

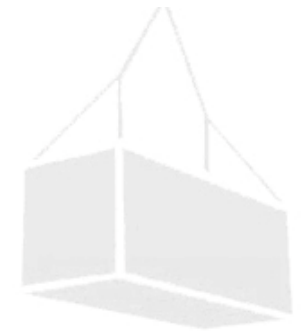
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Alameda County Fiscal Year 2020-21 Budget Workgroup Meeting

Susan S. Muranishi, County Administrator
Amy Costa, Deputy County Administrator
Melanie Atendido, Principal Analyst
Alma Balmes, Budget Coordinator

April 30, 2020



Overview

- Economic Updates
- County Financing
- FY 20-21 Maintenance of Effort (MOE) Budget
- FY 20-21 Funding Gap
- COVID-19 Impacts
- Pending Factors
- Balancing Options
 - Countywide strategies
 - Looking ahead

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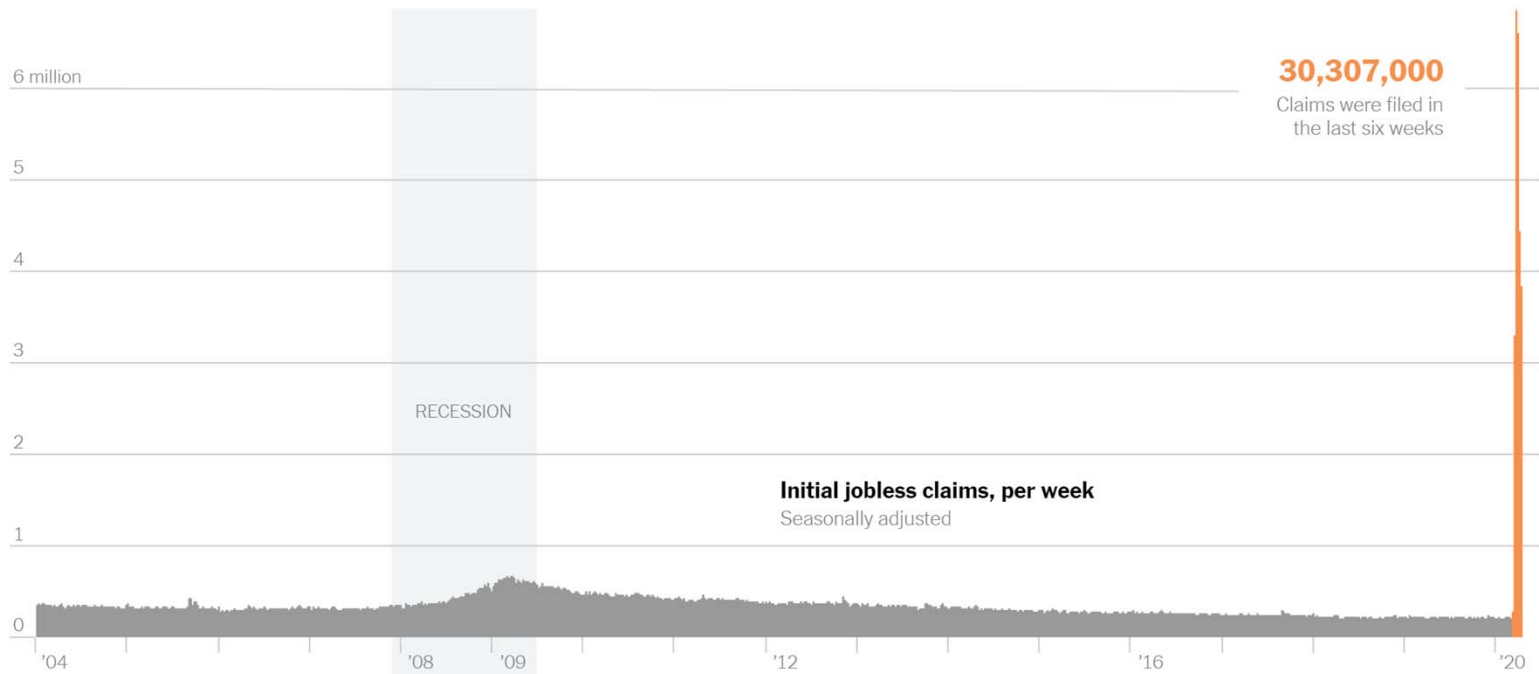
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Economic Updates



Unprecedented Rise in U.S. Unemployment DRAFT

Another 3.8 million file unemployment claims, overwhelming the states.



Source: Department of Labor • By The New York Times



Los Angeles Times

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California coronavirus unemployment surges as payrolls shrink for first time since 2010

19.3M person California work force

3.5M unemployment claims filed (**18%**)

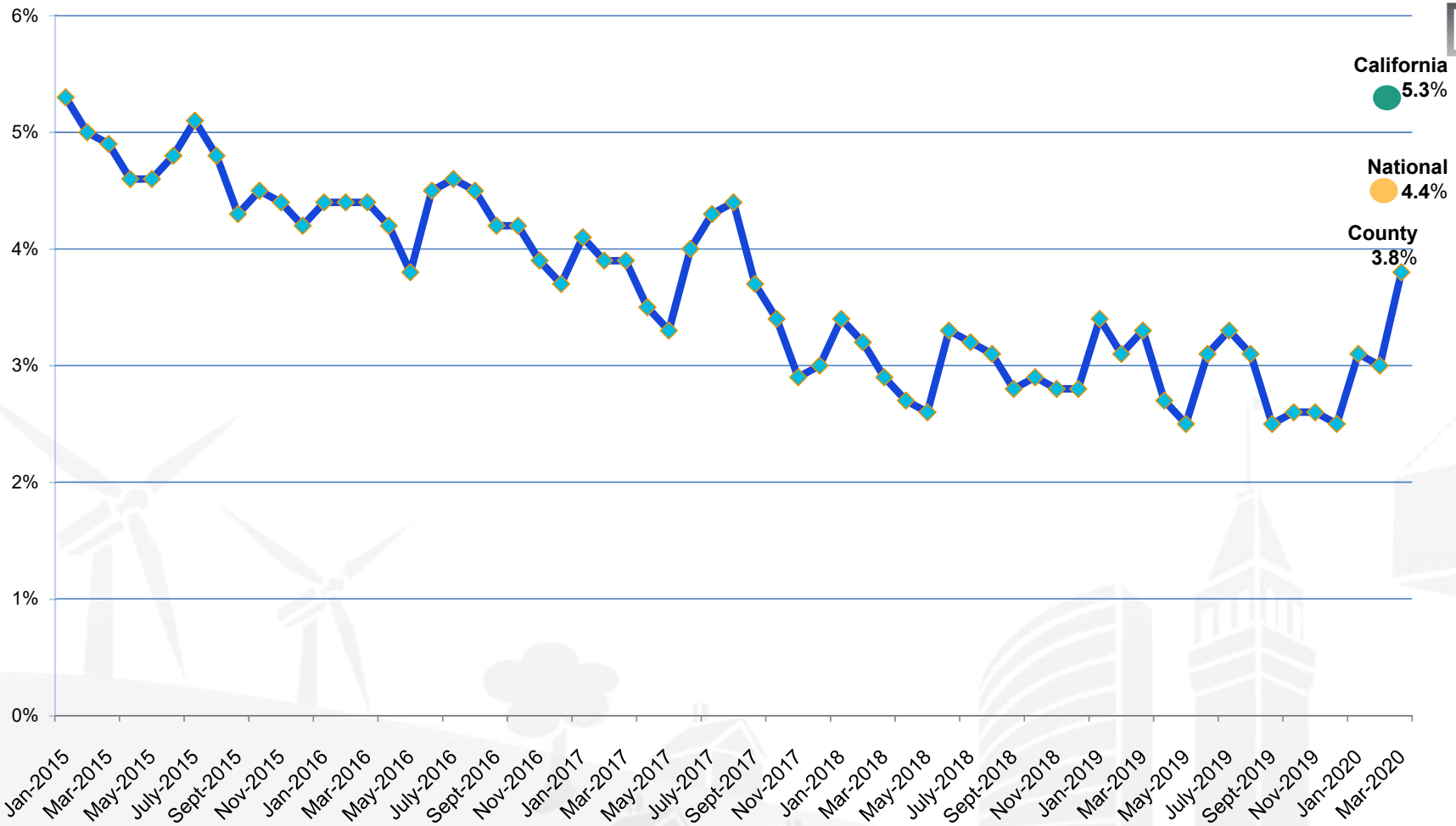
13% of total claims were issued first-time payments or only 1 in 8 workers

California lagging behind the national average



Alameda County – Unemployment Rate (March 2020)

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Local Unemployment

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- **Over 200 employers** throughout the County have submitted Worker Adjustment Retraining Notification (WARN) notices to report temporary or permanent closures or laid off employees, impacting over **15,000 workers***

**Includes numbers through March 2020 from the City of Oakland*

WARN

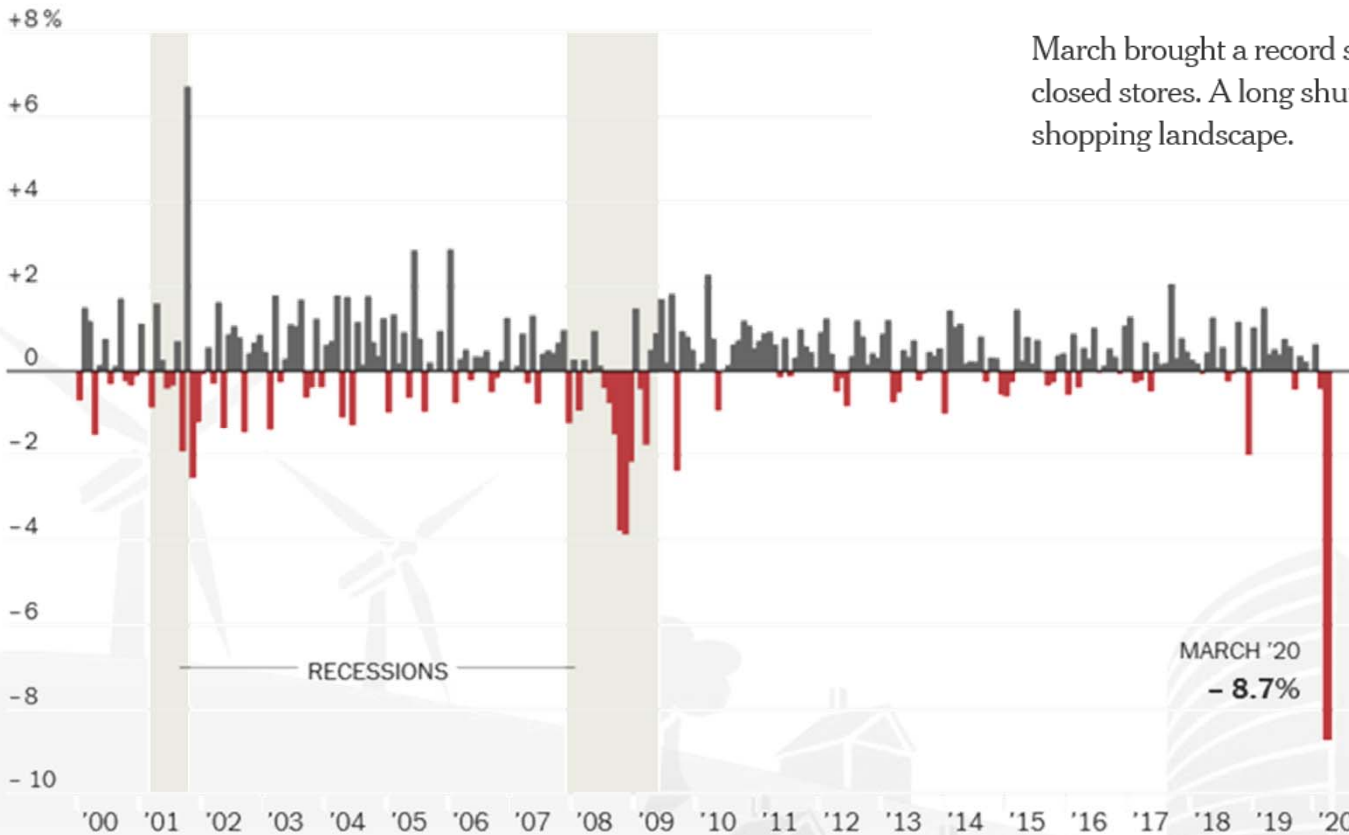
The Worker Adjustment Retraining Notification (WARN) protects employees, their families, and communities by requiring employers to give a 60-day notice to the affected employees and both state and local representatives prior to a plant closing or mass layoff. Federal WARN is applicable only to employers with 100 or more full-time employees. California WARN is applicable to a covered establishment with 75 or more employees full or part-time.



Major Losses in Retail

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Retail and Food Service Sales (Change from Previous Month)



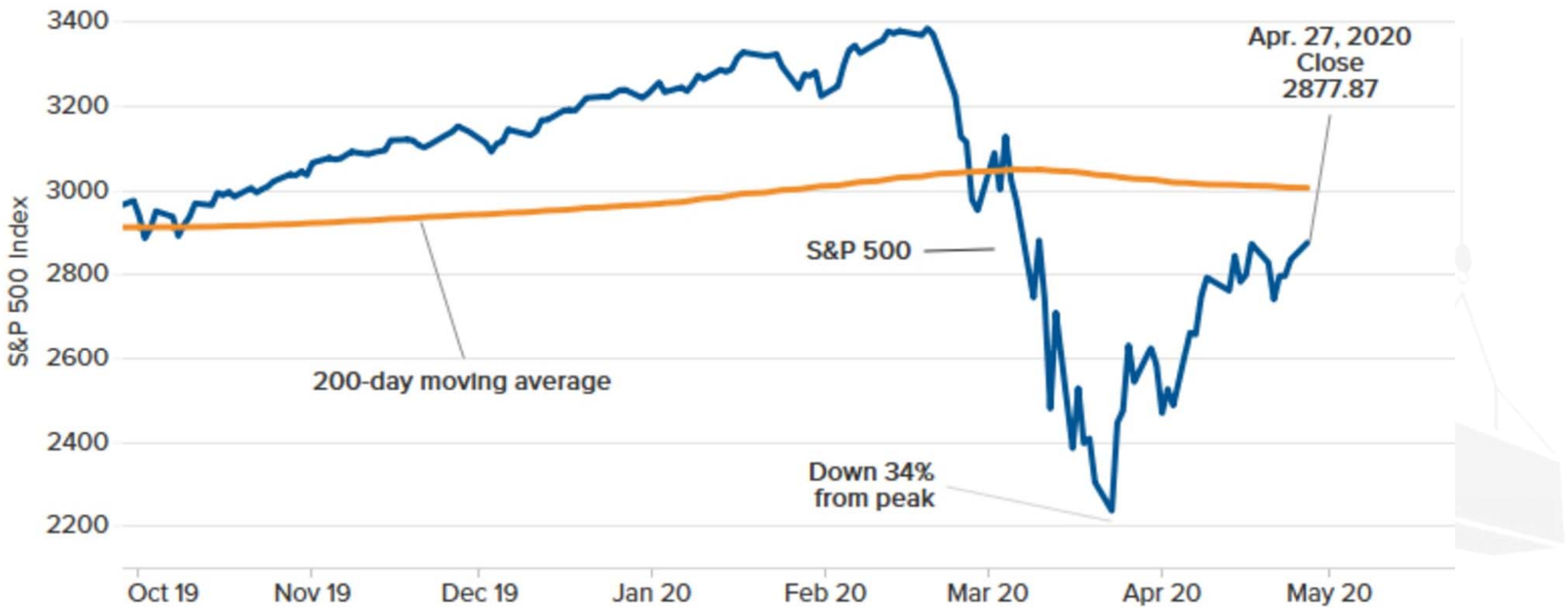
'Pretty Catastrophic' Month for Retailers, and Now a Race to Survive

March brought a record sales plunge as the coronavirus outbreak closed stores. A long shutdown could leave lasting changes in the shopping landscape.

The New York Times



Stocks Will Revisit Coronavirus Crash Low **DRAFT**



SOURCE: FactSet



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Strained Housing Market & Household Incomes

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■ Renters



30%

Failed to pay rent by April 1st

- Landlords foresee collections weakening in May/June when tenants exhaust savings

■ Homeowners



3.4M

skipped mortgage payments nationwide

90%

decline in buyer interest



80%

decline in houses on the market

60%

of buyers delaying purchases



11.5%

drop in California home sales

■ Federal CARES Act

- Mortgage payment forbearances up to a year
- Temporary relief from fees and charges
- No new foreclosure sales or evictions



“This is a natural disaster. There is nothing in the Great Depression that is analogous to what we’re experiencing now.”

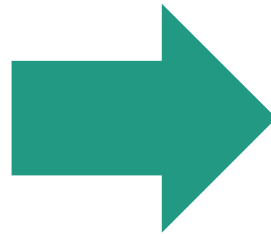
- Mark Zandi, Moody’s Chief Economist, Wall Street Journal, April 5, 2020



Current Year – Potential Revenue Impacts **DRAFT**

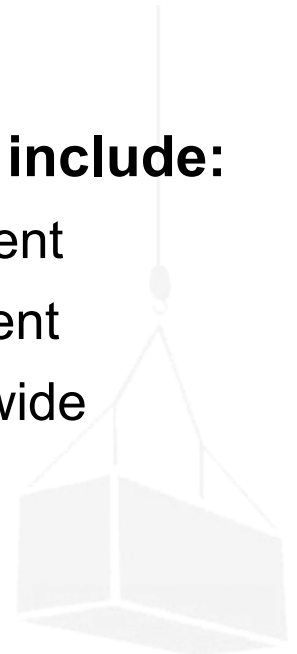
Major Sales Tax Declines Projected:

- Autos/Transportation
- Business/Manufactured Goods
- Construction/Building
- Fuel
- Retail Sales
- Restaurants/Hotels



Revenue Impacts include:

- 1991 Realignment
- 2011 Realignment
- Prop 172 statewide
- Measure A
- Unincorporated



Current Year Projections – Areas of Concern **DRAFT**

- **Significant revenue impacts from Mid-March – June 2020**
- **Dramatic declines in sales tax-based and other revenues**
 - 1991 & 2011 Realignment
 - Prop 172 Public Safety
 - Measure A, Gas Tax/Fuel
 - Medi-Cal
- Increased caseloads and unanticipated COVID-19 costs
- Spending controls and reductions may be required for related programs and services
- Immediate solutions to be implemented while planning for long-term effects to affected programs



Revised Five Year Forecast



Assumptions

- Status quo projection on costs
 - Model does not include costs associated with the County's COVID-19 emergency response
- Model does not include the impact of federal and State emergency relief
 - Likely to result in increased revenue available to offset a portion of the cost of the emergency response



Recession Scenarios

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Recessions Modeled as Revenue Events

- Moderate Recession Scenario
- Severe Recession Scenario

Assumptions for Both Scenarios

Recession begins FY 2019-20

Revenue model reflects projected economic impacts of pandemic

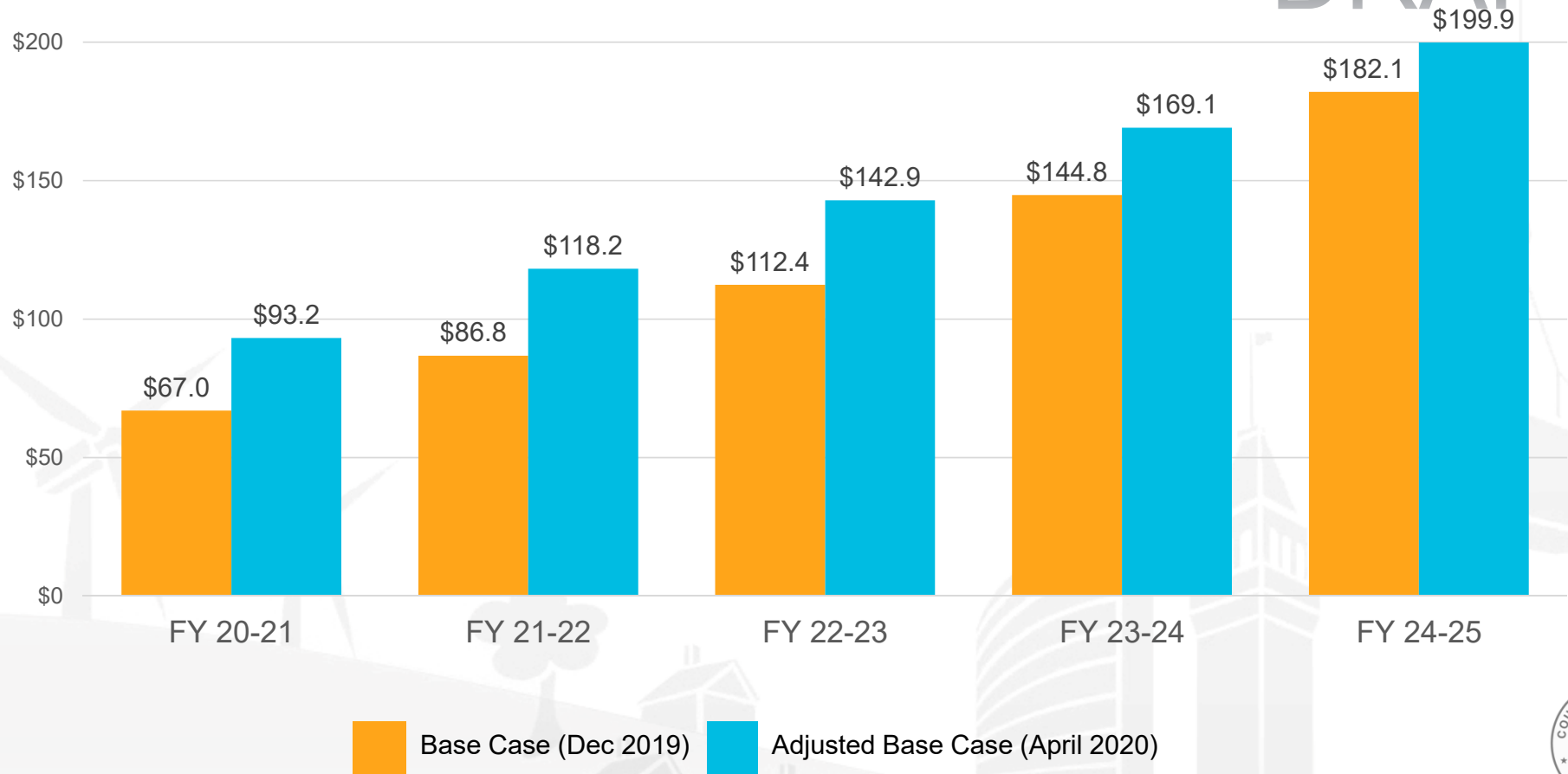
Spending at “Base Case” forecast level



Five-Year Forecast – Projected Budget Gaps (millions)

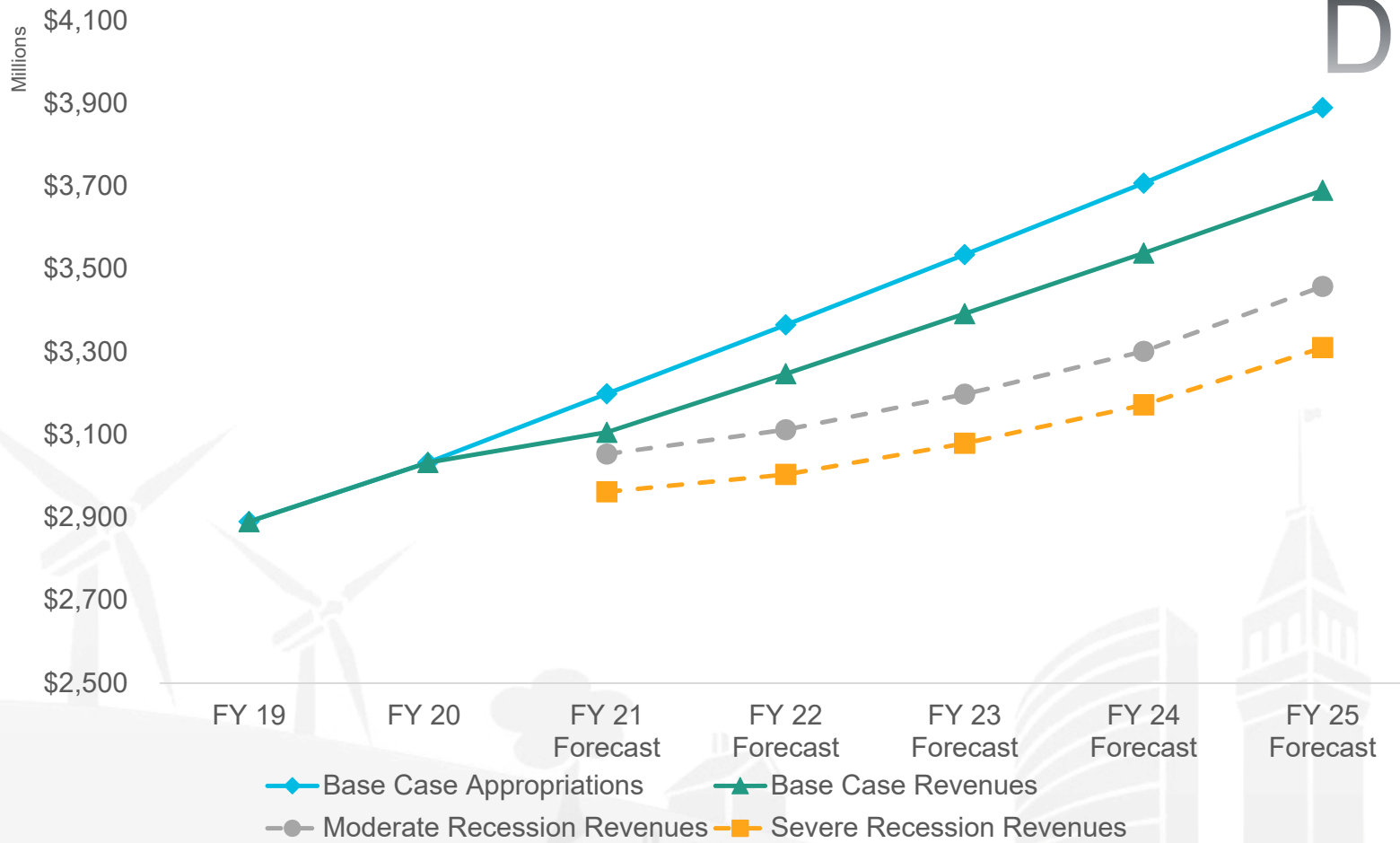
December 2019 and April 2020

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Recession Scenarios – Appropriations & Revenues

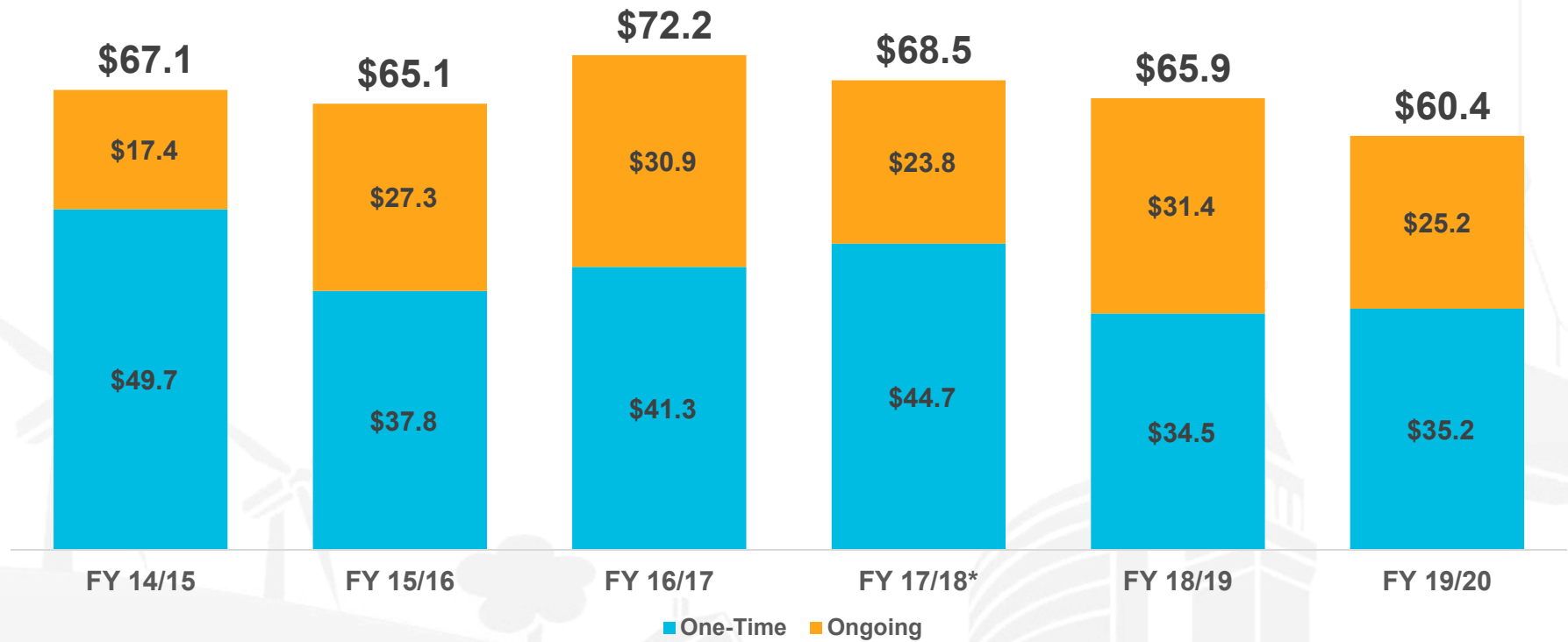
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Prior Year Budget Balancing Strategies

(\$ in millions)

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*FY 17/18 Budget Gap excludes the \$40 million estimated IHSS cost shift that was restored in VBB as part of new MOE arrangement



County Financing



County Fiscal Dilemma

- Increasing demand for safety net services during economic downturns
- County revenue raising authority limited by:
 - Proposition 13 - restricted property tax growth
 - Proposition 218 - voter approval for tax increases
 - ERAF* - State shifted property taxes to schools
- Progressive loss of control over local spending
- Most services are mandated by State/federal government
- Mandates have continued to increase; reimbursements delayed
- Transfer of responsibility from the State to counties
 - Realigned programs with inadequate ongoing funding

*Education Revenue Augmentation Fund

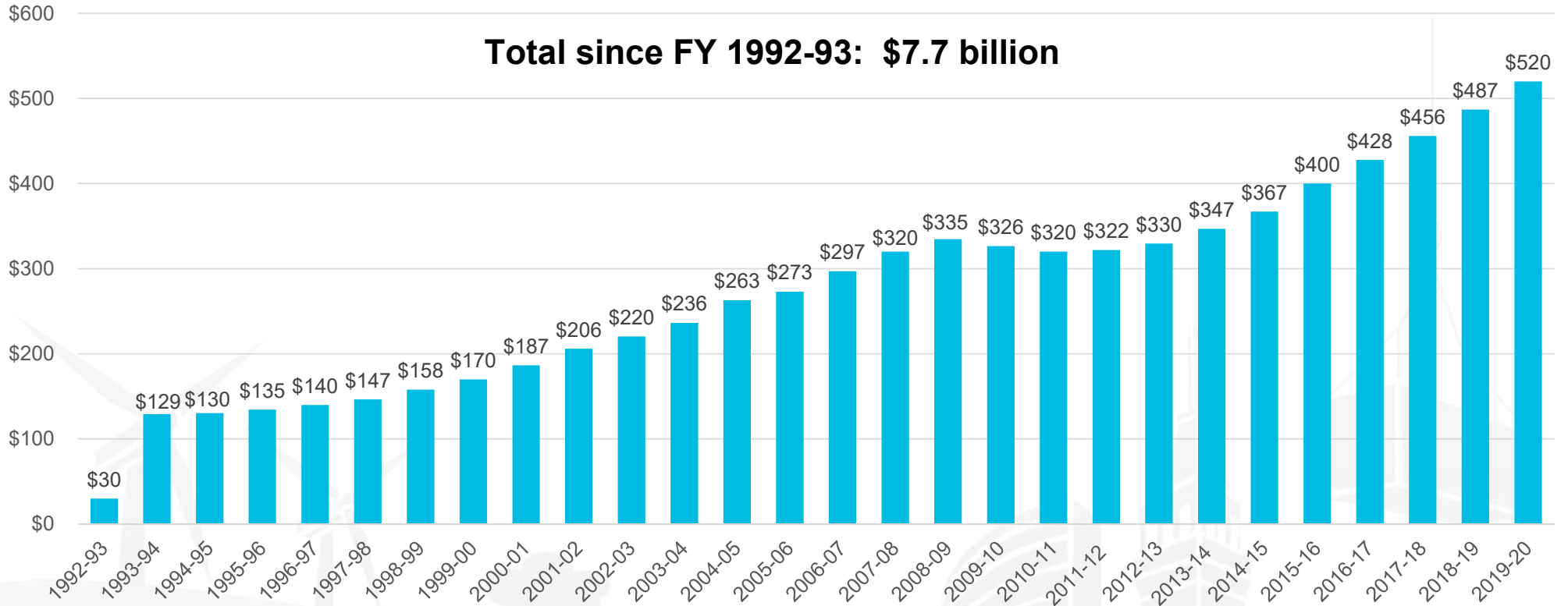
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Alameda County ERAF Losses by Year

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(\$ in millions)

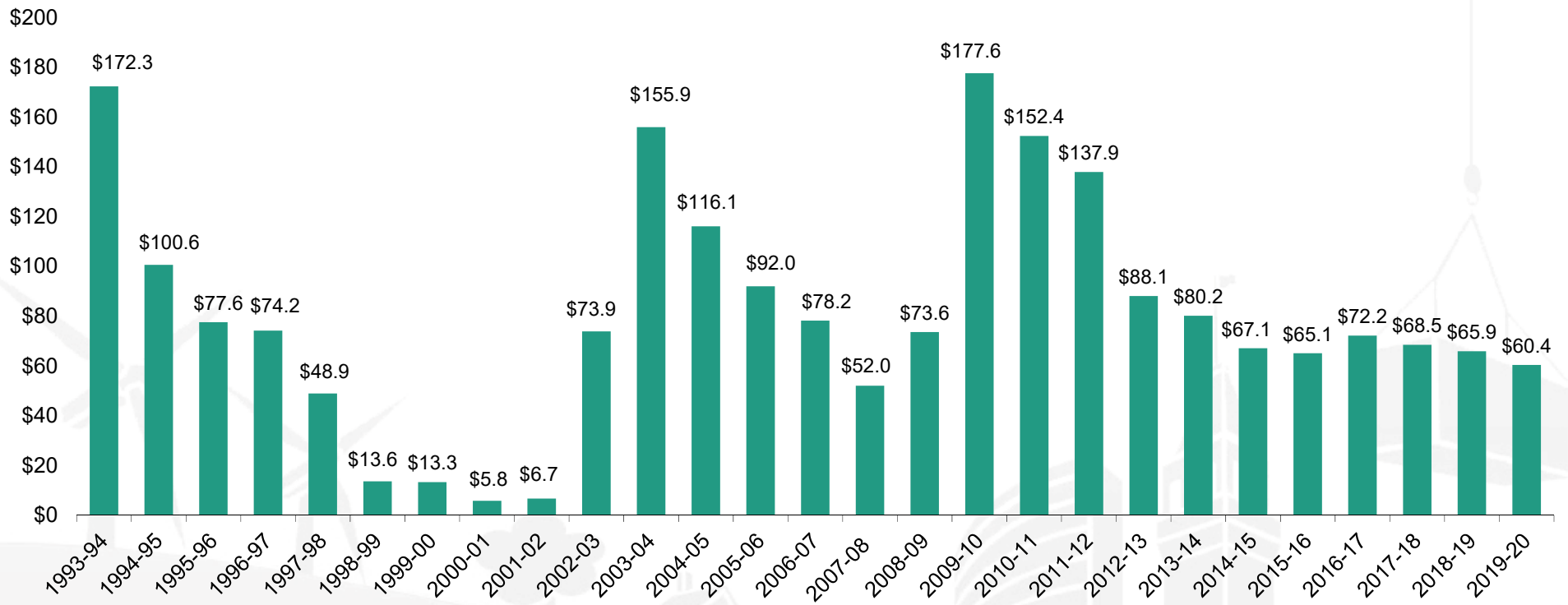


Alameda County Funding Gaps since ERAF

(\$ in millions)

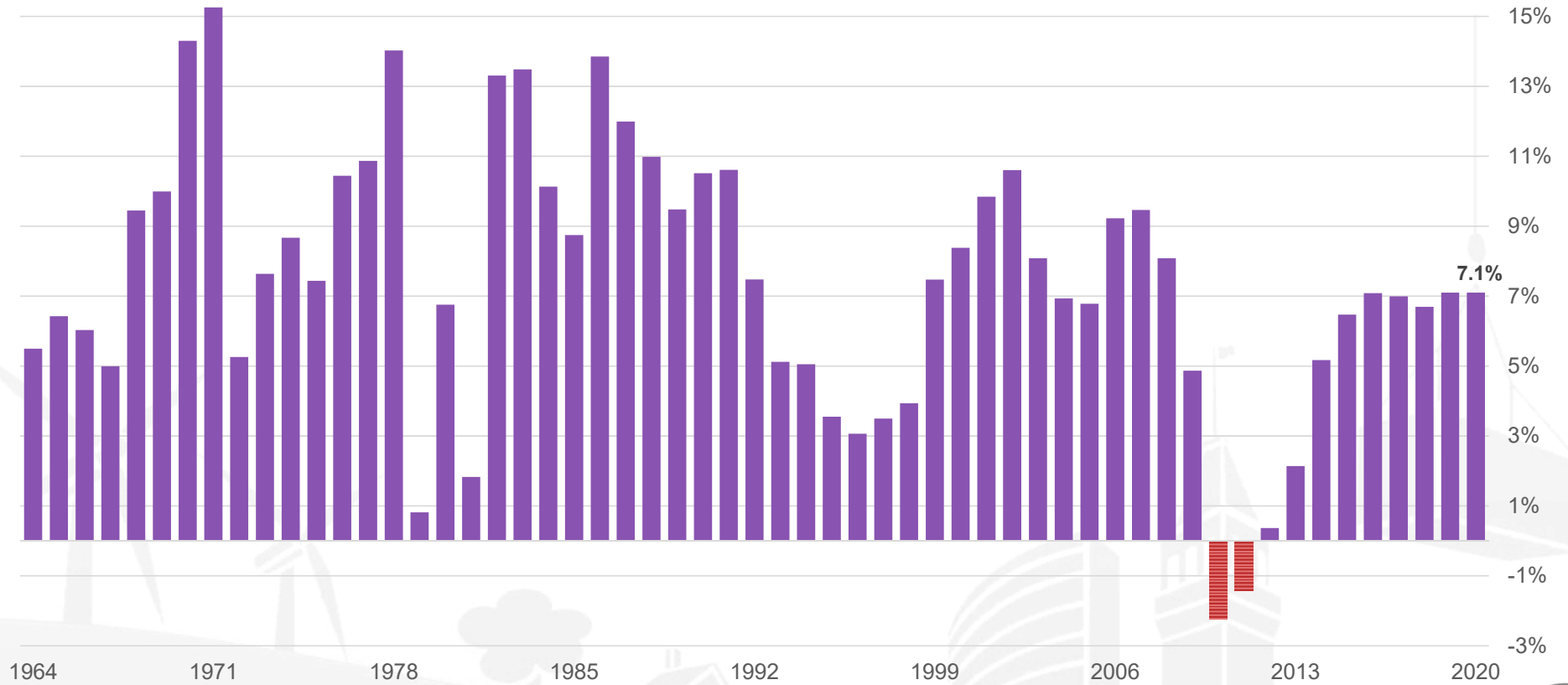
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Total since FY 1993-94: \$2.2 billion



Alameda County Assessment Roll Growth

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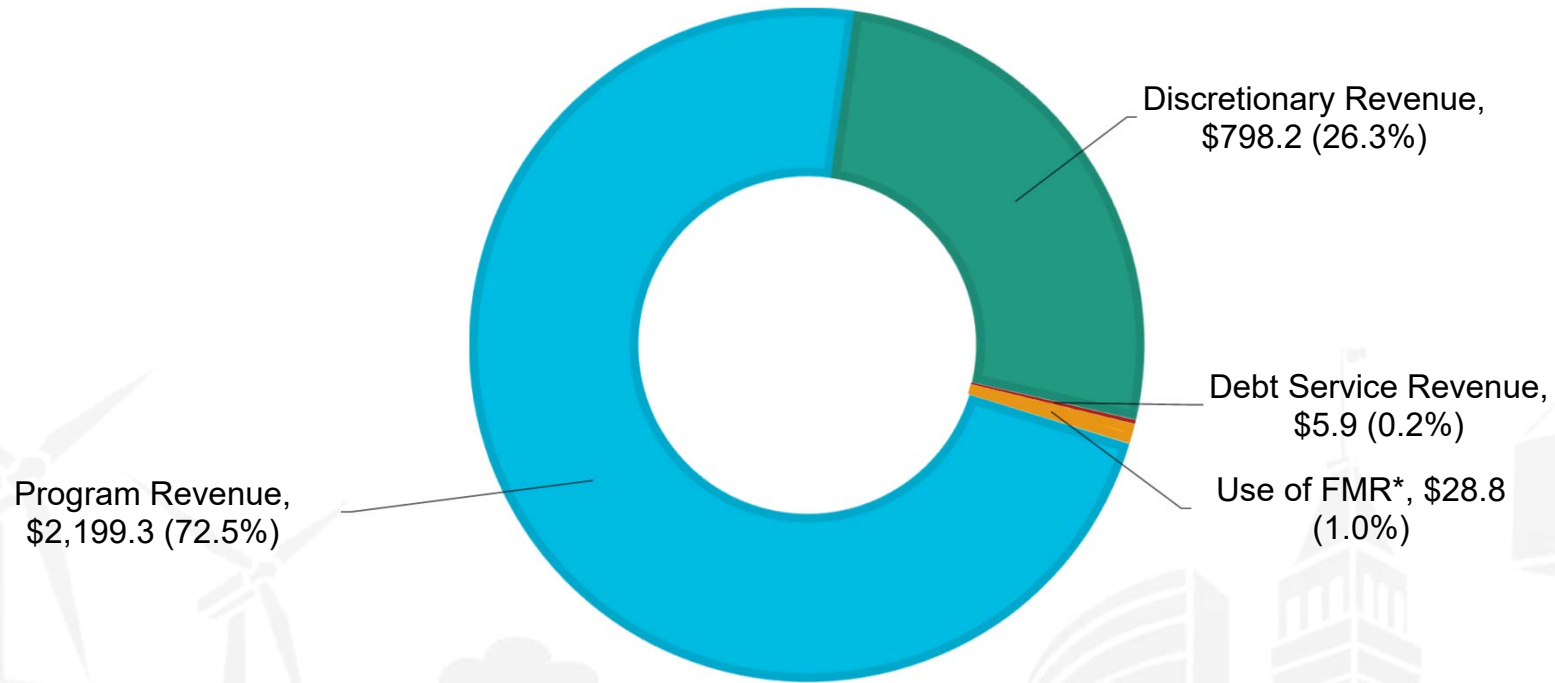


FY 2019-20 Final Budget

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Discretionary Revenue – Share of Total General Fund

(\$ in millions)



Total General Fund: \$3,032.2 million

*FMR = Fiscal Management Rewards

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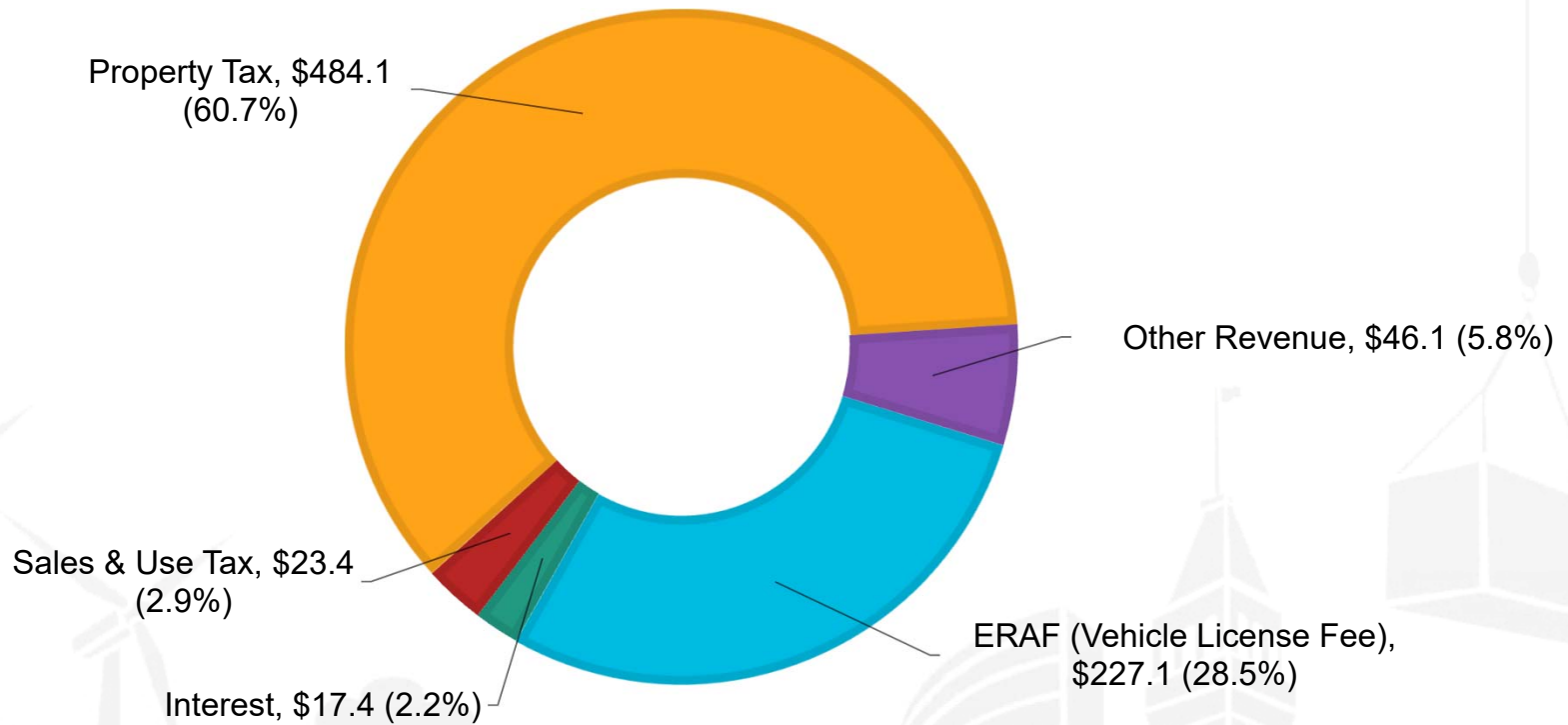


FY 2019-20 Final Budget

Discretionary Revenue by Source

(\$ in millions)

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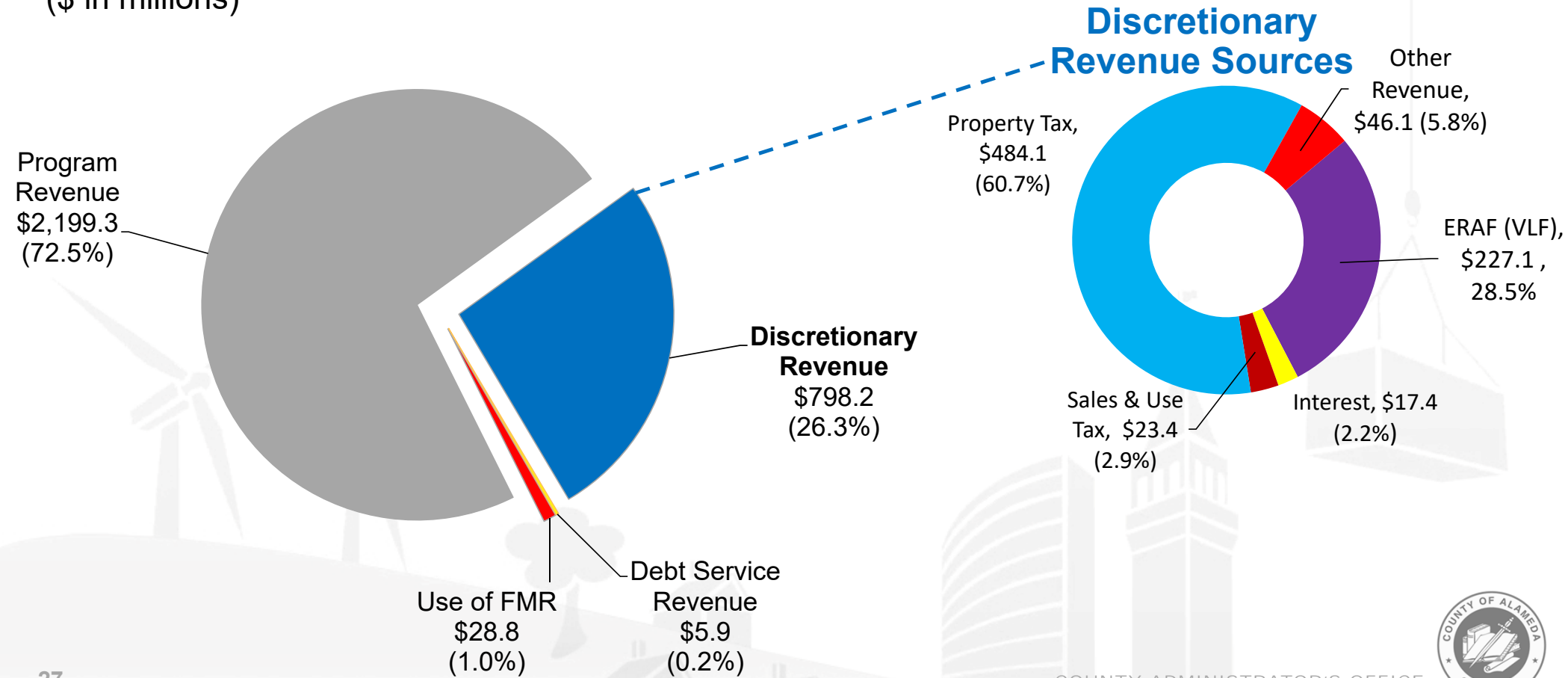
Total Discretionary Revenue: \$798.2 million



FY 2019-20 Final Budget

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Discretionary Revenue – Share of Total General Fund (\$ in millions)



Discretionary Revenue

- Discretionary revenue is approximately 27% of the General Fund, but 90% is property tax-based
- Alameda County receives **only 15 cents for every property tax dollar** collected in the County



Schools
(42¢)

Cities
(18¢)

County
(15¢)

Special
Districts
(13¢)

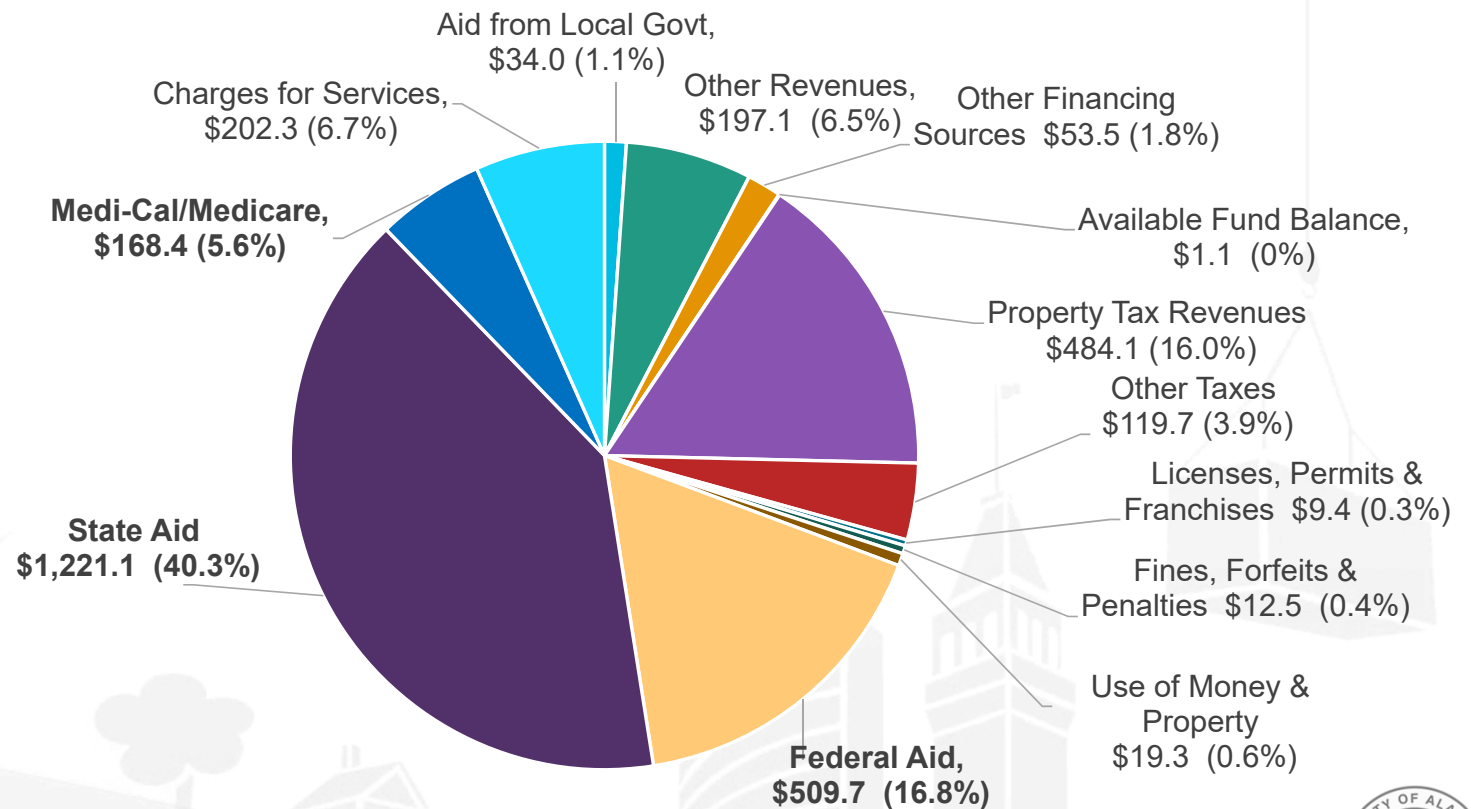
Redevelopment
(12¢)*

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



FY 2019-20 Final Budget – Financing by Source DRAFT

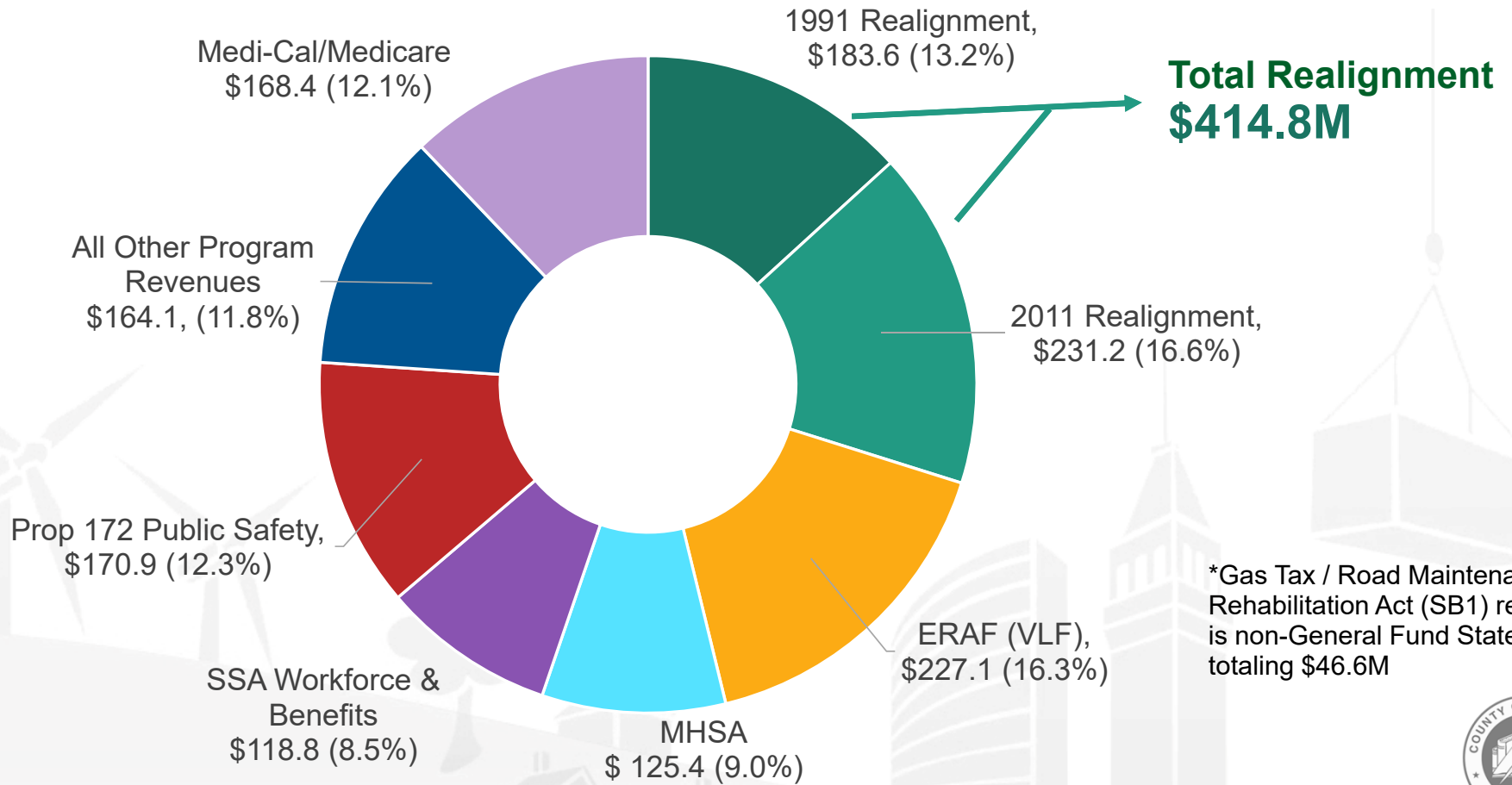
63%
of GF budget is
State and
Federal Aid
(\$1.9 billion)



Total General Fund: \$3,032.2 million

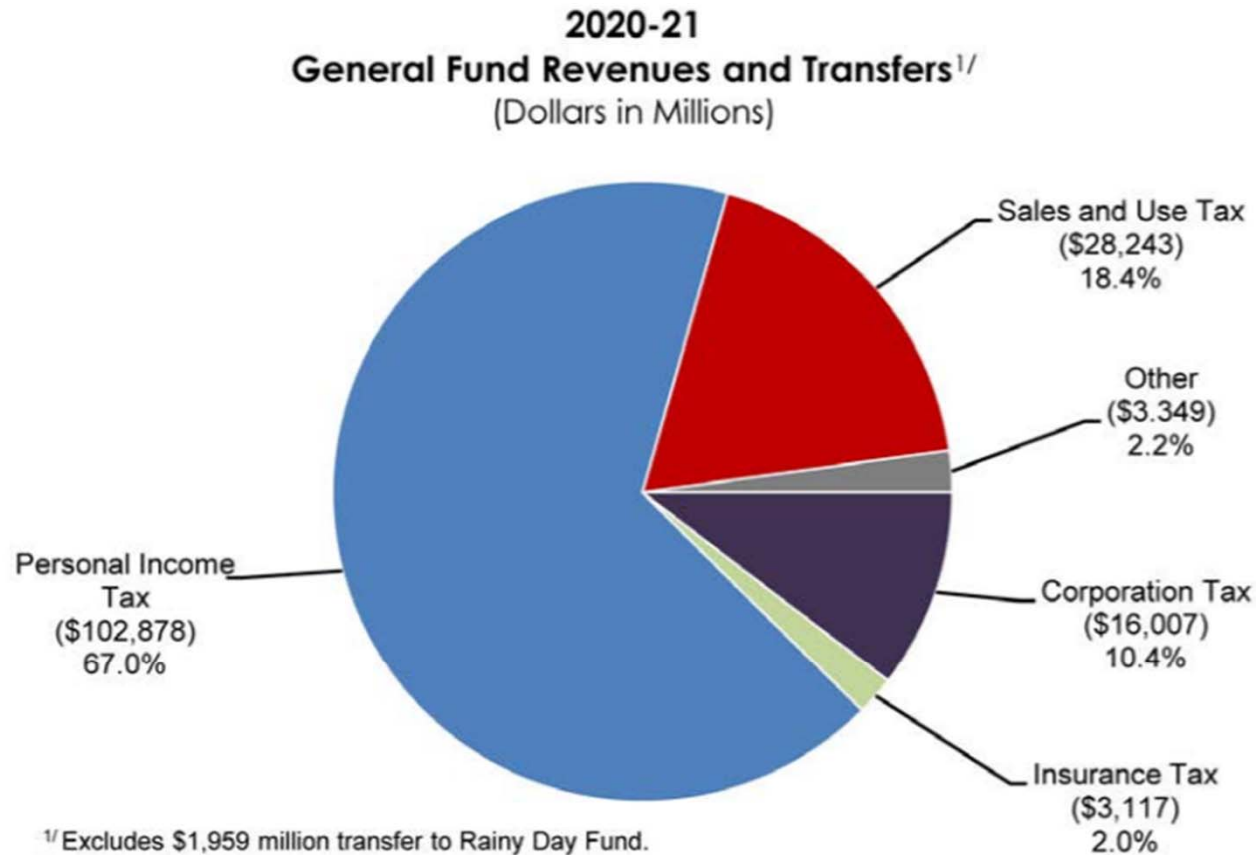


FY 2019-20: \$1.4B State Aid by Major Sources and Programs (in millions) DRAFT



Reliance on Volatile State Revenues

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*From the 2020-21 Governor's Proposed Budget; January 2020



Revenue Impacts Overview

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State Sales Tax-Based Revenues: \$610M

Realignment (1991 & 2011),
Prop 172 Public Safety,
Unincorporated Area

Personal Income Tax

Mental Health Services Act
(MHSA): **\$125M**

Local Revenues

- Measure A: Alameda Health System (75%) and County (25%) split revenues
 - FY 18-19 Remittances: **\$164M**
AHS (\$123M); County (\$41M)
- Unincorporated Area Revenues: **\$19M**
 - Utility Users, Business License, Hotel & Lodging
- Property Tax
- Penalty & Fee Waivers
- Measure A1: Affordable Housing *

*Measure A1 is a General Obligation Bond for Affordable Housing approved by voters in 2016 for \$580M. The first tranche of bonds issued total \$240M.



Other Pending Factors

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- Health Care challenges
 - Expiration of Medicaid waivers
 - Alameda Health System financial status
- Rising retirement costs
- Ongoing homelessness crisis
- Facility maintenance & capital needs
- Increased public safety costs
- Pending litigation
- Census 2020
- County structural funding gap – one-time funding sources for ongoing uses
- COVID-19 global pandemic: revenues, caseloads, and cost impacts
 - Economic downturn



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FY 2020-21 MOE Budget



2020-21 MOE Budget: Best Case Scenario

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- MOE submissions represent year-over-year baseline changes
- MOE does **not** include COVID-19 impacts
 - Additional emergency costs
 - Additional caseload
 - Revenue reductions



FY 2020-21 MOE Budget: General Fund

(in millions)

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Appropriation	\$3,120.9
Revenue	\$3,048.8
Funding Gap	\$ 72.1



FY 2020-21 MOE Budget

(\$ in millions)

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	FY 2019-20 FINAL	FY 2020-21 MOE	Increase/ Decrease	% Change
Appropriation	\$3,032.2	\$3,120.9	\$88.7	2.9%
Revenue	\$3,032.2	\$3,048.8	\$16.6	0.6%
Funding Gap	\$0	\$72.1	\$72.1	
FTE Positions	7,931.1	7,987.0	55.9*	0.7%

*Majority of the FTE increase is project positions (including 37.0 FTE from Probation pre-trial grant).



FY 2020-21 MOE Budget Net Cost Change by Program (in millions)

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Program	2019-20 FINAL Net Cost	2020-21 MOE Net Cost	Change	% Change
General Government	\$99.2	\$98.7	(\$0.4)	(0.4%)
Public Protection	\$347.5	\$387.8	\$40.2	11.6%
Public Assistance	\$69.3	\$73.6	\$4.3	6.2%
Health Care Services	\$139.7	\$159.5	\$19.9	14.2%
Subtotal Programs	\$655.7	\$719.6	\$63.9	9.7%

NOTE: Totals may vary slightly due to rounding



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FY 2020-21 MOE Budget Net Cost Change Non-Program (in millions)

Other Program	2019-20 FINAL Net Cost	2020-21 MOE Net Cost	Change	% Change
Capital	\$7.0	\$7.0	0	0%
Contingency / Reserves Debt Service / Designations	\$189.3	\$189.7	\$0.4	0.2%
One-time use of FMR	(\$28.8)		\$28.8	100%
Non-Program Financing	(\$823.2)	(\$844.2)	(\$21.0)	2.6%
Subtotal Others	(\$655.7)	(\$647.5)	\$8.2	1.3%
Subtotal Programs	\$655.7	\$719.6	\$63.9	9.7%
TOTAL	\$0	\$72.1	\$72.1	

NOTE: Totals may vary slightly due to rounding



FY 2020-21 MOE Budget

(\$ in millions)

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Program	Appropriation	Revenue	Net Cost	FTE
General Government	\$273.3	\$174.6	\$ 98.7	957.0
Public Protection	\$819.0	\$431.2	\$387.8	2,779.6
Public Assistance	\$887.3	\$813.7	\$ 73.6	2,604.8
Health Care Services	\$926.7	\$767.2	\$159.5	1,643.6
Subtotal Programs	\$2,906.3	\$2,186.7	\$719.6	7,985.0
Capital Projects	\$ 7.5	\$ 0.5	\$ 7.0	2.0
Contingency / Reserve Debt Service / Designations	\$207.2	\$17.5	\$189.7	0.0
Non-Program Financing	0	\$844.2	(\$844.2)	0.0
Subtotal Others	\$214.7	\$862.2	(\$647.5)	2.0
TOTAL	\$3,120.9	\$3,048.8	\$72.1	7,987.0

NOTE: Totals may vary slightly due to rounding



FY 2020-21 MOE Budget

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Net Cost Change by Program with FMR (in millions)

Program	NCC Change	Prior Year FMR Use	NCC Increase w/ FMR
General Government	(\$0.4)	\$17.8	\$17.4
Public Protection	\$40.2	\$4.0	\$44.1
Public Assistance	\$4.3	\$0.0	\$4.3
Health Care Services	\$19.9	\$7.0	\$26.9
Subtotal Programs	\$63.9	\$28.8	\$92.7
Subtotal Non-Program			(\$20.6)
TOTAL			\$72.1

NOTE: Totals may vary slightly due to rounding



Major Components of Net County Cost Change

(partial list, \$ in millions)

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Appropriation changes

	Net County Cost Change
• Salary increases due to COLAs	\$ 39.2
• Retirement increases	\$ 12.4
• Health insurance increases	\$ 4.3
• Internal Service Fund increases	\$ 9.4
• 3.5% COLA for CBOs	\$ 4.1
• 3.5% COLA for Alameda Health System	\$ 1.2
• 1% of discretionary revenue increase for capital and reserves	\$ 0.6
• IHSS MOE inflation and wage supplements	\$ 5.1
• Countywide coordination of homelessness services (HCSA/OHCC)	\$ 5.0
• Adjustment for public safety CBO contracts	\$ 17.2
• Appropriation offset for public safety CBO contracts	(\$ 4.3)
• Net change in other expenditures	(\$ 5.5)

Revenue changes

• Prior-year use of FMR	\$ 28.8
• One-time consumer fraud trust fund use	\$ 2.3
• Other public safety adjustments	\$ 2.1
• General Government adjustments	\$ 3.5
• Health care expired grants and other one-time revenues	\$ 1.5
• SSA Children and Family Services revenue adjustments	\$ 1.8
• 2011 Realignment revenue	\$ 4.2
• One-time use of 1991 Realignment	(\$ 2.2)
• Revenue offset for public safety CBO contracts	(\$ 5.3)
• Discretionary revenue increases	(\$ 21.0)
• <u>Net change in other revenues</u>	<u>\$ 0.9</u>

42 **TOTAL**

\$72.1M

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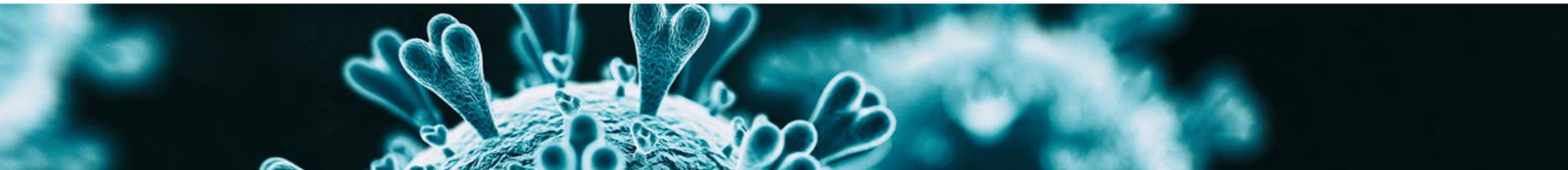
FY 2020-21 Discretionary Revenues

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Changes from FY 2019-20

■ Property Taxes	\$ 0.0
■ Motor Vehicle - ERAF	\$ 0.0
■ Sales & Use Taxes	\$ 0.0
■ Interest revenue	\$ 0.0
■ Other revenues	\$ 21.0
■ TOTAL	\$ 21.0M





COVID-19 IMPACTS



COVID-19 County Revenue Impacts

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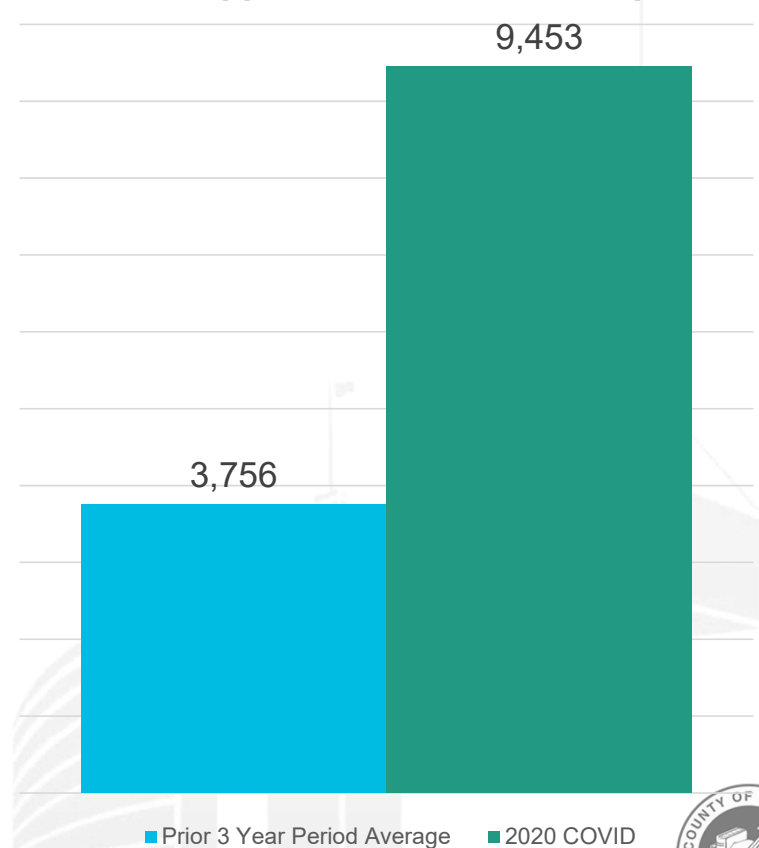
- Census 2020 undercount
- Lower sales tax-based revenues (Realignment, Prop 172, Measure A)
- MHSA funding
- Decreased property tax collections and revenues due to declining real estate value/market
- Reduced collections (intercept programs suspended)
- Decreased federal and State allocations
- Terminated grant funding
- Other taxes and fees



COVID-19 County Residents – Human Impacts DRAFT

- Financial challenges for service providers
- Waived requirements for public benefit programs
- Redirected work hours – Activation of Disaster Service Workers
CA Government Code §3100
- **Increased caseload:** unemployment, uninsured/Medi-Cal enrollees, CalFresh, General Assistance, demand for physical and behavioral health services
- **Limited or suspended:** access to County facilities and in-person resources/assistance

CalFresh Applications March 16 – April 08



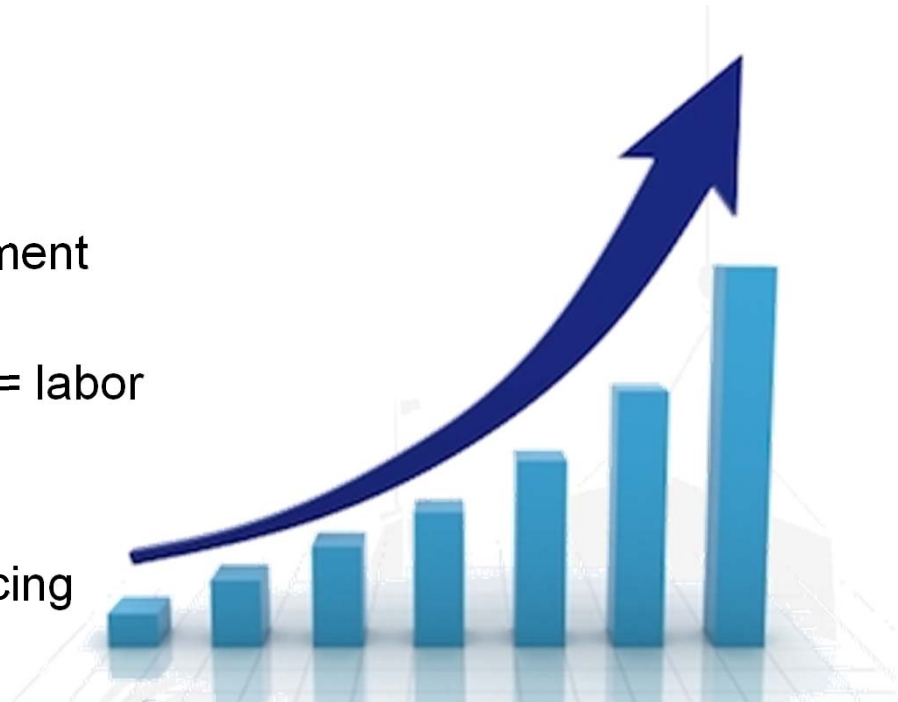
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COVID-19 Increased Unanticipated Costs

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- Emergency efforts
 - Shelter for unsheltered
 - Food distribution
 - Childcare for essential workers
 - PPE and emergency medical supplies/equipment needs
 - Need for emergency/public safety personnel = labor costs
 - Reliance on IT and operations infrastructure
 - Logistical costs to relocate persons experiencing homelessness to temporary shelters
 - Janitorial support to ensure sanitization of public/private spaces
- Stock market impacts on pensions



COVID-19 Impacted Programs – State/Federal DRAFT

- Personal Income Tax – MESA-based programs
- California Advancing and Innovating Medi-Cal (CAAIM) suspended
 - Expiration of the Medi-Cal 1115 waiver (Medi-Cal 2020) and Medi-Cal 1915(b) waiver unanswered
- Forecasted 10% reduction for Measure A & other sales tax-based revenues (including but not limited to: essential health services, other health, social services programs)
- Medi-Cal programs – lower client utilization and claims
- Realigned programs
 - In Home Supportive Services
 - Public Safety Realignment
- Title IV-E



Discussion of Funding Gap Reduction Options



Recap

- Economic Updates
- County Financing – 60% State and federally funded
- FY 20-21 MOE Budget, Funding Gap & Options
- In addition to closing the gap for a baseline MOE budget
 - *COVID-19 impacts to be considered*
 - *Other pending factors (AHS financial status, homelessness crisis, rising retirement, pending litigation, increased public safety costs, maintenance & capital needs)*

Next Steps

- Finalize Values-Based Budgeting (VBB) reduction plans by Mid-May
 - Agencies/departments to prioritize ongoing strategies v. one-time
 - Countywide strategies

