



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
County Manager



Date: July 23, 2013
Board Meeting Date: August 6, 2013
Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: John L. Maltbie, County Manager

Subject: 2012-13 Grand Jury Response- San Mateo County Financial Reporting:
Toward Clarity and Transparency

RECOMMENDATION:

Approve the Board of Supervisor's response to the 2012-13 Grand Jury report titled: San Mateo County Financial Reporting: Toward Clarity and Transparency.

BACKGROUND:

On June 3, 2013, the Grand Jury filed a report titled: San Mateo County Financial Reporting: Toward Clarity and Transparency. The Board of Supervisors is required to submit comments on the findings and recommendations pertaining to the matters under control of the County of San Mateo within ninety days. The County's response to the report is due to Hon. Richard C. Livermore no later than September 3, 2013.

Acceptance of this report contributes to the Shared Vision 2025 outcome of a Collaborative Community by ensuring that all Grand Jury findings and recommendations are thoroughly reviewed by the appropriate County departments and that, when appropriate, process improvements are made to improve the quality and efficiency of services provided to the public and other agencies.

DISCUSSION:

Findings:

F1. The public benefits from financial reporting that is thorough, yet understandable.

Response: Agree.

F2. Highlighting certain major financial elements in the Budget would make the County's financial reporting more understandable.

Response: Agree.

F3. Highlighting certain major financial elements in the PAFR would make the County's financial reporting more understandable.

Response: The Controller's Office is responsible for producing the PAFR.

Recommendations:

Detailed responses to each of the recommendations about what information should be included in future Recommended and Adopted budgets are explained below. For all recommendations, it is important to note that: 1) none of the recommendations will be implemented in the Adopted budget book, 2) depending on staff resources, the recommendations that will be implemented may or may not be implemented in the upcoming budget cycle, and 3) there are a few recommendations that will not be implemented at all because they are not feasible.

R1. Direct staff to prominently disclose in table and/or graph form in one location in the proposed and adopted Budget the following information for the budget year and the actual amounts for the previous four fiscal years:

- a. Total sources of funds, including, without limitation, Excess ERAF and any other so-called "one time" revenues

Response: The recommendation will be partly implemented. The County already provides a section in the Recommended Budget book that graphs the major revenue sources, including Excess ERAF. County staff will continue to make their best revenue and expenditure projections for future budgets, for both one-time and ongoing revenues and expenditures; however, the Board of Supervisors has wisely adopted a conservative approach of budgeting one-half of Excess ERAF, which is subject to formulaic and legislative risk. The County's conservative budgeting practices have earned it the highest credit ratings in the State of California and enabled the County to establish a health reserve. The County will continue to meet the State Controller's Guidelines when publishing the Adopted Budget book, which do not require these special revenue graphs and tables.

- b. Total requirements (expenditures)

Response: The recommendation will be implemented in the Recommended Budget book but not the Adopted Budget book.

- c. Total increase or decrease in General Fund Reserves

Response: The recommendation will be implemented in the Recommended Budget book but not the Adopted Budget book.

- d. Identify non-recurring revenues or expenditures in excess of \$3 million (individually or in the aggregate) from one source or for one project

Response: The recommendation will be partly implemented. The County will identify non-recurring revenue and expenditures in excess of \$3 million for upcoming budgets but not the previous four years. This information will be shown in the Recommended Budget book but not the Adopted Budget book.

- e. Budget amount per San Mateo resident, i.e. total requirements divided by the most current official estimate of County population.

Response: The recommendation will be implemented in the Recommended Budget book but not the Adopted Budget book.

- f. Ten largest County expenses by category (expenditure object) e.g., employee payroll, employee benefits, amortization of unfunded liabilities, debt service, etc.

Response: The recommendation will be implemented in the Recommended Budget book but not the Adopted Budget book.

- g. Ten largest County expenses by department, e.g., Sheriff's Office, Behavioral Health and Recovery Services, Human Services Agency, etc.

Response: The recommendation will be implemented in the Recommended Budget book but not the Adopted Budget book.

- h. Total number of workers providing services to the County in each of the following categories
1. Classified
 2. Unclassified
 3. Temporary/Extra Help/Intern
 4. Volunteers

Response: The recommendation will be partly implemented. The County does not have complete information about the number of volunteers who provide services. The County will provide the number of Classified, Unclassified and Temporary/Extra Help employees for the budget years but not the previous four years and this information will only be provided in the Recommended Budget book.

- i. The total payroll for all County employees

Response: The recommendation will be implemented in the Recommended Budget book but not the Adopted Budget book. Currently, total countywide salaries and benefits are fully budgeted in the Recommended and Adopted Budget books, including funding for vacant positions. Total payroll does not include vacant positions and other one-time costs that might be appropriated in Salaries and Benefits and is essentially prior year actuals and the estimated cost for currently filled permanent and Extra Help positions.

- j. The total cost to the County of all benefits to all County employees

Response: The recommendation will be implemented in the Recommended Budget book but not the Adopted Budget book.

- k. Total payments to contractors providing services to the County, excluding contractors making capital improvements

Response: The recommendation will not be implemented. The Recommended and Adopted Budget books are first and foremost a financial plan, a policy document and an operations guide. They are not intended to provide prior year activity at a detailed level. A countywide contract tracking system is not in place at this time. The County will soon be implementing an online Open Checkbook where the public will have access to a transaction listing of payments over \$5,000 made by the County.

- l. The following unfunded liabilities:

- i. SamCERA, both as calculated by SamCERA's actuary and calculated using a "risk free" rate of return

Response: The recommendation will not be implemented. There is no such thing as a "risk free" rate of return. The Controller's Office will follow GASB guidelines and report the liability in the CAFR using a 5% rate of return. The budget will reflect SamCERA's 7.5% rate of return.

- ii. Other Post Employment Benefits (OPEB)

Response: The recommendation will be implemented.

- iii. Any other unfunded liabilities not associated with bonded indebtedness.

Response: The recommendation will be implemented; however, we are unaware of any material unfunded liabilities except those associated with retirement and OPEB.

- m. The amount paid solely to amortize each of the unfunded liabilities listed in the preceding subparagraph.

Response: The recommendation will be implemented.

FISCAL IMPACT:

There is no Net County Cost associated with approving this report.