



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
County Manager



Date: January 30, 2015
Board Meeting Date: February 24, 2015
Special Notice / Hearing: None
Vote Required: 4/5ths

To: Honorable Board of Supervisors

From: John L. Maltbie, County Manager

Subject: FY 2014-15 County Budget Workshop and Mid-Year Update

RECOMMENDATION:

- A) Accept the FY 2014-15 County Budget Update, including key budget assumptions;
- B) Adopt a Resolution authorizing an Appropriation Transfer Request transferring \$21,876,391 from Non-Departmental ERAF Reserves and unanticipated revenue of \$393,607 from Medi-Cal Coverage Expansion to Salaries and Benefits in various Budget Units, to cover negotiated salaries increases through June 30, 2015;
- C) Accept Proposition 172 Maintenance of Effort Certification; and
- D) Accept SMCSaves update

COUNTY MANAGER MESSAGE:

High-tech entrepreneur Alan King said, "The best way to predict the future is to invent it."

The future I foresee – the future I know we can collectively invent -- for this county is a time when all our residents are adequately housed, all our children graduate from high school with the skills to succeed in life and everyone regardless of background or occupation shares in our prosperity.

The great leader Martin Luther King Jr. famously noted that "injustice anywhere is a threat to justice everywhere." And while his thoughts were more specifically pointed at Civil Rights in America, the sentiment is also applicable to the current economic environment in San Mateo County where many have prospered and yet, even here in one of nation's wealthiest counties, others struggle to reach their American dream.

The resources the County receives for its budget reflect its wealth and I truly believe that the Fiscal Year 2015-2017 budget should concentrate on building a foundation for a community in which everyone has the opportunity not only to survive but to thrive. A great number of people who call San Mateo County home have always been generous in giving back to others. Now is the county's chance to use these resources to strengthen the community.

With this in mind, I propose setting significant goals that will concentrate the efforts of County government toward three major milestones by the year 2020:

1. Ending homelessness in San Mateo County;
2. Realizing 80 percent of San Mateo County children reading at grade level by the fourth grade ;
3. Ensuring that every child entering foster care graduates from high school and completes the equivalent of two years of community college.

Are these ambitious goals? Undoubtedly. But great feats are accomplished by those who dare greatly. Silicon Valley and San Mateo County are awash in fine examples of individuals who did just that. They invented the future, which we can do as well.

The Board has already begun the process of studying a living wage ordinance. I recommend your Board also study a rent stabilization ordinance. Taken together, these efforts coupled with the aforementioned goals will be major steps toward building a community that works for everyone.

Will these goals stretch the organization? Yes, which is why achieving them will require the combined effort and support of county departments, partners and the entire community.

Many counties have neither the resources nor the mindset to set the bar this high. San Mateo County has both, which is why I believe we can succeed.

President John F. Kennedy once said, "If a free society cannot help the many that are poor, it can't save the few who are rich."

Our County has the resources, the compassion and the will to ensure that our prosperity is broadly shared. I believe the FY 2015-17 budget can begin the work necessary to accomplish these ambitious aspirations. I am reminded of an ancient Chinese proverb: "A journey of 1,000 miles begins with the first step." Now is the time to take that step by envisioning a future where all residents have the opportunity to prosper.

BACKGROUND:

The County is able to embark on this ambitious journey 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 and I believe we have the resources needed to build a community in which everyone thrives.

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 one of only three counties 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 issuing bonds, as we have done for the Maple Street Correctional Center project and plan to do for other significant construction projects. They also tell our residents and employees that we are a well-managed and financially viable county government and employer.

DISCUSSION:

Each year 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 2014-15 YEAR-END FUND BALANCE PROJECTIONS

Agency - Fund	FY 2014-15 Working Budget	FY 2014-15 Beginning Fund Balance	FY 2014-15 Projected Y/E Fund Balance	Projected Fund Balance Variance
Criminal Justice - General Fund	\$371,584,669	\$16,700,739	\$19,110,248	\$2,409,509
Health Services - General Fund	354,048,399	5,187,889	4,363,513	(824,376)
Health Services - Other Funds	305,754,694	13,872,884	6,955,613	(6,917,271)
Social Services - General Fund	215,856,471	8,624,249	11,541,881	2,917,632
Community Services - General Fund	94,872,861	6,276,089	6,863,855	587,766
Community Services - Other Funds	377,478,100	211,076,853	205,130,370	(5,946,483)
Administration & Fiscal - General Fund	118,373,010	21,228,332	17,215,159	(4,013,173)
Administration & Fiscal - Other Funds	48,521,237	18,294,593	18,669,130	374,537
Non-Departmental Services - General Fund	351,506,773	312,620,785	307,201,132	(5,419,653)
<i>Subtotal General Fund</i>	\$1,506,242,183	\$370,638,083	\$366,295,787	(\$4,342,296)
<i>Subtotal Non-Generral Fund</i>	731,754,031	243,244,330	230,755,113	(12,489,217)
Total ALL Funds	\$2,237,996,214	\$613,882,413	\$597,050,901	(\$16,831,512)

Mid-Year Adjustment for Negotiated Salary Increases

The ATR transfers ERAF Reserves of \$21.9 million and unanticipated Medi-Cal Coverage Expansion revenue of \$393,607 to various operating units within the County to cover the cost of the mid-year salary increases for AFSCME, SEIU, Management, Attorneys, Confidential, Law Enforcement Unit and Physicians. The annualized cost of these increases will be \$29 million in FY 2015-16 and an additional \$21 million in FY 2016-17. The cumulative ongoing fiscal impact to the General Fund, net of revenue offsets generated by operating departments, will be \$31 million.

Non-Departmental Services

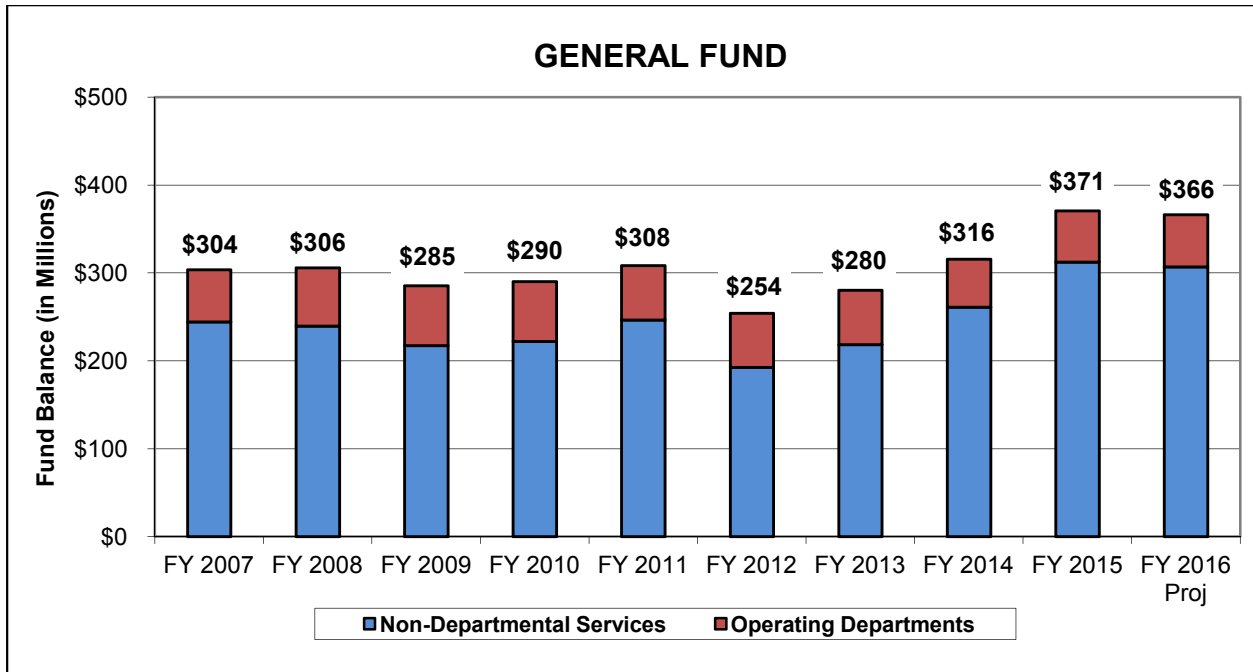
This is where the County budgets and accounts for the General Fund's portion of general purpose revenues, including Property Tax, Excess ERAF, Sales Tax, Measure T Vehicle Rental Tax, and interest and investment income. Non-Departmental Services is also where the County budgets major capital and IT projects, as well as the Board approved one-time contributions to the Retirement System. We project that the year-end Fund Balance for Non-Departmental Services will approximate \$307.2 million, which is \$5.4 million lower than the beginning Fund Balance of \$312.6 million. Although the ERAF receipts totaling \$118 million exceed the amount budgeted by \$78 million, one-time expenditures are expected to reach \$83 million. These one-time costs include the accelerated pension contribution of \$10 million, countywide capital and IT expenditures of \$34 million, the purchase of 2700 Middlefield Road and related settlement costs of \$10.7 million, and an estimated draw down of the Crystal Springs Sanitation District loan of \$1.8 million. In addition, mid-year adjustments drawing on Reserves include the ATR before this Board for the recent salary increases of \$21.9 million, the Maguire Security Improvements of \$3.2 million (net Sheriff's Fund Balance offset), and other mid-year ATRs totaling \$1.3 million, including capital defense costs, Redwood City parking garage security, and Pescadero Creek flooding. The good news is that the projected year-end Fund Balance exceeds appropriated Reserves by \$126 million and given the conservative nature of mid-year adjustments, we would expect that by the time the books close the final Fund Balance will likely exceed our expectations.

General Fund Operating Departments

Overall, year-end Fund Balance for General Fund operating departments is expected to increase from \$58 million to \$59.1 million and all departments expect to stay within their FY 2014-15 budget allocations. The decrease in Health Services is primarily due to one-time expenditures in the areas of Health IT and Environmental Health. Overall, Health Services projects year-end Fund Balance to exceed appropriated Reserves by \$1.7 million. Likewise, the decrease in Administration and Fiscal is primarily due to one-time IT expenditures by the Information Services Department. Overall, the Administration and Fiscal departments expect year-end Fund Balance to exceed appropriated Reserves by \$7.3 million. In all, General Fund operating departments project year-end Fund Balance to exceed appropriated Reserves by \$24.4 million.

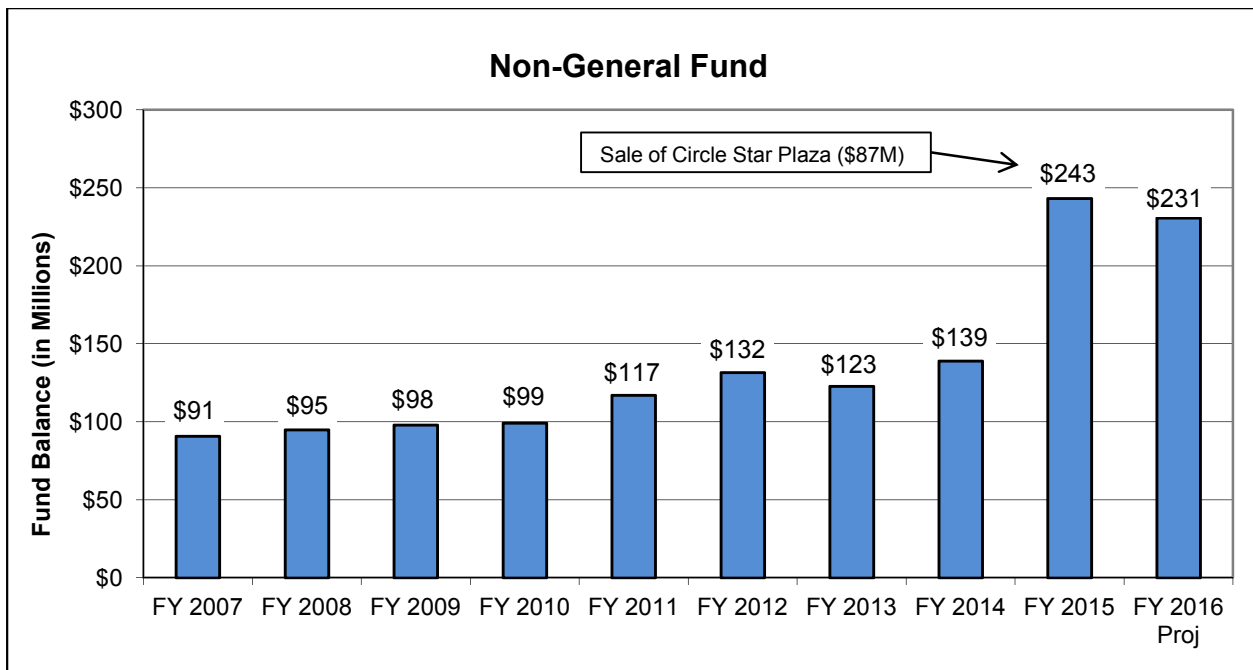
General Fund Summary

Overall, we project that the General Fund will end FY 2014-15 with \$366 million in Fund Balance, which is very strong considering the one-time outlays and mid-year adjustments.



Non-General Fund Summary

Overall, we project that Non-General Fund budget units will end FY 2014-15 with \$231 million in Fund Balance, a decrease of \$12 million. The primary reason for this drop is the elimination of Fund Balance in the Medical Center of \$6.7 million to fund reserves and purchase capital needs. As is historically the case, the remaining decrease is due to the anticipated completion of one-time capital projects this fiscal year, including road construction/maintenance and park projects, resulting in less carry-forward Fund Balance in FY 2015-16.



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

General purpose revenues are expected to increase 6.1% or \$24.7 million in FY 2014-15. This is primarily due to Secured Property Tax growth of 5% and an increase in the ongoing use of Excess ERAF from \$40 million to \$55 million to align the Board's decision to use one-half of Excess ERAF for ongoing purposes and help defray the cost of negotiated salary increases. The County's share of Excess ERAF in FY 2014-15 is \$117.9 million. Another contributing factor to revenue growth is the Measure T Vehicle Rental Tax, which is projected to grow 15.7% or \$1.9 million. Net the adjustment to Excess ERAF for ongoing purposes, the overall change is 2.4% or \$9.7 million. This figure will likely grow as no assumptions have been made for supplemental taxes beyond year-to-date receipts. Public Safety Sales Tax (Prop. 172), which is allocated based on the County's proportionate share of calendar year 2013 statewide sales activity, is projected to increase 4.9% or \$3.6 million. Measure A sales tax, which was initially projected to generate \$68 million a year, is expected to top \$82 million in FY 2014-15, representing an increase of 9.1% or \$6.8 million over prior year receipts.

The County continues to budget general purpose revenues conservatively in the out years with projected growth ranging from 3.0% to 3.5%, resulting in average annual growth of \$14.7 million over the five-year period, an increase of \$2 million per year over last year's projections. Secured Property Tax is projected to grow 5% in FYs 2015-16 and 2016-17 based on current year activity and 22 million square feet of new office space coming on line over the next two years. In addition, five year projected growth for Public Safety Sales Tax and Measure A Sales Tax is \$12.1 million and \$13.1 million, respectively.

General Purpose Revenues	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Secured Property Tax	5.0%	5.0%	5.0%	4.0%	4.0%	4.0%
Unsecured Property Tax	-3.8%	1.0%	1.0%	1.0%	1.0%	1.0%
Excess ERAF (Ongoing Portion)	37.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Vehicle Rental Tax (Measure T)	15.7%	2.0%	2.0%	2.0%	2.0%	2.0%
Sales Tax	-3.5%	2.0%	0.6%	3.0%	3.0%	3.0%
Property Transfer Tax	-9.4%	3.0%	3.0%	3.0%	3.0%	3.0%
Transient Occupancy Tax	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Property Tax In-Lieu of VLF	5.0%	5.0%	5.0%	4.0%	4.0%	4.0%
Interest & Investment Income	18.4%	2.0%	2.0%	2.0%	2.0%	2.0%
Other Revenue	-3.6%	0.4%	0.4%	0.4%	0.4%	0.4%
Overall Growth	6.1%	3.5%	3.5%	3.0%	3.0%	3.0%
Public Safety Sales Tax	4.9%	3.0%	3.0%	3.0%	3.0%	3.0%
Measure A Sales Tax	9.1%	3.0%	3.0%	3.0%	3.0%	3.0%

General Purpose Revenues	FY 2015	FY 2020	5-Year Growth
Secured Property Tax	\$193,856,268	\$239,202,767	\$45,346,499
Unsecured Property Tax	8,527,941	8,962,166	434,225
Excess ERAF (Ongoing)*	55,000,000	55,000,000	0
Vehicle Rental Tax (Measure T)	14,174,527	15,649,823	1,475,296
Sales Tax	26,739,424	29,971,947	3,232,523
Property Transfer Tax	7,928,268	9,191,036	1,262,768
Transient Occupancy Tax	1,353,724	1,494,621	140,897
Property Tax In-Lieu of VLF	84,652,949	104,983,418	20,330,469
Interest & Investment Income	6,769,126	7,327,235	558,109
Other Revenue	31,478,569	32,112,322	633,754
General Purpose Rev Growth	\$430,480,796	\$503,895,335	\$73,414,539
Public Safety Sales Tax	\$75,715,850	\$87,775,422	\$12,059,572
Measure A Sales Tax	\$82,428,273	\$95,556,960	\$13,128,687
Excess ERAF (One-Time)*	\$62,935,895	\$0	(\$62,935,895)
*One half of anticipated Excess ERAF (\$55 million) is budgeted and no assumptions for one-time revenue is made in future years.			

Ongoing expenditures, net of Maple Street Correctional Center debt service, are expected to increase \$15 million in each of the next two years with revenues keeping pace. Annual debt service of \$25.8 million will commence in FY 2016-17 and taper off by approximately \$1.3 million per year due to the financing's accelerated pay-off structure. As a result, we anticipate a short-term structural deficit situation for FY's 2016-17 through 2018-19. By FY 2019-20 the combination of revenue growth and declining debt service should eliminate the deficit. The expenditure projections factor in negotiated increases but make no assumptions for future increases, including those bargaining units currently at the table.

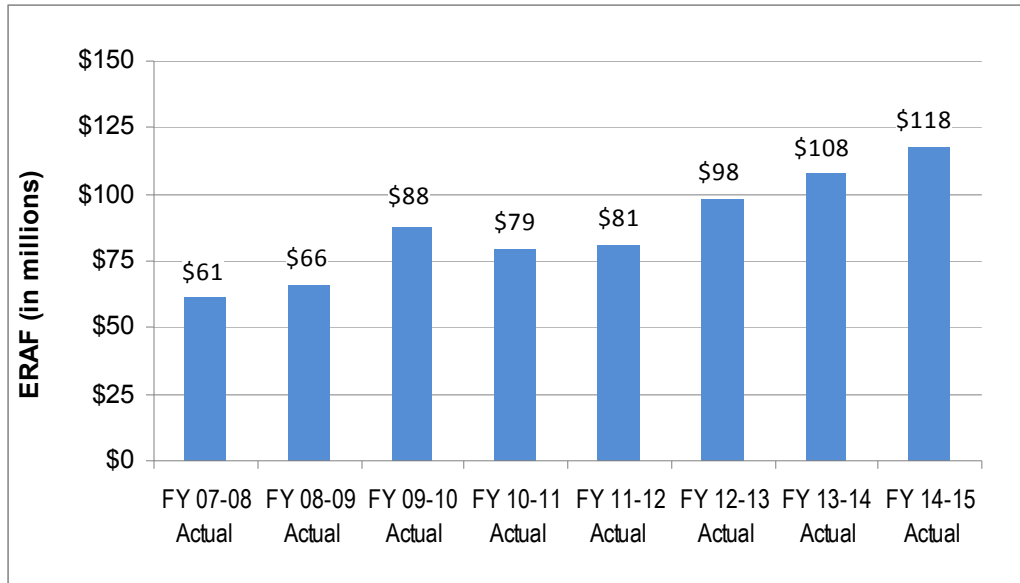
Excess ERAF

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.

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.

Since fiscal year 2003-04, the County's General Fund has received \$887.4 million in excess ERAF contributions, including \$118 million in FY 2014-15. The following table presents the General Fund's share of Excess ERAF received from FY 2007-08 through FY 2014-15.



The Board may consider increasing the amount of the accelerated pay down of unfunded pension liability with the use of ERAF reserves in the FY 2015-17 two-year budget, depending on the use of Measure A and other one-time revenues to fund major capital and IT expenditures. Under the current approach, when combining the one-time transfer of \$10 million per year with the delta between the blended contribution rate of 38% and the statutory contribution rate, we project that the County will contribute an additional \$24 million per year in FYs 2015-16 and 2016-17.

PROPOSITION 172

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.

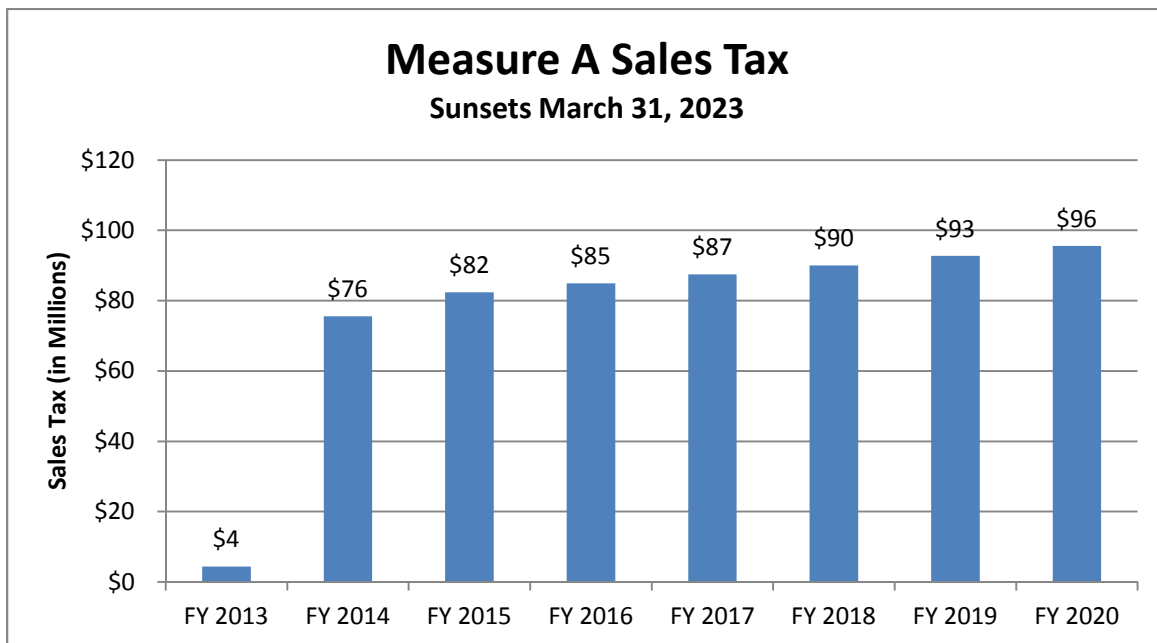
The MOE certification for FY 2014-15 is \$278.8 million. This figure represents the adopted budget for public safety services adjusted in accordance with the MOE guidelines to exclude certain expenditures and revenue offsets. The difference between

the FY 2014-15 MOE requirement of \$130.7 million and the certification of \$278.8 million is \$148.1 million. This is the amount by which San Mateo County exceeds the FY 2014-15 Proposition 172 MOE requirements.

MEASURE A

Revenue Projections and Reserves

Measure A Sales Tax projections for FY 2015-16 were \$82 million. Of this, approximately \$52 million was appropriated and we anticipate \$7 million in savings based on year end projections. There is also \$55 million in Measure A reserves. The following chart shows Measure A Sales Tax projections through 2020.



FY 2013-15 (Existing Initiatives):

One of the requirements laid out in the Measure A Bylaws is for the Measure A Oversight Committee to present an annual report to the Board of Supervisors with the Committee's review of the annual audit of receipts, results of the Agreed-Upon Procedures (AUP), and performance measure recommendations for existing Measure A initiatives.

The Measure A Oversight Committee met and completed its review of the results of the Measure A annual audit and AUP performed by the Controller's Office. Following the approval of the audit and AUP, which found no exceptions or issues with the Measure A Fund, a subcommittee was formed to discuss the performance measures for existing Measure A programs and initiatives. This subcommittee evaluated each performance measure and recommended new measures to the County Manager's Office for those that were found to be lacking a focus on outcomes.

The full Measure A Annual Report will be presented at the February 24, 2015 Board of Supervisors Meeting.

FY 2015-17 (New Initiatives):

The first phase of the Fiscal Year 2015-17 Measure A funding allocation is in process. The County received over 300 letters of intent totaling \$290 million in requests for the FY 2015-17 budget cycle. About \$177 million was for new initiatives, and the rest was for infrastructure and the continuation or expansion of existing Measure A initiatives.

Due to the volume of LOIs, a set of priorities was proposed by the County Manager:

- Ending homelessness and increasing availability of affordable housing for County clients
- Supporting foster youth from entry to emancipation and self-sufficiency
- Protecting older adults and ensuring low-income residents can age in place
- Environmental sustainability and climate resilience

On February 10, 2015 the Board held a Measure A workshop where they refined the Measure A priorities and established a Measure A subcommittee. Supervisors Tissier and Slocum were appointed to the subcommittee, which is scheduled to meet with staff shortly. Notification letters to organizations that have submitted Letters of Intent are on hold, and a revised Measure A timeline will be presented to the Board in late February or early March.

MEDI-CAL COVERAGE EXPANSION

Under the Affordable Care Act, many residents became newly eligible for Medi-Cal through the state-adopted Medi-Cal expansion which extended Medi-Cal to all low-income citizens. Preliminary projections on the impact of the Medi-Cal expansion were 22,000 total Medi-Cal expansion members, with about 14,100 members assigned to SMMC as their primary care provider. Since the membership in ACE declined by only 10,000 members, the net effect of the ACA has been an increase in the number of people coming to SMMC for their medical care.

Another effect of the Medi-Cal expansion has been the expansion of mental health treatment to include moderate mental illness, instead of the prior requirement that a person had to have a serious mental illness – defined solely as schizophrenia, bi-polar disorder and major depression – to qualify for treatment. This benefit expansion has required the Health System's Behavioral Health & Recovery Service to expand its clinical staff and provider network to meet the demand for this new benefit.

In mid-2014 the Health Plan of San Mateo moved from paying the Health System fee-for-service to capitation (a per member per month payment), but only for Health Plan members in certain categories, not for all Medi-Cal members and not for all services. The net impact on the Health System's revenues has been positive to date, though, as the capitation rate was lowered significantly effective January 1. In addition, capitation revenue is highly dependent on membership numbers. While Medi-Cal membership has steadily risen, we are anticipating a modest decrease in Medi-Cal membership as the process for re-enrolling Medi-Cal members is instituted.

As of January, 16,410 members were assigned to the Medical Center. However, because these new Medi-Cal clients have not been through the full coverage renewal process yet, we expect much more fluctuation in enrollment in the next twelve months as the Human Services Agency implements renewal processes for these participants.

PROPOSITION 47 IMPACTS

On November 4, 2014, voters approved Proposition 47 which makes significant changes to the state's criminal justice system. Specifically, it reduces the penalties for certain non-violent, non-serious drug and property crimes and requires that the resulting state savings be spent on (1) mental health and substance use treatment services, (2) truancy and dropout prevention, and (3) victim services.

The District Attorney's Office (DA) has been deluged with cases requiring review for a determination of whether or not they would be impacted by the dictates of Prop 47. As of January 19, 2015, the DA has reviewed 914 felony cases for that purpose. Of those 914 felony cases reviewed, 841 (92%) were reduced to misdemeanors. Of the 914 felony cases reviewed, 596 (65%) were drug-related, 296 (32%) were theft-related and 22 (3%) fell into categories not drug or theft-related. Of those 841 cases reduced, 183 (22%) were pending trial (pre-conviction); 28 (3%) were post-conviction, but pre-sentence; and 630 (75%) were post-conviction and sentencing. Also of these 841 cases, 26 (3%) had prior strikes and 173 (21%) involved inmates serving a sentence who were then released from custody.

Prop 47 has not had an impact of the sheer number of cases that the DA has filed. The number of cases filed has remained consistent with prior years. However, many of the cases filed are now filed as misdemeanors instead of felonies. For example, in the second quarter of FY 2014-15 (of which two of the three months were post-Prop 47), the DA filed 649 cases as felonies; compared to 885 cases filed as felonies in the same quarter in FY 2013-14.

The Sheriff's Office (SO) has seen an impact on the jail population since the passage of Prop 47. The average daily population at the Maguire Correctional Facility decreased from 851 in October 2014 to 691 in December 2014; a 19% decrease. Similarly, the average daily population at the Women's Correctional Center decreased from 121 in October 2014 to 82 in December 2014; a 32% decrease. These populations are continuing to decrease in January 2015. The number of Realignment cases has also decreased from 32 in October 2014 to 9 in December 2014.

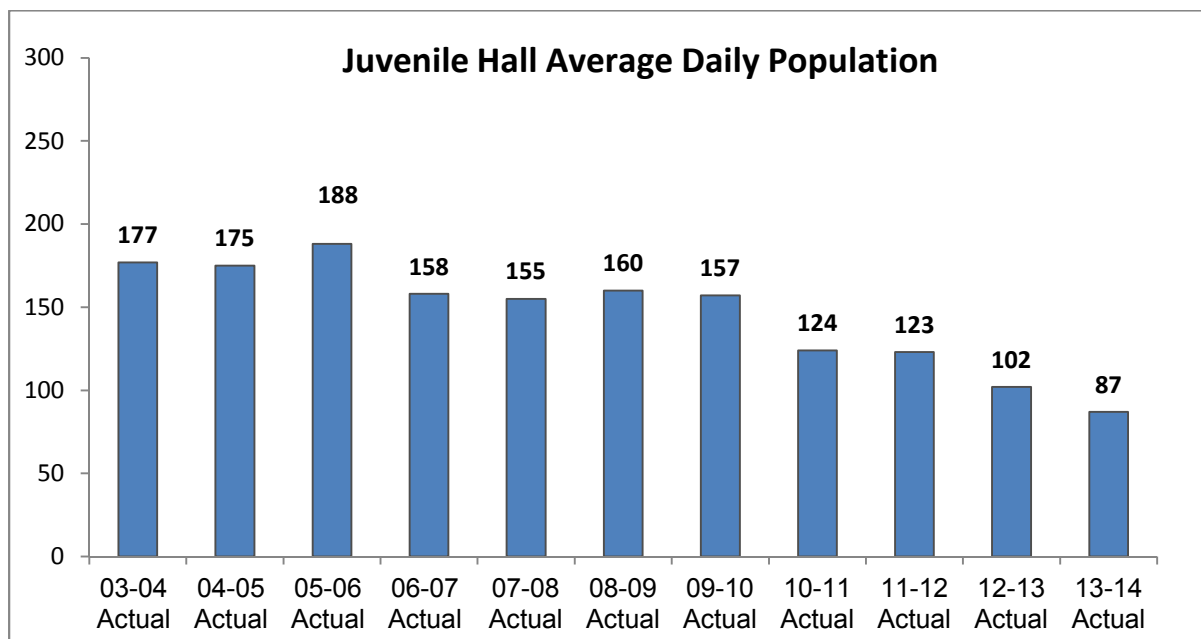
The SO reports that the inmate sophistication has increased as a result of Prop 47. There have been several recent events that have proven that the more sophisticated inmates have had an impact on the SO's Detention Facilities, including the Maguire Correctional Facility.

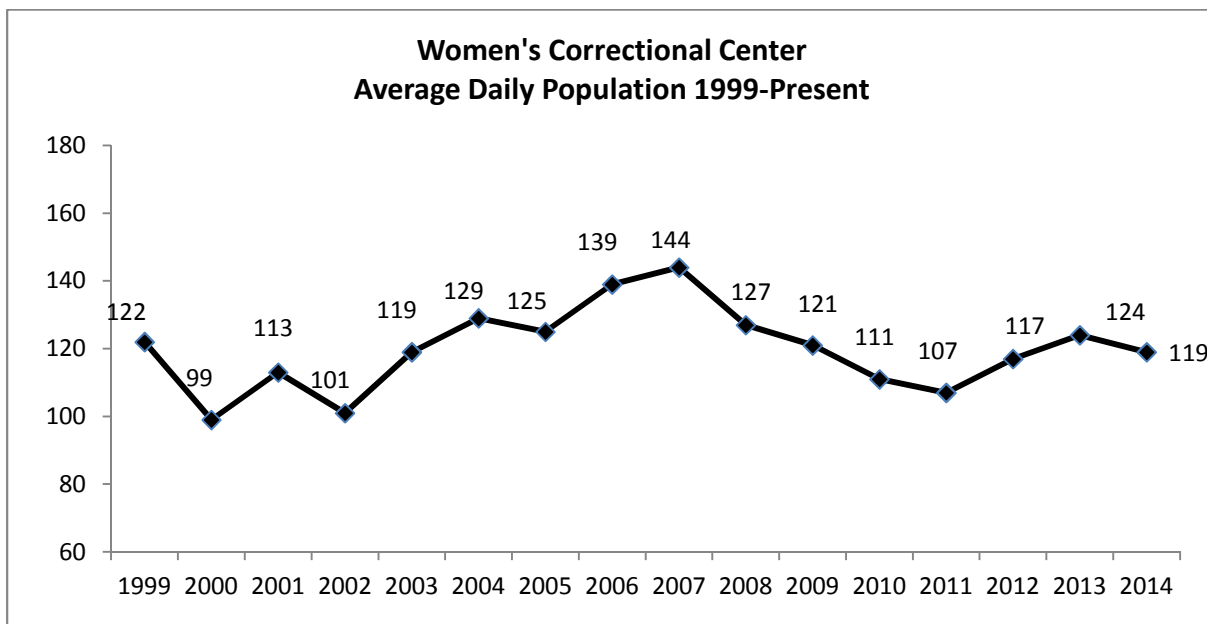
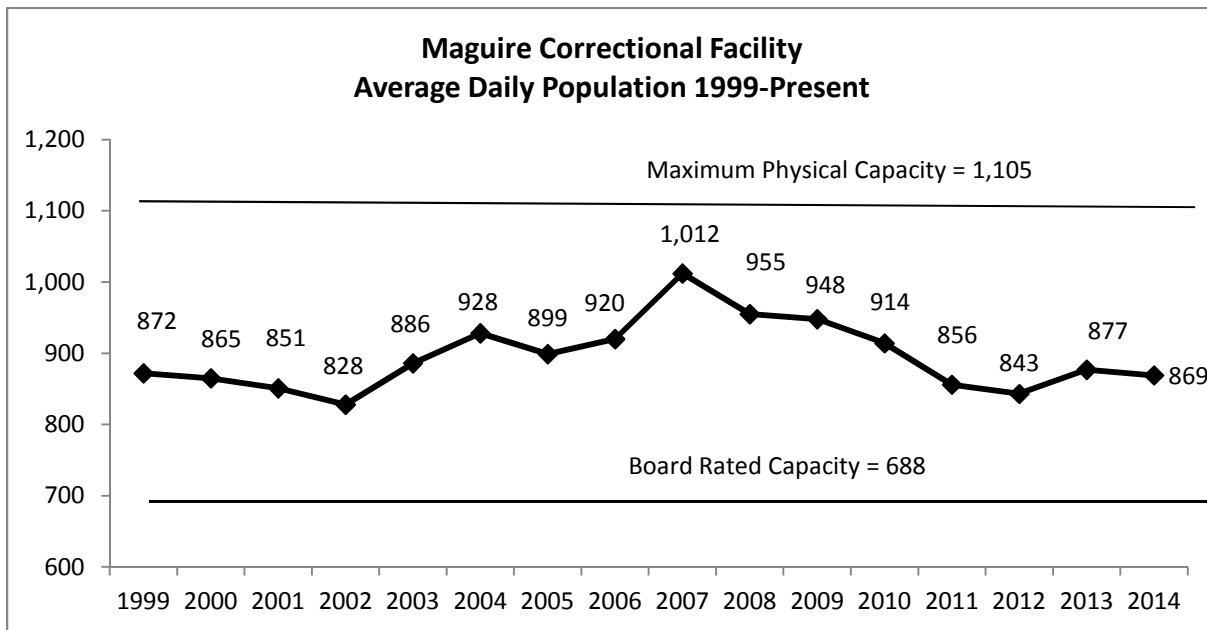
With the potential for shorter sentences due to Prop 47, the SO is exploring modifications to its programs such as GED, Families and Fathers, and Life Skills in order to make the best use of the time in incarceration. The CHOICES population has

decreased at both the Maguire Correctional Facility and the Women’s Correctional Center. The program can accommodate over 90 inmates in the Maguire Facility and 26 at the Women’s Center. Currently the enrollments in the two programs are 77 and 9 respectively. In the past, there were typically 20-30 inmates on the waiting list for the CHOICES program. In general, the SO has found that with the change in the population due to Prop 47, more of the inmates interested in programs are more sophisticated and manipulative than the inmates they have housed in the past.

The change in the population has had a negative effect on the worker housing unit. The SO has had difficulty filling the unit, which assigns qualified inmates to assist in important tasks, such as working in the kitchen. To qualify, inmates are required to be low-level offenders, write-up free, have no gang affiliation, have no violent charges, and have a sentence of a sufficient length. Ideally, the SO needs the worker pod to have approximately 70 inmate workers. Recently, the worker pod population has been in the mid 50’s to low 60’s.

Probation has also seen an impact on caseloads as a result of Prop 47 in that 202 active adult clients on Probation have reduced their charges from a felony to a misdemeanor. Of these 202 cases, 150 were characterized as Supervised Adult Probation, 27 were Post Release Community Supervision and Mandatory Supervision, and 25 were participants in the Drug Court Program. In addition, there were an estimated 492 non-active cases processed. With the passage of the Proposition, one dedicated staff was assigned to keep track of the cases that were reduced to misdemeanors. In January 2015, two additional officers were given this responsibility to keep up with the demand. In addition, three clerical staff have been designated to process the Prop 47 cases.





GOVERNOR'S JANUARY BUDGET PROPOSAL

On January 9, 2015, Governor Jerry Brown released his proposed 2015-16 state budget. The Governor proposes to spend \$113.3 billion from the state's General Fund in 2015-16, an increase of \$1.6 billion (1.4 percent) over the estimated spending level for the current fiscal year (2014-15). As required by voter approval of Proposition 2 this past November, his proposal sets aside a portion of revenue--\$2.4 billion—with half deposited into the state's rainy day fund and half used to pay down budgetary debt. The Governor's proposal also reflects the ongoing implementation of federal health care

reform and includes \$4 billion for the state's new K-12 school finance system, which is designed to direct additional resources to disadvantaged students.

Due in part to the state's improved economy, the Administration is projecting higher revenues than estimated last year. General Fund revenues are projected to be \$109.7 billion in 2014-15 and \$114.6 billion in 2015-16, a 4.5 percent increase over the updated 2014-15 revenues. Compared to General Fund revenues adopted for the budget last June, General Fund revenues are forecast to be \$4.1 billion higher over 2013-14, 2014-15, and 2015-16. About half of these additional revenues are required to satisfy Proposition 98, the K-14 funding guarantee.

The Governor's FY 2015-16 State Budget forecasts healthy revenues in both base and growth revenues to fund 1991 and 2011 Realignment programs, as well as a continued commitment for the implementation of AB 109. The County is slated to receive \$1.3 million in FY 2013-14 Triple Flip shortfall funding, as well as an estimated \$8.9 million in pre-2004 mandate reimbursement. The future of the Coordinated Care Initiative (or Cal Medi-Connect) is in doubt and the development of a new SB 678 formula could change the County's allocation going forward.

The Governor's FY 2015-16 proposed budget would have the following impacts to County residents, programs and services:

Health System

Coordinated Care Initiative (CCI)—warns that the state's federal demonstration project, the CCI or Cal Medi-Connect is in danger of failing, because of certain factors (e.g., higher than anticipated opt-out rate and recent guidance from the federal government regarding the managed care organization tax that helps to fund the CCI). Without the tax revenue, CCI would have a state General Fund cost in 2015-16 and beyond. If these factors are not improved by January 2016, the CCI would cease operating effective January 2017. The Administration indicates that it is committed to implementing the CCI to the extent that it can continue to generate program savings.

This warning is significant to counties as the success of the CCI is directly tied to the continuation of the In Home Supportive Services (IHSS) Maintenance of Effort (MOE) negotiated between the Administration and counties in 2012 (i.e., the state required savings through the CCI to guarantee the continuation of the county MOE).

The Health System reports that if the program were to cease, County IHSS program costs would rise as they would no longer be capped.

Collective bargaining for IHSS independent providers would also revert from the state to the County.

In-Home Supportive Services—proposes to restore last year's seven percent reduction in IHSS service hours, which will cost \$438.1 million statewide in 2015-16. Funding for the restoration will come via a new tax on managed care organizations that takes effect July 1, 2015.

Mental Health Services Act (MHSA)—updates MHSA revenue projections and indicates a decline of 1.5 percent.

The Health System anticipates that their MHSA funding for FY 2015-16 will decrease by \$400,000.

Human Services Agency

CalWORKs—proposes an increase of \$71.64 million statewide due primarily to an increase in employment services cases offset by decreases in caseload and child care.

The Human Services Agency estimates it will receive approximately \$620,000 in funding for employment services. Increased funding and innovative County programming has allowed the department to improve its outcomes from a 6 percent Work Participation Rate (WPR) in early 2014 to 30 percent by the end of the calendar year.

CalWORKs (Maximum Aid-payment)—increases by 5 percent Maximum Aid Payments to recipients, effective April 1, 2015. Funding for grant increases comes from redirected “county savings” of 1991 health realignment funding as a result of ACA Medical expansion.

For a family of three in the County, the increase will total \$34, for a total monthly grant of \$704.

1991 & 2011 Realignment Funding—provides optimistic revenue projections (6.04 percent in 2014-15 and 6.72 percent in 2015-16) for both funding streams. 2011 Public Safety Realignment is funded by 1.0625 percent of sales tax revenues and 0.5 percent of Vehicle License Fees (VLF), whereas 1991 Realignment is based on a half-cent sales tax and 74.9 percent of VLF fees. Revenues from 2011 Realignment cover the state portion of the County’s Children and Family Services (CFS) programs.

The Human Services Agency anticipates receiving approximately \$600,000 in 2011 Realignment growth funding in the current year, once base levels have been met, as well as receiving \$600,000 in 2011 Realignment growth funding in FY 2015-16.

Children and Family Services (CFS)—includes \$9.6 million statewide to begin implementing the Continuum of Care Reform (CCR-Group Home Reform) as required by SB 1013 (Chapter 35, Statutes of 2012) that requested recommendations to reduce the use of out-of-home care.

Given increasing foster care and adoption caseloads in the County, a full analysis of the CCR recommendations will be conducted by HSA over the next few months to understand the impact to County services.

2011 Public Safety Realignment

2011 Public Safety Realignment Revenues—updates revenue assumptions for 2011 Realignment programs and details for the first time base and growth assumptions for 2015-16.

- Base funding estimated to be \$1.0628 billion.

- Growth funding estimated to be \$127.7 million for FY 2014-15 (revised downward from \$151.8 million) and \$113.7 million for FY 2015-16.

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

- CCP Implementation Grants—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. Funds are distributed by population and the County anticipates receiving \$150,000 for FY 2015-16.
- City Law Enforcement Grants—proposes an additional \$40 million in grant funding to cities law enforcement activities.

Proposition 47—does not reflect estimated 2015-16 savings. The first transfer of state savings to the newly created Neighborhoods and Schools Fund won't occur until 2016-17, after the Department of Finance calculates state correctional savings achieved by the measure's provisions by July 31, 2016. The majority of the savings would be dedicated to behavioral health programs (65 percent), with a portion earmarked for truancy prevention programs (25 percent) and the balance to increase victim services grants (10 percent).

Probation

Senate Bill 678 Funding—includes \$125 million in sustained funding for counties based on the formula used for the 2014-15 allocation; however, the Governor outlines that the Department of Finance will need to work with the Judicial Council, Chief Probation Officers of California (CPOC), and the California Department of Corrections and Rehabilitation (CDCR) on revising the formula to account for population impacts associated with recent reforms—specifically 2011 public safety realignment and Proposition 47.

The Probation Department will closely monitor the formula change discussions to determine how a potential change in the formula would impact the County's allocation.

Corrections—includes \$16 million in funding for probation departments to cover the costs associated with the increase in post-release community supervision population as a result of new prison population reduction strategies.

The County's allocation is unknown at this time.

Sheriff's Office

Trial Court Security—proposes a \$17 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.

Peace Officers Standards and Training (POST) Fund—projects that the fund may become insolvent in FY 2015-16, thus impacting POST reimbursement. The fund was

created as a depository for assessments on specified fines, penalties and forfeitures imposed and collected by the courts for criminal offenses. The budget proposes various ways of increasing the revenue by \$12 million; however, in the interim the state has reduced funding for POST by \$5.3 million.

Impacts to the Sheriff's Office reimbursement are unknown at this time.

Public Works

Highway User Tax Account (HUTA) Funding—projects continuing decreases in gas tax revenues in FY 2015-16. Revenues to HUTA, which is the sole source of state funding for county road maintenance, are anticipated to decrease by 23.3 percent, from \$1.89 billion in FY 2014-15 to \$1.45 billion in FY 2015-16.

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)—anticipates paying off the last of the Economic Recovery Bonds in the budget year. The bonds, which were approved by voters as Proposition 57 in 2004, will eliminate the need for the “triple flip.” As the triple flip ends, the a quarter cent of the local sales tax will automatically shift back to counties and cities.

The Governor's Budget includes \$1,366,284 in funding for San Mateo County to partially fund a Triple Flip funding deficit identified for FY 2013-2014. The CMO is currently working with CSAC and the Department of Finance to secure an additional \$130,286 in back funding owed for FY 2011-12.

Mandates—proposes to pay an additional \$533 million toward the pre-2004. About 73 percent of those funds, or \$390 million, would go to counties. This payment is actually part of the current year budget, which contains trigger language promising to this purpose any revenue above estimates. If revenues improve between now and the May Revision, this payment could increase.

Preliminary estimates are the County could receive \$8.98 million in pre-2004 mandate reimbursement funding.

COLMA CREEK FINANCING

On January 30th 2015 the County released the Colma Creek Flood Control District Refunding RFP for Underwriting Services. The District currently has two series of Certificates of Participation (COPs) that were issued in 1997 and 2004. There is currently \$11,405,000 in 1997 outstanding COPs and \$10,030,000 in 2004 outstanding COPs. The outstanding COPs are now subject to prepayment without penalty and can be structured as current refundings. Proposals are due to the County February 27th 2015 and an underwriter will be selected in March 2015.

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. Maguire Improvements (Security, Video Visitation)
- E. Pescadero and Skylonda Fire Stations
- F. Cordilleras Mental Health Facilities
- G. Dispatch Center
- H. Animal Shelter
- I. County Government Center Master Plan
- J. IWMS Remodels/Relocations

County Facilities Maintenance: There are currently 180 projects authorized by your Board. Of these projects, 4 are managed directly by the Sherriff’s Office and 38 are managed directly by the Parks department. The remaining 138 facilities projects are managed by Public Works and are in various stages of completion as indicated below.

<u>Category</u>	<u># of Projects</u>	<u>Percent of Total</u>
Completed/Closeout	17	12%
In Progress	89	65%
Investigation/Not yet underway	15	11%
Recurring (e.g. SEMP)	7	5%
Cancelled/On Hold	10	7%

The pace of project delivery continues to be rapid for the majority of the projects. However, three of the largest projects are currently behind schedule. Two of these, the \$2 million Strategic Energy Master Plan and the \$1 million water conservation project are currently on hold pending completion and review of the respective energy and water usage audit findings. The water audit’s initial findings identified the potential for a reduction in water usage of 32% countywide with an investment of approximately \$2.4 million. An energy audit of exterior spaces resulted in exterior lighting retrofits. Staff have identified \$1.5 million in interior lighting LED retrofits and lighting controls upgrades throughout the County which are on hold pending a PG& E required audit scheduled to begin on February 10, 2015. The energy audit of the interior spaces is required to qualify for PG&E rebates. Therefore, the majority of these funds may not be committed to construction contracts by the end of the current fiscal year.

The \$4 million solar project at San Mateo Medical Center, which is already under a design/build contract, is also behind schedule due to the complexities involved in integrating the operation of both a COGEN and solar generating plant at the same facility. Consequently, the bulk of expenditures for this project will not be incurred until the following fiscal year. Even though a significant amount of dollars will likely be carried over into the following fiscal year, it won’t necessarily translate into a carry-over of a significant amount of work.

Facilities staff is currently reviewing the results of the recently completed facility condition assessment in preparation for the Department's CIP submittal for the next two-year budget cycle and anticipates recommending around \$7 million per fiscal year for FCIS projects.

Maple Street Correctional Center: This 275,000 square foot project 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 Central Utility Plant (CUP) has been completed. The building holds the main switch gear, electrical panels, fire pumps and mechanical chiller room. The CUP is the heart of the utility infrastructure of the Correctional Center. In addition to the CUP, all underground utilities have been completed.

The project team has been in operation for 465 days without injury that caused loss of work time. To commend this outstanding safety record, a Safety Recognition event for approximately 200 people was held on site. Construction is well underway and approaching the completion date of November 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 \$46 million including our required cash and in-kind contributions. We have been working closely with the State to achieve project establishment. The SB1022 remodel project is targeted for a December 2020 completion.

Maguire Improvements (Security Electronics and Detention Door, Video Visitation): The Maguire Correctional Facility (MCF) opened in 1988 as an addition to the existing San Mateo County jail located on the 4th floor of the San Mateo County Hall of Justice (HOJ). The security electronics systems, while modern at the time of installation, are now tremendously out of date, subject to frequent failure, and nearly irreparable due to the age of the components. The project will consist of improvements to the security electronics, detention doors and the installation of video visitation system providing connectivity to the new Maple Street Correctional Center and Maguire.

Pescadero and Skylonda Fire Stations: The project design for the Pescadero station is on hold pending the outcome of the community engagement process and further investigation of possible sites.

For the Skylonda station MWA Architects is developing Design-Build bridging documents as required for issue of Request For Qualifications and Proposals. The Department of Public Works is also working with legal counsel to determine the best approach to the CEQA environmental process (Categorical Exemption or Mitigated Negative Declaration) and identifying available construction management services to supplement staffing needs.

Cordilleras Mental Health Facility: The Board of Supervisors approved the Needs Assessment/Feasibility Study for a replacement facility on same site as the existing building, and directed Public Works to proceed with bridging documentation for a Design-Build delivery process, which agreement with HGA Arch's Public Works is currently negotiating.

Public Dispatch Center/EOC/Data Center: While the high pressure gas line was successfully re-routed from County property by PG&E and Radio Shop operations are relocating to Marshall St., major modifications and new construction must occur at Grant Yard in order to transfer the Motor Pool operations. These improvements will exceed the preliminary \$2 million estimate for this phase and CEQA process may impact the Grant Yard location more so than the new facility site at the County Government Center. The best approach to CEQA appears to be a "Mitigated Negative Declaration (MND)" outcome with a six-month timeline for completion. This should coincide with completion of Bridging Documents (being revised in light of recent changes to California statutes regulating public projects and Design-Build process).

Animal Shelter: Kappe+Du and Animal Arts, along with Peninsula Humane Society (PHS) have developed programming and adjacencies diagrams leading to Design-Build bridging documents. PHS' operator services agreement is still to be negotiated with the County and the Public Health, and will have an impact on maintenance aspects as well as acquisition and demolition of the existing facility (operator-owned) upon turnover of the new facility.

County Government Center Master Plan Update: Public Works is conducting a round of interviews with each Supervisor in order to establish a common vision and roadmap for the development of the County Government Center (CGC) over the next fifty years, in particular land use and consolidation of the County's seat of government and related functions as explored in the 2014 CGC Redevelopment Plan.

IWMS – Integrated Workplace Management, COB 1 Renovation/Moves: The relocation of the Purchasing Division of Human Resources to the space vacated by Parks in County Office Building 1 has started. It will follow along the lines of the completed Parks project, further illustrating and cementing the County's workplace

standards. Minor transition work is also planned for the first floor to accommodate surges in staffing in Information Services and other departments.

IWMS continues to experience a surge in requests for internal moves by County departments currently totaling over \$3 million, even as the lack of available office space persists. Real Property is attempting to identify and secure temporary transition spaces in leased facilities.

AGILE WORKFORCE

In 2014, we made great strides in making San Mateo County a more Agile Organization. We focused our efforts on expanding the use of each of the various work delivery models, tracking the growth of the work delivery models, and evaluating the success of the initiative.

Term Position Statistics: The County has reached its maximum number (73) of approved AFSCME/SEIU represented term employee requisitions and will be negotiating for additional positions. Departments are utilizing term employees for a wide variety of positions, from term Park Rangers who organize and promote restoration and science programs, to term Human Service Analysts who assist County veterans with accessing their benefits.

Fellowship Program Partnership with San Francisco State University:

We established a fellowship program partnership with the San Francisco State University Masters of Public Administration program. Starting in the summer of 2015, the County will offer recent SF State MPA graduates the opportunity to compete for one-to-two year fellowship opportunities. In addition, as a part of this partnership, the County will send executive level staffers to serve as guest lecturers for SF State MPA classes in exchange for SF State public administration professors teaching various County workshops. In January we hosted an informational meeting for all interested departments and six departments have requested fellows.

Supported Training and Employment Program (STEP) Expansion: We submitted a proposal for Measure A funding to expand STEP, a paid internship program designed to help recently emancipated foster youth, ages 18-24, transition into the workforce. The program currently gives 20 participating foster youth the opportunity to work in one of the County's departments for the summer. With the proposed increase in funding, STEP will be a year-round program and will be able to accommodate 35 interns per year.

Internship Expansion Efforts: In addition to STEP, we are developing strategies to expand the number of internship opportunities throughout the County. Internally, we are currently working to streamline and clarify internship hiring and onboarding processes in order to encourage growth. Externally, we are planning outreach efforts such as job fairs and job shadowing programs in order to attract more individuals to local government internship opportunities.

Volunteer Tracking: In July, we sent out a survey to gather data on all volunteers in each County department. We learned from the survey that the County utilizes thousands of volunteers across many different departments and that each individual department tracks their volunteers manually or through a volunteer management system. We are currently looking into different Countywide options for volunteer management database systems.

Dual Career Ladders: We continue to work with an external vendor to create career paths for highly specialized/technical positions. The initial review was completed in 2014 and we are now focusing recommendations on various classifications including fiscal and technology positions. The report/recommendations are expected in early 2015.

The new career ladders will offer subject matter experts opportunities to advance based on their technical ability into non-supervisory/management positions. By offering new career paths, employees will have the option of determining whether they want to promote into (existing) supervisory/management or into a specialized/technical track based on interest and knowledge, skills and abilities.

Self Help - San Mateo County Apps Challenge: We are currently planning to launch San Mateo County's first Apps Challenge, a day-long event where individuals and groups come together to design and create a software application or concept that addresses a need in the County. The Apps Challenge is a crowdsourcing event that enables citizens to make a difference in San Mateo County through technological innovation.

Agile Organization Website: We are constantly making updates to our Agile Organization website to make it more user-friendly and informational. Throughout the year, we have worked to make the Agile Organization website more visible both within the organization and to the public.

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 Attachment A to this report.

PERFORMANCE MEASUREMENT

As the County has moved to a two year budget/performance cycle, the main focus in FY 2014-15 has been performance measurement. The County Manager's Office trained department staff how to create performance reports in the online application called GovStat. These reports include departments' performance measures, three years of data (as available), benchmarking information (as available), the story behind the data, and pictures that bring a face to the programs/services that the County provides. For the first time, these performance reports were used to present the Recommended

Budget to the Board. Departments are now in the process of updating their Performance Reports to include mid-year data and programmatic information.

The County Manager's Office also created dashboards to keep the public updated in Measure A-funded projects. This dashboard is updated on a quarterly basis and presented to the Measure A Oversight Committee. Most recently, the Measure A Oversight Committee developed meaningful performance measures to evaluate each of the currently funded programs. Once the data for these new measures are available they will be included on the dashboard.

The County Manager's Office also worked with departments to collect the data related to the Shared Vision 2025 indicators and goals and to develop dashboards to present the data. These include the following:

Healthy and Safe

- Recidivism
- Violent Crimes
- Residents Report Feeling Safe
- Substantiated Child Abuse Referrals
- Life Expectancy by Race and Ethnicity
- Health Coverage
- Physical Fitness of 7th Grade Students

Prosperous

- Housing Affordability
- Unemployment
- Poverty
- 3rd Grade Students Reading Proficiency
- High School Graduation Rates

Livable

- Alternative Commute Trips
- Voter Turnout
- Visits to All County Parks
- Visits to County Libraries and eBranch

Environmentally Conscious

- Greenhouse Gas Emissions
- Vehicle Miles Traveled
- Electricity Consumption
- Per Capita Water Consumption
- Air Quality
- Per Capita Trash Disposal
- County Park Land

Collaborative

- Aaa/AAA Credit Rating
- Views of Datasets in Open Data Portal
- Customer Satisfaction Rating

The Center for Continuous Process Improvement conducted four Process Improvement Events over the past year. These include the Human Services Agency Processing Backlogged Medi-Cal Referrals, the Assessment Appeals Board, Human Resources Employee Onboarding Program, and the Board of Supervisors Agenda Process.

A cohort of ten county staff have been identified to be the first team to complete comprehensive on-line and hands-on training on LEAN/Six Sigma practices. This cohort will conduct five Process Improvement Events in the next year and assist in growing the culture of continuous process improvement within the County departments.

FISCAL IMPACT

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

ATTACHMENTS

A) SMCSaves Project Update

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 2014 increased 2.4% in the Bay Area, 1.4% in California, and 1.6% in the United States. Bay Area CPI is forecasted to increase 2.7% in 2015 and 2.2% increase in 2016.

<i>CPI Annual</i>	<i>Bay Area¹</i>	<i>California</i>	<i>U.S.</i>
<i>Averages</i>	<i>% Change</i>	<i>% Change</i>	<i>% Change</i>
2018*	2.2 %	2.1%	2.0%
2017*	2.3%	2.2%	2.0%
2016*	2.2%	2.2%	2.0%
2015*	2.7%	2.0%	1.8%
2014	2.4%	1.4%	1.6%
2013	2.6%	2.1%	1.7%
2012	2.8%	2.4%	2.9%
2011	1.7%	1.7%	2.0%
2010	1.2%	0.7%	1.0%
2009	1.8%	1.3%	1.4%
2008	3.2%	3.4%	3.7%
2007	3.3%	3.4%	2.6%
2006	2.7%	4.2%	3.8%

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 2014 was 34%, down from 36% during the third quarter of 2013. 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 52% has dropped from 54% nudging 2% 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.

<i>First-Time Buyer Housing Affordability Index</i>	<i>3rd Quarter</i>	<i>3rd Quarter</i>
Region/State/County	2013	2014
California	54%	52%
United States	74%	75%
SF Bay Area	45%	44%
Sacramento	71%	69%
Santa Clara	45%	44%
Monterey	54%	50%
Alameda	44%	42%
Contra Costa – Central County	45%	43%
San Francisco	36%	34%
Marin	37%	29%
San Mateo County	36%	34%

Source: CA Association of Realtors www.car.org

Median Home Price and Home Sales

The number of homes sold in the Bay Area has increased by 14.1% over the period of December 2013 - December 2014. This increase is seen throughout the Bay Area Counties. San Mateo County has seen a 17.9% increase in home sales over the same period. Median home prices have risen throughout the Bay Area. San Mateo County has seen a 7.7% increase in median home prices and in December 2014 the median price for a single family home was \$808,000. 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 10.0 percent of Bay Area home purchases which is down from 11.2 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.

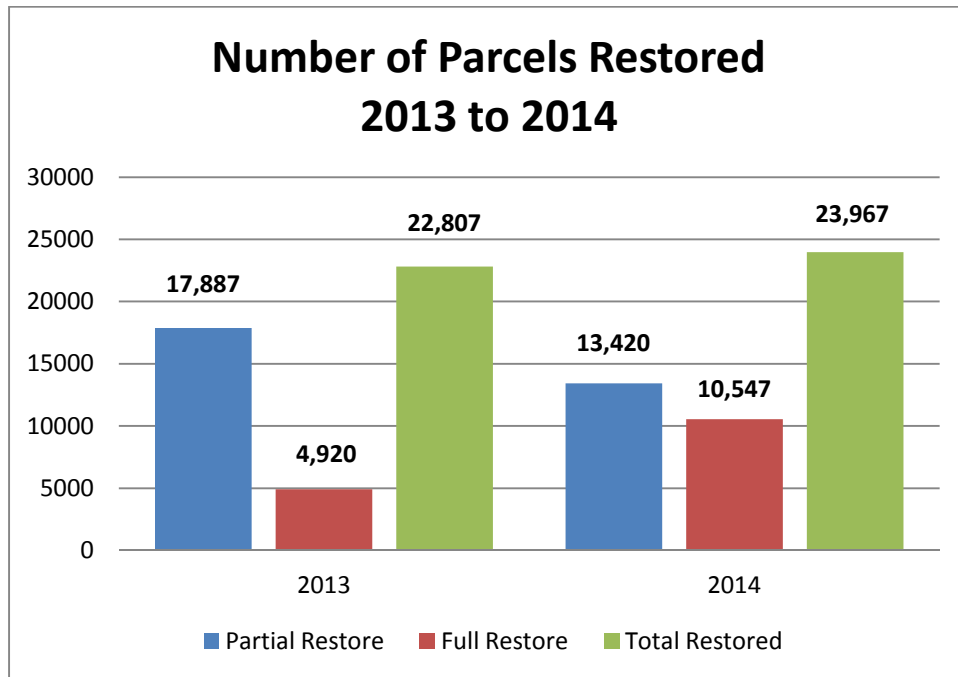
	<i>Number of Homes Sold</i>	<i>Number of Homes Sold</i>	<i>Number of Homes Sold</i>	<i>Median Price</i>	<i>Median Price</i>	<i>Median Price</i>
	<i>December</i>	<i>December</i>	<i>%</i>	<i>December</i>	<i>December</i>	<i>%</i>
	<i>2013</i>	<i>2014</i>	<i>Change</i>	<i>2013</i>	<i>2014</i>	<i>Change</i>
Bay Area	6,532	7,456	14.10%	\$548,500	\$603,000	9.90%
Alameda	1,410	1,545	9.60%	525,000	555,000	5.70%
Contra Costa	1,177	1,447	22.90%	405,000	455,000	12.30%
Santa Clara	1,578	1,774	12.40%	625,000	689,500	10.30%
San Mateo	565	666	17.90%	750,000	808,000	7.70%
San Francisco	529	529	0.00%	813,000	949,000	16.70%
Marin	220	276	25.50%	755,000	915,000	21.20%
Napa	111	122	9.90%	425,000	450,000	5.90%
Solano	477	535	12.20%	272,000	310,000	14.0%
Sonoma	465	562	20.90%	415,000	454,500	20.3%

Source: DataQuick Information Systems:

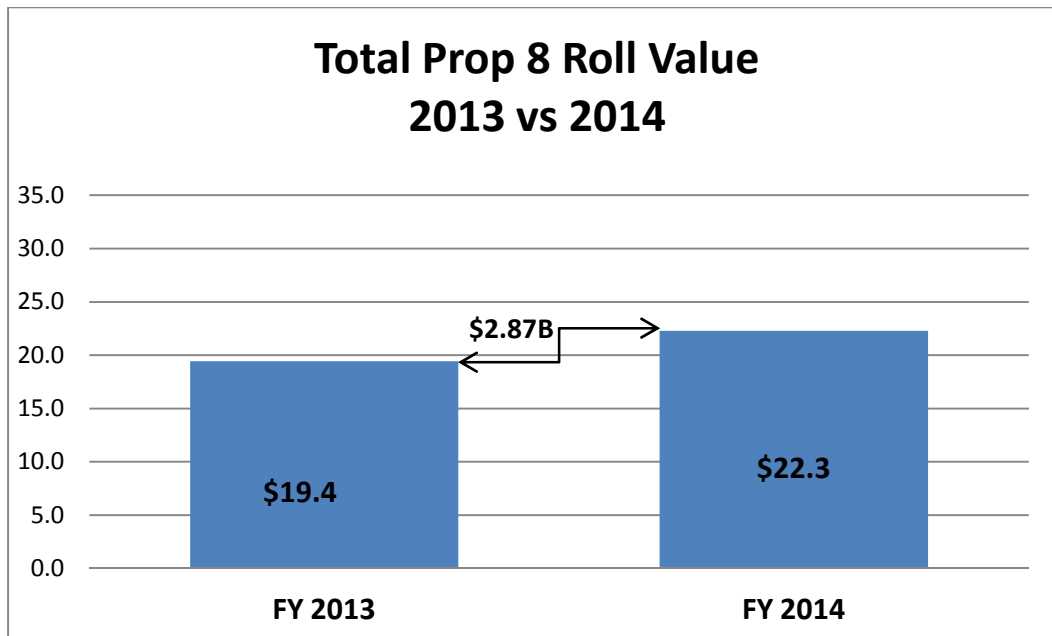
<http://www.dqnews.com/Articles/2015/News/California/Bay-Area/RRBay150115.aspx>

Prop. 8 Assessed Value Restorations

During FY 2013-14 the Assessor's Office reviewed approximately 26,900 parcels in the decline in value program, of which 13,420 parcels were partially restored and 10,547 parcels were fully restored, resulting in net increase of \$2.87 billion in restored value to the FY 2014-15 tax roll.



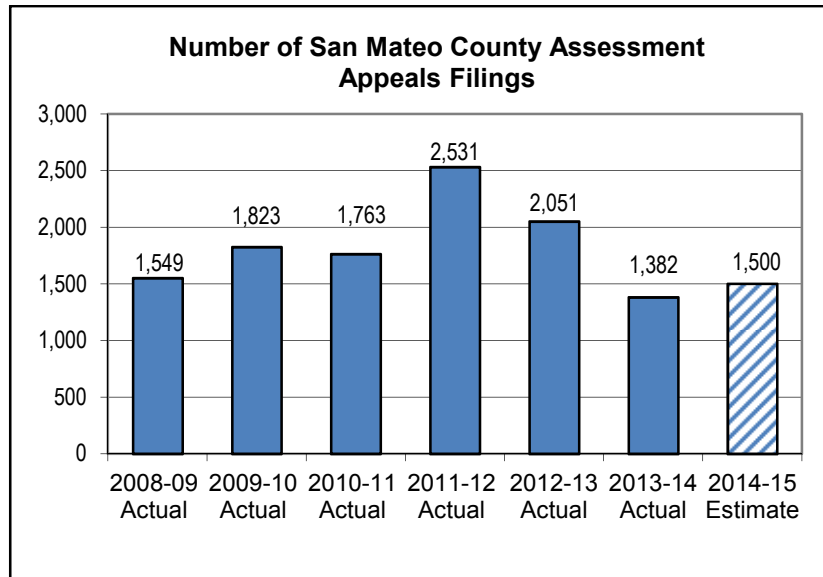
Source: Assessor's Office



Source: Assessor's Office

Property Reassessment and Assessment Appeals Filings

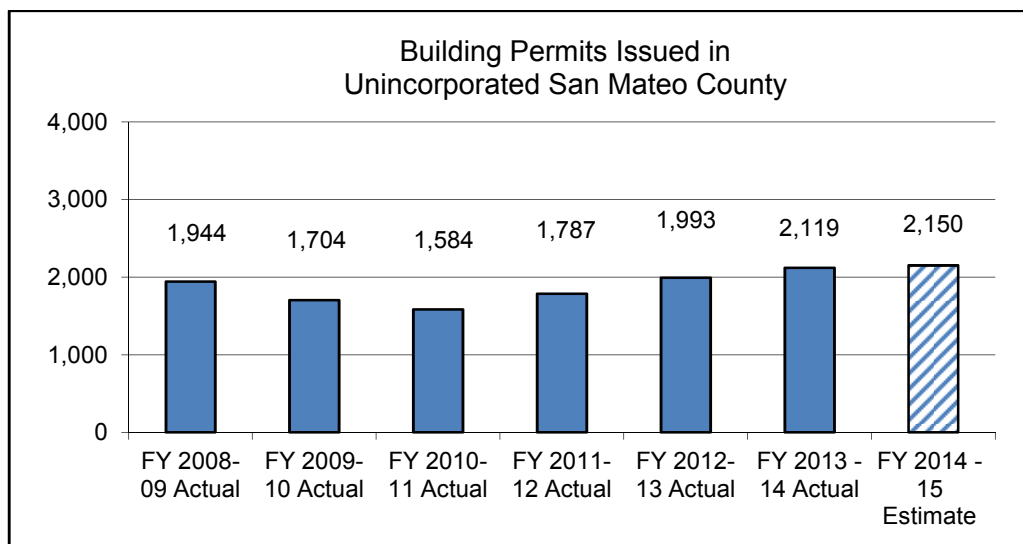
There were 1,382 new assessment appeals filings for FY 2013-14, which was a 32% decrease from FY 2012-13. The estimated number of appeals filings for 2014-15 is 1,500.



Source: San Mateo County Assessor’s Office

Building Permits Issued

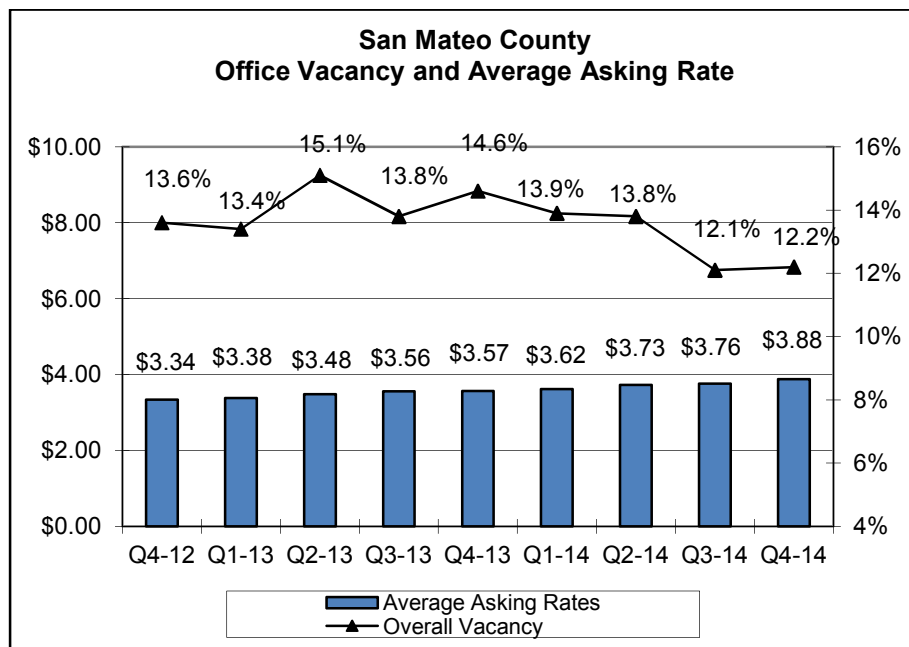
The number of building permits issued by the Planning and Building Department is increasing. The permits being issued show an increase in all types of permits for remodel work, new roof installation, and new home construction.



Source: San Mateo County Planning and Building Department

Office Space Availability

The demand for San Mateo County office space continued to rise in Q4-14, reaching an average asking rent of \$3.88 per square foot full service, representing an 8.7% increase since Q4-13 and a 49.8% increase since Q4-11. The overall vacancy rate varied throughout the year between 13.0%-12.1%, evidencing an overall downward trend from Q4-11 at 13.8%, despite an increase in inventory due to new development. Continued increase in demand is expected into 2015 as employment within the office sector continues to rise. The South County market is projected to see the largest increase in rents as employers are seeking space within close proximity to silicon valley. Class A space continues to be in high demand with rates the highest they've been since the dot-com boom in 2001.

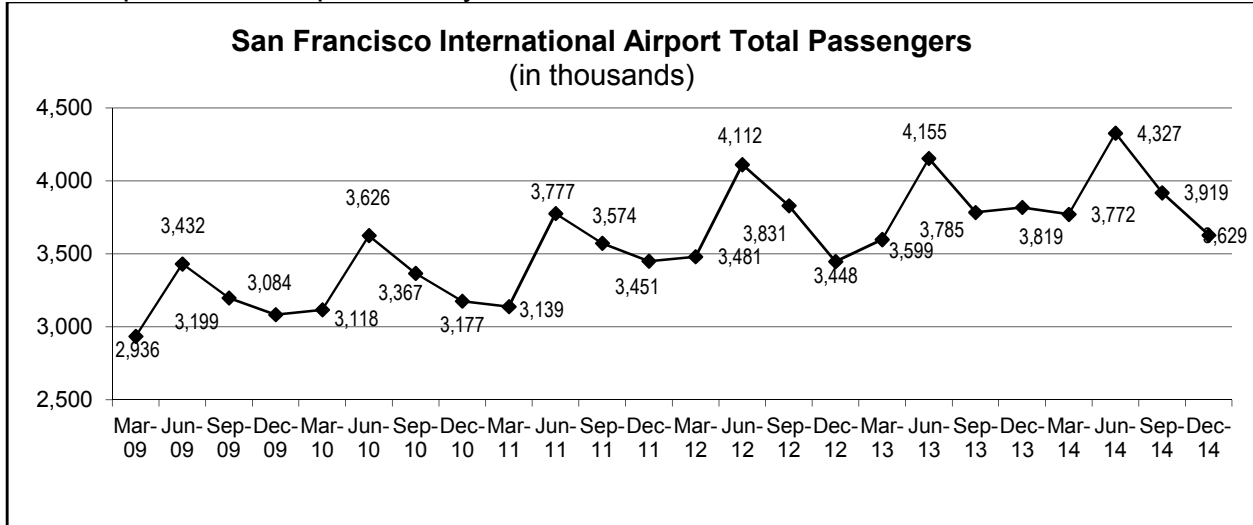


1. Average asking rate is for all classes and includes utilities, maintenance, insurance, and all other expenses related to occupancy

Source: DTZ/Cassidy Turley Commercial Real Estate Services

San Francisco Airport – Total Passengers

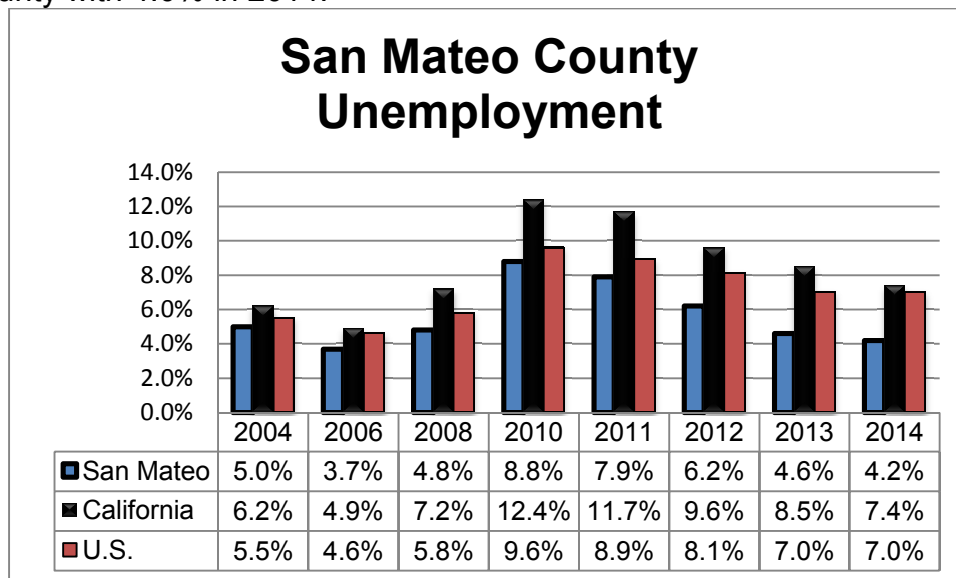
A significant portion of the County’s unsecured property tax and sales tax revenues come from businesses at San Francisco International Airport, so it is important to monitor patterns in airport activity.



Source: <http://www.flysfo.com/web/page/about/news/pressres/stats.html>

Unemployment Rate

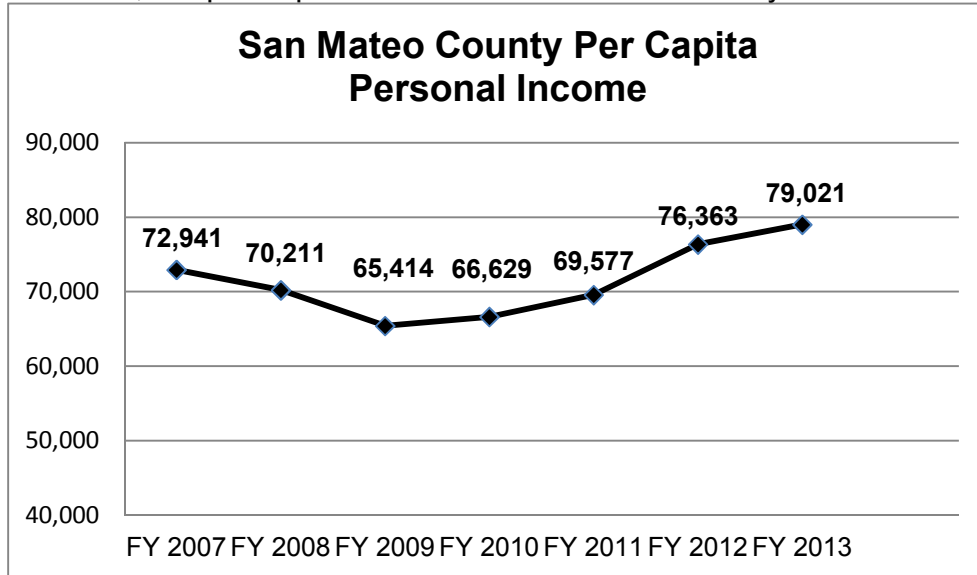
Unemployment rates at the local, state and national levels are down from last year. San Mateo County unemployment is down from 4.6% in 2013 to 4.2% in 2014. The county continues to have one of the lowest unemployment rates in the state, second only to Marin County with 4.0% in 2014.



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 3.4% from \$76,363 per capita in 2012 to \$79,021 per capita in 2013. Data for 2014 is not yet available.



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

Attachment A

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 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 an 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 July 2015.

The Department has purchased and installed the required hardware including a large document scanner. 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 selectively testing a portion of the application by performing electronic plan checks for some current applicants using Adobe software.

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.

Completed Steps:

- Purchased sample devices
- Updated forms incorporating user feedback
- Completed testing of the software
- Recommended to the Departments as to which devices are compatible with Accela and best meet needs of users and IT support

Next Steps:

- Test data reporting process to determine whether funds would need to be expended to create a customized report that meets the County's reporting needs.
- Purchase field hardware based on Department User preferences and additional user licenses (if necessary)
- Begin full scale deployment of mobile devices including training – October 1, 2015

Once implemented, this system will support the County's compliance with the National Pollutant Discharge Elimination System (NPDES) Municipal Regional Permit (MRP). The County received five Notice of Violations (NOVs) from the State Water Quality Control Board between 2011 and 2013.

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 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 both in Redwood City and at Tower Road in San Mateo. The parking lots have been restriped at both locations to allow vehicles to have designated spaces. Internal training by the vendor has been completed. Some reading errors persist and these errors are in the process of being resolved. The Department plans to go live in April 2015 and to roll the program out to employees shortly thereafter.

Vehicle GPS: The GPS project is complete and in information gathering mode. GPS units were installed on 600 vehicles last year and the system went live last summer. Department fleet managers were trained on the management of the system relating to their vehicles this past October. As departments begin to analyze their data some have begun actively managing their fleet use with this data.

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 (VDI)

The SMCSaves initiative in the Information Services Department (ISD) 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 pilot was successful in establishing a hardware and software platform for use in the VDI environment as well as determining that additional testing will be required with applications and end-user devices such as signature pads and proximity readers to ensure they are compatible with a virtual desktop environment.

The County currently has over 60 Workstations on Wheels (WOW) in production configured in a high-availability environment for use at the San Mateo Medical Center (SMMC) with the capacity to add additional users.

ISD has established a price point for VDI that is lower than the cost of support for a traditional PC and has published that new rate and included it in the current service catalog.

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.