



County of San Mateo

Inter-Departmental Correspondence

Department: COUNTY MANAGER

File #: 20-531

Board Meeting Date: 7/21/2020

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Michael P. Callagy, County Manager

Subject: Study Session and Approval of Recommended FY 2020-21 Net County Cost Targets, Measure K Reductions, and Use of Reserves

RECOMMENDATION:

Budget Study Session II and recommendation to approve the **Measure K** and Net County Cost reductions and use of reserves.

BACKGROUND:

On June 23, 2020, the Board approved the \$3,200,000,000 FY 2020-21 Recommended Budget by Resolution No. 077481. In light of the uncertainties resulting from the State's unprecedented budget approval process as well as the challenges of preparing the FY 2020-21 Budget in the midst of the County's emergency response efforts, the Recommended Budget did not include additional appropriations for the County's ongoing efforts in response to the Novel Coronavirus pandemic, nor did it reflect the full extent of changes needed as a result of the changing economy due to the pandemic. These changes will be made in the September Revisions that will form the County's FY 2020-21 Adopted Budget.

In considering certain of the changes which will be necessary in connection with adopting the budget, the Board held a Measure K study session at its July 7, 2020 Board meeting during which reductions totaling \$20,450,543 were recommended for Measure K. Today, the Board will discuss the Net County Cost target reductions and take action with respect to the County Manager's recommendations for both Measure K, Net County Cost target reductions, and use of Reserves.

DISCUSSION:

Net County Cost represents a budget unit's appropriation that is financed by General Fund revenues in Non-Departmental Services, such as property taxes, sales tax, and interest earnings. As a result of the economic downturn related to the pandemic, the County currently estimates a reduction in revenue of approximately \$109.3 million inclusive of the Measure K sales tax. In the State's FY 2020-21 budget, the County has been pleasantly surprised with a onetime Realignment back fill of \$10.1 million with a possible additional back fill of \$3.3 million dependent on the State receiving additional

federal dollars by October 1, 2020. At this time, it would be not be prudent to budget the \$3.3 million until there is more certainty that the additional back fill will be received.

To account for the remaining reduced revenue projections of approximately \$99.2 M, the County Manager recommends a reduction of approximately \$8.7 million to the Public Safety budget and a reduction of approximately \$7.9 million to all other department budgets except Health Services, for a total reduction of approximately \$16.6 million to Net County Cost. These reductions, combined with the reduction of \$20.4 million of Measure K expenditures, \$12.3 million from the Capital Improvement Plan, and the use of \$49.9 million in one-time Department and other general fund reserves, are designed to offset the currently estimated \$109.3 million reduction in revenue referenced above.

FISCAL IMPACT:

The FY 2020-21 Recommended Budget will be reduced by a total of \$49,342,069 with a reduction of \$20,450,543 from Measure K, a reduction of \$12,294,922 from the Capital Improvement Plan, a reduction of \$8,706,995 in Net County Cost from Public Safety departments, and a reduction of \$7,889,609 in Net County Cost from all other departments. Additionally, the FY 2020-21 Adopted Budget will reflect the use of \$49,903,587 in one-time Department and other general fund reserves.