

**State of the County Breakfast
Chairman Mike Reilly
January 21, 2004**

Good Morning and Welcome!

Thank you all for coming today. I'm happy to see such an incredible turnout, from all over Sonoma County. In particular, I would like to recognize elected officials and their staff representatives. We have several people from the offices of our State and Federal Legislative delegations, as well as City and County officials here today. We are honored to have them here, and I'd like to ask all elected Federal, State, City and County officials present, as well as those staff members representing them, to please stand now and be recognized.

I am pleased to begin my term as Chair of the Board of Supervisors with this new event, which has brought together leaders with so many different perspectives on Sonoma County. Some of you look at the County through the eyes of a public servant; others through the eyes of a business owner, a labor representative, an environmentalist, an educator, a parent, or an involved citizen. This morning I will be sharing my view as a member of the Board of Supervisors, but I hope we will all have the opportunity to see each other's work in our community in a new light. By understanding how we each fit into the larger County picture, we will be better equipped to handle the challenges we face and work together. As Chairman of the Board one of my first priorities has been to increase public involvement by scheduling evening meetings. We are committed to an ongoing open dialogue with all members of our community. Through more accessible meeting times and making events like this one an annual priority, we will work with all of you to solidify our common vision of Sonoma County.

One of the most successful instances of community involvement over the last year has been the participatory process employed in our General Plan Update. If you are not familiar with this document, the General Plan is a comprehensive accumulation of policies that basically determines how growth and change will occur in the unincorporated areas of Sonoma County. It is a document that covers topics such as transportation, housing, land use, open space and protection of our natural resources. It provides direction on how programs and regulations are developed that impact all of us in this room. It also provides direction on how we allocate scarce resources. Rather than opening the Pandora's Box of land use designations, we are focusing this General Plan Update process on the key policy issues facing our County and we are facilitating citizen involvement on these top priorities. Sonoma County is a leader in this regard, being the first to create a Water Resources Element to clarify public policy with respect to this essential yet finite resource. We have also designated important issues like affordable housing, agricultural tourism, riparian protections for our streams and rivers and commercial air transportation for special attention. Finally, we are developing a process for measuring the effectiveness of the General Plan policies so we can remain responsive to the changing needs of our County. I encourage you to help shape the General Plan's vision by participating in the public hearings spearheaded by the Permit and Resource Management Department. You can track our meeting schedule and issues on our county website. Through this effort, community members are partnering with us to plan our County's future.

Such partnerships will insure that our General Plan reflects a broad consensus of our common vision for Sonoma County. The emphasis on collaboration between County government and members of the public is not unusual, because here in Sonoma County we are fortunate to have employees dedicated to the public good. In the midst of the statewide fiscal crisis this year, our employee organizations have shown their commitment by participating in an unpaid furlough that has allowed us to retain essential services and avoid layoffs for the balance of the fiscal year despite drastic cuts in State funding. As the only local government in the state to achieve these agreements, I want to publicly recognize and thank the members of our county family for adopting this innovative approach. Through the sacrifice of County staff, from Department Heads to part-time workers, we were able to generate over \$3 million in savings to balance this year's budget. This level of voluntary cooperation and commitment among County employees is extraordinary, particularly in the face of shrinking resources.

Speaking of shrinking financial resources, the greatest problem the County is facing, right now, is not from OUR doing or inaction. The biggest challenge confronting the County is the dire financial problem at the State level and the uncertainty that brings to our ability to plan for and maintain essential public services. Unfortunately, when the state has financial problems, they either take resources from local government or they give us some of their programs without adequate resources to run them. As locally elected officials, we have discretion only over no more than 30% of our budget. Fully two-thirds is controlled by federal and state mandates. That is why we defend vigorously against further erosion.

We cannot be certain of the impact of the new administration in Sacramento and how they will work with the current legislature. The Governor's Proposed Budget for the coming year pledges to preserve the previous level of Vehicle License Fee Revenues for local government, while at the same time reducing \$1.3 billion in local property tax revenues to fund the State's legal obligation to schools. This is in addition to the over \$5 billion in local property taxes that have already been taken annually by the State from local governments and special districts. I would like to identify several areas of concern in the State budget that affect services we provide locally and highlight key areas of concern for the near future.

First and foremost, is the Vehicle License Fee (VLF) issue. Many people do not realize the following:

- 1) The VLF has always been a local revenue source that, although collected by the state, goes to local government to pay for a myriad of services, such as Sheriff patrols, jail staffing, prosecution of crimes, probation supervision, parks maintenance, and more.
- 2) The VLF is the second largest discretionary revenue source left to us. When the Governor recently cut the Vehicle License Fee in California, it put it jeopardy essential public safety services at the local level. If the Governor or legislature fail in their promise to back-fill or provide these lost revenues from the state general fund, we would have to cut 17% across all the programs mentioned earlier; or, if we protected public safety, we would have to cut all of the other services by one-third.
- 3) As it stands, we are not entirely sure if we are going to get all the VLF funding that was committed to us for this fiscal year. We have budgeted \$29 million, have spent roughly half of it, and we're still not confident that it will all come in. That is the uncertainty we live with in these difficult fiscal times.

This year, the State already deferred, until 2006, of the payment of approximately \$8.5 million of Vehicle License Fee Backfill Revenue statewide. In the County, we were forced to utilize "rainy day" funds to offset this loss because we had the foresight and discipline to set aside some funds for unexpected hits like this. Our ability to continue this in the future is extremely limited and there are no current guarantees that any of these funds will be allocated by the state next fiscal year and beyond. Due to its sheer magnitude and importance, any further reduction in this source of revenue will be felt in the streets of Sonoma County communities.

Secondly, we operate a federal and state program that focuses on ensuring that kids get their child-support payments. The State has required Counties to pay a share of the federal penalty imposed on California for its failure to implement an automated child support system. Though Sonoma County had no involvement in the process that established the failed system, we have been assessed \$1.1 million this year and a similar amount in subsequent years, until an acceptable system is implemented by the State.

Third, sometime ago the voters approved a law that requires the state to reimburse local governments for the costs of new programs and mandates that they impose on us. In order to reduce its budget deficit, the State has frozen reimbursements for State-mandated programs but has not relieved local governments from the legal obligation to provide the programs. Instead, we were given a State IOU of \$1.7 million for last year and another \$1.5 million in the current fiscal year. You can check with Wall Street regarding the current value of IOU's from the California State Government.

The combined impact of these three State funding reductions alone are in the order of \$11.1 million in the current fiscal year and could be as high as \$40 million if the VLF backfill is eliminated.

When you hear local governments advocating for the continuation of the VLF and other historical revenues coming from the State, you know that we are trying to maintain critical local services by keeping local control over your tax dollar. We believe your local officials are better equipped to address local needs and determined how to allocate local taxes.

Another area of great concern is funding for Mental Health programs, which has not kept pace with the demand for services. This year, in a painful budget decision, we were forced to close four Mental Health outreach clinics. Our Health Services Department is working hard to assess the relationship with the State Department of Mental Health and ensure that all those in our County who desperately need these services are able to access them. With proper counseling and medication assistance, these folks can live productively in our community. Without this assistance, they often cannot. If these services are further degraded, you will see more homelessness, more police interactions with ill people, and you will see an increase in jail costs that more than offsets any savings realized from these short-sighted cuts.

Despite these many challenges, Sonoma County has developed ways to minimize disruptions in service. For example, as a large employer, the County's recruitment, training, and retention of effective leaders provides a model in today's challenging economic environment. One major challenge facing the County over the next year is the retirement of an unusually large number of senior managers. We are confident, however, that our model of succession planning will lead to

a new group of leaders that are fully capable and prepared to step in and effectively manage our County programs. In this way, we will ensure a smooth transition for our employees and an uninterrupted level of service to our community. In some local governments, you read about the dysfunctional relationship between local officials. In Sonoma County, we have an organization that works very well together and the community benefits in turn. We have emphasized and achieved a high degree of communication and cooperation among our department heads and County elected officials. We want to continue that as the baby boomers begin to retire. Just as we see a need inside County departments for this commitment to professional development and careful transition planning, we know that private sector businesses throughout the County are looking at similar turnovers among senior management. We hope to look at creative ways to address this problem together at the second annual County-sponsored Workforce Development Conference to be held in March.

Businesses in our County are facing other challenges as well. Unemployment, particularly in the high-tech sector, continues to be a serious problem. For many residents of Sonoma County, the outlook seems guarded, at best. Recent estimates suggest that the tech sector's recovery has been slower in Sonoma County than in some other locations. We see this as an important area of concern and will work to improve conditions for tech companies to assist in their rebuilding. We will do this through: continued good planning—via the General Plan for transportation, water capacity, etc; advocating for resources from the federal and state level; maintaining our desirable quality of life—via affordable housing, open space and parks initiatives; being vigilant in reviewing our regulatory and permitting processes: and through partnering with businesses via our Economic Development Board which is constantly assessing both the challenges and opportunities facing a healthy and vibrant business community.

Beyond the technology sector, both the public and private sector are focused on the rising costs of worker's compensation, health care, and other employee benefits. We too have concerns about the spiraling costs in these areas as they directly impact our ability to maintain services. It is critical that we work together to strike a balance, offering protection for employees yet recognizing the needs of businesses. We, as a County, have communicated this priority to our legislators in Sacramento and Washington D.C. and will continue to advocate for them to find ways to maintain important benefits at a more reasonable cost.

Given the fiscal challenges facing Sonoma County and all of California, we as a community must look for ways to safeguard our economic well-being. One problem we are working actively to improve is the access to affordable housing. While low real estate vacancy rates and rising prices demonstrate that our County is a desirable place to live, we are facing a growing gap between employment and housing trends if we do not provide for affordable housing. The strain on transportation infrastructure and social services that results from a disparity between the location of jobs and housing must be addressed through effective planning. Rather than wait for the situation to worsen, we are committed to working through all available channels, including updated zoning codes, collaboration between County and City governments, and seeking support from State and Federal programs, to keep pace with our housing needs. In the last fiscal year, the County developed policies that have been adopted by the Board of Supervisors targeting the use of the recently established \$1 million County Fund for Housing. In addition, the General Plan Update process was utilized to establish the County's first certified housing plan. We are regularly reviewing our progress in this area. While there is much more to do, we have definitely made inroads in getting additional affordable housing units on the ground.

Beyond the facts and figures that inform us about the state of our economy, we who live in Sonoma County look to a larger picture. We see the other areas that define our quality of life, from our schools to our roads to our beautiful natural surroundings. As the housing market shows, Sonoma County is a desirable place to live. I am pleased to report on a number of projects that we can all look to as evidence of a continuing commitment to that high quality of life.

- First, we can look today at a safer Sonoma County because of the cooperative efforts that led to the introduction of the new Law Enforcement and Fire Emergency Dispatch Systems. These systems, bolstered by computer-aided dispatch and remote system technologies, offer law enforcement and fire professionals from across the County a tool that will facilitate their responding more quickly and more effectively to emergency situations. Few counties in this State have achieved such collaboration.
- Secondly, we can look with pride at the way we serve at-risk youth in the County's justice system. We have broken ground on a modern Juvenile Justice Center, which will expand our services to young people as they pass through the juvenile justice system. Providing the highest level of service to these young people is part of our commitment to give them an opportunity to find a productive place in our community.
- Third, we can look at the permanent protection of our County's natural resources thanks to the work of the Agricultural Preservation and Open Space District, with projects addressing land for public recreation, greenbelts between cities, and preservation of farmland, biological resources, and wildlife habitat. Our natural resources are also highlighted at the Regional Parks Department's Environmental Discovery Center. Additionally, Regional Parks is administering Community Partnership for Youth grants this year totaling \$1,250,000 and leveraging an

estimated \$7.6 million from participating agencies. In this case, we see that contributing to our quality of life has involved a County office in both environmental leadership and improving services to our young people.

- The fourth project I would like to highlight concerns the protection of vulnerable young people at the Valley of the Moon Children's Home. Phase I of the construction of a new facility was completed in 2003, and we are proceeding with the second phase of construction this year in partnership with dedicated community members who have raised millions of dollars in private donations to make the new Children's Home a reality.

In terms of contributing to our community and quality of life, I would like to recognize the many Community-Based Organizations that work diligently throughout our County every day. This current fiscal year, community based non-profits will provide in excess of \$28 million in services to citizens in need that would either be the responsibility of an already overburdened County operation or would not happen at all. Many representatives of these organizations are here today, and it is fitting that we recognize their integral role in keeping our communities strong. I want to encourage our business community and the larger community, particularly in these difficult financial times, to be generous in your support of our non-profits and the important services that they provide.

As we look to the year ahead of us, there are two more issues that deserve our energy and attention. First, the lack of a commercial airline at the Sonoma County Airport limits our County. We will continue to make this a priority in 2004, working hard to bring the airport back into full operation with the addition of a commercial line. Outside this conference room, as part of the displays, you can find more information about the current status of the airport and our efforts to attract a major carrier.

Secondly, the impacts of Indian gaming facilities continue to be a major concern for this Board. Sonoma County currently has one casino, with at least 3 others on the horizon. We are only now beginning to live with the impacts brought on by gaming facilities - impacts ranging from law enforcement, traffic, fire, emergency medical response, and environmental issues to social concerns like gambling addiction. Because of these impacts and inconsistency with our General Plan, the Board is on record as opposing these casinos. Assuming that the decision to regulate casinos resides at the State level, we believe that the Governor should require all tribes to mitigate these impacts, to follow environmental protection laws that are at least as stringent as those of the California Environmental Quality Act, and to enter into agreements with local governments that are judicially enforceable.

One of the most visible measures of the state of our County awaits us when we leave this breakfast. Highway 101 and our road system demand our attention. We are aggressively advocating at the state and regional level, and now directly at the federal level, for additional funding to widen Highway 101. Our County's Transportation and Public Works Department, like our cities, is working hard to maintain our roads within our tight budget constraints. We will continue to aggressively pursue increasingly scarce State and federal funding for needed projects and maintenance, but we must be aware of the limitations on our County imposed by budget forces beyond our control. We lost another \$1.5 million from the State this year for road improvements and maintenance. The Governors' State budget proposes deferring 101 improvements for even more years. Despite this, the Board of Supervisors continued its commitment to County roads by continuing a \$7 million General Fund contribution to the Road Fund during a very tight budget year. Very few counties in this state show this kind of commitment to their roads. Yet, this commitment also may change if our local discretionary funds are further reduced.

A glance at the State budget makes our challenges clear. As I mentioned earlier, County Government will continue to work hard to trim the budget while providing a high level of service. Our employees have pitched in to our balancing efforts with their unpaid furlough. And I know that the City Councils and managers, community-based organizations, business leaders and labor organizations are working alongside us to insure that Sonoma County remains strong through these difficult financial times.

I am pleased to see members of all of those groups gathered this morning to focus our attention on the State of Sonoma County. This morning, we have taken time to consider what our vision is for 2004, and I hope that by highlighting many of my priorities I have helped you identify the impact of County policies and programs on your own work and life in Sonoma County. From the issues I have mentioned, the displays outside this conference room, and the Indicators overview you have received, you can see that there are many challenges in the year ahead. But there are also many bright spots and opportunities for positive action. As I begin my term as Chair of the Board of Supervisors, I look forward to working with my colleagues to meet the challenges before us cooperatively, constructively, and creatively. I look forward to nurturing our business community, in its agriculture, tourism, technology, and other major sectors. I look forward to enjoying the natural beauty of our County and protecting it for future generations. I look forward to continuing the healthy dialogue that brings public comment to the forefront of County decision-making. And certainly, I look forward to coming together at this time next year to hear that the state of Sonoma County has improved as a result of our hard work. Thank you all.