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February 14, 2012

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

**Subject:** Allocation of Unassigned Year-End Fund Balance

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Dear Supervisors,

**Recommendation:** Authorize \$7.6 million allocation from \$14.8 million FY 2010-11 unassigned year-end fund balance for specific one-time allocations as detailed in staff report, and allocate remaining \$7.2 million to one-time reserve for future one-time needs.

**Overview**

Marin County has avoided severe budget cuts and numerous layoffs 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 one-time purposes.

Our final General Fund unassigned fund balance is \$14.8 million more than planned for in the FY 2011-12 budget. Therefore, these one-time resources are available to your Board for allocation. Consistent with your past policy direction, I am recommending that your Board offset unfunded long-term liabilities such as retiree healthcare and deferred road maintenance by allocating \$7.6 million of these one-time funds for the following one-time purposes:

**Road and Storm Repairs (\$2.0 million)**

We are recommending that \$2.0 million be allocated for road and storm damage repairs. Last spring, we experienced \$4.2 million worth of storm damage to County roads. Your Board identified and funded \$2 million for repairs for five top priority slides, three of which are now completed. We have applied for state and federal disaster assistance, but several projects are not eligible to receive these funds. Therefore, we are recommending an additional \$2 million be allocated for this purpose. If funds are received from state and federal sources, any remaining funds would be used for other high priority road or storm damage repairs.

In addition, your Board recently initiated a new Five-Year Road and Bridge Program, which provides \$25 million to resurface roads. The program includes \$12 million from the General Fund and assumed \$5 million per year for resurfacing. The latest road data shows that a minimum of \$8.5 million per year is necessary to maintain the current pavement condition index. The recent bidding climate has resulted in extremely competitive bids for road work. We are therefore also recommending that the program be accelerated to expend those funds over three years rather than five as an extremely cost-effective strategy for maintaining our roads infrastructure.

This recommended action will result in an increased General Fund (Fund 10000) transfer out in the amount of \$2.0 million, offset with a corresponding increase in Road & Bridge Fund (Fund 27020) transfers in, and the appropriation of these transferred funds to the Road & Bridge Fund's services and supplies budget for current year project spending.

**Retiree Health Reserve (\$5.0 million)**

As you know, we have been working very hard to reduce growth in our long-term liability for retiree health. Unlike approximately 90% of other local governments, we are contributing above our "pay-as-you-go" amount to also set aside funds for our unfunded liability. We currently have an estimated unfunded liability of \$382 million and have total reserves of \$38 million. I am recommending that an additional \$5.0 million be put into reserves for this purpose. We are also exploring the creation of a trust that would allow us to invest these funds and earn a greater rate of return as compared to our County Treasury investment pool, and therefore reduce our required contribution over the long run.

This recommended action will result in increasing the commitment for balance sheet account 3121015 – Designation for Retiree Health Liabilities in the General Fund by \$5.0 million.

**Technical Allocation to the Vehicle Replacement Reserve (\$611,000)**

Approximately \$611,000 of spending authority was closed out but should have been rolled over for future year expenditures. I am recommending that your Board commit this amount for future vehicle replacement expenditures.

This recommended action will result in increasing appropriations to Public Works' General Fund vehicle replacement budget by \$611,000 offset with the use of prior year fund balance.

**Remaining Balance to One-time Project Reserve**

Lastly, I am recommending that the remaining \$7.2 million be placed into the one-time reserve so that these funds are reserved for one-time, high priority projects. As you may recall, in FY 2007-08 your Board created this one-time project reserve. Your Board has judiciously used these funds for investments in affordable housing, roads, building improvements and watershed management over the past four years. Any appropriation of these funds will require future approval of your Board.

This recommended action will result in increasing the commitment for balance sheet account 3121250 – Designation for One-Time Projects in the General Fund by \$7,225,727 from \$15.2 million to \$22.5 million.

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

Sincerely,



Matthew H. Hymel  
County Administrator

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