COUNTY OF SAN MATEO
Inter-Departmental Correspondence
County Manager's Office

DATE: January 23, 2013
BOARD MEETING DATE: January 29, 2013
SPECIAL NOTICE/HEARING: None
VOTE REQUIRED: Majority

TO: Honorable Board of Supervisors

FROM: John L. Maltbie, County Manager

SUBJECT: FY 2012-13 County Budget Workshop and Mid-Year Update

RECOMMENDATIONS

A. Accept the FY 2012-13 County Budget Update;
B. Review key budget assumptions and provide direction regarding FYs 2013-14 and 2014-15 Budgets;
C. Direct the County Manager to amend the Fund Balance and Reserves Policies beginning in FY 2013-14, to scale back the use of these one-time funds for ongoing General Fund operations, and to achieve a minimum level of savings each year;
D. Approve the revised Board of Supervisors' meeting schedule for calendar year 2013.
E. Accept the proposed Community Impact Measures;
F. Adopt a Resolution directing the County Manager and Chief Information Officer to develop an Open Data Policy and reporting process; and
G. Use Community Impact Measures data to set goals and track progress, prioritize resources, and align performance goals for County programs, staff, and partner organizations.

SUMMARY

Due in large part to the Board's leadership and the fiscal stewardship of our departments and employees, the County's financial condition continues to be strong with signs of improvement as the economy recovers. General Fund reserve levels are being maintained at around 20 percent of budget, which gives us more choices when rainy days come again, and keeps us prepared for unanticipated events and emergencies. San Mateo County continues to hold the distinction of being the only county in the state with AAA ratings from Moody's and Standard and Poor's. These ratings will keep our borrowing costs to a minimum when we issue bonds, as we plan to do in the next several years for the replacement jail and other construction projects. They also tell our residents and employees that we are a well-managed and financially viable county government and employer.

The five-year projections in this report reflect an improving economic landscape. Taken with operating reductions and increased contributions from employees over the last several years, we are projecting a structural deficit in the neighborhood of $20-25 million by FY 2017-18, significantly less than in past years. This does not include Measure A funds which will be allocated by the Board after holding workshops in the next several months. This also does not take into account a number of major budget issues that could negatively affect our finances in the future, including Excess ERAF impact and lawsuits arising from the dissolution of redevelopment agencies, potential shortfalls of future In-Lieu Vehicle License Fee apportionments, growth in Public Safety Realignment costs, Health Care Reform, and the State budget.

BACKGROUND AND DISCUSSION

The Board reviews the current fiscal year budget at mid-year to ensure revenues and expenditures are in accordance with estimates and to provide direction to the County Manager regarding preparation of the next budget.

This County Budget Update includes year-end fund balance estimates and variance analysis for all County funds, identification of major issues affecting the preparation of the upcoming budget, data for local economic indicators, and projections for general purpose revenue and Public Safety Sales Tax (Prop. 172). It also provides a five-year projection of the County's structural budget deficit through FY 2017-18.

In addition, two items are attached to this report for the Board's consideration:

- An update on the County's proposed community impact measures; and
- A revised Board meeting schedule that moves the Recommended Budget hearings to September 23-25 in accordance with the new two-year budget cycle calendar.

FY 2012-13 COUNTY FINANCIAL STATUS

Based on year-end estimates, the County is expected to end the fiscal year with $354.8 million in fund balance, which is $61.7 million less than the prior year. The General Fund is projected to end the year with $237.4 million, which is $43 million less. This is largely due to projected one-time expenditures of $37 million on the Replacement Jail Project and $9 million on major IT initiatives (i.e., ATKS Advance Scheduler, Virtual Desk Top infrastructure, and County IT Strategic Plan projects). The projected year-end balance of $237.4 million represents 21.8 percent of General Fund Net Appropriations, well within the County's 10 percent reserves requirement.

Non-General Fund departments are expected to end the fiscal year with $117.4 million in fund balance, which is $18.7 million less than the prior year, due to anticipated completion of one-time capital construction and improvement projects in Utilities Districts and Roads. The projected year-end balance of $117.4 million represents 22.7 percent of Non-General Fund Net Appropriations.

Two-Year Budget / Alignment of Resources to Community Goals

The County is implementing a two year budget process for upcoming Fiscal Years 2013-14 and 2014-15. This will create more time for departments to focus on service delivery and achievement of goals and priorities, and will save staff time and other resources by making the budget process more efficient. The two-year budget will be presented to the Board in September 2013, with periodic check-ins through County Manager's Reports. Beginning in 2014, cross-departmental performance review teams will evaluate program outcomes and productivity, and compare program performance to similar organizations (benchmarks). The teams will work closely with supervisors who are responsible for program success and for engaging and coaching their staff to perform meaningful work that aligns with organizational and community goals.

Five Year Revenue and Expenditure Projections

Through the direction of this Board, tremendous work by department administrators and staff, and an improving economic landscape, the County's structural deficit has been significantly reduced over the past two years. The contributions by County employees can not be under-emphasized. Since FY 2008-09 the County has reduced its workforce by 727 authorized positions and held salaries flat for most bargaining units while maintaining critical services and providing outstanding public service. It is these contributions and sacrifices that I believe propelled Measure A to success with the electorate on November 6, 2012. In a few weeks, on February 12, your Board will continue deliberations on how best to utilize the Measure A funds to address a number of needs, including but not limited to, the ongoing deficit; child abuse prevention; emergency services; mental health services; healthcare for low income children, seniors and the disabled; preschool and after school programs; and County parks. To assist the Board in making these critical decisions, it is important to provide a comprehensive look at the County's current structural problem.

Based on our mid-year analysis, the deficit for the current fiscal year is $14 million. Under the current structure, we anticipate that this would grow to approximately $21 million by FY 2017-18. The primary reasons for the increase are the smoothing of remaining losses sustained by the retirement fund in FY 2008-09, which adds 3 percent or approximately $12 million of payroll to the annual retirement contributions, and the new replacement jail coming on line in FY 2015-16, which would add $16.4 million assuming that 320 beds are filled and the County is awarded $80 million in SB1022 jail construction grant funds from the State. The deficit would increase by $6.7 million to approximately $28 million annually should the County be unsuccessful in receiving the grant funds. The following table represents the County's revenue projections for the current year and the five out years.

General Purpose Revenues	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Secured Property Tax	2.5%	3.0%	3.0%	3.0%	3.0%	3.0%
Unsecured Property Tax	4.1%	1.0%	1.0%	1.0%	1.0%	1.0%
Excess ERAF (50% Ongoing)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Vehicle Rental Tax (Measure T)	100.0%	33.3%	2.0%	2.0%	2.0%	2.0%
Sales Tax	11.2%	0.6%	1.6%	3.4%	3.7%	3.0%
Property Transfer Tax	2.5%	3.0%	3.0%	3.0%	3.0%	3.0%
Transient Occupancy Tax	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Property Tax In-Lieu of VLF	2.5%	3.0%	3.0%	3.0%	3.0%	3.0%
Interest & Investment Income	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Other Revenue	1.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Overall Growth	4.3%	2.8%	2.3%	2.4%	2.5%	2.4%
Public Safety Sales Tax	7.0%	3.2%	3.3%	3.8%	4.3%	4.6%
Measure A Sales Tax	100.0%	1100.0%	3.3%	3.8%	4.3%	4.6%

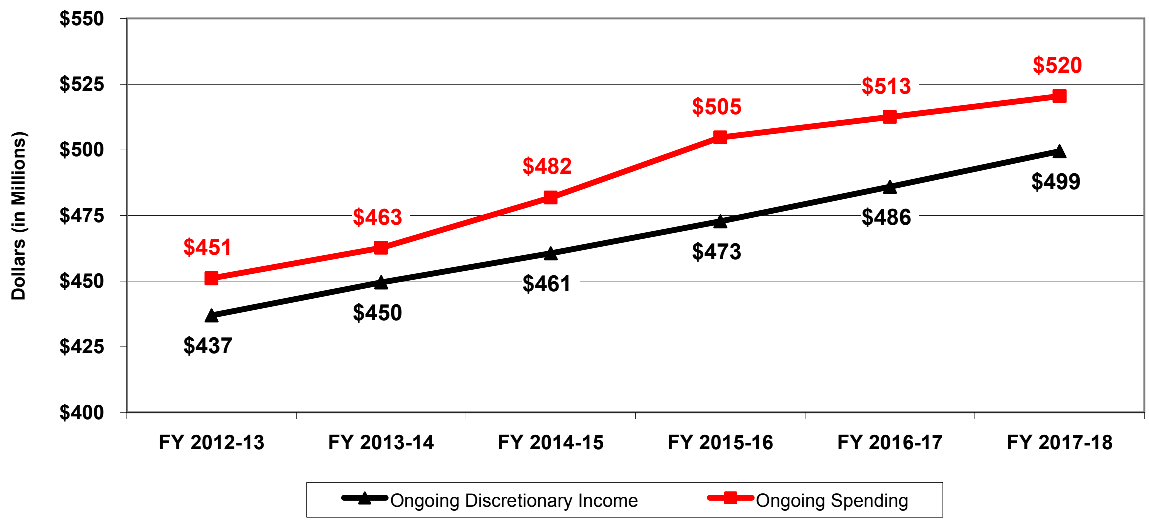
These growth assumptions represent an increase in general purpose revenues of $48.4 million over the next five years. The new Vehicle Rental Tax (Measure T), which took effect July 1, 2012, will generate approximately $7 million on a cash basis in the current fiscal year then increase 33.3 percent to the annualized amount of $9.3 million beginning in FY 2013-14. The County Manager’s Office will be working with our sales tax consultant on devising ways to project future revenue growth, which may include SFO airport activity. Sales Tax growth is essentially projected at 3 percent in the out years. The lower increases of 0.6 percent and 1.6 percent in the next two fiscal years are based on the tax consultant’s best estimates for the removal of one-time allocations received in FY 2012-13 and fluctuating fuel costs, which have a significant impact on jet fuel sales tax proceeds. In addition, Public Safety Sales Tax (Prop. 172) is projected to grow $14.1 million over the five year period.

The Measure A Half-Cent Sale Tax will take effect April 1, 2013 and the County will receive its first monthly installment in June 2013. The revenue growth should closely mirror that of Prop. 172, which is also based on countywide sales activity. Using the same growth assumptions, we should see Measure A proceeds grow from $63.7 million in FY 2013-14 to $74.5 million in FY 2017-18. The Measure A revenues, which like one-time Excess ERAF are not factored into our deficit projections, should play a large part in our deficit solutions strategy.

Ongoing expenditures are expected to grow $69.4 million over the five year period. This is broken down into five major categories. The first, Salaries and Benefits, is expected to grow $41.4 million largely due to the smoothing of retirement losses and annual increases in health benefits of 9 percent. The second, the replacement jail/re-entry facility, is expected to cost an additional $16.4 million, net of AB109 Public Safety Realignment funding ($5 million) and reduced annual debt service obligations should the County be awarded the SB1022 jail construction grant funds ($6.7 million). The third, Non-Departmental countywide initiatives, which include ongoing contributions towards capital, IT, debt service, the Children’s Health Initiative, and ongoing programs such as Care$hares, Flexible Spending and the STARS Awards, are expected to increase $1.1 million. The fourth, contracts with outside providers for critical/mandated services, is expected to increase $3.6 million. And finally, anticipated deficits in the IHSS and Healthy Kids programs are expected to reach $6.9 million by FY 2017-18.

In summary, over the next five years, expenditures are expected to outpace revenues by $6.9 million, with revenue growth totaling $62.5 million (general purpose revenue growth of $48.4 million plus Prop. 172 growth of $14.1 million) and expenditure growth totaling $69.4 million.

Five Year Structural Budget Deficit Projection
FY 2017-18 = $21 million



Since FY 1994-95 the County's Fund Balance and Reserves policies have called for General Fund departments to accumulate fund balance and reserves within their budgets. Our County is unique in this regard and these policies served us well, especially during periods of strong economic growth as it incentivized departments to be frugal and seek new and enhanced revenue opportunities to generate additional fund balance, which they could then use for one-time purposes. Unfortunately, as the economy began to slow in 2007 departments started using these funds to cover ongoing operations and revenue shortfalls. The result has been that a significant number of County departments have developed their own structural budget deficits, in excess of $25 million.

I believe now is the time for the Board to consider discontinuing this process and revert back to the more traditional approach of budgeting fund balance and reserves at the General Fund level in Non-Departmental Services. To accomplish this, my staff would work closely with department heads and fiscal officers to determine what each department's Net County Cost would be to maintain current level services. This would result in transferring upwards of $50 million in fund balances from operating departments to Non-Departmental Services and increasing Net County Cost by $25 million, or the amount of the departments' structural deficits. If the Board so chooses, I would further recommend that we implement a minimum savings strategy for each department, which could generate additional fund balance for the General Fund. If successful in achieving the minimum savings requirements, we believe this approach could reduce the deficit in future years. This would also simplify the budget development and monitoring processes, as it is much more intuitive and less time consuming to calculate and determine progress on a savings target than it is a fund balance target.

Deficit Solutions

Addressing the ongoing deficit will likely be achieved with a combination of ongoing solutions and the use of one-time monies to achieve those savings and to pay down existing long-term liabilities. The following represents some of the initiatives the County is currently working on and others for consideration in achieving structural balance.

Increase amount of Excess ERAF on Ongoing Basis – The deficit projections assume the use of $40 million in Excess ERAF 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 applied towards further reducing the structural deficit. An additional 10 percent is $8 million.

Lease Circle Star Towers – The County is currently working with an outside firm to find tenants for both towers. It is believed that each tower could generate up to $2 million in annual net lease revenue.

Process Improvements, Use of Technology, Standardization and Consolidation – The County continues to seek new service delivery methods that maintain service levels and reduce costs, including the use of new technologies. Excess ERAF and Measure A funds can be used as seed money to fund new initiatives or pay for one-time IT infrastructure and software needs to achieve these goals.

Reopen Camp Kemp – The Human Services Agency is putting together a proposal to expand AB12 programs for approximately 120 non-minor dependents (NMDs) by creating a One-Stop Program at the Camp Kemp site, including the creation of a 20-bed residential Supervised Independent Living Placement (SILP), providing economic self-sufficiency services and creating work opportunities for the NMDs. There also remains the possibility of having an outside provider run the facility as a Group Home for in-county and out-of-county youth. Under either scenario, we should recoup all or a significant amount of the facility’s annual debt service of $800,000.

Use Excess ERAF and/or Measure A funds to Reduce Long-Term Liabilities – The County currently has unfunded actuarial liabilities of $962 million and $100 million in Retirement and Retiree Health, respectively. In addition, the County has outstanding long-term construction debt of $356 million. The County could use Excess ERAF, Measure A funds, or some combination thereof to reduce these ongoing liabilities with lump sum payments. For example, a one-time contribution of $50 million to Sam*CERA* could reduce annual Retirement contributions by $4 - $5 million.

MAJOR BUDGET ISSUES

Governor's January Budget Proposal – On January 10, 2013, the Governor released his proposed budget for FY 2013-14. The spending plan includes $99.3 billion in State General Fund revenues and other resources, $97.7 billion in State General Fund expenditures and a $1 billion reserve. It also proposes to continue paying down the State's so-called "Wall of Debt" ($4.2 billion in the budget year) and incorporates a long-term plan to continue this process for the next several years. An improved economy, in addition to passage of Propositions 30 and 39 in November 2012 have allowed the Governor to propose spending increases in K-12 and higher education and health care reform implementation. Still a number of risks, specifically federal government cost shifts, the pace of the nation's and state's economic recovery, court injunctions on past budget actions, and rising healthcare costs could quickly return the State to fiscal deficits.

Overall, the proposed State Budget maintains current funding levels for a majority of health and human service programs that experienced deep cuts in recent budget years. It also does not propose any changes to the current public safety realignment funding formulas and anticipates notable growth to the statewide community corrections subaccount. However, the Governor's proposal to reform funding formulas for K-12 education by collapsing K-12 revenue limits and most categorical program funding into one formula could have a negative impact on the County's Excess ERAF revenues. Finally, the State's proposed policy options for implementation of the Affordable Care Act, specifically the expansion of Medi-Cal eligibility to non-disabled, childless adults up to 138 percent of the Federal Poverty Limit proposed in the January Budget, raise important fiscal concerns for the County.

Public Safety Realignment (AB109) – The County's allocation for FY 2011-12 was $4.2 million. The amount increased to $13.4 million in FY 2012-13 and FY 2013-14. The County carried forward $2 million in unspent reserves in FY 2011-12 and anticipates savings in excess of $3 million in FY 2012-13 as we have only appropriated $10 million of this fiscal year's allocation. These savings do not include the Sheriff's allocation of $3.1 million, which will be used in future years for housing and re-entry services to the AB109 inmate population. In all, it is projected that approximately $8 million will remain in the AB109 trust fund at year-end. In the coming months, the Community Corrections Partnership (CCP) will be reviewing budget to actuals and program performance to determine if the current allocation of funds is appropriate. For the purposes of the deficit projections, we have assumed that the Sheriff's allocation will increase from $3.1 million to $5 million ongoing once the replacement jail / re-entry facility is operational. The accumulated reserves in the AB109 trust fund may also be used to help defray construction costs, thereby reducing ongoing debt service.

Public Safety Sales Tax (Prop. 172) Reserves – In addition to the growth projections of $14.1 million anticipated over the next five years, it should be noted that the County ended FY 2011-12 with $16.7 million in Prop. 172 reserves. These funds may be used for one-time Public Safety projects, such as radio system replacement and equipment upgrades, case management software, and new jail construction.

Replacement Jail / Re-Entry Facility Planning – We anticipate that the annual increase in Net County Cost once the new facility opens will range between $8.5 million and $23.3 million, although this is dependent on a couple of factors: number of beds occupied and the County's success in receiving SB1022 jail construction grant funds from the State.

The cost of operating the facility at full capacity of 576 beds (488 inmate beds and 88 transitional housing beds), including annual debt service of $13.3 million, would approximate $49 million. This would be offset by the transfer of existing costs from the Women's Correctional Center (WCC), current Transitional Facilities, Alternative Sentencing Bureau, Maguire and the Jail Planning Unit and Transition Team of $15.8 million, leaving an estimated net increase in operating the new jail of $33.2 million. We have identified four potential funding sources for this increase in cost: AB109 Realignment funding ($5 million), Proposition 172 Public Safety Sales Tax revenues ($5 million), reductions to debt service through the SB1022 jail construction grant program ($6.7 million), and General Purpose revenues or Net County Cost ($16.5 million).

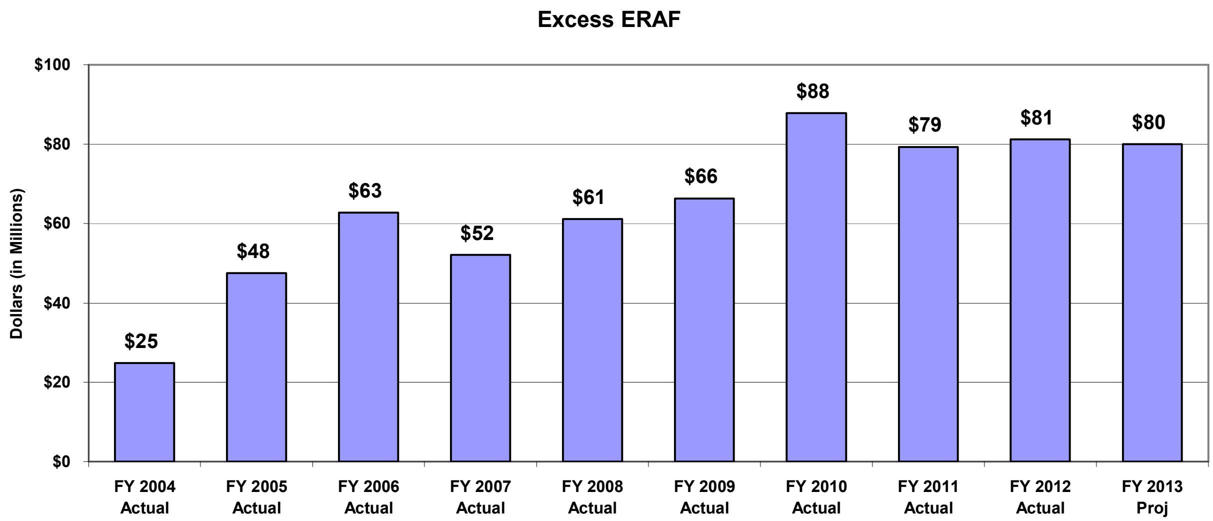
The cost of operating the facility at 320 beds, which would address the women's population, ease overcrowding at the men's Maguire Correctional Facility, and accommodate inmates now housed locally due to Public Safety Realignment, would approximate $37.8 million. This also would include annual debt service of $13.3 million. These costs would be offset by the transfer of existing costs from the WCC and Maguire of $12.7 million, leaving an estimated net increase in operating the new jail of $25.2 million. The same offsets would apply: AB109 Realignment funding ($5 million), Proposition 172 Public Safety Sales Tax revenues ($5 million), reductions to debt service through the SB1022 jail construction grant program ($6.7 million), and General Purpose revenues or Net County Cost ($8.5 million).

The structural deficit projection of $21 million in FY 2017-18 assumes that 320 beds would be occupied and that the County would be awarded a full allocation of $80 million in SB1022 jail construction grant funds from the State.

Educational Revenue Augmentation Fund (ERAF) Revenues – Since FY 2003-04, the General Fund has received $563 million in Excess ERAF revenue, with an additional $80 million projected this fiscal year. The County has used Excess ERAF to pre-fund its retiree health obligations, for one-time capital, IT and efficiency projects, and to replenish reserves used to balance the budget. In January 2012, this Board directed the County Manager to treat one-half of Excess ERAF ($40 million in FY 2011-12) as ongoing revenue. The amount of ongoing ERAF will fluctuate with changes to the amount of total Excess ERAF received.

The Governor's Proposed 2013-14 Budget includes new approaches for funding K-14 education, including increasing school district revenue limits to include categorical funding that historically has been separate from the baseline revenue limit calculations and funded from other sources. These changes will result in a windfall for the State as programs previously funded from State sources through categorical funding will be funded from ERAF. Additionally, the proposed 2013-14 Budget may expand certain payments for special education that are currently funded through Excess ERAF.

Together, these changes will result in less Excess ERAF coming back to the County in future years. My office is working closely with the Controller's Office and County Counsel to determine the fiscal impact to the County's share of Excess ERAF under such an approach. We will keep the Board apprized of our findings.

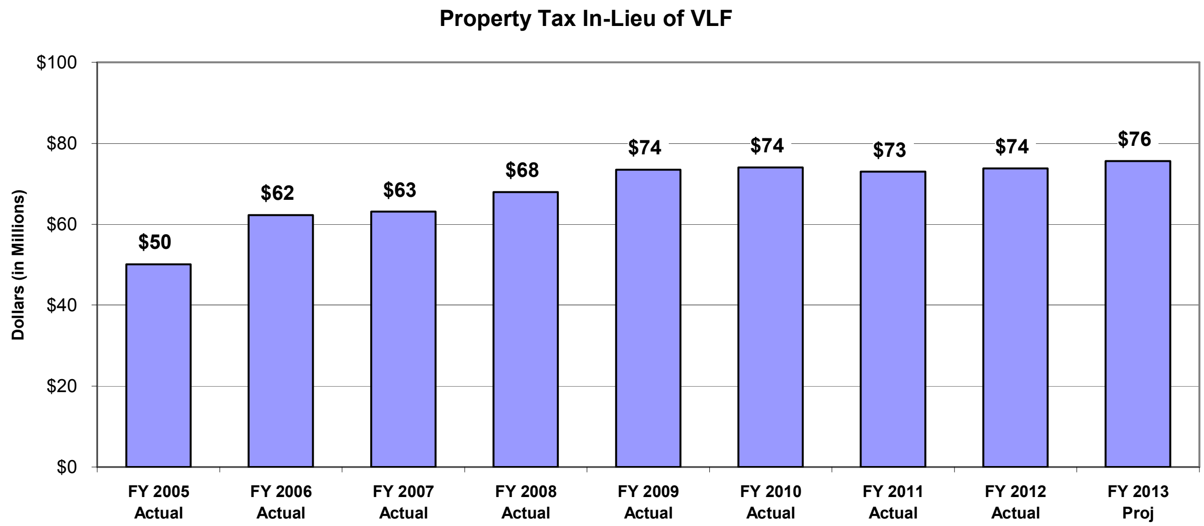


Property Tax In-Lieu of VLF (Vehicle License Fee Swap) – In 2004, SB1096 eliminated certain VLF payments to counties and cities and replaced them with "In-Lieu VLF amounts" (property tax revenues adjusted for the annual growth in the local property tax base). Following SB1096, In-Lieu VLF amounts have been paid from each county's ERAF, and if insufficient funds exist in a county's ERAF to fully pay the State's In-Lieu VLF payments to counties and cities, then additional funds are transferred directly from Revenue Limit Districts' local property tax revenues. All In-Lieu VLF amounts that are transferred from ERAF and the districts' ad valorem property taxes are then backfilled by the State.

As the number of Basic Aid Districts in a county increases, the pool of property tax revenues from which the In-Lieu VLF amounts can be paid (whether from ERAF or from the ad valorem property taxes received by Revenue Limit Districts) correspondingly shrinks. As a result, counties that have all, or almost all, Basic Aid Districts lack sufficient ERAF monies and Revenue Limit District property taxes to pay the In-Lieu VLF amounts.

The County and cities within San Mateo County potentially face shortfalls in their In-Lieu VLF amounts as the number of Revenue Limit Districts shrink. The County had a minor estimated shortfall of $200,000 in FY 2011-12 but the Governor has appropriated funding in his FY 2013-14 Proposed Budget to make the County whole; however, there are no guarantees that similar State budget appropriations will be made in future years. The County and cities could be at risk of losing upwards of $14 million ($8.3 million is the County's share) should both the San Carlos and Bayshore school districts turn basic aid. Both are close. As noted earlier, this could change if categorical funding is included in the revenue limit calculations. Even if the two school districts do not turn basic aid, preliminary estimates computed in November 2012 indicate that the estimated VLF shortfall will be $5.8 million and the County's share of this shortfall will be $3.5 million. This shortfall is not currently factored into the five-year deficit calculations.

Since 2004, the County has received $537.6 million from In-Lieu VLF amounts, with an additional $75.6 million projected this fiscal year.



Health Care Reform – The County expects that the implementation of the Affordable Care Act will result in increased health insurance availability for thousands of San Mateo County residents. At this point, we expect the law to have a financially neutral impact on the Health System; while more of our patients will have insurance, supplemental funding we receive for taking care of the uninsured will decrease. The Health System will also still remain responsible for providing healthcare for those who cannot or do not enroll in the expanded coverage. Our financial analysis may change as we learn more about the State's plans to revisit the State/County funding formulas.

The Health System is focused on the following key priorities to maximize the success of the law's local reach:

- *Transitioning as many people as possible to new coverage.* The Health System has enrolled 8,500 residents in a program that will allow them to transition to Medi-Cal when that program expands. The Health System will be working with the State and HSA to transition these residents to Medi-Cal coverage by January 1, 2014.

- *Earning federal incentive payments for quality and access improvements.* The federal government has recognized the importance of the public healthcare systems like San Mateo Medical Center to provide care for the expanded Medi-Cal population. Accordingly, they are offering public hospitals financial incentives for meeting increasingly stringent quality and access goals. The Health System has earned the maximum incentive payments for 2010 and 2011 and is committed to doing so in the future.

- *Increasing quality while lowering costs*. The Health System is implementing electronic health records in San Mateo Medical Center, Behavioral Health and Recovery Services, Family Health Services and Correctional Health Services. The LEAN process improvement approach will also remove bottlenecks and improve quality while reducing costs.

- *Advocating for streamlined eligibility and enrollment processes.* We advocate on statewide workgroups and with policymakers to make the enrollment process for health insurance as streamlined and consumer-friendly as possible. Locally, the Health System partners with the Human Services Agency to address enrollment barriers. HSA's redesign efforts to improve the accessibility of public benefits programs will be critical in enrolling an additional 13,000 people into Medi-Cal.

FISCAL IMPACT

There is no Net County Cost impact by accepting this report.

LOCAL ECONOMIC INDICATORS

The following indicators provide information on current local economic activity compared to prior years and State/national trends. Trends in the data assist in generating projections for general purpose revenue such as property tax, sales tax, and transient occupancy tax:

A. Bay Area Consumer Price Index (CPI)
B. First-Time Housing Affordability Index)
C. Median Home Price and Home Sales
D. Foreclosure Activity
E. Property Reassessment and Assessment Appeal Filings
F. Building Permits Issued
G. Office Space Availability
H. San Francisco International Airport – Total Passengers
I. Unemployment Rate
J. Per Capita Personal Income

Bay Area Consumer Price Index (CPI)

The Consumer Price Index (CPI) measures the change in the price of goods over time. The change in the index is referred to as the rate of inflation, and is used in assumptions for calculating future costs. The Consumer Price Index for all urban consumers, all items in 2012 increased 2.7% in the Bay Area, 2.2% in California, and 2.1% in the United States. Bay Area CPI is forecasted to increase 2.0% in 2013 and 2.2% increase in 2014, mirroring similar increases for California and the Nation.

CPI Annual Averages	*Bay Area[1] % Change*	*California % Change*	*U.S. % Change*
2014*	2.2%	2.1%	2.0%
2013*	2.0%	2.0%	1.9%
2012	2.7%	2.2%	2.1%
2011	2.6%	2.6%	3.2%
2010	1.4%	1.3%	1.6%
2009	0.7%	-0.3%	-0.4%
2008	3.1%	3.4%	3.8%
2007	3.3%	3.3%	2.8%
2006	3.2%	3.9%	3.2%
2005	2.0%	3.7%	3.4%
2004	1.2%	2.6%	2.7%

[1] Bay Area (San Francisco CMSA) includes the counties of Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Santa Cruz, Solano and Sonoma.

*Forecasts: CA Department of Finance

Sources: San Francisco CMSA: US Bureau of Labor Statistics; California: Calculated by the CA Department of Finance using a formula developed by the CA Dept. of Industrial Relations (DIR); United States: US Bureau of Labor Statistics.

First-Time Housing Affordability Index

The housing affordability index is the most fundamental measure of housing well-being in the state. The percentage of first-time buyers who can afford to purchase a median-priced home in the third quarter of 2012 was 46%. The statewide figure of 67% has dropped from the high in 2011 of 71%. San Mateo County experienced a similar decrease from 51% to 46% over the past year and continues to be one of the least affordable places to buy a home in California, with only San Francisco at 45% ranked lower.

First-Time Buyer Housing Affordability Index by Region	*3rd Quarter 2011*	*3rd Quarter 2012*
California	71%	67%
United States	81%	80%
SF Bay Area*	62%	57%
Sacramento	85%	84%
Santa Clara	60%	56%
Monterey Region	76%	72%
Alameda County	60%	56%
Contra Costa County	53%	52%
San Francisco	48%	45%
Marin County	47%	47%
San Mateo County	51%	46%

Source: CA Association of Realtors www.car.org

Median Home Price

The number of homes sold in the Bay Area is up by 15.5% from last November. Median home prices are up by 20.5% compared to the prior year. The median price paid for a Bay Area home was $438,000 in November 2012 compared to $363,500 a year ago. The volume of homes sold in San Mateo County was up by 19.3%. The median home price increased by 13.9% to $618,000 compared to $542,500 in 2011. Prices of homes in the County continue to be one of the highest in the Bay Area and the State. DataQuick reports show that Federal Housing Administration (FHA) loans made up 17.0% of all Bay Area purchase loans in November 2012, which was down from 21.0% a year earlier.

	Number of Homes Sold November 2011	*Number of Homes Sold November 2012*	*Number of Homes Sold % Change*	*Median Price November 2011*	*Median Price November 2012*	*Median Price % Change*
Bay Area	6,317	7,296	15.5%	$363,500	$438,000	20.5%
Alameda	1,334	1,525	14.3%	340,000	415,000	22.1%
Contra Costa	1,225	1,394	13.8%	255,000	322,000	26.3%
Santa Clara	1,478	1,707	15.5%	452,000	550,000	21.7%
San Mateo	513	612	19.3%	542,500	618,000	13.9%
San Francisco	422	524	24.2%	644,500	728,000	13.0%
Marin	239	272	13.8%	629,000	682,000	8.4%
Napa	99	133	34.3%	297,000	360,000	21.2%
Solano	522	584	11.9%	190,000	221,500	16.6%
Sonoma	485	545	12.4%	285,000	349,000	22.5%

Source: DataQuick Information Systems:
http://www.dqnews.com/Articles/2012/News/California/Bay-Area/RRBay121213.aspx

Foreclosure Activity

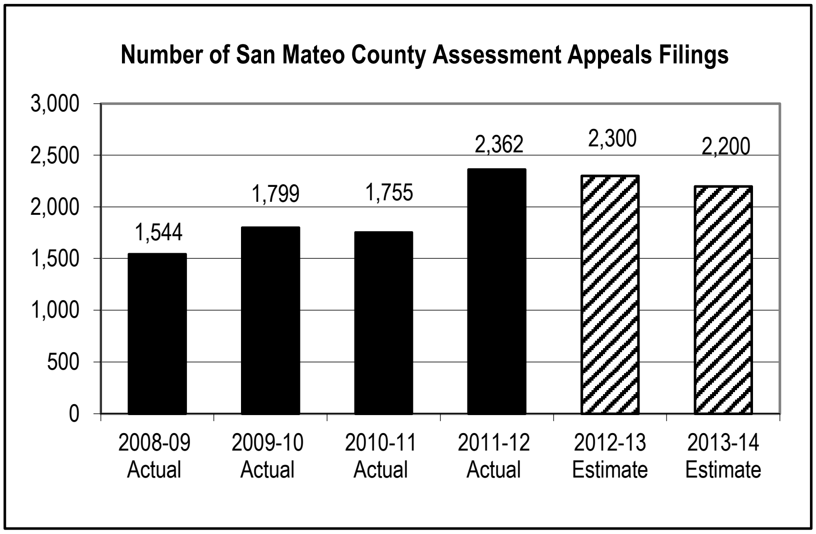
During the third quarter of 2012, mortgage default notices were down statewide by 31.2% from the same period last year with lending institutions issuing 22,249 fewer notices. Default notices have declined even further in the San Francisco Bay Area by 39.8%. In San Mateo County, default notices have decreased by 402 or 44.3%. The overall improvement in the housing market has increased property values, allowing property owners the option to refinance their loans, rather than default.

Notices of Default	*3rd Quarter 2011*	*3rd Quarter 2012*	*% Change*
California	71,275	49,026	-31.2%
SF Bay Area	12,092	7,284	-39.8%
Sacramento	4,351	2,766	-36.4%
Santa Clara	2,176	1,236	-43.2%
Monterey Region	1,961	1,325	-32.4%
Alameda County	2,654	1,555	-41.4%
Contra Costa County	3,022	1,822	-39.7%
San Francisco	472	257	-45.6%
Marin County	295	241	-18.3%
San Mateo County	**908**	**506**	-44.3%
San Joaquin County	1,933	1,313	-32.1%
Los Angeles County	1,491	938	-37.1%

Source: DataQuick: DQNews.com, http://www.dqnews.com/Articles/2012/News/California/CA-Foreclosures/RRFor121017.aspx

Property Reassessment and Assessment Appeals Filings

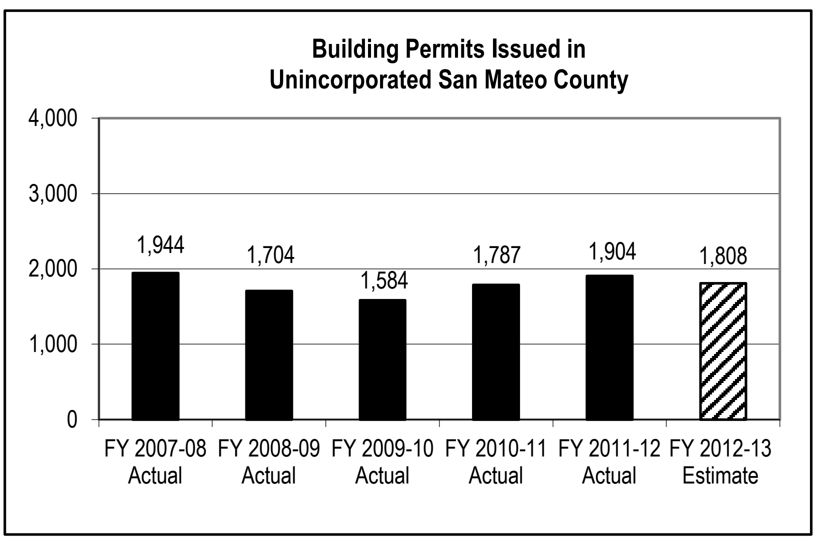
There were 2,362 new assessment appeals filings for FY 2011-12, which was a 35% increase over FY 2010-11. The estimated number of appeals filings for FY 2012-13 is 2,300. As economic conditions continue to improve and property values increase, fewer assessment appeal filings are expected in future years.



Source: San Mateo County Assessor's Office

Building Permits

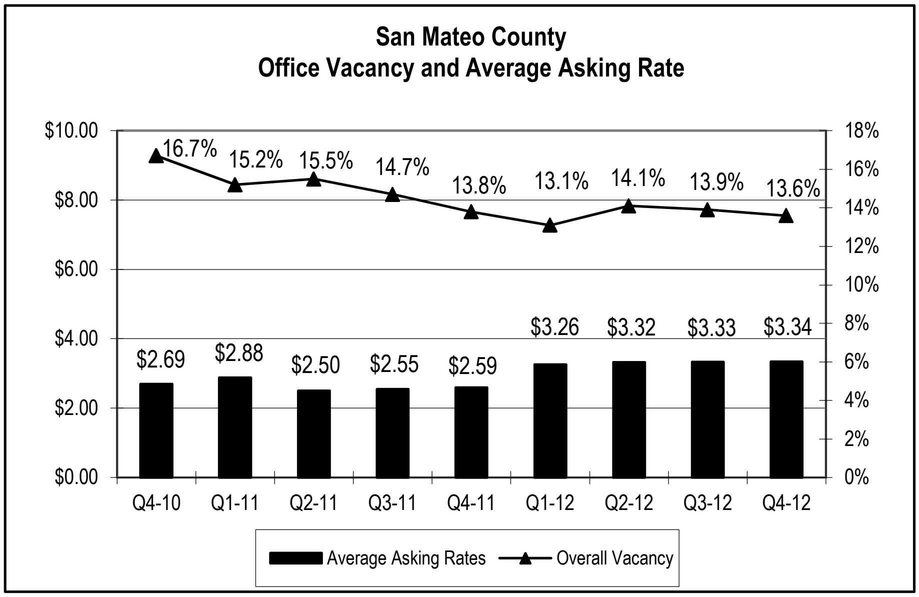
The number of building permits issued by the Planning and Building Department is decreasing slightly. The permits being issued show an increase in remodel work and new roof installation and a decrease in new home construction.



Source: San Mateo County Planning and Building Department

Office Space Availability

The overall office vacancy rate has decreased since 2010 from 16.7% in Q4-10 to 13.6% in Q4-12, with a corresponding increase in the average asking rate. San Mateo County is currently experiencing a lack of supply of larger blocks of space favored by tech companies, which account for 35% of current office requirements in the Bay Area. This has had a moderate impact on asking and vacancy rates.



1. Average asking rate includes utilities, maintenance, insurance, and all other expenses related to occupancy

Source: Cassidy Turley Commercial Real Estate Services

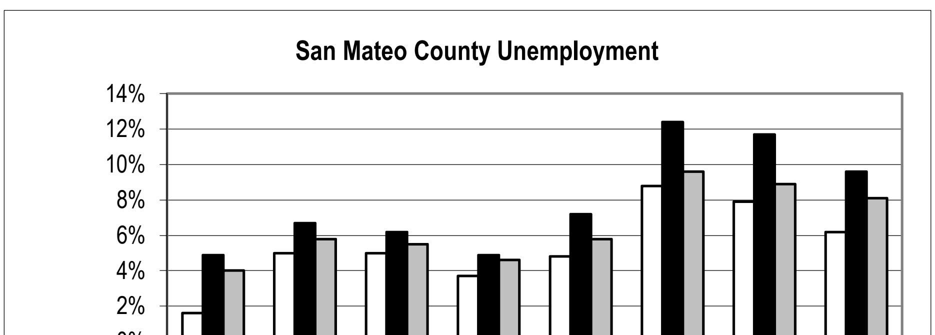
San Francisco Airport – Total Passengers

A significant portion of the County's unsecured property tax and sales tax revenues come from businesses at San Francisco International Airport, so it is important to monitor patterns in airport activity. Information for the month of December 2012 is not yet available, but total annual airport passengers is up 9.3% from 37.6 million through November 2011 to 41.1 million through November 2012.

Source: http://www.flysfo.com/web/page/about/news/pressres/stats.html

Unemployment Rate

Unemployment rates at the local, state and national levels are down from last year. San Mateo County unemployment is down from 7.9% in 2011 to 6.2% in 2012, with 24,500 unemployed. The county continues to have one of the lowest unemployment rates in the state, second only to Marin County with 5.8% unemployment in 2012.

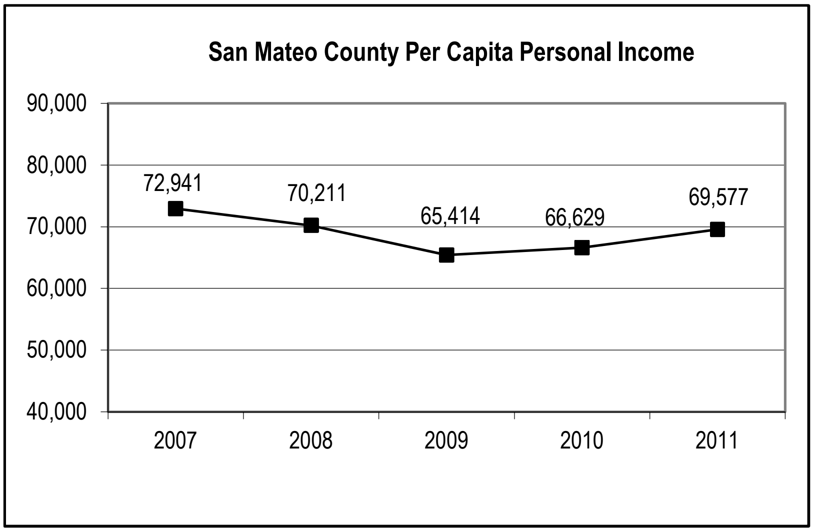


	2000	2002	2004	2006	2008	2010	2011	2012
San Mateo	1.6%	5.0%	5.0%	3.7%	4.8%	8.8%	7.9%	6.2%
California	4.9%	6.7%	6.2%	4.9%	7.2%	12.4%	11.7%	9.6%
U.S.	4.0%	5.8%	5.5%	4.6%	5.8%	9.6%	8.9%	8.1%

Source: http://www.calmis.ca.gov/file/lfmonth/countyur-400c.pdf

San Mateo County Per Capita Personal Income

In San Mateo County, personal income increased 4.4% from $66,629 per capita in 2010 to $69,577 per capita in 2011. Data for 2012 is not yet available.



Source: U.S. Department of Commerce Bureau of Economic Analysis

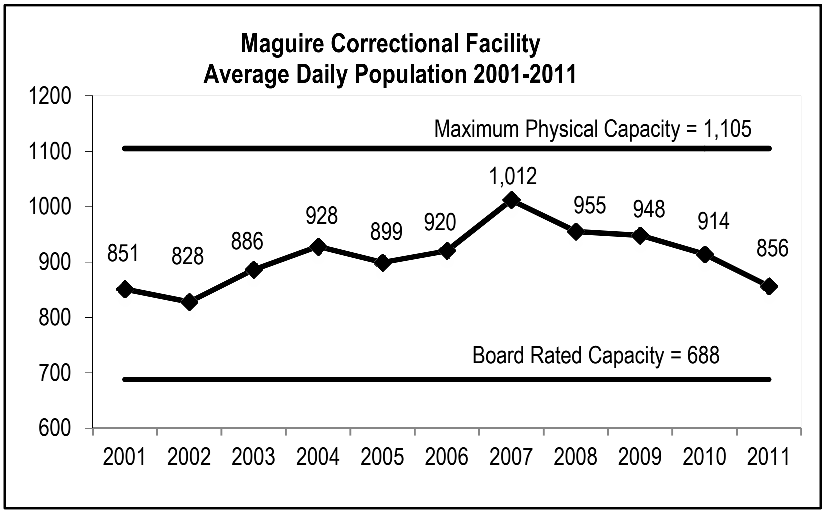
LOCAL PUBLIC SAFETY AND SAFETY NET INDICATORS

The following indicators provide information on current local public safety and safety net activity compared to prior years and State/national trends:

A. Jail and Juvenile Hall Populations
B. PeninsulaWorks Participants
C. Public Assistance Caseloads
D. Child Abuse Referrals
E. Emergency Room Visits
F. Health Insurance Enrollment Adults and Children

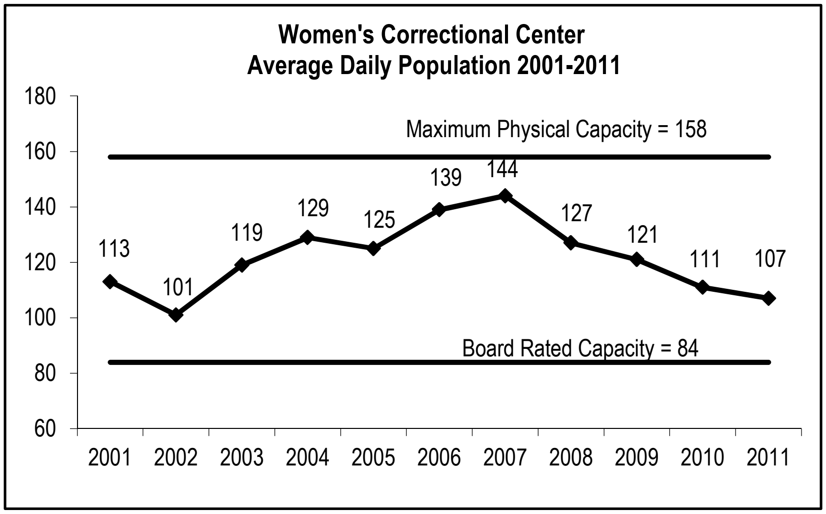
Jail Populations

The Sheriff, County Manager's Office, and the Board Criminal Justice Committee continue to monitor jail population trends and seek alternatives to further reduce inmate population and/or average length of stay. The average daily population at Maguire has decreased by 6.3% from 914 inmates in 2010 to 856 inmates in 2011. This reduction could be attributed to several factors: reduced crime rate, effective countywide community re-entry efforts that focus on identifying sentenced in-custody inmates for referral to community placement from inside the facility, and enhanced inmate programming and services.



Source: Sheriff's Office Daily Population Report (CJIS)

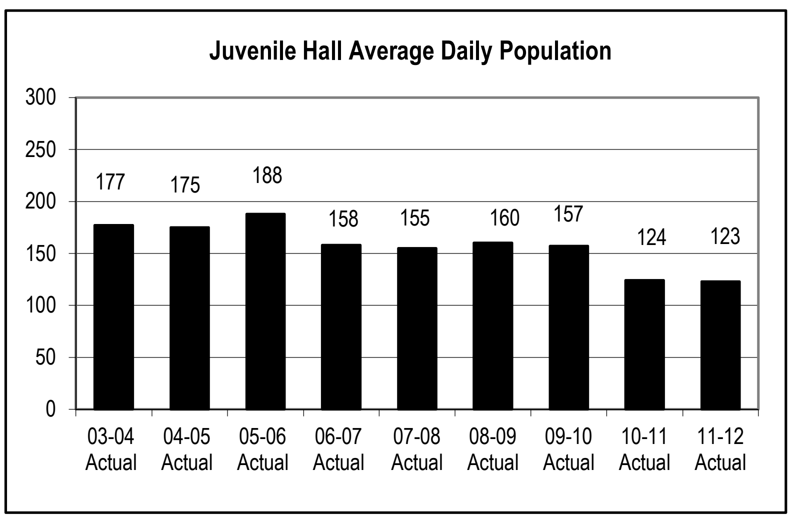
The ADP for women decreased 3.6% from 111 in 2010 to 107 in 2011. This could be attributed to several factors: reduced crime rate, effective countywide community re-entry efforts that focus on identifying sentenced in-custody inmates for referral to community placement from inside the facility, along with enhanced inmate programming and services. This is a significant accomplishment considering, historically, there are limited alternatives to jail for women offenders, limited intermediate out-of-custody options, and limited treatment options for women who either cannot pay for treatment, have children, or both.



Source: Sheriff's Office Daily Population Report (CJIS)

Youth Services Center Population

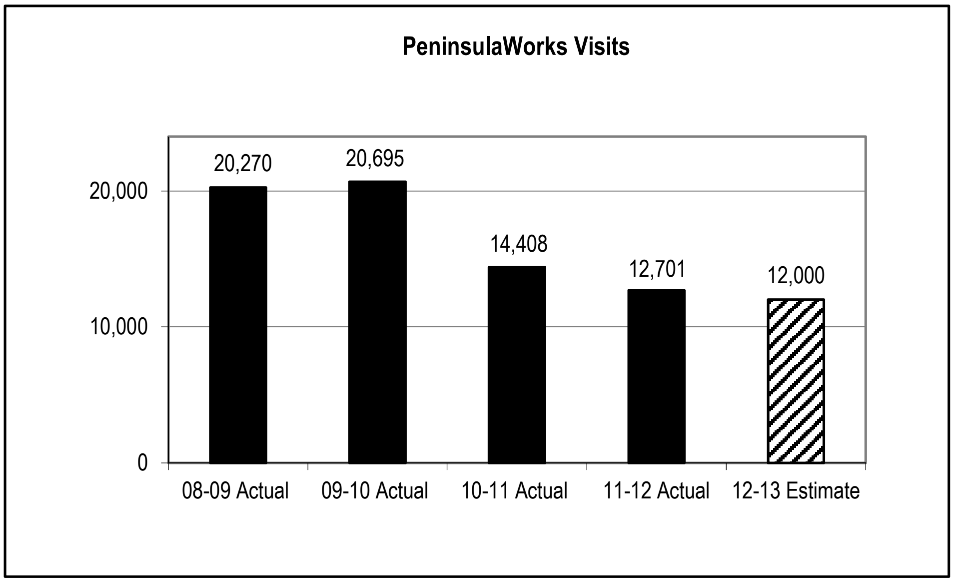
After an increase in the average daily population (ADP) to 160 in FY 2008-09, the ADP at the Youth Services Center decreased to 157 in FY 2009-10; with a sharp decrease in the ADP to 124 for FY 2010-11 and 123 for FY 2011-12. This decrease seems to be a statewide trend that could be due to fewer law enforcement personnel on the streets. Additionally, creative alternatives to detention and incarceration; such as home supervision, electronic monitoring, the Weekend Work Program, and Community Service Work, has also played a key role.



Source: Probation Department Institutions Management

PeninsulaWorks Participants

The number of clients seeking career counseling, skills assessment, and job search assistance decreased 11.8% from FY 2010-11 to FY 2011-12 as the County's unemployment rate declined from 8.8% to 6.2%. PeninsulaWorks participation is projected to continue to decline in FY 2012-13. The decline in participants can be attributed to the improvement in the unemployment rate and the closure of PeninsulaWorks centers in Redwood City and San Carlos in FY 2009-10 due to the conclusion of stimulus funding. In 2011 the Human Services Agency opened a scaled back Job Information Center in San Carlos that will stem the decline in PeninsulaWorks participants, but does not offer the full suite of services that a PeninsulaWorks center does.



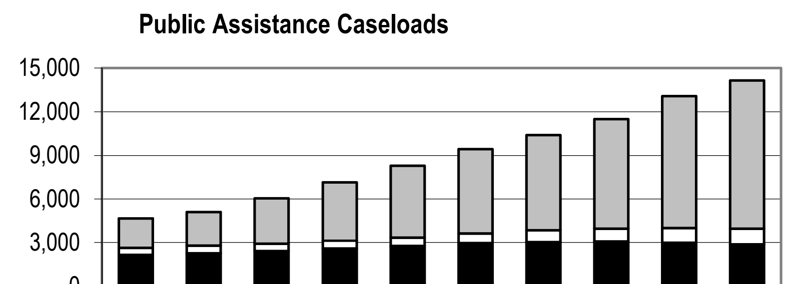
Source: Human Services Agency

Public Assistance Caseloads

The CalFresh caseload has increased 36% from June 2011 to June 2012. The reasons for the increase can be attributed to greater access/outreach, including regional offices throughout the County, the ability to apply by mail, fax and online, and assistance from our non-profit partners who provide clients with guidance in navigating the application process. Regulatory changes, such as waiver of face-to-face interviews and elimination of the finger printing requirement have also helped boost participation.

General Assistance (GA) showed 24% increase from June 2011 to June 2012 due to regulatory changes. In 2011, ESS changed the Work Requirements Referral Policy for GA and during the same year, Governor Brown signed AB109 – Public Safety Realignment, shifting parole and inmate responsibility for low level offenders to counties, thereby increasing the number of clients that qualify.

CalWORKs showed a decrease of 7% from 2011 to 2012. The improvement in the economy is believed to be the primary factor for the decrease in CalWORKs caseloads.



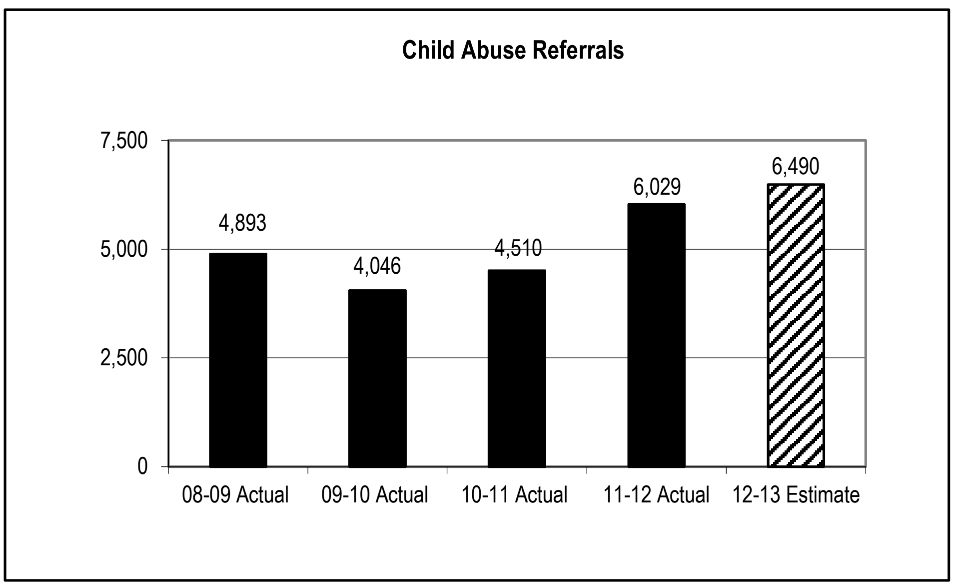
	Jan 08	Jun 08	Jan 09	Jun 09	Jan 10	Jun 10	Jan 11	Jun 11	Jan 12	Jun 12
CalFresh Cases	2,037	2,334	3,121	4,004	4,923	5,782	6,531	7,515	9,058	10,193
GA Cases	485	519	501	559	592	696	824	874	1,017	1,085
CalWORKS Cases	2,141	2,252	2,419	2,577	2,770	2,947	3,035	3,098	2,997	2,876

Source: Human Services Agency

Child Abuse Referrals

While the state of California has been experiencing a decrease in Child Abuse Referral Children, with an 8% decrease projected for the coming fiscal year, San Mateo County has experienced a 34% increase from FY 2010-11 to FY 2011-12. There has been a significant increase in the number of allegations we have received for general neglect, "at-risk" and "sibling abused". Other areas where there have been notable increases include emotional abuse and physical abuse. It is anticipated that this trend will continue in FY 2012-13.

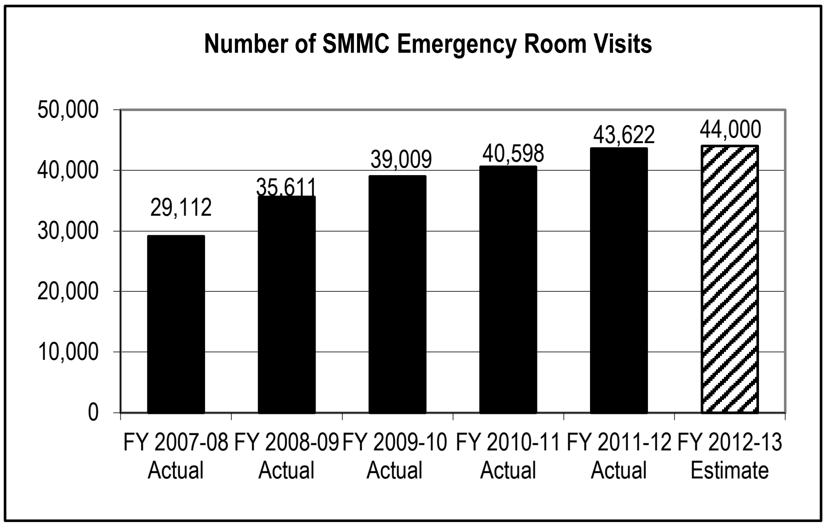
In general it is expected that child abuse referrals would decline with economic improvement as financial strain on families declines. However, the trend in San Mateo County from 2005 – 2012 has shown the exact opposite, with child abuse cases increasing as unemployment declines. This may be attributed to the increasing number of families that are in the "Self Sufficiency Gap", or the economic status of being between the Federal Poverty Level (FPL) and the Self Sufficiency Standard (SSS) for the county. As these residents secure employment, they exceed the FPL and are disqualified from receiving federal benefits. They do not, however, earn enough to meet the SSS for the county, and continue to struggle to afford things such as child care and transportation. From 2008 to 2011 an additional 22,000 families fell into this "Self Sufficiency Gap" in San Mateo County.



Source: Human Services Agency

Emergency Room (ER) Visits

Medical and Psychiatric Emergency Room visit volume at SMMC in FY 2011-12 increased 7.4% over the previous year with 43,622 visits, compared to 40,598 in FY 2010-11. These volume increases persist in spite of SMMC's new Urgent Care Clinic, opened in September 2009, which sees approximately 125 individuals in a five-day week. In addition, 2,172 people are on a waiting list for primary care visits. The increases in visits are primarily due to rising unemployment and loss of employer-sponsored health insurance. Anticipated State budget cuts in Medi-Cal as well as the continued recession are anticipated to further impact volume increases. In response, the clinic system is in the process of improving flow and productivity to be able to expand capacity.



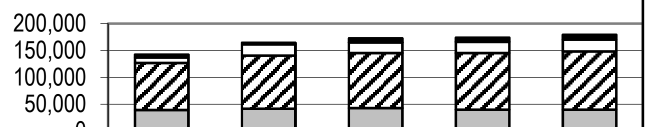
Source: San Mateo SMMC

Health Insurance Enrollments Adults and Children

Overall, the number of eligible adults enrolled in public health insurance in the County has stayed relatively flat, after spiking significantly in FY 2010-11. The recession has resulted in increased and sustained enrollment in public healthcare coverage programs as employer-sponsored health coverage have been lost along with the loss of jobs. The Health System's Health Coverage Unit continues to lead efforts in identifying individuals who are eligible for public health insurance, enrolling them in appropriate programs in partnership with the Human Services Agency, and assisting clients in accessing needed care.

The ACE Program—the County's Section 17000 program that provides coverage for healthcare services to persons living below 200% of the federal poverty line who are not eligible for other programs – is an important component of the array of public coverage programs. The percentage growth in ACE County enrollment is an indicator of the impact of the economic downturn on the demand for safety net healthcare services. The growth in the ACE County program includes growth n the Medicaid Coverage Expansion (MCE) program, which is part of California's "Bridge to Health Reform" effort aimed at reaching and covering low-income adults who will qualify for Medi-Cal under the expansion that will be implemented as part of the federal health reform law on January 1, 2014.

Number of Eligible San Mateo County Adults Enrolled in Health Insurance



	08-09 Actual	09-10 Actual	10-11 Actual	11-12 Actual	12-13 Estimate
ACE Coverage Initiative	5,226	3,141	7,237	8,074	8,500
ACE County*	10,411	20,436	20,220	21,005	22,000
Medicare**	87,656	98,956	102,224	105,600	109,087
Medi-Cal	38,917	41,565	42,638	39,292	39,300

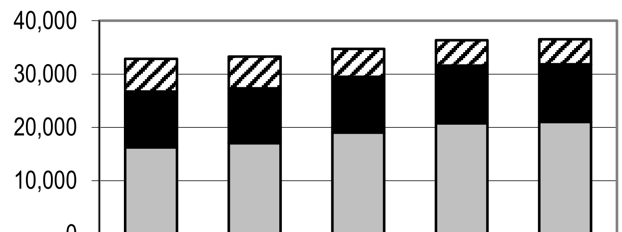
*Formerly referred to as County WELL Program

**Data for FY 2011-12 and estimates for FY 2012-13 are based on the growth rate from FY 2009-10 to 2010-11

Source: Health System, Human Services Agency

Another key element of this effort is the Children's Health Initiative, which will celebrate its tenth anniversary in 2013. San Mateo County is one of only two counties in the state to have sustained universal health insurance coverage for children with no waiting lists. Overall growth in enrollment in public health insurance programs has continued, representing about 1 in 5 San Mateo County children in 2012. As more children have qualified for the Medi-Cal and Healthy Families programs, the Health System has seen enrollment in the local Healthy Kids program decrease. In addition, the number of Healthy Kids members turning 19 and aging out of the program has continued. The Health System continues to assess its outreach and enrollment approaches to assure that it is reaching children who could qualify for coverage and is adapting its approach in aligning with the new supports that will be available to families through implementation of California Covered (the Exchange) and Medi-Cal expansion through the Affordable Care Act.

Number of Eligible San Mateo County Children Enrolled in Health Insurance



	08-09 Actual	09-10 Actual	10-11 Actual	11-12 Actual	12-13 Est.
Healthy Kids	6,080	5,954	5,181	4,732	4,700
Healthy Families	10,472	10,245	10,501	10,800	10,800
Medi-Cal*	16,274	17,064	19,009	20,798	21,000

*The Children's Medi-Cal data above only accounts for beneficiaries enrolled in Full Scope No Share-of-Cost Medi-Cal.

Source: Health System, Human Services Agency

ATTACHMENTS:

A) Revised Board of Supervisors' Meeting Schedule for Calendar Year 2013

B) Community Impact Measures and Open Data Policy and Reporting Process

ATTACHMENT A

COUNTY OF SAN MATEO
Inter-Departmental Correspondence
County Manager

Date: January 23, 2013
Board Meeting Date: January 29, 2013
Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: John L. Maltbie, County Manager

Subject: **Revised** Board of Supervisors' Meeting Schedule for Calendar Year 2013

RECOMMENDATION:
Approve the revised Board of Supervisors' meeting schedule for calendar year 2013

BACKGROUND:
The schedule below includes Board meetings from January through December 2013, and requires approval by the Board. This schedule allows for 25 regularly scheduled public meetings.

DISCUSSION:
A public hearing schedule for calendar year 2013 of the Board of Supervisors is proposed as follows, with the new dates in **bold.** The reason for the change noted below is to reflect the Budget Development Calendar for the upcoming FY 2013-15 budget cycle, where the Recommended Hearings will be conducted in September. Also, September 18 is no longer a "consent only" meeting.

January 8* (Consent only), 15, 29	August 6
February 12, 26	September 10, 24 (Consent only)
March 12, 26	**September Budget Hearings: 23, 24, 25**
April 9, 23	October 8, 22
May 7, 21	November 5, 19
June 4, 18	December 10
July 9, 23	

*Reorganization of the Board of Supervisors

FISCAL IMPACT:
None

ATTACHMENT B

COUNTY OF SAN MATEO

Inter-Departmental Correspondence
County Manager's Office
Intergovernmental and Public Affairs

DATE: January 23, 2013
BOARD MEETING DATE: January 29, 2013

TO: Honorable Board of Supervisors
FROM: Mary McMillan, Deputy County Manager (650) 363-4129

SUBJECT: Community Impact Measures

RECOMMENDATION:

1. Accept the proposed Community Impact Measures; and
2. Adopt a Resolution Directing the County Manager and Chief Information Officer to develop an open data policy and reporting process.

BACKGROUND

In 1999, the Board initiated a visioning process engaging the community to develop shared goals for the county. Since that time, progress and the key initiatives achieving the shared vision were reported in the annual budget document and periodic progress reports to the community. Additionally, to keep current with emerging issues, the Board has regularly updated the community goals.

Last year, the Board conducted a half-day forum, City, County, Schools Partnerships (CCS), engaging elected and community leaders; two additional forums were conducted with nonprofit partners, all totaled engaging about 450 community leaders. Together, these forums resulted in generating an updated list of high-level community goals. Subsequently, these goals were priority ranked and winnowed through an online community survey engaging 1,000 responders. Your Board reviewed those goals in the fall.

DISCUSSION:

Since that time, together with the Budget Redesign Work Group and Budget and Performance Analysts, 24 proposed outcome measures to report progress achieving those community goals have been developed. Requiring no additional departmental effort, the majority of these measures are data currently collected and reported by our departments, either to funders or to another federal, state or regional agency as required by statute. As a result, this data would provide greater opportunity to establish benchmarks, relying upon longitudinal, current and verifiable data.

Open Data

In order to make the goals and outcome measures meaningful, the County would need to develop a data policy that requires departmental data to be collected, reported through a standardized methodology and made available to departments, community partners and the public. This would serve to improve accuracy, reliability, achieve transparency, enable benchmarking and strengthen our ability to conduct meaningful comparative analysis. We are currently reviewing data reported by departments to the federal, state and regional governments, the methodology and frequency, to further inform and ensure the County is reporting meaningful and accessible community outcomes measures.

Missing from previous shared vision efforts has been the ability to report and share reliable data among departments, and more importantly, with our partners. The lack of data has limited the County's ability to engender broader community support for the shared vision goal framework.

Collective Community Impact

It is long understood that to achieve community goals requires broad cross-sector coordination, recognition that we achieve goals better and faster when we work together. Collective social impact initiatives "*are long-term commitments by a group of important actors from different sectors to a common* *agenda for solving a specific social problem. Their actions are supported by a (1) shared measurement system, (2) mutually reinforcing activities, (3) ongoing communication, and are (4) staffed by an independent backbone organization."* Reliable and regularly reported data will help to support collective impact initiatives. Sharing and communicating data will assist in diminishing siloed approaches to problem solving, and support multi-agency leveraging of resources, thus engaging broader collaborative partners and more multi-year strategies.

Reporting Tools
Finally, we are pursuing technologies that will provide visual insight into the data, such as interactive dash boards. We are seeking a tool that will allow for the visual consumption of the data, ability to conduct analysis among departments and across agencies, enable the sharing of data, while maintaining security. As a result, the outcome measures remain a work in progress, as it is important that the data we report is not static, that it is current and regularly updated.

Community Impact Goals & Outcome Measures

Healthy and Safe Community

Reduce crime

- Part one crime by city and unincorporated area
- Recidivism rate decreases
- 911 safety calls response time within 5 minutes

Increase life expectancy

- Number of insured increases
- Wait time at clinics reduced
- Overweight and obesity rates decline

Prosperous Community

Improve affordability

- Under/unemployment decreases
- Number of eligible enrolled in assistance increases

Close achievement gap

- Increase access to quality preschool
- Percent of 3rd graders that read at level increases

Livable Community

Transit is accessible

- Support transit oriented developments
- Safe routes to schools

Engaged community

- Participation online or at County forums increases
- Library usage increased
- Park program attendance increases

Environmentally Conscious Community

Greenhouse Gas Emissions (GHG) are reduced

- Energy consumption by city, county
- Improve County fleet average (MPG)
- Number of green* buildings increase

Conserve and protect natural resources

- Water use by city, county
- Waste diversion rates increase by city, county

Collaborative Community

Responsive, effective and collaborative government

- Center for Continuous Improvement report increased success
- SMCSaves grants result in savings
- Information Technologies (IT) provide increased access
- Collective impact partnerships increase

FISCAL IMPACT:

No net County cost.