



June 7, 2016

Matthew H. Hymel
COUNTY ADMINISTRATOR

Daniel Eilerman
ASSISTANT COUNTY
ADMINISTRATOR

Angela Nicholson
ASSISTANT COUNTY
ADMINISTRATOR

Marin County Civic Center
3501 Civic Center Drive
Suite 325
San Rafael, CA 94903
415 473 6358 T
415 473 4104 F
CRS Dial 711
www.marincounty.org/cao

Marin County Board of Supervisors
3501 Civic Center Drive
San Rafael, CA 94903

SUBJECT: Proposed County and Special District Budget

Dear Supervisors,

RECOMMENDATION

1. Accept the Administrator's Proposed FY 2016-17 County Budget and FY 2017-18 Plan for public review, including special districts under the Board (see Schedule 12 attached), pending your Board's formal adoption of the County Budget;
2. Schedule public hearings on the Proposed FY 2016-17 County Budget and FY 2017-18 Plan to begin on Monday June 20, 2016 in the Board of Supervisors Chambers at 9:30 a.m.; and
3. Authorize the County Administrator and Director of Finance to make technical and other carry forward adjustments as necessary to properly budget and account for grants, projects and year-end fund balances, including:
 - a. designation of unrestricted year-end fund balances and the carry-forward of prior year administrative designations (Attachments A-B); and
 - b. other technical adjustments as necessary to accurately reflect the budget - including position and required labor agreement adjustments, the roll forward of existing designations, and Budget Change Proposals and other one-time allocations outlined in the Proposed Budget.

OVERVIEW

The improved economy has provided an opportunity to focus on long-term strategies, pay down unfunded retiree obligations and increase investments in roads, facilities and technology. The budget is balanced over the two-year planning period, is fiscally sound, and reflects your Board's highest priorities. Overall, the budget is increasing by 4 percent, and the ongoing budget for General Fund operations is increasing by 2 percent.

BUDGET SUMMARY

The FY 2016-17 Proposed All Funds budget is \$540.7 million, a 4 percent increase versus the prior year. The ongoing All Funds budget, which excludes one-time expenses, is \$526.7 million, a 3.7 percent increase over the prior year. Including special districts under the Board, the County's total budget for FY 2016-17 is \$566 million, which is a 3.6 percent increase from the prior year. A schedule of special district sources and uses is attached (Schedule 12 in State Auditor-Controller format).

General Fund and HHS Operating Fund					
Revenue	FY 2015-16 Approved	FY 2016-17 Proposed	% Change	FY 2017-18 Plan	% Change
Revenues	\$329,314,535	\$351,681,320	6.79%	\$362,293,949	3.02%
Prior Year Fund Balance	28,049,060	31,972,596	13.99%	20,000,000	-37.45%
Net Transfers	56,657,647	43,617,519	-23.02%	50,238,943	15.18%
Total General Fund Sources	\$414,021,242	\$427,271,434	3.20%	\$432,532,892	1.23%
Expense					
Ongoing	\$405,972,182	\$415,271,434	2.29%	432,532,892	4.16%
One Time	\$8,049,060	\$12,000,000	49.09%	0	-100.00%
Total General Fund Uses	\$414,021,242	\$427,271,434	3.20%	\$432,532,892	1.23%

All Funds					
Revenue	FY 2015-16 Approved	FY 2016-17 Proposed	% Change	FY 2017-18 Plan	% Change
Revenues	\$483,540,482	\$501,370,259	3.69%	\$514,859,033	2.69%
Prior Year Fund Balance	35,896,502	39,320,134	9.54%	25,448,345	-35.28%
Total All Fund Sources	\$519,436,984	\$540,690,393	4.09%	\$540,307,378	-0.07%
Expense					
Ongoing	\$507,866,707	\$526,700,223	3.71%	\$540,307,378	2.58%
One Time	\$11,570,277	\$13,990,170	20.91%	0	-100.00%
Total All Fund Uses	\$519,436,984	\$540,690,393	4.09%	\$540,307,378	-0.07%

Special Districts					
	FY 2015-16 Approved	FY 2016-17 Proposed	% Change	FY 2017-18 Plan	% Change
Total Special District Sources	\$26,947,424	\$25,319,303	-6.04%	\$25,538,127	0.86%
Total Special District Uses	\$26,947,424	\$25,319,303	-6.04%	\$25,538,127	0.86%

Total Sources including Special Districts	\$546,384,408	\$566,009,696	3.59%	\$565,845,504	-0.03%
Total Uses including Special Districts	\$546,384,408	\$566,009,696	3.59%	\$565,845,504	-0.03%

A BALANCED BUDGET

Because of our past decisions to reduce ongoing spending, the budget is balanced and structurally sound. As the economy has improved, property tax and sales tax revenues have rebounded. Property taxes, which are the largest single source of discretionary revenue for the County's General Fund, are projected to increase 6 percent in FY 2016-17. Service levels and personnel costs are also increasing as the County is providing cost of living increases to our workforce and community partners and has increased discretionary funding for road maintenance, mental health services, homeless programs and technology improvements.

The national economic expansion is now in its seventh year, which makes it the fourth longest expansion in U.S. history. Most economists project continued growth

over the next two years, although the growth rate is expected to slow down. Being mindful of economic cycles, we have made a concerted effort to review service priorities, ensure new General Fund positions are essential and/or fully cost-covered, and use one-time funds only for one-time purposes. Your Board has also made prudent fiscal decisions to build up reserves, refinance existing debt at favorable rates and invest in road and facility infrastructure. The County's discretionary spending levels are largely tied to the annual changes in property values, and while median sales prices remain high, annual property tax revenue is limited by the combination of Proposition 13, limited new development, and relatively low sales volume within the County. Property tax growth rates are expected to slow down, as are other revenue sources such as sales tax and transient occupancy tax.

FUNDING PRIORITIES

Implementing the 5 Year Business Plan

Earlier this year, your Board adopted the 5 Year Business Plan designed to improve County services by empowering our workforce to more effectively adapt and respond to the complex issues facing our community. The planning and development process involved a collaboration of County employees and community partners from a variety of backgrounds. To solidify the foundation for excellent customer service and accountability, the 5 Year Business Plan focuses on the following areas:

- 1) Diversity and Inclusion
- 2) Innovation
- 3) Growth and Development
- 4) Communication

Investing in Road Infrastructure

Maintaining infrastructure for all modes of public mobility is an essential service and affects nearly every county resident. Our recent investments have yielded results as we have improved our Pavement Condition Index from 49 to 60. However, gas tax revenues are declining and we need to increase our annual investment to make further progress. We are allocating an additional \$7 million toward road maintenance and improvements, including \$1 million in ongoing funding. In addition to General Fund contributions, we will be leveraging \$35 million in grant funds over the next few years for improvements to roads in Muir Woods and Point Reyes and utilizing \$13 million in TAM funding to resurface Sir Francis Drake from Greenbrae to Ross.

Addressing Equity Gaps

As the County's safety net, we know all too well that not everyone is sharing in the benefits of an improving economy. The County has responded to the gaps in equity in various ways over the past few years. Increasing the living wage, working with community partners such as Marin Kids and Marin Promise, and reducing park and library fees have all been positive steps. Expanding access to quality healthcare has also been a considerable success. In the coming year, we will be working with our community partners to make investments in early childhood education and college readiness for high school students.

Enhancing our Homeless and Mental Health Services

The County has taken a leadership role in the efforts to address homelessness. Our work not only supports housing and services for people experiencing homelessness, but is instrumental in coordinating efforts of many providers to better coordinate services. In total, the County spends over \$9 million per year on homeless-related services and helps secure \$3 million for other local agencies to support homeless programs in Marin. We cannot be successful without the support of our cities, foundations, volunteers, religious organizations and the non-profit community. With a focus on permanent supportive housing for disabled individuals and families, together we can provide support to people who are homeless or at risk of homelessness.

In February, your Board conducted public workshops to consider options for expanding mental health service programs across the county and accepted staff recommendations to focus on evidence-based practices and voluntary programs. Your Board subsequently approved reorganizations within the Mental Health and Substance Use Services division that utilized over \$1.5 million in state and federal funding to increase staffing by 12 FTE to expand capacity and better integrate service delivery. The formation of multi-disciplinary teams, including the addition of bilingual support service workers and social service workers, will enable licensed clinicians to serve a larger number of high-need clients.

This budget includes an additional \$400,000 to implement new homeless programs, including the implementation of a Homeless Outreach Team (HOT) model, which coordinates efforts of existing outreach program and builds capacity at existing housing sites. The budget also includes over \$1 million to increase our capacity to serve those in need of mental health services, including two new dedicated crisis specialists and tele-psychiatry services, which will enable county staff to provide service 24 hours per day, and funding to acquire housing for the transitional residential program.

Reducing Unfunded Liabilities

We continue to make progress on reducing our long-term retiree liabilities. Over the past three years, our total unfunded retiree liabilities have decreased by \$243 million due to strong investment earnings and over \$94 million in accelerated payments. This budget includes an additional \$10 million above the required annual retiree contributions and contributes \$1 million to the pension stabilization reserve. All three

independent bond rating agencies affirm Marin County's AAA rating, citing a strong local economy, sound fiscal management and a proactive approach to reducing unfunded liabilities.

FINANCIAL ATTACHMENTS

This letter includes several attachments. The attached Schedule 12 summarizes special district sources and uses in State Auditor-Controller format. We are also requesting your Board's approval to make technical adjustments as necessary to properly budget and account for grants, projects and other financial allocations, including properly accounting for authorized position allocation adjustments and unspent purchase orders, associated requisitions and related appropriation authority to open the new fiscal year as part of the Final Budget for FY 2016-17.

Attachments A-B detail carryforward administrative designations and designations of fund balance. Consistent with Governmental Accounting Standards Board (GASB) Statement No. 54, these carryforward designations are categorized as either "Commitments," which require your Board's approval to establish, change or utilize, or "Assignments," which require County Administrator management approval. The Assignments category includes administrative designations, and some operating reserve accounts – such as the vehicle replacement or radio replacement accounts. The Commitments category includes reserves for economic uncertainty, a state/federal budget reserve, and one-time project set-asides.

CONCLUSION

For a more detailed overview of the FY 2016-17 Proposed Budget and FY 2017-18 Plan, please refer to the Proposed Budget document. Copies of the Proposed County Budget are available for public review on the County's website (www.marincounty.org). Detailed information is available from the Department of Finance relating to special districts under the Board, and will be published online as well.

The County is on more stable footing because of the actions taken by your Board over the past several years. Given our current and impending fiscal constraints, we need to continue our efforts to adapt and respond to emerging issues while focusing on effectively providing critical community services. I look forward to working with your Board, our employees and the public to achieve our shared goal of making our community safer, healthier and more sustainable.

We want to thank your Board and all of our employees for their leadership, collaboration and support. The development of the County budget is a significant Administrative Services Team project. In particular, we want to recognize the efforts of the Department of Finance, Information Services and Technology, Public Works and the Human Resources Department for their assistance in the preparation of this budget. We also thank the ATOM team, the MFR Working Group and the 5 Year Business Plan participants for their efforts to improve our performance and strategic focus. Most importantly, we would like to recognize the staff of the County Administrator's Office for their significant contributions, thoughtfulness and dedication throughout our budget preparation process.

Please feel contact me or my staff with any questions or concerns.

Respectfully submitted,



Matthew H. Hymel
County Administrator



Roy Given, CPA
Director of Finance

Attachments