ALAMEDA COUNTY
Early Budget Work Session

Presented to the Alameda County Board of Supervisors
April 8, 2019

Susan S. Muranishi, County Administrator
Melanie Atendido, Principal Analyst
Pete Coletto, Principal Analyst
Early Budget Work Session

• Federal, State, & Economic Updates
• County Budget Update
  • Board-Approved FY 2019-20 Budget Policy
  • Budget Balancing Strategies for FY 2018-19
• Pending Factors
• Vision 2026
• Department Presentations
Federal Budget Update

• Split control in Congress
  • House priorities include ethics & election reform, infrastructure, drug pricing, voting rights, immigration, health care, and climate change
  • Senate is expected to prioritize nominations

• President released $4.7 trillion proposed budget
  • Sharp cuts to domestic spending, increases to defense
  • $8.6 billion in wall funding

• Debt ceiling re-imposed March 2 after 1-year suspension ended - Preliminary estimate of fall 2019 for when it will need to be raised again

• Administrative rule changes

• Legal challenge to Affordable Care Act
State Budget Update

• Governor proposed $209 billion budget ($144B general fund)

• Invests $13.6B in ‘budgetary resiliency’ ($4.8B to unfunded pension liabilities, $4.8B to build reserves including ‘rainy day fund’, $4B to pay outstanding debt)

• Most new funding one-time

• Emphasis on housing and healthcare

• Governor proposing IHSS relief
Economic Update

• U.S. labor market remains strong
• 3-month/10-year Treasury yield curve inversion (reliable recession predictor)
• Lower bond yields indicating expectations of lower growth
• Weaker economic data out of Europe & Asia
• Weaker housing data
• More ‘dovish’ guidance from Federal Reserve and market expectation that Fed will move to cut rates in response to weaker economic data

**Bottom Line:** Economy still showing signs of growth, but risk of a slowdown in our forecast window is higher than at this point in last year’s budget cycle.
Board-Approved FY 2019-20 Budget Policy

• Adopt the Final Budget no later than June 30, 2019
• Continue the Fiscal Management Reward Program
• Include revenues from all sources as early in the budget development process as possible
• Include a 3.5% cost-of-living adjustment for eligible CBO contracts
• Designate 1% of discretionary revenue to offset cost of County’s capital projects and facility maintenance
• Designate 1% of discretionary revenue for the general reserve
FY 2019-20 MOE Cost Drivers – **Partial** List

- One-time strategies to balance the FY 2018-19 budget
- Known salary/benefits increases
- Internal Service Fund cost increases
- 3.5% COLA for CBO contracts
- Increased IHSS inflation factor & locally negotiated wage supplements
- Title IV-E Waiver expiration

Pension Obligation Bond appropriations will be shifted to finance the Acute Care Tower replacement debt
FY 2018-19 Budget Balancing

• FY 2018-19 Final Budget closed a $65.9M gap
• $34.5M in one-time solutions
  • Use of FMR = $25.6M
  • One-time revenues = $8.9M
• $31.4M in ongoing strategies
  • Program appropriation reductions = $8.0M
  • Program revenue increases = $23.4M
Pending Factors

- Federal and State funding changes – typically 60-65% of County’s General Fund budget is from State and federal sources
- Health Care financing challenges
  - Legal challenge to Affordable Care Act and its Medicaid expansion
  - Expiration of Medicaid waiver
  - Alameda Health System financial troubles
- Rising retirement costs
  - ACERA unfunded liability rose to $2.16 billion as of Dec 31, 2017, a $360 million year on year increase
  - Funded ratio decreased from 78% to 76% vs the prior year
  - Main reason for the change is the lowered discount rate, and many economic analysts forecast future declines in the discount rate for pension plans in coming years
- County structural funding gap – use of one-time funding sources for ongoing uses
- Economic downturn
Our Shared Vision

Operating Principles

Safe and Livable Communities
Thriving and Resilient Population
Healthy Environment
Prosperous and Vibrant Economy

Strategic Focus Areas

County Administrator’s Office
10X Goals – Pathways to Our Shared Vision

- Eliminate homelessness
- Healthcare for all
- Employment for all
- Eliminate poverty and hunger
- Crime free county
- Accessible infrastructure

Safe and Livable Communities
- Thriving and Resilient Population
- Healthy Environment
- Prosperous and Vibrant Economy
Budget Development Timeline

- Early Budget Work Sessions  April 8 & 9, 2019
- BWG: FY 19-20 Funding Gap  April 16, 2019, 3:00PM
- BWG: Reduction Targets  April 23, 2019, 2:00 PM
- Governor’s Revised Budget  May 2019
- BWG: Reduction Plans  May 23, 2019, 4:00 PM
- Proposed Budget submitted  Early June 2019
- Budget Hearings and Adoption  June 2019
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