



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
County Manager



Date: May 28, 2014
Board Meeting Date: June 3, 2014
Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: John L. Maltbie, County Manager

Subject: Analysis of the FY 2014-15 State Budget and County Manager's Report #10

RECOMMENDATION:

- A) Analysis of the FY 2014-15 State Budget
- B) County Manager's Report #10

BACKGROUND:

On May 13, the Governor released his May Revision for budget year 2014-15. The Governor now projects budget year expenditures of \$107.8 billion, revenues of \$109.3 billion, and a general fund reserve of \$528 million.

The proposal projects \$2.4 billion (\$1.4 billion in one-time funding and \$856 million projected to be on-going) more in General Fund revenues over the three-year "budget window" from 2012-13 to 2014-15 relative to projections included in the Governor's January budget proposal. The revised projections primarily reflect stronger growth in personal income tax receipts, the state's largest source of General Fund revenues. The \$2.4 billion in additional revenues is proposed to be spent primarily on Medi-Cal due to caseload and other budget adjustments related to ACA implementation (about \$1.2 billion); K-12 Education as a result of the Proposition 98 funding guarantee (about \$659 million); drought-related expenditures (\$121 million); repayment to local governments portion of existing owed mandate reimbursement claims (\$100 million); additional funding to trial court operations (\$60 million); and the rest largely on various adjustments for caseload- and enrollment-driven cost increases.

The Governor's overall budget framework continues to be balanced over the forecast period and the budget plan would continue to reduce the "wall-of-debt" and eliminate it by 2017-18. The revised proposal continues to include from the January budget a \$1.6 billion supplemental payment to pay off the Economic Recovery Bonds and \$1.6 million for the Budget Stabilization Account (the existing Rainy Day Fund established by Proposition 54 in 2004), as well as \$967 million proposed for the regular reserve. The

May Revision includes a new plan to to eliminate the California State Teacher's Retirement System (CalSTRS) unfunded pension liabilities by 2045-46. It also would provide an additional \$60 million to the Judicial Branch for a total of \$160 million in new funding.

The May Revision assumes the adoption of the newest Rainy Day Fund proposal (ACAX2 1), a measure negotiated by the Governor and both houses of the Legislature and approved by the Assembly and Senate on May 15th. The proposal would repeal the existing 3 percent reserve requirement enacted by the voters when they approved Proposition 58, and would enact spending limit and reserve fund requirements with a set-aside reserve comprised of 1.5 percent of general fund revenue plus specified capital gains revenue that would be split between paying down debt and making deposits into a rainy day fund. ACAX2 1 replaces the rainy day fund measure (ACA 4) previously slated to appear on the November ballot.

A Legislative Analyst's Office (LAO) review of the Governor's revision estimates that state general fund revenues for the upcoming fiscal year will be \$2.24 billion higher than the Administration's estimate. The LAO has also determined that the governor's expenditure projections may also be off, particularly expenditure projections for Medi-Cal. The Governor's new budget estimates that additional Medi-Cal costs, as related to the federal Affordable Care Act, will be \$1.2 billion above the January estimates. According to the LAO, the Administration may be overestimating the cost by \$300 million. It is expected that the analyst's forecast of higher revenue and lower expenditures will prompt some legislators to ramp up requests for additional spending in the 2014-15 budget.

DISCUSSION:

The FY 2014-15 May Revision proposes the following key changes and new policy proposals:

HEALTH SYSTEM

AB 85 Diversion—estimates that \$724.9 million statewide will be diverted from county health realignment funds for CalWORKs costs. In January, this estimate was \$900 million. The Administration has worked with counties over the spring to develop county-by-county estimates and made changes to the underlying formula for the public hospital counties.

- The Department of Health Care Services has not made any changes to their April assessment indicating that there would be no take back of the Health Realignment funds for the County. However, the legislation does allow for a reconciliation process two years after the close of the fiscal year.
- The Health System will need to continuously monitor their fiscal situation against their original assumptions and reserve accordingly, if they determine that there may be a potential payback to the state.

Katie A. Settlement Costs—includes \$2 million statewide as a placeholder for county administrative costs associated with semi-annual progress reports that are new

requirements under the *Katie A. v. Bonta* settlement agreement. The settlement agreement was entered into by the state in 2012 to improve mental health and supportive services for children and youth in, or at imminent risk of placement in, foster care in the state.

- The Health System has not yet received guidance on how these costs are to be identified and claimed, and have not yet projected costs or revenue for FY 14-15. They will continue to monitor and claim when appropriate.

HUMAN SERVICES AGENCY

2011 Realignment Funding—estimates that revenues (comprised of a state sales tax of 1.0625 percent and 0.5 Vehicle License Fees) used to fund the realigned social services and behavioral health programs will be down slightly from the January estimates (7.32 percent to 7.14 percent in FY 14-15).

- For HSA, this funding covers the state portion of their Children and Family Service programs. Growth funding for the County is estimated to be approximately \$925,000 for the current year and another \$750,000 for FY 14-15.

1991 Realignment Funding—projects increased revenues (comprised of a half-cent sales tax and 74.9 percent Vehicle License Fees). In Social Services, AB 85 changed the 1991 Realignment structure to enable counties' indigent health care savings to be captured and redirected to pay for CalWORKs state General Fund assistance costs.

Child Welfare—projects an increase of 0.8 percent for monthly average Emergency Response cases in 2013 and 1.3 percent increase 2014-15.

- While the Administration continues to assume a downward trend in foster care caseloads, the County continues to experience growing caseloads in both.

CalWORKs—revises caseload projections for the program from January and proposes to increase state General Fund spending by \$35 million in the current year and \$95.2 million in FY 14-15. It also makes adjustments to the funding for Subsidized Employment and Family Stabilization programs.

- The County's share of increased CalWORKs funding is estimated at \$150,000, and \$400,000 for Subsidized Employment and Family Stabilization programs.

CalWORKs Grants—continues the 5 percent increase that became effective March 1, 2014.

- For a family of three, the increase translates into a \$32.00 increase for a maximum monthly grant of \$670 per month.

CalFresh—reflects a caseload increase in the CalFresh program due to ACA implementation.

- The increase is estimated to cost \$89.7 million of which the County is estimated to receive \$900,000.

Child Care—increases total funding from the January budget for child care due to a projected case load increase in CalWORKs Stage 1 and Stage 3, offset by a decrease in Stage 2.

- For the County, the increase will keep the programs flat funded.

Medi-Cal Administration—continues to hold base funding for program administration at the FY 13-14 level, even with a new projected case load increase of 11.3 million.

- HSA will continue to monitor implementation activities to better determine if state funding is appropriate.

Supplemental Security Income/State Supplemental Payment (SSI/SSP)—continues to pass through the annual federal cost-of-living adjustment (COLA) based on the Consumer Price Index to the SSI portion of the grant. The 2014 federal COLA increased the federal portion of the grant by 1.5 percent and the budget projects a 0.5 percent increase effective January 1, 2015.

- The maximum combined SSI/SSP grant for most individuals will be increased from \$866 to \$877 per month, in the current year, and from \$877 to \$882 in 2015. This COLA will also be applied to the Cash Assistance Program for Immigrants (CAPI) benefits, which are equivalent to SSI/SSP benefits, less \$10 per month for individuals and \$20 per month for couples.

2011 PUBLIC SAFETY REALIGNMENT

The May Revision continues to assume:

- **Split Sentences**—any county jail felony sentence will be split unless the court makes a finding that in the interest of justice based on the particular facts of the case, it is appropriate to impose a straight sentence.
- **Long-Term Offenders**—continues to propose that sentences over 10 years be eligible for state prison. Estimate approximately 300 offenders on an annual basis statewide.
- **AB 109 Allocation**—the CSAC Realignment Allocation Committee (RAC) continues to work on the the county by county allocations. The revised budget does not include any changes in the statewide base amount. FY 2014-15 base remains at \$934.1 million.
- **AB 109 Growth**—FY 13-14 growth is estimated at \$50.8 million (down \$13.5 million). FY 14-15 growth is projected at \$151.8 million (down \$8 million). These amounts are distributed in the fall (September-October) and will be readjusted again to account for actual tax receipts.
- **Community Corrections Planning Grants**—\$7.9 million is proposed again in FY 14-15 to go out to counties that report on their efforts to the Board of State and Community Corrections (BSCC).
- **Augmentation to Support City Law Enforcement Activities**—increases proposed funding by \$12.5 million for a total of \$40 million statewide for cities for front line law enforcement activities.

PROBATION

Senate Bill 678 Funding—projects statewide funding to be \$125 million due to statutory changes contained in Senate Bill 105 signed last year. Without this change, SB 678 would have been \$42 million this fiscal year. The funding decreases by \$3.5 million from January's projections.

- Currently, the County is projected to receive \$200,000 (down \$300,000 from the \$500,000 estimated in the January budget). The allocation for FY 13-14 was \$500,000. The Probation Department is currently looking into the reasons for the decline in funding to the County.

Federal Court Order Impact on Post Release Community Supervision (PRCS)—includes \$11.3 million in new funding to be allocated to county probation departments for the short-term increase of offenders on PRCS due to the February 10, 2014 federal court order increasing credit earnings for non-violent, non-sex second strikers and increasing credits from 20 percent to 33.3 percent.

- The Administration has not yet determined how these funds will be distributed to affected counties.

Government Finance

Insufficient Triple Flip—updates the amount necessary to fully fund the Triple Flip and VLF Swap amounts for Alpine, Amador and San Mateo Counties and their cities. The total amount to cover these obligations is now \$12.7 million.

- Provides \$4.2 million in additional state General Fund to backfill San Mateo County and its cities for insufficient Triple Flip funding in FY 12-13. Together with the \$6.7 million appropriated in the January budget, the County should receive a total of \$10.9 million in backfill funding.

Mandates—includes \$100 million to local governments for pre-2004 mandate debt. The Administration notes that about 73 percent of the payment will go to counties, 25 percent to cities, and 2 percent to special districts. Funds will be allocated based on the proportional of the total pre-2004 mandate debt owed.

- Estimates are the County is owed about \$12.8 million in pre-2004 mandate claims and that it could receive approximately \$1.7 million in money owed to it by the state. This represents 2.33 percent of the statewide total.

FISCAL IMPACT:

Overall, the Governor's May Revision continues to provide flat funding for many of the County's public safety and health and human service programs, including County Medi-Cal administration costs and direct social assistance grants to clients. The revised budget does propose some new funding (amount unknown) related to new mental health and supportive services for foster care youth reporting requirements and the potential impacts of a short-term increase in the PRCS population due to expedited releases from state prison in response to the federal court order. Finally, the County and its cities are slated to receive \$10.9 million in insufficient Triple Flip funding for FY 12-13 and potentially an additional estimated \$1.7 million in pre-2004 mandate reimbursement, should the Legislature approve the funding.

COUNTY MANAGER'S REPORT #10

BACKGROUND

This report will provide you with updates on a variety of County initiatives focusing on Public Safety, Health and Human Services, Community Services and Performance, in addition to reports on legislation and issues that require your action. We also will keep you and the public informed about new services, upcoming events and general updates.

DISCUSSION

Public Safety

Sheriff's Office Command Staff Changes

The Sheriff's Office on Thursday, May 29, held a ceremony at the Fox Theater to mark the promotion of several key members of their command staff.

Captain Tom Gallagher was promoted to the rank of Assistant Sheriff and will be responsible for overseeing Corrections, New Jail Projects and Support Services. At that rank he joins current Assistant Sheriff Trisha Sanchez, who will be responsible for overseeing the North and South County Patrol Bureaus, Homeland Security/Office of Emergency Services, as well as the Narcotics and Vehicle Theft Task Forces.

Lieutenant Lisa Williams, who was formerly the Lieutenant in charge of the Half Moon Bay Police Bureau, and most recently the Maguire Correctional Facility, was promoted to Captain in charge of the North County Patrol Bureau. That Bureau includes the northern portion of the county, the coast, and the contract cities of Millbrae and Half Moon Bay as well as investigations in the those regions.

Lieutenant Mark Robbins, who was previously assigned to the Sheriff's Professional Standards Bureau, was promoted to Captain in charge of the Maguire Correctional Facility.

Sergeant Mark Kuykendall, who was formerly assigned as a patrol sergeant in the Sheriff's Office Millbrae Policing Bureau, was promoted to Lieutenant and will now be assigned as swing shift watch commander for patrol operations. Sergeant Scott Kirkpatrick, who was previously assigned to the Sheriff's Office Professional Standards Bureau, was promoted to Lieutenant and will now be assigned to the Maguire Correctional Facility.

I know you will want to join me in congratulating these fine men and women.

Health and Human Services

Veterans Needs Assessment

The County Manager's Office and Human Services Agency issued a request for proposals to develop a "San Mateo County Veterans Needs Assessment and Convening."

San Mateo County is home to approximately 33,000 veterans. Some of these veterans may be unaware of the services available to them. To better serve our veterans and to learn of gaps in services, we plan to engage a contractor to: 1) develop a quantitative analysis and survey of current services; 2) develop a needs assessment; 3) plan and organize a veterans stakeholder convening; and, 4) develop a final report and recommendations.

Proposals were due Tuesday, May 27, and we are now reviewing proposals with the goal of selecting a contractor within the first two weeks of June. Our expectation is to hold a convening in early September.

We will keep you informed of the progress of this valuable project throughout the summer and fall.

Performance

County Received Distinguished Budget Presentation Award

Thanks to the hard work of Budget Director Jim Saco and many others, we have received the Government Finance Officers Association Distinguished Budget Presentation Award for the July 1, 2013 budget.

This is particularly impressive because, as you know, we changed to a two-year budget so we did not know how the judges would accept the new format. Receiving the award demonstrates that our budget documents are “of the very highest quality” and reflect the guidelines established by the National Advisory Council on State and Local Budgeting.

Congratulations to Jim, his staff and to all of the fine individuals who contributed to making our budget process a success.

LEAN Agenda Review Process

We are beginning our review of the Board Agenda process with an informational session. This session will allow the stakeholders to come together and share different perspectives on how the overall production of the Board Agenda can become more streamlined utilizing LEAN principals.

Simply, LEAN means creating more value for customers with fewer steps in the process. Stakeholders from each Supervisor's office, along with various representatives from departments around the County, will work together to review every step of the agenda review process and delivery system. The goal will be to identify methods that could save staff time.

The bulk of this exciting project will take place during the early part of June and should be finished by the end of June.

Open Data Community Liaison

We are proud to introduce John Ridener as the County's Open Data Community Liaison.

John's role is to expand the work done by the County's Open Data Initiative Committee to publish data to the County's Open Data Portal and engage the community in using the data to create applications, make informed decisions and participate in their communities.

Open data can be defined as the idea that certain data should be freely available for anyone to use and republish as they wish, without restrictions from copyright, patents or other mechanisms of control. In the context of the County's open data initiative, this means that the County provides accessible, documented, timely, well managed and reusable data about its activities and environment to anyone who is interested free of any charges.

John has a background in library and information sciences, archives, mapping, and geospatial data. He was the GIS Specialist and Map Cataloger at the UC Berkeley Earth Sciences and Map Library from 2006 to 2012. Most recently, John was the data curator for a startup company.

When he is not immersed in a database, he enjoys spending time hiking the amazing trails in the Bay Area with his wife, Jenica, and their 5-year-old daughter, Clio.

Social Media Coordinator

One of our organization's core beliefs is that we must engage our residents in the decisions that impact their lives. Civic engagement is both fundamental to democracy and leads to decisions that reflect the needs and wishes of the community.

To engage our residents requires us to reach out to them in ways and on platforms that are familiar to them. Today, that means social media.

With that as background, I want to inform you that we are down to a handful of finalists for the newly created position of Social Media Coordinator.

Working in my office, the holder of this position will:

- Lead in the development of an organization-wide social media management strategy, including standards and policies
- Create original content and increase and maintain the County's social and online presence across multiple channels
- Define key performance indicators and measure the impact of social media activities

- Mentor other County employees across all departments on best practices for creating, managing, monitoring, and developing content for social networks and building community

We anticipate that this person will work closely with the Open Data Community Liaison and others across the organization to leverage our communications resources. This is an exciting position and we have high expectations.

In keeping with your Board's vision of creating an "Agile Organization," both the Open Data Community Liaison and Social Media Coordinator are two-year, limited-term positions.

News, Events and Updates

Technology Award

We are pleased to announce that the Public Technology Institute has recognized the Information Services Department with a 2014 Solutions Award for "Public Safety - San Mateo Interoperability Radio Communication (SMIRC) Project."

This award recognizes the hard work that ISD accomplished in partnership with all of their partner departments to transition the County to a new "P25" radio system with enhanced functionality and with minimal service interruptions.

Our Chief Information Officer, Jon Walton, states, "I've had the privilege of working with numerous government radio services groups over my career and I can say that without a doubt the San Mateo Radio Team, and our project manager Steve Dupre, have provided outstanding service to the County in the implementation of this new system and the daily support of this critical service."

I want to thank everyone who had a part in making this project and system a success.

Mobile Device Policy

Mobile devices such as smart phones and tablets are becoming an integral part of how we are productive at work and stay in touch with constituent needs. In support of creating a connected and productive workforce, the San Mateo County's Mobile Technology Use Policy, Admin Memo B19, has been updated and was signed into effect on May 5, 2014.

The updates in the policy reflect the input from Executive Council, and subject matter experts, to balance user connectivity with the continued need for security of the data on devices.

Under the revised policy, County Departments may choose to support their workforce by providing them a County device or departments can authorize a workforce member to use their personally-owned mobile device.

It is San Mateo County's policy that both the operation of County-provided mobile devices, as well as access to County information systems and technology from personally-owned devices, be appropriate and beneficial to the County and, by extension, its residents. The ISD Customer Service team will be contacting users this week to complete new forms over the next few weeks. The forms are available on the ISD Intranet site.

Election Day

In 1962, only days after the Cuban Missile Crisis was resolved, President John F. Kennedy urged citizens to vote in that year's November election:

"I hope every American will turn out and vote – every American, every member of his family – and show the world how strongly we believe in freedom. How strongly we believe in our country. How strongly we believe in democracy."

His call to action remains just as urgent today. With that, I want to remind everyone that today, June 3, is Election Day for many federal, state and local offices.

Disaster Preparedness Day

This Saturday, June 7, is our County's 10th annual Disaster Preparedness Day.

This important event includes presentations on how to provide basic first aid and put together a disaster plan and emergency kit. The event also includes displays of fire trucks and rescue vehicles as well as demonstrations in search and rescue techniques.

The event takes place from 10 a.m. to 2 p.m. at the Event Center, 1346 Saratoga Ave., San Mateo. Arrive before 11 a.m. and receive free parking and free admission to the San Mateo County Fair.

For additional information, any member of the public can call the Office of Emergency Services at 650-363-4790.

Foster Care Orientation

This evening, Tuesday, June 3, all families that are interested in learning about foster care and adoption services are invited to an orientation from 7 to 9:30 p.m. at the Human Services Agency, 400 Harbor Blvd., Bldg. B, Belmont, 94002.

No advanced registration is needed.

Although this report strives to provide you and the public with fresh news and information, it's important to highlight the ongoing needs of our most vulnerable residents. There are many children in our community who need a loving home. Human Services has identified a particular need for foster homes for adolescents, siblings and emergency placements.

Human Services provides monthly orientation meetings on the first Tuesday of each month. For additional information, please contact Dagoberto Gavidia at 650-312-5526 or e-mail him at dgavidia@smchsa.org.