

June 20, 2017

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Marin County Board of Supervisors
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SUBJECT: Proposed County and Special District Budget

Dear Supervisors,

RECOMMENDATION

1. Adopt the County of Marin Fiscal Year 2017-18 Final Budget and dependent special districts under the Board of Supervisors;
2. Adopt a Resolution ordering that the Fiscal Year 2017-18 Proposed Budget, adjusted for any increases and decreases approved by your Board, be adopted by reference as the Fiscal Year 2017-18 Final Budget for operations of the County, dependent special districts and other agencies whose affairs and finances are under the supervision and control of the Board of Supervisors.

OVERVIEW

Fiscal Year 2017-18 is the second year of the County's two-year budget, and the Proposed Budget is largely consistent with the plan approved by your Board last year. Over the past few years, the improved economy has provided an opportunity to focus on long-term strategies, improve safety net services, pay down unfunded retiree obligations, build up reserves for future uncertainties and increase investments in roads, facilities and technology. The 2017-18 Proposed Budget is balanced, is fiscally sound, and reflects your Board's highest priorities.

BUDGET SUMMARY

The FY 2017-18 proposed all funds budget is \$555 million. Overall, the County budget is increasing by 2.6 percent, and the General Fund budget is increasing by 3.2 percent. Including special districts under the Board, the County's total budget for FY 2017-18 is \$595 million, which is a 5.2 percent increase from the prior year. One-time expenses total \$9.6 million, which is a reduction of \$4.3 million compared to FY 2016-17. One-time expenses in the General Fund are recommended for road maintenance, facility improvements and sea-level rise adaptation. New ongoing spending is recommended for enhanced mental health services and renewable energy.

General Fund and HHS Operating Fund				
Revenue	FY 2015-16 Approved	FY 2016-17 Approved	FY 2017-18 Proposed	% Change
Revenues	\$329,314,535	\$351,681,320	\$368,840,896	4.88%
Prior Year Fund Balance	28,049,060	31,972,596	25,543,161	-20.11%
Net Transfers	56,657,647	43,617,519	46,385,675	6.35%
Total General Fund Sources	\$414,021,242	\$427,271,434	\$440,769,732	3.16%
Expense				
Ongoing	\$405,972,182	\$415,271,434	435,226,571	4.81%
One Time	\$8,049,060	\$12,000,000	5,543,161	-53.81%
Total General Fund Uses	\$414,021,242	\$427,271,434	\$440,769,732	3.16%
All Funds				
Revenue	FY 2015-16 Approved	FY 2016-17 Approved	FY 2017-18 Proposed	% Change
Revenues	\$483,140,482	\$500,970,259	\$523,284,670	4.45%
Prior Year Fund Balance	35,896,502	39,320,134	31,304,461	-20.39%
Total All Fund Sources	\$519,036,984	\$540,290,393	\$554,589,131	2.65%
Expense				
Ongoing	\$507,466,707	\$526,300,223	\$544,977,532	3.55%
One Time	\$11,570,277	\$13,990,170	9,611,599	-31.30%
Total All Fund Uses	\$519,036,984	\$540,290,393	\$554,589,131	2.65%
Special Districts				
	FY 2015-16 Approved	FY 2016-17 Approved	FY 2017-18 Proposed	% Change
Total Special District Sources	\$26,947,424	\$25,319,303	\$26,438,278	4.42%
Total Special District Uses	\$26,947,424	\$25,319,303	\$40,642,724	60.52%
Total Sources including Special Districts	\$545,984,408	\$565,609,696	\$581,027,409	2.73%
Total Uses including Special Districts	\$545,984,408	\$565,609,696	\$595,231,855	5.24%

With the acceptance of the FY 2017-18 Proposed Budget, your Board on June 6, 2017 also approved the designation of unrestricted year-end fund balances and the carryforward of prior year administrative designations.

A BALANCED BUDGET

Because of our past decisions to reduce ongoing spending, the budget is balanced and structurally sound in FY 2017-18. Property taxes, which are the largest single source of discretionary revenue for the County’s General Fund, are projected to increase 5.5 percent in FY 2017-18. Service levels and personnel costs are also increasing as the County is providing cost of living increases to our workforce and community partners.

The national economic expansion is now in its eighth year, which makes it the fourth longest expansion in U.S. history. Most economists project continued growth over the next few 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 hiring decisions are consistent with long-term objectives, 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. However, slowing property tax growth, increasing pension costs, and critical deferred maintenance needs will result long-term budgetary shortfalls for the County beginning in FY 2018-19. These projected shortfalls do not include any changes to federal or state funding policies. Ongoing and structural adjustments will be necessary to balance the next two-year budget.

BUDGET PRIORITIES

Enhancing Mental Health Services

Over the past two years, your Board conducted public workshops to consider options for expanding mental health service programs across the county. Reorganizations within Health and Human Services have been based on evidence-based practices and have included increased staffing to expand capacity, improved service integration, and the formation of multi-disciplinary teams to enable licensed clinicians to serve a larger number of high-need clients. The addition of dedicated crisis specialists and tele-psychiatry services now enable county staff to provide services 24 hours per day.

In FY 2017-18, the County will begin a two-year pilot program to implement Assisted Outpatient Treatment (Laura's Law) which provides court-ordered mental health services. By approving the Proposed Budget, your Board authorizes the implementation of a time-limited Assisted Outpatient Treatment pilot program in accordance with Welfare and Institutions Code sections 5345 et seq. This two year pilot will begin with a ten to twelve month planning process and will target a maximum enrollment of five individuals. Assisted Outpatient Treatment is designed to interrupt a repetitive cycle of hospitalizations and/or incarcerations for adults age 18+ with serious mental illness who meet a strictly defined set of criteria and who have been either unable or unwilling to engage in voluntary services. Interventions include outreach, assessment and linkage with voluntary services, with an additional civil court process for individuals who refuse to voluntarily engage in services. In authorizing this Assisted Outpatient Treatment pilot program, the Board finds, pursuant to Welfare and Institutions Code sections 5349, that no voluntary mental health program serving adults, and no children's mental health program, may be reduced as a result of the implementation of this Assisted Outpatient Treatment pilot program.

Preserving Affordable Housing

The median price for single-family homes in Marin reached record levels in April. As housing and rental prices continue to rise, many residents are being displaced from their homes. The Board has adopted multiple strategies to address affordable housing, including acquiring new property, preserving existing affordable housing, revising rental regulations, developing landlord incentives to maintain and encourage Section 8 units, and streamlining the development code to encourage second units.

Last year your Board allocated \$1 million to the County's Affordable Housing Trust. Funds from the Housing Trust are used for the construction, rehabilitation, acquisition or preservation of existing affordable housing, or for the conversion of market rate housing to affordable housing. The County also contributed \$450,000 to fund a two-year landlord incentive program that provides loss mitigation funds for unanticipated vacancies or property damage. Last year, the program worked with over 30 landlords who rent to low-income tenants to support the addition and maintenance of affordable housing in our community.

Prioritizing Racial Equity

As the safety net provider for the community, the County focuses on addressing poverty and income inequality and ensuring that County services are equitably provided in Marin and your Board adopted the County's first Racial Equity Action Plan in April. The equity work in six pilot departments, including Human Resources, Health and Human Services, Parks, Library, County Administrator, and Community Development continues, and nearly every County department has added an equity-related project to their work plan for the upcoming year. Working with community partners such as Marin Kids and Marin Promise, expanding access to healthcare, and reducing park and library fees have also been positive steps. Internally, over the next year, the County will deliver cultural intelligence training for all county employees.

Addressing Climate Change and Sea-Level Rise

The County's Climate Action Plan (CAP) identifies several local municipal actions to guide the County in achieving its target of reducing emissions from municipal operations to 15 percent below 1990 levels. The CAP's local municipal measures include energy efficiency improvements to County-owned buildings and facilities, increased fuel efficiency and alternative fuel vehicles in the County fleet, reduced water usage and waste production from County facilities, and reduced emissions from our employees' daily commute.

FY 2016-17 included the launch of the RideGreen employee alternative commute program, which provides incentives to employees who take alternative transit, bike, or carpool to work. In FY 2016-17 the County also installed solar arrays at the Health and Wellness Campus and at the Ignacio Corporation Yard, and replaced over 2,000 fluorescent fixtures in the Civic Center with new LED fixtures resulting in significant cost savings and improved light quality. Together, the solar arrays and the lighting upgrades are estimated to reduce municipal emissions by roughly 60 tons per year.

The FY 2017-18 Proposed Budget includes funding to implement the Marin Clean Energy Deep Green renewable energy program for all County accounts. This will reduce the County's carbon emissions by over 2,270 tons and will result in the County achieving its 2020 emissions reduction target two years ahead of schedule. Marin County ranks second in the Bay Area for potential infrastructure impacts due to sea level rise.

Over the past few years, the County has leveraged State Coastal Conservancy grant funds to complete a vulnerability assessment of sea level rise impacts along the bay shoreline. The assessment part of a multijurisdictional initiative known as BayWAVE (Bay Waterfront Assessment and Vulnerability Evaluation), that will serve as a foundation to understand the impacts of sea level rise and help Marin begin planning for adaptation. The FY 2017-18 Proposed Budget includes a one-time allocation of \$375,000 to support Phase II of the BayWAVE initiative, which will continue the multijurisdictional efforts for adaptation strategies and community outreach efforts.

Investing in Road Infrastructure

Last year's Budget included an ongoing increase of \$1 million for annual road maintenance programs as well as \$6 million in one-time funds to support the summer 2016 paving program. This year's budget includes an additional \$3 million in one-time investments to improve road conditions and repair damage caused by the winter storms. Over the next few years, the County will also leverage over \$40 million in federal grant funds for improvements to roads in Muir Woods and Point Reyes. The recent passage of SB1 will also provide increased ongoing revenue for future road improvements. The County expects to receive \$1.6 million in FY 2017-18 and over \$5 million annually when all of the new taxes and fees are fully implemented.

Implementing the 5 Year Business Plan

In 2015 your Board adopted the 5 Year Business Plan to improve County services by empowering our workforce to more effectively adapt and respond to the complex issues facing our community. The 5 Year Business Plan focuses on the following areas:

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

Over the past year, the organizational commitment to the Plan has deepened. Employees throughout the organization are involved and committed to the work, subject matter experts are leading the development of specific initiatives, and each department has adopted strategies aligned with the Plan. As departments are developing new strategic documents, the Plan is used as a primary guiding document. The FY 2017-18 Proposed Budget includes additional investments in the areas of cultural intelligence training, and a diversity hiring toolkit. We will evaluate the success of the current initiatives and metrics in FY 2017-18 and make any necessary changes to the Plan to further support our vision of becoming a more responsive government.

Improving Technology

The IST strategic plan focuses on convenient access to information and services anytime, anywhere, and on any device by residents and employees. The most important initiatives include expanding the County's ability to provide online services, accepting online payments, offering automated electronic forms, developing

impactful mobile apps, expanding the use of mobile devices by County employees, protecting public information, and automating internal processes to improve services for residents and enhance efficiencies for employees.

During the first 18 months of the strategic plan implementation, IST created a one-stop portal for online payments, including property tax and library fees, developed over 20 new automated electronic forms, and launched five new mobile apps including a voter information portal, a virtual tour of the Civic Center, and a restaurant inspection database. Other recent accomplishments include expanding public Wi-Fi at the Civic Center, introducing online building permitting and inspections, and launching an Open Data Portal.

Reducing Unfunded Liabilities

We continue to make progress on reducing our long-term retiree liabilities. The County has taken various actions over the past few years to reduce unfunded retiree liabilities, including contributing over \$94 million in discretionary accelerated payments, establishing an OPEB trust for retiree healthcare benefits, and creating a pension rate stabilization reserve. The retiree health trust currently has a balance of over \$82 million, and the baseline budget includes additional contributions to the trust. These actions, along with investment earnings, have reduced the County's unfunded liabilities by approximately \$200 million over the past five years and are among the primary factors in the County's AAA credit rating.

EMERGING ISSUES

Enhanced Mental Health Services in the Jail

As part of Marin's participation in the national "Stepping Up" initiative to improve outcomes in incarcerated populations, Health and Human Services staff is determining how to best improve behavioral health services in the jail given that inmates have three to six times higher rates of serious mental illness compared with the general population. Current efforts are focused on increasing the number of behavioral health counselors working in the jail, stabilizing the workforce with permanent staff, and expanding discharge planning services. Support for these positions will not be eligible for Medi-Cal reimbursements.

Housing First for Homeless

Along with community partners and service providers, the County has been implementing a "housing first" model that emphasizes the importance of providing chronically homeless persons with permanent supportive housing in conjunction with wraparound services. For this model to succeed, services must be robust, flexible, and readily available. For example, we are working with the Marin Housing Authority to provide 50 additional supportive housing slots to help house our most vulnerable homeless individuals. In addition, the County will apply to participate in the State's "No Place Like Home" initiative, and Partnership Health will be providing an \$1.2 million in one-time funding to support efforts to address homelessness in Marin. Health and Human Services staff will return to your Board in 2017 with an update on strengthening services to reflect the "housing first" model.

Whole Person Care

In 2017 the County will participate in the Whole Person Care program, which is a new service delivery and funding model administered by the California Department of Health Care Services (DHCS) as part of the Medi-Cal 2020 Waiver Initiative. This will bring the County approximately \$5 million annually for the next four years to better serve high-need populations, including the chronically homeless. The program aims to improve health outcomes by utilizing an interdepartmental, multi-disciplinary approach to coordinated care that focuses on high utilizers of the healthcare system to increase substance use treatment and decrease emergency room visits. The overarching goal of the Whole Person Care program is to coordinate health, behavioral health, and social services to improve health outcomes. Through collaborative leadership and systematic coordination among participating entities, including Probation and the Housing Authority, the Whole Person Care program will serve high-risk Medi-Cal beneficiaries.

Explore Potential Clinic Closures

A key component to improving health equity and medical outcomes is ensuring that people have a patient-centered medical home with integrated services to address their health needs. In keeping with this vision, the county's four Federally Qualified Healthcare Centers (FQHCs), which are community health centers, are better positioned to provide patient-centered health care than the County's stand-alone medical (STD, hepatitis, immunization, and HIV) and dental clinics. The County's current system prevents patients from receiving consistent primary and specialized care in a holistic, integrated medical home. After years of partnering with Marin's FQHCs, the county clinics can now consider closures with minimal disruption. This action would also allow Marin Community Clinic (MCC), the county's largest FQHC, to increase clinical space at the Kerner campus, see more patients from the community, and draw down more Medi-Cal revenue for visits. Duplicative services currently provided by the county would be eliminated. If ultimately approved by your Board, we will work with MCC, our unions and our employees over the next few months to make the transition as seamless as possible.

Changes in State and Federal Policy

The County of Marin faces a number of significant risks and uncertainties due to potential federal and state policy changes, most notably at the federal level. While federal spending allocations largely maintain the status quo through September 2017, new federal budget proposals could have significant consequences in California. California has \$20 billion in state Medi-Cal (federal Medicaid) funds at stake with healthcare reform, and more than 50,000 Marin County residents have benefited from new or expanded health care coverage in recent years. Marin residents currently receive over \$100 million annually from the federal government to pay healthcare costs as part of the ACA. Also in jeopardy at the federal level are a number of federal domestic spending programs, including Community Development Block Grants, Temporary Assistance for Needy Families, Supplemental Security Income, child nutrition programs, and housing assistance programs.

At a federal policy level, we continue to monitor immigration reform efforts and will oppose efforts that would eliminate pathways to full and equal citizenship, restrict the rights of immigrants, break up families, or build a wall along the Mexico border. We are also closely monitoring and opposing federal efforts to slow or reverse efforts to mitigate climate change, and are hopeful that promises to invest \$1.0 trillion in new infrastructure spending in the U.S. economy over the next 10 years will come to fruition.

At the state level, we expect relatively stable funding overall next year. Efforts to mitigate the impacts of eliminating the In-Home Supportive Services (IHSS) Maintenance of Effort (MOE) in the short term will provide the County with a glide path to make budgetary adjustments. We expect IHSS costs in FY 2017-18 to largely be the same as they would have been under the prior MOE, however, the long-term cost implications of the current proposal will be unsustainable for counties if the MOE inflator is not adjusted.

On November 8, 2016, California voters enacted Proposition 64, the Adult Use of Marijuana Act (AUMA). The AUMA retained the abilities for counties and cities to adopt and enforce local ordinances to regulate nonmedical cannabis businesses, including prohibition. Although your Board adopted an ordinance prohibiting nonmedical cannabis business activities in the unincorporated area of Marin County, a regulatory framework for medical cannabis dispensaries was approved in 2015 to expand options for patients to access medical cannabis.

CONCLUSION

For a more detailed overview of the FY 2017-18 Proposed Budget, please refer to the proposed budget document, which is available for public review on the County's website (<http://www.marincounty.org/budget>). Detailed information is available from the Department of Finance relating to special districts under the Board, and will be published online as well.

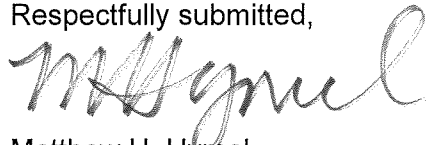
The County is on more stable footing because of the actions taken by your Board over the past several years. Given our current and impending fiscal constraints, as well as the increased uncertainty regarding federal and state policies, we need to continue our efforts to respond to emerging issues, reprioritize current service levels, and focus 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
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