



County of San Mateo

Inter-Departmental Correspondence

Department: COUNTY MANAGER

Board Meeting Date: 9/29/2020

Special Notice / Hearing: Yes
Vote Required: Majority

To: Honorable Board of Supervisors

From: Michael P. Callagy, County Manager

Subject: Final Budget Changes to the Fiscal Year 2020-21 Approved Recommended Budget

RECOMMENDATION:

Approve the following actions related to final budget revisions to the Fiscal Year 2020-21 Approved Recommended Budget:

Adopt resolutions:

- A) Adopting the revised budget of the County of San Mateo as to expenditures for the Fiscal Year 2020- 21 and making appropriations therefore; and
- B) Adopting the revised budget of the County of San Mateo as to the means of financing for the Fiscal Year 2020-21; and
- C) Establishing the appropriation limit for the County of San Mateo for Fiscal Year 2020-21; and
- D) Authorizing an amendment to Master Salary Resolution 077624 as per Fiscal Year 2020-21 adopted budget.

BACKGROUND:

The County Budget Act (Government Code §§ 29000-29144, 30200, and 53065) requires that the Board of Supervisors adopt the County budget by October 2nd of each year.

On June 23, 2020, as part of the two-year budget process, the Board of Supervisors approved the FY 2020-21 Recommended Budget. In accordance with state law, the purpose of this budget transmittal is to adopt the FY 2020-21 Budget, which has been revised to include FY 2019-20 year-end Fund Balance adjustments; significant changes to local, state, and federal funding sources; increased County spending to respond to public health and economic impacts of the COVID-19 pandemic; reductions in expenditures in County departments; and other adjustments deemed necessary to ensure the effective delivery of services that contribute to achieving County goals.

DISCUSSION:

As was shared when the FY 2020-21 Recommended Budget was submitted, that budget did not yet reflect the significant revenue impacts and spending reductions resulting from the COVID-19 pandemic. During the spring and summer, staff from the County Manager's Office and departments worked with this Board to develop updated revenue projections and corresponding expenditure adjustments. Over the past few months, the County has also established several new COVID-19 response and recovery programs. The adopted budget, which includes these September Revisions to the FY 2020-21 Recommended Budget, reflects these significant changes in revenue and expenditures, based on the best available information on local, State, and federal funding sources and the current expectations of the County's financial resources for the coming fiscal year.

The FY 2020-21 Recommended Budget that this Board approved on June 23, 2020 totaled \$3.2 billion with 5,590 authorized positions for all County funds. With the completion of the County's year-end financial closing activities and the availability of updated information, increases of \$496 million or 16 percent are proposed in connection with the approval of the FY 2020-21 Adopted Budget. This also includes a net addition of seven authorized positions.

With these changes, the FY 2020-21 Budget now presented to this Board for adoption totals \$3.7 billion with 5,597 authorized positions for all County funds. The budget for the General Fund is \$2.4 billion with 4,447 authorized positions. Attachment D contains all September Revisions.

Final Fund Balance adjustments included herein comply with the County's Fund Balance Policy and Reserves Policy guidelines. Following FY 2019-20 year-end closing activities, final Fund Balances adjustments of \$203.3 million for all funds (\$107.6 million in the General Fund, \$86.9 million in other County funds, and \$8.8 million in non-County funds) are included in the book. These adjustments are summarized in Attachment B.

The following table summarizes Requirements for the September Revisions by County Agency:

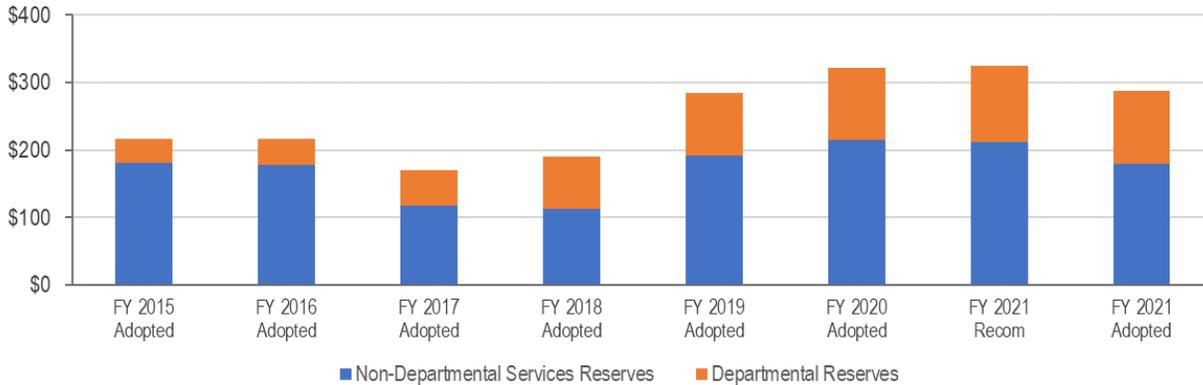
FY 2020-21 Adopted Budget, All Funds, Requirements

General Fund	2020-21 June Recommended	2020-21 Sept Measure K Rollover	2020-21 Final FB Adjustments	2020-21 Other September Revisions	2020-21 Adopted	2020-21 Authorized Positions
Administration/Fiscal	641,189,885	6,299,932	95,293,606	292,633,251	911,564,229	589
Community Services	188,350,801	48,197,715	4,545,445	6,793,258	247,887,219	477
Criminal Justice	489,879,894	10,000	4,436,452	(3,215,332)	491,111,014	1,370
Health	496,947,070	200,473	(617,778)	8,846,443	505,489,550	1,169
Social Services	288,277,968	166,119	3,937,284	(1,575,254)	287,284,033	842
General Fund	2,104,645,618	54,874,239	107,595,009	303,482,366	2,443,336,045	4,447
Non-General Fund						
Administration/Fiscal	67,815,845	-	23,054	3,287,459	71,126,358	
Community Services	553,085,565	14,897,715	85,456,734	52,638,306	706,078,320	129
Health	452,161,275	-	1,406,739	313,440	453,613,458	1,021
Non-General Fund	1,073,062,685	14,897,715	86,886,527	56,239,205	1,230,818,136	1,150
Total County	3,177,708,303	69,771,954	194,481,536	359,721,571	3,674,154,181	5,597
Information Only						
County Library Fund	57,662,212	739,084	8,783,237	1,346,926	66,419,925	123
First 5 Fund	14,853,317	-	-	-	14,853,317	8
Housing Authority Fund	107,142,009	-	-	-	107,142,009	47
LAFCo	543,441	-	37,916	147,447	728,804	2
Retirement Trust Fund	8,458,483	-	-	-	8,458,483	23
Information Only	188,659,462	739,084	8,821,153	1,494,373	197,602,538	203
Total County and Non-County	3,366,367,765	70,511,038	203,302,689	361,215,944	3,871,756,719	5,800

Note: Due to the nature of Fund Balance, '2020-21 Final FB Adjustments' column reflects Sources, while all other columns reflect Requirements.

This FY 2020-21 Adopted Budget includes General Fund Reserves of \$179.1 million for Non-Departmental Services, and \$109.2 million for General Fund departments. As anticipated, this is a reduction from the amounts reflected in the Recommended Budget (as shown in the figure below), as departmental and Non-Departmental Services Reserves have been used to backfill reductions in various funding sources as a result of the COVID-19 pandemic. General Fund Reserves nonetheless are at 13.4 percent (Non-Departmental Services Reserves are 8.3 percent and General Fund departmental Reserves are at 5.1 percent of Net Appropriations), exceeding the 10 percent required by Board policy. Using these Reserves prudently when necessary, while employing strategies like the hiring freeze to expand departmental reserves when possible, will help the County navigate the uncertain road ahead.

Budgeted General Fund Reserves (in Millions)



Budget Reductions

While the County has quickly responded to the pressing medical, public health, and financial needs facing residents, organizations, and businesses in the wake of the COVID-19 pandemic, the County also had to urgently address revenue impacts at the local, state, and federal levels, and adjust spending accordingly. Beginning earlier this summer, County staff brought proposals forward at a series of Board of Supervisors study sessions on how to address impacts to Prop 172/Realignment, Measure K sales tax, and General Fund spending. This FY 2020-21 Adopted Budget includes the following immediate reductions, which were introduced and discussed during these Board study sessions. As the County moves through the uncertainty of the pandemic, economic turmoil, and eventual recovery, taking immediate action in these areas will position the County to mitigate impacts to the community and employees to the greatest extent possible, while monitoring future changes to revenue sources and reimbursements.

- **Net County Cost Reductions (\$16.8 million):** Net County Cost (NCC) target reductions have been applied to all County departments except for Health. This action has resulted in savings of \$16.8 million to the General Fund.
- **Capital Projects Deferrals (\$12 million):** This FY 2020-21 Adopted Budget removes \$12 million in Non-Departmental Services Funding from the capital improvement projects list. The largest budget reductions are made to the following projects: Human Resources 5th Floor Renovation (\$3 million); Countywide Strategic Energy Master Plan Project Development (\$2 million); Nevin Health Clinic Replace Roof, Windows, and Mechanical Components (\$1.17 million); Youth Services Center Replace Air Cooled Condenser (\$588,708); Replace Automatic Transfer Switch Gear at Maguire Correctional Facility (\$464,883); and Countywide Interior Lighting Upgrade (\$450,000).
- **Prop 172 and Realignment Reductions (\$61 million):** Proposition 172 and Realignment revenues for FY 2020-21 are anticipated to decline by \$61 million, or approximately 25 percent. These reductions span Public Safety, Health, and Social Service programs. The State Budget includes \$750 million to provide support for counties experiencing revenue losses for realigned programs, of which San Mateo County will receive \$10.1 million. To

mitigate for the remaining portion of the shortfall, departments and Non-Departmental Services will be backfilling with one-time Reserves.

- **Measure K Reductions (\$20.5 million):** To account for the shortfall forecasted in Measure K revenues for FY 2020-21, this FY 2020-21 Adopted Budget recommends \$20.5 million reduction target for Measure K allocation. Accordingly, the FY 2020-21 Adopted Budget includes the following reductions: deferral of the Pescadero Fire Station (\$6 million), Affordable Housing Fund (\$5 million), Board of Supervisors District-Discretionary Measure K allocations (\$2 million), and County Fire Engine Replacement Fund (\$1.5 million). In addition, this budget removes the three percent cost of living adjustment (COLA) applied for FY 2020-21 to all ongoing Measure K initiatives, totaling \$1.2 million, and \$4.8 million will be reduced from the Measure K Reserve if needed. The summary of Measure K allocations is in Attachment C.

County Health Structural Deficit

Although the budget for County Health has increased in the Adopted Budget for one-time technology opportunities and one-time support for pandemic response, the structural deficit remains. As reported in April, based on pre-pandemic information, County Health had a budget gap of \$57 million and balanced the FY 2020-21 Recommended Budget with revenue solutions of \$27.3 million, expense reductions of \$10 million, reserves of \$14.1 million and the additional one-time support of \$5.5 million from this Board. County Health is continuing its budget planning process through the fall/winter and will provide an update to this Board prior to the study session in January, 2021.

COVID-19 Response

On March 2, 2020, the County opened the Emergency Operations Center (EOC) to coordinate planning and Countywide response to the COVID-19 pandemic. On March 3, 2020, pursuant to Section 101080 of the California Health and Safety Code, the San Mateo County Health Officer declared a local health emergency throughout the County related to COVID-19. On March 10, 2020, this Board ratified the declaration of a local health emergency and proclamation of a local emergency in response to COVID-19.

Under this Board's leadership, the County implemented a countywide emergency response to COVID-19, providing medical, public health, and social services on behalf of the cities as well as the unincorporated county. Healthcare costs, both at the Medical Center/clinics and in the field/long-term care facilities, the necessary supply of personal protective equipment (PPE), costs associated with other shelter facilities, including the San Mateo Event Center and the Burlingame Alternative Care Site, and the need for increased staffing all dramatically impacted the County's finances. In addition, the County incurred increased telecommuting and other costs resulting from state and local shelter-in-place orders and social distancing requirements. To date, the County has appropriated an estimated \$180 million in response to the COVID-19 pandemic.

Health Measures

County departments are responding to the urgent needs to limit the spread of COVID-19 and assist those who have contracted the virus.

In addition to testing in medical facilities in the County, mobile testing of those not showing symptoms has been conducted on a rotating basis in cities throughout the County, including San Mateo, East Palo Alto, Redwood City, Half Moon Bay, Daly City, and San Bruno. Residents are required to register online for appointments. County Health has also begun contact tracing efforts to isolate those who have tested positive for COVID-19, gathering information regarding those they may have been in contact with, and following-up with the contacts to refer those who become symptomatic to a primary physician for further testing and necessary care.

The Human Services Agency (HSA), has been providing Care and Shelter during the COVID-19 pandemic, including working with County Health to meet various temporary housing needs. Utilizing different local hotels, HSA is housing individuals experiencing homelessness to prevent infection, as well as housing other individuals who need to isolate because they live in crowded living conditions and are awaiting COVID-19 test results or the end of their quarantine periods.

To prevent the spread of COVID-19 among inmates, the Sheriff's Office implemented its Correctional Health Management Plan early in 2020. Since that time, the Sheriff's Office has continued to re-evaluate and adapt to new COVID-19 concerns by implementing numerous prevention procedures, including: daily medical screening of all personnel prior to entering any correctional facility, social distancing, wearing of masks by staff and inmates, constant cleaning, quarantining of new inmates for 14 days, with testing on days 2 and 12, and mandatory continued testing of both staff and inmates.

Stabilization Measures

The County has also developed several grant programs, partnerships, and policies to stabilize the most vulnerable community members, assist small businesses, and support individuals and families impacted financially by COVID-19.

- SMC Strong Fund: On March 24, 2020, this Board approved the allocation of \$3 million in Measure K funds, later reimbursed by CARES Act funding, to seed the San Mateo County Strong Fund, a COVID-19 recovery fund to benefit San Mateo County families and individuals, non-profit organizations, and small businesses adversely affected by COVID-19.
- Small property owners program: The County allocated \$2 million in CARES Act funding to provide grants to small rental property owners who have lost rental income due to COVID-19. Recipients will receive a grant to mitigate their rental losses, in exchange for forgiveness of a portion of tenants' back rent.
- Childcare grants: The County allocated \$2 million in CARES Act funding to seed the San Mateo County Child Care Relief Fund, which will provide individual grants of up to \$55,000 to a minimum of 25 child care centers and up to \$10,000 to a minimum of 65 family child care homes in the county to support the continued viability and availability of high-quality child care.
- San Mateo County Immigrant Relief Fund: On July 7, 2020 this Board approved a \$2 million contribution of Measure K funds to the San Mateo County Immigrant Relief Fund, which provides direct cash assistance grants of \$1,000 to low-income immigrant residents.

As of August 31, 2020, \$9.4 million had been raised for the Relief Fund from a variety of sources, and a total of 8,903 grants have been distributed to residents.

- Financial help for residents quarantining due to COVID-19 infection: County Health has contracted with the Mental Health Association to provide case management services to individuals identified by County Health to eliminate barriers to successful isolation and quarantine, including assessing needs, making plans for care of dependents, arranging for provision of food and other necessities during absence, obtaining supplies, connecting to the County contracted transportation resource, making plans for absence from work, assessing eligibility for economic support, such as assistance paying rent, and other programs and assisting with related referrals, and referring, if needed, for placement in a hotel if other isolation housing cannot be identified.
- Technology support to bridge the digital divide: To support community members who do not have the internet connectivity needed to work or learn from home while they shelter in place, the Information Services Department (ISD) partnered with school districts, cities, and libraries to rapidly identify community areas of need and deploy CARES Act-funded technology to those communities and students.
- COVID-19 outreach to vulnerable communities: To reach vulnerable residents who may need additional support to weather the pandemic, the Office of Community Affairs has deployed a van and outreach team to visit low-income neighborhoods throughout the county to deliver masks, cleaning supplies, and information in multiple languages on how to access food, financial, and health resources to keep residents stable and healthy.

FEMA Funding

Based on the emergency declaration, the County claimed \$39 million and received \$18.6 million in FEMA funding in FY 2019-20, all of which was spent within that fiscal year. The County anticipates claiming an additional \$48 million (at minimum) in FEMA funds related to COVID-19 and the CZU Lightning Complex fires in FY 2020-21.

CARES Act

To date, the County has received \$134 million in CARES Act funding, of which \$24.8 million was spent in FY 2019-20. The table below shows the combined budgeted and expended amounts in CARES Act funds for FY 2020-21.

CARES Act Funding Expenditures FY 2019-20 and FY 2020-21 (Total Received: \$133,761,077)	
Projects	Budgeted/Spent
Unfunded FEMA Share 25%	\$10,800,000
Measure K Reimbursement - SMC Strong Fund	\$3,000,000
Event Center Storage PPE (July through December 2020)	\$300,000
Alternative Care Facilities (through December 2020)	\$10,332,013

Health Response	\$17,800,000
Human Resources (COVID-19 response time departments)	\$8,000,000
Information Technology	\$9,933,507
Miscellaneous: Tracing, Testing, Homelessness, Child Care, Rental Assistance	\$64,000,000
Reserve/Contingency	\$9,595,557
Total	\$133,761,077

CZU Lightning Complex Fires Response

In addition to managing the COVID-19 pandemic response, the County is also now addressing wildfire response and recovery. Beginning August 19, 2020, evacuations due to the CZU Lightning Complex Fires began in San Mateo County. These fires, along with other fires burning throughout the Bay Area in late August, have produced poor air quality that increases risk to vulnerable groups. In response to the CZU fires, the County duly activated the EOC to respond to this incident. The response effort is currently underway, and at this time it is unknown what additional response and recovery efforts will be needed, or how long those will last. The financial impacts to the County are unknown.

Innovation

Despite these challenges, County departments are developing new and innovative ways to deliver services to the community and use resources wisely.

- Emergency Medical Services: EMS is facilitating the collection, merging, and analysis of numerous complex datasets in Geographic Information System (GIS) maps to enable outreach to and protection of vulnerable populations in disaster situations. Leveraging GIS technology and approaching this need through an “all-hazards” lens, the outcome is the mapped depiction of persons at disproportionate risk of morbidity and mortality in emergencies. Most recently, the County Health team has used these data tools to: proactively reach out and continue to serve highly vulnerable clients in the face of Public Safety Power Shutoffs, assess and provide supports to congregate care facilities to prevent and enhance response to COVID-19 infection amongst their residents and staff, and identify persons and healthcare facilities particularly susceptible to and at risk of adverse impact from rapidly spreading wildfires.
- Health Coverage Unit: HCU achieved full remote enrollment coverage assistance within one week of the March 17, 2020 Shelter in Place Order, enabling extended evening and weekend support to 6,157 residents from April 1 to July 30, 2020. Contributing to enrollment of San Mateo County residents, especially residents of color who have lower incomes and who represent the populations with greatest exposure to COVID-19, HCU is leading six distinct research efforts aimed at increasing knowledge about COVID-19 prevalence, effective control and prevention measures for staff and inmates in correctional settings, use of convalescent plasma therapy, rapid point of care testing accuracy, and

expanded access to Remdesavir in partnership with premier institutions such as the University of California, San Francisco (UCSF), Stanford, Mayo Clinic, and others.

- San Mateo Medical Center: SMMC converted over 75 percent of its ambulatory volume to telehealth within a few days and established an improved standard of work. The Ambulatory team has been asked to present this work to the California HealthCare Safety Net Institute on multiple occasions. And, because it stepped forward to participate in clinical trials, SMMC was one of the first public hospitals to have access to Remdesivir and has also had patients receive convalescent plasma.
- County Health: Health repurposed the Health/County fleet that would otherwise have lain dormant to the “swab squad”, a group of public health nurses deployed to test for COVID-19 in the community.
- County Parks: Because people are unable to congregate, Parks is launching a virtual version of its popular Take A Hike! Challenge, which encourages park users to discover and explore a new park each month through virtual video posts on social media and a picture scavenger hunt challenge.
- District Attorney: The DA, together with the courts, is conducting almost all court proceedings, including arraignments, motions, pretrial conferences, bail hearings, and others, by Zoom remote video conferencing. Also, when the COVID-19 emergency began, the Multi-Disciplinary Advisory Committee was concerned about conducting child forensic interviews of sexual assault victims at the Keller Center, which is situated right next to the Emergency Department at the San Mateo Medical Center. To avoid families from potentially encountering COVID-19 patients, in March the Committee implemented a countywide triage process for child forensic interviews. This system identified exigent cases (e.g. where suspect was living in the home with the child) and set up remote forensic interviews (tele-FI) using Zoom technology. The protocol allowed the DA, the interviewers, Children and Family Services, Rape Trauma Services, and our victims to participate virtually. The tele-FI protocol was expanded in June to allow for all child forensic interviews. To aid in this expansion, the DA’s office provided tele-FI kits to our partners who lack soft rooms so that they can host child sexual assault victims and their families at their agencies.
- Assessor-Clerk-Recorder-Elections: ACRE digitized building plan e-filings for Municipal and County Building Departments, eliminating paper waste, lost staff time to pick up plans, and any physical interaction, and implemented online marriage license and wedding ceremonies, fulfilling a critical need and becoming a very popular service during the COVID-19 era.
- Department of Public Works: DPW recently used Cold In Place Recycling, a green and sustainable construction method that grinds badly damaged asphalt concrete roadways in place and mixes with agents to renew the strength of the structural section before a new wearing course is applied. DPW then applied Asphalt Rubber Chip Seal wearing course, a pavement preservation process, that uses old tires (up to 500 old tires per lane mile) in the asphalt emulsion in the chip seal process to increase durability and longevity on existing

roadways. This method is significantly less expensive than traditional roadway reconstruction to improve the condition of roadway sections and recycles old waste tires that would otherwise have gone to the landfill.

- Child Support Services: The department is conducting court hearings via Zoom with customers and electronically filing an additional 50 legal forms with the courts, saving time and money. The department is also utilizing video conferencing and texting to reach its customers.
- Information Services Department: Over the past six months, ISD has deployed innovative technology to enable thousands of County employees to work effectively, securely, and remotely via laptops, personal devices, mobile devices, and virtual desktops. When the CZU Lightning Complex fires started, ISD supported mission-critical communications for the EOC and public safety personnel, and the GIS Team provided critical near-real time mapping of field situations and status maps.
- Office of Sustainability: The San Mateo County Green Business Program, administered by OOS, has adapted to COVID-19 by developing a virtual certification process that includes new Spanish-language outreach and certification through virtual visits and webinars in Spanish.

County Counsel has reviewed and approved the resolutions as to form.

FISCAL IMPACT:

The impact of all September changes on Total Requirements for all County funds is an increase of \$496.4 million in FY 2020-21 (compared to the FY 2020-21 Recommended Budget). Fund Balance has increased by \$194.5 million for all County funds (\$107.6 million in the General Fund and \$86.9 million) in other County funds. General Fund Reserves now total \$288.3 million, which represents 13.4 percent of Net Appropriations.

ATTACHMENTS:

Attachment A – Position Changes Summary
Attachment B – Final Fund Balance Adjustments
Attachment C – Measure K Summary
Attachment D – September Revisions
Attachment E – Capital Projects Summary

cc: Roberto Manchia, Chief Financial Officer
Peggy Jensen, Deputy County Manager
Iliana Rodriguez, Deputy County Manager
Justin Mates, Deputy County Manager