

April 22, 2019

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Board of Supervisors
County of Marin
San Rafael, CA 94903

SUBJECT: FY 2019-20 Budget and Strategic Planning Workshop

Dear Supervisors:

RECOMMENDATION: Conduct informational workshop and provide direction to staff

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OVERVIEW

The FY 2019-20 Budget and Strategic Planning Workshop is informational and does not require formal action. This year, each department presentation will focus on 2-3 key strategic issues.

The purpose of the workshop is to:

- (1) Provide a budget update and an overview of the County's key initiatives;
- (2) Receive public input and Board direction regarding policy issues; and
- (3) Discuss department Compass progress efforts and budget workplans for the upcoming year.

BUDGET IS CONSISTENT WITH APPROVED TWO-YEAR PLAN

The upcoming FY 2019-20 Budget is expected to be largely unchanged from the two-year plan approved by your Board last June. The budget plan maintains existing services and does not propose service reductions beyond what has already been approved. Recommended one-time and cost-covered budget change proposals will be included in the FY 2019-20 Proposed Budget in June.

NEW COMPASS PROGRAM

In the fall of 2017, the Performance Management Working Group created a new framework to replace the County's Managing for Results (MFR) program. Naming the new program Marin Compass, it relies on employee and community engagement and is dependent on data to develop a culture of continuous improvement.

Marin Compass is designed to ensure alignment throughout the organization starting with an organizational vision and mission. Later this year, the Marin County will conduct a visioning process, bringing together members of the community to imagine what Marin County's future will include. Our Mission is clear and focuses on Healthy Communities, Safe Communities, and Sustainable Communities.

For 2019, in recognition that employee engagement is necessary to establish a strong foundation for Marin Compass and that all departments are not in the same place on their existing mission, strategies, objectives and goals, we provided an assessment

tool to help departments evaluate the best place to begin. Throughout this workshop, Departments will present your Board with an outline of their respective focus areas for the coming year. The goal is that, by 2020, departments will have identified a mission, strategies, objectives, and will be measuring continuous improvement with data.

The County serves as a convener, a listener, and an actor on high priority issues within our community. To ensure that the County is prioritizing the most important work as a local government, it must communicate with community to determine priorities and transparently report on the progress the County makes each year. The recent community survey will enable us to gather baseline data regarding our services and the overall perceptions of our community, such as quality of life and safety. Over the next year, we will initiate facilitation training to help employees better understand and prepare for effective facilitation of community meetings and listening sessions as additional tools to ensure engagement with our employees and residents.

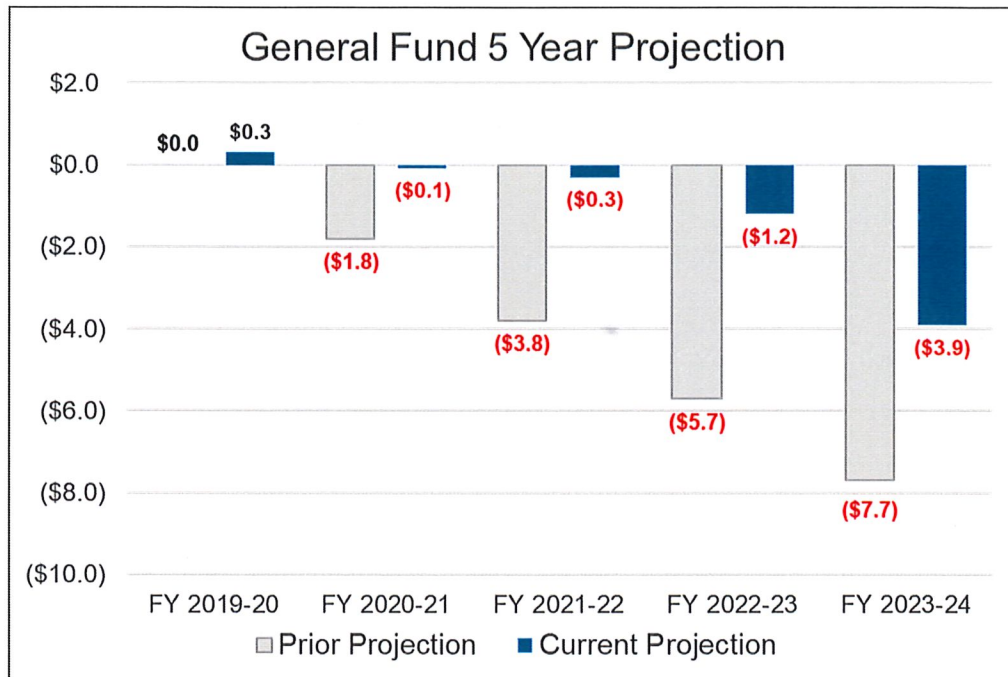
BALANCED BUDGET

In the current two-year budget, your Board made targeted allocations toward the County's highest priorities, which included investing in county-owned infrastructure, improving disaster preparedness, preserving affordable housing, addressing climate change, and prioritizing racial equity. Although the FY 2019-20 Proposed operating budget will be largely consistent with the current two-year plan, one-time allocations totaling \$13.8 million are available as a result of current year budgetary savings. In addition, updated State funding formulas for education results in additional excess ERAF revenue for the County. We are recommending that these revenues be used to fund road improvements on an ongoing basis and also to contribute \$2-\$5 million per year over the next 5 years to the facility reserve to build up funding for major capital projects.

UPDATED 5 YEAR PROJECTION

If the current economic expansion continues through June, we will have surpassed the previous record set from 1991 to 2001, which was 120 consecutive months of expansion. Most leading economists project an economic slowdown within the next two years, however, the timing and severity of the slowdown is less certain, particularly for the Bay Area. Many of the County's economic indicators remain strong; however, longer term projections continue to show operating expenditures increasing faster than local tax revenues.

As shown in the graph below, the revised 5-year General Fund budget projection has improved since last year. The budget reductions approved by your Board last year resulted in a balanced budget in FY 2019-20, but shortfalls were expected for the next two-year budget cycle (FY 2020-21 and FY 2021-22) and beyond. Due to increased excess ERAF revenues, better than expected local tax revenues and reduced pension costs, the County's General Fund budget is now expected to be largely balanced for the next three years.



The projections above assume that we will experience a slight economic slowdown, but do not assume a recession. Other assumptions include a gradual slowing of annual property tax growth, cost of living adjustments consistent with recent bargaining agreements and no significant changes in state or federal funding levels. It also assumes that excess ERAF revenues above the current budget are allocated for ongoing road maintenance and contributions to the facility reserve for future projects. Finally, the projections above include \$1 million in ongoing funding for high-priority initiatives that your Board has funded on a one-time basis over the past few years. These include Baywave program staff, the housing locator, housing-focused shelter, childcare subsidies and the stream coordination partnership.

Respectfully submitted,

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