



# ALAMEDA COUNTY

## Early Budget Work Session

Presented to the Alameda County Board of Supervisors  
April 8, 2019

**Susan S. Muranishi, County Administrator**

**Melanie Atendido, Principal Analyst**

**Pete Coletto, Principal Analyst**

## Early Budget Work Session

- Federal, State, & Economic Updates
- County Budget Update
  - Board-Approved FY 2019-20 Budget Policy
  - Budget Balancing Strategies for FY 2018-19
- Pending Factors
- Vision 2026
- Department Presentations



# Federal Budget Update

- Split control in Congress
  - House priorities include ethics & election reform, infrastructure, drug pricing, voting rights, immigration, health care, and climate change
  - Senate is expected to prioritize nominations
- President released \$4.7 trillion proposed budget
  - Sharp cuts to domestic spending, increases to defense
  - \$8.6 billion in wall funding
- Debt ceiling re-imposed March 2 after 1-year suspension ended - Preliminary estimate of fall 2019 for when it will need to be raised again
- Administrative rule changes
- Legal challenge to Affordable Care Act



# State Budget Update

- Governor proposed \$209 billion budget (\$144B general fund)
- Invests \$13.6B in 'budgetary resiliency' (\$4.8B to unfunded pension liabilities, \$4.8B to build reserves including 'rainy day fund', \$4B to pay outstanding debt)
- Most new funding one-time
- Emphasis on housing and healthcare
- Governor proposing IHSS relief

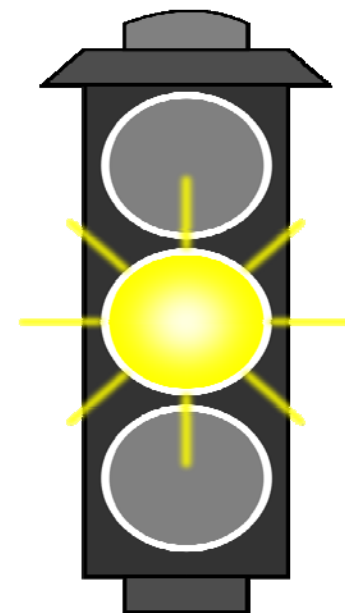


[This Photo](#) by Unknown Author is licensed under [CC BY-NC-ND](#)



## Economic Update

- U.S. labor market remains strong
- 3-month/10-year Treasury yield curve inversion (reliable recession predictor)
- Lower bond yields indicating expectations of lower growth
- Weaker economic data out of Europe & Asia
- Weaker housing data
- More 'dovish' guidance from Federal Reserve and market expectation that Fed will move to cut rates in response to weaker economic data



**Bottom Line:** Economy still showing signs of growth, but risk of a slowdown in our forecast window is higher than at this point in last year's budget cycle.



## Board-Approved FY 2019-20 Budget Policy

- Adopt the Final Budget no later than June 30, 2019
- Continue the Fiscal Management Reward Program
- Include revenues from all sources as early in the budget development process as possible
- Include a 3.5% cost-of-living adjustment for eligible CBO contracts
- Designate 1% of discretionary revenue to offset cost of County's capital projects and facility maintenance
- Designate 1% of discretionary revenue for the general reserve



## FY 2019-20 MOE Cost Drivers – Partial List

- One-time strategies to balance the FY 2018-19 budget
- Known salary/benefits increases
- Internal Service Fund cost increases
- 3.5% COLA for CBO contracts
- Increased IHSS inflation factor & locally negotiated wage supplements
- Title IV-E Waiver expiration

**Pension Obligation Bond appropriations will be shifted to finance the Acute Care Tower replacement debt**



## FY 2018-19 Budget Balancing

- FY 2018-19 Final Budget closed a \$65.9M gap
- \$34.5M in one-time solutions
  - Use of FMR = \$25.6M
  - One-time revenues = \$8.9M
- \$31.4M in ongoing strategies
  - Program appropriation reductions = \$8.0M
  - Program revenue increases = \$23.4M





## Pending Factors

- Federal and State funding changes – typically 60-65% of County's General Fund budget is from State and federal sources
- Health Care financing challenges
  - Legal challenge to Affordable Care Act and its Medicaid expansion
  - Expiration of Medicaid waiver
  - Alameda Health System financial troubles
- Rising retirement costs
  - ACERA unfunded liability rose to \$2.16 billion as of Dec 31, 2017, a \$360 million year on year increase
  - Funded ratio **decreased** from 78% to 76% vs the prior year
  - Main reason for the change is the lowered discount rate, and many economic analysts forecast future declines in the discount rate for pension plans in coming years
- County structural funding gap – use of one-time funding sources for ongoing uses
- Economic downturn





### Our Shared Vision

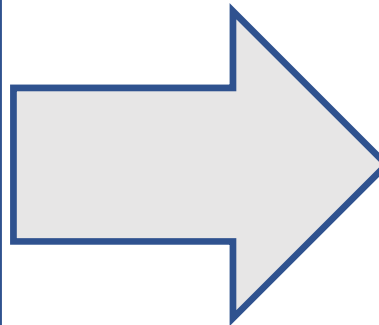


- Safe and Livable Communities
- Thriving and Resilient Population
- Healthy Environment
- Prosperous and Vibrant Economy



# 10X Goals – Pathways to Our Shared Vision

- Eliminate homelessness
- Healthcare for all
- Employment for all
- Eliminate poverty and hunger
- Crime free county
- Accessible infrastructure



**Safe and Livable  
Communities**

**Thriving and Resilient  
Population**

**Healthy Environment**

**Prosperous and Vibrant  
Economy**



## Budget Development Timeline

- Early Budget Work Sessions April 8 & 9, 2019
- BWG: FY 19-20 Funding Gap April 16, 2019, 3:00PM
- BWG: Reduction Targets April 23, 2019, 2:00 PM
- Governor's Revised Budget May 2019
- BWG: Reduction Plans May 23, 2019, 4:00 PM
- Proposed Budget submitted Early June 2019
- Budget Hearings and Adoption June 2019





# ALAMEDA COUNTY

## Early Budget Work Session

Presented to the Alameda County Board of Supervisors  
April 8, 2019

**Susan S. Muranishi, County Administrator**

**Melanie Atendido, Principal Analyst**

**Pete Coletto, Principal Analyst**