84	$ 98	$ 130	$ 146
Revenue Growth and Excess ERAF *	44 - 76	49 - 94	57 - 112	62 - 130	68 - 149
Structural Deficit (Hi - Low Range)	33 - 1	35 - 0	41 - 0	68 - 1	78 - 0
Structural Deficit (Mid-Range)	**$ 28**	**$ 24**	**$ 28**	**$ 49**	**$ 50**
Revenues:					
Parking and Vehicle Rental Tax	6	12	12	12	12
Transient Occupancy Tax Increase (TOT)	0.1	0.2	0.2	0.2	0.2
Economic Development - Lease Circle Star Building	1	2	2	2	2
Fee Adjustments	1	1	2	3	3
Use of Remaining Excess ERAF	13				
New Fire Protection Fee		1	1	1	1
Reopen Camp Kemp		1	1	1	1
Economic Development - TOT from New SFO Hotel				2	2
Increase General Revenue Assumptions					
Sales Tax Increase - 1/4 cent					
Service Delivery Changes, Efficiencies and Reductions:					
Consolidate Support Services	1	4	4	4	4
Eliminate Housing Subsidy	0.1	0.1	0.1	0.1	0.1
Reduce Memberships and Contributions	0.1	0.1	0.1	0.1	0.1
Medical Center Revenue/Cost Reduction measures		10	10	10	10
Close Burlingame Long-Term Care		8	8	8	8
Reduce Fire Engines		1	1	1	1
Review Staffing Ratios		0.2	0.3	1	1
Negotiated Labor Cost Savings	7	7	7	7	7
Changes to Governance and Funding Structure					
Dissolve and/or Consolidate Single Use Districts		4 - 12	4 - 12	4 - 12	4 - 12
TOTAL SOLUTIONS	**28**	**51 - 59**	**52 - 60**	**55 - 63**	**56 - 64**
BALANCE - Surplus / (Deficit)	0	27 - 35	24 - 32	6 - 14	6 - 14

* Includes general revenue growth of 1–4% and Excess ERAF at 50% - 75% of $80 million received in FY2012.

FY 2012 – 13 BUDGET

Staff needs direction on the following by January 31 to pursue revenue opportunities, meet elections and financing timelines, and prepare budget instructions for departments:

(1) Place Revenue Measures on June 5, 2012 Ballot ($200,000 - $12 million)

Information on transient occupancy tax, sales tax, and parking and vehicle rental taxes can be found on pages 8-9. Ballot measures must be filed with the Elections Office within 88 days of an election; if the Board decides to place revenue measures on the June 5, 2012 ballot, the first reading of the ordinance must occur on the February 14 Board meeting date, with second reading on February 28, in order to meet the filing deadline of March 8, 2012.

(2) Budget Half of Excess ERAF on Ongoing Basis ($40 million)

Excess ERAF, or property taxes contributed by the County to the Education Revenue Augmentation Fund (ERAF) that exceed what is needed by the State to meet school funding mandates, has been returned to the County for the last ten years, averaging $75 million over the past five years, with $80 million returned in the current year. It has been used judiciously to help balance the budget, fund retiree health liabilities, purchase land/buildings and fund capital projects. Mid-range deficit projections assume using $40 million, or 50% of the current year receipts, on an ongoing basis. Remaining amounts could be set aside in Reserves or used for purposes specified in the Reserves Policy.

(3) Lease Circle Star-North Building and Issue Bonds to Claim Debt Service ($2 million)

New revenue could be generated from leasing the north building for ten years starting January 2013. The South building would be financed and occupied by departments that include Public Safety Communications and those that can claim debt service costs and are exiting leases in 2012. Space would also be built out for staff at 1 Davis in anticipation of an early exit from that lease. Leasing the north building could limit opportunities to move more departments from leased space to County-owned space. The Alameda lease for the Health System currently ends in 2017 and the Harbor lease for the Human Services Agency expires in 2019.

(4) Financing Plan for New Jail

Five-year spending projections include $18 million in FY 2016 and $24 million in FY 2017 for a new 576-bed facility with warm shell, filled at half capacity from January 2016 through June 2017. At full capacity, operating and debt service would be $34 million annually. The impact of operating at full capacity will increase the deficit by $10 million beginning in FY 2018. County Manager staff can be directed to prepare a financing plan for a Board workshop later this year to ensure funding sources have been identified for this purpose before construction begins.

(5) Use of Other Solutions to Balance the Budget

The structural deficit for the next five fiscal years will be addressed through a combination of solutions that include revenues, Countywide efficiencies and labor cost savings, and service delivery changes. Service reductions will be strategic and targeted to specific departments.

The planning workshop and preparation of a five-year plan to eliminate the deficit demonstrates fiscal accountability and contributes to the Shared Vision of a Collaborative Community.

FISCAL IMPACT

Board direction will be used to prepare the Recommended Budget and Five-Year Plan.

<u>MATERIALS FOR</u>

<u>BUDGET PLANNING WORKSHOP</u>

<u>January 31, 2012</u>

PROJECTED SPENDING INCREASES

	(in millions)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	Ongoing Deficit and Spending Increases:					
1	Ongoing Deficit	76	78	84	88	89
2	Ongoing Board Approved Initiatives	(2)	(6)	(6)	(6)	(6)
3	Projected Health & Dental Premium Increases	(0.6)	5	10	16	23
4	New Jail Operating Costs and Debt Service				18	24
5	Previously Negotiated Salary Increases	3	5	7	10	12
6	Projected Retirement Rate Increases	1	2	3	4	4
	Total	**$ 77**	**$ 84**	**$ 98**	**$ 130**	**$ 146**

(1) Growth in Ongoing Deficit

The Board approved the use of $47 million in Reserves to balance the current budget. With positive trends in local and public safety sales tax receipts, it is estimated that the ongoing deficit carried over to FY 2012-13 is $41 million. This figure has been increased to include departmental deficits. Many departments are spending down reserves to maintain current service levels, and some have experienced more revenue reductions than expected.

(2) Ongoing Savings from Board Approved Countywide Initiatives

Amounts represent savings from efforts underway, including shared administration/support and other services, purchasing reductions, SMC Saves projects, and IT Strategic Plan priority initiatives; also includes a total of $9 million in incentives from FY 2013 through FY 2017 to help the Medical Center prepare for requirements under healthcare reform.

(3) Projected Health and Dental Premium Increases

Based on 9% annual growth for health plans and 2% annual growth for dental and vision plans, net of negotiated increases in employee contributions. This projection also includes an increase of $1.3 million in retiree health contributions using a more conservative CalPERS investment strategy.

(4) New Jail Operating Costs and Debt Service

Five-year spending projections include $18 million in FY 2016 and $24 million in FY 2017 for a new 576-bed facility with warm shell, filled at half capacity from January 2016 through June 2017. At full capacity, operating and debt service would be $34 million annually.

(5) Previously Negotiated Salary Increases

Includes increases for employees represented by California Nurses Association (CNA), Probation Detention Association (PDA), Deputy Sheriffs Association (DSA) and Sergeants.

(6) Projected Retirement Rate Increases

Retirement rate assumption is based on costs remaining at 34% of payroll.

SPENDING ASSUMPTIONS DO NOT INCLUDE:

- Future Impacts of State Budget and Major Reforms
- Facilities Master Plan and Infrastructure Needs
- Labor Cost Increases Not Previously Negotiated

PROJECTED REVENUE GROWTH AND USE OF EXCESS ERAF

	(in millions)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	Existing Revenues and Excess ERAF					
1	Use of Excess ERAF on Ongoing Basis	40 - 60	40 - 60	40 - 60	40 - 60	40 - 60
2	General Purpose Revenue Increases	3 - 12	6 - 25	10 - 38	13 - 51	16 - 65
3	Public Safety Sales Tax (Prop. 172) Increases	0.6 - 2	1 - 5	2 - 7	2 - 10	3 - 13
4	Departmental Revenue Offsets	.6 - 2	2 - 4	5 - 7	7 - 9	9 - 11
	Total	**44 - 76**	**49 - 94**	**57 - 112**	**62 - 130**	**68 - 149**

(1) Use of Excess ERAF on Ongoing Basis

Includes a range of 50% - 75% of $80 million received in the current fiscal year. The mid-range deficit projection assumes the use of 50% or $40 million on an ongoing basis. Remaining amounts would be set aside in Reserves or used for purposes specified in the Reserves Policy. The net impact of dissolving Redevelopment Agencies on ERAF is being analyzed.

(2) General Purpose Revenue Forecast

This includes property and local sales tax revenues. A growth range between 1% to 4% has been provided in the table. The forecasted annual growth is between 2% to 3% for most revenue sources through FY 2016-17; including Property Tax growth of 2% in FY 2012-13 and FY 2013-14, 2.5% growth in FY 2014-15 and FY 2015-16, and 3% growth in FY 2016-17.

(3) Public Safety Sales Tax (Proposition 172) Increase

The forecast assumes 8.5% growth in FY 2011-12 and 2% annual growth through FY 2016-17, based on significant increases in statewide retail activity and recommendations from the County's sales tax consultant, HdL.

(4) Departmental Revenue Offsets

Based on historical revenue offsets of 20% from most Health System divisions and the Human Services Agency and 35% from the Medical Center, which receive ongoing state/federal allocations or reimbursements. Also includes 100% revenue offsets from no Net County Cost budget units such as Child Support Services which receives all its funding from state and federal sources, and internal service departments such as Information Services Department and Public Works Facilities Maintenance.

FIVE-YEAR DEFICIT PROJECTIONS

Given the spending and revenue growth assumptions above, it is estimated that $28 million in additional solutions will be needed next fiscal year, growing to $50 million in FY 2016-17 in order to balance the budget.

(in millions)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Ongoing Deficit and Spending Increases	$ 77	$ 84	$ 98	$ 130	$ 146
Revenue Growth and Excess ERAF *	44 - 76	49 - 94	57 - 112	62 - 130	68 - 149
Structural Deficit (Hi - Low Range)	33 - 1	35 - 0	41 - 0	68 - 1	78 - 0
Structural Deficit (Mid-Range)	**$ 28**	**$ 24**	**$ 28**	**$ 49**	**$ 50**

* Includes general revenue growth of 1–4% and Excess ERAF at 50% - 75% of $80 million received in FY2012.

The following pages and Attachment A provide summary and detailed information on a variety of options for consideration to eliminate the deficit over the next five years:

- Revenues
- Service Delivery Changes, Efficiencies and Reductions
- Labor Cost Savings
- Changes to Governance and Funding Structure

SOLUTIONS AND OPPORTUNITIES
Revenues

	(in millions)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	One-Time Costs
	Revenues:						
1	Sales Tax Increase - 1/4 cent	15	30	30	30	30	
2	Parking and Vehicle Rental Tax	6	12	12	12	12	
3	Transient Occupancy Tax Increase	0.1	0.2	0.2	0.2	0.2	
4	Economic Development - Lease Circle Star Building	1	2	2	2	2	3
5	Fee Adjustments	1	1	2	3	3	
6	Economic Development - New SFO Hotel TOT				2	2	
7	New Fire Protection Fee		1	1	1	1	
8	Reopen Camp Kemp		1	1	1	1	
9	Use of Remaining Excess ERAF	0 - 40	0- 40	0 - 40	0 - 40	0- 40	
10	Increase General Revenue Assumptions	3 - 5	6 - 12	9 - 17	12 - 22	15 - 26	

(1) Sales Tax Increase ($30 million)
A ¼-cent general purpose sales tax can be placed on the ballot to fund vital services, including public safety and construction and operation of the new jail.

(2) Parking and Vehicle Rental Tax ($12 million)
A 2.5% Vehicle Rental Tax and 8% Parking Lot Operator Tax can be placed on the ballot for unincorporated areas; would require visitors to pay their share of local services.

(3) Transient Occupancy Tax Increase ($200,000)
An increase in Transient Occupancy Tax (TOT) from 10% to 12% can be placed on the ballot for unincorporated areas. Most cities in San Mateo County charge 12% for TOT.

(4) Economic Development – Lease Circle Star-North Building ($2 million)
Revenue is from leasing the north building for ten years starting January 2013. The South building would be financed and occupied by departments that include Public Safety Communications and those that can claim debt service costs and are exiting leases in 2012. Space would also be built out for staff at 1 Davis in anticipation of an early exit from that lease. Leasing the north building could limit opportunities to move more departments from leased space to County-owned space. The Alameda lease for the Health System currently ends in 2017 and the Harbor lease for the Human Services Agency expires in 2019.

(5) Fee Adjustments ($3 million)
Fees for services charged by the County historically increase by less than the cost of doing business. Develop standard methodology to fully recover all costs on an annual basis.

(6) Economic Development – Transient Occupancy Tax from New SFO Hotel ($2 million)
Transient Occupancy Tax increase from building a new hotel at SFO airport (hotel open July 1, 2015) is estimated to bring in $2 million in additional revenue each year.

(7) Fire Protection Fee ($1 million)
The General Fund currently subsidizes the Fire Protection Fund for services for the unincorporated area. This would require residents of the unincorporated area that receive fire service from County Fire, exclusive of CSA 1, to fully pay for this service. The resident fee amount would be adjusted annually based on the actual cost of fire service. This action could require a ballot measure.

(8) Reopen Camp Kemp ($1 million)

The County Manager's Office is currently developing a fiscal analysis of feasibility of reopening the Camp and charging other counties for placements. Potential increases in state fees may result in greater demand for this type of placement.

(9) Use Remaining Excess ERAF on Ongoing Basis ($0 - 40 million)

The deficit projections assume the use of $40 million in Excess ERAF, or half the $80 million received in the current fiscal year, for ongoing purposes. The remaining amounts can be set aside in Reserves or used for one-time and short-term purposes specified in the Reserves Policy, or toward further reducing the structural deficit. An additional 10% is $8 million.

(10) Increase Assumptions to General Purpose Revenue Forecast ($15 – 26)

Historically the County has used the mid-range (2% growth) to develop revenue forecasts. The improving economy may justify a high-range (4%) forecast. An additional $3 million would be generated for every 1% increase in property and sales tax revenues. Recent growth in local and statewide sales has been included in the forecast for sales tax and Public Safety sales tax revenues.

Return of Property Taxes – Redevelopment Agencies

Elimination of RDAs and redistribution of the tax increment will result in a net benefit to the County and other taxing agencies. The Controller's Office is currently analyzing the impacts.

SOLUTIONS AND OPPORTUNITIES

Service Delivery Changes, Efficiencies and Reductions

	(in millions)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	One-Time Costs
	Service Delivery Changes, Efficiencies and Reductions:						
1	San Mateo Medical Center Revenue and Cost Reduction measures		10	10	10	10	
2	Close Burlingame Long-Term Care		8	8	8	8	9
3	Reduce Fire Engines		1	1	1	1	
4	Eliminate Housing Subsidy	0.1	0.1	0.1	0.1	0.1	
5	Reduce Memberships and Contributions	0.1	0.1	0.1	0.1	0.1	
6	Consolidate Support Services	1	4	4	4	4	
7	Review Staffing Ratios		0.2	0.3	1	1	

(1) San Mateo Medical Center Revenue and Cost Reduction measures ($10 million)

Increased revenue can be achieved through improved billing (pre-registering patients and submitting more accurate bills) and opportunities for cost savings, including transition to a leaner and more flexible staffing model and utilizing automated time clocks for staff.

(2) Close Burlingame Long-Term Care Facility ($8 million)

Close this facility on June 30, 2013 upon expiration of the current lease and place or move residents to new beds at the Medical Center. This difficult recommendation stems from many factors: Medi-Cal reimbursement rates were recently cut by 23%, the current facility requires major repairs ($1.6 million) to be able to operate efficiently and comply with ADA needs of the residents; the facility is not built to the same seismic standards that the hospital is; and the hospital provides superior access to other healthcare services for residents.

(3) Reduce Fire Engines ($1 million)

The County has four fire engines located at four fire stations. Eliminating one engine company at one of these stations would reduce fire fund costs by about $1 million per year.

(4) Eliminate Housing Subsidy ($100,000)

General Funds totaling $ 100,000 were included in the FY 2011-12 Housing budget to support community outreach and housing advocacy work by the Housing Department.

(5) Reduce Memberships and Contributions ($100,000)

The Adopted Budget for Countywide memberships and contributions in the County Manager's Office for FY 2011-12 is $721,000. However, additional memberships and contributions are paid for separately by departments. A review of all memberships and contributions paid by the County will be conducted as part of the FY 2012-13 budget cycle.

(6) Consolidate Support Services ($4 million)

As permitted by law and County Charter, identify new service delivery methods that maintain service levels and reduce costs.

(7) Review Staffing Ratios ($1 million)

As permitted by law and subject to negotiations with employee organizations, review staffing ratios in 24/7 facilities that maintain service levels and safety while reducing costs.

SOLUTIONS AND OPPORTUNITIES
Labor Cost Savings

	(in millions)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	Labor Cost Savings					
	Note: changes to Salaries and Benefits are subject to negotiation with represented employee labor unions					
1	Across-the-Board Salary Reductions and Mandatory Time Off	5 - 23	5 - 23	5 - 23	5 - 23	5 - 23
2	Reduce or Eliminate other Compensation	11	11	11	11	11
3	Increased Employee contributions to Retirement Costs		4 - 14	4 - 14	4 - 15	4 - 15
4	Increase Employee Cost Share of Medical and Dental Premiums		4 - 5	9 - 10	14 - 16	20 - 23

NOTE

Any changes to salaries and benefits must be negotiated with employee organizations.

(1) Across-the-Board Salary Reductions and Mandatory Time Off ($5 – 23 million)
No new increases have been included beyond those already negotiated with employee organizations. Many government agencies in the Bay Area have reduced existing salaries and/or imposed mandatory time off.

(2) Reduce or Eliminate Other Compensation ($11 million)
Reduce or eliminate differentials, allowances, administrative leave and/or other special compensation.

(3) Increase Employee Contributions to Retirement Costs ($4 – 15 million)
Pension reform is likely to be the subject of one or more statewide initiatives. The results of the election could significantly impact future County costs. Independent of the initiative process, the County could introduce legislation and negotiate changes in employee pick-up/contribution rates.

(4) Increase Employee Cost Share of Medical and Dental Premiums ($20 – 23 million)
Health premium costs are projected to increase 9% per year and dental premiums are projected to increase 2% per year. The County needs to find a way to reduce the rate of total cost increases to about 4.5% per year.

SOLUTIONS AND OPPORTUNITIES

Changes to Governance and Funding Structure

	(in millions)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
	Changes to Governance and Funding Structure					
1	Dissolve and/or Consolidate Single Use Special Districts		4 - 12	4 - 12	4 - 12	4 - 12
2	Convert Parks to Open Space District	2	2	2	2	2

(1) Investigate Dissolution of Single-Use Districts ($4 – 12 million)

There are 22 special purpose districts in San Mateo County. Some no longer provide the services for which they were formed, are duplicative in service delivery, or operate inefficiently. Dissolution and or consolidations could result in lower service rates and increased efficiencies. This change could require special enabling legislation and / or a local election.

(2) Convert Parks to Open Space District ($2 million)

Create an open space district in those areas of the County that are not currently part of the Mid-Peninsula Open Space District with necessary parcel tax to be used to maintain County Parks in areas included in the new district. This change may require special enabling legislation and / or a local election.

OTHER POLICY ISSUES

No Backfill Policy for State/Federal Funding Losses – Given the County's structural deficit, a "no backfill" policy is recommended when there are reductions in state and federal funding. Departments must find ongoing solutions to stay within state and federal allocations.

Reaffirm Reserves Policy Provisions – Total balances in General Fund Reserves and Contingencies are estimated at $185 million at the end of this fiscal year. These include balances in operating departments, and Non-Departmental balances that include unbudgeted Excess ERAF. The $185 million represents 18.3% of General Fund spending or net appropriations. The Reserves Policy was revised in 2010 to increase minimum requirements to 10% of net appropriations in light of continued economic uncertainty and dependency on state and federal funding. We recommend maintaining minimum requirements at 10% and using amounts in excess of the 10% for one-time and short-term purposes as outlined in the current Reserves Policy.

Cap Administrative/Internal Services Costs – Cap total Countywide administration and support costs at 10%; work toward consolidating, sharing or clustering support services across County departments.

Biennial Budgeting Cycle - A two-year cycle provides time for the Board to set goals and monitor progress, and for staff to focus on achieving results and improving performance; this can begin with the FY 2013-14/2014-15 cycle; performance reviews and improvement projects would be completed in the off-years.

Public Safety Sales Tax (Proposition 172) - Allocation of Revenue Growth
The Board has historically allocated these funds based on formulas derived at the inception of Proposition 172 in FY 1993-94. Though there has been some variation over the years based on negotiated increases and new initiatives, the formula has remained constant with the three largest Public Safety departments (Sheriff, Probation and District Attorney) receiving 94% of these funds.

The Board has the discretion to allocate this revenue source for public safety purposes. The only requirement of the County is to meet the maintenance of effort (MOE) provisions established by the Proposition and subsequent legislation. The County currently exceeds the maintenance-of-effort (MOE) requirements by $128 million.

Due in large part to the State's economy, this revenue source started to decline in FY 2002-03 and only recently started to rebound in FY 2010-11. The General Fund backfilled shortfalls for five years during this period. Beginning in FY 2010-11 this revenue source was budgeted more conservatively at $55 million. Actual receipts have come in higher and statewide sales are on an upward trend. For the current year it is estimated that $63 million will be received.

The five-year projections assume that increased revenues from this source will be used to maintain existing levels of service for Public Safety departments. Any unanticipated amounts will be set aside in reserves for one-time projects and to minimize future General Fund backfill.

Attachment A: SUMMARY OF SOLUTIONS AND OPPORTUNITIES

	(in millions)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	One-Time Costs
	Revenues:						
1	Sales Tax Increase - 1/4 cent	15	30	30	30	30	
2	Parking and Vehicle Rental Tax	6	12	12	12	12	
3	Transient Occupancy Tax Increase	0.1	0.2	0.2	0.2	0.2	
4	Economic Development - Lease Circle Star Building	1	2	2	2	2	3
5	Fee Adjustments	1	1	2	3	3	
6	Economic Development - Transient Occupancy Tax from New SFO Hotel				2	2	
7	New Fire Protection Fee		1	1	1	1	
8	Reopen Camp Kemp		1	1	1	1	
9	Use of Remaining Excess ERAF	0 - 40	0- 40	0 - 40	0 - 40	0- 40	
10	Increase General Revenue Assumptions	3 - 5	6 - 12	9 - 17	12 - 22	15 - 26	
	Service Delivery Changes, Efficiencies and Reductions:						
1	San Mateo Medical Center Revenue and Cost Reduction measures		10	10	10	10	
2	Close Burlingame Long-Term Care		8	8	8	8	9
3	Reduce Fire Engines		1	1	1	1	
4	Eliminate Housing Subsidy	0.1	0.1	0.1	0.1	0.1	
5	Reduce Memberships and Contributions	0.1	0.1	0.1	0.1	0.1	
6	Consolidate Support Services	1	4	4	4	4	
7	Review Staffing Ratios		0.2	0.3	1	1	
	Labor Cost Savings						
	Note: changes to Salaries and Benefits are subject to negotiation with represented employee labor unions						
1	Across-the-Board Salary Reductions and Mandatory Time Off	5 - 23	5 - 23	5 - 23	5 - 23	5 - 23	
2	Reduce or Eliminate other Compensation	11	11	11	11	11	
3	Increased Employee contributions to Retirement Costs		4 - 14	4 - 14	4 - 15	4 - 15	
4	Increase Employee Cost Share of Medical and Dental Premiums		4 - 5	9 - 10	14 - 16	20 - 23	
	Changes to Governance and Funding Structure						
1	Dissolve and/or Consolidate Single Use Special Districts	4 - 12	4 - 12	3 - 12	3 - 12	3 - 12	
2	Convert Parks to Open Space District	2	2	2	2	2	