COUNTY OF SAN MATEO
Inter-Departmental Correspondence
County Manager

Date: February 19, 2014
Board Meeting Date: March 25, 2014
Special Notice / Hearing: None
Vote Required: 4/5ths

To: Honorable Board of Supervisors

From: John L. Maltbie, County Manager

Subject: FY 2013-14 County Budget Workshop and Mid-Year Update

RECOMMENDATION:

A) Accept the FY 2013-14 County Budget Update, including key budget assumptions;
B) Approve the revised Fund Balance and Reserves Policy beginning in FY 2014-15, 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;
C) Adopt a Resolution designating the County Manager to approve certain transfers and revisions of appropriations
D) Accept Proposition 172 Maintenance of Effort Certification;
E) Resolution authorizing an Appropriation Transfer Request in the amount of $2,055,081 for the continued implementation of the San Mateo Interoperable Radio Communications Project;
F) Adopt a Resolution authorizing an amendment to the Agreement with Hansei Consulting extending the term through October 31, 2014, and increasing the amount by $191,805 to an amount not to exceed $290,985; and
G) Accept SMCSaves update and direct staff to solicit a second round of SMCSaves proposals from departments.

BACKGROUND:

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.

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, Measure A Sales Tax and Public Safety Sales Tax (Prop. 172).

FY 2013-14 COUNTY FINANCAL STATUS

Consistent with our efforts to significantly reduce the budget process this fiscal year, we have asked departments to certify whether or not they will hit their FY 2014-15 fund balance target. As always, this report includes a comprehensive review of Non-Departmental Services (general purpose revenues and countywide expenditures), the new Measure A sales tax and Public Safety Sales Tax (Prop. 172).

Non-Departmental Services

This is where the County budgets and accounts for the General Fund's portion of general purpose revenues, including Property Tax (including Excess ERAF), Sales Tax, Measure T Vehicle Rental Tax, and interest and investment income. Non-Departmental Services is also where the County budgets major capital and IT projects, as well as the Board approved one-time contributions to the Retirement System. We project that Non-Departmental Services will exceed the FY 2014-15 Fund Balance target by $47.3 million. This is primarily due to Excess ERAF receipts of $108 million (or $68 million over budget). The primary reason the Fund Balance surplus is not higher is due to mid-year ATRs totaling $21.8 million, including the recent loan to the Crystal Springs Sanitation District of $8.7 million, employee salary increases of $7.5 million, cost-of-living adjustments for the Community Based Organizations of $1 million, and the SB 1022 Jail Construction Grant match of $4 million. That said, the decrease of $5 million from adopted FY 2013-14 Fund Balance of $261 million to projected FY 2014-15 Fund Balance of $256 million is very strong considering it factors in the mid-year ATRs, the contribution to SamCERA of $50 million, and capital and IT expenditures of $28 million (not including the Maple Street Correctional Center project, which will be reimbursed with proceeds from the 2014 jail financing).

General Fund Operating Departments

The amount of Fund Balance budgeted by the General Fund operating departments in FY 2014-15 totals $42 million. All departments will stay within their FY 2013-14 budget allocations. Four departments have certified that they project a potential shortfall in meeting their FY 2014-15 Fund Balance targets (or year-end reserves): Sheriff's Office

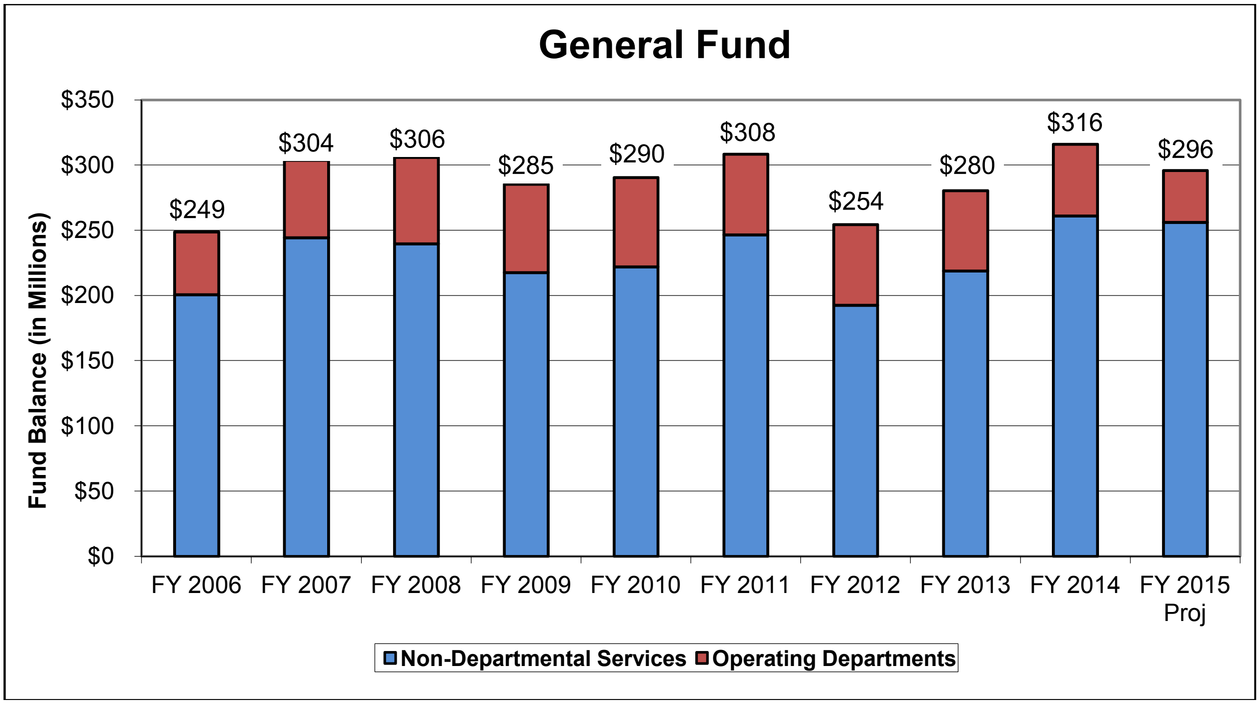
($1,750,752); District Attorney's Office ($566,572); Agricultural Commissioner/Sealer ($39,150); and County Counsel's Office ($1,272,362). Here is a brief synopsis for these four departments:

Sheriff's Office – The shortfall is primarily due to shortfalls in State Criminal Alien Assistance Program (SCAAP) and State inmate revenues. Efforts are being made to monitor and control expenditures to offset the revenue shortfalls. We do not anticipate any impacts on the Department's FY 2014-15 budget.
District Attorney's Office – Salaries and Benefits comprise 88% of the Department's budget. Historically the Department has met Fund Balance targets through vacancies that resulted from turn-over, including retirements. This fiscal year the Department has not had any vacancies and is limited in its ability to generate revenues. The issue with the Attorney classification is that new staff may be hired at the Level 2 classification but can advance through Level 3 and ultimately to Level 4 faster than other positions. The gap between a Level 2 new hire and a Level 4 attorney at step E can be as much as $150,000 when factoring in salary and statutory benefits such as retirement and social security. My staff will work with the District Attorney's Office in developing an equitable way for projecting future Salary and Benefit appropriations for Attorneys.

Agricultural Commissioner/Sealer – the Consumer Protection Unit will make a one-time purchase of taxi testing equipment to improve accuracy and address safety concerns when testing front-wheel drive vehicles. We do not anticipate any impacts on the Department's FY 2014-15 budget.

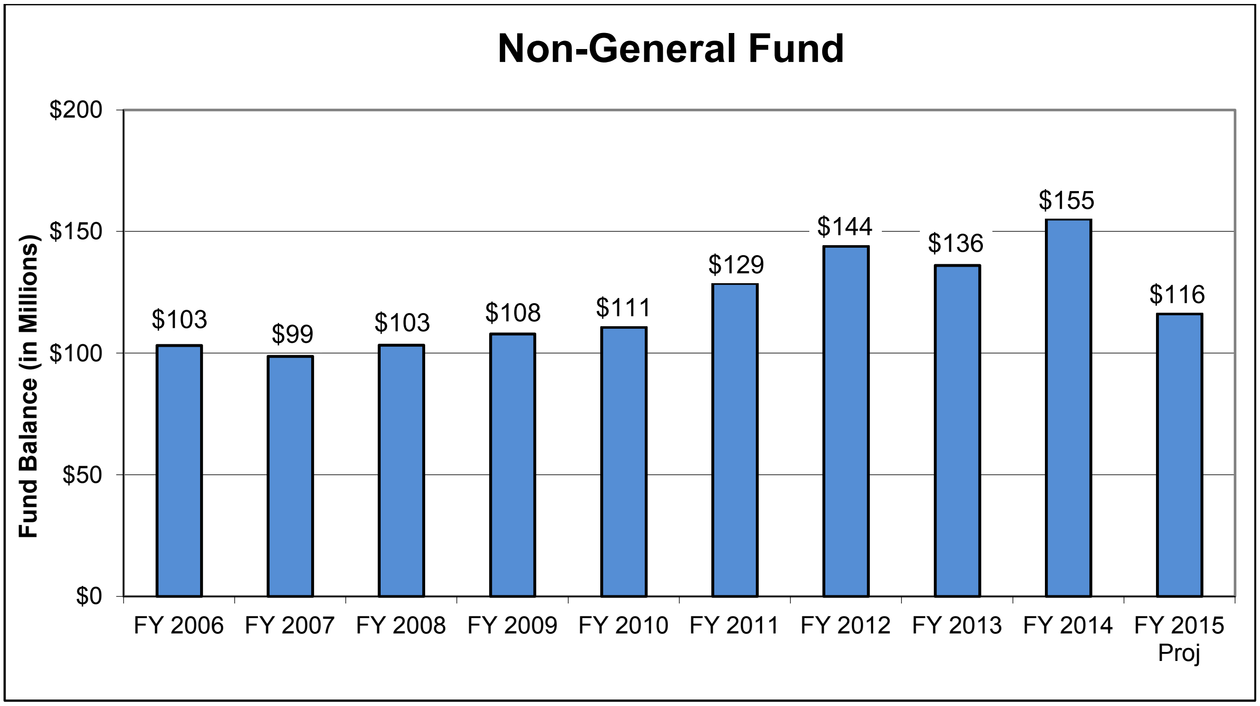
County Counsel's Office – Similar to the issues described above with the District Attorney's Office, my staff will work with the County Counsel's Office in developing an equitable way for projecting future Salary and Benefit appropriations for Attorneys.

General Fund Summary
Overall, we project that the General Fund will exceed the FY 2014-15 Fund Balance target by $45 million. The following chart illustrates appropriated Fund Balance for the past eight fiscal years, the current fiscal year and the FY 2014-15 projection.



Non-General Fund Summary

The total Fund Balance target for all Non-General Fund departments/budget units is $126.6 million. Only the Medical Center is currently projecting a shortfall, estimated at $3,179,051, due to lower patient volumes than anticipated. Cost savings measures are being put in place and the Health System will cover any year-end shortfalls without further General Fund support in FY 2013-14. The following chart illustrates appropriated Fund Balance for the past eight fiscal years, the current fiscal year and the FY 2014-15 projection. The drop in FY 2014-15 is primarily due to the anticipation that appropriated capital projects, including infrastructure projects like sewer/sanitation, lighting, drainage, and flood control, will be fully completed in FY 2013-14, resulting in less carryover than in prior years.



Five Year Revenue and Expenditure Projections (including Measures A and T)

General purpose revenues are expected to increase 4.6% or $17.3 million in FY 2013-14. This is primarily due to Secured Property Tax growth of 6%, a robust housing market and the fully annualized receipt of Measure T Vehicle Rental Tax proceeds, which the County began receiving in October 2012. In addition, Public Safety Sales Tax (Prop. 172), which reflects statewide sales tax activity and is allocated based on the County's proportionate share of 2012 statewide sales activity, is projected to increase 5.2%. Similar to the Vehicle Rental Tax, the County began receiving the Measure A Sales Tax in June 2013, skewing FY 2013-14 projection. However, the initial FY 2013-14 Measure A projection of $68 million has been updated to $71 million based on current year activity.

The County continues to budget general purpose revenues conservatively in the out years with projected growth ranging from 2.7% to 3.1%, resulting in average annual growth of $12.7 million over the five-year period. In addition, five year projected growth for Public Safety Sales Tax and Measure A Sales Tax is $14.9 million and $14.6 million, respectively.

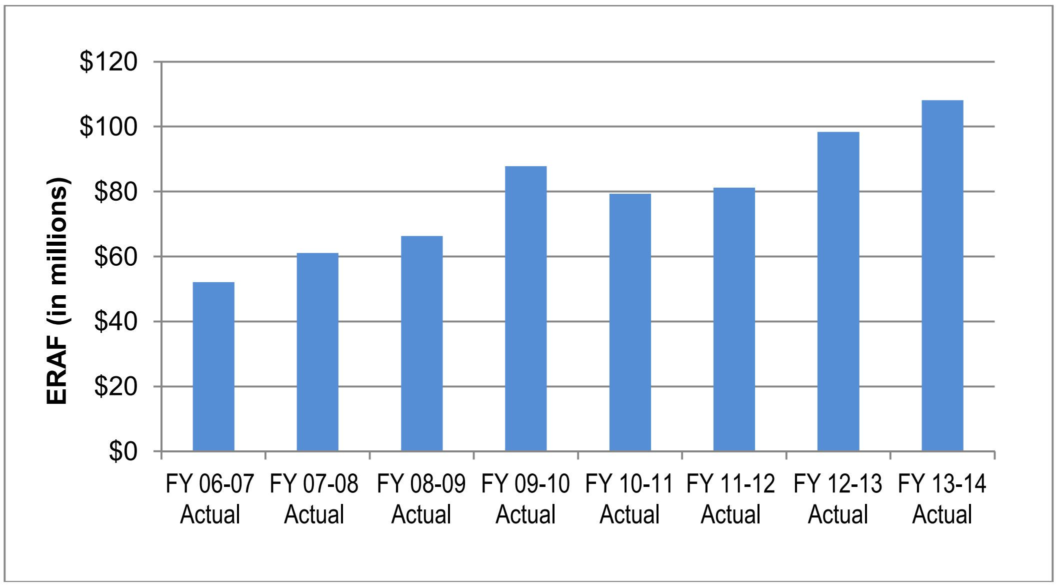
General Purpose Revenues	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Secured Property Tax	6.0%	3.5%	3.5%	3.8%	3.8%	4.0%
Unsecured Property Tax	-0.7%	1.0%	1.0%	1.0%	1.0%	1.0%
Excess ERAF (Ongoing Portion)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Vehicle Rental Tax (Measure T)*	66.9%	2.0%	2.0%	2.0%	2.0%	2.0%
Sales Tax	0.6%	1.6%	3.4%	3.7%	3.0%	3.0%
Property Transfer Tax	11.5%	3.0%	3.0%	3.0%	3.0%	3.0%
Transient Occupancy Tax	20.2%	2.0%	2.0%	2.0%	2.0%	2.0%
Property Tax In-Lieu of VLF	6.0%	3.5%	3.5%	3.8%	3.8%	4.0%
Interest & Investment Income	0.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Other Revenue	-6.2%	2.2%	0.5%	0.5%	0.5%	0.5%
Overall Growth	4.6%	2.7%	2.7%	2.9%	2.9%	3.1%
Public Safety Sales Tax	5.2%	3.3%	3.8%	4.3%	4.6%	3.0%
Measure A Sales Tax**	1515.6%	3.3%	3.8%	4.3%	4.6%	3.0%
*The County began receiving Measure T Vehicle Rental Tax in October 2012.						
**The County began receiving Measure A Sales Tax in June 2013.						

General Purpose Revenues	FY 2013-14	FY 2018-19	5-Year Growth
Secured Property Tax	$190,482,360	$226,907,084	$36,424,723
Unsecured Property Tax	8,438,611	8,869,065	430,454
Excess ERAF (Ongoing)	40,000,000	40,000,000	0
Vehicle Rental Tax (Measure T)	13,200,000	14,573,867	1,373,867
Sales Tax	23,435,698	27,086,029	3,650,331
Property Transfer Tax	7,500,000	8,694,556	1,194,556
Transient Occupancy Tax	1,492,862	1,648,240	155,378
Property Tax In-Lieu of VLF	76,786,364	92,081,917	15,295,553
Interest & Investment Income	5,456,824	5,735,177	278,353
Other Revenue	27,956,717	29,114,997	1,158,280
General Purpose Rev Growth	$394,749,436	$454,710,932	$63,707,350
Public Safety Sales Tax	$72,926,863	$87,869,555	$14,942,692
Measure A Sales Tax	$71,041,979	$85,598,458	$14,556,479
Excess ERAF (One-Time)	$68,146,172	$0	($68,146,172)
*One half of anticipated Excess ERAF is budgeted and no assumptions for one-time revenue is made in future years.			

Excess ERAF

Pursuant to Revenue and Taxation Code 97.2 and 97.3, property tax contributions made by local governments to the Educational Revenue Augmentation Fund (ERAF) in excess of State-mandated school funding levels are returned to the local governmental entity that made the contribution. The County is one of three “excess” ERAF counties in the State. This is due to the relatively high number of “Basic Aid” school districts in the County and the relatively high property tax revenues received by school districts. Future Excess ERAF amounts to be received by the County could decline as a result of changes in property tax revenues received by school districts, changes in school enrollment, or State legislation changing the school funding model or attempting to utilize ERAF funds for other state purposes (as discussed below).

Since fiscal year 2003-04, the County’s General Fund has received $769.5 million in excess ERAF contributions, including $108 million in fiscal year 2013-14. The following table presents the General Fund’s share of Excess ERAF received for fiscal year 2006-07 through fiscal year 2013-14.



The State’s new funding formula for K-12 education that will increase school district revenue limits. Such changes may result in less Excess ERAF being returned to the County in future years. The County Manager’s Office is working closely with the Controller's Office, the County Counsel’s Office, and the County Office of Education to determine the fiscal impact to the County's share of Excess ERAF under the new funding formula for schools.

Due to the potential volatility of Excess ERAF, and in consultation with the Controller, the County continues to conservatively budget one half of the projected General Fund apportionment of Excess ERAF for ongoing purposes. Pursuant to Board policy, the remaining portion may only be used for one-time purposes, including reductions in unfunded liabilities, capital and technology payments, productivity enhancements, and cost avoidance projects.

Triple Flip and Vehicle License Fee Swap

The “Triple Flip” and Vehicle License Fee (“VLF”) Swap statutes were key components in the State’s FY 2004-05 Budget. These statutes provided that certain monies that had previously been distributed to local governmental entities (i.e., sales and use taxes and vehicle license fees) would instead be diverted to the State for its purposes.

In the case of “Triple Flip,” sales and use taxes that previously went to counties and cities were instead pledged for the repayment of the State’s Economic Recovery Bonds. In return, counties and cities were repaid their lost sales and use taxes from the local Education Revenue Augmentation Fund (ERAF) monies that were to be distributed to “Revenue Limit” school districts.

With respect to the VLF Swap, the State permanently reduced vehicle license fees – historically a source of revenue for counties and cities – and further received over $700 million from counties and cities for the State General Fund in FYs 2004-05 and 2005-06. In exchange, the State promised to thereafter pay counties and cities an “in-lieu property tax” amount from the local ERAF and, if necessary, from “Revenue Limit” school districts’ local property taxes. No funds could be taken from “Basic Aid” school districts.

Both the Triple Flip and VLF Swap statutes required the State to “backfill” any ERAF or local property tax revenue lost by “Revenue Limit” school districts.

Beginning in FY 2011-12, various counties and cities across the State (e.g., Amador County, Mono County, and San Mateo County) began experiencing “VLF shortfalls.” Such a shortfall occurs when the number of Basic Aid school districts in a county increases to the point where there are insufficient funds in ERAF and “Revenue Limit” school districts’ local property taxes to pay the State’s VLF obligations. In FY 2011-12, San Mateo County and its cities had a VLF shortfall of $294,000. This shortfall was appropriated on a one-time basis in the State’s FY 2013-14 budget.

During FY 2012-13, the revenue limits for the remaining “Revenue Limit” school districts was projected to be $157.9 million, with $122.2 million coming from local property taxes and $35.7 million from available ERAF, meaning that $35.7 million would be available to pay the State’s Triple Flip obligations to the County and cities. However, FY 2012-13 had an unusually high amount of Redevelopment Agencies (RDA) dissolution residual monies as well as one-time distributions of unencumbered “Low and Moderate Income Housing Funds”. These unanticipated revenues to the “Revenue Limit” school districts reduced their need for ERAF from $35.7 million to $24.3 million meaning that only $24.3 million was available to fund the State’s $35 million Triple Flip obligation to the agencies in San Mateo County, resulting in an unanticipated $10.7 million Triple Flip shortfall.

It was initially estimated that the County and cities would experience a $6.4 million VLF shortfall. In light of the increased local property taxes received by “Revenue Limit” school districts, no VLF shortfall occurred. Because the shortfall is now $10.7 million and the allocation formulas for Triple Flip and VLF are different, some agencies experienced smaller shortfalls while other agencies experienced larger shortfalls than initially estimated. The County benefited from the shortfall shifting from VLF to Triple Flip.

The County's FY 2013-14 shortfall is projected at $1.9 million. The computations used to identify the shortfall are based upon the latest State school district reports (P2), which are subject to further revision by the State. While we do not anticipate material changes, further adjustments may be necessary.

Based on the most recent FY 2013-14 estimates prepared by the Controller's Office and the County Office of Education, we do not presently anticipate either a VLF or Triple Flip shortfall for FY 2013-14. As evidenced by this past year, however, and in light of significant changes to school funding through the Governor's Local Control Funding Formula, such VLF and Triple Flip distribution amounts are subject to change based on revised financial data.

The County's legislative staff continues to work with our lobbyists to have the FY 2012-13 Triple Flip shortfall amounts appropriated in the State's FY 2014-15 budget and have the inherent inequities in these swap calculations remedied on a permanent basis. We will keep the Board apprised of any developments.

JAIL FINANCING

The County has selected Citigroup to lead an underwriting team including Raymond James, Barclays, and Siebert Brandford & Shank to coordinate the sale of the Maple Street Correctional Center lease revenue bonds. California Financial Services is serving as the County's financial advisor, Orrick Herrington as bond counsel and Sidley Austin as disclosure counsel. The total bond size is projected to be $215.4 million, which includes $181.3 million for the purchase of the site and construction, approximately $18.4 million for interest payments made to investors during construction, $14 million for an investor required reserve account held for the County by the bond trustee and $1.7 million in expenses for legal, financing and bond underwriting. The construction interest is borrowed and held by the trustee bank to pay interest that accrues on the debt from the time the bonds are sold until the facility is operational. The County cannot commence making payments on the Maple Street jail until it signs the certificate of completion. The reserve requirement is dictated by the rating agencies and investors. The County's AAA rating would be downgraded without the standard reserve deposit, resulting in a higher interest costs to the County. The financing team is working to minimize the size of the reserve as part of the process of structuring the debt to meet the rating agencies' criteria. Issuance costs are financed though the bonds. They include bond counsel, disclosure counsel, financial advisor, underwriter, trustee bank, and rating agencies as well as small incidental fees that are charged in connection with printing and distributing the official statement to solicit investors as part of the bond sale.

The original schedule has the Joint Powers Financing Authority (JPFA) approving the financing structure on Wednesday, March 5, draft documents to the Board of Supervisors on March 11 and the JPFA on March 26. The ratings agency presentations to Moody's and Standard & Poors will take place in mid-March and by late March an internet presentation will be created to assist in marketing the County's bonds. The tentative date for pricing the bonds is April 2 with a sale date of April 23.

This schedule was delayed a bit in recognition of the possible need to finance the Maple Street Jail differently than planned to achieve the goal of disencumbering the Maguire Jail from the 1993 Lease so that the facility is free and clear for the State to bond against; a requirement for receiving the SB 1022 Jail Construction grant of $24 million for program and structural improvements to Maguire. We can now report that the financing team was able to gain approval from National (formerly MBIA), the insurer of the 1993 Lease Revenue Bonds, to accept County Office Building 1 (COB1) as a replacement asset for the 1993 Maguire Addition. As a result, COB I will be encumbered for the remainder of the 1993 Lease, which will be paid in full in 2021. Because other alternative methods to release the McGuire Jail might have involved structuring the Maple Street bonds in a more complex and less efficient way, the County had directed its bond lawyers to wait until National completes its review of the COB1 substitution proposal prior to incurring the expense of drafting a first set of Maple Street documents. With this issue resolved, we have moved forward with the Maple Street facility as a standalone lease and remain on schedule for an April close.

GOVERNOR'S JANUARY BUDGET PROPOSAL

The Governor's Budget, released January 9, 2014, includes $108.7 billion in revenues, $106.8 billion in proposed expenditures and $2.5 billion in total reserves. Underscoring the need for fiscal restraint in the use of approximately $6.3 billion in unanticipated revenues from 2012-13 to 2014-15 (driven primarily by growth in capitol gains), the proposed budget seeks to pay down budgetary debt from past years, specifically eliminating school deferrals; making a deposit to the state's Rainy Day Fund (the first deposit since 2007); paying off the Economic Recovery Bonds early; and investments in the state's infrastructure. In addition to debt repayment, the plan includes significant additional funding for K-12 education ($10 billion) with some increases for health and human services and corrections and rehabilitation.

The Governor proposes placing a new Rainy Day Fund (also termed the Budget Stabilization Account) before voters to strengthen the provisions of Proposition 58 (2004). This constitutional amendment would replace ACA 4, a rainy day measure currently scheduled to appear on the ballot in November 2014. The new Rainy Day Fund would among others things, base deposits on when capital gains revenues rise to more than 6.5 percent of General Fund tax revenues; create a Proposition 98 reserve to smooth spikes in funding (but not impact guaranteed funding levels); double the size of the fund from 5 to 10 percent of revenues; and limit the maximum amount that could be withdrawn in the first year of a recession to half of the fund's balance.

The Governor's budget includes a number of proposals for the funding of environmental protection and natural resources programs. However, traditional funding sources to counties, such as the Williamson Act Subvention payments remain unfunded. In addition, the proposed FY 14-15 budget appropriates $850 million in Cap and Trade revenues for use in part, on High Speed Rail and energy efficiency and clean energy projects. Local governments will likely have access to portions of several different funding categories, including sustainable community funding as well as a portion of the energy efficiency and natural resource categories. The Governor's budget also proposes an $815 million package of funding for existing infrastructure needs, including state parks, highways, local streets and roads, K-12 schools, community colleges, courts, prisons, state hospitals, and other state facilities.

Finally, the budget plan proposes to expand the tax-financing tool utilized by Infrastructure Financing Districts (IFDs) for a broader array of uses than currently provided under existing law. The proposed changes would, among other things, allow cities and counties that meet specified benchmarks to create new IFDs, and to issue related debt, subject to receiving a 55-percent voter approval.

<u>Health System</u>

Expansion of Medi-Cal benefits—includes support for the Medi-Cal expansion, including paying for increased mental health and substance use disorder benefits for individuals released from prisons or jails.

- ➢ The Health System will be working with HSA, Probation and the Sheriff's Office to connect these clients to eligibility and services, but there are many state and local operational challenges to be worked through.

In-Home Supportive Services & Increase in Maintenance of Effort—proposes to restore 1 percent of the previous 8 percent reduction in hours, starting July 1, 2014.

- ➢ Aging and Adult Services does not anticipate any fiscal impact as a result of this change, but it will require additional administrative tasks.
- ➢ The County's FY 13-14 IHSS Maintenance of Effort is projected to increase 3.5 percent in FY 14-15, or $400,000. The Governor's budget assumes that Realignment funding will increase sufficiently to offset the increased costs.

In-Home Supportive Services (Change in Overtime Rules)—proposes to prohibit home care providers from working more than 40 hours a week in response to a new federal ruling, effective January 2015, that mandates overtime for IHSS workers working more than 40 hours per week. Counties will be required to establish a home care provider "backup system" to assist clients to obtain a home care provider when their regular provider exceeds the allowable amount of hours.

- ➢ The Health System is unclear as to how many clients may be impacted; however, the change will likely cause disruptions for some clients. Workload for the Public Authority will also increase, if there is a substantial increase in home care provider enrollments and required on-going support.

<u>Human Services Agency</u>

CalWORKs, Parent-Child Demonstration Project—proposes a three-year, six-county demonstration pilot modeled after the evidence-based Chicago Child Parent Center Model to improve outcomes for 2,000 sanctioned CalWORKs families. The pilot is proposed to begin March 2015.

CalWORKs (Aid-payment)—includes continued funding of the 5 percent COLA for the maximum aid payment that was approved in Assembly Bill 85 using County redirected 1991 Realignment dollars.

- Despite the increase, the current aid-payment is still lower than pre-economic downturn levels.

1991 & 2011 Realignment Funding—projects conservative revenue increases of 6.6 percent in FY 13-14 than the amount of revenues received in FY 12-13, and 7.32 percent higher in FY 14-15 than estimated for FY 13-14.

<u>2011 Public Safety Realignment</u>

AB 109 Implementation—includes a number of proposals to assist counties in the implementation of Public Safety Realignment:

- <u>Long-term Offenders</u>—proposes that sentences of more than 10 years be served in state prison rather than county jail. This proposal is conditioned upon the state meeting the Three-Judge Panel's prison population cap.
- <u>Split Sentences</u>—proposes legislation to require that county felony jail sentences be "split" unless the Court makes a finding that a straight sentence is more appropriate.
- <u>Jail Facilities</u>—allocates another $500 million be authorized for SB 1022 type facilities.
- <u>CCP Implementation Grants</u>—proposes an additional one-year appropriation of $7.9 million statewide to fund grants that support the work of the Community Correction Partnerships in their AB 109 implementation efforts.
- <u>City Law Enforcement Funding</u>—allocates $27.5 million for cities for front line enforcement activities.

The budget plan does not propose a new formula for AB 109 funding, rather it states support for a county-based decision making model and acknowledges it is premature for a permanent AB 109 formula to be put in place. The proposed budget revises growth estimates across all 2011 Realignment programs, projecting $64.3 million in FY 13-14 growth for AB 109 (to be distributed in October 2014) and $159.8 million for FY 14-15 (to be distributed in October 2015).

- If FY 13-14 growth is allocated in the same manner as growth funding in FY 12-13, the County would receive 0.98152566% or approximately $631,000.

Probation

Senate Bill 678 Funding—counties would receive an expected $128 million in continued funding under the revised allocation methodology pursuant to SB 105 (2013).

- The Probation Department anticipates a slight decrease of about $30,000 in its SB 678 allocation in FY 14-15.

Sheriff's Office

Trial Court Security—proposes a $21 million increase in funding statewide.

- The amount that would be allocated to the County is unknown at this time, but when received the funds are deposited into a County trust dedicated for Court security.

Public Works

Highway User Tax Account Funding—estimates that due to reduced consumption, the annually adjusted gasoline excise tax will decrease in FY 14-15 by 3.1-cents from 39.5-cents to 36.4-cents. The reduction in the tax rate will result in as-of-yet unknown decrease in revenues to counties for local street and road maintenance.

Other County Issues

Excess Educational Revenue Augmentation Fund (ERAF)—proposes accelerated payments to pay off the Economic Recovery Bonds by 2015. Early repayment of the bonds will eliminate the need for the "Triple Flip."

- The Governor's Budget includes funding for San Mateo County to partially fund a Triple Flip funding deficit identified for FY 12-13. The CMO is currently working with CSAC and the Department of Finance to secure full funding.

State-County Assessor's Partnership Agreement Program—includes a three-year pilot program, funded at $7.5 million per year, to enhance local property assessment efforts. Nine county assessors' offices would be competitively selected from urban, suburban and rural counties that are willing to match county funds at a specified amount.

Mandates—proposes to pay off the Wall of Debt in 2017-18. Included in this amount are the payments owed to local governments for pre-2004 mandates that statewide comprise about $900 million. The FY 14-15 budget proposes to pay these costs over FY 2015-16 ($748 million) and FY 2016-17 ($152 million) with the majority of those funds paid to counties.

- The County is owed approximately $28 million in unpaid mandate funding.

ADMINISTRATIVE MEMORANDUM B-15: APPROPRIATION AUTHORITY

Attached you will find a revised Administrative Memorandum B-15 that establishes the appropriation authority and voting requirements for mid-year budget adjustments. The new memo clears up some confusion regarding the voting requirements for the appropriation of reserves and aligns the County's policy with the Government Code §§ 29120-29130 (also known as the "County Budget Act") by removing the self-imposed threshold of $50,000 for Appropriation Transfer Requests (ATR) requiring Board approval. This will save administrative time as transfers within the same budget unit and the same fund will no longer require Board approval as long as the overall budget is not increased. All transfers between budget units and/or funds, and those that transfer Reserves, Contingencies or Unanticipated Revenue will still require Board approval.

We are requesting that the Board adopt a Resolution that aligns with this new policy and authorizes the County Manager, or his designee, to approve transfers within a budget unit and a fund as long as the overall budget is not increased.

REVISED FUND BALANCE POLICY

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 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. To help mitigate this issue, your Board approved the County Manager to work with County Departments to revise the Fund Balance policy.

The County Reserves policy requires General Fund Departments to maintain a minimum Reserves amount equivalent to 2% of Net Appropriations. We recognize that not all County Departments may currently meet this requirement and may not have the ability to generate savings to do so. We also recognize that it is not feasible to require those Departments that are using Reserves for ongoing expenditures to stop this practice immediately.

The Budget and Performance Unit has convened a sub- committee of the County Fiscal Operating Committee to revise the current Fund Balance policy 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. This new policy will assist in the ongoing efforts to eliminate Departmental structural deficits by requiring those Departments to develop a plan with the County Manager's approval to incrementally increase their Reserves to meet the Reserve policy. Attached is the revised Fund Balance Policy for your approval beginning FY 2014-15.

PROPOSITION 172 UPDATE

In June 1995, the Board of Supervisors approved the Maintenance of Effort (MOE) certification for the base year (FY 1992-93) and the first certification year (FY 1994-95). The Board also adopted a resolution defining public safety services to include: Sheriff, District Attorney, Private Defender, Probation, Coroner, Correctional Health, Release on Own Recognizance, Mental Health Forensics, Public Safety Communications, Emergency Services, Fire Protection, Parks Lifeguards and Public Safety Capital Projects and Debt Service.

The MOE certification for FY 2013-14 is $255,907,002. This figure represents the adopted budget for public safety services adjusted in accordance with the MOE guidelines to exclude certain expenditures and revenue offsets. The difference between the FY 2013-14 MOE requirement of $127,106,747 and the certification of $255,907,002 is $128,800,255. This is the amount by which San Mateo County exceeds the FY 2013-14 Proposition 172 MOE requirements.

SAN MATEO INTEROPERABLE RADIO COMMUNICATIONS PROJECT – ATR

On August 6, 2013, your Board approved an Appropriation Transfer Request (ATR) in the amount of $5,723,527, transferring revenue from the Public Safety Half-Cent Sales Tax Fund and Intrafund Transfers from various San Mateo County Departments to the Information Services Department (ISD) for the continued implementation of the San Mateo Interoperable Radio Communications (SMIRC) project. SMIRC will achieve greater first responder interoperability, improved radio coverage, improved system performance and improved user equipment performance.

Although the ISD budget is correct, department expenditures were not appropriated due to an oversight. Attached is an ATR in the amount of $2,055,081, correcting the expenditure accounts. We ask that your Board approve this ATR to ensure continued progress to SMIRC. This does not represent an increase in project costs.

AMENDMENT TO THE AGREEMENT WITH HANSEI CONSULTING

On October 28, 2013, the County entered into an agreement with Hansei Consulting to provide a Center for Continuous Process Improvement (CCPI) Overview training for managers/supervisors, to identify and train/develop a core CCPI team, create an online CCPI presence and resources and assist with the planning/facilitation/support of the CCPI work sessions (events). To date, Hansei consulting has developed the Overview training and created the online presence and resources for CCPI.

We have requested that Hansei Consulting manage the County's process improvement initiatives using a structured framework as opposed to solely focusing on process-mapping events. Using this framework will have the following benefits:

1. It will provide a structure to better manage process improvement projects by taking the time to understand the voice of the customer, measuring how the process is currently working, making changes, re-measuring and sustaining positive changes

2. It will allow for rapid turnaround of improvement projects by creating a standard timeframe within which the projects phases are completed

3. It will help the County manage project costs better through a fixed bid cost estimate per project.

We recommend the approval of Amendment No. 1 to the Agreement with Hansei Consulting in the amount of $191,805 to assist the County in developing its CCPI.

CAPITAL PROJECTS STATUS REPORT

The following are updates on the capital improvement projects underway.

A. County Facilities Maintenance
B. Maple Street Correctional Center
C. Maguire Improvements (SB 1022 Grant)
D. Pescadero and Skylonda Fire Stations
E. Cordalleras Mental Health Facilities Status
F. Dispatch Center

County Facilities Maintenance

There are currently 206 projects authorized by your Board. Of those projects, 10 are managed directly by the Sheriff's Office and 41 are managed directly by the Parks

Department. The remaining 155 facilities projects are managed by Public Works and are in various stages of completion as indicated below:

Category	# of Projects	Percent of Total
Completed/Closeout	39	25%
Under Construction	30	19%
Design Underway/Complete	22	14%
Investigation/Not yet underway	43	28%
Recurring (e.g. SEMP)	10	6%
Cancelled/On Hold	11	7%

The pace of project delivery has been increasing dramatically as a result of increased staff, expanded use of streamlined procedures such as on-call consultants and Job Order Contracting (JOC), and expanded contract authority. The Energy Program Manager, a licensed Mechanical Engineer and certified Energy Manager, is now readily available to consult with project managers to the extent that outside consultants are rarely needed in order to specify technical criteria for major maintenance and repair projects. All of these factors have led to accelerated project delivery.

As indicated in this table, only 28% of projects remain in preliminary stages. Consequently, as we are only six months into a two year program, we are concerned that existing staff will become underutilized without an influx of new projects prior to the end of the current budget cycle. We are currently discussing the backlog of Parks projects with the Parks Department to expedite the delivery of their projects with Public Works staff. We are also beginning an update of our Facility Condition Index System (FCIS) that will result in newly identified building maintenance projects.

Based on workload projections, the Department intends to recommend to your Board to add previously identified but unfunded Facilities projects to the FY 2014/15 budget during the mid-term budget update so that we can address recommended facility infrastructure maintenance projects.

Maple Street Correctional Center: This 275,000 square feet project including 40,000 square feet of ground floor shell space will consist of a 768 bed facility, surface parking for 180 vehicles and all necessary on site and off site utility improvements. The Maple Street Correctional Center will consist of a processing/transport area, a non-secure inmate housing wing, administrative and support services (laundry, food) and a secure inmate housing wing. The site will also include Video Visitation for inmates and a 2670 square foot, Central Utility Plant (CUP) building.

The overall construction budget is $165 million. Currently, the design for the project is completed, the last bid package will be released by end of February, 2014 and construction is underway. The piling and foundation have been completed with Steel Structure to be erected in March 2014. The new facility is scheduled to be open by the end of 2015.

Maguire Improvements (SB 1022 Grant): In September 2013, San Mateo County applied for funding through the SB 1022 Adult Local Criminal Justice Facility Construction Program. In December 2013, the State's Executive Steering Committee recommended our project receive a conditional award for the fully requested amount of $24,374,000.

The project will consist of improvements for long term, AB 109 inmates, creating a Recreation/Fitness Yard, Inmate Retail Vocational Store, Mental Health Critical Treatment Center and a Mental Health Wellness Pod. The project will also include seismic upgrades.

It is estimated that project costs will be $27 million including our required cash and in-kind contributions. We will begin the real estate due diligence phase in April and the overall remodel project is targeted for a December 2018 completion.

Pescadero and Skylonda Fire Stations: The Department has retained two architecture firms to develop design concepts for the respective fire stations. In Pescadero, the options include constructing new facilities at the current location near Butano Creek that is prone to perennial flooding, or finding a new site nearer to the town of Pescadero outside of the floodplain.

At Skylonda, the original project scope of work including replacing the barracks and office structures. Upon further investigation, it has been determined that not only are the buildings in need of replacement, there are problems with the sewer system and leach field, as well as site circulation issues. The Department is evaluating a phased approach to improve the building and site deficiencies, with the first priority being replacement of the barracks, office, and sewer infrastructure.

On February 12, 2014, the Director of Public Works presented your Board with a Member's Memo outlining different options on moving ahead with these projects and asking for your guidance on how to proceed.

Cordilleras Mental Health Facility: Public Works has executed a contract with HGA Architects to provide project feasibility study services. The Department is leading construction delivery and project management efforts. The Health System is taking the lead in defining operational needs and life cycle financial assessments. The information gained from this study will be used as "bridging documents" in a design/build process to expedite project completion. The Department will report back on the results of the feasibility study to your Board in late Spring 2014.

Dispatch Center: Public Works is pursuing a design-build delivery method to expedite completion of this project. The Department is working with Public Safety Communications, Emergency Services, and the Sheriff's Patrol Unit staff to prepare full programmatic requirements and technical documentation to advertise the project through a request for qualifications/proposals process. We expect to receive the each department's programmatic requirements by February 12, 2014.

The recommended site for the proposed facility will either be at the Motor Pool site adjacent to County Office Building 1, or the Court parking lot near the corner of Veteran's Blvd. and Brewster Ave. The final site determination is being evaluated as part of the County Government Center Master Plan Update, which is underway and will be completed this Spring.

The Department is working with PG&E to relocate a 34-inch gas transmission main out of the Motor Pool site to allow for construction of the new PSC/EOC building or structured parking. The gas main relocation should begin in March. This project also includes relocating the vehicle repair function and Radio Shop from its current location at the Motor Pool site to Grant Yard.

SMCSAVES

In FY 2011-12 the Board of Supervisors authorized funding nine grant proposals totaling $2,091,701 to help departments fund innovative technology, equipment, training and other activities to reduce costs, increase revenues or improve service delivery for ongoing programs. An update on the status of each project is provided in an attachment to this report. We recommend that your Board direct staff to solicit a second round of SMCSaves proposals from departments.

INTITATIVES AND OTHER UPDATES

See the attachment to this report that will update you on initiatives and other projects that are critical to our county departments.

FISCAL IMPACT

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

ATTACHMENTS:

A) Revised Fund Balance Policy

B) Revised Administrative Memorandum B-15: Appropriation Authority

C) SMCSaves Project Update

D) Initiatives and Other Updates

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. Assessor Restoration of Value
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 2013 increased 2.6% in the Bay Area, 1.5% in California, and 1.5% in the United States. Bay Area CPI is forecasted to increase 2.5% in 2014 and 2.1% increase in 2015.

CPI Annual Averages	*Bay Area[1] % Change*	*California % Change*	*U.S. % Change*
2016*	2.2%	2.2%	2.1%
2015*	2.1%	1.9%	1.8%
2014*	2.5%	1.8%	1.7%
2013	2.6%	1.5%	1.5%
2012	2.7%	2.2%	2.1%
2011	2.6%	2.6%	3.2%
2010	1.4%	1.3%	1.6%
2009	2.2%	2.7%	1.9%
2008	2.8%	2.8%	2.7%
2007	3.3%	3.3%	2.6%
2006	2.7%	4.3%	3.8%
2005	1.7%	3.3%	3.0%
2004	0.9%	1.9%	2.2%

[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:
California Department of Finance:
http://www.dof.ca.gov/html/fs_data/latestecondata/FS_Price.htm
Bureau of Labor Statistics:
http://www.bls.gov/ro9/cpisanf.htm

First-Time Housing Affordability Index

The housing affordability index for first-time buyers is a one way to gauge the well-being of the housing market. The percentage of first-time buyers who can afford to purchase a median-priced home in San Mateo County in the third quarter of 2013 was 36% down from 46% during the third quarter of 2012. What this means is that homes are becoming less affordable for first time home buyers in San Mateo County. This trend is constant throughout most of the State. The statewide figure of 54% has dropped from 67% nudging 13% of prospective first-time buyers out of the market. Conversely while it is becoming more difficult for first-time buyers these trends do imply that housing prices are strong in San Mateo County and throughout most of the State.

First-Time Buyer Housing Affordability Index	*3rd Quarter*	*3rd Quarter*
Region	***2012***	***2013***
California	67%	54%
United States	80%	74%
SF Bay Area*	57%	44%
Sacramento	84%	71%
Santa Clara	56%	45%
Monterey Region	72%	54%
Alameda County	56%	44%
Contra Costa County	52%	39%
San Francisco	45%	35%
Marin County	47%	37%
San Mateo County	**46%**	**36%**

Source: CA Association of Realtors www.car.org

Median Home Price and Home Sales

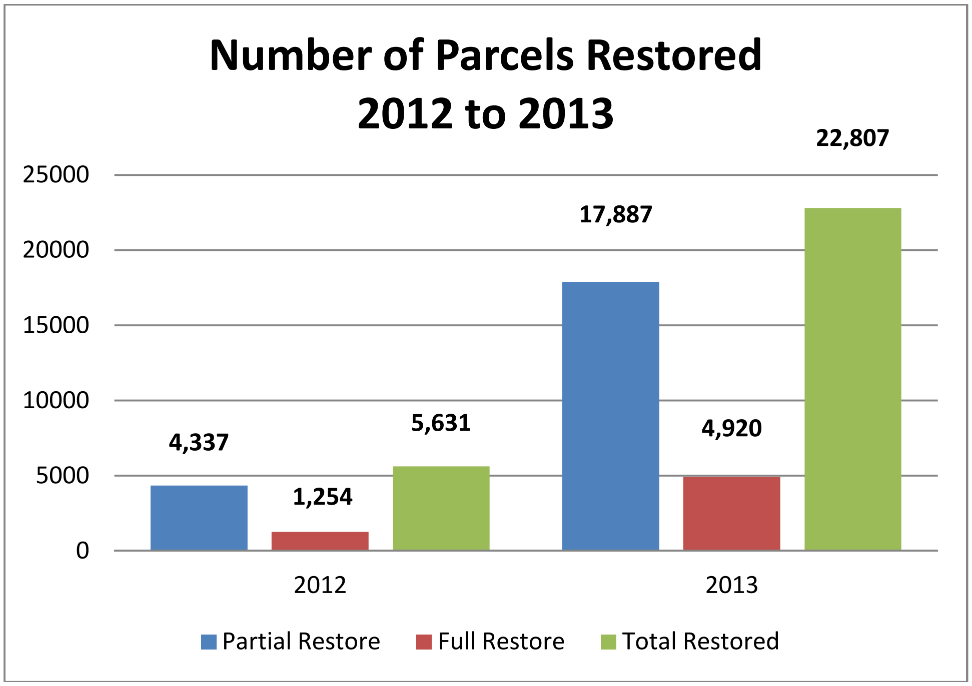
The number of homes sold in the Bay Area has declined by 12.7% over the period of December 2012 - December 2013. This decline is seen throughout the Bay Area County's with exception to San Mateo County which has seen an 18% increase in home sales over the same period. Median home prices have risen throughout the Bay Area. San Mateo County has seen a 25% increase in median home prices and in December 2013 the median price for a single family home was $750,000. Prices of homes in the County continue to be one of the highest in the Bay Area. Government insured Federal Housing Administration (FHA) home purchase loans (often used by first-time home buyers) accounted for 11.3 percent of Bay Area home purchases which is down from 13.8 percent a year earlier. This number supports what is being seen in the first-time home buyer's index where homes are becoming less affordable for people looking to purchase their first home. Indicators of market distress such as foreclosure activity remain well below figures from a year ago.

	Number of Homes Sold December 2012	*Number of Homes Sold December 2013*	*Number of Homes Sold % Change*	*Median Price December 2012*	*Median Price December 2013*	*Median Price % Change*
Bay Area	7,688	6,714	-12.7%	$442,750	$548,500	23.9%
Alameda	1,475	1,410	-4.4%	410,000	525,000	28.0%
Contra Costa	1,530	1,177	-23.1%	333,500	405,000	21.4%
Santa Clara	1,822	1,578	-13.4%	544,500	625,000	14.8%
San Mateo	**633**	**747**	**18.0%**	**600,000**	**750,000**	**25.0%**
San Francisco	643	529	-17.7%	720,000	813,000	12.9%
Marin	291	220	-24.4%	660,750	755,000	14.3%
Napa	129	111	-14.0%	350,000	425,000	21.4%
Solano	610	477	-21.8%	218,000	272,000	24.8%
Sonoma	555	465	-16.2%	345,000	415,000	20.3%

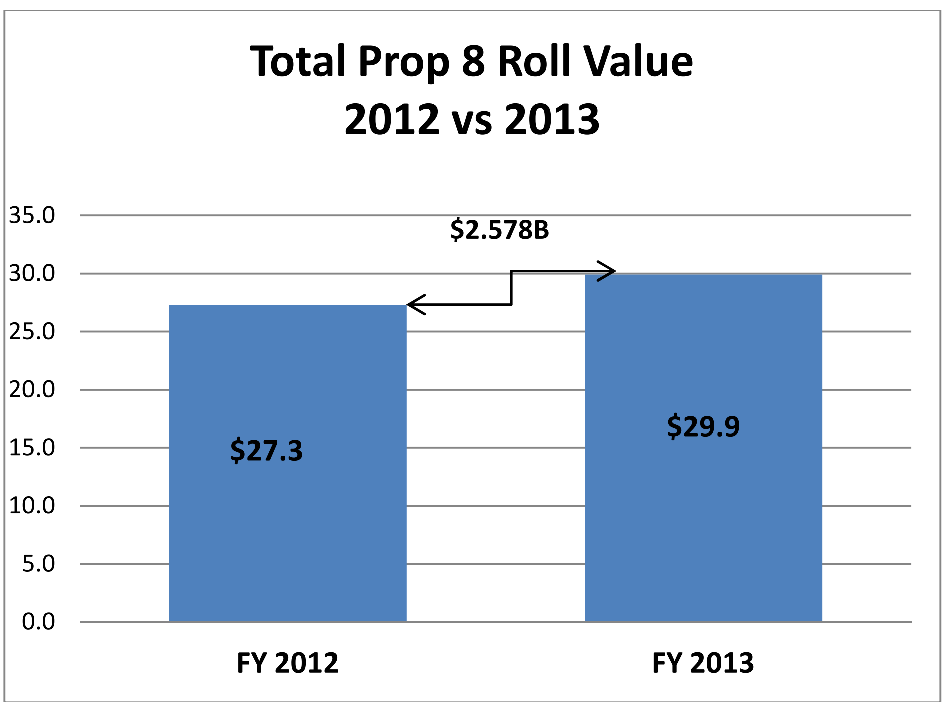
Source: DataQuick Information Systems:
http://www.dqnews.com/Articles/2014/News/California/Bay-Area/RRBay140115.aspx

<u>Prop. 8 Assessed Value Restorations</u>

During FY 2012-13 the Assessor's Office reviewed 33,090 parcels in the decline in value program, of which 17,887 parcels were partially restored and 4,920 parcels were fully restored, resulting in net increase of $2.58 billion in restored value to the FY 2013-14 tax roll.



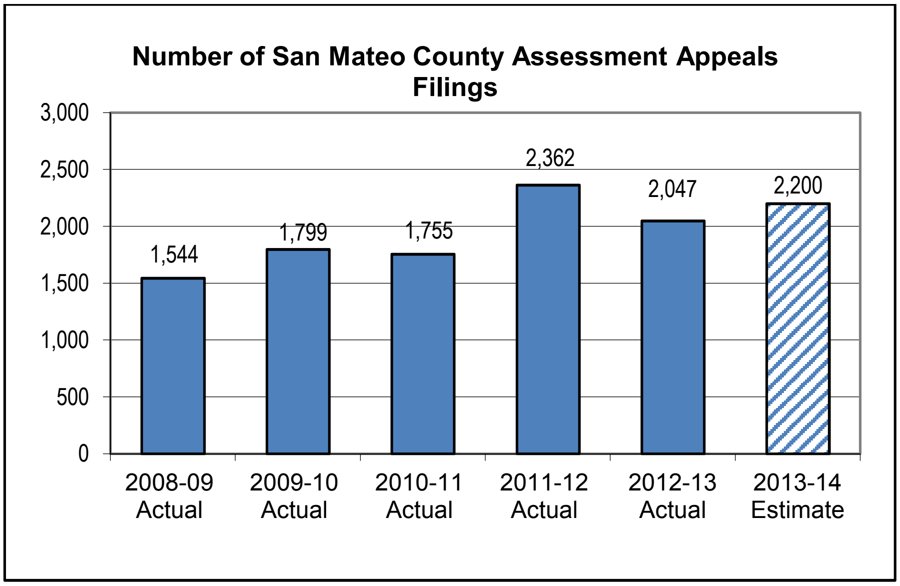
Source: Assessor's Office



Source: Assessor's Office

Property Reassessment and Assessment Appeals Filings

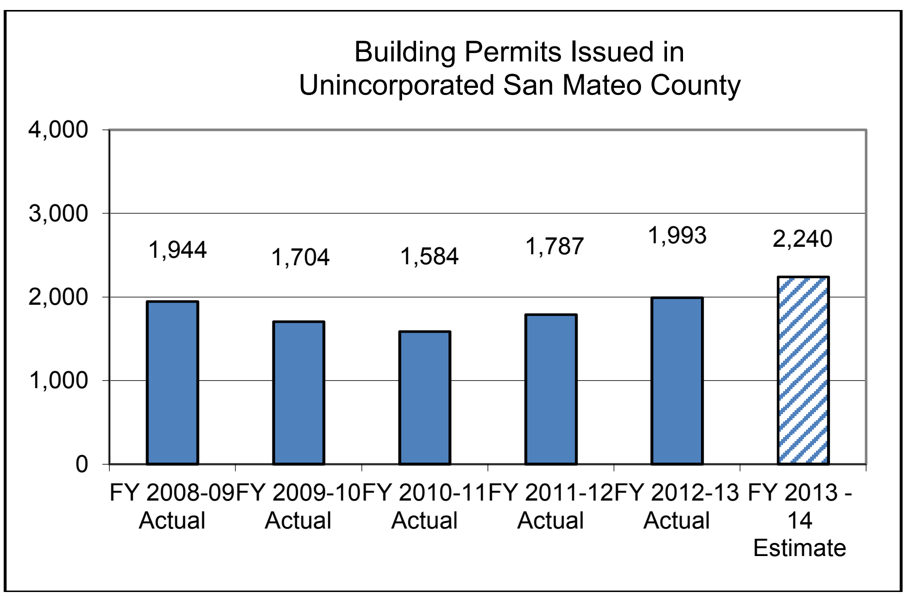
There were 2,047 new assessment appeals filings for FY 2012-13, which was a 13% decrease from FY 2011-12. The estimated number of appeals filings for 2013-14 is 2,200.



Source: San Mateo County Assessor's Office

Building Permits Issued

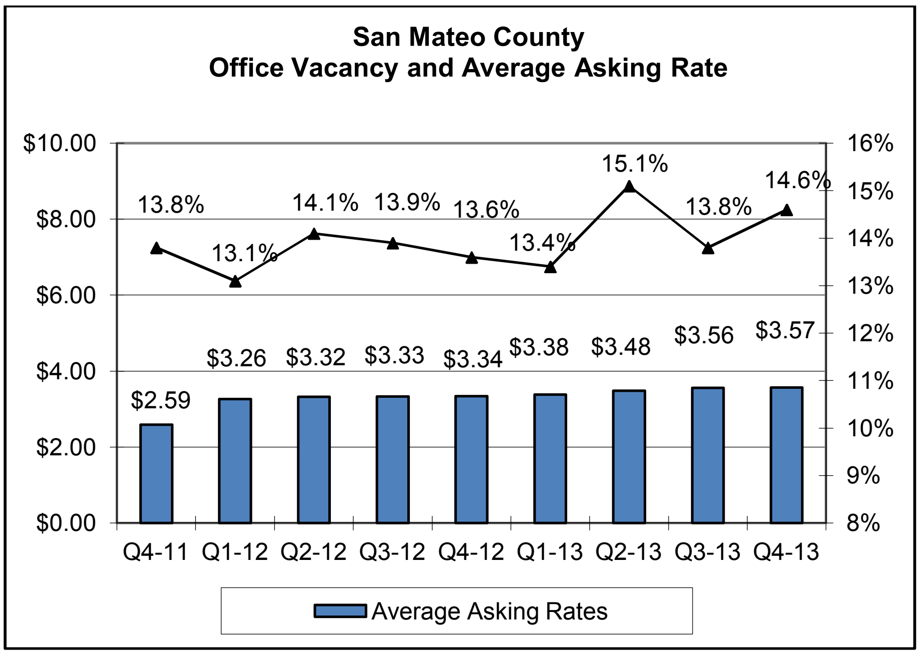
The number of building permits issued by the Planning and Building Department is increasing significantly. The permits being issued show an increase in all types of permits for remodel work, new roof installation, and new home construction. The Department interprets these increases as further evidence of economic recovery in our County.



Source: San Mateo County Planning and Building Department

Office Space Availability

The demand for San Mateo County office space continued to rise in Q4-13, reaching an average asking rent of $3.57 per square foot full service, representing a 6.9% increase since Q4-12 and a 32.7% increase since Q4-10. The overall vacancy rate varied throughout the year between 13.4%-15.1%, evidencing an overall downward trend from Q4-10 at 16.7%. Continued increase in demand is expected into 2014 as employment within the office sector continues to rise. Downtown markets are projected to see the largest increase in rents as employers are seeking space within close proximity to transportation and the service sector. Class A space continues to be in high demand and is projected to have the largest increase in rental rates.

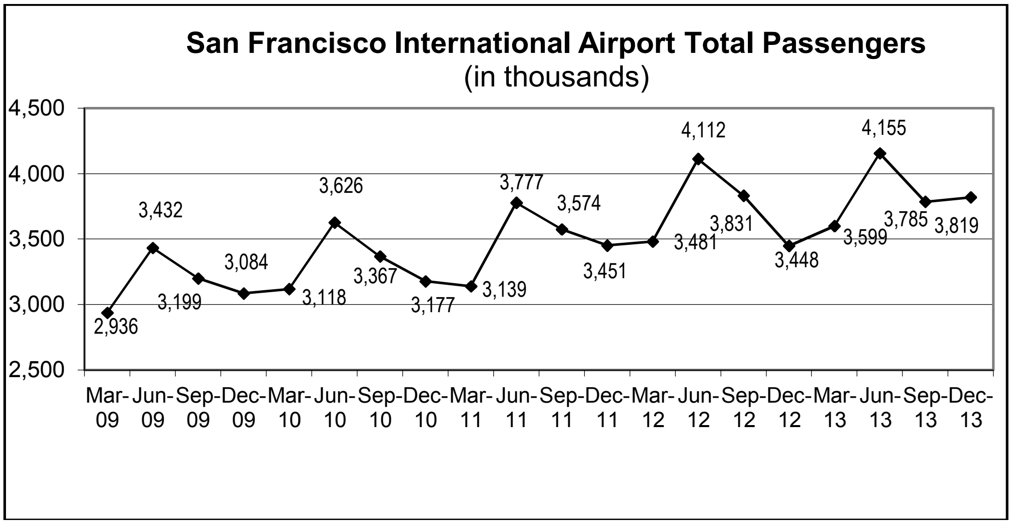


1. Average asking rate includes utilities, maintenance, insurance, and all other expenses related to occupancy

Source: Cassidy Turley Commercial Real Estate Services

San Francisco Airport – Total Passengers

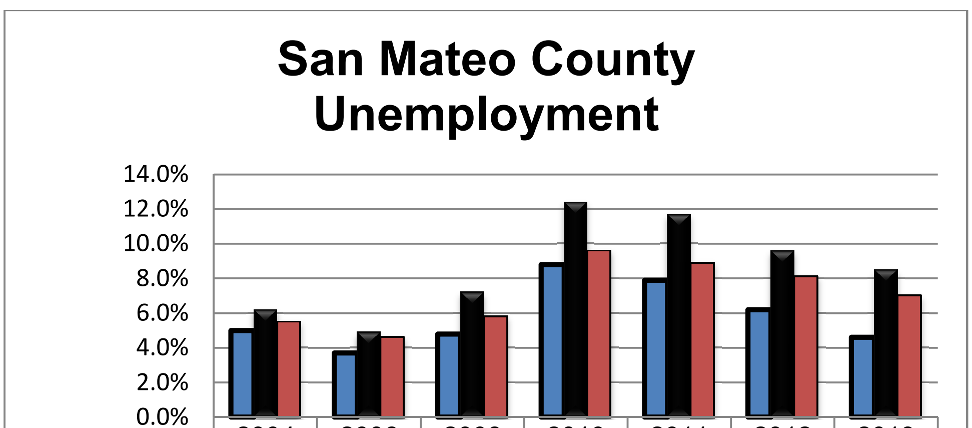
A significant portion of the County's unsecured property tax and sales tax revenues come from businesses at San Francisco International Airport, so it is important to monitor patterns in airport activity. Total annual airport passengers are up 1.2% from 44.5 million through December 2012 to 45 million through December 2013.



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 6.2% in 2012 to 4.6% in 2013, with 18,300 unemployed. The county continues to have one of the lowest unemployment rates in the state, second only to Marin County with 4.2% in 2013.

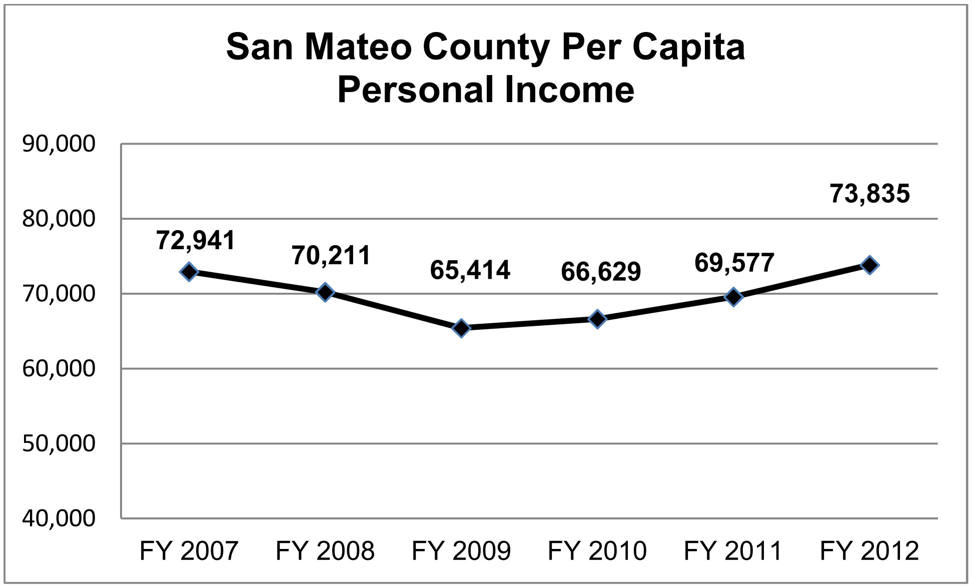


	2004	2006	2008	2010	2011	2012	2013
San Mateo	5.0%	3.7%	4.8%	8.8%	7.9%	6.2%	4.6%
California	6.2%	4.9%	7.2%	12.4%	11.7%	9.6%	8.5%
U.S.	5.5%	4.6%	5.8%	9.6%	8.9%	8.1%	7.0%

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

San Mateo County Per Capita Personal Income

In San Mateo County, personal income increased 6.1% from $69,577 per capita in 2011 to $73,835 per capita in 2012. Data for 2013 is not yet available.



Source: http://www.dot.ca.gov/hq/tpp/offices/eab/socio_economic_files/2013/San_Mateo.pdf

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. Average Starting Hourly Wage at Placement
D. Public Assistance Caseloads
E. Child Abuse Referrals
F. Emergency Room Visits
G. Health Insurance Enrollment

Jail Populations

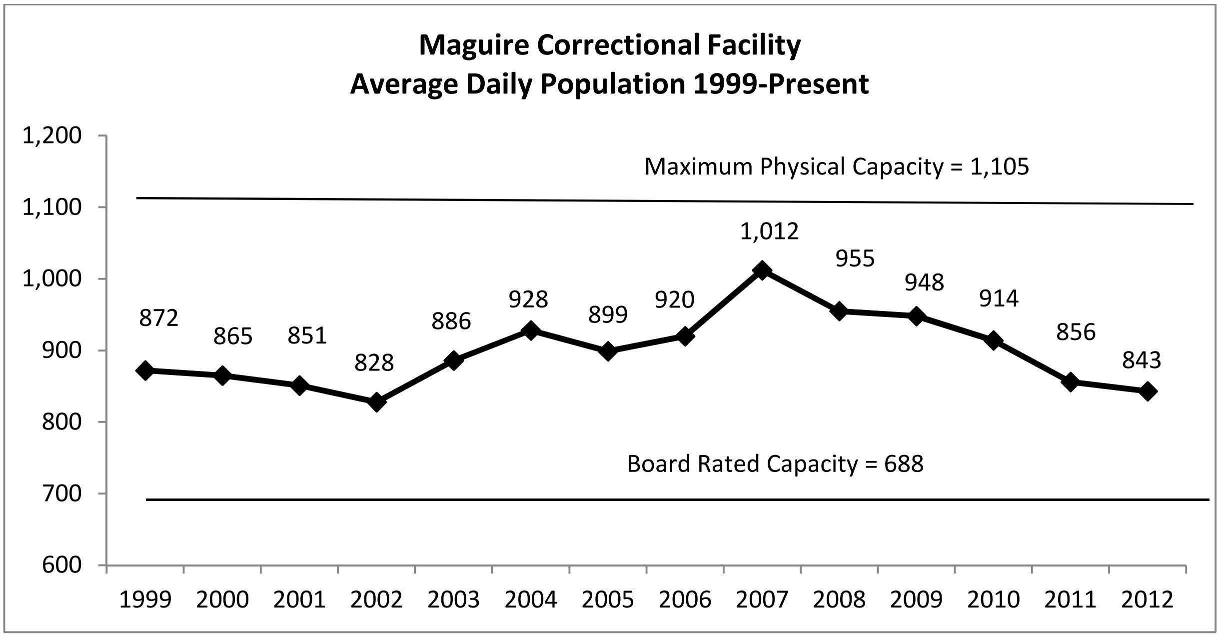
The San Mateo County Sheriff's Office currently operates four adult correctional facilities: the Maguire Correctional Facility (MCF), the Maple Street Complex which is comprised of the Women's Correctional Center, the Men's and Women's Transitional facilities. We also manage the Alternative Sentencing Programs at the Maple Street Complex: Sheriff's Work Program and Work Furlough Program.

For FY 2012-13, the average daily in-custody population was 1,004 inmates. The MCF average daily population for FY 2012-13 was 843 with 688 rated beds, originally built in 1994. The WCC average daily population for FY 2012-2013 was 117 with 84 rated beds, originally built in 1980. Jail overcrowding continues to be an issue and has become more complex due to AB-109 – Public Safety Realignment. (*Includes the following correctional facilities: Maguire, WCC, and the Men's (32) and Women's (12) Transitional Facilities.)

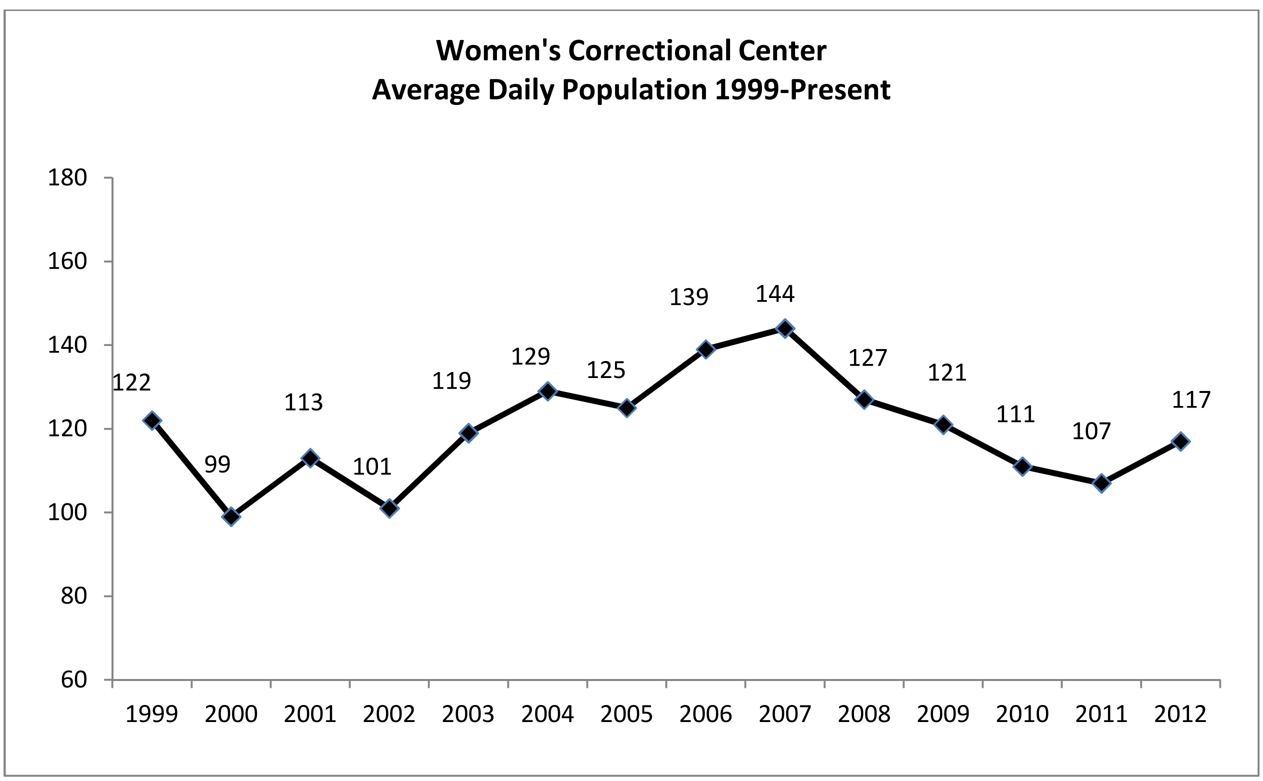
The County has determined that the Maple Street Complex needs to be replaced rather than remodeled or expanded. To address the women's inmate population, and overcrowding overflow from the Maguire Correctional Facility, and inmate growth impacts that have resulted from the passage of AB109 – Public Safety Realignment, which shifts the responsibility of housing low-level offenders from the State to counties, after study and discussion with the City of Redwood City, the decision was made to construct a replacement facility now known as the Maple Street Correctional Center (MSCC.) The Maguire Correctional Facility will remain our main booking and release facility, with video visitation, food and laundry services being operated out of the new facility.

This will allow the Sheriff to meet the custody needs and safely and humanely house and manage our current adult inmate populations and future state prisoner re-alignment populations. It will be a phased opening replacing the Maple Street complex consisting of 320 beds for expanded in-custody and transitional housing with ample additional programming space.

The Sheriff has begun a strategic implementation plan (SIP) to implement three types of programs and services into our correctional system: reformative, activity based and re-integrative or re-entry based. The new delivery of programs and services will transform the way we currently operate within the field of corrections. The plan will bring a comprehensive and balanced array of programs and services to inmates while they are in custody. In addition, the plan provides a continuum of care for reentry into the community that will help support inmates in improving their lives and ensuring on-going public safety.



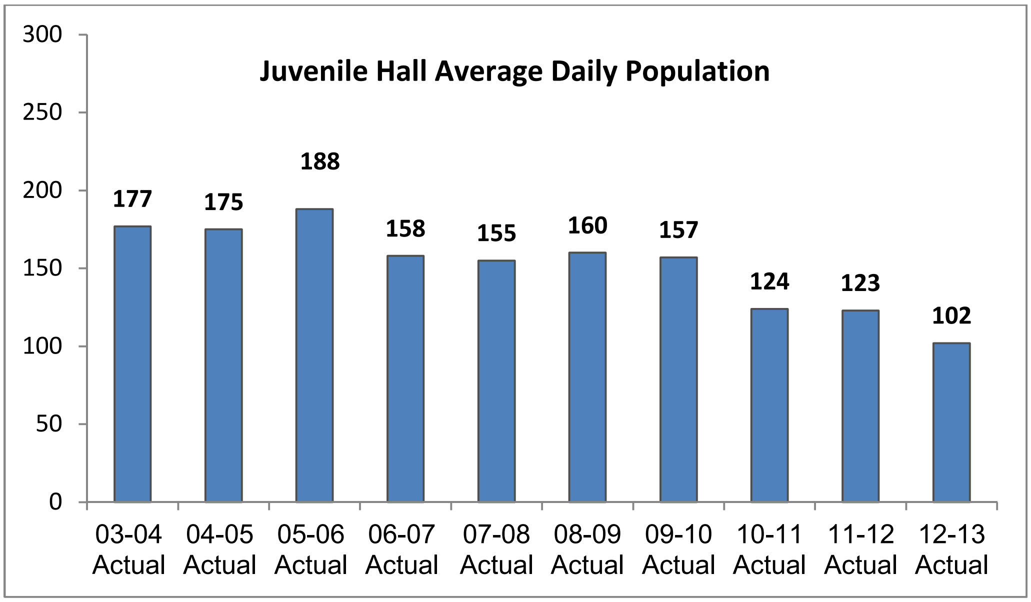
Source: Sheriff's Office Daily Population Report (CJIS)



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

Youth Services Center Population

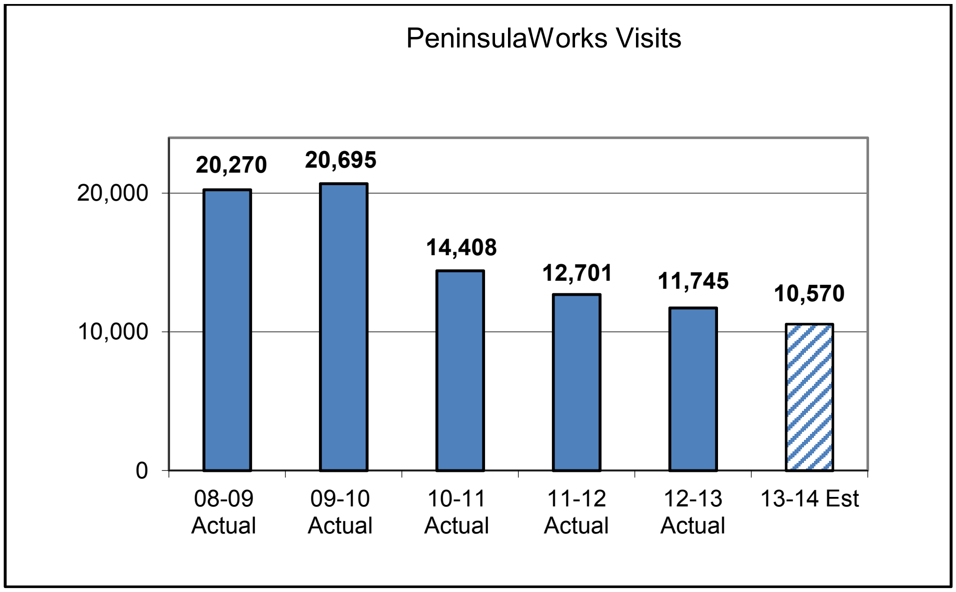
After an increase in the average daily population (ADP) to 160 in FY 2008-09, the ADP at the Youth Services Center decreased to 157 in FY 2009-10; with a sharp decrease in the ADP to 124 for FY 2010-11, 123 for FY 2011-12, and 102 for FY 2012-13. This decrease seems to be a statewide trend possibly due to a reduction of law enforcement personnel in the community. 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 job search services decreased 8% from FY 2011-12 to FY 2012-13 as the County's unemployment rate dropped below 6%. Although not quite reaching the same level prior to the 2008 economic down turn, the County jobless rate has progressively improved. Jobs expanded in many sectors without the offset of job layoffs. PeninsulaWorks Centers operate in two County locations. Job seekers in the CalWORKs aid program additionally, have other opportunities for employment training and development which are not typically captured by the PeninsulaWorks statistics.

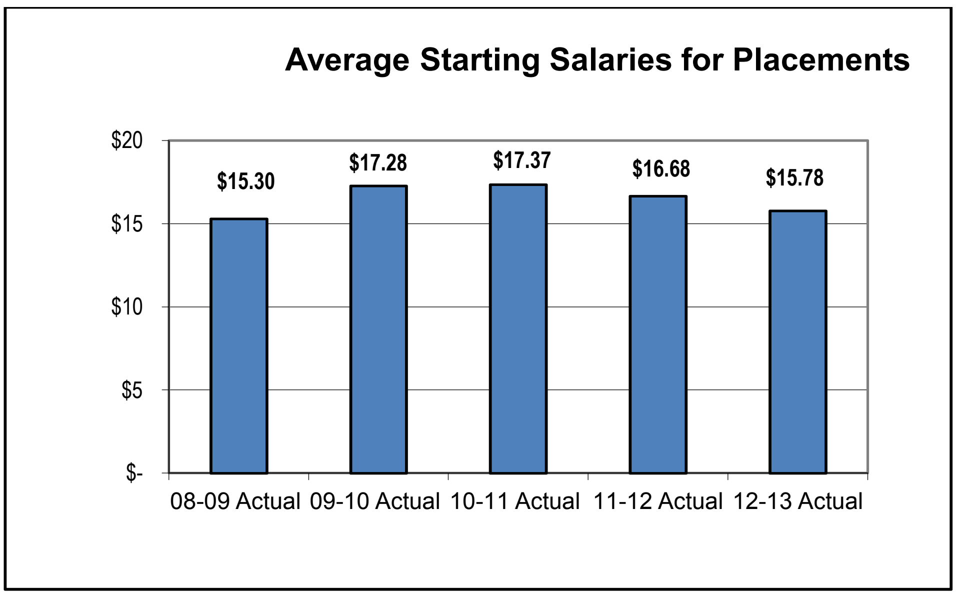


Source: Human Services Agency and Workforce and Economic Development

Average Starting Hourly Wage at Placement

The average starting salary for individual adults trained in Workforce Development programs declined 5% from FY 2011-12 to FY 2012-13 based on the Job Training Automation (JTA) system used by the state to track performance measures for individuals enrolled in Workforce Investment Act (WIA) funded programs for Unemployed and Dislocated Adults for the average hourly wage at time of job placement. More significantly, the number of employment training grants increased 77%, as more funding for Unemployed Adults was channeled into the County. The higher proportion of Unemployed Adults securing jobs at a lower starting wage impacted the average salary. Wage trends in the County suggest a dramatic widening between highly skilled and lesser skilled occupations. In 2013, the difference between the mean and median hourly wage was $17.41; in 2011 and 2012 those differences were $7.20 and 7.47 respectively.

Workforce and Economic Development is in the process of developing the FY 2013-14 estimate.



Source: Human Services Agency and Workforce and Economic Development

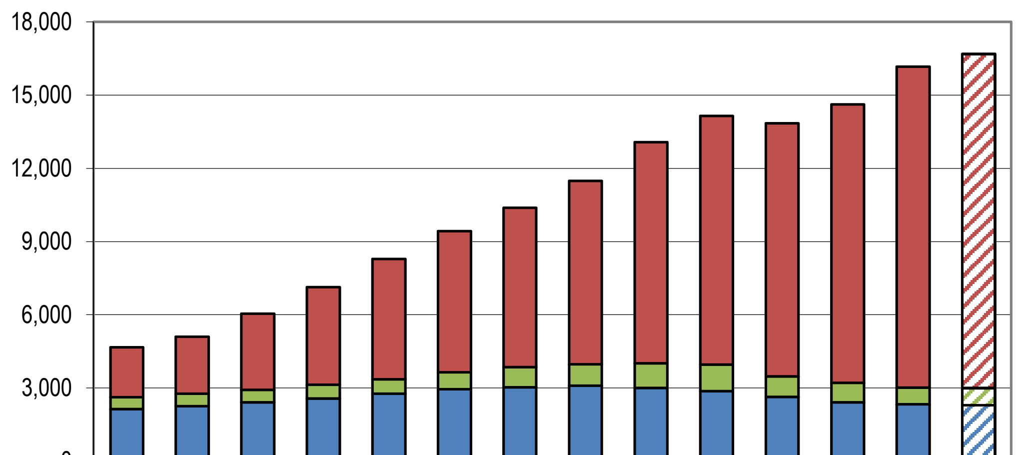
Public Assistance Caseloads

CalFresh caseload reflected an increase of 27% from January 2013 to January 2014. The reason of the increase can be reflective of an increase of CalFresh Program education provided to our CalFresh Outreach partners and nonprofit organizations throughout San Mateo County. Thrive Alliance and Second Harvest Food Bank organized local conferences to increase CalFresh awareness and engage more organizations to help navigate clients. In addition, San Mateo County participated, for the first year, in the CalFresh May Awareness Month celebration. The Human Services Agency expects to increase CalFresh participation further in FY2013-2014 as they begin to implement Senate Bill 191. Medi-Cal populations under 200% of the Federal Poverty Level will now be categorically eligible for CalFresh.

The General Assistance caseload reflected a decrease in participation of 14% from January 2013 to January 2014. The greatest decrease in this caseload has been in the employable population. SMC Works has been working effectively with this population to provide them with skills that would prepare them for the workforce. They continue to place employable clients into jobs that would provide them income and therefore ineligible for General Assistance benefits.

The CalWORKs caseload reflected a decrease in participation of 11% from January 2013 to January 2014, and is expected to decrease in FY2014-2015.

Public Assistance Caseloads



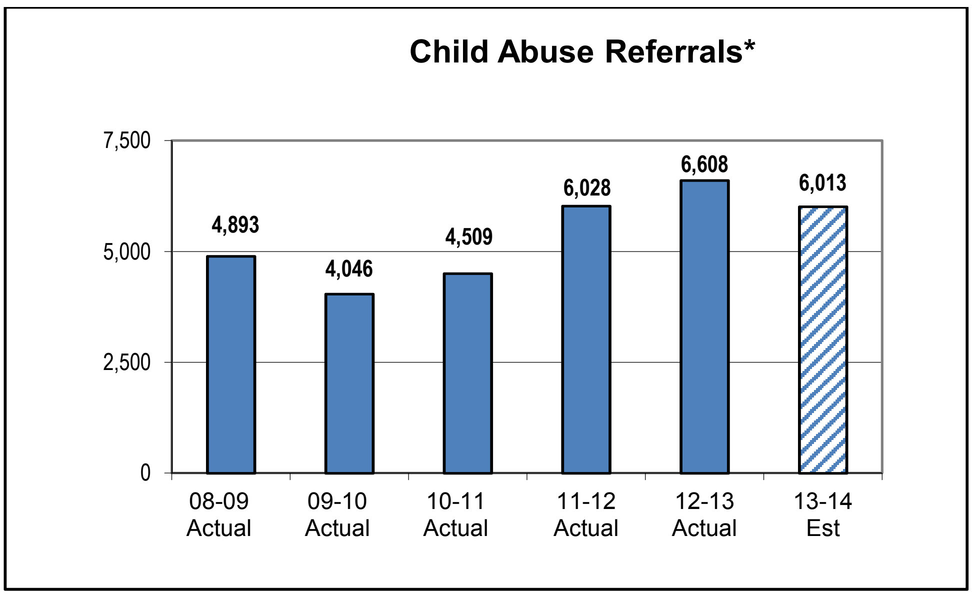
	Jan 08	Jun 08	Jan 09	Jun 09	Jan 10	Jun 10	Jan 11	Jun 11	Jan 12	Jun 12	Jan 13	Jun 13	Jan 14	Jun 14 Est
CalFresh Cases	2,037	2,334	3,121	4,004	4,923	5,782	6,531	7,515	9,058	10,19	10,37	11,41	13,15	13,69
GA Cases	485	519	501	559	592	696	824	874	1,017	1,085	846	794	682	700
CalWORKS Cases	2,141	2,252	2,419	2,577	2,770	2,947	3,035	3,098	2,997	2,876	2,632	2,413	2,331	2,300

Source: Human Services Agency

Child Abuse Referrals
Child abuse referrals have generally increased since FY 2009-2010. The most prominent type of referral was due to general neglect and the Human Services Agency continues to see an increase in allegations involving an at-risk sibling. Additionally, counseling and therapy services providers as well as educators account for 42% of reporters making referrals. The represents a 22% increase in allegation calls from these reporters. It is anticipated that this trend will continue throughout Fiscal Year 2013-2014.

Due to the shifting of AB3632 mental health funding to schools, schools have become the de facto mental health agency responsible for addressing the child's issues. Schools are seeing more families with mental health and other issues which may lead to maltreatment.

While there is a slight decrease in referrals projected for FY2013-2014, the caseload of children in out-of-home placement receiving service has increased by 20% since 2009.

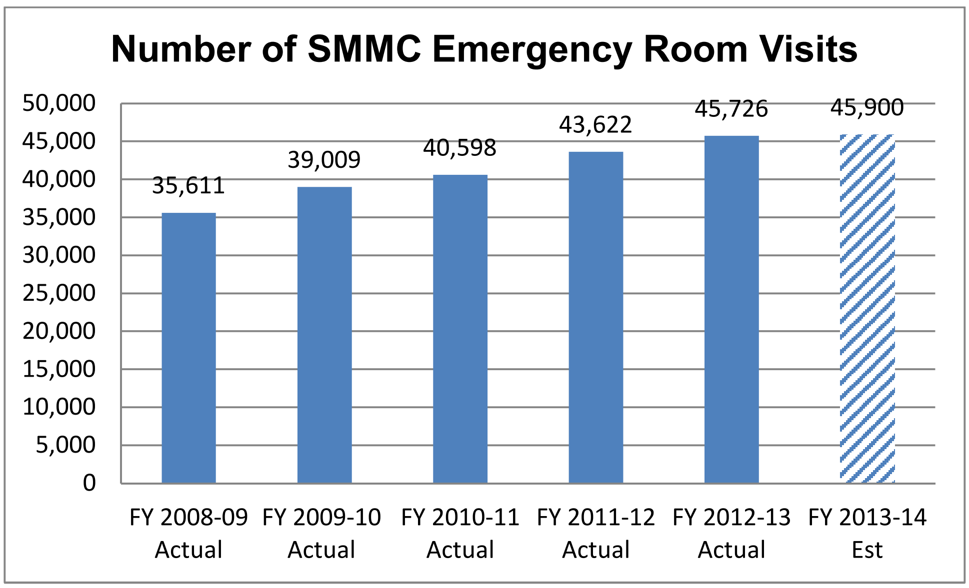


Source: Human Services Agency

*This data reflects the count of children on referrals.

Emergency Room (ER) Visits

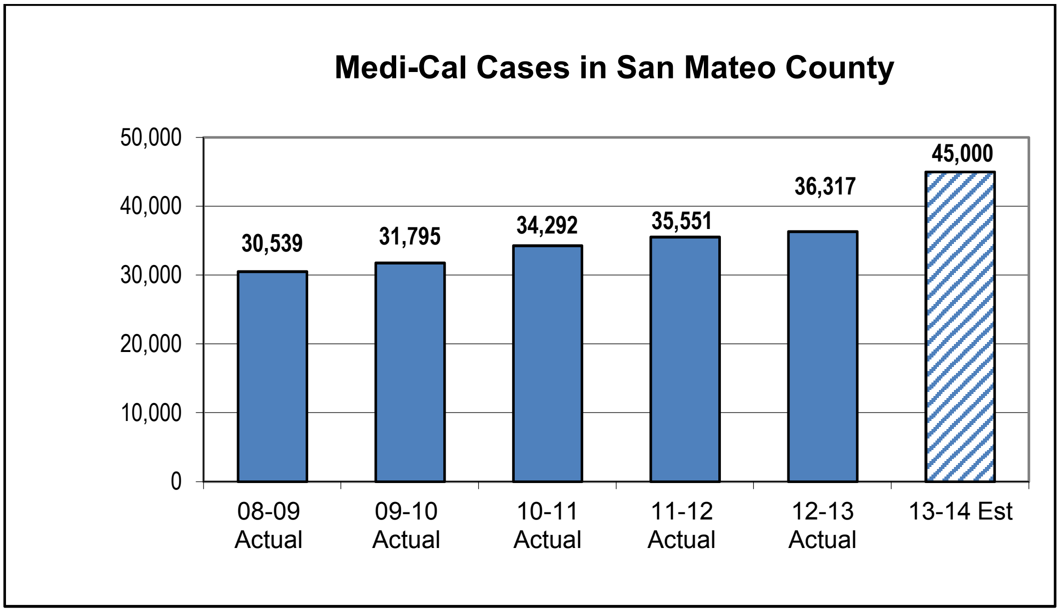
Volume increases in the ER continue, though at a slower rate than in previous recent years. Trends driving the increases include continued economic hardship for those with low incomes and changes and uncertainty in health care coverage driven by the ACA. The Health System is working to mitigate this increase in the ER volume by reducing its waiting list for primary care: its waiting list is now about 500, down from almost 2500 a year ago. The Health System expects to eliminate the waiting list within six months time primarily by continuing to expand primary care volume at the new Fair Oaks Health Center. In addition, it has opened a new Express Care Clinic, which serves new patients who have urgent health care needs best served in a clinic setting so they do not need to go to the ED.



Source: San Mateo SMMC

Health Insurance Enrollment

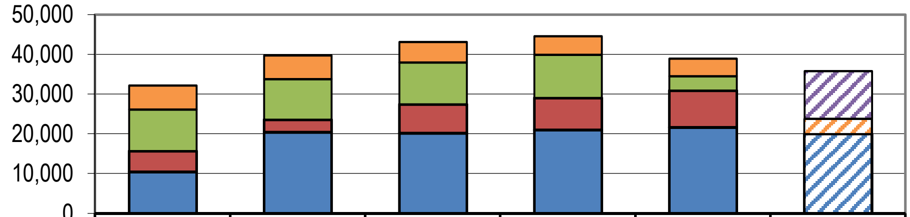
The landscape of health insurance is changing due to the implementation of the Affordable Care Act (ACA). The data below reflect recent local trends in insurance enrollment. Refer to the section above entitled Initiatives and Other Updates- Health Care Reform for additional information on ACA implementation in San Mateo County.



*A Medi-Cal case represents one household that contains one or multiple individuals receiving Medi-Cal. This chart shows Medi-Cal cases managed by the Human Services Agency and does not include individuals who receive Medi-Cal from the Social Security Administration as part of their Supplemental Security Income (SSI).

Source: Human Services Agency

Number of Eligible San Mateo County Residents Enrolled in Other Health Insurance



	08-09 Actual	09-10 Actual	10-11 Actual	11-12 Actual	12-13 Actual	13-14 Est
Covered California*	-	-	-	-	-	12,000
Healthy Kids	6,080	5,954	5,181	4,732	4,401	3,800
Healthy Families**	10,472	10,245	10,501	10,800	3,630	-
ACE - MCE/ Coverage Initiative**	5,226	3,141	7,237	8,074	9,259	-
ACE County	10,411	20,436	20,220	21,005	21,618	20,000

*Covered California enrollment became effective on January 1, 2014; these data reflect San Mateo County residents enrolled in a Covered California health plan, as reported by Covered California.

**The reason for the drop in enrollments is that Healthy Families and ACE-MCE/Coverage Initiative programs are merging into the Medi-Cal program. Individuals previously covered by these programs will be covered by Medi-Cal.

Source: Health System

Attachment A

Revised Fund Balance Policy

Fund Balance Policy – Revised

Fund Balance is defined as savings carried over from the prior year. It is made up of Reserves, and/or revenue received above budget and/or savings from expenditures that were under budget for the prior year.

Fund Balance above the reserved amount can be placed into Reserves and/or used for one-time purchases. It should not be used for ongoing expenses.

The Board-approved County Reserves Policy recognizes Fund Balance and Reserves as one-time sources of funding and provides specific guidelines on Reserves requirements and appropriate uses of funding.

This tenets of this policy recognize the following: (1) that not all departments may currently meet the two percent Reserves requirement; (2) that some departments have used Fund Balance to fund ongoing operations and it is not feasible to stop this practice immediately without significantly impacting County services; (3) that using one-time Fund Balance to fund ongoing operations is not sustainable; (4) that some departments revenues fluctuate greatly and may need to keep more Fund Balance in deficit years and return more to Non-Departmental Services in surplus years; (5) that some departments have difficulty generating new or increased revenues; and (6) the Board has adopted a policy, which sunsets in 2023, to make additional contributions to the County's retirement system (*SamCERA*) and one of the funding sources for said contributions is the Fund Balance generated by operating departments.

In calculating Fund Balance, the following guidelines should be followed:

- As a matter of principal, General Fund departments can retain 50 percent of their year-end Fund Balance and 100 percent of unspent Contingencies and Reserves. Non-General Fund Departments and zero Net County Cost General Fund Departments can retain 100 percent of Fund Balances unless there is an agreement to do otherwise.
- Departments may request to keep an additional portion of their Fund Balance, up to 75 percent in a given year, for one-time projects that are pre-approved by the County Manager's Office. Such requests must be approved by the County Manager's Office before year-end. These requests must also include how the project will impact the performance of the department in meeting its goals/objectives.
- General Fund departments who are in a structural deficit situation may request to retain an additional amount of their Fund Balance in accordance with an agreed upon plan that must include the elimination of the deficit within a specified timeframe.

- General Fund departments that have fluctuating non-discretionary revenues that are tied to the local economy, such as those that generate revenues based on real estate or sales tax activity, can be allowed to keep additional Fund Balance above the 50 percent threshold in deficit years and less than 50 percent in surplus years. A deficit or surplus year is defined as any year where the change in a department's total revenue greater than 10 percent (lower or higher) of the average total revenue for the previous five fiscal years.
- Unspent appropriations for pre-approved technology projects and other one-time special projects can be carried over by departments at 100 percent.
- Costs incurred to pay out vacation/holiday and/or sick leave for retirees can be credited back to a department through the Fund Balance process and those amounts are added back into the calculation once the 50/50 split has been calculated. Departments are responsible for documenting these costs and must provide back-up upon request by the County Manager's Office.
- Departments with a negative Fund Balance are responsible for absorbing 100% of the shortfall.
- The County Reserves Policy requires General Fund departments to maintain a minimum Reserves amount equivalent to two percent of Net Appropriations. For those departments who do not meet this requirement, a plan must be presented to the County Manager's Office indicating how the Reserves level will be met and sustained.
- The County Manager's Office reserves the right to deny all or a portion of department requests to retain unreserved Fund Balance in excess of 50 percent if it feels a reasonable threshold is not being achieved to fund the additional retirement contributions in a given year. If such limitations are applied, they will be applied fairly to all departments making such requests with the exception of those departments with an approved plan to eliminate a structural budget situation.
- The unreserved departmental Fund Balance returned to Non-Departmental Services will go to General Fund Reserves or Contingencies, or be appropriated for one-time items such as paying down unfunded liabilities, countywide technology, and capital improvement projects, or be appropriated to help balance the budget on a short-term basis.

Attachment B

Revised Administrative Memorandum B-15: Appropriation Authority

ADMINISTRATIVE MEMORANDUM

COUNTY OF SAN MATEO

NUMBER: B-15

SUBJECT: Appropriation Authority

RESPONSIBLE DEPARTMENT: County Manager

APPROVED:_____________________________ **DATE**: February 19, 2014

John L. Maltbie, County Manager

The Board of Supervisors, through the budget approval process, appropriates funds for each budget unit at an object level (Salaries and Benefits, Services and Supplies, Other Charges, Fixed Assets, Other Financing Uses and Intrafund Transfers). Pursuant to the Government Code, departments are only authorized to expend funds within the amount appropriated by the Board of Supervisors for each budget unit-object level. As set forth herein, departments must request any necessary appropriation adjustments at an object level, and obtain the necessary approvals for such adjustments, prior to any over-expenditures or commitments (purchase orders and encumbrance requests). The Controller's Office will not process any claims (including salaries and benefits) if there is insufficient appropriation authority.

A department may seek amendment of the appropriations to a budget unit or object level during the fiscal year by submitting an Appropriation Transfer Request (ATR). An ATR can be used to appropriate new, unanticipated revenues or transfer existing appropriations from one budget unit to another, or between objects within the same budget unit.

Pursuant to Government Code § 29125(b), County Resolution and this Administrative Memorandum, all ATRs must be approved by the County Manager and Controller (or their authorized designees). In addition, as set forth herein and pursuant to applicable state law, certain ATRs also require approval by the Board of Supervisors by either a majority vote or a 4/5ths vote depending on the nature of the requested appropriation or transfer.

The above-referenced approval requirements do not apply to the approval of emergency expenditures, which are controlled by Government Code §§ 29127 and 29128.

Required Approvals:

The following ATRs require Board of Supervisors' approval in addition to County Manager and Controller approval:

	Description	Req'd Vote	Example(s)
A.	Transfers of any amount between budget units within a fund if overall appropriations are not increased	Majority	A General Fund department (budget unit) transfers appropriations in Salaries and Benefits to another General Fund department. Even though both budget units are in the General Fund, they are different budget units requiring separate legal appropriation by the Board of Supervisors even if the overall budget does not increase.
B.	Transfers of any amount between funds	4/5ths	A department transfers appropriations in Services and Supplies to Other Financing Uses (Operating Transfers In) to fund a capital improvement project. Capital Projects, a separate budget unit and fund, recognizes the Operating Transfer In and appropriates the new funds in Fixed Assets-Structures. In this example, which is fairly common, a 4/5ths vote is required for two reasons: transfer between funds and unanticipated revenue (see E below). [Note: Transfers between funds generally require a double entry to appropriate the outgoing transfer from one fund and the incoming transfer to

	Description	Req'd Vote	Example(s)
			the other. Monies cannot be transferred between funds with an ATR only. After the ATR is approved, journal entries are required to physically move the funds.]
C.	Transfers of any amount from appropriation for contingencies	4/5ths	A department transfers Appropriation for Contingencies to Services and Supplies to address an unanticipated issue. [Note: Any movement of money from the Appropriation for Contingencies account 8611 requires a 4/5ths vote.]

	Description	Req'd Vote	Example(s)
D.	Appropriation of any restricted, committed, assigned, and unassigned fund balances, excluding the general reserves and nonspendable fund balance	4/5ths	A department transfers Reserves to Other Charges. Any movement of money from the following accounts requires 4/5ths vote: • 8612 – Departmental Reserves • 8613 – Appropriation for Internal Leases • 8811 – Capital Reserves (Non-General Fund) and • 8821 – General Reserves (Non-General Fund) [Note: Pursuant to County Resolution #072456, dated April 23, 2013, the Board delegated authority to the County Manager to transfer funds from account 8613 for internal leases not exceeding $1 million.] [Note: General reserves and nonspendable fund balance represent special classifications of reserves under Generally Accepted Account Principles (GAAP) that cannot be transferred except under special situations and/or conditions]

	Description	Req'd Vote	Example(s)
E.	Appropriation of any amount recognizing unanticipated revenues	4/5ths	A department recognizes Measure A Sales Tax revenue and makes a corresponding appropriation in Services and Supplies. Common adjustments involving unanticipated revenue also include new grant funds and the transfer of money between funds (see B above). Appropriation of any revenue accounts on the "From" side of the ATR (objects 1000, 1200, 1400, 1500, 1600, 2000, 2500, 2600 or 2700) will require a 4/5ths vote by the Board where the overall budget has increased. Transfers moving budgeted revenue from one sub-unit to another within the same budget unit and the same fund, which do not increase the overall budget, do not require Board approval.
F.	Transfers or adjustments of any amount canceling appropriations	Varied	A department is cancelling an appropriation in Other Charges and the funds are being returned to Reserves. This particular example requires a 4/5ths vote because the funds are being returned to Reserves. The voting requirements may have been different had the funds been moved to another budget unit or a different account. [Note: The BOS voting requirements depends on the nature of the transfer.]

Transfers of any amount within a budget unit <u>and</u> within a fund, except transfers to/from Reserves and Contingencies, may be approved by the County Manager and Controller (or their authorized designees) without Board of Supervisors approval, provided that the overall appropriations of the budget unit are not increased.

General Processing Guidelines:

The following general guidelines should be followed when completing an ATR:

1. ATRs must balance. The sum of all “From” entries must equal the sum of all “To” entries.
2. The “From” section can represent a combination of new revenues and existing appropriations.
3. When transferring existing appropriations, you must have sufficient savings at the Budget Unit / Object level as well as the Sub-unit / Sub-account level from which the appropriation is taken.
4. The appropriation of Unanticipated Revenue should only be for revenue that has already been received by the County or its receipt is from a guaranteed funding source (i.e., Federal or State grant). Unless prior permission is granted by the County Manager’s Office and the Controller’s Office, departments should not prepare ATRs recognizing unanticipated revenues on the assumption that future operating revenues would exceed budgeted appropriations at year-end. Generally speaking, unanticipated revenue should only be recognized and appropriated when the “money is in the bank” or it is from a guaranteed funding source.

Any questions regarding these procedures should be directed to the Controller’s Office, the County Budget Director or the department’s assigned CMO Analyst.

Attachment C

SMCSaves Project Update

SMCSaves Project Update

District Attorney: E-records

The District Attorney's Office SMCSaves project was to scan and save into electronic format three years of closed felony cases from 2009 through 2011. The project goal was to reduce retrieval and transportation expenses incurred from the offsite storage facility and reduce time spent searching for lost case files onsite. At the end of the project, the department met and exceeded its original goal by scanning files through 2012 and going on to include current day, closed felony files.

The E-records project was a success in terms of the number of files converted to electronic format, the savings in staff time realized through a streamlined file retrieval process and fewer lost files. Building on the initial success, the department is continuing the conversion effort and will focus on scanning ongoing case files and homicide case files with the support of two extra help positions. The department expects to realize even further reductions in storage and retrieval expenses as these large files are made electronically available and the need for storage is further reduced.

Prior to the SMCSaves project, the department stored three years of felony files which is approximately 7000 files, in the file room of the District Attorney's Office, and ten years worth of files in an outside storage facility. Since implementation of the SMCSaves project, the department has reduced in-office storage of 14,022 felony files. The electronic storage of files has saved support staff time in searching for files on a daily basis, and has opened up space in the office, which can be used for other purposes.

During the life of the project, the department realized cost avoidance savings of $20,934, primarily due to reduced paper usage and storage fees that were not realized as a result of its scanning capabilities. An even higher amount of savings is estimated this year since storage facility expenses will continue to decrease now that the department is no longer sending new files for storage.

Health System: Benefits Advocacy

With SMC Saves support, the Health System partnered with the Human Services Agency and the Social Security Administration to implement an improved process for submitting applications for SSI benefits to achieve shorter processing time and improved results. A cross-disciplinary County, CBO-partner "team" came together, completed training and trouble-shot issues to make a standardized application process with the Social Security Administration field office (a Federal office) and the State Disability Evaluation Services office in Oakland for San Mateo County clients seeking SSI.

Key results include:

- Submitted 260 SSI/Medi-Cal applications (across 15 staff)
- Achieved 70 approvals among 145 decisions (49% approval rate)
- Turnaround time averaging a bit over 3 months (104 days); the baseline before this pilot was 6-12 months.
- Estimated savings of $609,000
- Implemented new "benefits case management" tool within the Behavioral Health and Recovery Services (BHRS) electronic health record (Avatar)

Learnings include:

- Not high alignment between General Assistance population and SSI eligibility criteria → HSA reviewed and revised its screening process to assure best use of GA Disability Services Advocates' time
- Able to standardize and streamline information flow to SSA and Disability Evaluation Services to achieve quicker decisions
- Coordination across staffs assisting high-risk/ high-cost clients unearths process improvement opportunities (e.g., documenting SSI application for GA purposes, assuring appropriate referrals for CAPI, health benefits, saving time in obtaining clinical information from SMMC or BHRS)
- Need to continue to improve coordination with clinical staff/ clinical information that accompanies applications

Human Services Agency: Economic Self-Sufficiency Customer Service Re-Design

The Human Services Agency (HSA) was awarded a SMCSaves Grant for Lobby and Phone Experience Modernization projects to improve customer service and outreach.

HSA successfully redesigned its regional lobbies to include Self Service Kiosks to guide clients and streamline staff notification of a client requiring assistance. Additionally the department installed Overhead Monitors and Public Announcement Systems for comprehensive navigation support. With the implementation of these technologies, the department is no longer experiencing long lines in lobbies and the wait time today averages 30 minutes.

The Phone Experience Modernization project introduced two new functions to the Service Center Phone System: Virtual Hold and Auto Dialer. Virtual Hold was installed and but due to technical difficulties has been halted pending resolution. The Campaign Manager Auto Dialer/Predictive Caller was successfully installed and is currently being used for clients who have not submitted periodic reports and renewals/re-certifications to receive an automated reminder call. This system helps ensure that eligible clients do not stop receiving benefits by replacing a manual outbound reminder calling process that was labor intensive.

Planning and Building: Electronic Plan Review

The Planning and Building Department received a SMCSaves grant to enable electronic submission and review of building permit applications. Although the department has completed a significant portion of the work required to implement electronic document review, the project is not yet complete and is estimated to be in place in June 2014.

The Department has purchased and installed the required hardware with the exception of a large document scanner, which is postponed until just prior to implementation to minimize premature obsolescence of the technology. The Department also completed its upgrade to Accela Automation, a permit tracking system for Planning and Building permits. This system went live in December 2013 and included a software upgrade necessary to enable online acceptance and processing of electronic documents. The Department is now testing the system and training staff in preparation of full launch by the end of the fiscal year.

Once implemented, the new system will allow for the entire permit review process to be done electronically, from upload of construction-drawing to plan review and permit approval by staff. This will save time for clients that previously needed to submit everything in person as well as staff by streamlining the review process. The new system will also allow for detailed workflow tracking and performance management, providing information about turnaround time and permit status.

Planning and Building and Department of Public Works: Electronic Tools for Water Quality Inspectors

With support from SMCSaves, the Planning and Building Department and Public Works Department contracted with Accela, Inc. and Truepoint to develop a system for data management and field data entry for water quality inspectors using mobile devices. This system was designed to be compatible with the Planning Department's Accela Automation project which was successfully launched in December of 2013.

The departments have acquired software modules and licensing and have worked with Truepoint to substantially complete the development of forms for field data entry and work management.

Learnings include:

- It is important to identify and engage all the stakeholders early.
- The cost of software may be higher than anticipated. Devices themselves make a smaller portion of the product budget.
- It is important to carefully consider the ongoing costs of operating the equipment such as cellular data plans, replacement due to loss/theft/breakage, software license/maintenance, and IT support
- The user experience may differ on different devices both appearance and operation. Different people also have different needs, some users want to have the larger tablet while others find it to be a burden as they cannot easily put the unit aside while doing work with their hands and might prefer a smartphone that could be conveniently stored in a pocket.
- The process of discovering requirements and developing forms and workflows creates a better shared understanding of cross-departmental workflows creating improved efficiency and effectiveness.

Next Steps:

- Complete testing of the software - May1
- Purchase sample devices and test – March 15
- Collect data and analyze the results to fine-tune the data collection process – April 1
- Iteratively update forms incorporating user feedback - April 15
- Make recommendation to the Departments as to which devices are compatible with Accela and best meet needs of users and IT support – May 1

- Begin full scale deployment of mobile devices including training – June 1

Once implemented, this system will support the County's compliance with the National Pollutant Discharge Elimination System (NPDES) Municipal Regional Permit (MRP). The County has received five Notice of Violations (NOVs) from the State Water Quality Control Board in the past three years.

Department of Public Works: Automated Fleet Management

Through SMCSaves the Department of Public works received support to install an online vehicle reservation system and GPS units into motorpool and department fleet vehicles. This system will allow departments to track vehicles and better manage fleet size and vehicle maintenance.

Vehicle Reservation System: The County has contracted with Asset Works to provide an electronic vehicle reservation system which will allow County vehicles to be checked out electronically from an employee's computer. The system will also track vehicle usage data that can be used to better manage the County fleet (both in size and vehicle distribution).

The Reservation System hardware has been installed in the County's 170 Motor Pool vehicles and vehicle check-out kiosks have likewise been installed. PG&E is currently performing a major gas main relocation project along Winslow Street and in the County's adjacent lot. Because this work affects the ability to park motor pool vehicles in assigned spots, the department is planning a full launch of the system in June 2014, upon completion of PG&E's work and partial launch of the system at the Tower Road, San Mateo facility in March 2014.

Vehicle GPS Installation: The department anticipates installing GPS units in 603 County vehicles between June and September, 2014. The rollout will affect all County vehicles, with the exception of Sheriff and District Attorney vehicles. Authorization of a contract with GPS Insight (GPS vendor) will be presented to the Board on March 11, 2014.

Implementation will include both Passive (records all vehicle movements and reports on those movements on successive days) and Active (records and enables tracking vehicles movements at any point in time) GPS units. While there is no difference in installation costs for the Passive and Active GPS units, the County will incur reduced monthly service fees with a Passive GPS system.

Project rollout was previously delayed while the Passive technology was being refined.

Moving forward, the County will have the ability to switch between Passive and Active at any time. Implementation is anticipated to result in a reduction in vehicle miles driven and claims associated with vehicles. In addition, significant fuel cost savings and an associated carbon footprint reduction are expected. The department will be able to establish a baseline of fleet usage, which will inform future fleet size and maintenance. Additional savings such as fuel usage and greenhouse gas emissions will be measured annually. The department will report to the board in spring 2015 a more detailed summary of results upon successful launch of the program.

Information Services: Pilot Testing of Virtual Desktop Instances

The SMCSaves initiative in the Information Services Department proposed to determine the viability of VDI within the County and if using this new technology would result in cost savings. Another element was to do compatibility testing of applications with the Windows 7 operating system. The final component was the appropriate hardware platform to run the infrastructure on. The competing hardware platforms included Cisco UCS (Unified Computing System) with EMC storage and Dell's Blade enclosure with Equalogic storage system.

The pilot showed a number of things, some expected, some surprising. When it came to the hardware environment, Cisco's UCS presented a fresh look at blade computing but in the end it was determined that the complexity and initial investment could only be offset by having enough of the systems in place. This project (VDI) would not realize that density and therefore, the Dell Blade enclose was chosen as the computing platform. In the storage environment, the EMC product was shown to be superior in scalability and access times, both very important factors in maintaining the "Quality of Experience". Applications were timed on both traditional PC's and VDI instances in both environments to judge performance. One of the surprising factors was the lack of application compatibility with Windows 7 even on programs "certified Windows 7" ready. The majority of user "problems" were in fact not with the VDI technology but in the difference between Windows 7 and Office 2010 and their current environment, showing a need for further testing and training before that platform can successfully be introduced. The remote access test showed great promise in delivering a desktop environment and applications to outside users, both outside practitioners or users from home. VDI offers cost advantages in the extended useful-life of VDI vs. a conventional PC. The useful-life standard for conventional PC's is 60 months while VDI is 72 months. This will decrease technology refresh costs. The support costs of VDI are also lower, primarily because of reduced visits and simplified updates. This should result in decreased support costs, moving from 1 engineer:275 conventional PC models to 1 engineer:500 VDI installs. This reduction of costs will be realized as reduced desktop SLA\Fixed Bid costs and a lower acquisition cost for the desktop component.

The original pilot hardware that the SMCSaves grant funded after being used for development and testing is now being repurposed to provide a remote access desktop experience for San Mateo County users. Based upon the results of the SMCSaves pilot, VDI technology is now in daily use within the Health System at the San Mateo Medical Center on wireless carts being used for patient care and at the new Fair Oaks

Health Center where eighty percent of the facility is running virtual desktops. The Health system is planning on utilizing an additional 1350 virtual desktops as part of their next desktop computing refresh and we are working with other departments to incorporate the technology as their current desktop computing devices are being replaced. The department has selected hardware from Nutanix and software from Unidesk as a result of the pilot and user trials to provide a better density in the data center resulting in a lower cost per session as well as being able to offer "personalization" of the VDI session to make the technology easier to use and more acceptable to a wider user population.

Human Resources: Computer Based Testing of Job Applicants

Human Resources received support from SMCSaves to purchase and implement a computer-based testing (CBT) system. With CBT, the department was hoping to reduce or eliminate the need to test volumes of applicants on weekends at offsite locations by offering un-proctored online testing. The goal was also to enhance the applicant experience by providing them the flexibility to take the exams at their own time, from a location that is most convenient and in a non-anxiety provoking environment.

With the assistance of NEOGOV which is the County's online application system, the department entered into a partnership with the Biddle Consulting Group. Through this partnership HR was able to pilot the ExamIn assessment tool. As the department is still in pilot stage, use of the license is free until October of 2014. Since receiving access to the system, HR has used CBT for three exams: Senior Accountant (29 applicants), Human Resources Analyst (73 applicants) and the Accountant Series (71 applicants). All three exams were administered successfully, with a zero no-show rate. Applicants also commented that the system was easy to use and convenient.

Because tests are administered unproctored, validating exam results is a crucial aspect and is proving to be the unanticipated challenge in implementing this program. In the validation phase, the department invites all candidates who pass the CBT exam to retake a portion of the test in a proctored environment. Their scores from the re-test are compared to the CBT scores and the variance of scores must not be more than 10% to complete validation. Given the issues HR has discovered in timing the validation exam, they continue to work on finding the best approach to incorporating this extra step into their recruitment workplans. Another challenge the department is facing is the resistance from managers and some recruiters to explore unproctored exams and so there is also work to do in shifting the culture of our organization and establishing all the advantages of CBT.

Human Resources: Technology Upgrades for Job Applicant Interview Process

Human Resources proposed to incorporate more technology throughout the recruitment and selection process in order to provide a more positive and “modern” candidate experience; decrease costs for paper and copier use; maximize HR staff time; increase the ease and efficiency of the screening and rating process for our departmental subject matter experts; reduce our carbon footprint and support the County’s “green” initiatives.

Toward fulfilling the grant the department now sends electronic interview binders 90% of the time, instead of creating actual physical binders, thus reducing the use of paper, wear on the copier and cost for mailing. Physical binders are still utilized for high level interview panels. To date the department has spent 25% of the $10,000 grant through the purchase of three laptops and accessories used for viewing applications during the screening and interview process. The department is also piloting the use of electronic rating forms and are still working to perfect those.

In monitoring the effectiveness of its efforts the department analyzed workflows during a six month period of time. During this period of 101 working days HR used the laptops 50 of those days for viewing applications during the screening or interview process. Had they printed the applications this would have required 17,860 sheets of paper for the screenings and 12,210 sheets for the interviews. Staff time was also saved in avoided printing and collation, which normally would amount to approximately 60 hours. Instead, creating pdf files for viewing the applications electronically took only 15 hours, a savings of 45 hours of staff time.

The department also incorporated the use of GoToMeeting.com for televideo interviews. While there is a small fee associated with this, $49.00 per month, the ability to interview long distance candidates has ensured that all highly-qualified candidates can be considered for County employment opportunities. After using the laptops the department has discovered tablets to be a more effective piece of equipment moving forward. Tablets are smaller creating less of a “barrier” between panel members and candidates and making them easier to transport to interview locations. They are also less expensive, allowing the department to acquire more units. HR plans to purchase six to nine tablets and will be testing different models in the next three weeks. The final portion of the grant money will be used to buy conference/interview tables with electric and data ports. This will decrease the amount of staff time needed to set-up for screening and interviews and will enhance the candidate and panel member experience.

Attachment D

Initiatives and Other Updates

Initiatives and Other Updates

A. Culture of Performance

B. LEAN Process Improvement Training and Initiatives

C. Agile Workforce Status Report

D. Health Care Reform

E. Measure A Status Report

F. Public Safety Realignment

G. Circle Star Plaza Update

Culture of Performance (Open Data Portal, Performance Dashboards, Capacity Building)

The passage of the two-year budget has given the County the opportunity to focus on growing our culture of performance and transparency. We began with the adoption of an Open Data Policy in March 2013, followed by the successful launch of the Open Data Portal and Open Checkbook in August, and SMC Performance dashboard for Measure A in September. The County Manager's Office also conducted an assessment of performance management practices with all supervisors and managers in September, to identify priority improvement areas with departments.

Our two top priorities in 2014 are (1) build and present performance dashboards, including one for Measure A, Shared Vision 2025, and all departments and programs and (2) provide training to managers and supervisors in areas they identified as high priority for performance improvement. This includes people management (essential supervisory skills), performance measurement, process improvement, benchmarking, and outcome evaluation.

The SMC Performance dashboards are a simple, visual way for the public to track County performance directly related to Measure A funding and the achievement of Shared Vision 2025 goals. We are building the capacity of County staff around performance management and presentation by training Department supervisors and managers on how to build their dashboards and create datasets within the system, and using benchmarking data to put their performance in context with their peers and regional, state and national goals. Department Heads will be presenting their dashboards at regular Board meetings from June thru September, followed by a Shared Vision dashboard presentation in late September for the purpose of setting priorities for the next two-year budget cycle.

Agile Workforce Status Report

The County is continuing to move forward with implementing the recommendations contained in the "Creating an Agile Organization" report to the Board of Supervisors in March 2013. The Agile Organization is envisioned to include the strategic use of a broader choice of work delivery models to best meet the needs of our residents and help improve the County's long-term viability.

The initial pilot projects planned for 2013, and outlined in the "Creating an Agile Organization" report, have been initiated. The County has made progress in utilizing and/or improving the effective use of each of the seven work delivery models described within the report. We are currently developing tools with specific measurement criteria to be used to track the overall effectiveness of the specific work delivery model(s) chosen. The measurement criteria include the degree to which desired results were achieved, the quality of recruitment (if applicable), and the impacts on service delivery, employee engagement, and the management of financial resources.

The following developments are most notable:

Term Employees – There are currently 29 term positions approved for assignment throughout the organization. County departments or divisions using these positions include: County Manager's Office, Health System, Human Resources, Human Services Agency, Information Services, LAFCO, Planning, Procurement, Public Safety Communications and Public Works. Positions range from administrative support to management analysts and systems engineers. The duration for 22 of these positions is from 2 - 3 years. The remaining positions last from 6 months to 1 year. This work delivery option was created to fill short term and project-oriented needs and objectives. The effectiveness of the term employees assigned to these positions will be tracked and measured as part of the pilot project process approved by the Board of Supervisors.

Dual Career Ladders – In order to attract new skills and talent to the organization and expand opportunities offered to employees in the non-management and non-supervisory career track, we are working to create dual career ladders for the benefit of Regular employees. As part of this effort, a Request for Qualifications (RFQ) was issued in 2013 and an outside firm was selected to provide assistance. The effort will entail reviewing existing classification practices, researching external best practices, and interviewing County staff, in order to make recommendations for how the County can implement new career ladders. The study is anticipated to be completed in the summer 2014.

Volunteers –The District Attorney's Office is piloting an attorney volunteer program that began in January 2014. Two Deputy District Attorneys are on staff, volunteering their time for six months, carrying full caseloads. This provides the District Attorney's Office with two additional attorneys to share the workload, while it concurrently provides the volunteer attorneys with the job experience as a Deputy District Attorney, improving their opportunities in the job market after the six months have expired. The Department of Public Works will be launching a program to provide environmental education to community volunteers and will be matching individuals with volunteer opportunities. A software program to manage volunteers and opportunities for all county departments is being explored and recommendations are anticipated in the early Fall.

Moving forward, we anticipate that more departments will consider opportunities to expand their use of all of the work delivery options. As more experience is acquired and more knowledge and information is shared across the organization, it's likely that in the short term we will see a marked increase in the use of self-help and volunteers.

Health Care Reform

The implementation of major components of the Affordable Care Act on January 1, 2014 resulted in health insurance coverage for more than 21,000 uninsured[1] County residents. Overall, San Mateo County enrollment has outpaced the targets established by the State and Covered California.

- 11,200 San Mateo County residents enrolled in a private health plan through Covered California as of December 31.
- 9,500 residents moved from our locally supported ACE program to Medi-Cal under its expansion to low-income adults with incomes below or around $15,000/ year.
- As of January 3, 2014, the Human Services Agency received 5,976 expanded Medi-Cal applications in addition to the 5,923 Traditional Medi-Cal applications received during the period of October, November and December 2013. As of February 1, HPSM had received records for 1,000 expanded Medi-Cal participants.

[1] An unknown number of these residents may have had health insurance previously but switched to a more comprehensive and/or affordable coverage through the ACA, compared to what they were able to obtain previously through the individual insurance market.

The financial impact of the ACA for County government remains unclear. We expect that many of the newly eligible Medi-Cal beneficiaries will come to the County for service and bring increased Medi-Cal revenue, but how many is still unknown. In addition, the following challenges in maximizing coverage and revenue opportunities remain:

- The technology interface between Covered California (CalHEERS) and the Human Services Agency (CalWIN) has had several delays with a partial interface going live on January 6, 2014 and full interface going live on January 21st. The delay posed many challenges, including delaying eligibility determination for clients applying during this period.
- The interface also functions as a portal for transferring Medi-Cal cases in the Covered California's system to the Agency's CalWIN system where final eligibility determination can be completed. Unfortunately, due to the design of the State interface, Human Services staff must manually transfer and/or update 65,000 cases into the CalWIN system.
- Due to the delays and backlog at Covered California as of February 6th HSA has received a third of the cases for applicants that applied through Covered California.
- These additional demands on HSA's capacity make it challenging for HSA to absorb the increasing volume of Medi-Cal applications sent from the Health System. One of the opportunities for the Medical Center (counted on in the budget projection) is that the Medical Center can now receive Medi-Cal reimbursement for emergency visits by most ACE patients. But this means that these ACE patients have to be enrolled in ACE and Medi-Cal, more than doubling the enrollment workload for an estimated 16,000 ACE enrollees.
- The expansion of the scope of Medi-Cal coverage to include substance use treatment is an extremely positive development. However, as of February 1, the State has not certified any substance providers to see Medi-Cal patients in San Mateo County (or in virtually any other county). The County has protested the pace of state movement on this issue.
- There are opportunities to better connect inmates needing inpatient hospitalization and those preparing to leave custody with health coverage that will make some services to these clients reimbursable. The Sheriff's Office, Human Services Agency and Health System have further work to do to ensure that these opportunities can be maximized.

The Health System and the Human Services Agency are working with a broad range of community partners to continue to relay the message that affordable health insurance coverage is available. There are many events planned in the lead up to the March 31, 2014 deadline for enrollment in a Covered California plan, targeting communities across the County. There is a special focus on effective outreach and assistance to the Latino population, which has not had the enrollment expected relative to their representation among the uninsured.

Measure A Status Report

The first meeting of the Measure A Oversight Committee took place on February 4, 2014. The committee has elected Dan Quigg from Millbrae as Chair and Lynn Shubunka from Daly City as Vise Chair. Bylaws were adopted the committee was introduced to the Measure A Dashboard in SMC Performance.

Circle Star Plaza Update

Circle Star Plaza was put on the market for sale in the Q4 2013 through the San Mateo County's exclusive listing broker, CBRE Inc. The marketing campaign for the property involved weekly electronic flyers, an Offering Memorandum and publication in trade journals. These efforts have resulted in substantial interest from institutional investors representing both the public and private sectors. Interested parties have toured the property. The Notice of Intent and Auction are anticipated in the first half of 2014.