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COUNTY ADMINISTRATOR

June 5, 2018

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

Dear Supervisors,

RECOMMENDATION

1. Accept the Administrator's Proposed FY 2018-19 County Budget and FY 2019-20 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 2018-19 County Budget and FY 2019-20 Plan to begin on Monday June 18, 2018 in the Board of Supervisors Chambers at 9:00 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 assigned and committed 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 extended economic stability 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 County budget is increasing by 6.4 percent, and the ongoing budget for General Fund operations is essentially flat, increasing by just 0.2 percent.

BUDGET SUMMARY

The FY 2018-19 Proposed All Funds budget is \$590 million, a 6.4 percent increase compared to the prior year. The ongoing All Funds budget, which excludes one-time expenses, is \$578.2 million, a 6.1 percent increase over the prior year. Including special districts under the Board, the County's total budget for FY 2018-19 is \$630.9

million, which is a 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 2016-17 Approved	FY 2017-18 Proposed	FY 2018-19 Proposed	% Change
Revenues	\$351,681,320	\$368,840,896	\$381,544,591	3.44%
Prior Year Fund Balance	31,972,596	25,543,161	27,258,367	6.71%
Net Transfers	43,617,519	46,385,675	34,316,263	-26.02%
Total General Fund Sources	\$427,271,434	\$440,769,732	\$443,119,221	0.53%
Expense				
Ongoing	\$415,271,434	435,226,571	435,860,854	0.15%
One Time	\$12,000,000	5,543,161	7,258,367	30.94%
Total General Fund Uses	\$427,271,434	\$440,769,732	\$443,119,221	0.53%
All Funds				
Revenue	FY 2016-17 Approved	FY 2017-18 Proposed	FY 2018-19 Proposed	% Change
Revenues	\$500,970,259	\$523,284,670	\$555,195,160	6.10%
Prior Year Fund Balance	39,320,134	31,304,461	34,734,799	10.96%
Total All Fund Sources	\$540,290,393	\$554,589,131	\$589,929,959	6.37%
Expense				
Ongoing	\$526,300,223	\$544,977,532	\$578,237,059	6.10%
One Time	\$13,990,170	9,611,599	11,692,900	21.65%
Total All Fund Uses	\$540,290,393	\$554,589,131	\$589,929,959	6.37%
Special Districts				
	FY 2016-17 Approved	FY 2017-18 Proposed	FY 2018-19 Proposed	% Change
Total Special District Sources	\$25,319,303	\$40,642,724	\$41,000,831	0.88%
Total Special District Uses	\$25,319,303	\$40,642,724	\$41,000,831	0.88%
Total Sources including Special Districts	\$565,609,696	\$595,231,855	\$630,930,790	6.00%
Total Uses including Special Districts	\$565,609,696	\$595,231,855	\$630,930,790	6.00%

A BALANCED BUDGET

Because of our past decisions to reduce ongoing spending, the budget is balanced and structurally sound. As the economy has sustained moderate growth, property tax, sales tax and transient occupancy tax revenues have rebounded. The single largest source of discretionary revenue for the County's General Fund is secured property tax, which is projected to increase 5.2 percent in FY 2018-19. Personnel costs are also increasing as the County is providing cost of living increases to our workforce and community partners.

The current economic expansion has now surpassed nine years. If the recovery continues through the end of FY 2018-19, it will have been the longest recovery in modern history. Most leading economists project a slowdown within the next two years, however, the timing and severity of the slowdown is less certain, particularly for the Bay Area.

Economic indicators for Marin County have been positive. In terms of unemployment and personal income measures, Marin remains ranked among the top counties in the state. The housing market is strong, particularly in terms of median sales prices and Marin continues to be one of the healthiest counties in the state despite having one of the oldest populations. Despite a strong local economy, for the first time in five years we needed to make budget reductions to keep pace with the cost of doing business and increase funding for our facilities by \$2 million annually.

FUNDING PRIORITIES

To be a responsive government, the County of Marin must continue to understand major trends, adapt to new community needs, and plan for future uncertainties. The County's 5 Year Business Plan provides strategic direction to empower employees to better serve the community.

The fiscal year (FY) 2018-20 Proposed Budget includes a focus on each of the Board of Supervisors high priorities, including:

- Preserving affordable housing
- Prioritizing racial equity
- Addressing climate change
- Improving disaster preparedness
- Investing in County infrastructure

PRESERVING AFFORDABLE HOUSING

Home prices and rents continue to increase in Marin County and have become unaffordable for many low- and moderate-income families and individuals. As a result, residents are being displaced from their homes and the local workforce experiences a longer commute.

In the year ahead, the County will pursue a variety of initiatives to acquire new property and preserve existing affordable housing. This includes the construction or acquisition of new rental housing for families, the purchase of the former U.S. Coast Guard facility in Point Reyes Station for affordable housing units, and the expansion of housing options for agricultural workers. The County will also expand housing choice and support existing communities by enhancing rental protections to prevent displacement; working with cities and towns on source-of-income protections and mandatory mediation ordinances; funding the landlord partnership program to increase housing choice for federal Section 8 voucher holders; and conducting evaluations of multifamily zoning districts to remove remnants of historical exclusionary zoning practices.

A general shortage of affordable housing in Marin has prompted the County to explore alternative policy solutions to increase the overall housing supply.

Regulation and oversight on short-term rentals has been expanded, especially in coastal West Marin, and the promotion of Accessory Dwelling Units (ADU) and Junior Accessory Dwelling Units (JADU) is expected to result in more livable units inside or adjacent to existing homes. The Proposed Budget includes \$500,000 to continue a partnership with the Marin Housing Authority to provide housing locator services and to offer financial incentives for landlords to rent to Section 8 voucher

holders. The County will also continue working closely with neighboring agencies and municipalities to coordinate code enforcement efforts for rental units.

PRIORITIZING RACIAL EQUITY

As the safety net provider to the community, the County and the Board of Supervisors are committed to creating an atmosphere that promotes and advances racial equity. The County has defined equity as just and fair inclusion in which everyone – including members of all racial and ethnic groups – can participate, prosper, and reach their full potential. Equity gives all people a chance in life despite historic patterns of racial and economic exclusion. The County will evaluate policy decisions through a racial equity lens to ensure that marginalized communities are not negatively impacted.

Recent data from the Advancement Project shows that Marin is the most racially disparate county in California. One important step to address historical disparity in Marin is to establish and align departmental equity initiatives with Board of Supervisor's goals and set measurable outcomes to evaluate the success of those initiatives. The Board devoted a public workshop to equity in May 2018 and within the next year, the County will create an Equity Director position to lead equity initiatives and develop stronger community partnerships. The Director will develop a racial equity tool that will be used to evaluate policy impacts on the community and will partner with County employees, focusing on both internal equity initiatives and equitable service delivery in Marin, to develop an equity ecosystem.

Departments across the County also are implementing equity initiatives. For instance, Marin County Parks adjusted park access fees to encourage more residents to enjoy its facilities by removing economic barriers. Probation, the Public Defender and the Marin County Free Library also waived fees that created barriers to County services. Human Resources developed a racial equity hiring toolkit and the County rolled out an eight-hour cultural competence training program for County employees in early 2018. This strategic investment will help ensure that County employees understand institutional racism and the importance of cultural awareness in the services delivered to the community. The proposed budget includes \$250,000 in additional one-time support for countywide equity initiatives.

ADDRESSING CLIMATE CHANGE AND SEA LEVEL RISE

The County's 2015 Climate Action Plan update established reduction targets for municipal greenhouse gas emissions (GHG). Over the past three years, local municipal actions have included 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 County employees' daily commute. In 2017, the County switched all electrical utility accounts to MCE "Deep Green" renewable energy program. These actions have reduced the County's annual carbon emissions by more than 2,270 tons and have enabled the County to achieve its 2020 municipal emissions reduction target two years ahead of schedule.

The proposed budget includes additional funding to support the implementation of Drawdown: Marin, a collaborative, community-wide strategy and campaign that engages all segments of Marin to catalyze climate action. The proposed budget also includes \$500,000 for a Sustainability Project Fund that will provide grant funds for sea level rise projects throughout the County.

Over the next two years, the County will continue to support reduced vehicle emissions by replacing its aging fleet with hybrid vehicles and installing additional electric vehicle charging stations at the Civic Center. The ongoing RideGreen commute alternatives program continues to encourage and incentivize employees to use public or human-powered transportation to get to and from work.

Through public workshops, community education events and outreach, the Community Development Agency and Department of Public Works address impacts and planning for Marin's ocean coast through an ongoing program called "Collaboration: Sea-level Marin Adaptation Response Team" or C-SMART. A separate effort to address climate change and sea level rise impacts on Marin's bayside communities is called the Marin Bay Waterfront Adaptation Vulnerability Evaluation, or BayWAVE. Both programs encourage residents to understand and take part in proposing solutions to the long-term challenge of sea level rise.

IMPROVING DISASTER PREPAREDNESS

Both the size and scope of wildland fires in California have grown significantly over the past decade. Cumulatively, the North Bay wildfires of October 2017 were the most destructive and deadly wildland fire disaster in American history, with 44 deaths, 185 injuries, 8,900 homes destroyed and the scorching of 245,000 acres. The County of Marin opened a temporary emergency shelter for one week to house displaced Sonoma and Napa County residents and contributed emergency personnel to neighboring jurisdictions. The people of Marin responded with overwhelming financial and in-kind support.

Over the next two years, the County will focus on expanding resident education and preparedness, augmenting fuel reduction programs, increasing defensible space, improving disaster planning, and enhancing capabilities in emergency alerts and warning systems in our own community. County staff will update fire evacuation plans and support an increased number of evacuation drills around the County. A Board of Supervisors subcommittee on Public Disaster Education and Preparedness is emphasizing school-based training, the neighborhood "Get Ready Marin" program, and the preparation of public employees who serve as disaster service workers.

County residents also face new threats in the form of sea level rise and climate change. The Sheriff's Office of Emergency Services will update the Multi-Agency Local Hazard Mitigation Plan to include these threats. Another critical initiative is the development of a Continuity of Government Plan, which is led by the Information Services and Technology Department, and ensures the timely restoration of the County's most important network and information systems in the event of a disaster or a major cybercrime.

The obligation to quickly and effectively alert residents of danger has never been greater, and the proposed budget includes \$500,000 for one-time enhancements to the County's emergency preparations and an additional \$250,000 to replace the Urban Search and Rescue (USAR) trailer. Marin must develop an emergency alert system that is accessible to all residents on multiple communication mediums. Alert systems such as Alert Marin, Nixle and other tools are critical to resident safety and ongoing efforts are needed to increase the number of subscribers and coordinate the messaging of the various alert services.

INVESTING IN COUNTY INFRASTRUCTURE

Providing quality County facilities and road maintenance is a vital component of local government service and the County's recent investments in road improvements have resulted increased the pavement quality (PCI) for County-maintained roads to a score of 67 in FY 2017-18.

Despite the recent investments and improved PCI scores, current spending levels do not significantly reduce a backlog of deferred maintenance. The recent passage of the state's Road Repair and Accountability Act of 2017 (SB 1) increased state gas taxes to create additional ongoing revenue for County road improvements. This new revenue source is critical to maintaining progress toward improving pavement conditions, as the previous gas tax did not keep pace with maintenance requirements and construction costs. The County received \$1.4 million in SB 1 revenues during FY 2017-18 and expects to receive \$3.8 million in FY 2018-19. As the new tax measure is fully implemented over the next 10 years, the County is expected to receive about \$5 million annually. Over the next several years, the County also plans to leverage approximately \$38 million in federal grant funds for improvements to more than 23 miles of roadway in West Marin as part of the Federal Land Access Program (FLAP).

The County owns 44 buildings across the county, and many of them have significant deferred maintenance needs. At the Frank Lloyd Wright-designed Civic Center, Public Works is amid an unprecedented roof replacement project and an upgrade of the building's electrical system. Significant plans are unfolding for renovations at the nearby Veterans Memorial Auditorium and Exhibition Hall to restore that aging facility. The West Marin Service Center recently reopened after an extensive remodel, and plans are also progressing for a new fire station in Tomales.

Although the County has made important facility upgrades over the past few years, deferred maintenance continues to grow and now totals over \$100 million countywide. In February 2018, the Board of Supervisors held a workshop to identify long-term funding plans to address deferred maintenance needs. The Proposed Budget increases ongoing funding by \$2 million for facility maintenance projects, including a \$1 million contribution to the Facility Reserve for annual debt service payments. The deferred replacement of countywide technology infrastructure has also grown in recent years. In addition to ongoing replacement of computers and servers, core infrastructure components such as telephones systems and the data

center are beyond their useful life and in need of replacement. This proposed budget includes an ongoing baseline adjustment of \$750,000 to establish a long-term replacement program for countywide technology infrastructure.

EMERGING ISSUES

Housing for People Experiencing Homelessness

Homelessness in Marin has declined slightly in recent years, but it is increasing among people with disabilities and it will continue to be a top priority for the County. To address the issue, the County partners with neighboring jurisdictions and community partners to coordinate funding and improve access to services. In 2016, the Board of Supervisors reevaluated the traditional “first-come, first-served” approach and adopted the evidence-based Housing First model as the governing philosophy of Marin’s homelessness efforts. In a Housing First model, which is also commonly referred to as “permanent supportive housing”, people experiencing homelessness are first placed in permanent housing regardless of any conditions or qualifications, and then provided with the services they need.

For the model to succeed, services and housing must be robust, flexible, and readily available. The Health and Human Services Whole Person Care program, which is a state-funded, multi-disciplinary approach to care that focuses on outcomes, has partnered with the Marin Housing Authority to provide 50 additional supportive housing vouchers to help house the most vulnerable individuals with complex needs. The County is also applying to participate in the State of California’s No Place Like Home initiative, and Partnership Health will provide \$1.2 million in one-time funding to support efforts to address homelessness in Marin. Finally, the Marin Housing Authority is acquiring new vouchers for homeless military veterans through a partnership between the federal Department of Veterans Affairs and Department of Housing and Urban Development.

People experiencing homelessness frequently struggle to access the resources most appropriate for their circumstances due to lack of information, a difficult-to-navigate system, and programs operating in isolation from one another. In alignment with national best practices to counter those problems, the County continues to partner with local nonprofits to implement a Coordinated Entry System. Through Coordinated Entry, everyone experiencing homelessness receives the same screening, all permanent supportive housing programs across the county receive placements from the same centralized pool of assessed people, and the most vulnerable people receive housing first. Since the October 2017 launch of the Coordinated Entry System, hundreds of Marin’s most vulnerable residents have been assessed and 30 have been housed.

Over the next two years, County staff will work with community partners to transform the local shelter system. The goals are to reduce barriers to access, revamp outreach programs, and better connect people who need intensive services with the appropriate housing. The County is also a key partner in the collaborative Opening Doors Marin, which is committed to preserving, acquiring, and creating sufficient housing to end chronic homelessness by 2022. The County will work to fully capture

the needs of youths and families experiencing homelessness and to reduce first-time occurrences by connecting people with alternative options prior to shelter entry.

Enhancing Mental Health Services

Within Marin HHS, the Behavioral Health and Recovery Services (BHRS) division provides services to individuals with mental health and/or substance use issues. Over the next two years, focus areas include enhanced services and improved access for vulnerable residents. BHRS has added peer counselors, psychiatric support, and a part-time clinician to provide therapy services for youths who are at risk for schizophrenia. Construction is also in progress for upgrades to the Crisis Stabilization Unit at Marin General Hospital, which will double the facility's capacity.

Through the nationwide Stepping Up Initiative, adopted by the Board of Supervisors in March 2017, the County is improving multidepartment coordination and exploring public-private partnerships to reduce the number of people with mental illness in jails. Over the past year, the County has expanded behavioral health services to individuals connected to criminal justice through assisted outpatient treatment and additional staffing and programming at the Marin County Jail. In July, the County added new Crisis Specialist positions dedicated to the detention mental health program. The proposed budget includes two additional positions to oversee daily operations and to ensure that assessments and interventions are available each day.

Costs continue to rise for the care and treatment of Marin's residents with serious mental health needs. While the number of residents served has remained flat over the past four years, the costs per day for adult residential placements have increased by over 30 percent. The cost increases are due in part to the lack of residential facilities within the County, particularly for lower levels of care. The Proposed Budget includes an ongoing baseline adjustment of \$1 million to keep pace with the current cost trends for mandated services. The County will also continue efforts to identify local sites for adult residential treatment facilities.

A collaboration between the County and Buckelew Programs resulted in the new Helen Vine Recovery Center that opened in spring 2018, assuring that a first-class detoxification facility is available for indigent and low-income residents. In addition, with the opioid abuse crisis now recognized on a national scale, BHRS is working with contracted providers and community partners to offer additional medications to those assessed with opiate use disorders. Distribution and training on the use of naloxone, which revives someone who has overdosed on opiates, was completed by all Marin law enforcement agencies, treatment centers and sober living residences.

Changes in Federal and State Policy

Nearly 40 percent of the County's budget comes from federal revenues or state matching revenues. With recent and potential federal policy revisions, the County is at substantial risk of reduced ongoing funding for safety net programs. The County is hopeful about promises to invest \$1 trillion in new infrastructure spending in the U.S. economy over the next 10 years. Risks remain, however, with recent White House proposals to pull back \$15 billion in spending, including on the Children's Health

Insurance Program, and with the potential for additional reductions resulting from the dramatic cuts in tax revenues.

It's not only funding issues that cause local concern but policy changes as well. As a coastal county drastically affected by sea level rise and working to be more environmentally sustainable, the County opposes federal efforts to slow or reverse efforts to mitigate climate change. The County will continue to oppose immigration policy efforts that would eliminate pathways to full and equal citizenship, restrict the rights of immigrants, break up families, or build a wall along the U.S.-Mexico border. The County strongly supports restoration of the Deferred Action for Childhood Arrivals (DACA) program and opposes a rollback on the Affordable Care Act (ACA), including proposals to shift to a block grant or per-capita funding system for Medicaid funding to states.

Finally, with the disastrous North Bay fires of 2017, the County urges federal efforts and funding related to disaster preparedness and to help manage fire risk in Marin, which includes approximately 100,000 acres of federal responsibility areas in the Golden Gate National Recreation Area, Muir Woods National Monument, and the Point Reyes National Seashore.

At the state level, the County expects stable funding next year. With the May 2018 Budget Revision, state tax collections are up nearly \$9 billion. However, citing an overdue recession, the Governor has resisted any new ongoing spending and has instead proposed to save most of the surplus.

The Governor's revised budget did propose one-time investments focused on homelessness and mental health, including placing the No Place Like Home program on the November 2018 ballot, a one-time Homelessness Emergency Aid block grant of \$250 million, and a one-time augmentation of \$50 million to provide counties with targeted funding for multidisciplinary teams to support intensive outreach, treatment and related services for people with mental illness who are experiencing homelessness. Efforts to mitigate the impacts of revisions to the In-Home Supportive Services (IHSS) Maintenance of Effort (MOE) in the short term were successful in 2017-18, however, the County remains concerned about the longer-term cost implications if the 7 percent annual MOE inflator for counties is not adjusted for future years.

Finally, the Governor's May Revision included funding to reimburse counties for unfunded mandates from 2004-2011. Final details are pending, but the County expects to receive approximately \$5.4 million in one-time reimbursements. Consistent with past policy guidance, those funds will be deposited into a one-time County reserve and be available for future one-time needs.

Creating A New Performance Management Program

In 2003, the County developed and implemented “Managing for Results” (MFR), a way to measure effectiveness and community outcomes of its approximately 200 programs, and to achieve its vision of being a well-managed county. MFR identified the County’s most important priorities, aligned department and program activities to reflect those priorities, and used measures to track progress in accomplishing them.

Acknowledging the need to continually improve performance management, the County assembled a Performance Management Working Group in 2017 consisting of employees from all levels of the organization as well as community members. In October 2017, that group, along with County department heads, attended a three-day training on becoming a high-performing organization.

As an initial step, the working group asked each department to develop one initiative for FY 2018-19 that engages department employees and includes meaningful metrics to gauge success or improvement. Those initiatives were presented to the Board of Supervisors at the March 2018 Budget Workshop. The working group is on track to deliver updated performance management tools and recommendations by July 2018. The revised format will be presented to the County’s Executive Leadership Team for adoption and will be rolled out to County departments in Fall 2018.

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 2018-19.

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 2018-19 Proposed Budget and FY 2019-20 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. 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 Budget Working Group, the Performance Management 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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By Mina Martinovich,
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Attachments