ALAMEDA COUNTY
BUDGET UPDATE

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
Alameda County Unemployment Rate
Alameda County Median Home Values

$762,000
Alameda County Assessed Value

Change in Assessed Valuation

Source: Alameda County Assessor’s Office
Federal Budget Update

- 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

- 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

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

FY 13/14 FY 14/15 FY 15/16 FY 16/17 FY 17/18 Projection FY 18/19 FY 19/20 FY 20/21 FY 21/22 FY 22/23

Measure A Sales Tax Property Tax Prop 172 Sales Tax
One-Time Budget Balancing Solutions ($ in Millions)
County Administrator’s Office

5-Year Forecast – Base Case

Projected Budget Gap
(Millions)

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

- 2017-18: $58, $68.5
- 2018-19: $73, $60.2, $67.5
- 2019-20: $91, $83.8
- 2020-21: $112, $108.8
- 2021-22: $142, $140.7, $163.5
- 2022-23: $167.6, $193.2

- January 2016 Forecast
- July 2017 Forecast
- 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

- 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

- 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

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