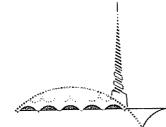
COUNTY OF MARIN OFFICE OF THE ADMINISTRATOR



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Matthew H. Hymel County Administrator

June 24, 2008

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

SUBJECT: Proposed County Budget for FY 2008-09

Dear Supervisors:

RECOMMENDATION:

- 1 Accept the Administrator's Proposed FY 2008-09 County Budget for public review,
- 2. Schedule public hearings on the Proposed FY 2008-09 County Budget to begin on Monday July 21, 2008 in the Board of Supervisors Chambers at 9:00 a.m.;
- 3 Adopt the Proposed FY 2008-09 County Budget as the County's interim spending plan for FY 2008-09 pending your Board's formal adoption of the FY 2008-09 County Budget;
- 4. Authorize the County Administrator and County Auditor to make technical and other adjustments as necessary to properly budget and account for grants, projects and year end fund balances, including:
 - interdepartmental charges and reimbursements,
 - · designation of unrestricted year end fund balances,
 - carryforward and use of prior year administrative designations, and
 - other adjustments as necessary to accurately reflect the budget, including authorized position allocation adjustments

Summary

The FY 2008-09 Proposed Budget is balanced and reflects sound financial practices. The Proposed Budget of \$431 million is essentially flat, increasing slightly by 0.43% compared to last year. It includes:

- 1.8% lower property tax revenue growth as compared to last year
- \$4.3 million, or 1.1% reduction, in General Fund expenses, including elimination of 25 vacant positions
- Elimination of 5 vacant special fund positions from Child Support Services to live within their State funding allocation
- \$2.9 million in additional revenues to reduce General Fund support
- \$1.5 million reserve for potential state budget cuts

Key Issues Impacting Proposed Budget

The proposed budget is developed with a long-term perspective with the goal of creating a financially sustainable workplan to achieve our mission and priorities in the coming year. Below are a number of key issues that have informed the development of our budget.

Property Tax Slowdown

The downturn in the housing market has had an impact on the County budget as nearly 30% of County revenues come from property taxes. As a result, the slowdown of the housing market will likely have a greater impact on the County than previous economic downturns. Though the housing slowdown has been less severe than elsewhere, the County is projecting a 1.8% lower property tax growth rate than we have experienced last fiscal year. This lower rate means less money available to fund current and emerging service needs.

Employee Benefits and Retiree Health Care

Another key issue is the continued financial pressures related to cost of benefits, particularly health care for employees and retirees. Over the past year, the County has reached agreement with most of our employee groups to make our current employee benefits competitive while reducing retiree health care costs for future employees. This action substantially slows the growth of our long-term liability related to providing retiree health care. The budget includes \$3 million to begin setting aside funds to reduce our unfunded liability for retiree healthcare.

State Budget Uncertainties

Given that the County receives approximately one-third of its funding from the State, we are significantly impacted by State budget uncertainties. The State continues to face a structural deficit which is estimated to be approximately \$17 billion for FY 2008-09. If adopted, the Governors' Proposed May Revise budget would result in a revenue loss of approximately \$7.4 million for existing County programs and services. Our proposed budget includes a \$1.5 million State budget contingency reserve to partly address the expected loss of program revenues. In addition, we have worked with departments to develop approximately \$4 million in additional budget contingency options.

Facilities Maintenance/Disabilities Access

The County needs to adequately maintain its infrastructure to provide high quality and accessible services to our residents. Given the age of many of our facilities, we have a substantial deferred maintenance as well as required upgrades to ensure that our facilities are accessible to disabled residents and clients. The County's recently updated Americans with Disabilities Act (ADA) Transition Plan estimates a need of approximately \$30 million to address our existing infrastructure. To begin this effort, the FY 2008-09 budget includes \$2 million for the highest priority improvements outlined in the plan.

Capital Investments

To support core service priorities, the County has also invested in new facilities. By investing our tobacco settlement funds wisely, we have constructed a new Health and Wellness Campus, to provide key health services together in a central location near many of our clients. We are also continuing efforts to develop a new emergency operations building on the Civic Center campus. Currently, we are evaluating phased implementation options to minimize the impact on our operating budget.

Workforce Planning

The County is continuing to prepare for the impending retirement of a large percentage of the workforce. To ensure our success in recruiting and retaining talented employees, we are

adapting our recruitment efforts to the next generation of County employees. This work will improve our organization and offer meaningful contributions to the existing and future workforce.

Long-Term Rebalancing

One of the most important initiatives over this next year is rebalancing and restructuring the County's budget. Given the increase in personnel expenses along with the slowdown in the housing market, the County will likely experience revenue shortfalls for the next few years. This is not unique to Marin County, as many cities and counties are facing similar structural budget challenges. Our office will be working with your Board and departments to review our current budget and historical trends, identify service needs and priorities, and develop short and long-term actions to address this budget imbalance. Our goal is to provide the most effective and efficient community services within our available resources.

Conclusion

The Proposed Budget serves as the County's interim spending plan until final adoption of the budget by your Board. As in past years, changes to the County's closing fund balance will necessarily result in recommended amendments to the Proposed Budget. These changes will be submitted to your Board during the July budget hearings. In coordination with the Auditor's Office, we are 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.

Again this year, a Budget-in-Brief will be available to provide a high level overview of the County's financial plan for FY 2008-09. For a more detailed overview of the FY 2008-2009 Proposed Budget, please refer to the Administrator's Budget Message contained within the Proposed Budget document. Copies of the Proposed FY 2008-09 County Budget will be available for public review on the County's website (www.co.marin.ca.us). They will also be available by the end of the month in all County Library Facilities.

Thank you for your ongoing support in ensuring the County achieves its mission of providing excellent services that support healthy, safe, and sustainable communities. Please feel free to contact me or my staff with any questions or concerns.

Sincerely,

County Administrator