Alameda County Fiscal Year 2020-21
Budget Briefing to Labor Representatives

Susan S. Muranishi, County Administrator
Melanie Atendido, Principal Analyst

May 6, 2020
Overview

- Economic Updates
- County Financing
- FY 20-21 Maintenance of Effort (MOE) Budget
- FY 20-21 Funding Gap
- COVID-19 Impacts
- Pending Factors
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
Alameda County – Unemployment Rate (March 2020)

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

- Nearly 250 employers throughout the County have submitted Worker Adjustment Retraining Notification (WARN) notices to report temporary or permanent closures or laid off employees, impacting over 19,000 workers*.

- Bay Area employers reported over 74,000 layoffs in April.

*Includes numbers through April 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.
Stocks Will Revisit Coronavirus Crash Low
Current Year – Potential Revenue Impacts

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
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

- FY 20-21: $67.0
- FY 21-22: $86.8
- FY 22-23: $118.2
- FY 23-24: $142.9
- FY 24-25: $169.1

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

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Base Case Appropriations</th>
<th>Base Case Revenues</th>
<th>Moderate Recession Revenues</th>
<th>Severe Recession Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 20</td>
<td>$2,500</td>
<td>$2,700</td>
<td>$2,900</td>
<td>$3,100</td>
</tr>
<tr>
<td>FY 21</td>
<td>$3,300</td>
<td>$3,500</td>
<td>$3,700</td>
<td>$3,900</td>
</tr>
<tr>
<td>FY 22</td>
<td>$3,700</td>
<td>$3,900</td>
<td>$4,100</td>
<td>$4,300</td>
</tr>
<tr>
<td>FY 23</td>
<td>$4,100</td>
<td>$4,300</td>
<td>$4,500</td>
<td>$4,700</td>
</tr>
<tr>
<td>FY 24</td>
<td>$4,500</td>
<td>$4,700</td>
<td>$4,900</td>
<td>$5,100</td>
</tr>
<tr>
<td>FY 25</td>
<td>$4,900</td>
<td>$5,100</td>
<td>$5,300</td>
<td>$5,500</td>
</tr>
</tbody>
</table>
Prior Year Budget Balancing Strategies
($ in millions)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>FY 14/15</th>
<th>FY 15/16</th>
<th>FY 16/17</th>
<th>FY 17/18*</th>
<th>FY 18/19</th>
<th>FY 19/20</th>
</tr>
</thead>
<tbody>
<tr>
<td>One-Time</td>
<td>$49.7</td>
<td>$37.8</td>
<td>$41.3</td>
<td>$44.7</td>
<td>$34.5</td>
<td>$35.2</td>
</tr>
<tr>
<td>Ongoing</td>
<td>$17.4</td>
<td>$27.3</td>
<td>$30.9</td>
<td>$23.8</td>
<td>$31.4</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
Fiscal Year 2019-2020 Final Budget
## FY 2019-20 Final Budget

<table>
<thead>
<tr>
<th></th>
<th>All Funds</th>
<th>General Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Approved</td>
<td>Proposed</td>
</tr>
<tr>
<td></td>
<td>Budget $3,415,539,736</td>
<td>$3,375,297,609</td>
</tr>
<tr>
<td>FTE*</td>
<td>9,761.45</td>
<td>9,786.04</td>
</tr>
</tbody>
</table>

*Full-time equivalent positions

---

* DRAFT
FY 2019-20 Budget Balancing

- FY 2019-20 Final Budget closed a $60.4M gap

- $35.2M in one-time solutions
  - Use of FMR = $28.8M
  - One-time revenues = $6.4M

- $25.2M in ongoing strategies
  - Program appropriation reductions = $16.3M
  - Program revenue increases = $5.0M
  - Non-program revenue increases = $3.9M
FY 2019-20 Final Budget

Appropriation by Major Object – General Fund

($ in millions)

- Services & Supplies, $1,198.9 (38.4%)
- Other Charges, $518.9 (16.6%)
- Fixed Assets, $14.5 (0.5%)
- Other Financing Uses, $174.4 (5.6%)
- Salaries & Employee Benefits, $1,215.3 (38.9%)

Intra-Fund Transfers: $-89.8 million
Total General Fund: $3,032.2 million
FY 2019-20 Final Budget
Appropriation by Program – General Fund
($ in millions)

- Public Assistance, $863.9 (28.5%)
- Public Protection, $767.5 (25.3%)
- Health Care Services, $927.5 (30.6%)
- Non-Program Activities, $147.8 (4.9%)
- Contingency & Reserves, $59.0 (1.9%)
- Capital Projects, $8.1 (0.3%)
- General Government, $258.5 (8.5%)

Total General Fund: $3,032.2 million
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

- Federal Aid, $509.7 (16.8%)
- State Aid, $1,221.1 (40.3%)
- Medi-Cal/Medicare, $168.4 (5.6%)
- Charges for Services, $202.3 (6.7%)
- Other Revenues, $197.1 (6.5%)
- Other Financing Sources, $53.5 (1.8%)
- Available Fund Balance, $1.1 (0%)
- Property Tax Revenues, $484.1 (16.0%)
- Other Taxes, $119.7 (3.9%)
- Licenses, Permits & Franchises, $9.4 (0.3%)
- Fines, Forfeits & Penalties, $12.5 (0.4%)
- Use of Money & Property, $19.3 (0.6%)
- Aid from Local Govt, $34.0 (1.1%)
Reliance on Volatile State Revenues

*From the 2020-2021 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.
10% Revenue Reduction Scenario

State Sales Tax-Based Revenues: $610M*

Local Sales Tax-Based Revenues: $41M**

Total Sales Tax-Based Revenues: $651M

10% revenue loss = $65M

* Limited to Realignment, Prop 172 Public Safety, Unincorporated
**County’s 25% share of FY 18-19 Measure A revenue
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%)

Sales & Use Tax,
$23.4 (2.9%)

Interest,
$17.4 (2.2%)

ERAF (VLF),
$227.1 (28.5%)

Other Revenue,
$46.1 (5.8%)
FY 2019-20 Final Budget
Use of Discretionary Revenue by Program
($ in millions)

Total Discretionary Revenue: $798.2 million
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**.

*Over time, redevelopment agencies’ share of property taxes should be distributed to the other entities.*
## Community-Based Organization (CBO) Contracts

**FY 2019-20 Funding** ($ in millions)

<table>
<thead>
<tr>
<th>Program Area</th>
<th>FY 19-20 Contracts</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Government</td>
<td>$20.4</td>
</tr>
<tr>
<td>Health Care Services*</td>
<td>$415.6</td>
</tr>
<tr>
<td>Health Care – Alameda Health System</td>
<td>$81.1</td>
</tr>
<tr>
<td>Public Assistance</td>
<td>$85.2</td>
</tr>
<tr>
<td>Public Protection</td>
<td>$36.4</td>
</tr>
<tr>
<td><strong>CBO Contracts Total</strong></td>
<td><strong>$638.7</strong></td>
</tr>
</tbody>
</table>

Total: 289 CBO Contractors

* excluding Alameda Health System contracts
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)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></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>
</tr>
</tbody>
</table>

*Majority of the FTE increase is project positions (including 37.0 FTE from Probation pre-trial grant).*
## 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>
</tr>
<tr>
<td>Public Protection</td>
<td>$819.0</td>
<td>$431.2</td>
<td>$387.8</td>
<td>2,779.6</td>
</tr>
<tr>
<td>Public Assistance</td>
<td>$887.3</td>
<td>$813.7</td>
<td>$ 73.6</td>
<td>2,604.8</td>
</tr>
<tr>
<td>Health Care Services</td>
<td>$926.7</td>
<td>$767.2</td>
<td>$159.5</td>
<td>1,643.6</td>
</tr>
<tr>
<td><strong>Subtotal Programs</strong></td>
<td><strong>$2,906.3</strong></td>
<td><strong>$2,186.7</strong></td>
<td><strong>719.6</strong></td>
<td>7,985.0</td>
</tr>
<tr>
<td>Capital Projects</td>
<td>$ 7.5</td>
<td>$ 0.5</td>
<td>$ 7.0</td>
<td>2.0</td>
</tr>
<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></td>
<td></td>
<td></td>
<td></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><strong>Subtotal Others</strong></td>
<td><strong>$214.7</strong></td>
<td><strong>$862.2</strong></td>
<td><strong>($647.5)</strong></td>
<td>2.0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$3,120.9</strong></td>
<td><strong>$3,048.8</strong></td>
<td><strong>$72.1</strong></td>
<td>7,987.0</td>
</tr>
</tbody>
</table>

*Debt Service appropriation is $118.5M

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>
</tr>
<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>$28.8</td>
<td>100%</td>
</tr>
<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

#### 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>
</tr>
<tr>
<td><strong>Subtotal Non-Program</strong></td>
<td></td>
<td></td>
<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*
## FY 2010-21 Reduction Targets

($ in millions)

<table>
<thead>
<tr>
<th>Program</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Government</td>
<td>$17.5</td>
</tr>
<tr>
<td>Public Protection</td>
<td>$31.2</td>
</tr>
<tr>
<td>Public Assistance</td>
<td>$2.9</td>
</tr>
<tr>
<td>Health Care</td>
<td>$20.5</td>
</tr>
<tr>
<td><strong>Total Programs</strong></td>
<td><strong>$72.1</strong></td>
</tr>
</tbody>
</table>

Numbers and percentages are rounded for display purposes, but calculations are based on exact numbers.
COVID-19 IMPACTS
COVID-19 County Revenue Impacts

- Census 2020 undercount
- Lower sales tax-based revenues (Realignment, Prop 172, Measure A)
- MHSA funding (Income tax-based)
- 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](chart)

- Prior 3 Year Period Average
- 2020 COVID

<table>
<thead>
<tr>
<th>Year</th>
<th>CalFresh Applications</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020 COVID</td>
<td>9,453</td>
</tr>
<tr>
<td>Prior 3 Year Period Average</td>
<td>3,756</td>
</tr>
</tbody>
</table>
COVID-19 Increased Unanticipated Costs

- Emergency efforts
  - Shelter for unsheltered
  - Food distribution
  - Childcare for essential workers
  - Transportation
  - PPE and emergency medical supplies/equipment
  - Emergency/public safety personnel = labor costs
  - Administrative and emergency paid sick leave
  - 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
Other Pending Factors

- Health Care challenges
  - Expiration of Medicaid waivers
  - Alameda Health System financial status
- Rising retirement costs
- Stock market impacts on pensions
- Ongoing homelessness crisis
- Infrastructure 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
Salary and Benefits Budget (in millions)

- Salaries: $738.0
- Retirement: $234.3 *
- Health & Dental: $155.5
- Workers' Compensation: $33.1

*Note: FY 19-20 retirement decrease is attributable to the retirement of the Pension Obligation Bonds
FY 2019-20 Budget Salaries & Benefits (in millions)

Salaries & Benefits, $1,215.3, 39%
Services & Supplies, $1,198.9, 38%
Other Charges, $518.9, 17%
Fixed Assets, $14.5, 0%
Other Financing Uses, $174.4, 6%
Intra-Fund Transfers $-89.8M

Total Appropriation: $3,032.2M
FY 2019-20 Budget Salaries & Benefits (in millions) DRAFT

Total S&EB budget: $1,215.3

Salaries, $738.0, 61%

Total Benefits, $477.3, 39%

COUNTY ADMINISTRATOR'S OFFICE
Salary and Benefits FY 2019-20 General Fund (in millions)

- Salaries, $738.0, 61%
- Retirement, $234.3, 19%
- Health & Dental, $155.5, 13%
- Workers' Compensation, $33.1, 3%
- Other Benefits, $54.5, 4%

Total S&EB budget: $1,215.3M
FY 2019-20 Benefits (in millions)

- Retirement, $234.3, 49%
- Health & Dental, $155.5, 33%
- Workers' Compensation, $33.1, 7%
- Other Benefits, $54.5, 11%

Total Benefits $477.3M
FY 2019-20 Salary, Benefits and FTE % Increase

*Note: FY 19-20 retirement decrease is attributable to the retirement of the Pension Obligation Bonds*
Employee Benefits per Dollar of Salary FY 2001 to FY 2020
General Fund

*Note: FY 19-20 retirement decrease is attributable to the retirement of the Pension Obligation Bonds*