



# County of San Mateo

## Inter-Departmental Correspondence

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**Department:** COUNTY MANAGER

Board Meeting Date: 2/9/2021

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**Special Notice / Hearing:** None  
**Vote Required:** Majority

**To:** Honorable Board of Supervisors  
**From:** Michael P. Callagy, County Manager  
Roberto Manchia, County Chief Financial Officer  
**Subject:** FY 2020-21 County Mid-Year Budget Update

**RECOMMENDATION:**

Recommendation to:

- A) Accept the FY 2020-21 County Mid-Year Budget Update, including key revenue and expenditure projections and budget assumptions; and
- B) Accept the Proposed 172 Maintenance of Effort Certification.

**BACKGROUND:**

On September 29, 2020, the Board of Supervisors adopted the FY 2020-21 Budget. This Mid-Year Report provides an update on the FY 2020-21 Budget and a look ahead to the next two-year budget cycle for FY 2021-23.

**DISCUSSION:**

At this time last year, we appeared to be well on our way to another year of a record-breaking economy in high gear. It started with high hopes of a more equitable society, better health and welfare outcomes, more collaboration and coordination with our community-based organizations and a dedication to a strategy of functional zero homelessness. Then on March 3, 2020, as San Mateo County received its first cases of COVID-19, things changed overnight. The insidious impact of COVID-19 has exacerbated existing inequities that our low-income communities and communities of color were already experiencing. This Board took quick and decisive action to act as a stopgap with \$91.9 million in financial support for those suffering from lack of food, loss of shelter, poor health, recent unemployment and lack of reliable access to education efforts.

*To quote Robert H. Goddard: "It is difficult to say what is impossible, for the dream of yesterday is the hope of today and the reality of tomorrow."*

The year-long suffering associated with COVID-19 continues through this latest surge. We have set an ambitious goal of having all San Mateo residents vaccinated by July 1, 2021, but that goal will rely heavily on the State's ability to reliably distribute a large supply of doses to San Mateo County on a weekly basis. As we enter the most critical point of this pandemic, where the finish line is in sight, we reflect on the most pressing questions of our time which will demand our collective efforts. Among these questions are:

- How can we support our residents who have been most significantly impacted by the health and economic consequences of the COVID-19 pandemic?
- How do we prioritize equity in our recovery from COVID-19 and beyond?
- How do we best work with the community not only to build back from the pandemic, but build back stronger in both the short and long-term?
- How do we build upon what we have learned about inequity in order to build a brighter future for all?

*“Not everything that is faced can be changed, but nothing can be changed until it is faced.” - James Baldwin*

Though this year has been the most tragic and difficult year in the storied history of San Mateo County, I've never been prouder of our County staff and their collective response to crisis after crisis. They have faced the many different challenges of this year straight forwardly, never shying away from the awesome, daunting and dangerous responsibilities in front of them. This year has been one of uncertainty, adaptability, and flexibility. A pandemic, wildfires and civil unrest in a nation going through change has tested all of us as public servants. County staff and our community partners have gone above and beyond their regular day-to-day duties and stretched themselves to selflessly handle these crises, which we have never faced before.

As a County, we have risen to many challenges and shown that we can do the seemingly impossible. For example, our Health team and first responders have stayed on the frontlines without wavering as they have worked tirelessly to identify, test and assist those suffering from the Coronavirus to ensure equal access to lifesaving medical services. In addition, they have identified others who may have been in contact with those who have been infected and exposed to the virus. Further, the Office of Emergency Services, Sheriff's staff and County Health stood up the first mass vaccination drive-through center in the State and have been extremely successful in vaccinating mass numbers of County residents in a short period of time.

Staff of the Human Services Agency have worked to see that residents receive and maintain Medi-Cal and other benefits/services to keep them living safely in the community, especially those who were experiencing homelessness. County staff and community partners have ensured that our community members have nutritious food to eat through food donations and home delivered meals through the Great Plates Delivered program.

ISD staff have worked to close the digital divide by ensuring residents have access to the internet, especially those children who are distance learning due to the shelter in place. In addition, staff of my office have gone to great lengths to communicate how to best access services and to keep the residents of our County informed of the County's response to the pandemic. Additionally, Real

Property, Housing and HSA engaged in a historic first by closing four real estate deals, one apartment complex and three hotels, in the month of December that will act to provide critical housing during this pandemic and beyond for those experiencing homelessness.

While these urgent services have been provided in response to the ongoing crisis, the work of the County's day-to-day operations continued. County staff adapted their work processes to a new world of teleworking to ensure that the County continues to meet its responsibilities in a safe and effective manner. Staff continue to maintain roads to ensure travel, provide safe options for voting, are collecting property taxes, are continuing to innovate by creating online options to services, including non-urgent medical services, benefits, application for permits and legal assistance. We have learned new and innovative alternatives to the ways we have historically conducted business, many of which we will continue long after COVID-19 ends. Not only has staff adapted to a new remote work environment, many are balancing home/work life while taking care of family needs, such as the virtual world of learning for their school-age children. Yet, like many, they have adapted and overcome the many challenges that face us in the world today.

The continued strong response of our employees, distribution of a new vaccine, promise of equity and renewed calls for collaboration in Washington for better outcomes for all, give us great cause for future hope as we move forward.

*"Hope lies in dreams, in imagination and in the courage of those who dare to make dreams into a reality." - Jonas Salk*

The reality we have in front of us is a day without COVID-19. A day where we emerge as a better County because of the collective experience we went through and conquered. We have never before faced an invisible enemy of this magnitude, but rather than dividing us it has brought us closer with all our community partners with the knowledge that we are stronger working together than as individuals and together we can overcome any crisis in front of us.

We have proven our ability to respond to emergencies and will continue to refine and improve our business practices as a result of what we have learned. With this I would like to thank our County staff:

To all our first responders and those in County Health on the frontlines, you have done an amazing job in the face of danger. You have stood tall to protect this county from an enemy that has been elusive and deadly.

To all those who have in one way or another contributed to the ongoing response, especially for those who need us most in these times of uncertainty, know that you have my admiration.

To the executive team, leaders and administrative staff in this organization who I've asked to wear many different hats, I want you to know that I couldn't be prouder of you.

And to our Board of Supervisors who have led us through the most challenging times in the history of this county, I say that all your legacies have been established through the outstanding leadership that you have exhibited during these unprecedented times.

Over the past year, your Board has provided tremendous leadership as it has continued to look toward our future to address challenges and concerns beyond the response to the pandemic that will make our county stronger and enhance the future of our residents. This leadership has been shown in such varied areas as:

- Closing the Digital Divide
- Equitable distribution of the vaccine
- Fire Risk / Sea Level Rise mitigation
- Housing Affordability and general disparities in the county regarding income/housing
- Immigrant Relief
- New construction
- Equity and Racial/Social Justice
- Recovery of this County from the impacts of COVID-19
- Renewed Innovation and Efficiencies for Government

As we begin to prepare for the upcoming FY 2021-23 budget cycle, I assure you all of these priorities will remain in the forefront of our planning.

The following sections of this report provide this Board with summaries of priority areas of the County's response to emergencies and our financial status.

## **A. COUNTY COVID-19 RESPONSE**

The response to the COVID-19 pandemic has been the main focus of the County in FY 2020-21. At this point in time, our priorities for the recovery are vaccinations, testing, safely getting children back into their classrooms, residential securities and small business recovery. Since the beginning of the pandemic, the County, with the leadership of this Board, has both implemented new programs/initiatives and built on existing efforts to support COVID-19 recovery for individuals, families, nonprofits, and small businesses.

Some of these relief programs include the Great Plates Delivered program, emergency rental assistance and other emergency aid to individuals and families, immigrant assistance, small business grants, nonprofit grants, childcare provider grants, support to the Second Harvest Food Bank, the Small Property Owner Assistance Program, legal aid to tenants and property owners, the Restaurant, Brewery and Winery Relief Program, and expanded access to public WiFi. We anticipate that the need for these and additional recovery programs will continue through 2021. Staff from many County departments will continue to work collaboratively with the Board and community partners to develop and implement strategic responses to these ongoing and emerging community needs.

The following section provides COVID-19 cost/reimbursement information, in addition to descriptions of the major response and recovery efforts underway. Although the cost of recovery continues to grow, the County has received/expects to receive federal and state funding to support many of these efforts.

## Recovery Funding/Reimbursement:

### FEMA Funding

To date, the anticipated COVID-19 response costs eligible for partial FEMA reimbursement are an estimated \$93.7 million. Of this amount, the County share of the costs is an estimated \$16.7 million. In FY 2019-20, the County claimed \$39 million of the \$93.7 million and received \$18.6 million, all of which was spent within that fiscal year. For FY 2020-21, the County anticipates claiming the additional \$54.7 million in total costs, although the total cash reimbursement from the Federal government to be received in FY 2020-21 is unknown at this time.

Program/Initiative	FEMA	State	County	Total Estimated Cost
Great Plates Delivered	26,766,686	6,691,671	2,230,557	35,688,914
Emergency Operations Center	3,750,000		1,250,000	5,000,000
Emergency Measures (medical care, PPE, deep cleaning, etc.)	26,250,000		8,750,000	35,000,000
Non-Congregate Shelters (safe housing for the homeless and those in quarantine)	12,750,000		4,250,000	17,000,000
Vaccinations	750,000		250,000	1,000,000
<b>TOTAL</b>	<b>\$70,266,686</b>	<b>\$6,691,671</b>	<b>\$16,730,557</b>	<b>\$93,688,914</b>

### CARES Act Funding

To date, the County has received a total of \$151.7 million (\$133.9 million from Federal and \$17.8 from State) in CARES Act funding. Of that total, \$24.8 million was spent in FY 2019-20, and \$126.9 million has been spent so far in FY 2020-21. The below table shows the combined budgeted and expended amounts in CARES Act funds.

Category	State	Federal
Budgeted Personnel and Services Diverted to a Substantially Different Use	0	8,308,901
COVID-19 Testing and Contact Tracing	894,400	12,437,177
Economic Support (Other than Small Business, Housing, and Food Assistance)	1,000,000	6,504,353
Facilitating Distance Learning	237,600	7,850,480
Food (Second Harvest Food Bank)	4,000,000	2,760,385
Housing Support (Purchase of hotels)	7,762,340	17,841,301
Improve Telework Capabilities of Public Employees	29,900	7,087,749
Medical Expenses	0	890,709
Payroll for Public Health and Safety Employees	42,634	43,702,213
Personal Protective Equipment	4,390	156,078
Public Health Expenses	1,739,972	18,642,397
Small Business Assistance	2,083,000	7,760,000
<b>Total</b>	<b>\$17,794,236</b>	<b>\$133,941,741</b>

## **Recovery Initiatives/Programs:**

### **COVID-19 Vaccination**

Amidst the third wave of the pandemic and high infection rates, especially within households, the COVID-19 vaccines are the most crucial intervention to end the pandemic. At the onset of 2021, our greatest priority is to assure our residents receive the COVID-19 vaccines through systems that are safe, transparent, and equitable. The County and all the health care providers are following a phased state and federal distribution system that is necessary because there are still insufficient quantities of the vaccines to offer to the entire public.

The State recently contracted with Blue Shield to manage the rollout in California and there will be changes. At this time the State directly assigns vaccine quantities to large multi-county health care organizations including Kaiser, Sutter/Palo Alto Medical Foundation, Dignity/Sequoia, and AHMC/Seton Medical Center for their staff and patients. County Health encourages other smaller health care providers to sign up to be vaccinators and divides up the remaining State allocation of vaccine to San Mateo County among all the smaller healthcare organizations who are enrolled to vaccinate eligible members of the community. We must follow the State guidelines in allocating the vaccine, and our priority is making sure underserved groups have access to vaccine. The County will act as a safety net for those residents who cannot access vaccine through their employer or healthcare provider by arranging for vaccinations for residents who cannot otherwise access it. While the State decides which population groups are eligible to receive the vaccine and in which order, County Health will be tracking and reporting data to monitor disparities in access within each group to inform further actions we could take to prioritize the most vulnerable and/or exposed and to close gaps.

The County is currently in Phase 1a of vaccinations while some entities have started Phase 1b Older Adults (65+). As of February 1, 2021, 65,551 residents had been vaccinated. The State and Federal governments continue to adjust the phases and process with the goal of reaching all eligible adults by mid-summer of 2021.

- Phase 1a: Healthcare workers (estimated 38,000 people in San Mateo County), long-term care residents (estimated 12,000 people in San Mateo County)
- Phase 1b: Older Adults (65+) (estimated 130,000 in San Mateo County), first responders, and essential workers in education, childcare, and food and agriculture (estimated 37,000 in San Mateo County).

The Recovery Initiative Vaccine Communication Equity Working Group is engaging the community and stakeholders to identify the most current concerns and develop targeted communication plans. A seven-point equity framework is being utilized to tailor outreach and distribution strategies to ensure the County supports our most vulnerable community members to receive the vaccine when they are eligible.

The Governor's budget proposal includes roughly \$300 million for vaccine distribution and a public awareness campaign. Also, \$357 million in federal funding is anticipated and could potentially serve as additional investment for vaccine distribution. We have been notified that our allocation

from the CDC through the Epidemiology and Laboratory Capacity for Prevention and Control of Emerging Infectious Diseases grant is \$25 million, but specific requirements around what the funds can be spent on have not yet been released.

### **COVID-19 Testing**

During the pandemic, the County has invested in a testing strategy designed to meet or exceed State testing goals, ensure equitable access to testing, and establish targeted testing programs for our highest-risk populations. Efforts include establishing free community testing sites including multiple daily stationary and rotating drive-through sites, mobile walk-up sites, and neighborhood testing events. As of January 9, 2021, the County has offered over 13,100 testing slots weekly. It is through these efforts, that the County has consistently maintained a testing rate among the top five of all counties in the State since September 2020. The County estimates spending \$23.1 million on these testing efforts, and will be seeking reimbursement funding, although it is uncertain how much the County will receive.

### **Business Engagement and Compliance**

In October 2020 the County launched the COVID-19 Compliance Team, an eight-person unit tasked with responding to reports from the public of local businesses who are not following local or state health orders related to the pandemic and coordinating with cities on outreach and compliance. The team is part of the larger Business Engagement and Compliance Program comprised of the Office of Sustainability and Community Affairs who work to provide educational outreach to businesses on:

- Ensuring customers and employees wear face coverings at all times unless seated at a dining establishment.
- Preparing, posting and following a social distancing protocol.
- Ensuring that employees who are sick do not come to work.
- Confirming that customers are able to remain six feet or more apart.
- Ensuring that business operations are consistent with California's Color-Coded County Tier System.

Residents are able to report an alleged violation for investigation via an online portal accessible from the County's homepage: [www.smcgov.org](http://www.smcgov.org) or with a 2-1-1 call.

As of January 13, 2021, the engagement team has visited 372 businesses and is conducting visits in English, Spanish, Cantonese, Mandarin, and Vietnamese. The compliance team has received 1,140 complaints of which 82 percent have been abated while the remaining are under investigation. The most common types of businesses to receive complaints continue to be restaurants followed by retail shopping and gyms/fitness centers. Businesses are notified of non-compliance with a written warning and administrative citations are issued to repeat violators.

The cost of the business engagement efforts is an estimated \$500,000 which will be paid with County General Fund dollars.

## **Great Plates Delivered Program**

The Great Plates Delivered Program, a state-led initiative launched in April 2020, allows three restaurant-prepared meals a day to be delivered to eligible older adults during the COVID-19 pandemic. It also provides support to local restaurants and owners who have closed or are struggling to remain open at this time. Food providers are selected based on not just the ability to meet volume and nutrition standards but also the efforts made to prioritize food sourcing from local farms and ranches. As of mid-January, 75 restaurants have participated, serving 3,726 adults a total of 1,366,773 meals. Since its May 2020 implementation, this program has put over \$30 million back into the local restaurant economy.<sup>1</sup>

Total funding in the amount of \$35.7 million has been secured for the program through February 6, 2021, with the County contributing \$2.2 million from the General Fund. There is a possibility that the program will be extended one additional month to transition current recipients to other forms of food assistance. It is anticipated that the cost of one additional month may be as much as \$4.0 million.

## **Other COVID-19 Response Highlights**

### **Real Property: Project Roomkey**

Throughout the pandemic, Real Property assisted the Emergency Operations Center by securing hotel rooms for first responders, the homeless, and residents needing to quarantine through Project Roomkey. Project Roomkey was established by the State to aid local communities to create non-congregate shelter options for people experiencing homelessness who are either recovering from COVID-19, been exposed to COVID-19, or at high risk of medical complications if infected. The County of San Mateo received Project Roomkey funding from the California Department of Social Services (CDSS) in the amount of \$750,000. With this and other federal and state funding, the County was able to operate hotel-based non-congregate shelter programs to serve vulnerable people experiencing homelessness.

### **Real Property: Project Homekey Program**

Real Property is actively exploring the acquisition of hotels and similar facilities under the State's Project Homekey program which is designed to purchase and rehabilitate housing, including hotels, motels, vacant apartment buildings, in order to convert them into interim or permanent, long-term housing.

Real Property, in conjunction with the County's Department of Housing and the Human Services Agency, secured approximately \$33 million in Project Homekey funding through the State that was applied to the acquisition of the Pacific Inn and the TownePlace Suites Hotel. At the time of this award, the Board of Supervisors also authorized an allocation of up to \$12.8 million in federal CARES Act funds as a match of local funds from the County for capital expenditures required by the Project Homekey program.

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<sup>1</sup> Source: <https://files.covid19.ca.gov/pdf/wp/great-plates-delivered-program-guidance.pdf>



In addition to the properties purchased through Project HomeKey, the County also purchased two additional properties. One property will be used to create a new homeless shelter in Half Moon Bay, with the long-term goal of converting the site into affordable housing, while the other property will be used as a transition house for individuals undergoing drug and alcohol rehabilitation.

Escrows for these acquisitions closed in December. The amount of time and effort that went into closing four properties in such a short amount of time was remarkable.

Information Services Department (ISD): Wireless Connectivity

ISD used \$6.3 million in CARES Act funding, as directed by the Board of Supervisors, to enhance free public Internet access to students, families, businesses, and other people in underserved communities across San Mateo County. This effort expanded WiFi access to over 2,200 households, enabling thousands of County residents access to work from home, attend telehealth appointments, and distance learning.

Leading the County's Digital Divide effort, ISD partnered with Ravenswood, La Honda/Pescadero, and Redwood City K-8 districts as well as Sequoia High School district to quickly deploy wireless connectivity to communities where students lack connectivity in their homes.

Through the partnership of the County, school districts, cities, and Library System, ISD distributed additional WiFi hotspots, partnered with Comcast, and expanded SMC Public WiFi to improve the Internet connectivity availability for thousands of students, their families, and the community.

Office of Community Affairs (OCA)

OCA has been instrumental in providing information and support throughout the County in response to the COVID-19 pandemic in the following ways at an estimated cost of \$2 million:

1. The Mask Mobile, an in-community distribution point for masks, hand sanitizer, and multilingual resource guides, has distributed 18,061 masks as of January 2021.
2. Media outreach about COVID-19 has included social media posts, Facebook Live events in English and Spanish, multilingual billboards, bus shelter ads, digital and broadcast radio, and postcards to raise awareness of the pandemic. All OCA-administered media accounts had media impressions of 3,400,000 in December 2020 alone.
3. OCA collaborated with Santa Clara County and Second Harvest Foodbank to include 180,000 COVID-19 informational flyers in food boxes in English, Spanish, Chinese, and Vietnamese and has funded 34 organizations who do outreach in different languages, including Spanish, Tongan, Samoan, Chinese, Arabic, and Tagalog.

**B. COUNTY HEALTH STRUCTURAL DEFICIT**

County Health continues to make progress on their structural deficit. As a reminder, they started to address this issue as Phase 1 in the Fall of 2018 for FY 2019-20 with strategies that largely increased revenues, decreased expenses, and proposed the elimination of 12 filled / vacant positions in order to address a projected \$46 million gap without severe impacts to clients/residents.

Phase 2 planning continued for FY 2020-21 and strategies included increased revenues and required some reductions in services and workforce that included 87 positions, of which, 28 were filled, to address the projected \$57 million gap. The COVID-19 pandemic posed some challenges for County Health in FY 2020-21, however despite these challenges, Health was able to reduce the gap to \$57 million by using \$19.5 million and one-time funds comprised of \$14 million in Health reserves and \$5.5 million of additional Net County Cost in FY 2020-21.

County Health continues their budget planning for Phase 3 in the FY 2021-23 cycle and anticipates a structural deficit to be lowered to approximately \$20 million for FY 2021-22 and \$27 million for FY 2022-23, which is less than 3 percent of the FY 2020-21 budget. Expenses continue to outgrow the pace of revenues due to COVID-19 and it should also be noted that these numbers do not include salary and benefit increases yet to be negotiated, service charge increases and any additional relief for pandemic/vaccine response as well as any other federal/state changes. Health plans to update the Board of Supervisors on the structural deficit in March 2021.

### **C. UPDATE ON COUNTY FINANCIAL CONDITIONS**

Last summer, the County held a series of special hearings to provide the Board of Supervisors with the best available projections on how the COVID-19 pandemic might impact the County's property and sales tax revenues. We can now present updated information on the status of these revenue sources for the duration of FY 2020-21, and into the next fiscal year.

From what we've seen thus far, COVID-19 is impacting different revenue sources unevenly. Due to the speed of COVID-19's impacts on nearly all parts of the local economy as a result of proactive shelter-in-place orders, this current recession is different than the Great Recession or typical downturns.

### **FY 2020-21 Year-End Fund Balance Projections**

Year-End Fund Balance is estimated at Mid-Year in order to provide the Board of Supervisors with an update on anticipated available resources for the upcoming fiscal year, including the portion of the departments' Fund Balance that will be returned to the General Fund. It also gives departments better information to inform their future budgets.

<b>County of San Mateo Agencies by Fund</b>	<b>FY 2020-21 Budgeted Reserves</b>	<b>FY 2020-21 Est. Year-End Fund Balance</b>	<b>Variance</b>
<b>Operating Depts - General Fund</b>			
Criminal Justice	36,675,112	54,323,385	17,648,273
Health Services	9,257,508	9,800,307	542,799
Social Services	26,951,902	37,546,946	10,595,044
Community Services	15,120,138	19,258,626	4,138,488
Admin-Fiscal	21,193,425	27,006,329	5,812,904
Subtotal Operating Depts - General Fund	109,198,085	147,935,593	38,737,508
<b>Non-Departmental - General Fund</b>			
Non-Departmental Services	179,149,328	275,979,323	96,829,995
Subtotal Non-Departmental - General Fund	179,149,328	275,979,323	96,829,995
<b>Non-General Fund</b>			
Health Services	2,771,331	1,865,603	(905,728)
Community Services	147,938,608	206,918,970	58,980,362
Admin-Fiscal	21,658,482	23,199,139	1,540,657
Subtotal Non-General Fund	172,368,421	231,983,712	59,615,291
<b>Total ALL Funds</b>	<b>460,715,834</b>	<b>655,898,628</b>	<b>195,182,794</b>

The variance shown in the table above calculates the difference between the updated Year-End Fund Balance estimate and the current year (FY 2020-21) budgeted Reserves. This variance captures any unanticipated or over-realized revenues and/or unspent appropriations. This variance is used to update the department estimates of the FY 2021-22 starting Fund Balance.

The \$195 million in total variance for All Funds includes allocations for projects and fixed assets in FY 2020-21 that are not anticipated to be completed or realized within the fiscal year and will roll into the following year. This includes capital and Information Technology projects and other significant allocations totaling \$102.5 million including, but not limited to the following:

- Construction of COB-3 - \$47.5M
- County Parks Projects – \$23.7M
- Roads and Utilities Projects - \$11.5M
- Property Acquisition -\$7.0M

- Information Technology-Related Projects - \$5.7M
- Other -\$7.1M

There is an estimated \$52.5 million in savings, as a result of vacancies across the County departments, reductions in contract and general operating expenditures, and revenue projections mostly related to taxes and interest. In addition, projections include an estimated \$50 million in revenue changes, mostly due to anticipated receipt of additional Excess Educational Revenue Augmentation Fund (ERAF) described below and unbudgeted at this point in time. At the end of FY 2020-21, Year-End Fund Balance will be calculated using actuals and will serve as the starting point for the FY 2021-22 Budget.

### **Property Taxes**

Property taxes accounted for nearly \$298 million of the County's General Fund in FY 2019-20. Based on the estimated levy (which includes secured, unsecured, and homeowner exemptions), the County's property tax revenue for FY 2020-21 is expected to be \$314 million, an increase of 5.4 percent.

### **Property Tax In Lieu of Vehicle License Fees (VLF)**

VLF is a State obligation to counties and cities which, pursuant to State law, is funded from the local ERAF and non-basic aid school districts' property taxes. In FY 2020-21 the VLF amount due to the County is \$132 million.

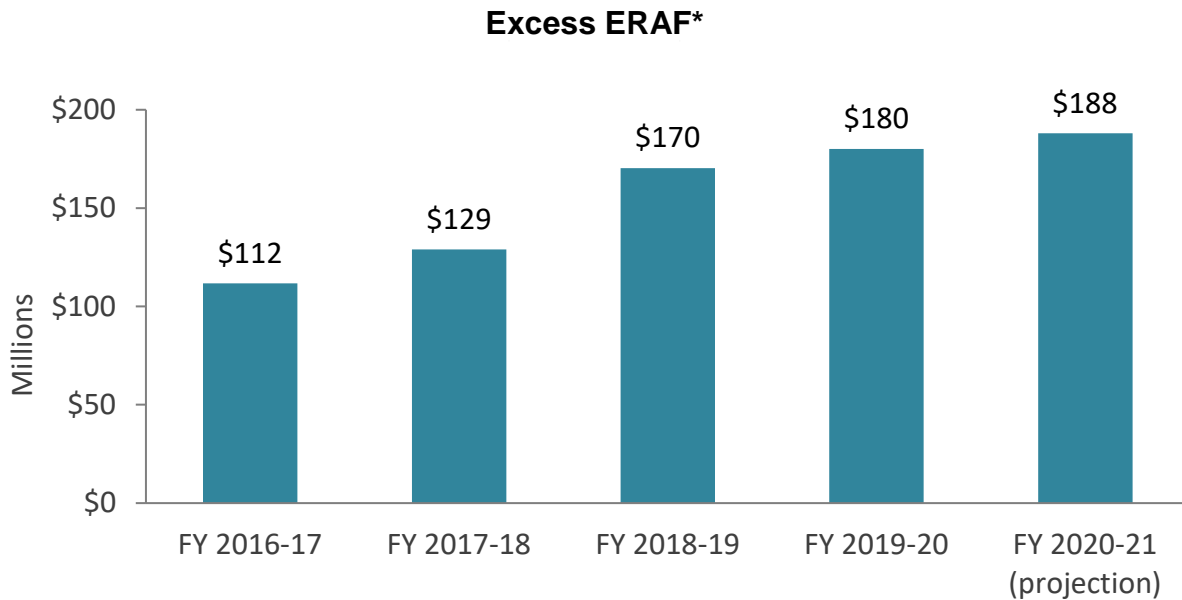
As in prior years with VLF shortfalls, the County and cities will seek an appropriation in the State budget to be made whole. Consistent with the timing of past claims for State appropriations, the County's claim for the FY 2020-21 VLF shortfall (along with the cities' claims) will be made in August 2021 for inclusion in the State's FY 2022-23 budget.

The VLF shortfall is expected to continue and grow primarily due to the declining number of non-basic aid schools in the County. In FY 2019-20, the VLF due to the County was \$123 million but the County only received \$117 million. The County and cities' claim for the FY 2019-20 VLF shortfall of approximately \$10 million was made in August 2020 and was included the Governor's FY 2021-22 budget that was released in January 2021.

### **Excess Educational Revenue Augmentation Fund (ERAF)**

Pursuant to Revenue and Taxation Codes 97.2 and 97.3, property tax contributions made by the County, cities, and special districts to the local Education Revenue Augmentation Fund (ERAF) in excess of State-mandated school funding levels are returned to the governmental entities that made the contributions. The amount of monies returned (sometimes referred to as "Excess ERAF") may decline in the future based on changes to school funding methodology or other State laws. Currently, the County, as well as four other Bay Area counties, is in a dispute with the State Department of Finance and State Department of Education with respect to the interpretation of existing school funding statutes which the State contends requires the diversion of additional ERAF funds which would, in turn, decrease the County's Excess ERAF. This current dispute is consistent with a historical pattern of the Legislature seeking to utilize local ERAF monies to fulfill State obligations.

In light of the uncertainties concerning the amount of Excess ERAF to be returned each year, the County budgets only fifty percent of the average of the Excess ERAF received in each of the last 10 fiscal years. Any remaining Excess ERAF funds are then utilized for one-time purposes, such as payment of the County’s retirement obligations, as well as to replenish the County’s General Fund Reserves. For FY 2020-21, the County’s Excess ERAF entitlement is estimated to be \$188 million. The following table shows the General Fund’s share of Excess ERAF received since FY 2016-17, including the FY 2020-21 projection.



*\*Note: This distribution amount includes Excess ERAF from prior years. The Excess ERAF amount for any given year is not finalized until after the final Certified School Reports are received from the California Department of Education. For example, the 2015-16 school reports were not finalized until June 2018. Thus the County has adopted a policy to stagger the Excess ERAF distributions.*

**State Sales Tax Revenue**

The County receives state sales tax revenue from the State Board of Equalization which is distributed according to California statute. The three sources of state sales tax revenue services they fund are:

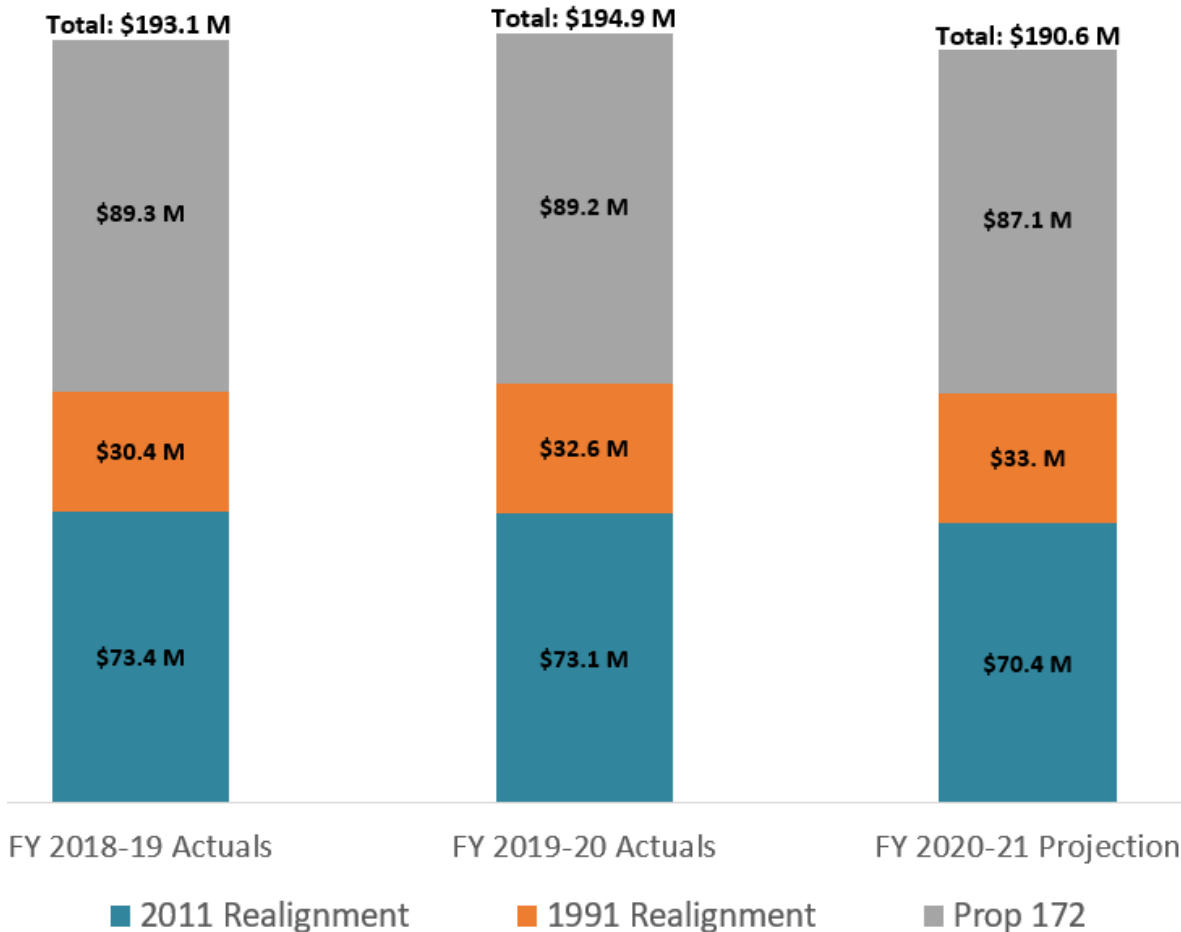
- 1991 Realignment (public safety and health)
- 2011 Realignment (public safety, health, and community services)
- Proposition 172 (public safety)

Over the past year, state sales tax revenues have decreased less than originally anticipated at the time that the budget was adopted. This is mainly due stimulus relief and the Wayfair decision. This decision helped level the playing field for California businesses through a June 2018 ruling by the Supreme Court of the United States that said a state can tax sales by an out-of-state business.

While the exact nature of the economic recovery will vary based on actions taken by the federal and state governments, as well as the trajectory of the pandemic, it is likely that recovery at the

state level will continue to occur steadily, with businesses incorporating efficiencies and new business models honed during the COVID-19 crisis.

### State Sales Tax Revenue, San Mateo County



### County Sales Tax Revenue

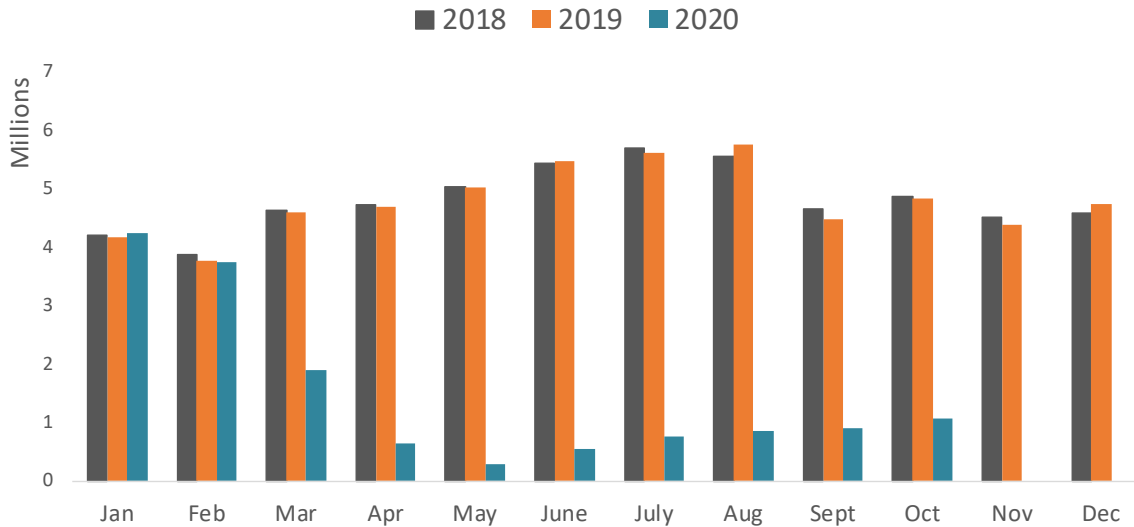
The County receives county-derived sales tax revenue from the State Board of Equalization, distributed according to state and local statute. The two sources of county-derived sales tax revenue are:

- Countywide receipts for Measure K
- Unincorporated County receipts (General Fund)
  - Unincorporated Sales Tax (UST)
  - Transient Occupancy Taxes (TOT)
  - Vehicle Rental Taxes (VRT)

County-derived sales tax revenue, including measure K revenue, have decreased more than state sales tax revenue due to the proportion of sales taxes related to San Francisco International Airport, which saw significantly reduced passenger and air traffic, which resulted in reductions to the County receipts and resulted in a projected FY 2021-22 revenue loss of \$32 million.

A significant portion of the County’s sales tax revenues come from businesses at San Francisco International Airport, so it is important to monitor patterns in airport activity. Due to COVID-19, monthly airport passenger volume into and out of San Francisco has decreased from the previous year by an average of 82 percent since March 2020.

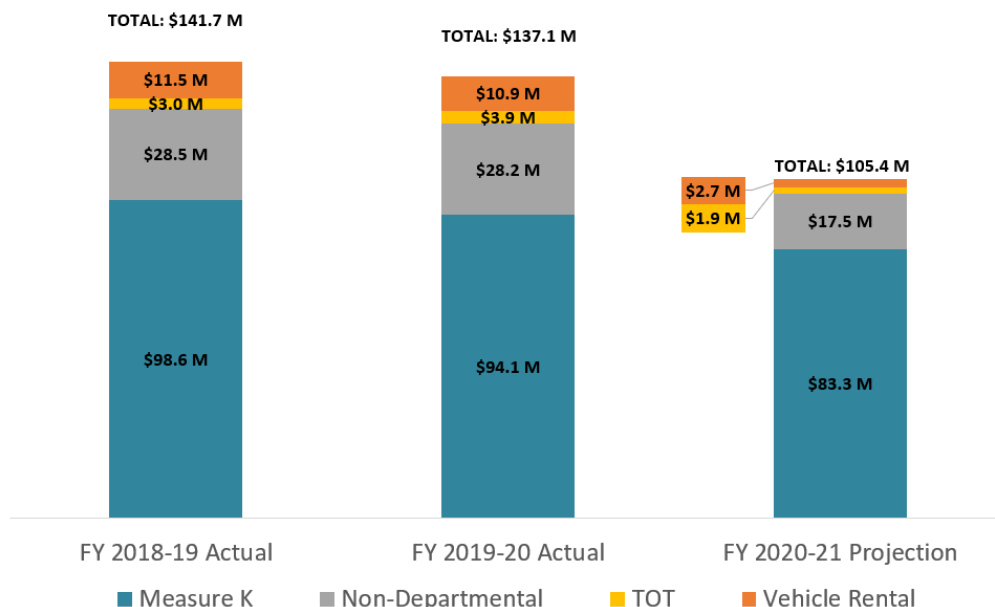
### San Francisco International Airport Total Passengers



Source: San Francisco International Airport: <http://www.flysfo.com/media/facts-statistics/air-traffic-statistics/2020>

Looking forward into FY 2021-22, County sales tax revenues (especially for Unincorporated Sales and Use, TOT, and Vehicle Rental Tax) will likely lag behind state sales tax recovery. This is due to their reliance on revenue driven from SFO Airport and related travel generated spending that is projected to see slower recovery than other sectors of the economy.

### County Sales Tax Revenue

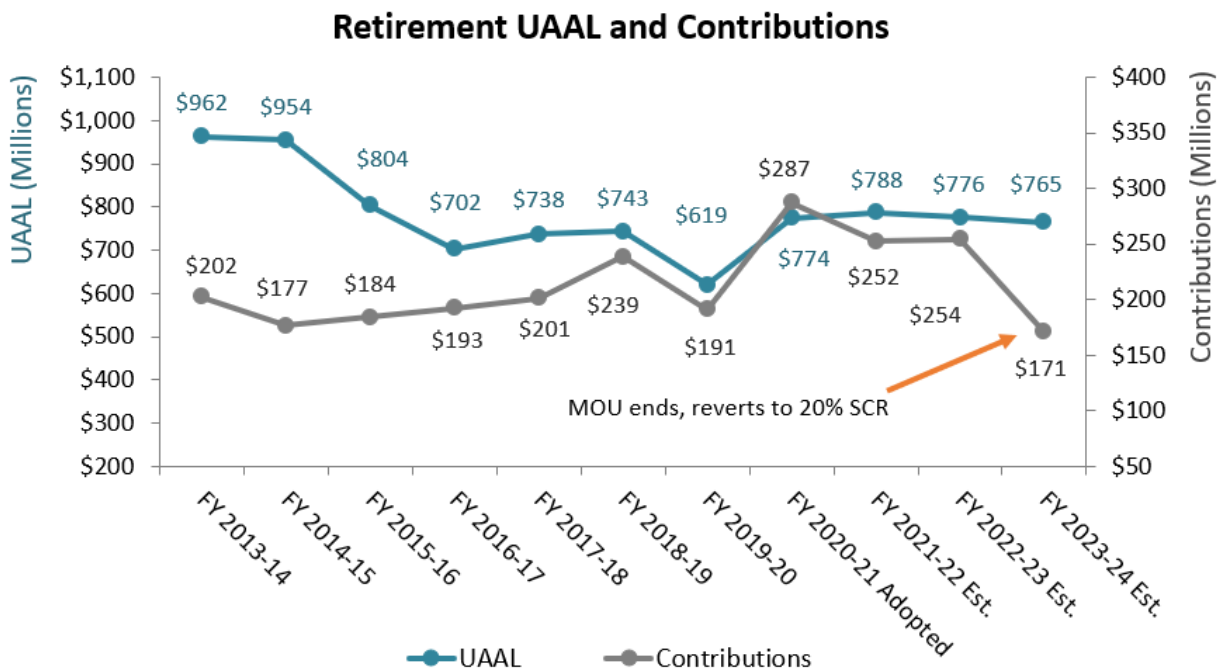


**County Retirement Contributions**

The actuarial calculations for defined benefit retirement contributions are complex and include a variety of factors, including future investment earnings, wages, Consumer Price Index (CPI), life expectancy assumptions, and the benefits themselves.

The County continues to use a significant portion of one-time Excess ERAF funding each year to fulfill the prepayment plan for the unfunded liability initiated in FY 2013-14. As a result, the County is still on track to reach the goal of covering a minimum of 90 percent of the unfunded liability by the end of FY 2022-23, at which time the current Memorandum of Understanding with SamCERA will end. Beginning in FY 2023-24, the Statutorily Required Contribution will drop from 38 percent to 20 percent of the total Unfunded Actuarial Accrued Liability (UAAL), as the County will have achieved funding the unfunded liability at the minimum of 90 percent.

The following graph illustrates the changes in the UAAL and the increase in contributions since 2014. These increases are due to many factors, including a conservative funding model that has seen the assumed earnings rate drop from 7.75 to 6.50 percent since 2011, increasing wages, and the previously mentioned prepayment plan.



**Outlook for FY 2021-23 Cycle**

The COVID-19 pandemic has created a tumultuous economic environment for the County and its residents. The economic impact of the virus has touched small businesses. While many businesses have applied for local, state, and federal assistance programs to continue operating throughout the pandemic, necessary public health measures required many to temporarily or permanently cease operations. Unfortunately, a large majority of small businesses that applied for federal assistance were denied relief.



The overall impact of the pandemic on small businesses and the commercial real estate markets they support cannot be fully understood at this time. The unique circumstances of the current recession make modeling future trends especially challenging. The pandemic's effect on small businesses and commercial real estate will also be shaped by the federal programs introduced by the incoming administration and the pace at which the state achieves mass vaccination. Ultimately, the County will need to conduct ongoing analysis of future revenues as relief programs mature and the pandemic recedes.

In addition, expenditures and revenues need to be verified and analyzed as the impact of the pandemic has changed the costs of products and services throughout the nation, and the needs of our residents. The inclusion of equity, fire mitigation strategies and climate change, among others, have also begun to change the landscape of the County's cost of business as we delve deeper into these areas as part of our mission. Capital projects and other major initiatives will need to be reassessed for proper costing as decisions are being made.

Over the course of the next few months we will come back to this Board to discuss all of this in more manageable chunks with time frames that will allow for thoughtful discussions.

#### **D. OPPORTUNITIES TO BUILD A STRONGER FOUNDATION**

Although we see positive steps being taken to fund recovery efforts, such as allocations specified in the Governor's budget, we still face many uncertainties and challenges that we will need to navigate through the recovery process. Despite this, we must still find ways to achieve ambitious goals, deliver better service to our residents, and to ensure long-term prosperity for the community.

##### **Equity Initiative**

Supervisor Slocum began his Board Presidency in 2020 with a clear goal in mind: infuse an equity lens into all aspects of County work and decision-making. What began as an initiative with the Social Progress Index to establish a data-focused baseline of community indicators, turned into a countywide effort that will remain a priority.

In establishing equity as a countywide priority, a multi-departmental team, consisting of 12 different departments, enrolled in the Government Alliance on Race and Equity's (GARE) learning cohort. The 16-member group spent seven months learning racial equity concepts and how to use various racial equity tools to advance the work. Although the training is complete, the group remains committed to carrying out countywide equity efforts and will assist the Equity Director, once hired.

The County has demonstrated its commitment to equity through a number of key steps and accomplishments that will set a strong foundation for future action. A few notable highlights have been:

- The Board of Supervisors passed a resolution that supported the Black Lives Matter movement, as well as a resolution that condemned racism and declared racism as a public health crisis.
- County Health added a Health Equity Office for the COVID-19 response.

- Community Affairs secured a countywide agreement to provide interpreter services to all County departments to ensure equitable access and service to residents and the department currently hosts the County's COVID-19 resource page, which is available in 29 languages
- The County hosted a leadership forum on racial equity for all management staff, and the County's executive team participated in a six-hour training on advancing racial equity.
- A Chief Equity Officer position was created and will be filled in early 2021.
- Several departments have initiated or continued their own racial equity efforts including Health, Parks Department, Libraries, and the District Attorney's Office.

In line with the focus on equity, the County's Budget, Policy, and Performance Office began to look at how this new lens could be incorporated into the performance metrics throughout departments in order to better understand and measure disparate impacts within the community. With the knowledge gained from GARE, as well as the experience and prior learnings from Department's already engaged in equity work, new performance requirements were rolled out in November. Departments have been given more flexibility in terms of what they choose to measure in hopes that more meaningful outputs and impacts can be shared. Equity will remain a core focus of the County.

## **Criminal Justice**

### **Sheriff's Office: COVID-19 Prevention for Inmates and Courts**

In the early stages of the pandemic, the Sheriff's Office realized the necessity for identification of those potentially infected with COVID-19. In partnership with Correctional Health, the Sheriff's Office put screening measures in place for both staff and inmates entering our correctional facilities. Quarantine pods were created for inmates to mitigate the spread of COVID-19 throughout the facility; and testing of staff was expanded from Correctional staff to all Sheriff's Office members. The pandemic necessitated a number of new business practices that both provided safety of staff and the public, as well as increased efficiencies:

- Remote video visitation – family and friends can now visit with those incarcerated in our facilities remotely.
- Video court appearances – in collaboration with the courts, inmates now make many of their court appearances via video, eliminating the need to move inmates.
- Online records processing – the public can now receive documents from the criminal records bureau online, removing the need to travel to the Hall of Justice.

### **Probation Department: COVID-19 Prevention and Support for Youth**

Probation recognized the psychological impact that COVID-19 might take on its youth population, especially with the need to quarantine all new intakes and the suspension of all face-to-face visits.

To counteract this, Probation increased the minimum number of telephone calls detained youth could make, with special consideration given to youth experiencing increased anxiety or trauma as a result of COVID-19 precautions. Also implemented were video court hearings for youth in custody, video visits for parents and detained youth, and modified CBO-led programs and classes through online resources.

### **Housing and Homelessness**

The County is creating two new homeless shelters, located at two of the hotels recently acquired by the County, in order to address the County's need for more homeless shelter capacity: Pacific Inn located in Redwood City with 74 rooms, and the Coastside Inn located in Half Moon Bay with 52 rooms.

The purchasing of properties provides the County with the ability to serve homeless individuals in a new way and provides an opportunity to play a proactive role as an owner of an affordable housing project. It will also make progress toward the goal of functional zero, where every unsheltered person in the County who chooses assistance can be sheltered in an emergency shelter or in temporary or permanent housing.

These facilities will provide safe sheltering for people who would be vulnerable to severe complications if they were to contract COVID-19 by providing each person with their own private room during their stay. Each shelter will provide intensive on-site support services to assist shelter residents with finding and moving into permanent housing to more people experiencing homelessness in San Mateo County.

The shelters also offer new opportunities to partner with community resources to provide additional support to those who participate in these new programs.

### **E. PUBLIC SAFETY SALES TAX (PROPOSITION 172) MAINTENANCE OF EFFORT CERTIFICATION**

In June 1995, the Board of Supervisors approved the Maintenance of Effort (MOE) certification for the base year (FY 1992-93) and the first certification year (FY 1994-95). The Board also adopted a resolution defining public safety services to include: Sheriff, District Attorney, Private Defender, Probation, Coroner, Correctional Health, Release on Own Recognizance, Mental Health Forensics, Public Safety Communications, Emergency Services, Fire Protection, Public Safety Capital Projects, and Debt Service.

Based on the FY 2020-21 Adopted Budget, the projected MOE certification for FY 2020-21 is \$374.7 million. The County expects to exceed the FY 2020-21 Proposition 172 MOE requirement by \$231.5 million, which is the difference between the MOE requirement of \$143.2 million and the MOE certification of \$374.7 million.

In FY 2019-20, the County exceeded the FY 2019-20 Proposition 172 MOE requirement by \$232 million.

### **FISCAL IMPACT:**

There is no fiscal impact associated with accepting this FY 2020-21 County Mid-Year Budget Update or the Proposition 172 Maintenance of Effort Certification.

## **APPENDICES: Local Economic Indicators**

The following indicators provide information on current local economic activity compared to prior years and state/national trends. Trends in the data assist in generating projections for general purpose revenue such as property tax, sales tax, and transient occupancy tax.

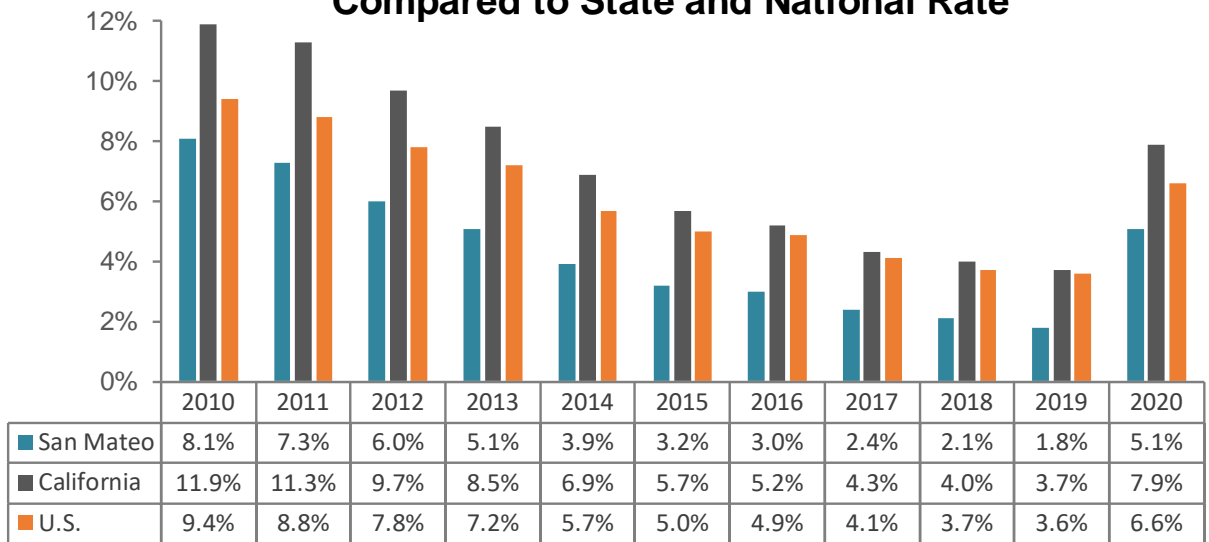
- A. Unemployment Rate
- B. Poverty Rate
- C. Average Commercial/Office Rents and Vacancy Rates
- D. Cost-Burdened Renters
- E. Residential Evictions
- F. Impact of COVID-19 on Home Prices
- G. Business Closures
- H. Monthly Retail Sales
- I. Combined Secured and Unsecured Property Tax Roll Value
- J. Transit Ridership

## A. Unemployment Rate

The impacts of the COVID-19 pandemic and the economic downturn have led to an increase in monthly unemployment rates at the local, state, and national levels from last year. San Mateo County unemployment, measured in October 2020, is up from 1.8 percent in 2019 to 5.1 percent in 2020. San Mateo County has the third-lowest unemployment rate of all counties in California.

Both in California and nationally, unemployment rates vary by gender and race/ethnicity. The California unemployment rate is slightly higher for women at 10.5 percent compared to men at 9.1 percent. According to the National Bureau of Economic Research, the economic downturn resulting from COVID-19 has impacted women more severely due to two key factors: 1) the most impacted sectors are those that tend to have higher proportions of women working in them, and 2) school and daycare center closures have elevated childcare needs, often putting the most pressure on working mothers.<sup>2</sup> The unemployment rate is highest among Blacks/African Americans both in California and the U.S., followed by Hispanics/Latinos, and then Whites. The California Employment Development Department’s Labor Market Review report does not provide statistics on unemployment rates among Asians, which are at 7.6 percent nationally. The County hopes to report on County-level unemployment data disaggregated by gender and race/ethnicity when this information is made available.

**San Mateo County Unemployment Rate Compared to State and National Rate**



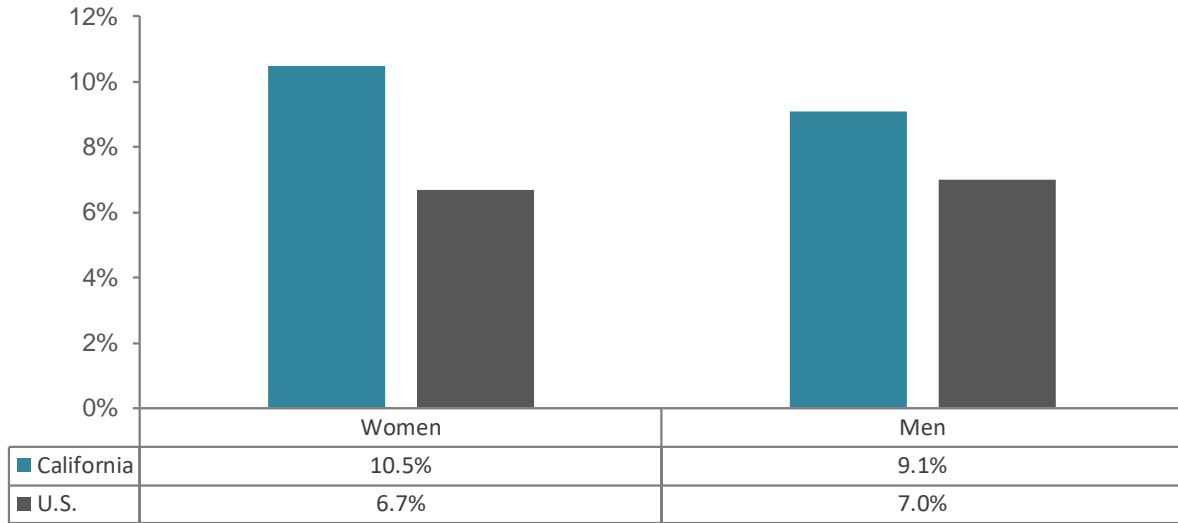
Note: Unemployment rates measured in October of each year, not seasonally adjusted

Sources: California Employment Development Department, Local Area Unemployment Statistics: <https://data.edd.ca.gov/Labor-Force-and-Unemployment-Rates/Local-Area-Unemployment-Statistics-LAUS/-e6gw-gvii>;

Bureau of Labor Statistics: <https://beta.bls.gov/dataViewer/view/timeseries/LNU04000000>

<sup>2</sup> Alon, Titan, et al. “The Impact of COVID-19 on Gender Equality.” National Bureau of Economic Research. April 2020. [https://www.nber.org/system/files/working\\_papers/w26947/w26947.pdf](https://www.nber.org/system/files/working_papers/w26947/w26947.pdf)

## State and National Unemployment Rate by Gender



Note: Unemployment rates measured in October and November of 2020, seasonally adjusted

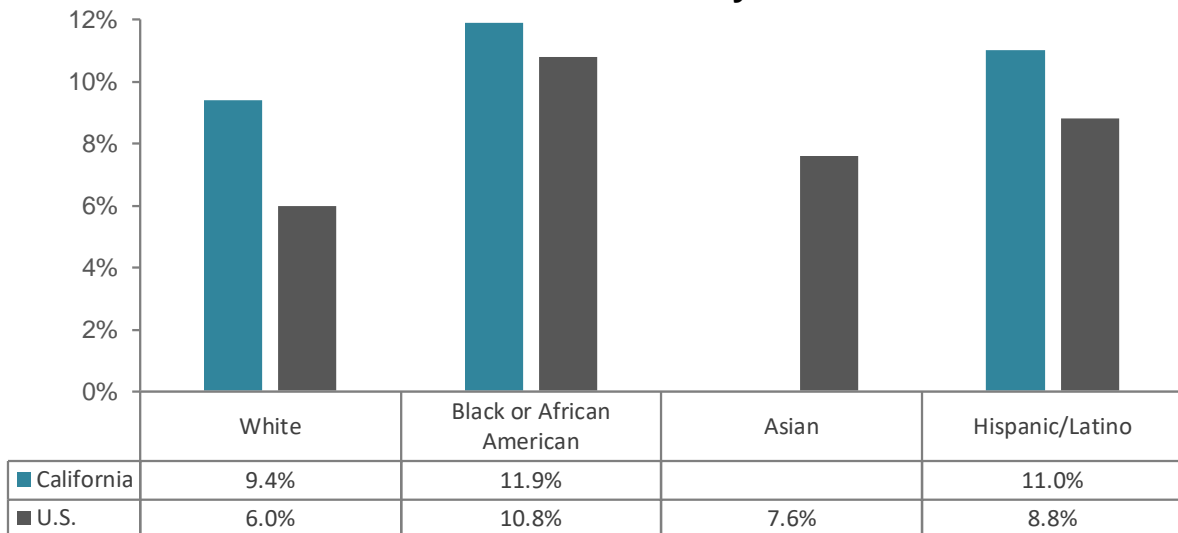
Sources: California Employment Development Department, California Labor Market Review:

<https://www.labormarketinfo.edd.ca.gov/Publications/Labor-Market-Analysis/calmr.pdf>

Bureau of Labor Statistics: <https://beta.bls.gov/dataViewer/view/timeseries/LNS14000002>,

<https://beta.bls.gov/dataViewer/view/timeseries/LNS14000001>

## State and National Unemployment Rate by Race/Ethnicity



Note: Unemployment rates measured in October and November of 2020, seasonally adjusted

Sources: California Employment Development Department, California Labor Market Review:

<https://www.labormarketinfo.edd.ca.gov/Publications/Labor-Market-Analysis/calmr.pdf>;

Bureau of Labor Statistics: <https://beta.bls.gov/dataViewer/view/timeseries/LNS14000006>,

<https://beta.bls.gov/dataViewer/view/timeseries/LNS14000009>, <https://beta.bls.gov/dataViewer/view/timeseries/LNS14000003>,

<https://beta.bls.gov/dataViewer/view/timeseries/LNS14032183>

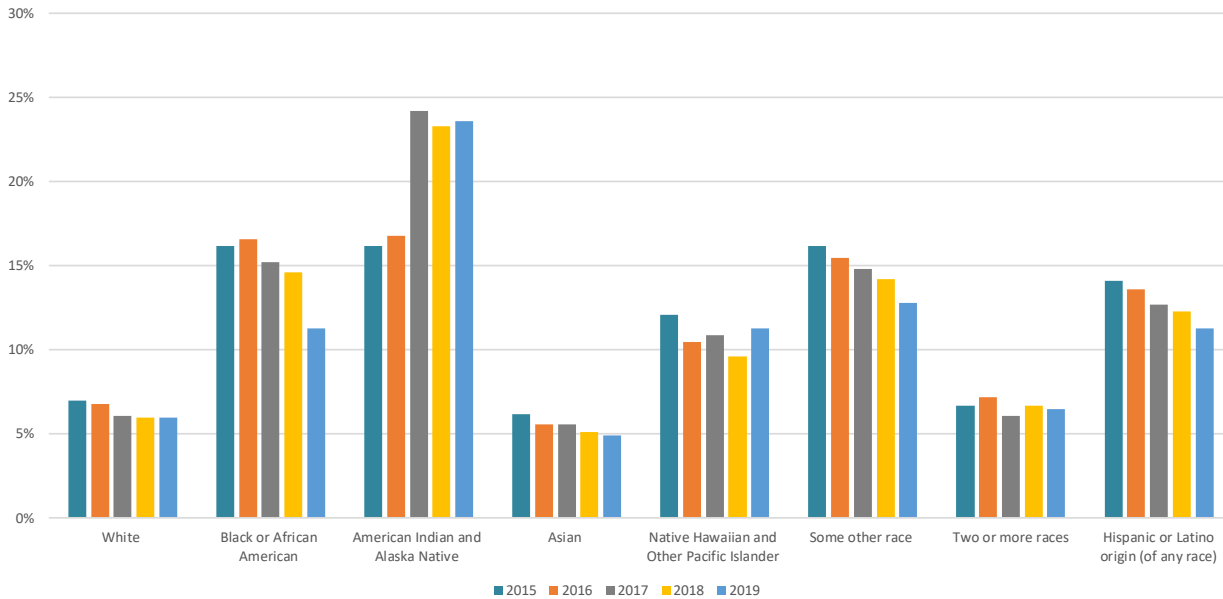
## B. Poverty Rate

The Federal Poverty Level (FPL), or the "poverty line," is an economic measure used to decide whether the income level of an individual or family qualifies them for certain federal benefits and programs. In 2019, the FPL for a family of four was \$25,750 a year. Other percentages of income are used to show how close individuals and families are to economic self-sufficiency. A useful comparison is to 200 percent of the FPL, which, for 2019 was \$51,500 for a family of four. In 2019, there were estimated to be 127,321 people living in the county with incomes below this amount.

For estimating self-sufficiency in the County, 400 percent of the FPL is about what families would need in order to meet their own needs without relying on public programs, free/reduced cost services provided through charitable organizations or community-based organizations, or unpaid labor from friends, family, or neighbors. For 2019, a family of four would need an income of at least \$103,000 to meet this threshold.

The chart below illustrates the uneven distribution of household income below the FPL for the years 2015 to 2019 by race and ethnicity. Overall there was a negative pre-pandemic trend for the percent of people who had income below the FPL. While disproportionately higher rates of poverty are found among the County's American Indian/Alaskan Native and Black/African American populations, these groups represent 2.7 percent of the county's total population. Residents who identify as Some Other Race (11 percent) or Hispanic or Latino (24.4 percent) comprise larger numbers of county residents who experience poverty. It is likely the number of individuals and families who experience poverty and rely on public programs for basic needs will increase as a result of the COVID-19 pandemic and subsequent unknown duration of economic recovery.

**Percent of People Below Federal Poverty Guideline by Race and Ethnicity**

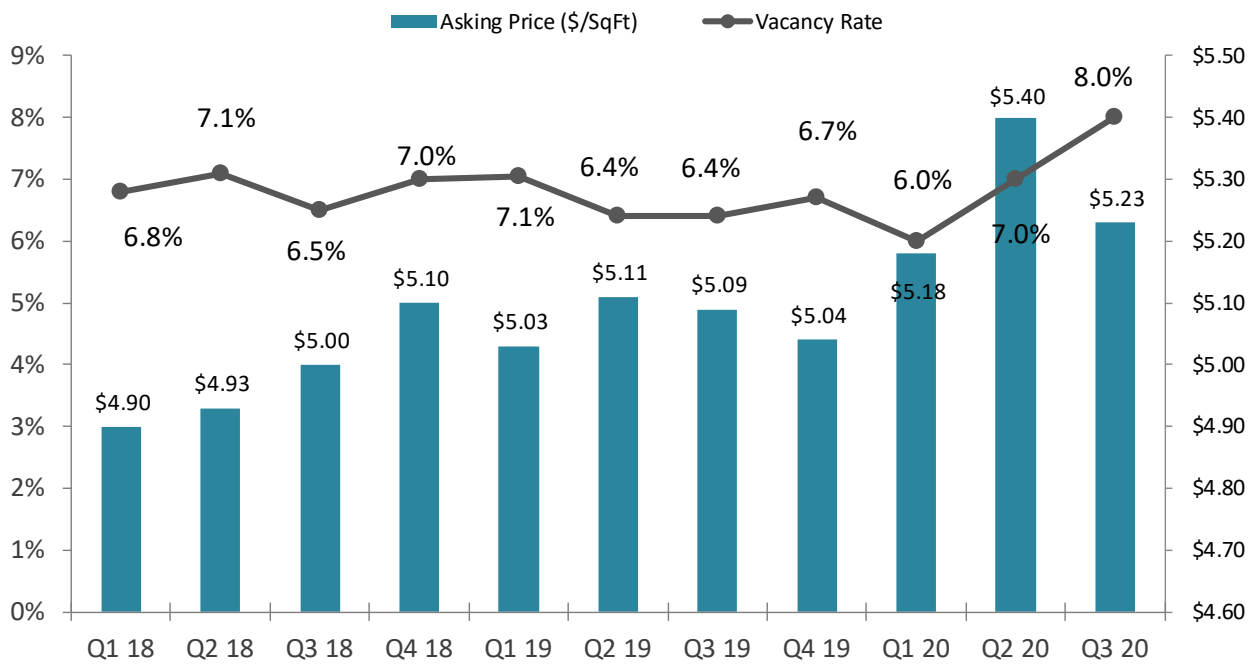


Source: U.S. Census Bureau (2020). Poverty Status in the Last 12 Months, 2014-2019 American Community Survey 5-year estimates.

### C. Average Commercial/Office Rents and Vacancy Rates

Commercial rents in San Mateo County have cooled as a direct result of the economic impacts of COVID-19. Commercial rent vacancies have increased since the pandemic outbreak in Quarter 1 2020, rising from six percent to eight percent vacancy in Quarter 3 2020. Rents peaked in Quarter 2 2020 at \$5.40 per square foot to \$5.23 per square foot in Quarter 3 2020. Of note, commercial leasing activity has effectively halted, dropping 88 percent since Quarter 3 2019. Looking forward, while vacancy rates are expected to decline and leasing increase alongside mass-vaccination, the impact of dispersed work forces that evolved during the pandemic cannot be accurately predicted in the mid- to long-term.

#### Commerical Rent per Square Foot and Commerical Vacancy Rate

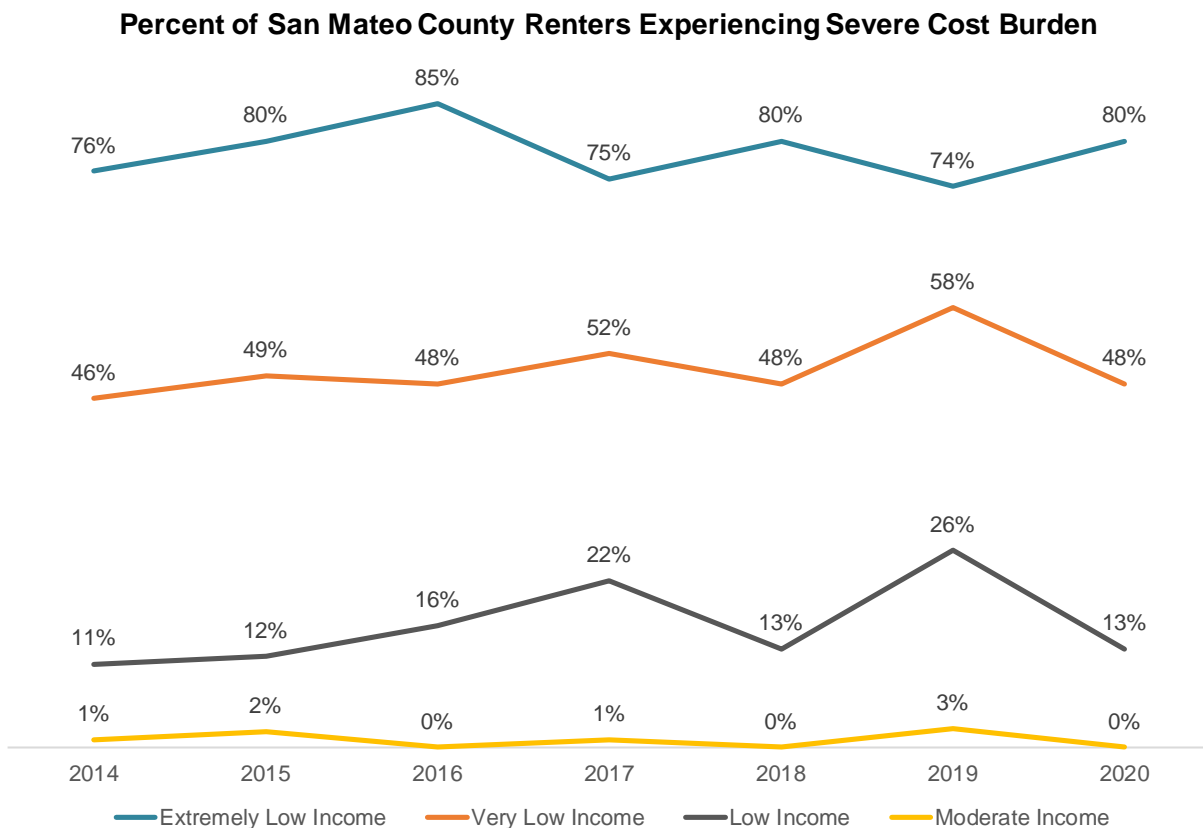




## D. Cost-Burdened Renters

Rental costs in San Mateo County have continued to increase significantly over the past six years. From 2015 to 2020, the fair market rent of a one-bedroom apartment has increased from \$1,635 to \$2,923.

County Health data<sup>1</sup> states that there are 275,845 households in San Mateo County. The California Housing Partnership estimates that of the 31,978 low-income renter households in San Mateo County, 21,098 (7.6 percent of total households) do not have access to an affordable home defined as costing less than 50 percent of their monthly income. Between 2019 and 2020, the percent of extremely low-income renters experiencing severe cost burden increased by six percent. The charts below illustrate the challenge that many residents continue to face.



*California Housing Partnership: [https://chpc.net/?sfid=181&sf\\_s=san%20mateo%20&sf\\_resources\\_type=level-county](https://chpc.net/?sfid=181&sf_s=san%20mateo%20&sf_resources_type=level-county)*

<sup>1</sup> <http://www.smcalltogetherbetter.org/index.php?module=DemographicData&controller=index&action=index>

## **E. Residential Evictions**

Forty percent of San Mateo County residents are renters, including the majority of Latinx and Black residents. With many low-income renters in San Mateo County already spending 30 to 50 percent of their income on rent, the economic impacts of the COVID-19 pandemic have further exacerbated existing inequities and challenges.

Since April 2020, the Core Services Agencies, which operate the County Emergency Financial Assistance Program, have received 6,288 requests for emergency financial assistance from residents throughout the county. Samaritan House, which is the fiscal agent for this program, has distributed \$10,500,000 in assistance to 3,966 applicants since the pandemic started.

As of October 2020, Bay Area Equity Atlas estimates that of the approximately 104,000 renter households in the county, 7,900 were at imminent risk of eviction upon expiration of the County's eviction moratorium in August 2020, including 4,800 children. However, those potential evictions were stayed because California enacted a statewide eviction moratorium in August 2020 that extends through June 30, 2021. The Legislature is currently considering an extension of the statewide moratorium.

## F. Home Prices

### First-Time Buyer Housing Affordability Index

The First-Time Buyer Housing Affordability Index shows the percentage of households that can afford to purchase an entry-level single-family home, defined as 85 percent of the median home price, with a 10 percent down payment, is a fundamental measure of the health of the economy and the housing market. Amidst the COVID-19 pandemic and economic downturn, housing prices continue to be unaffordable for the large majority of households in San Mateo County and other Bay Area counties. The percentage of first-time buyers who could afford to purchase an entry-level home in San Mateo County in the third quarter of 2020 fell slightly to 26 percent, down from 30 percent in the third quarter of 2019.

San Mateo County is now the most unaffordable area in the Bay Area, followed closely by San Francisco County with a higher index at 28. The percent of all households that could afford to purchase a median-priced single-family home in San Mateo County (measured by the Traditional Housing Affordability Index) was even lower, at 19 percent for the third quarter of 2020.

Despite a slight uptick in the affordability index across the US, California, and San Mateo County in 2019, affordability has declined across all three in 2020. While the US and California have returned to 2018 levels, San Mateo County remains higher than 2018 numbers (22 percent) at 26 percent.

Region/State/ Country	3rd Quarter 2018	3rd Quarter 2019	3rd Quarter 2020
United States	69%	70%	69%
California	45%	48%	45%
SF Bay Area	38%	46%	41%
Alameda	35%	43%	39%
Contra Costa	52%	57%	51%
Marin	31%	36%	30%
Napa	43%	47%	45%
San Francisco	22%	27%	28%
<b>San Mateo</b>	<b>22%</b>	<b>30%</b>	<b>26%</b>
Santa Clara	32%	38%	36%
Solano	58%	64%	62%
Sonoma	41%	48%	48%

Source: CA Association of Realtors: <https://www.car.org/marketdata/data/ftbhai>,  
<https://car.sharefile.com/share/view/s03697d42f5046e6b>

### **Median Home Price of Existing Single-Family Homes**

Following a 1.8 percent fall between October 2018 and 2019, median home price for San Mateo County increased 7.7 percent from October 2019 to October 2020 to a median sale price of \$1,680,000. San Mateo County housing costs are the highest in the Bay Area, and 44 percent higher than the Bay Area average of \$1,163,704.

### **Median Sold Price of Existing Single-Family Homes – Bay Area Counties**

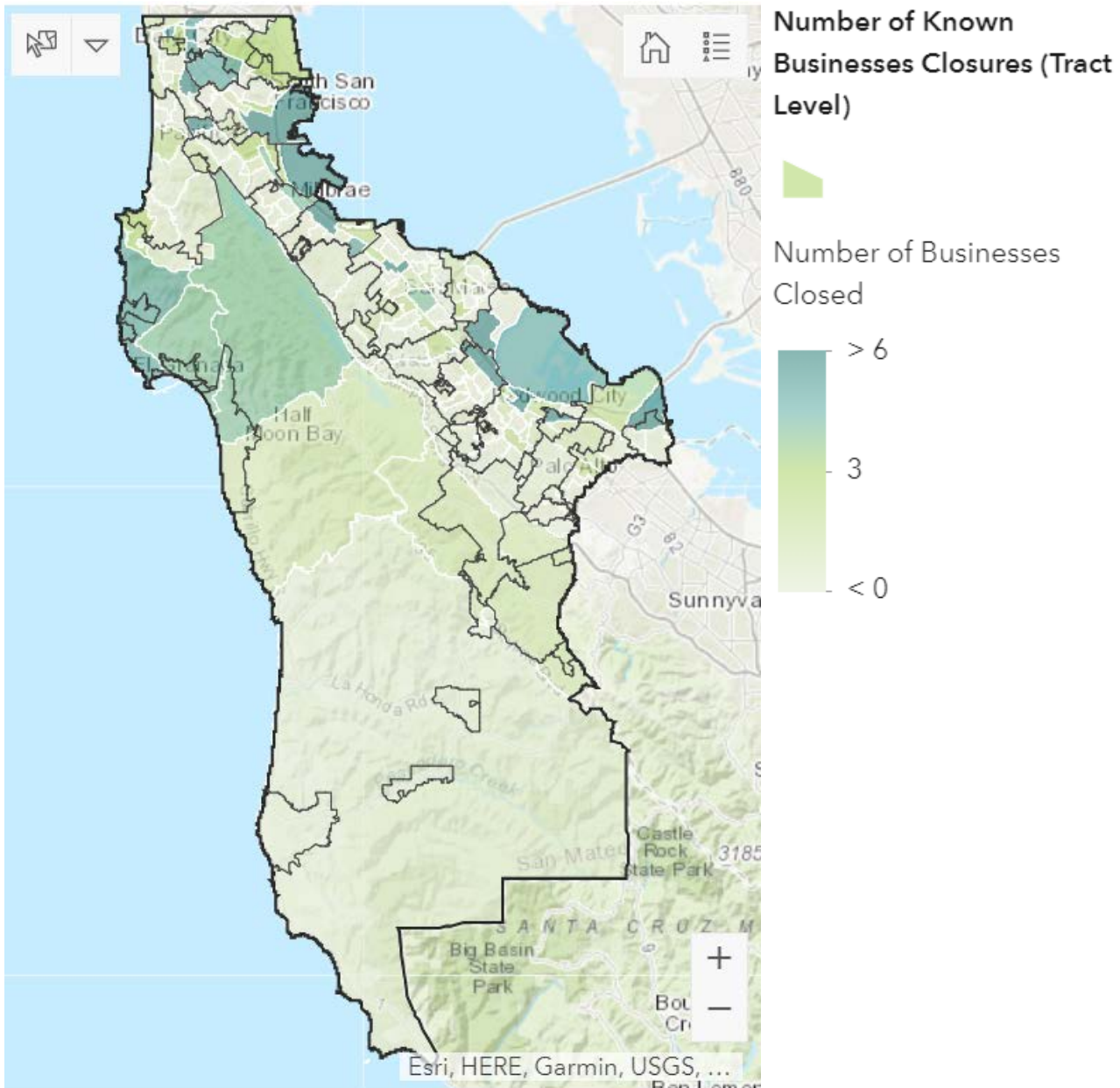
<b>County</b>	<b>Oct 2019</b>	<b>Oct 2020</b>	<b>Price Change</b>
Alameda	\$925,000	\$1,049,000	13.4%
Contra Costa	\$681,250	\$787,250	15.6%
Marin	\$1,397,500	\$1,468,500	5.1%
Napa	\$735,000	\$749,380	2.0%
San Francisco	\$1,650,000	\$1,625,000	-1.5%
<b>San Mateo</b>	<b>\$1,560,000</b>	<b>\$1,680,000</b>	<b>7.7%</b>
Santa Clara	\$1,234,750	\$1,442,500	16.8%
Solano	\$660,000	\$508,000	-23.0%
Bay Area Average	\$1,105,438	\$1,163,704	5.3%

Source: California Association of Realtors, <https://www.car.org/marketdata/data/countysalesactivity>

## G. Business Closures

The COVID-19 pandemic has significantly impacted businesses throughout San Mateo County. San Mateo County Environmental Health observed that as of September 2020, over 268 businesses had closed throughout San Mateo County.

Additionally, over 1,200 small business owners have submitted applications to the County Small Business Assistance Program set up in March 2020, which has provided grants to businesses throughout the county and to targeted zip codes based on need.



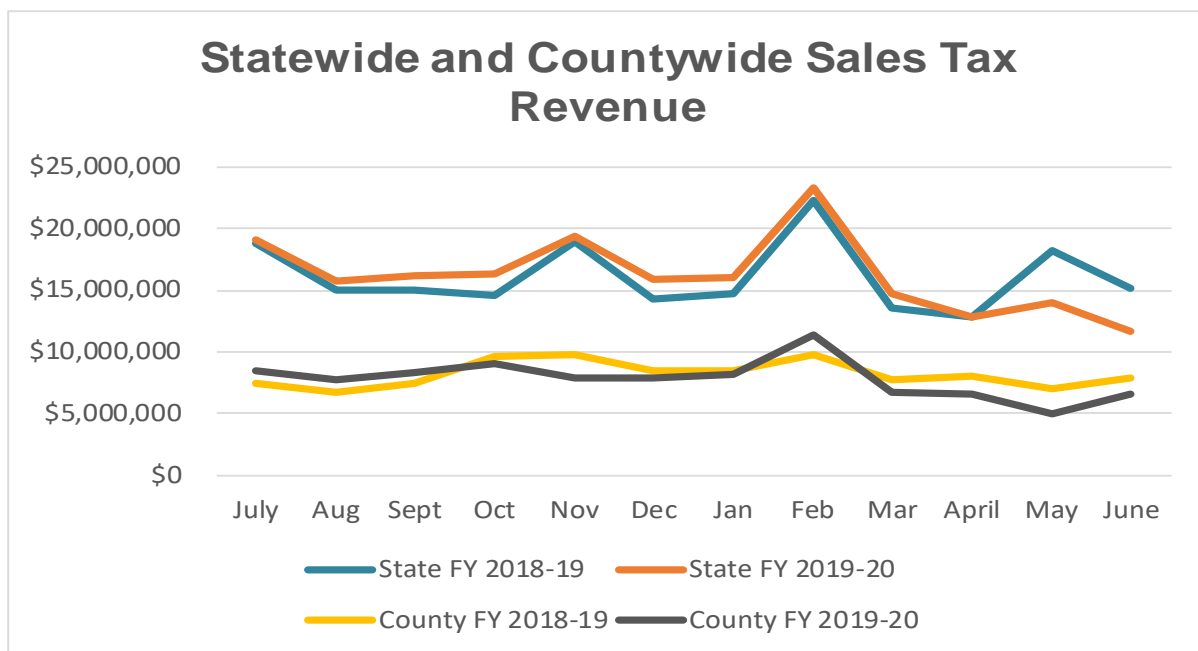
Source: <https://smcmaps.maps.arcgis.com/apps/opsdashboard/index.html#/d4d4d02605074c22a10d4f7837fe738f>

## H. Monthly retail sales

**\*\*Note\*\*** No firm county-level data exists (Census reports monthly on national trends) – this detail can be inferred from the Sales Tax projections in the main section. We can speak to it there or use below narrative with a rehash of the same (or similar) charts.

Analysis of sales tax revenue is a useful, but imperfect analog to gauge monthly retail sales. As noted, and shown earlier in this document, the COVID-19 pandemic has caused a more immediate impact on sales taxes versus property tax. County sales tax receipts dropped over four percent from FY 2018-19 to FY 2019-20, and while statewide sales taxes increased by one percent over the same period, this rate of growth did not match the 2.3 percent rise in CPI.

Monthly sales were impacted by both known (holiday shopping) and previously unseen (stimulus checks) factors. The unknown fiscal relief environment and vaccine rollout makes future projections challenging.

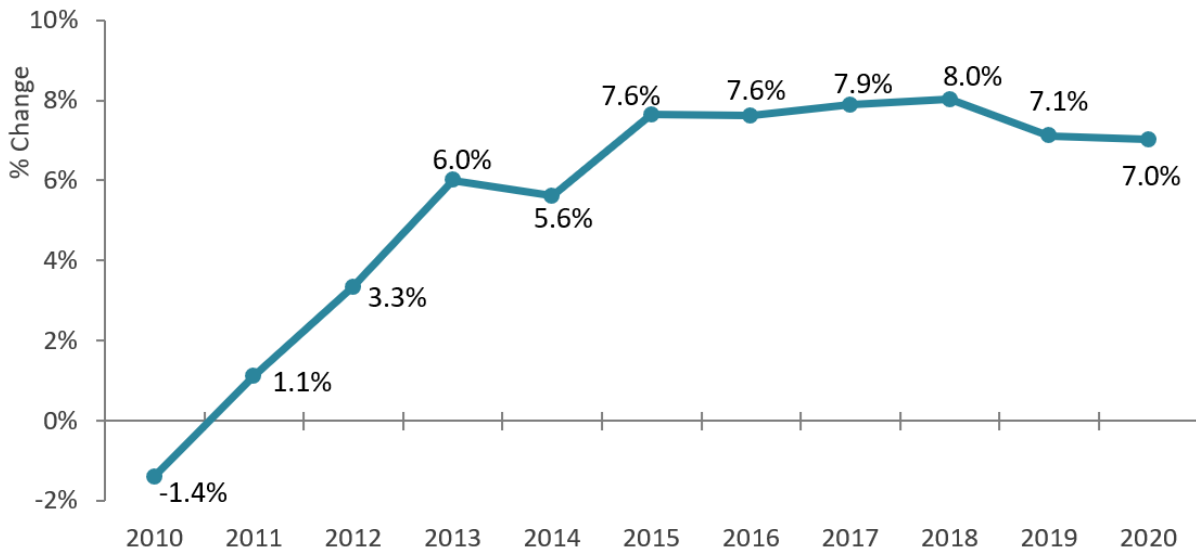


## I. Combined Secured and Unsecured Property Tax Roll Value

There were 235,694 assessment parcels and accounts for 2020 for a Total Local Roll of \$255.2 billion, representing an increase of seven percent from 2019. This is the ninth consecutive year in which a new historical high has been set. While there was some softening in the residential market, record growth in commercial and mixed-use development helped push the total roll value to this new high.

Total assessed values increased in all 20 cities and unincorporated areas, with increases ranging from 3.8 percent to as high as 14.3 percent. The top five cities with the highest percentage growth in assess values were: Brisbane (14.3 percent), Burlingame (11.2 percent), South San Francisco (10.9 percent), Menlo Park (9.2 percent), and San Carlos (8.4 percent).

**Rate of Change in Net Combined Roll Value**



Source: San Mateo County Assessor's Office

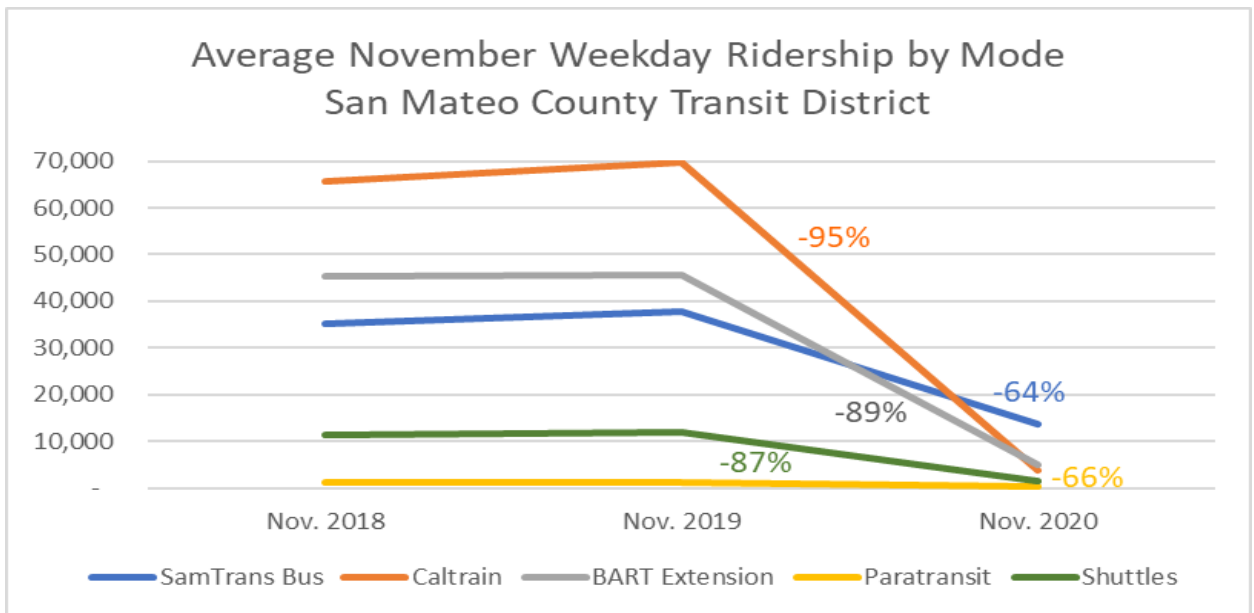
## J. Transit Ridership

The COVID-19 pandemic has shifted daily commuters from in office work to working remotely, as well as, removing most non-work transit riders.

Systemwide, in comparison to pre-pandemic daily ridership levels, Caltrain is at five percent and BART is at 13 percent. The charts below show the drop in average daily transit ridership within the San Mateo County Transit District, by mode and for all modes combined. Overall, daily transit ridership in the SMC Transit District for all modes was down 85.3 percent in November 2020, compared to November 2019.

At the same time, there have been notable shifts in who is taking transit now and why, compared to pre-pandemic. A recent Caltrain rider survey found that, compared to 2019, riders in 2020 are twice as likely to identify as Hispanic/Latino (12 percent in 2019; 26 percent in 2020) or Black (four percent in 2019; eight percent in 2020). Average annual household income of Caltrain riders has declined from \$158,000 in 2019 to approximately \$95,000 in 2020.<sup>3</sup> BART has also noted major shifts in the demographics of their ridership in 2020: 75 percent of their riders in 2020 are now people of color, and 51 percent are from households earning less than \$50,000 annually.<sup>4</sup>

The reliance of transit agencies on farebox revenue to fund their services means that most are now operating at a significant deficit, even after cutting services over the past year. Any future service cuts will disproportionately impact the essential workers and low-income riders who are most dependent on the ongoing availability and reliability of transit.



<sup>3</sup> Source: Caltrain Pandemic Rider Survey, prepared by Corey, Canapary & Galanis, Fall 2020, [https://www.caltrain.com/Assets/\\_MarketDevelopment/pdf/Caltrain\\_PandemicRider+Survey\\_Topline+Report\\_Fall+2020.pdf](https://www.caltrain.com/Assets/_MarketDevelopment/pdf/Caltrain_PandemicRider+Survey_Topline+Report_Fall+2020.pdf)

<sup>4</sup> Source: Statement from BART General Manager Bob Powers, December 9, 2020, <https://www.bart.gov/news/articles/2020/news20200317>.