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
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)

- FY 13/14: $53.0
- FY 14/15: $49.7
- FY 15/16: $37.8
- FY 16/17: $41.3
- FY 17/18: $44.7

Fiscal Management Rewards vs. Other 1-time
5 Year Forecast – Base Case

Projected Budget Gap
(Millions)

FY 18-19: $67.5
FY 19-20: $100.3
FY 20-21: $129.6
FY 21-22: $163.5
FY 22-23: $193.2

Assumes No Locally Negotiated IHSS Provider Wage Increase
## Budget Gap - Forecast Comparisons

<table>
<thead>
<tr>
<th>Year</th>
<th>January 2016 Forecast</th>
<th>July 2017 Forecast</th>
<th>January 2018 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017-18</td>
<td>$58</td>
<td>$68.5</td>
<td>$68.5</td>
</tr>
<tr>
<td>2018-19</td>
<td>$73</td>
<td>$60.2</td>
<td>$67.5</td>
</tr>
<tr>
<td>2019-20</td>
<td>$91</td>
<td>$83.8</td>
<td>$100.3</td>
</tr>
<tr>
<td>2020-21</td>
<td>$112</td>
<td>$108.8</td>
<td>$129.6</td>
</tr>
<tr>
<td>2021-22</td>
<td>$142</td>
<td>$140.7</td>
<td>$163.5</td>
</tr>
<tr>
<td>2022-23</td>
<td></td>
<td></td>
<td>$167.6 $193.2</td>
</tr>
</tbody>
</table>

*Note: The chart above shows the budget gap for each fiscal year from 2017-18 to 2022-23, comparing the January 2016 forecast with the July 2017 forecast and the January 2018 forecast.*
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