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
Economic Updates
Unprecedented Rise in U.S. Unemployment

Another 3.8 million file unemployment claims, overwhelming the states.

Source: Department of Labor  By The New York Times
Los Angeles Times

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)

County: 3.8%
California: 5.3%
National: 4.4%
Local Unemployment

- **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

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
Strained Housing Market & Household Incomes

- **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
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

- 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

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

Base Case (Dec 2019)  Adjusted Base Case (April 2020)
Recession Scenarios – Appropriations & Revenues

<table>
<thead>
<tr>
<th></th>
<th>FY 19</th>
<th>FY 20</th>
<th>FY 21 Forecast</th>
<th>FY 22 Forecast</th>
<th>FY 23 Forecast</th>
<th>FY 24 Forecast</th>
<th>FY 25 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Case Appropriations</td>
<td></td>
<td></td>
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<td>Base Case Revenues</td>
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<td></td>
<td></td>
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<tr>
<td>Moderate Recession Revenues</td>
<td></td>
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<tr>
<td>Severe Recession Revenues</td>
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<td></td>
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</table>
## Prior Year Budget Balancing Strategies
($ in millions)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>One-Time</th>
<th>Ongoing</th>
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</thead>
<tbody>
<tr>
<td>FY 14/15</td>
<td>$49.7</td>
<td>$17.4</td>
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<tr>
<td>FY 15/16</td>
<td>$37.8</td>
<td>$27.3</td>
</tr>
<tr>
<td>FY 16/17</td>
<td>$41.3</td>
<td>$30.9</td>
</tr>
<tr>
<td>FY 17/18*</td>
<td>$44.7</td>
<td>$23.8</td>
</tr>
<tr>
<td>FY 18/19</td>
<td>$34.5</td>
<td>$31.4</td>
</tr>
<tr>
<td>FY 19/20</td>
<td>$35.2</td>
<td>$25.2</td>
</tr>
</tbody>
</table>

* 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
Alameda County ERAF Losses by Year

($ in millions)

Total since FY 1992-93: $7.7 billion
Alameda County Funding Gaps since ERAF
($ in millions)

Total since FY 1993-94: $2.2 billion
Alameda County Assessment Roll Growth
FY 2019-20 Final Budget
Discretionary Revenue – Share of Total General Fund
($ in millions)

Total General Fund: $3,032.2 million

- Program Revenue, $2,199.3 (72.5%)
- Discretionary Revenue, $798.2 (26.3%)
- Debt Service Revenue, $5.9 (0.2%)
- Use of FMR*, $28.8 (1.0%)

*FMR = Fiscal Management Rewards
FY 2019-20 Final Budget
Discretionary Revenue by Source
($ in millions)

Total Discretionary Revenue: $798.2 million

- Property Tax, $484.1 (60.7%)
- ERAF (Vehicle License Fee), $227.1 (28.5%)
- Sales & Use Tax, $23.4 (2.9%)
- Interest, $17.4 (2.2%)
- Other Revenue, $46.1 (5.8%)
FY 2019-20 Final Budget
Discretionary Revenue – Share of Total General Fund
($ in millions)

- Program Revenue: $2,199.3 (72.5%)
- Discretionary Revenue: $798.2 (26.3%)
  - Use of FMR: $28.8 (1.0%)
  - Debt Service Revenue: $5.9 (0.2%)
- Property Tax: $484.1 (60.7%)
- ERAF (VLF): $227.1 (28.5%)
- Sales & Use Tax: $23.4 (2.9%)
- Interest: $17.4 (2.2%)
- Other Revenue: $46.1 (5.8%)

Discretionary Revenue Sources
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.
FY 2019-20 Final Budget – Financing by Source

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)

- **Total Realignment**: $414.8M
  - **1991 Realignment**: $183.6 (13.2%)
  - **2011 Realignment**: $231.2 (16.6%)
  - **ERAF (VLF)**: $227.1 (16.3%)
  - **MHSA**: $125.4 (9.0%)
  - **SSA Workforce & Benefits**: $118.8 (8.5%)
  - **Prop 172 Public Safety**: $170.9 (12.3%)
  - **All Other Program Revenues**: $164.1 (11.8%)
  - **Medi-Cal/Medicare**: $168.4 (12.1%)

*Gas Tax / Road Maintenance & Rehabilitation Act (SB1) revenue is non-General Fund State Aid totaling $46.6M*
Reliance on Volatile State Revenues

*From the 2020-21 Governor’s Proposed Budget; January 2020*
Revenue Impacts Overview

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

- 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
FY 2020-21 MOE Budget
2020-21 MOE Budget: Best Case Scenario

- 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)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriation</td>
<td>$3,120.9</td>
</tr>
<tr>
<td>Revenue</td>
<td>$3,048.8</td>
</tr>
<tr>
<td>Funding Gap</td>
<td>$ 72.1</td>
</tr>
</tbody>
</table>
## FY 2020-21 MOE Budget
($ in millions)

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

*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)

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

NOTE: Totals may vary slightly due to rounding
## FY 2020-21 MOE Budget
### Net Cost Change Non-Program (in millions)

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

NOTE: Totals may vary slightly due to rounding
## FY 2020-21 MOE Budget
($ in millions)

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

NOTE: Totals may vary slightly due to rounding
## FY 2020-21 MOE Budget
Net Cost Change by Program with FMR  (in millions)

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

*NOTE: Totals may vary slightly due to rounding*
**Major Components of Net County Cost Change**

**(partial list, $ in millions)**

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

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

**TOTAL** | **$72.1M**
FY 2020-21 Discretionary Revenues

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

- 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

- 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]

- Prior 3 Year Period Average: 3,756
- 2020 COVID: 9,453
COVID-19 Increased Unanticipated Costs

- 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

- Personal Income Tax – MHSA-based programs

- California Advancing and Innovating Medi-Cal (CalAIM) 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