

Date: Jan. 30, 2015

Board Meeting Date: Feb. 10, 2015

Special Notice/Hearing: None

Vote Required: Majority

To: Honorable Board of Supervisors

From: John Maltbie, County Manager

Subject: County Manager's Report # 3

RECOMMENDATION

Accept this informational report.

BACKGROUND

The County Manager's Office 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

Health and Human Services

Federal housing grant awarded

The United States Department of Housing and Urban Development awarded San Mateo \$1.2 million for two new homeless assistance projects through its 2014 Continuum of Care competition. The new endeavors are a rapid rehousing program operated by InnVision Shelter Network and a permanent supportive housing bonus project operated by the Housing Authority that will provide rental assistance and support services to the chronically homeless with the most severe needs. San Mateo County is one of only 25 communities nationwide to receive bonus funding so this is quite an accomplishment.

HUD also funded all of the county's renewal grants for existing projects for a total of \$7,563,895

The Human Services Agency anticipates the 2015 Continuum of Care funding round will begin sometime this spring or summer.

ACA Enrollment Outreach Continuing

The Health Coverage Unit is continuing enrollment of the estimated 30,000 uninsured County residents by the Feb. 15 deadline for Covered California. Residents who do not enroll by that date may have to wait until January 2016 for access to affordable health insurance. The Health System and Human Services Agency continue coordinating on its one-stop website

www.smchealth.org/CoveredCA and are promoting upcoming enrollment events using social media like Nextdoor.

Public Safety

County earns state grant to fight truancy

The California Board of State and Community Corrections' Executive Steering Committee recommended San Mateo County receive \$885,000 through a three-year Edward Byrne Memorial Justice Assistance Grant (JAG) to help reduce truancy, juvenile delinquency, school violence and gang activity. San Mateo County will use the funds to develop a new program at 763 Green St. in East Palo Alto targeting that city and the Belle Haven neighborhood of Menlo Park. The one-stop Green Street Program at the former alternative high school site will connect at-risk youth and minor probationers with case management and other support to rise above the drugs, guns and gang violence prevalent in the community.

Our application competed with 14 others in the large-size county pool. The grant must still be formally approved by the state Board at its Feb. 12, 2015 meeting.

Thank you to the local steering committee which formulated policies and initiatives for the program. Members included representatives from the Probation Department, Sheriff's Office, Private Defender Program, cities of Menlo Park and East Palo Alto, Supervisor Warren Slocum's office, Sequoia Union High School District, District Attorney's Office and numerous local nonprofit and faith-based organizations like One EPA and Live in Peace.

Community Services

NFO Community Meeting

On Tuesday, Jan. 27, the North Fair Oaks Community Council hosted the first of four quarterly community meetings scheduled for 2015. At the meeting, the Council and County staff updated attendees on the Middlefield Road redesign and other work being done in North Fair Oaks. Attendees also had the opportunity to vote on design options for North Fair Oaks entrance signs. The sign concept -- 10-foot tall silhouettes of community members -- was developed by artist and North Fair Oaks resident Kent Manske and has been reviewed by the Joint County Arts Commission and NFO Council workgroup. Attendees could also visit six other stations to meet new Redwood City Library Director Derek Worfgram, sign up for health insurance through Connected California, share ideas for community dialogues and learn about healthy lifestyles.

Middlefield Road Redesign Update

As your Board may recall, a preliminary design for Middlefield Road was approved in October of last year. Public Works will soon issue an RFP for traffic engineering and design services. Linda Lopez and Dale Miller, members of the North Fair Oaks Community Council, will participate in the consultant selection process. Also, Ashley Quintana and Ellie Dallman from our North Fair Oaks Forward Outreach team have started interviewing all Middlefield Road business owners as a first step in developing the business sustainability plan requested by the Council.

Warehouse at 2700 Middlefield – Permit Agreement

At the suggestion of Supervisor Slocum, the County has permitted use of the 28,887-square-foot warehouse at 2700 Middlefield -- the property behind the South County Clinic -- to Potential Industries, a joint venture of South Bay Recycling LLC, for two months at a rate of \$1 per square foot. Due to the longshoreman's strike, South Bay needed storage space for bales of recycled materials awaiting shipment. As part of the lease agreement, South Bay delineated parking spaces at the rear of the property for use by health clinic clients and staff during construction of the building's front parking lot. South Bay also cleaned out the warehouse and will do so again when the permit agreement terminates.

Analysis of the FY 2015-16 Proposed State Budget

BACKGROUND:

On Jan. 9, 2015, Governor Jerry Brown released his proposed 2015-16 state budget. The Governor proposes to spend \$113.3 billion from the state's General Fund in 2015-16, an increase of \$1.6 billion (1.4 percent) over the estimated spending level for the current fiscal year (2014-15). As required by voter approval of Proposition 2 this past November, his proposal sets aside a portion of revenue--\$2.4 billion—with half deposited into the state's rainy day fund and half used to pay down budgetary debt. The Governor's proposal also reflects the ongoing implementation of federal health care reform and includes \$4 billion for the state's new K-12 school finance system, which is designed to direct additional resources to disadvantaged students.

Due in part to the state's improved economy, the Administration is projecting higher revenues than estimated last year. General Fund revenues are projected to be \$109.7 billion in 2014-15 and \$114.6 billion in 2015-16, a 4.5 percent increase over the updated 2014-15 revenues. Compared to General Fund revenues adopted for the budget last June, General Fund revenues are forecast to be \$4.1 billion higher over 2013-14, 2014-15, and 2015-16. About half of these additional revenues are required to satisfy Proposition 98, the K-14 funding guarantee.

DISCUSSION:

The Governor's FY 2015-16 proposed budget would have the following impacts to County residents, programs and services:

HEALTH SYSTEM

Coordinated Care Initiative (CCI)—warns that the state's federal demonstration project, the CCI or Cal Medi-Connect is in danger of failing, because of certain factors (e.g., higher than anticipated opt-out rate and recent guidance from the federal government regarding the managed care organization tax that helps to fund the CCI). Without the tax revenue, CCI would have a state General Fund cost in 2015-16 and beyond. If these factors are not improved by January 2016, the CCI would cease operating effective January 2017. The Administration indicates that it is committed to implementing the CCI to the extent that it can continue to generate program savings.

This warning is significant to counties as the success of the CCI is directly tied to the continuation of the In Home Supportive Services (IHSS) Maintenance of Effort (MOE) negotiated between the Administration and counties in 2012 (i.e., the state required savings through the CCI to guarantee the continuation of the county MOE).

The Health System reports that if the program were to cease, County IHSS program costs would rise as they would no longer be capped.

Collective bargaining for IHSS independent providers would also revert from the state to the County.

In-Home Supportive Services—proposes to restore last year’s seven percent reduction in IHSS service hours, which will cost \$438.1 million statewide in 2015-16. Funding for the restoration will come via a new tax on managed care organizations that takes effect July 1, 2015.

Mental Health Services Act (MHSA)—updates MHSA revenue projections and indicates a decline of 1.5 percent.

The Health System anticipates that their MHSA funding for FY 2015-16 will decrease by \$400,000.

HUMAN SERVICES AGENCY

CalWORKs—proposes an increase of \$71.64 million statewide due primarily to an increase in employment services cases offset by decreases in caseload and child care.

The Human Services Agency estimates it will receive approximately \$620,000 in funding for employment services. Increased funding and innovative County programming has allowed the department to improve its outcomes from a 6 percent Work Participation Rate (WPR) in early 2014 to 30 percent by the end of the calendar year.

CalWORKs (Maximum Aid-payment)—increases by 5 percent Maximum Aid Payments to recipients, effective April 1, 2015. Funding for grant increases comes from redirected “county savings” of 1991 health realignment funding as a result of ACA Medi-Cal expansion.

For a family of three in the County, the increase will total \$34, for a total monthly grant of \$704.

Supplemental Security Income/State Supplementary Payment (SSI/SSP) and Cash Assistance Program for Immigrants (CAPI) Programs—effective January 1, 2016, maximum grant levels will increase by \$11 for individuals and \$16 for couples based on the Consumer Price Index. The current maximum grant levels are \$881 per month and \$1,483 per month, respectively. This COLA will also be applied to the CAPI benefits which are equivalent to SSI benefits, less \$10 per month for individuals and \$20 per month for couples.

1991 & 2011 Realignment Funding—provides optimistic revenue projections (6.04 percent in 2014-15 and 6.72 percent in 2015-16) for both funding streams. 2011 Public Safety Realignment is funded by 1.0625 percent of sales tax revenues and 0.5 percent of Vehicle License Fees (VLF), whereas 1991 Realignment is based on a half-cent sales tax and 74.9 percent of VLF fees. Revenues from 2011 Realignment cover the state portion of the County’s Children and Family Services (CFS) programs.

The Human Services Agency anticipates receiving approximately \$600,000 in 2011 Realignment growth funding in the current year, once base levels have been met, as well as receiving \$600,000 in 2011 Realignment growth funding in FY 2015-16.

Child Care—proposes to fund a 1.58 percent Cost of Living Adjustment for capped child care programs (\$21.5 million). This will be the first COLA since 2007-08 for these programs. Stage 2 child care caseload is decreasing, but Stage 3 caseload and cost per case is increasing, prompting the Governor to propose a \$38.6 million General Fund Stage 3 funding increase in 2015-16.

The impact to County clients and programs will be invisible as services will continue at the same level.

Children and Family Services (CFS)—includes \$9.6 million statewide to begin implementing the Continuum of Care Reform (CCR-Group Home Reform) as required by SB 1013 (Chapter 35, Statutes of 2012) that requested recommendations to reduce the use of out-of-home care.

Given increasing foster care and adoption caseloads in the County, a full analysis of the CCR recommendations will be conducted by HSA over the next few months to understand the impact to County services.

Poverty—outlines a few ideas in a Poverty and Income Inequality section of the budget and points that the budget proposal provides more than \$1.2 billion in funding for programs and initiatives to address poverty, such as adult education, workforce investment, career technical education, and other programs.

2011 PUBLIC SAFETY REALIGNMENT

2011 Public Safety Realignment Revenues—updates revenue assumptions for 2011 Realignment programs and details for the first time base and growth assumptions for 2015-16.

- Base funding estimated to be \$1.0628 billion.
- Growth funding estimated to be \$127.7 million for FY 2014-15 (revised downward from \$151.8 million) and \$113.7 million for FY 2015-16.

AB 109 Implementation—includes a number of proposals to assist counties in the implementation of Public Safety Realignment:

- CCP Implementation Grants—proposes an additional one-year appropriation of \$7.9 million statewide to fund grants that support the work of the Community Correction Partnerships in their AB 109 implementation efforts. Funds are distributed by population and the County anticipates receiving \$150,000 for FY 2015-16.
- City Law Enforcement Grants—proposes an additional \$40 million in grant funding to cities law enforcement activities.

Proposition 47—does not reflect estimated 2015-16 savings. The first transfer of state savings to the newly created Neighborhoods and Schools Fund won't occur until 2016-17, after the Department of Finance calculates state correctional savings achieved by the measure's provisions by July 31, 2016. The majority of the savings would be dedicated to behavioral health programs (65 percent), with a portion earmarked for truancy prevention programs (25 percent) and the balance to increase victim services grants (10 percent).

PROBATION

Senate Bill 678 Funding—includes \$125 million in sustained funding for counties based on the formula used for the 2014-15 allocation; however, the Governor outlines that the Department of Finance will need to work with the Judicial Council, Chief Probation Officers of California (CPOC), and the California Department of Corrections and Rehabilitation (CDCR) on revising the formula to account for population impacts associated with recent reforms—specifically 2011 public safety realignment and Proposition 47.

The Probation Department will closely monitor the formula change discussions to determine how a potential change in the formula would impact the County's allocation.

Corrections—includes \$16 million in funding for probation departments to cover the costs associated with the increase in post-release community supervision population as a result of new prison population reduction strategies.

The County's allocation is unknown at this time.

SHERIFF'S OFFICE

Trial Court Security—proposes a \$17 million increase in funding statewide.

The amount that would be allocated to the County is unknown at this time, but when received the funds are deposited into a County trust dedicated for Court security.

Peace Officers Standards and Training (POST) Fund—projects that the fund may become insolvent in FY 2015-16, thus impacting POST reimbursement. The fund was created as a depository for assessments on specified fines, penalties and forfeitures imposed and collected by the courts for criminal offenses. The budget proposes various ways of increasing the revenue by \$12 million; however, in the interim the state has reduced funding for POST by \$5.3 million.

Impacts to the Sheriff's Office reimbursement are unknown at this time.

PUBLIC WORKS

Highway User Tax Account (HUTA) Funding—projects continuing decreases in gas tax revenues in FY 2015-16. Revenues to HUTA, which is the sole source of state funding for county road maintenance, are anticipated to decrease by 23.3 percent, from \$1.89 billion in FY 2014-15 to \$1.45 billion in FY 2015-16.

The reduction in the tax rate will result in as-of-yet unknown decrease in revenues to counties for local street and road maintenance.

OTHER COUNTY ISSUES

Excess Educational Revenue Augmentation Fund (ERAF)—anticipates paying off the last of the Economic Recovery Bonds in the budget year. The bonds, which were approved by voters as Proposition 57 in 2004, will eliminate the need for the "triple flip." As the triple flip ends, the a quarter cent of the local sales tax will automatically shift back to counties and cities.

The Governor's Budget includes \$1,366,284 in funding for San Mateo County to partially fund a Triple Flip funding deficit identified for FY 2013-2014. The CMO is currently working with CSAC and the Department of Finance to secure an additional \$130,286 in back funding owed for FY 2011-12.

Redevelopment Dissolution Process—proposes a number of legislative changes to streamline the redevelopment dissolution process and reduce the administrative burdens on successor agencies and the Department of Finance:

- Transition all successor agencies from a biannual Recognized Obligation Payment Schedule (ROPS) process to an annual ROPS process beginning July 1, 2016, when the successor agencies transition to a countywide oversight board.
- Establish a “Last and Final” ROPS process beginning September 2015. This option would only be available to successor agencies that have a Finding of Completion, are agreement with Finance on what items qualify for payment, and meet other specified conditions. If approved by Finance, the Last and Final ROPS will be binding on all parties and the successor agency will no longer submit a ROPS to Finance or the oversight board.

Mandates—proposes to pay an additional \$533 million toward the pre-2004. About 73 percent of those funds, or \$390 million, would go to counties. This payment is actually part of the current year budget, which contains trigger language promising to this purpose any revenue above estimates. If revenues improve between now and the May Revision, this payment could increase.

Preliminary estimates are the County could receive \$8.98 million in pre-2004 mandate reimbursement funding.

San Mateo County Library JPA—includes reductions of \$2 million to the California Library Services Act which is designed to support statewide interlibrary cooperation; a \$1 million reduction to California Library Literacy Services designed to support statewide literacy programs; and a \$1 million reduction to the Corporation for Education Network Initiatives (CENIC) Hardship Grants to fund the Governor’s broadband plan for libraries.

The specific impact to the San Mateo County JPA is unknown at this time; however, any reductions would have minimal effect as support from the state is less than \$60,000.

FISCAL IMPACT:

The Governor’s FY 2015-16 State Budget forecasts healthy revenues in both base and growth revenues to fund 1991 and 2011 Realignment programs, as well as a continued commitment for the implementation of AB 109. The County is slated to receive \$1.3 million in FY 2013-14 Triple Flip shortfall funding, as well as an estimated \$8.9 million in pre-2004 mandate reimbursement. The future of the Coordinated Care Initiative (or Cal Medi-Connect) is in doubt and the development of a new SB 678 formula could change the County’s allocation going forward.