



# **ALAMEDA COUNTY BUDGET UPDATE**

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Presented to the Alameda County Budget Workgroup

March 1, 2018

Susan S. Muranishi, County Administrator

Melanie Atendido, Principal Analyst

Pete Coletto, Principal Analyst

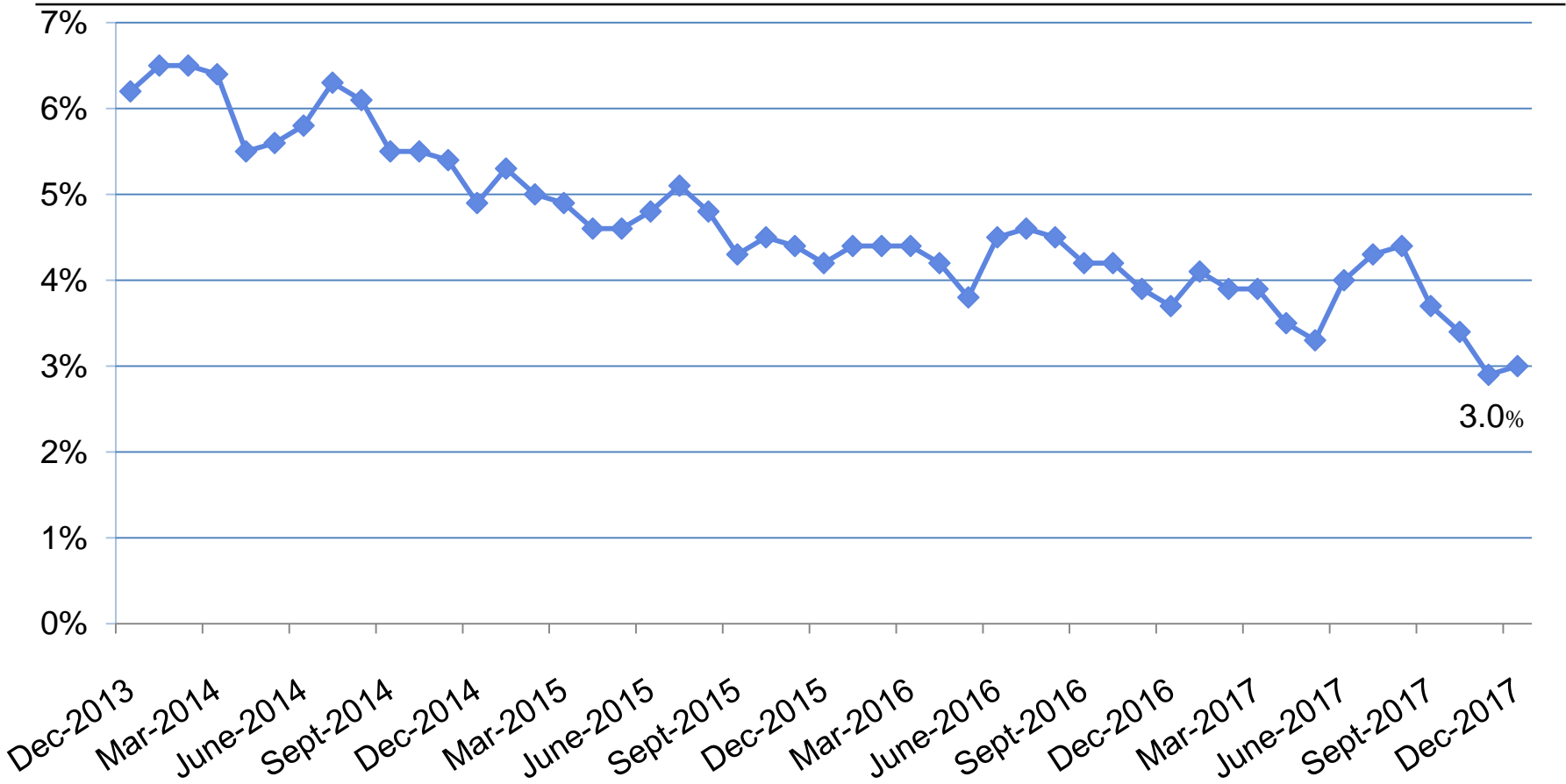


# Economic Update

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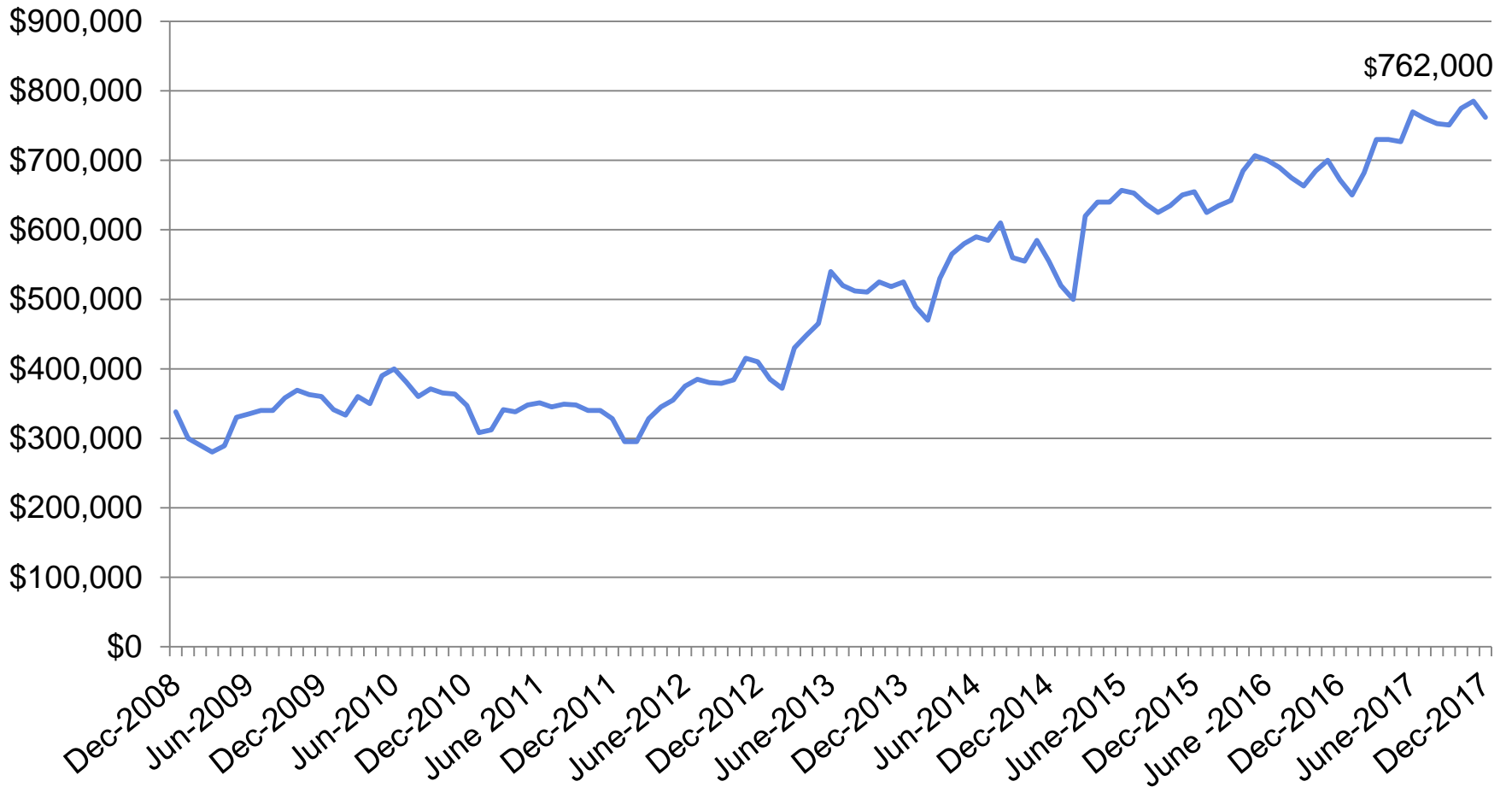


# Alameda County Unemployment Rate





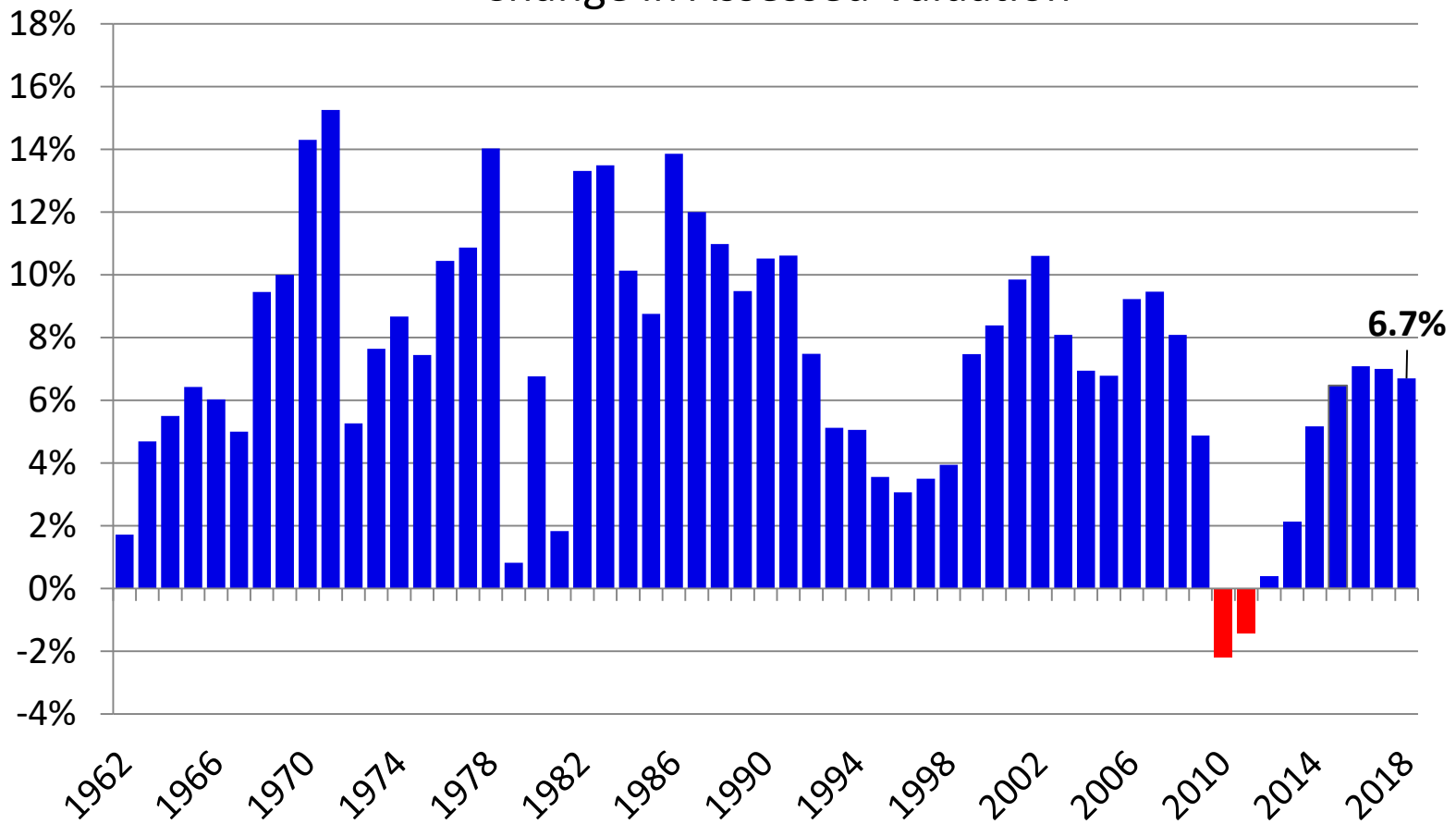
# Alameda County Median Home Values





# Alameda County Assessed Value

Change in Assessed Valuation



Source: Alameda County Assessor's Office



# Federal Budget Update

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- On 2/9/18, the President signed into law a two-year budget deal reached by Congress
  - Increases in defense & non-defense spending caps
  - Omnibus spending bill to come in March
- The President released his FY19 budget request on 2/12/18
- Tax Cuts and Jobs Act – signed into law on 12/22/17
  - State & local tax deduction cap
  - Long-term fiscal impact
  - Individual health care mandate eliminated
- Policy, funding, and interest rate uncertainty



# State Budget Update

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- Legislative Analyst's Office (LAO) fiscal outlook
  - Budget improved, but continued uncertainty
  - Recession would quickly throw budget from surplus to deficit
  
- Governor cautioning prudence and placing State surplus in the 'Rainy Day' fund
  
- New IHSS MOE in place with costs to the County growing
  
- Proposed bills to limit the County's ability to contract with community providers



# **Preliminary 5-Year Budget Forecast**

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*Presented at January 30, 2018 Alameda County  
Board of Supervisors Retreat*





## 5-Year Forecast Assumptions & Drivers

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### Assumptions:

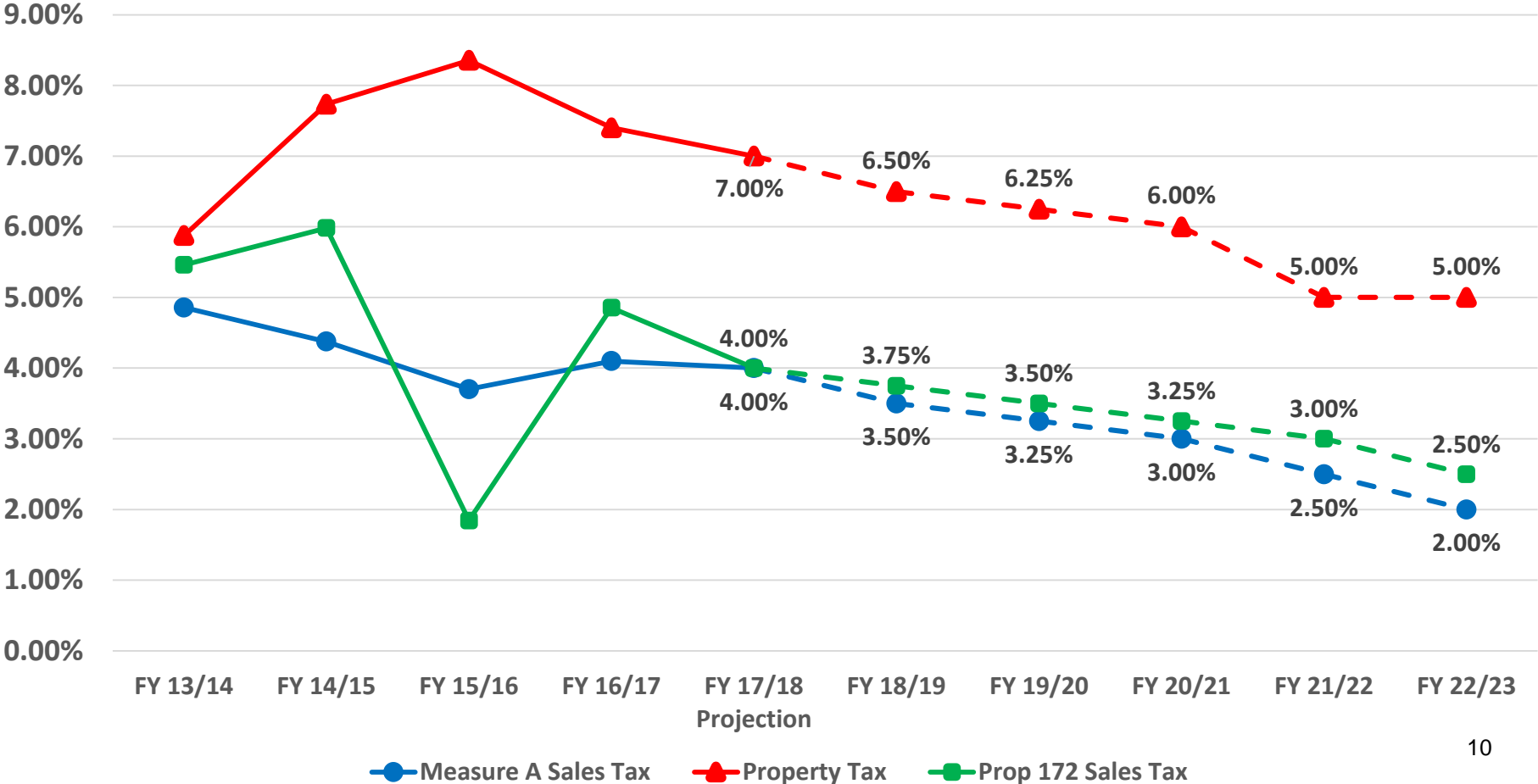
- ❑ Continued Strong Economy (predicted downturn is pending factor not included in assumptions)
- ❑ Affordable Care Act Remains in Place
- ❑ No Other Major Federal or State Policy Changes
- ❑ No New Unfunded Programs
- ❑ No Major Changes to Labor Agreements

### Major Drivers:

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

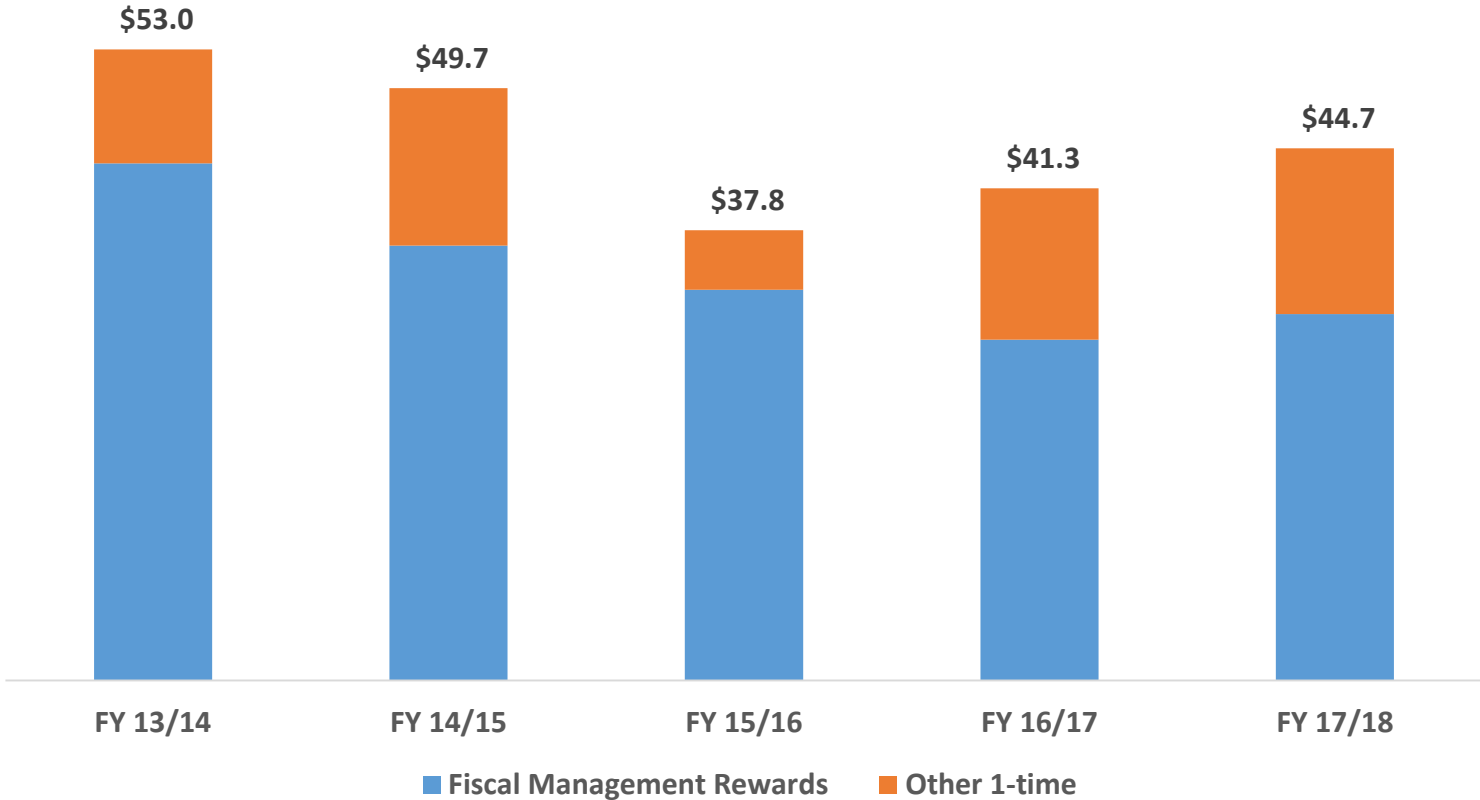


# Key Revenue Growth Rates





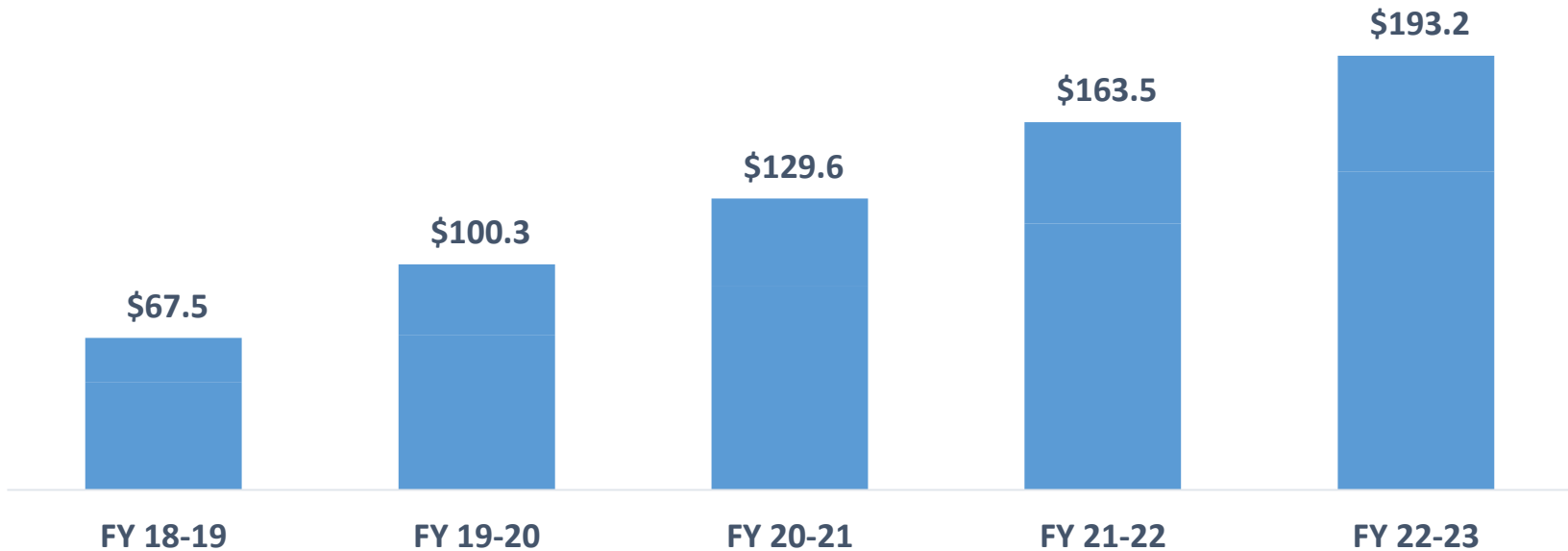
# One-Time Budget Balancing Solutions (\$ in Millions)





# 5-Year Forecast – Base Case

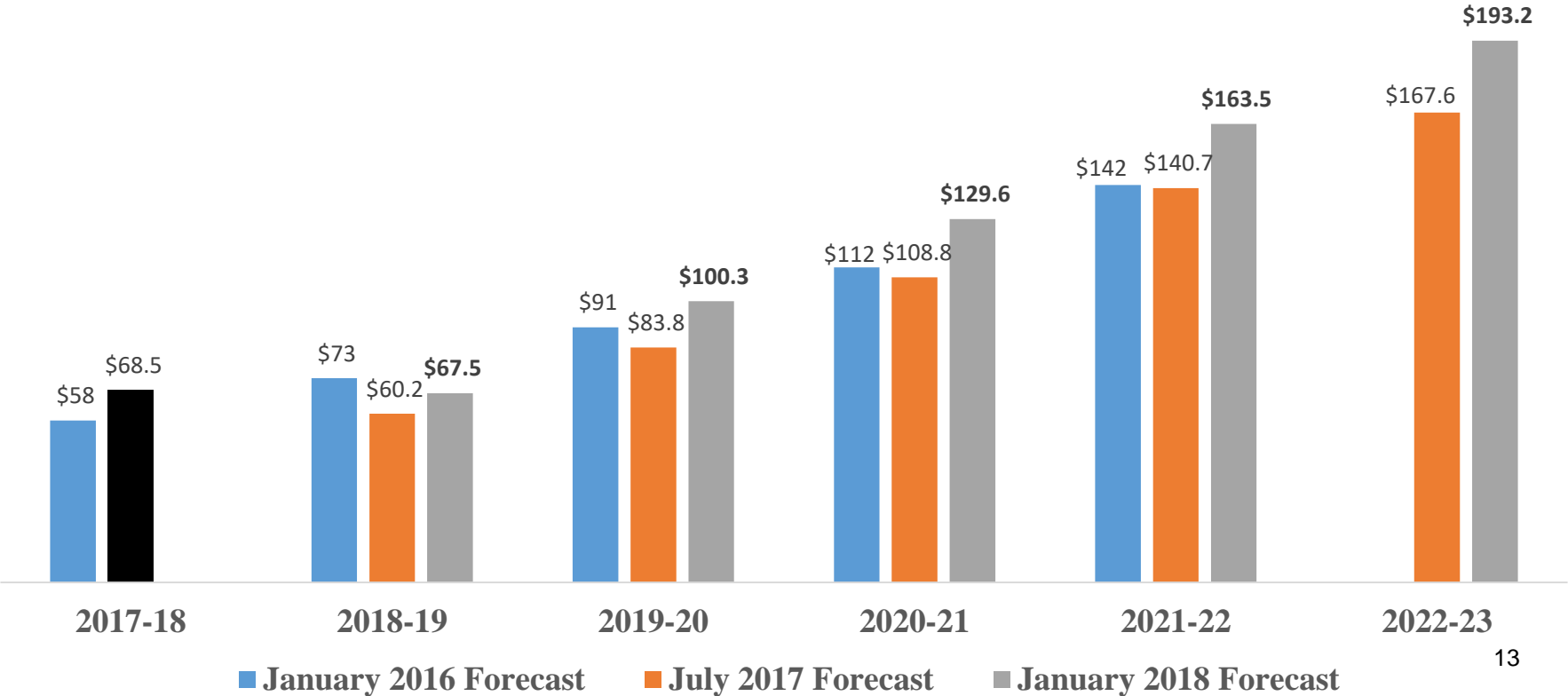
Projected Budget Gap  
(Millions)



**Assumes No Locally Negotiated IHSS Provider Wage Increase**



# Budget Gap - Forecast Comparisons





## ACERA Actuarial Changes

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- 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

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- 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

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- Federal and State Funding Changes
  - 65% of County budget is State and federal revenue (including Medicaid charges for services)
  - Impact of IHSS MOE change
  
- Rising Labor and Retirement Costs
  - ACERA lowered discount rate from 7.6% to 7.25%
  
- Economic Downturn





## Budget Process Overview

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- ❑ MOE Budget Requests have been submitted
- ❑ CAO reviews (and tweaks if necessary)
- ❑ Department requests are combined with non-department budgets to identify the funding gap
- ❑ Budget Workgroup – consensus on distribution of the gap
- ❑ VBB phase – Departments submit reduction plans based on assigned targets
- ❑ Proposed, balanced budget is submitted for Board approval
- ❑ Final Approved Budget incorporates Proposed Budget, Final Adjustments, and any Board-authorized changes



## Budget Calendar Key Dates

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- ISF budget requests due January 24, 2018
- Last Board meeting for mid-year adj. February 6, 2018
- Non-ISF budget requests due February 23, 2018
- Budget narratives due March 2, 2018
- CBO, Unincorp., Human Impacts due March 16, 2018
- Children's Services budgets due March 28, 2018
- Early Budget Work Session April 10, 2018
- Reduction targets to depts. April 2018
- VBB plans submitted by depts. May 2018
- Proposed Budget submitted Early June 2018
- Final Budget adopted Late June 2018



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