



County of San Mateo

Inter-Departmental Correspondence

Department: COUNTY MANAGER

File #: 19-896

Board Meeting Date: 9/24/2019

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 2019-20 Approved Recommended Budget

RECOMMENDATION:

Approve the following actions related to final budget revisions to the Fiscal Year 2019-20 Approved Recommended Budget:

Adopt resolutions:

- A) Adopting the revised County of San Mateo budget as to the expenditures for Fiscal Year 2019-20 and making appropriations therefore; and
- B) Adopting the revised County of San Mateo budget as to the means of financing for Fiscal Year 2019-20; and
- C) Establishing the appropriation limit for the County of San Mateo for Fiscal Year 2019-20; and
- D) Amending the Fiscal Year 2019-20 Master Salary Resolution 076798 to add a net of eighty-six (86) positions.

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, 2019.

On June 19, 2019, as part of the two-year budget process, the Board of Supervisors approved the FY 2019-20 Recommended Budget and received the FY 2020-21 Preliminary Recommended Budget. The purpose of this budget transmittal is to adopt the FY 2019-20 Budget, which has been amended to include FY 2018-19 year-end Fund Balance adjustments; the addition of new positions; the re-appropriation of capital improvement projects, IT projects, and Measure K initiatives; and other adjustments deemed necessary to ensure the effective delivery of services that contribute to achieving County goals.

DISCUSSION:

The Recommended Budget that the Board approved on June 19, 2019 was \$3.2 billion with 5,764 authorized positions, including Information Only and Non-General Fund entities. With the completion of the County's year-end financial closing activities and the availability of updated information, increases of \$296 million or 9.3 percent are proposed in connection with the approval of the FY 2019-20 Adopted Budget. This also includes a net increase of 86 authorized positions. With these changes, the FY 2019-20 Budget now presented to the Board for adoption totals \$3.5 billion with 5,850 authorized positions. The budget for the General Fund is \$2.2 billion with 4,469 authorized positions.

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

County Agencies	2019-20 June Recommended	2019-20 All September Revisions	2019-20 Adopted	2019-20 Authorized Positions
General Fund				
Administration/Fiscal	571,506,348	99,517,188	671,023,536	590
Community Services	178,442,683	54,016,947	232,459,630	472
Criminal Justice	468,800,882	5,785,458	474,586,340	1,402
Health	489,065,305	5,348,732	494,414,037	1,162
Social Services	279,386,558	7,923,739	287,310,297	843
Total General Fund	1,987,201,775	172,592,064	2,159,793,839	4,469
Non-General Fund				
Administration/Fiscal	72,774,348	18,220	72,792,568	-
Community Services	512,355,317	67,209,724	579,565,041	129
Criminal Justice	-	-	-	-
Health	417,198,977	45,123,971	462,322,948	1,049
Social Services	-	-	-	-
Total Non-General Fund	1,002,328,642	112,351,915	1,114,680,557	1,178
Total All Agencies	2,989,530,417	284,943,979	3,274,474,396	5,647
Information Only				
County Library Fund	54,480,391	7,066,307	61,546,698	123
First 5 Fund	13,557,956	4,020,934	17,578,890	8
Housing Authority Fund	107,142,009	-	107,142,009	47
LAFCo	465,109	48,509	513,618	2
Retirement Trust Fund	8,999,821	(20,963)	8,978,858	23
Total	184,645,286	11,114,787	195,760,073	203
Total County and Non-County	3,174,175,703	296,058,766	3,470,234,469	5,850

Final Fund Balance Adjustments

Final Fund Balance adjustments included herein comply with the County's Fund Balance Policy and

Reserves Policy guidelines. Following FY 2018-19 year-end closing activities, additional Fund Balances of \$155.8 million for all County funds (\$107.6 million in the General Fund and \$48.2 million in all other funds) are included in the budget. These adjustments are summarized in Attachment B.

Position Changes

One of the most significant changes included in September Revisions is the increase in the number of authorized positions. Over the last several years, the County added numerous term positions intended to staff short-term or pilot initiatives. Following approval of the Recommended Budget, the County Manager conducted a thorough review of all department needs, including term positions, and has determined that an addition of permanent positions is needed to address strategic goals and increased demand by residents for County services.

Final budget changes result in the addition of 119 and the removal of 33 authorized positions, for a net increase of 86 authorized positions. Of the 86 positions added, 64 positions represent conversions of limited term or extra help positions to regular positions, and are offset by the removal of 68 term or extra help positions. Another 26 positions are newly-added.

The newly-added positions are described below. A full list of all position changes, including new positions, conversions, and add/deletes, is provided in Attachment A.

- **Controller's Office** adds one Management Analyst to cover duties for the Countywide Oversight Board of the former redevelopment agencies; the position is funded 75 percent by the Oversight Board and 25 percent by Net County Cost.
- **County Manager's Office** adds three Management Analysts to support additional projects conducted out of the CMO, and one Community Program Analyst II to the Office of Community Affairs.
- **District Attorney** adds one Deputy DA IV to address consumer fraud. This position is fully funded by the Consumer Fraud Trust, which is funded from civil penalties when a judgment is rendered.
- **Human Services Agency (HSA)** adds one Senior Management Analyst to facilitate expansion of the catering work experience and food handling certification program. This position is fully funded within HSA's existing budget.
- **Parks Department** adds one Park Ranger II and one Park Ranger III to address increasing workload in Operations and Maintenance.
- **Planning and Building** adds one Deputy Director (Assistant Director) to provide support to the Director and increase capacity for the department, one Senior Planner to focus on long-range transportation projects, and one Code Compliance Officer III to increase support to the Code Compliance team.
- **Probation** adds 11 new positions to allow the Superior Court of the County to contract with the Probation Department to enhance its existing Pretrial Services program. These positions are fully funded by a grant.

- **Public Works** adds two Capital Project Managers to address the high volume of complex and time-sensitive capital improvement projects.
- **Real Property Services** adds one Fiscal Office Specialist to address increasing workload in the unit.

Measure K Allocations

The FY 2019-20 Adopted Budget recommended for approval includes \$181,027,950 in Measure K allocations, which includes the County Library at \$2,209,240. This is an increase of \$52,927,292 over the Approved Recommended Budget. The majority of this increase is due to rollover of Housing dollars (28.2 million), with the remaining increase largely attributable to rollover in Capital Projects. The summary of Measure K allocations is in Attachment C.

Final Budget Changes (September Revisions)

Final budget changes for all County funds result in a net increase to the County Budget of \$285 million. The net increase to the General Fund is \$172.6 million. Attachment D contains all September Revisions.

Key September Revisions

San Mateo Medical Center (SMMC) - Brius Management Contract

SMMC is changing how the patient revenue and the contract expenses generated by Burlingame Skilled Nursing (formerly Burlingame Long Term Care) operations managed by Brius, LLC, are reflected in the budget. The Medical Center has a management agreement with Brius for the use of the Medical Center license so that Burlingame Skilled Nursing can operate as a Distinct Part Skilled Nursing Facility and receive associated reimbursement. Brius owns the building and all of the assets associated with Burlingame Skilled Nursing except the license. Currently, the revenue and expenses of \$40 million is recognized on the balance sheet and not reflected within the operating budget of SMMC. SMMC recently underwent a state audit and appeal of the rates in which the relationship with Brius was questioned, in part, due to how this transaction was recorded. In September Revisions, SMMC has a decision package to move this transaction to the operating budget, reinforcing the relationship between the County and Brius LLC as a management services contract, rather than as a related party. There is no change to the County Contribution or impact to the Medical Center's operating budget as a result of this change. Any shortfalls in revenue for Burlingame Skilled Nursing will continue to result in a lower management fee payment to Brius under the current agreement.

Health Coverage Unit - Children's Health Insurance Program (CHIP)

The San Mateo County Healthy Kids insurance product will be ending on September 30, 2019, as the majority of the Healthy Kids members will be transitioning to the California Children's Health Insurance Program (C-CHIP) Medi-Cal coverage. As such, CHIP revenue and premium costs paid to the Health Plan of San Mateo are reduced by \$2,795,186. A small number of Healthy Kids members who are not eligible to transition to the C-CHIP Medi-Cal Coverage program will have their health insurance premiums paid for one year by the Healthy Kids Trust Fund, which was created by funders when the program was launched.

In-Home Supportive Services (IHSS) - Maintenance of Effort (MOE)

The IHSS Public Authority is obligated to provide a local IHSS Maintenance of Effort (IHSS MOE) for IHSS services. Last year, the amount was about \$16 million and was scheduled to increase by seven

percent annually. However, with the Governor's new budget, the IHSS MOE will be lower than previously projected and will only increase four percent annually thereafter. This favorable change is expected to reduce San Mateo's IHSS costs by \$2 million in FY 2019-20 and an additional \$3.7 million in FY 2020-21. The reduction to the IHSS MOE will reduce 1991 Realignment funds that would otherwise be designated to fund the IHSS MOE.

Behavioral Health & Recovery Services (BHRS) - Joint Commission

SMMC received a Joint Commission/CMS finding in 2018 which identified ligature (risk of patient hanging) hazards in 3 A/B. Like most hospitals that provide psychiatric services, SMMC must make substantial physical plant improvements to address this finding. Construction is set to begin in the coming months to minimize these risks and as a result the number of available beds in the SMMC locked psychiatry unit will be reduced from 32 to 17. BHRS will have to place clients in other facilities at a higher cost, which for 17 clients will range from \$795,000 to \$1.6 million annually. Fund balance savings exempted from the 50/50 split are used to assist with this increased expense.

Probation - Pretrial Pilot Program Grant

In summer 2019, San Mateo County was one of the grant recipients of a pretrial pilot program from the Judicial Council of California. The grant, in the amount of \$3,918,670, allows the Superior Court of the County to contract with the Probation Department to implement an enhancement to its existing Pretrial Services program. The new program will utilize a validated risk assessment tool to fairly and efficiently determine release based on the individual's risk to public safety and risk of failing to appear at future court hearings. This enhancement will also change the mechanism in which Deputy Probation Officers monitor defendants based on their risk levels.

Elections - Security, Voter Outreach, and Extra Help Staffing

The Elections Division serves the County by conducting fair, accurate, and transparent elections. In support of this mission, the division has been appropriated additional funding across the realms of election security, extra help staffing, and voter outreach. To secure elections facilities, \$300,000 has been appropriated to place fencing around the Tower Road Elections facility. \$250,000 has been appropriated to procure a consultant to conduct a cyber security assessment for upcoming elections. The division has also been appropriated \$387,001 for additional extra help staffing to help efficiently manage elections during the immediate weeks before and after voting and an additional \$200,000 to bolster voter outreach efforts.

Project Development Unit - Coroner's Facility

In support of the County Coroner, \$10,000,000 and \$15,000,000 have been appropriated in Fiscal Years 2019-20 and 2020-21, respectively, to plan and build a new morgue and Coroner's office. The facility will be located on the San Mateo Medical Center campus and will be added to the new campus project, increasing the total allocation for the project. The proposed facility consolidates the morgue and the Coroner's offices.

Parks - Measure K Capital Projects Rollovers

Parks rolls over and appropriates \$10,461,955 in unspent Measure K funds from FY 2018-19 in multiple budget units. Adjustments include: Pescadero Old Haul Road repairs; Ravenswood Bay Trail Connection, Wavecrest Trail; and Pedro Point Headlands; Flood Park baseball field renovation; Huddart Park Richards Road repairs; Memorial Park Homestead Youth Camp septic repairs; Ralston Trail repaving; Wunderlich Park stable hay barn plans and construction; Memorial Park sewer road paving; Pescadero Old Haul Road repairs; Alambique Trail repairs; ranger residence improvements;

Sam McDonald visitor center renovation and interpretative center; parkwide asphalt paving; Old Guadalupe Trail renovations; and Flood Park improvements.

Department of Public Works - Stormwater Management

Funds from Non-Departmental Services totaling \$1,820,440 are budgeted in Road Construction and Operations to cover activities and improvements to comply with the Municipal Regional Stormwater Permit.

Department of Housing - Second Unit One Stop Shop

DOH is launching a three-year pilot Second Unit One Stop Shop, administered through nonprofit Hello Housing, to offer project management and technical assistance to eligible homeowners to help them construct second units. Through the One Stop Shop, Hello Housing will also work with four jurisdictions-Redwood City, East Palo Alto, Pacifica, and unincorporated San Mateo County-to streamline the permitting process for second units. This work complements the work being done by Hello Housing to administer the County's Second Unit Amnesty Loan program in Planning and Building. Lessons from the pilot will be shared through the Home for All Learning Network.

County Fire - New Six-Year CAL FIRE Contract

Prior to this Board approving a new six-year CAL FIRE contract on June 4, 2019, FY 2019-20 contained a budget amount from the prior year. This action updates the budget for FY 2019-20 for Fire Protection Services and County Service Area #1. The contract includes a new Wildlife Urban Interface (WUI) Program. Costs for the new WUI program are also included in this budget. FY 2019-20 new appropriations total \$1,766,107.

Employee Recognition Funds - Countywide

To further promote a culture of engagement, high performance/service, and retention, the County has established an Employee Recognition Fund. This fund will be used to cover event costs (e.g., catering/supplies) associated with honoring staff for going above and beyond in performing excellent work that contributes to successful outcomes benefitting the County and the community. Events covered by the fund may include: annual recognition events; employee(s) of the year; peer recognition; recognition at staff meetings; awards ceremonies; and service recognition. Appropriations total \$202,110 countywide and are paid for by the General Fund.

Capital Construction Projects

Changes to the FY 2019-20 Approved Recommended Budget include a proposed increase of \$2,034,564 in re-appropriations and new funding for capital and maintenance projects.

Attachment E contains a summary of updated appropriations for Capital Projects in the FY 2019-20 Adopted Budget. Attachment E does not include infrastructure projects (i.e., roads, sewers, drainage, lighting, flood control, and County Airports). Those projects are included in the Department of Public Works budget.

Department of Public Works Projects

Adjustments are made to true-up rollover balances for ongoing projects from FY 2018-19, and adjust appropriations based on updated cost estimates for projects already included in the FY 2019-21 Approved Recommended Budget. In addition, appropriations are made for new projects, including South San Francisco Foster Youth Housing Renovations, COB 1 Paint Exterior, Serenity House French Drain System, and the Master Plan Design for the Maple Street Homeless Shelter Project.

Project Development Unit

Rollover and project budget adjustments are made for ongoing projects from FY 2018-19, and appropriations are added for one new project, the Coroner's Facility.

Parks Projects

Adjustments are made to true-up rollover balances and adjust budgets based on updated cost estimates for ongoing projects including Coyote Point Park Water Distribution System, Flood Park Improvements and Renovations, Memorial Park Water Line Replacement Project and Wastewater Treatment Plant and Collection System, and Sanchez Adobe Restoration.

Countywide Technology Projects

Minor adjustments are made to rollover balances or adjust project budgets.

County Health Structural Deficit

County Health continues to have a \$52 million structural gap for FY 2020-21. They are working on a plan with thought and care about the long-term outlook and needs of the clients and community we serve and the tremendous assets we have in our workforce and network of partners. The challenge to fully close a \$52 million gap expected for FY 2020-21 will require County Health to propose more difficult tradeoffs for the Board of Supervisors to consider in January of 2020.

The approval of these final budget changes contributes to the Shared Vision outcome of a Collaborative Community by ensuring that the County budget is adopted in accordance with the law, and that resources are appropriated in all programs to ensure the effective delivery of services that contribute to achieving County goals, the improvement and maintenance of long-term capital assets and payment of debt, and compliance with the County's Fund Balance and Reserves Policies.

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

FISCAL IMPACT:

The impact of all September changes on Total Requirements for all funds, both County and Non-County, is an increase of \$296 million in FY 2019-20. Fund Balance has increased by \$155.8 million for all County funds (\$107.6 million in the General Fund and \$48.2 million in all other funds). General Fund Reserves now total \$321.7 million, which represents 17.5 percent of Net Appropriations.

ATTACHMENTS

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

cc: Peggy Jensen, Deputy County Manager
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