



# County of San Mateo

## Inter-Departmental Correspondence

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**Department:** COUNTY MANAGER

Board Meeting Date: 9/28/2021

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**Special Notice / Hearing:** None  
**Vote Required:** Majority

**To:** Honorable Board of Supervisors  
**From:** Michael P. Callagy, County Manager  
**Subject:** Final Budget Changes to the Fiscal Year 2021-22 Approved Recommended Budget

**RECOMMENDATION:**

Approve the following actions related to final budget revisions to the Fiscal Year 2021-22 Approved Recommended Budget:

- A) Resolution adopting the revised County of San Mateo budget as to the expenditures for Fiscal Year 2021- 22 and making appropriations therefore; and
- B) Resolution adopting the revised County of San Mateo budget as to the means of financing for Fiscal Year 2021-22; and
- C) Resolution establishing the appropriation limit for the County of San Mateo for Fiscal Year 2021-22; and
- D) Resolution authorizing an amendment to Master Salary Resolution 078309 as per Fiscal Year 2021-22 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 2, 2021.

On June 23, 2021, as part of the two-year budget process, the Board of Supervisors approved the FY 2021-22 Recommended Budget and received the FY 2022-23 Preliminary Recommended Budget. The purpose of this budget transmittal is to adopt the FY 2021-22 Budget, which has been amended to include FY 2020-21 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; position adjustments; and other adjustments deemed necessary to ensure the effective delivery of services that contribute to achieving County goals.

**DISCUSSION:**

The FY 2021-22 Recommended Budget that this Board approved on June 23, 2021 was \$3.3 billion with 5,642 authorized positions for all County funds. With the completion of the County's year-end financial closing activities, final Fund Balance adjustments, rollover of unspent Measure K and other funding sources from FY 2020-21, and other budget changes based on updated funding amounts, increases in expenditures of \$431.8 million, or 13 percent, are proposed in connection with the approval of the FY 2021-22 Adopted Budget. This also includes a net reduction of 15 authorized positions. With these changes, the FY 2021-22 Budget now presented to this Board for adoption totals \$3.8 billion with 5,627 authorized positions for all County funds. The budget for the General Fund is \$2.5 billion with 4,455 authorized positions. Attachment A contains all September Revisions.

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

**FY 2021-22 Adopted Budget, All Funds (Requirements)**

County Agencies All Funds	2021-22 June Recommended	September Revisions Adjustments	2021-22 Adopted	2021-22 Authorized Positions
ADMFIS	704,971,908	185,898,651	890,870,559	597
COMSVC	201,918,965	69,889,814	271,808,779	490
CRIMJU	497,872,752	5,163,679	503,036,431	1,347
HEALTH	535,188,805	10,376,025	545,564,830	1,183
SOCSVC	293,008,297	15,579,329	308,587,626	838
<b>General Fund</b>	<b>2,232,960,727</b>	<b>286,907,498</b>	<b>2,519,868,225</b>	<b>4,455</b>

County Agencies All Funds	2021-22 June Recommended	September Revisions Adjustments	2021-22 Adopted	2021-22 Authorized Positions
ADMFIS	63,711,436	164,483	63,875,919	-
COMSVC	574,676,797	126,565,978	701,242,775	130
HEALTH	474,075,605	18,176,003	492,251,608	1,042
<b>Non-General Fund</b>	<b>1,112,463,838</b>	<b>144,906,464</b>	<b>1,257,370,302</b>	<b>1,172</b>
<b>Sum:</b>	<b>3,345,424,565</b>	<b>431,813,962</b>	<b>3,777,238,527</b>	<b>5,627</b>

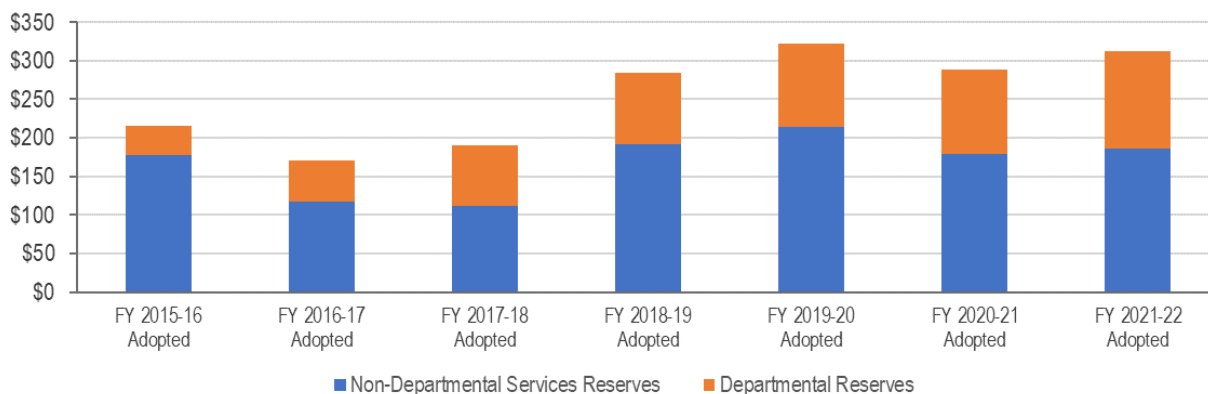
Sub Fund Name	2021-22 June Recommended	September Revisions Adjustments	2021-22 Adopted	2021-22 Authorized Positions
County Library Fund (Information Only)	64,956,218	7,096,898	72,053,116	135
First 5 Fund (Information Only)	13,299,119	3,049,996	16,349,115	8
Housing Authority Fund (Information Only)	131,367,475	-	131,367,475	48
LAFCo (Information Only)	896,551	301,917	1,198,468	2
Retirement Trust Fund (Information Only)	9,591,245	-	9,591,245	23
<b>Sum:</b>	<b>220,110,608</b>	<b>10,448,811</b>	<b>230,559,419</b>	<b>216</b>

## Fund Balance and Reserves

Final Fund Balance adjustments included herein comply with the County's Fund Balance Policy and Reserves Policy guidelines. Following FY 2020-21 year-end closing activities, final Fund Balance adjustments of \$152.3 million for all County funds—\$97.5 million in the General Fund and \$54.8 million in other County funds—are included in the book. These adjustments are summarized in Attachment B.

This FY 2021-22 Adopted Budget includes General Fund Reserves of \$186.8 million for Non-Departmental Services, and \$125.8 million for General Fund departments. General Fund Reserves are at 14.2 percent, exceeding the 10 percent required by Board policy. This represents a small change from the General Fund Reserves level of 13.9 percent in the FY 2021-22 Recommended Budget. Within General Fund Reserves, Non-Departmental Services Reserves and Contingencies are 8.5 percent and General Fund departmental Reserves are at 5.7 percent of Net Appropriations. County policy requires that Non-Departmental Services maintain Reserve levels of 5.0 percent and Contingencies of 3.0 percent; thus, the combined 8.5 percent Non-Departmental Reserves and Contingencies level slightly exceeds the requirement by 0.5 percent.

**Budgeted General Fund Reserves**  
(in millions)



## VLF Shortfall Impact on Reserves

The FY 2020-21 countywide VLF shortfall is currently estimated to be \$96.1 million, of which the County's share is \$57 million. The Controller's Office has filed a claim for reimbursement with the Department of Finance so that the County and cities can be made whole for the VLF shortfall amounts. In past years, reimbursement has been provided 18 months after claim submission, although due to the size of the FY 2020-21 shortfall, the State reimbursement may take longer and will not be received during FY 2021-22. Because of the delay in reimbursement, the FY 2020-21 \$57 million VLF shortfall had to be covered with Reserves, comprised of Excess ERAF revenues, thus contributing to the relatively lower Budgeted General Fund Reserves than in recent years.

## Revenue Changes

The FY 2021-22 Adopted Budget contains significant one-time changes to several revenue sources, with corresponding appropriations adjustments:

- The County has received funding of approximately \$74.4 million in funds from the American Rescue Plan Act of 2021 (ARPA). Details on the use of ARPA funding is provided in the COVID Response and Recovery section below.
- In addition, approximately \$30 million of unspent FEMA and CARES Act funds from FY 2020-21 for COVID-19-related activities still in process are rolled over and appropriated in this budget.
- Due to the City of Chula Vista v. Sandoval decision, the County received \$18.9 million in one-time, unanticipated Residual Redevelopment Act (RDA) Funds.
- Secured property tax revenues have been reduced based on updated rates. The FY 2021-23 Recommended Budget contained a rate of 5.0 percent based on mid-year projections from the Assessor's Office; however, actual values came in lower, so this budget reduces property tax to a rate of 4.66 percent.
- This budget makes a number of adjustments to Measure K funding. This includes the addition of funding for items previously approved by this Board to align with previous Board allocations: Homelessness, to be used for cost of contracts for running the recently-acquired hotels (\$2.5 million/year); Tower Road Fire Station (\$1 million/year); College for All (\$1 million/year); North Fair Oaks Library (\$500,000 in FY 2021-22); Fire Mitigation (\$500,000 in FY 2021-22); and Active Transportation (\$500,000 in FY 2021-22).
- These changes also include new allocations of Measure K funding: San Bruno Mountain planning study for site improvements (\$1 million in FY 2021-22); contribution to Peninsula Open Space Trust for purchase of Cloverdale Ranch (\$500,000 in FY 2021-22); Daly City Youth Health Center support (\$500,000 in FY 2021-22); and funding for shelter services under Human Trafficking and Sexually-Exploited Victims (\$120,000 in FY 2021-22). The Measure K Allocations Summary can be found in Attachment C.

### **Position Changes**

This budget includes a net reduction of 15 positions from the FY 2021-22 Recommended Budget to the FY 2021-22 Adopted Budget. There are no additional position changes in the FY 2022-23 Preliminary Adopted Budget. These net reductions are primarily due to reductions of 10 positions in Revenue Services and eight positions in Department of Child Support Services.

Revenue Services provides debt collection services to the Court, some departments, and outside agencies. Due to legislative changes, Revenue Services has seen a decrease in the value and amount of work referred for debt collection services by more than 50 percent since 2015. Despite implemented cost savings and revenue-increasing measures, expenditures needed to be further reduced with the elimination of 10 permanent positions. Of the 10 positions eliminated, six positions were filled, two were vacant, and two were retirements scheduled to occur by the time of the Board

Budget Hearings. Employees in the six filled positions were offered and accepted other positions within the County.

Due to a new methodology for distributing funds from the California Department of Child Support Services to local child support agencies, state funding for the Department of Child Support Services was reduced by approximately \$1.5 million, requiring the elimination of eight positions, five vacant and three filled.

The full list of position changes can be found in Attachment D. Note that the total position changes included in the FY 2021-22 Adopted Budget and summarized in Attachment D differ from the totals in the Amendment to the FY 2021-22 Master Salary Resolution 078309 that accompanies this budget because the position deletions in Revenue Services and Department of Child Support Services are included in a separate Salary Resolution Amendment scheduled for Board consideration on September 14, 2021.

### Capital Projects

Capital projects are the one-time outlay of funds for ground-up construction, acquisition, structural improvements, renovation, rehabilitation, and nonstructural renovations to County-owned facilities. The County's Capital Improvement Plan (CIP) does not presently include major construction, renovation, or rehabilitation of County roads, utilities, and airports infrastructure. The County includes projects under Project Development Unit, Department of Public Works, and Parks Department in its list of capital projects. The Capital Projects Summary for FY 2021-22 can be found in Attachment E. The full Five-Year CIP for FY 2021-26 will be posted online the week of September 20, prior to the Adopted Budget Hearings.

The FY 2021-22 Adopted Budget includes changes of \$110.1 million from the FY 2021-22 Recommended Budget. Budget changes include rollover of unspent funds from FY 2020-21 and adjustments to project budgets. The FY 2021-22 Adopted Budget total for capital projects is \$635.6 million, a 21 percent increase from the Recommended Budget. The table below shows the total capital budget for FY 2021-22 by funding source. The values below represent the amounts budgeted in the FY 2021-22 Adopted Budget, with the exception of Bond-funded portion of projects. Bond funds are budgeted and spent outside of the County's budget and accounting systems.

Funding Source	FY 2021-22 Recommended	September Revisions	FY 2021-22 Adopted
Bond	372,153,802	(53,208)	372,100,594
Departmental	18,439,223	11,018,762	29,457,985
Rent Facilities Service Charge Fee	3,461,630	(557,422)	2,904,208
General Fund	112,543,846	89,173,144	201,716,990
Grants/Donations	-	2,849,095	2,849,095
Measure K	18,865,312	7,710,044	26,575,356
<b>Total</b>	<b>525,463,813</b>	<b>110,140,415</b>	<b>635,604,228</b>

During FY 2019-21, the COVID-19 pandemic negatively impacted the availability of building material and labor, slowing the pace of the County's capital projects in the face of emergency pandemic response. Through the leadership of this Board and its commitment to investing in the health, safety, and futures of all County residents, the capital projects underway during this time continued to make progress toward completion and are well-situated to increase that progress during the current and future fiscal years.

Parking Structure 2 (PS2) was substantially completed in August 2021. Floors 1-6 opened for parking in September 2021. Following the completion of the installation of the photovoltaic system, Floor 7 will open in November 2021.

The emergency water tank at the San Mateo Medical Center (SMMC) was replaced with a new 200,000-gallon steel water tank designed to supply water fulltime to the SMMC campus.

The Princeton Yard Above Ground Fuel Tank project, which involved the removal of the existing underground fuel storage tank system, construction, and commissioning of a new 4,000-gallon insulated, split fuel tank, intended to serve County fleet vehicles in the coastal area, was also completed.

Other notable completed projects include countywide interior lighting upgrades, Youth Services Center (YSC) artificial turf (football field) replacement, the restoration of the south entrance of the Hall of Justice, installation of two emergency generators, as well as many Facilities Condition Index System (FCIS) maintenance and replacement projects.

## **COVID Response and Recovery**

### American Rescue Plan Act (ARPA) Funding

As shared when this Board received the FY 2021-22 Recommended Budget, that budget did not yet include funding the County expected to receive under ARPA. Since then, staff have updated revenue projections and corresponding expenditure adjustments, and this Board has approved the creation of several new COVID-19 response and recovery programs. This budget document, September Revisions to the FY 2021-22 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 County continues to prioritize COVID-19 economic recovery through a wide range of programs for individuals and families, businesses, and organizations. This budget includes the addition of approximately \$74.4 million of American Rescue Plan Act of 2012 (ARPA) funds. The following table summarizes the budget allocations for this funding, and discussion of major ARPA-funded programs is below.

<b>ARPA Funding Allocations FY 2021-22</b> (Total Received: \$74.4 million)	
<b>Projects</b>	<b>Budgeted</b>
<b>Homelessness:</b> Navigation Center and/or acquisition of additional hotels	\$20,000,000
<b>Lost Revenue Reimbursement:</b> reimbursement to County departments for loss of County revenue incurred through the course of the pandemic	\$20,000,000
<b>Community Initiatives:</b> community efforts related to equity and recovery	\$10,000,000
<b>Business Support:</b> funds for the creation of the North County Small Business Center, for the Renaissance Entrepreneurship Center, and for <u>WeHope</u> to develop a modular housing manufacturing plant in East Palo Alto	\$5,500,000
<b>Environmental Health Fees:</b> one-time support to about 5,400 businesses to offset revenue losses incurred due to restrictive COVID-19 Health Orders	\$5,150,000
<b>Vaccine Outreach, Events, and Mass Vaccination for 3<sup>rd</sup> Dose:</b> administration of vaccines in communities at increased risk of COVID-19 infection and hospitalization, and enhanced vaccine outreach through extra help staffing and community-based providers	\$5,000,000
<b>SMC Strong Small Business Assistance Program:</b> 200 grants of \$10,000 each to eligible small businesses that have not received a County or state/federal small business COVID recovery grant or loan in past 12 months, plus \$75,000 to SMCU Community Fund to administer the program	\$2,075,000
<b>Home Delivered Meals Expansion for Older Adults:</b> expansion of the County's home delivered meals program for older adults for two years, following the end of the Great Plates Delivered program	\$1,950,000
<b>Second Harvest of Silicon Valley Emergency Food Assistance:</b> emergency food assistance for vulnerable populations and creation of grocery delivery programs for older adults	\$2,550,000
<b>Micro Food Business Grant Program:</b> grants of up to \$2,500 for cottage food operators, \$5,000 for caterers, food trucks, food carts, and \$10,000 for commissaries and incubator kitchens	\$500,000
<b>Microenterprise Home Kitchen Ordinance (MEHKO) Pilot and Grant Program:</b> \$238,000 for EHS to operate MEHKO pilot permitting program and \$62,500 for individual grants of \$2,500 to 25 MEHKO permit holders	\$300,000
<b>Total</b>	<b>\$73,025,000</b>

### Aging and Adult Services (AAS)

The federal Coronavirus Response and Relief Supplemental Appropriation Act of 2021 granted AAS \$105,115, which it is appropriating towards an extra-help Social Worker to assist with vaccination outreach and for technology enhancements to improve the Adult Protective Services case management system.

The State awarded \$99,300 to Aging and Disability Resource Connect partners, including SMC AAS, to ensure that vulnerable and underserved adult populations including at-risk older adults and people with disabilities, have access to the COVID-19 vaccine. This funding is being appropriated for extra help staffing and to community-based providers to enhance vaccination outreach efforts.

Additional one-time funding of \$352,768 from the American Rescue Plan Act of 2021 is allocated towards expanding the Older Americans Act of 1965 Title III programs. Funding will be used for

existing community-based providers to enhance existing Senior Nutrition Program, Supportive Services, Preventative Health, Family Caregiver, and Ombudsman program.

The Consolidated Appropriation Act of 2021 granted AAS \$2.6 million which will be used to expand Older Adult Services and to existing community-based providers to enhance existing Senior Nutrition Program and Elder Abuse Program.

#### Correctional Health Services

A grant from the Board of State and Community Corrections in the amount of \$1.2 million will be used to remodel Maguire Correctional Facility intake and provide reentry services through existing staff and community-based organizations.

#### Family Health Services (FHS)

The third amendment to the Grant from the California Department of Public Health Immunization Program supports detecting, reporting, and controlling vaccine-preventable diseases. The California Government Operations Agency has allocated funds for the purpose of administering vaccines in communities that are at increased risk of COVID-19 infection and hospitalization. Both of these programs awarded FHS a total of \$2.5 million.

#### Public Health, Policy, and Planning (PHPP)

PHPP has received funds from the Department of Housing for Street Medicine for \$800,000 to support those in isolation due to COVID-19 or homeless and at risk for exposure. Additionally, a Workforce Planning Grant from the California Department of Public Health (CDPH) in the amount of \$700,000 will be used towards supplemental staffing, pending further requirements and guidance from the State.

### **Equity**

Equity will continue to be a top priority for the County. A draft equity framework has been developed that will guide all of the County's internal and external efforts to advance equity. Over time, these efforts will change the way the County conducts business, delivers services to residents, and develops policies and programs. The imperative to advance equity is also key to making the County more innovative: by making internal and external practices more inclusive, just, and representative, the County will be able to serve clients and residents more effectively, better harness the potential and ability of its workforce, establish more productive partnerships and collaborations, and address its most pressing challenges.

### **Homelessness**

Reaching and sustaining functional zero homelessness in San Mateo County—a milestone indicating that our community has measurably ended homelessness, and that homelessness is rare overall and brief when it does occur—is one of the top priorities of the County Manager's Office. The FY 2021-22 Adopted Budget reflects this focus; as discussed in this memo, this includes significant appropriations to address homelessness. The County has budgeted \$20 million of the total \$74.4 million in ARPA funds to address homelessness, which may be used to create the Navigation Center or for purchase of additional hotels for housing homeless residents. In Major



Capital Construction, an additional \$5 million is budgeted for the Navigation Center, and \$2.2 million of unused rollover funds from other projects are appropriated to the Maple Street Homeless Shelter. In Capital Projects, funds are appropriated for the remodel of the Coastside Inn and Pacific Inn, hotels which were acquired in the last year to house the homeless.

In the Human Services Agency, this budget includes \$2.5 million each year in Measure K funds for the Human Services Agency Center on Homelessness to fund hotel contracts, maintenance, and rent for Coastside Inn and Pacific Inn; \$200,000 for a pilot with the City of Millbrae to provide homeless outreach services at the Millbrae BART station; and \$70,000 to leverage State Homeless Housing, Assistance, and Prevention grant funding to continue homeless outreach services through Project WeHOPE. In Public Health, Policy, and Planning, \$800,000 one-time funds from the Department of Housing are appropriated for Street Medicine to treat and case manage those in the County-owned Hotels in isolation due to COVID-19 as well as extending their reach to those who are homeless and at risk for COVID-19 exposure.

Budgets reflect a community's values, and this FY 2021-22 Adopted Budget represents the sustained, coordinated commitment the County is making to achieving functional zero homelessness.

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 \$431.8 million in FY 2021-22 (compared to the FY 2021-22 Recommended Budget). Fund Balance has increased by \$152.3 million for all County funds (\$97.5 million in the General Fund and \$54.8 million in other County funds). General Fund Reserves now total \$312.6 million, which represents 14.2 percent of Net Appropriations.

**ATTACHMENTS:**

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