



ALAMEDA COUNTY BOARD OF SUPERVISORS

**Preliminary 5 Year Budget Forecast
January 30, 2018**



State & Federal Update

Federal Factors:

- Tax Cuts and Jobs Act
- Federal Budget Negotiations

State Factors:

- Governor's January Budget
- Increased In-Home Supportive Services Costs

Other Factors

- Pension & Benefit Costs
- Economic Uncertainty



5 Year Forecast Assumptions & Drivers

Assumptions:

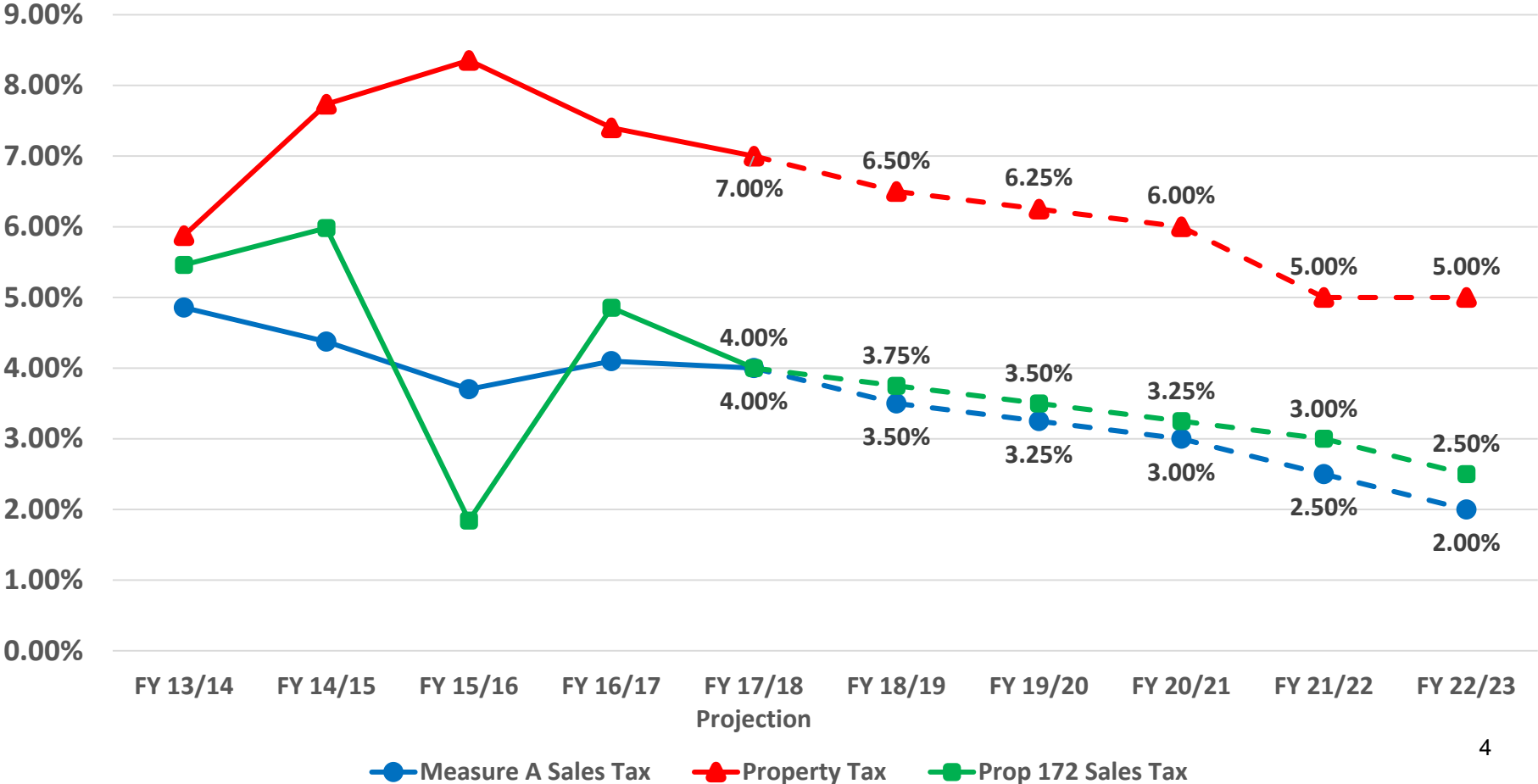
- ❑ Continued Strong Economy (Predicted Downturn is Pending Factor Not Included in Assumptions)
- ❑ Affordable Care Act Remains In Place
- ❑ No Other Major Federal or State Policy Changes
- ❑ No New Unfunded Programs
- ❑ No Major Changes to Labor Agreements

Major Drivers:

- ❑ Labor Costs – Salary, Benefits & Pension (S&EB)
- ❑ Increased Operating Costs Outpacing Revenue Growth
- ❑ IHSS Cost Shift

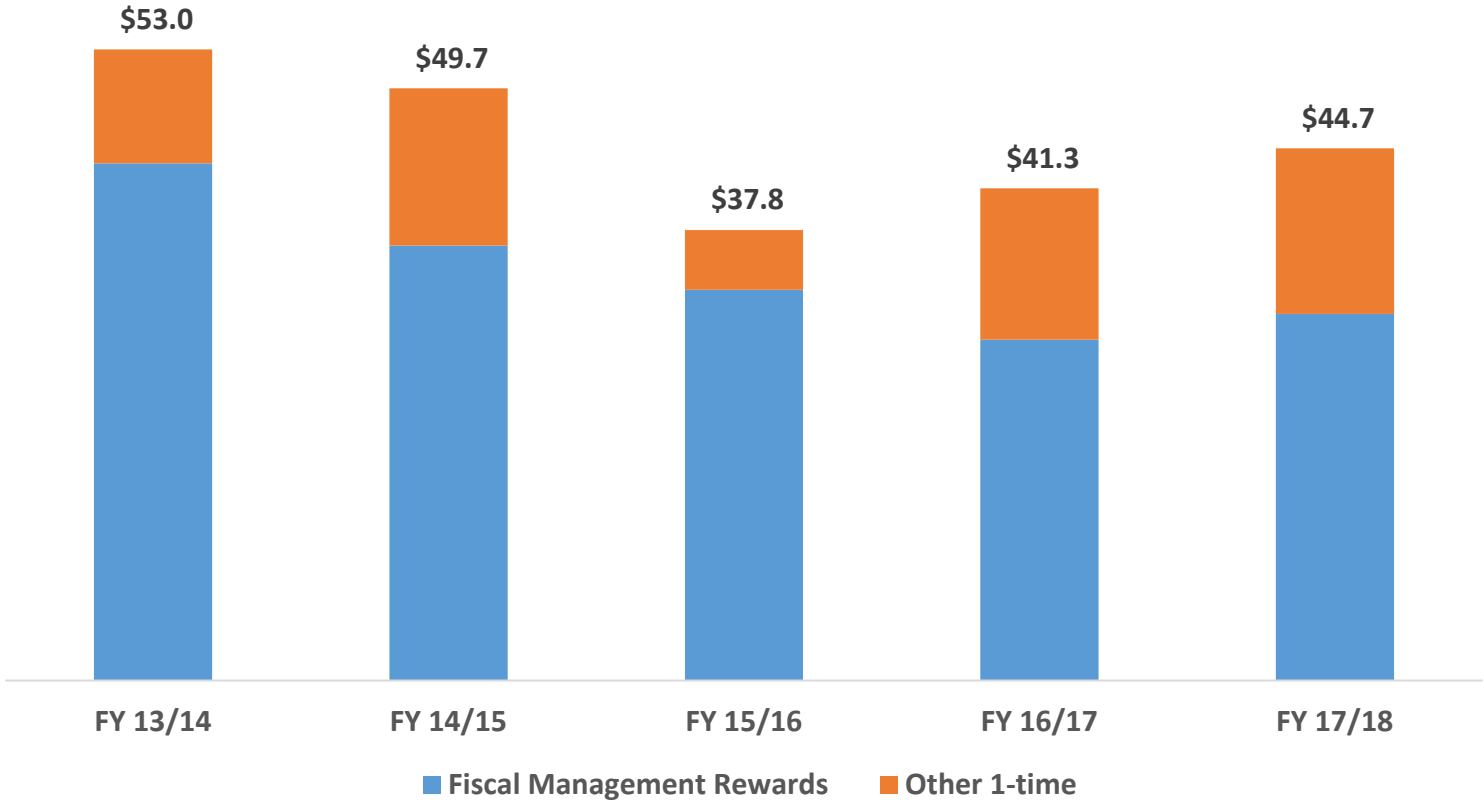


Key Revenue Growth Rates





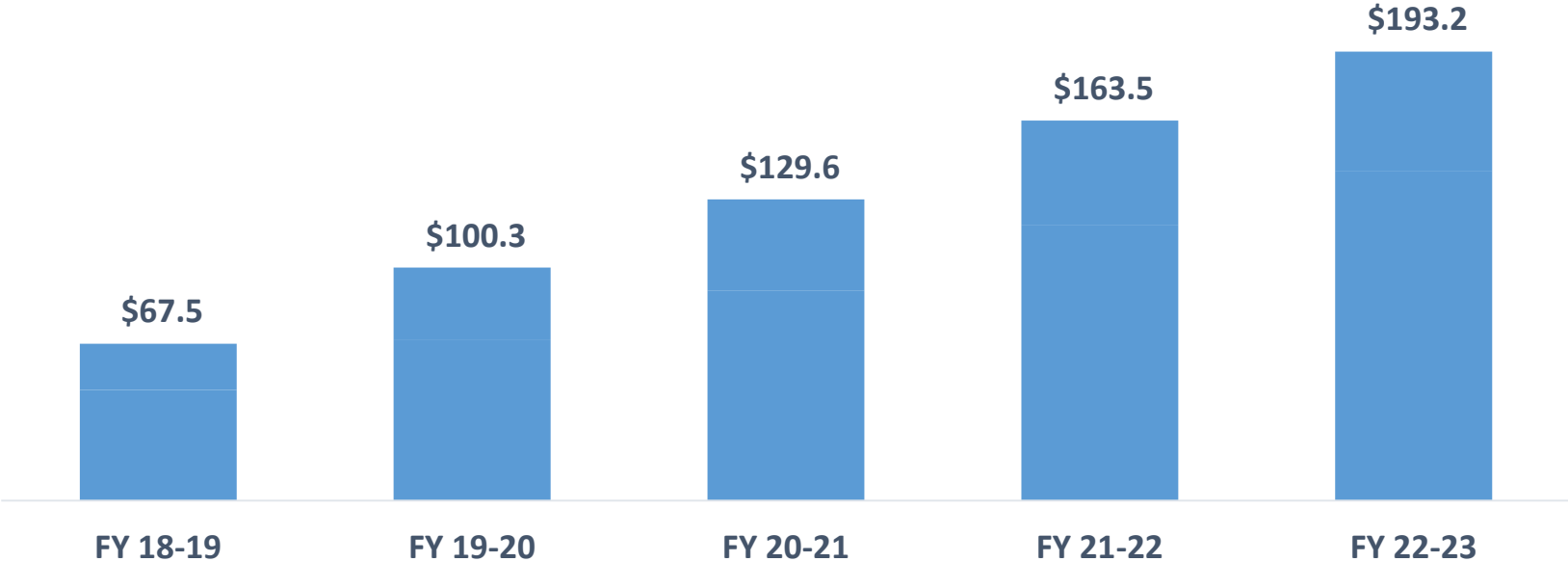
One-Time Budget Balancing Solutions (\$ Millions)





5 Year Forecast – Base Case

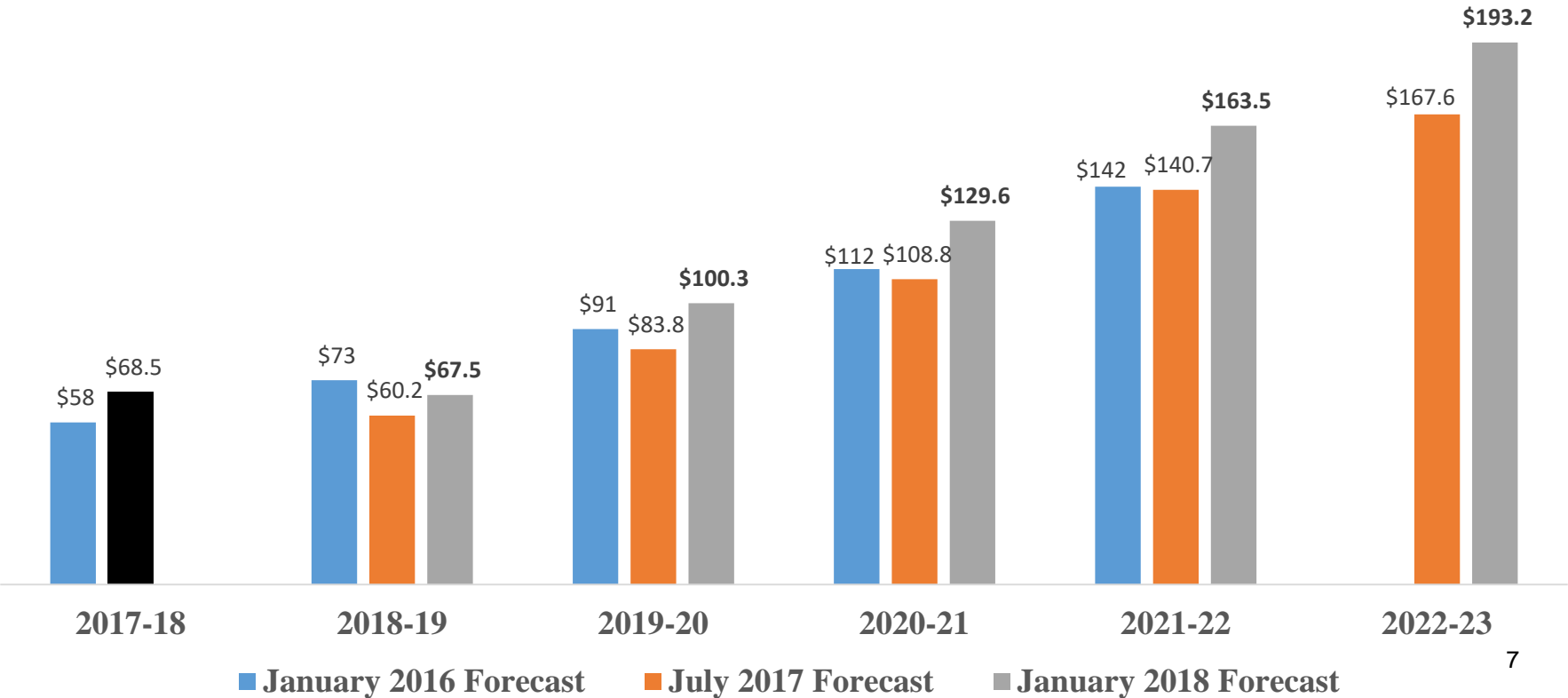
Projected Budget Gap
(Millions)



Assumes No Locally Negotiated IHSS Provider Wage Increase



Budget Gap - Forecast Comparisons





ACERA Actuarial Changes

- ACERA adopted new actuarial assumptions at their December Board meeting
 - ACERA lowered the discount rate from 7.6% to 7.25%
 - Other changes in actuarial assumptions, such as increasing retiree longevity, will also result in increased employer contributions
 - Based on 2016 actuals, these changes would result in a 379 basis point increase in the employer contributions rate for the County

- This scenario assumes these new actuarial assumptions would start September 2018



Impact of Proposed ACERA Changes

- The Gross Cost Impact of Proposed New Actuarial Assumptions:
 - FY 2018/19 - \$24.3 Million
 - FY 2019/20 - \$30.4 Million
 - FY 2020/21 - \$31.6 Million
 - FY 2021/22 - \$32.9 Million
 - FY 2022/23 - \$34.3 Million

Based on Segal estimate of 379 basis point increase in County contribution rate



Pending Factors

- Impact of Tax Cut Bill / Federal Policy Changes / Loss of Grant Opportunities
- State Funding & Policy Changes / Board of Equalization Error
- Pending Labor Negotiations (SEIU, IHSS Providers, Other Unions)
- Rising Retirement Costs / ACERA Actuarial Assumptions
- Economic Downturn - Dr. O'Hara-Devereaux predicts 2019 / Zillow Survey 75% chance of recession by 2020
- Alameda Health System (ACERA Issue & Electronic Health Records Project)
- Coliseum Status
- Increase in Radio Costs

- New Revenue Opportunities
 - Cannabis Tax (But need to consider increased costs associated with enforcement)
 - Fee Revenue Review