



March 10, 2020

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Marin County Board of Supervisors
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SUBJECT: Allocation of Unassigned Year-End Fund Balance

Dear Supervisors:

RECOMMENDATION: Approve allocation of \$12,269,462 from FY 2018-19 unassigned year-end fund balance as detailed in staff report.

Overview

Marin County is projecting a balanced budget over the next few years because we have practiced sound financial discipline by not using one-time revenues for ongoing expenses. Our policy has been to allocate one-time funds for solely for one-time purposes.

As part of our budget planning process in recent years, your Board identified 5 top community priorities. Our 2018 resident survey reinforced these priorities, with 75 percent of respondents agreeing each was “essential” or “very important” to them. These top 5 priorities include:

- Investing in County Infrastructure
- Improving Disaster Preparedness
- Preserving Affordable Housing
- Prioritizing Racial Equity
- Addressing Climate Change and Sea Level Rise

\$12.3 million in one-time resources are available. With the completion of our prior year financial audit, there is approximately \$12.3 million in additional General Fund unassigned fund balance that is available to allocate by your Board. This balance is largely due to higher-than-expected salary savings, interest earnings and excess Education Resource Augmentation Funds (ERAF). A similar amount of one-time funds is expected to be available for allocations in the upcoming FY 2020-21 budget.

As part of the FY 2020-21 budget process, we have created working groups to recommend budget priorities for climate change and sea level rise, racial equity and disaster preparedness. Priorities identified by these working groups will be funded with one-time funds from the upcoming FY 2020-21 budget

Consistent with current community priorities, we are recommending that \$4 million be allocated to Affordable Housing and \$2 million be allocated to Emergency Preparedness initiatives. We are also recommending that your Board use the remaining funds (\$6.3m) to establish a Budget Stabilization Reserve that will mitigate the need for service cuts due to an economic slowdown or mild recession.

Recommended Allocations:

Contribution to Affordable Housing Fund (\$4,000,000)

Given the number of affordable housing projects in the pipeline, including veterans housing in Novato, Golden Gate Village revitalization, and the needed renovation of the newly acquired Coast Guard property, we are recommending an additional contribution to our affordable housing fund (2070) of \$4.0 million. This will increase the available balance to approximately \$10.5 million and will be subject to future approval by your Board.

Emergency Preparedness Initiatives (\$2,000,000)

County staff has worked to identify essential investments to help the County prepare for the next emergency. To ensure readiness by Fall 2020, several of these investments would need to be funded before the next budget cycle. Therefore we are recommending that \$2 million be placed in an Administrative Designation to provide funding for time-sensitive purchases. These funds would be subject to subsequent approval by your Board later this fiscal year.

Budget Stabilization Reserve (\$6,269,462)

To help avoid or mitigate service cuts due to an economic downturn, we are recommending \$6,269,462 be used to create a budget stabilization reserve. No more than one-third of this reserve would be used in any given year to ensure that the ongoing budget is balanced over multiple years. We will recommend further policy guidelines as part of the June Proposed FY 2020-22 budget.

Fiscal Impact

If approved by your Board, these increased reserve amounts would be used for future year expenditures and cannot be spent without additional action by your Board. The net fiscal impact of these actions will be to increase General Fund transfer appropriations by \$4,000,000 for the Affordable Housing Fund (2070), and to add \$2,000,000 in a new Emergency Preparedness set aside (900862) for future spending. In addition, staff will work with the Department of Finance to create a General Fund Designation to convert the remaining \$6,269,462 into a budget stabilization reserve.

Please let me know if you have any questions or concerns.

Respectfully submitted,



Matthew Hymel
County Administrator