



ALAMEDA COUNTY FY 2019-20 Maintenance of Effort Budget

Presented to the Alameda County Budget Workgroup
April 16, 2019

Susan S. Muranishi, County Administrator

Melanie Atendido, Principal Analyst

Pete Coletto, Principal Analyst

Overview

- Federal & State Budget Updates
- Long-term Budget Drivers
- Closing Last Year's Funding Gap
- FY 2019-20 Maintenance of Effort Budget
- Projected Funding Gap



Federal & State Update

Federal

- Legal challenge to the Affordable Care Act
- Administrative rule changes
 - SNAP/CalFresh work requirements
 - Title X
 - Public charge
- Expiration of Title IV-E and Medicaid waivers

State

- Expecting Governor's May Revision in early May
- IHSS, housing, and healthcare funding



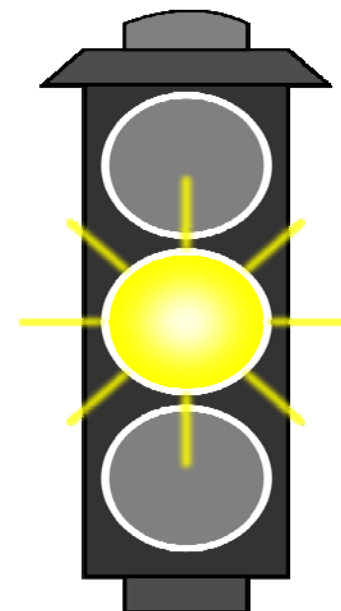
Economic Update

Global Context

- Weak data out of Europe & Asia
- Trade disputes
- International Monetary Fund cut global growth forecast for 2019 to the lowest level since 2009 – this is the 3rd time the IMF has downgraded its outlook in the past 6 months

U.S. Context

- Labor market remains strong with positive job and wage growth
- Bond market showing warning signs of future slowdown
 - Yield curve inversion
 - Drop in yields
- Housing market showing signs of weakness
- Federal Reserve taking dovish stance in response to more concerning 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.



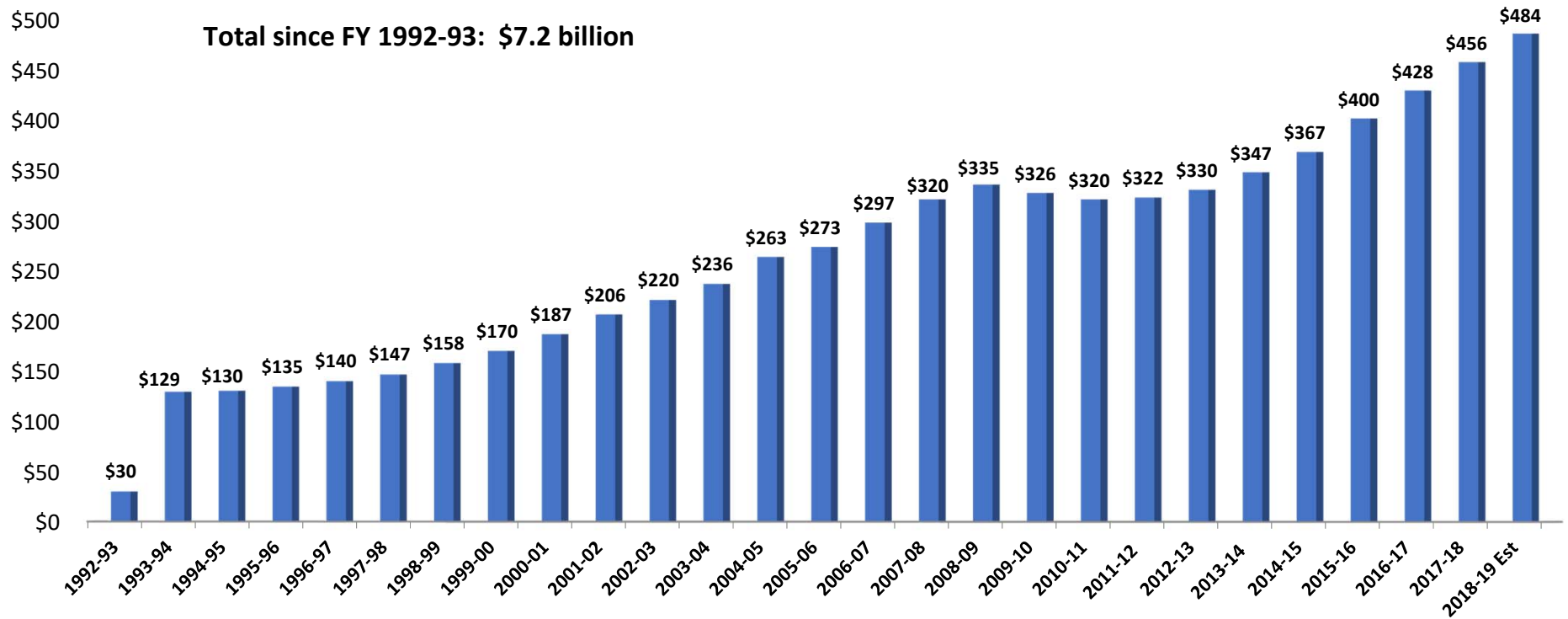
Long-Term Budget Drivers

- Salary and benefit adjustments
- In-Home Supportive Services (IHSS)
- Homelessness
- Focus on pending factors
 - Alameda Health System
 - Deferred maintenance
 - Capital projects
 - Federal and State policy changes



Closing Alameda County's FY 2018-19 Funding Gap

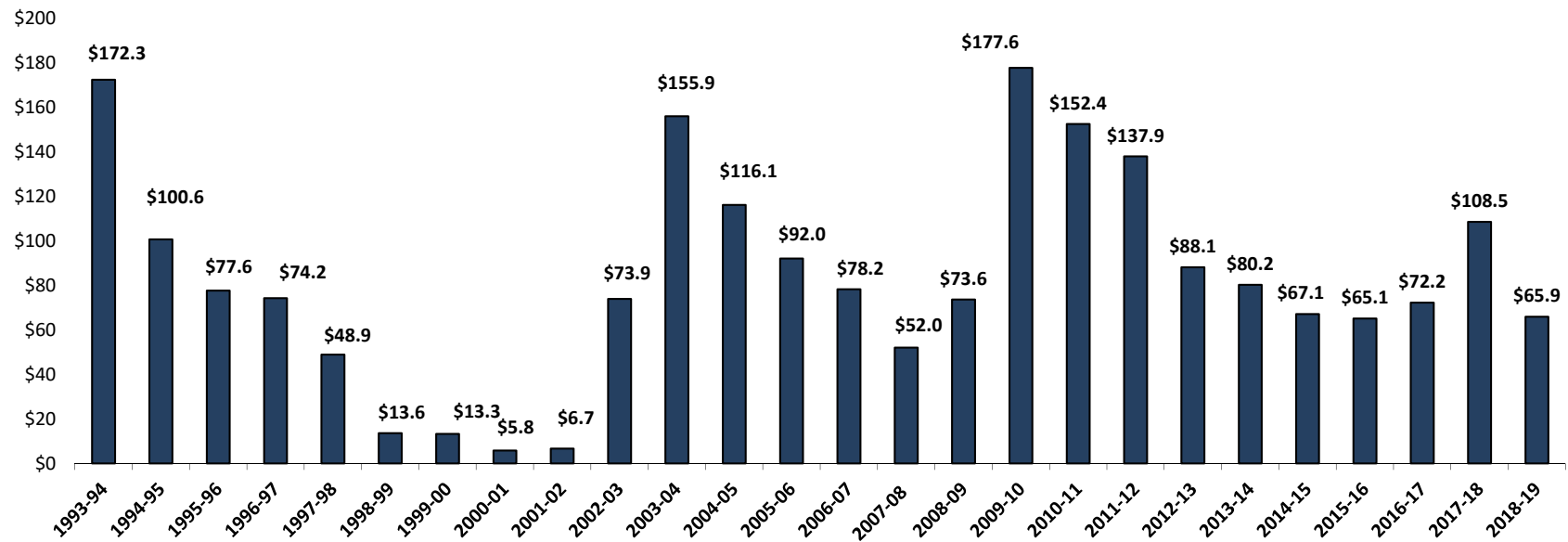
Alameda County ERAF Losses by Year



Alameda County Funding Gaps Since ERAF

(in millions)

Total since FY 1993-94: \$2.2 billion



Alameda County Property Tax Dollar

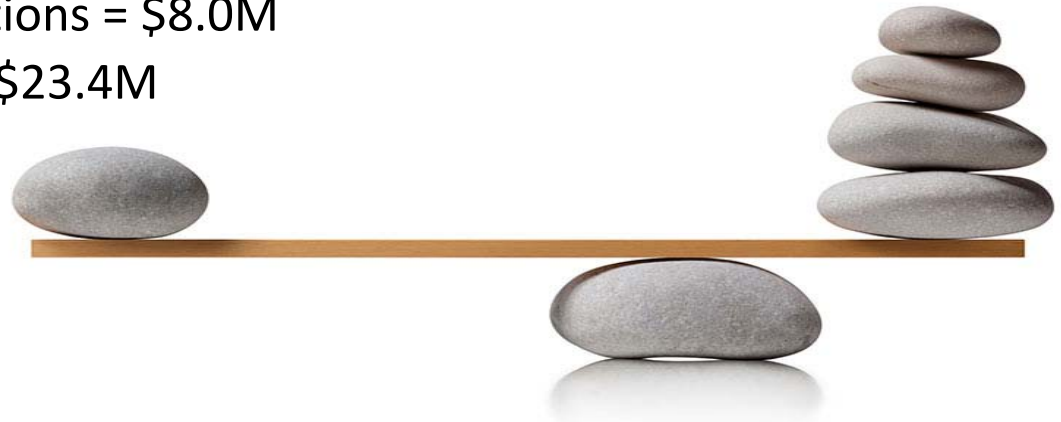


*Over time, redevelopment agencies' share of property taxes should be distributed to other entities.



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



FY 2018-19 Budget Balancing Net County Cost Reductions by Program Area

Program Area	Net County Cost Reductions (in millions)
General Government	\$14.4
Health Care	\$13.8
Public Assistance	\$16.2
Public Protection	\$21.5
Program Total	\$65.9



FY 2018-19 Budget Balancing Use of Fiscal Management Reward (FMR) Savings

Program Area	Use of FMR (in millions)
General Government	\$14.1
Health Care	\$7.0
Public Assistance	\$0.0
Public Protection	\$4.5
Total FMR	\$25.6



Alameda County FY 2019-20 Maintenance of Effort Budget

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 Budget - General Fund

(in millions)

Appropriation	\$3,034.3
Revenue	\$2,973.9
Funding Gap	\$60.4



FY 2019-20 MOE Budget

(\$ in millions)

	FY 2018-19 FINAL	FY 2019-20 MOE	Increase/ (Decrease)	% Change
Appropriation	\$2,889.7	\$3,034.3	\$144.6	5.0%
Revenue	\$2,889.7	\$2,973.9	\$84.2	2.9%
Funding Gap	\$0	\$60.4	\$60.4	
FTE Positions*	7,801.5	7,832.6	31.2	0.4%

*Full-time equivalent positions

NOTE: Totals may vary slightly due to rounding



FY 2019-20 MOE Budget (\$ in millions)

Program	Appropriation	Revenue	Net Cost	FTE
General Government	\$258.6	\$158.3	\$100.3	951.3
Public Protection	\$772.0	\$415.3	\$356.7	2,738.5
Public Assistance	\$874.8	\$793.2	\$81.6	2,588.8
Health Care Services	\$916.0	\$771.3	\$144.7	1,554.0
Subtotal Programs	\$2,821.5	\$2,138.2	\$683.3	7,832.6
Capital Projects	\$6.7	\$1.1	\$5.6	0
Contingency/Reserve/ Debt Service/Designations	\$206.1	(\$23.1)	\$229.2	0
Non-Program Financing	\$0.0	\$857.7	(\$857.7)	0
Subtotal Other	\$212.8	\$835.7	(\$622.9)	0
TOTAL	\$3,034.3	\$2,973.9	\$60.4	7,832.6



FY 2019-20 MOE Budget – Net Cost Change by Program without Pension Obligation Bond (POB) adjustments (\$ in millions)

Program	2018-19 FINAL Net Cost	2019-20 MOE Net Cost	POB Adjustment	NCC w/o POB Adjustment	NCC Change w/o POB Adjustment	% Change
General Government	\$92.9	\$100.3	(\$9.1)	\$109.4	\$16.3	17.5%
Public Protection	\$347.8	\$356.7	(\$27.9)	\$384.6	\$36.8	10.6%
Public Assistance	\$81.6	\$81.6	(\$19.5)	\$101.1	\$19.5	23.9%
Health Care	\$142.8	\$144.7	(\$14.8)	\$159.5	\$16.7	11.7%
Subtotal – Programs	\$665.0	\$683.3	(\$71.3)	\$754.6	\$89.3	13.4%

NOTE: Totals may vary slightly due to rounding



FY 2019-20 MOE Budget – Net Cost Change by Program (\$ in millions)

Program	2018-19 FINAL Net Cost	2019-20 MOE Net Cost*	Change	% Change
General Government	\$92.9	\$100.3	\$7.5	8.0%
Public Protection	\$347.8	\$356.7	\$8.9	2.6%
Public Assistance	\$81.6	\$81.6	\$0.0	0.0%
Health Care	\$142.8	\$144.7	\$1.9	1.3%
Subtotal – Programs	\$665.0	\$683.3	\$18.3	2.8%

* Includes \$71.3M appropriation reduction due to retirement of Pension Obligation Bonds



FY 2019-20 MOE Budget – Net Cost Change Non-Program (\$ in millions)

Program	2018-19 FINAL Net Cost	2019-20 MOE Net Cost	Net Cost Change	Net Cost % Change
Capital	\$4.9	\$5.6	\$0.7	14.3%
Contingency/Reserves/ Debt Service/Designations	\$134.3	\$219.2	\$84.9	63.2%
FY 18-19 Final Board Initiatives	\$10.0	\$10.0	\$0	0%
One-time use of FMR	(\$25.6)	\$0	\$25.6	-100.0%
Non-Program Financing	(\$788.6)	(\$857.7)	(\$69.1)	8.8%
Subtotal – Other	(\$665.0)	(\$622.9)	\$42.1	-6.3%
Subtotal – Programs	\$665.0	\$683.3	\$18.3	2.8%
TOTAL	\$0.0	\$60.4	\$60.4	



Major Components of Net County Cost Change

(partial list, \$ in millions)

Net County Cost Change

Appropriation changes

• Salary increases due to COLAs	\$ 20.4
• Retirement Increases	\$ 38.5
• Other benefits increases	\$ 12.5
• Internal Service Fund costs	\$ 11.6
• 3.5% COLA for CBOs	\$ 5.7
• 3.5% COLA for Alameda Health System	\$ 1.2
• IHSS MOE inflation and wage supplements	\$ 16.5
• Retirement of Pension Obligation Bond Debt	(\$ 71.3)
• Acute Tower Replacement	\$ 71.3
• Net change in other expenditures	\$ 10.8

Revenue changes

• Prior-year use of FMR	\$ 25.6
• Title IV-E Waiver Expiration	\$ 7.5
• Use of one-time reserves Title IV-E expiration	(\$ 7.5)
• Use of one-time growth to offset IHSS increases	(\$ 16.5)
• Elimination of Adult Criminal Justice Fees	\$ 1.2
• AB109 Growth Funds	(\$ 1.2)
• Decreased revenue for elections	\$ 5.2
• Net change in other program revenues	(\$ 2.0)
• Discretionary revenue increases	(\$ 69.1)

TOTAL

\$ 60.4M



County Administrator's Office

FY 2019-20 Discretionary Revenues

(partial list, \$ in millions)

Discretionary Revenue Changes from FY 2018-19:

• Property Taxes	\$ 41.3
• Motor Vehicle - ERAF	\$ 16.1
• Sales & Use Taxes	\$ 0.2
• Interest revenue	\$ 6.0
• Other revenues	\$ 5.5
TOTAL	\$ 69.1M



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 over year increase
 - Funded ratio **decreased** from 78% to 76% vs the prior year
 - Main driver is the lowered discount rate; and ACERA plans on continuing to lower the discount rate in the coming years
- County structural funding gap – use of one-time funding sources for ongoing uses
- Economic downturn



Budget Development Timeline

- Early Budget Work Sessions
- BWG: FY 19-20 Funding Gap
- BWG: Reduction Targets
- Governor's Revised Budget
- BWG: Reduction Plans
- Proposed Budget submitted
- Budget Hearings and Adoption

April 8 & 9, 2019

April 16, 2019, 3:00PM

April 23, 2019, 2:00 PM

May 2019

May 23, 2019, 4:00 PM

Early June 2019

Late June 2019





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