



ALAMEDA COUNTY FY 2019-20

Funding Gap and Balancing Options

Presented to the Alameda County Budget Workgroup
April 23, 2019

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Agenda

- Federal & State Budget Updates
- Retirement
- Budget Gap Recap and Follow-up
- Budget Balancing Options



Federal & State Update

Federal

- New CBO report estimating the number of uninsured Americans has risen by 1.4 million between 2016 & 2018
- Increasing Federal Deficit



State

- May Revise in the next few weeks
- State revenue highly vulnerable to economic cycle
 - Personal Income Tax
 - Capital Gains



Federal Debt Held By The Public



Source: Congressional Budget Office.



County Administrator's Office

Federal & State Update

Federal

- New CBO report estimating the number of uninsured Americans has risen by 1.4 million between 2016 & 2018
- Increasing Federal Deficit

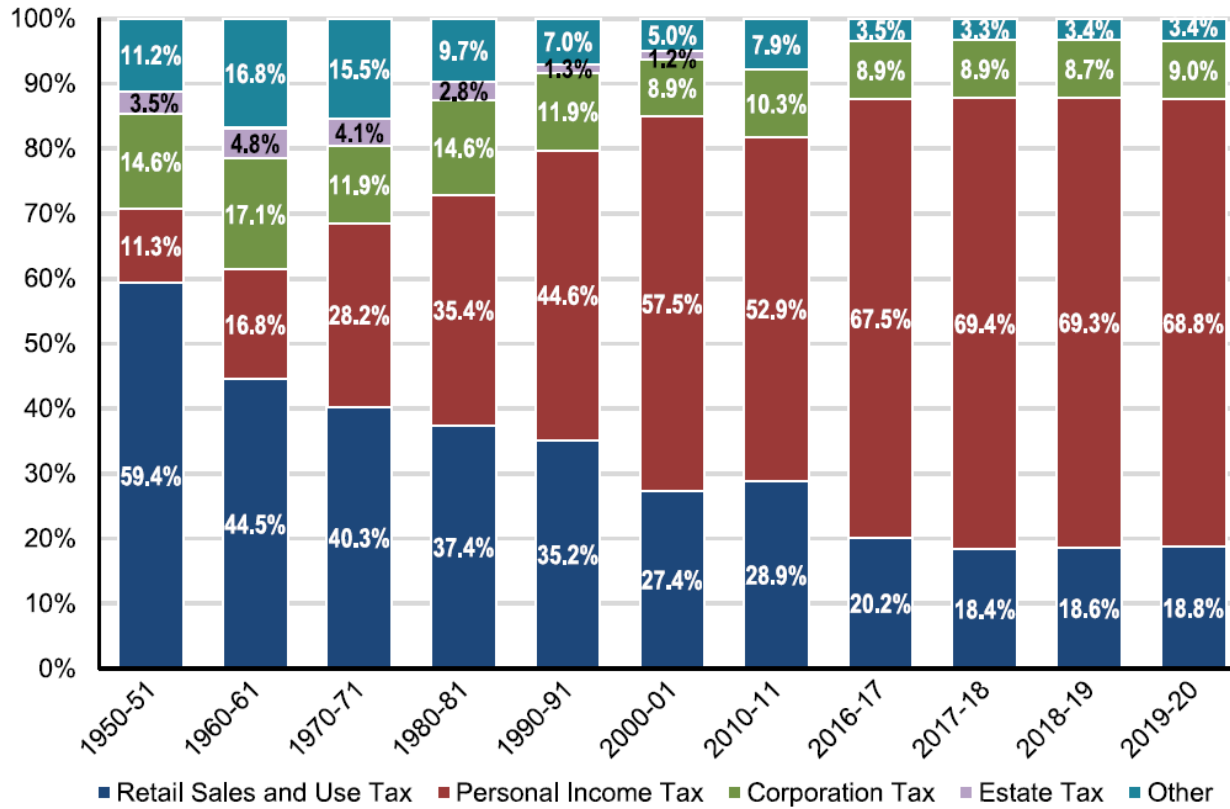


State

- May Revise in the next few weeks
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 - Personal Income Tax
 - Capital Gains



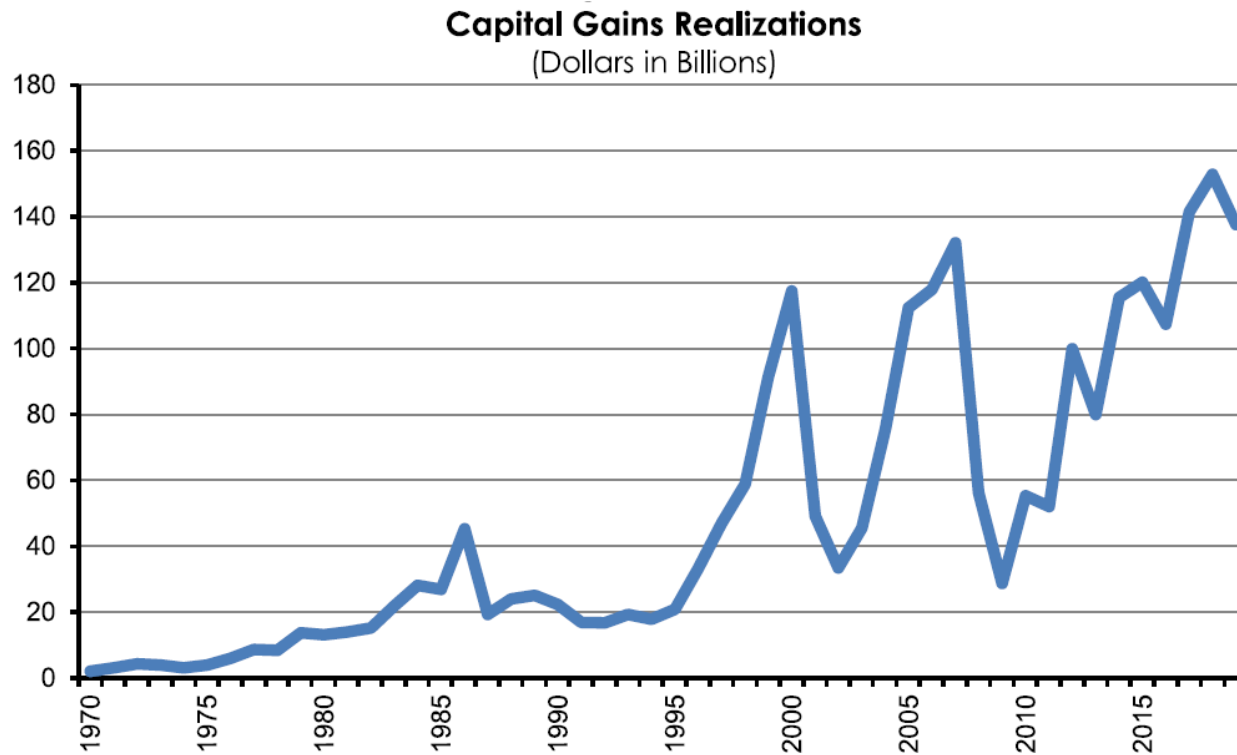
State Budget – Revenue By Source



County Administrator's Office

Source: Governor's January Budget Summary

State Budget – Revenues

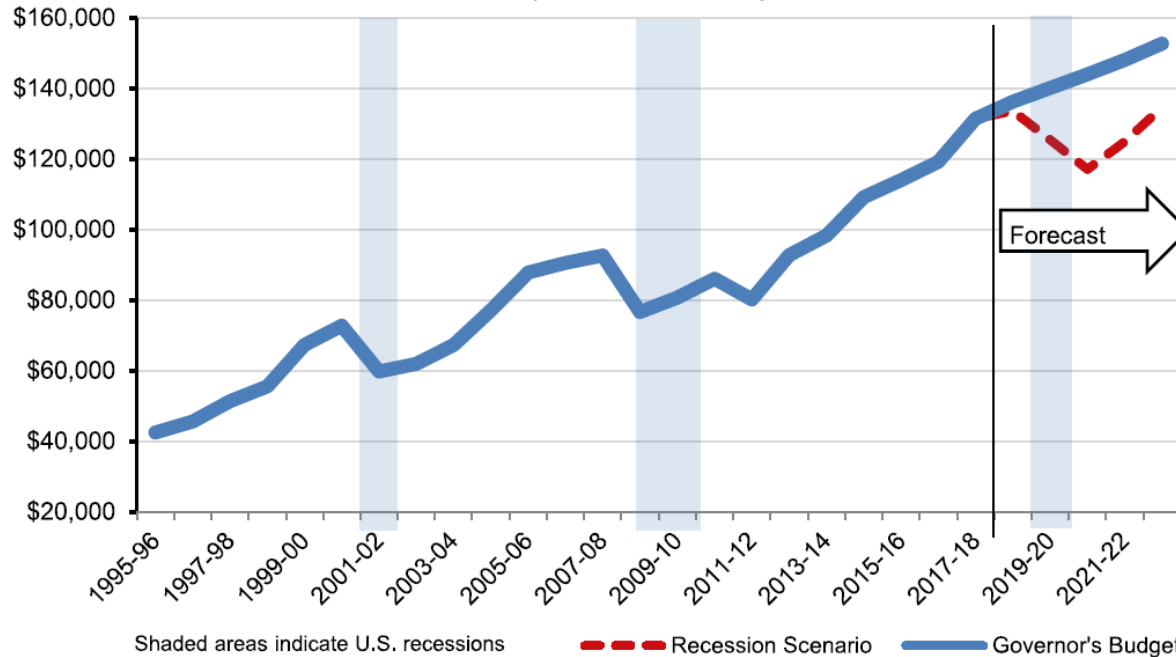


County Administrator's Office

Source: Governor's January Budget Summary

State Budget – Recession Scenario Revenues

Annual Revenue Could Drop by over \$25 Billion in a Recession
(Dollars in Millions)



Revenue losses in forecast over \$50 billion over 2 years with more years of revenue declines in the \$15-\$20 billion range with a permanently lower revenue base than current forecast.

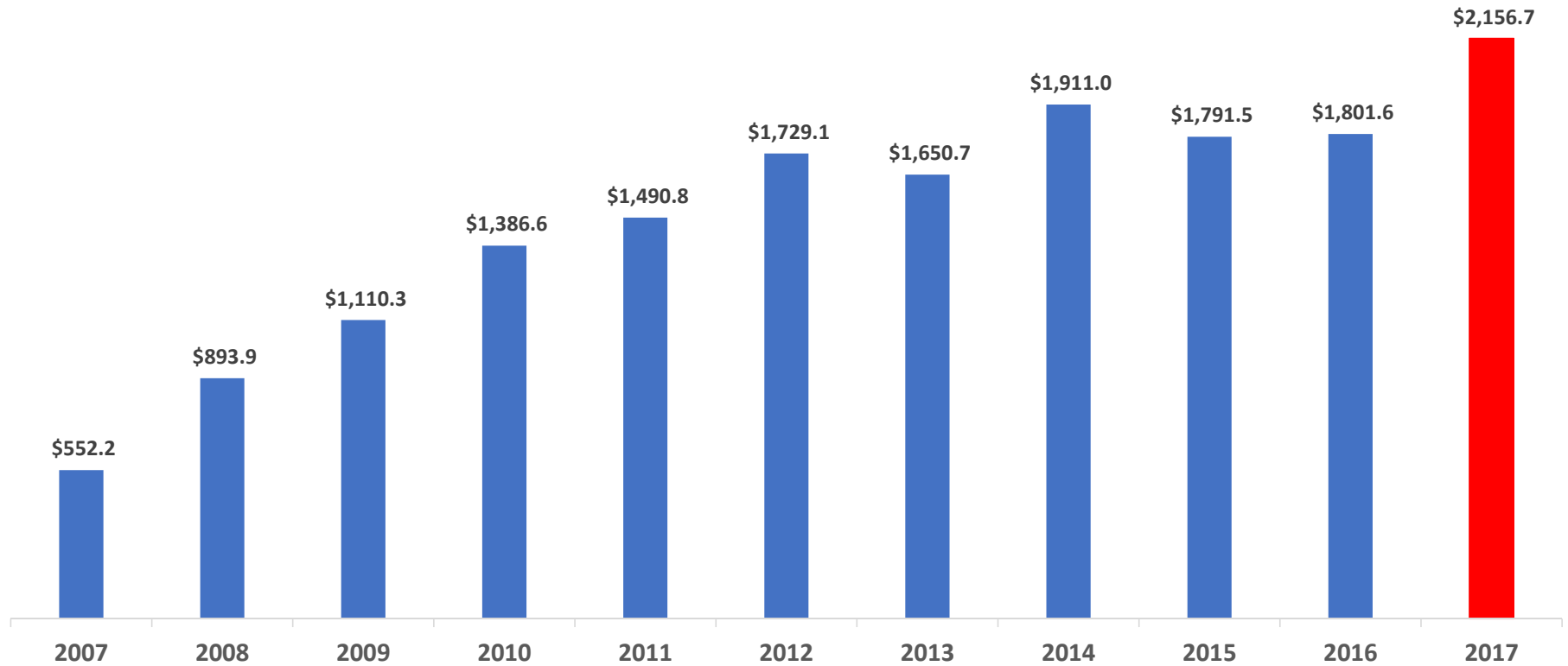


Retirement Costs – Actuarial Assumptions

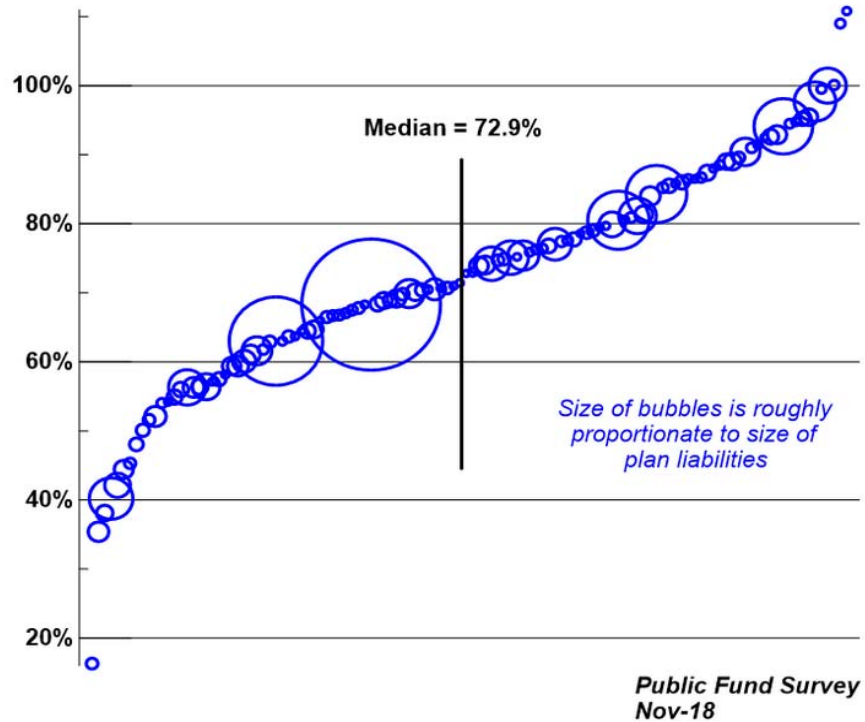
- ACERA adopted new actuarial assumptions that became effective this Fiscal Year:
 - Lowered discount rate from 7.60% to 7.25%
 - Life expectancy change
- Assumption changes make plan more sustainable, but increases costs for participating employers
- Additional lowering of discount rate expected



ACERA Unfunded Liability History (millions)



National Public Pension Funding Ratios



As of December 31, 2017, ACERA is 76% funded



FY 2019-2020
Budget Gap Recap &
Follow-up



FY 2019-20 MOE Budget - General Fund

(\$ in millions)

	FY 2018-19 FINAL	FY 2019-20 MOE	Increase/ (Decrease)	% Change
Appropriation	\$2,889.7	\$3,034.3	\$144.6	5.0%
Revenue	\$2,889.7	\$2,973.9	\$84.2	2.9%
Funding Gap	\$0	\$60.4	\$60.4	n/a
FTE Positions*	7,801.5	7,832.6	31.2	0.4%

*Full-time equivalent positions

NOTE: Totals may vary slightly due to rounding



FY 2019-20 MOE Budget (\$ in millions)

Program	Appropriation	Revenue	Net Cost	FTE
General Government	\$258.6	\$158.3	\$100.3	951.3
Public Protection	\$772.0	\$415.3	\$356.7	2,738.5
Public Assistance	\$874.8	\$793.2	\$81.6	2,588.8
Health Care Services	\$916.0	\$771.3	\$144.7	1,554.0
Subtotal Programs	\$2,821.5	\$2,138.2	\$683.3	7,832.6
Capital Projects	\$6.7	\$1.1	\$5.6	0
Contingency/Reserve/ Debt Service/Designations	\$206.1	(\$23.1)	\$229.2	0
Non-Program Financing	\$0.0	\$857.7	(\$857.7)	0
Subtotal Other	\$212.8	\$835.7	(\$622.9)	0
TOTAL	\$3,034.3	\$2,973.9	\$60.4	7,832.6

NOTE: Totals may vary slightly due to rounding

FY 2019-20 MOE Budget – Net Cost Change by Program

(\$ in millions)

Program	2018-19 FINAL Net Cost	2019-20 MOE Net Cost	Change	% Change
General Government	\$92.9	\$100.3	\$7.5	8.0%
Public Protection	\$347.8	\$356.7	\$8.9	2.6%
Public Assistance	\$81.6	\$81.6	\$0.0	0.0%
Health Care	\$142.8	\$144.7	\$1.9	1.3%
Subtotal – Programs	\$665.0	\$683.3	\$18.3	2.8%
Pension Obligation Bond (POB) appropriation transfer	\$0.0	\$71.3	\$71.3	n/a
Subtotal – Programs w/o POB adjustment	\$665.0	\$754.6	\$89.6	13.4%

**FY 2019-20 MOE Budget – Net Cost Change by Program
without Pension Obligation Bond (POB) adjustments** (\$ in millions)

Program	2018-19 FINAL Net Cost	2019-20 MOE Net Cost	POB Adjustment	NCC w/o POB Adjustment	NCC Change w/o POB Adjustment	% Change
General Government	\$92.9	\$100.3	(\$9.1)	\$109.4	\$16.6	17.9%
Public Protection	\$347.8	\$356.7	(\$27.9)	\$384.6	\$36.8	10.6%
Public Assistance	\$81.6	\$81.6	(\$19.5)	\$101.1	\$19.5	23.8%
Health Care	\$142.8	\$144.7	(\$14.8)	\$159.5	\$16.7	11.7%
Subtotal – Programs	\$665.0	\$683.3	(\$71.3)	\$754.6	\$89.6	13.4%

NOTE: Totals may vary slightly due to rounding

FY 2019-20 MOE Budget – Net Cost Change Non-Program (\$ in millions)

Program	2018-19 FINAL Net Cost	2019-20 MOE Net Cost	Net Cost Change	Net Cost % Change
Capital	\$4.9	\$5.6	\$0.7	14.3%
Contingency/Reserves/ Debt Service/Designations*	\$134.3	\$219.2	\$84.9	63.2%
FY 18-19 Final Board Initiatives	\$10.0	\$10.0	\$0	0%
One-time use of FMR	(\$25.6)	\$0	\$25.6	-100.0%
Non-Program Financing	(\$788.6)	(\$857.7)	(\$69.1)	8.8%
Subtotal – Other	(\$665.0)	(\$622.9)	\$42.1	-6.3%
Subtotal – Programs	\$665.0	\$683.3	\$18.3	2.8%
TOTAL	\$0.0	\$60.4	\$60.4	

*Includes \$71.3M increase in NCC for Acute Tower Replacement Project



Major Components of Net County Cost Change

(partial list, \$ in millions)

Net County Cost Change

Appropriation changes

• Salary increases due to COLAs	\$ 20.4
• Retirement Increases	\$ 38.5
• Other benefits increases	\$ 12.5
• Internal Service Fund costs	\$ 11.6
• 3.5% COLA for CBOs	\$ 5.7
• 3.5% COLA for Alameda Health System	\$ 1.2
• IHSS MOE inflation and wage supplements	\$ 16.5
• Retirement of Pension Obligation Bond Debt	(\$ 71.3)
• Acute Tower Replacement Project	\$ 71.3
• Net change in other expenditures	\$ 10.8

Revenue changes

• Prior-year use of FMR	\$ 25.6
• Title IV-E Waiver Expiration	\$ 7.5
• Use of one-time reserves Title IV-E expiration	(\$ 7.5)
• Use of one-time growth to offset IHSS increases	(\$ 16.5)
• Elimination of Adult Criminal Justice Fees	\$ 1.2
• AB109 Growth Funds	(\$ 1.2)
• Decreased revenue for elections	\$ 5.2
• Net change in other program revenues	(\$ 2.0)
• Discretionary revenue increases	(\$ 69.1)

TOTAL

\$ 60.4M



FY 2019-20 Discretionary Revenues

(partial list, \$ in millions)

Discretionary Revenue Changes from FY 2018-19:

• Property Taxes	\$ 41.3
• Motor Vehicle - ERAF	\$ 16.2
• Sales & Use Taxes	\$ 0.2
• Interest revenue	\$ 6.0
• Other revenues	\$ 5.4
TOTAL	\$ 69.1M



FY 2019-20 MOE Budget Budget Balancing Options

FY 2019-20 Budget Balancing Options

(\$ in millions)

	Option A	Option B	Option C	Option D
	Equal Distribution Among Programs	Distribute Based on % Share of Net County Cost w/ FMR	Absorb NCC Increase w/ FMR and Credit Share of \$54.9M Based on % Share of NCC Increase	Absorb NCC Increase w/ FMR and Credit Share of \$54.9M Based on % Share of NCC
General Government	\$ 15.1	\$ 9.6	\$ 20.5	\$ 22.0
Public Protection	\$ 15.1	\$ 30.1	\$ 18.9	\$ 14.1
Public Assistance	\$ 15.1	\$ 7.8	\$ 7.5	\$ 12.3
Health Care	\$ 15.1	\$ 12.9	\$ 13.5	\$ 12.0
Total Gap	\$ 60.4	\$ 60.4	\$ 60.4	\$ 60.4

Numbers and percentages are rounded for display purposes, but calculations are based on exact numbers.



FY 2018-19 Budget Balancing – Option A

(\$ in millions)

	Option A Equal distribution
General Government	\$ 15.1
Health Care	\$ 15.1
Public Assistance	\$ 15.1
Public Protection	\$ 15.1
Total	\$ 60.4

Numbers and percentages are rounded for display purposes, but calculations are based on exact numbers.



FY 2019-20 Budget Balancing – Option B

(\$ in millions)

	FY 19-20 MOE NCC w/o FMR	Prior Year FMR Use	Pension Obligation Bond (POB) adjustment	FY 19-20 MOE NCC w/ FMR & w/o POB adjustment	% Share of NCC w/ FMR	Option B Based on % Share of NCC w/ FMR & w/o POB adjustment
General Government	\$ 100.3	\$ 14.1	(\$ 9.1)	\$ 123.5	15.8%	\$ 9.6
Public Protection	\$ 356.7	\$ 4.6	(\$ 27.9)	\$ 389.2	49.9%	\$ 30.1
Public Assistance	\$ 81.6	\$ 0.0	(\$ 19.4)	\$ 101.1	13.0%	\$ 7.8
Health Care	\$ 144.7	\$ 7.0	(\$ 14.8)	\$ 166.5	21.3%	\$ 12.9
Total	\$ 683.3	\$ 25.6	(\$ 71.3)	\$ 780.2	100.0%	\$ 60.4

Numbers and percentages are rounded for display purposes, but calculations are based on exact numbers.



FY 2019-20 Budget Balancing – Option C

(\$ in millions)

	FY 19-20 MOE NCC Increase	POB adjustment	NCC Increase w/o POB	Prior Year FMR Use	NCC Increase w/ FMR & w/o POB	% Share of NCC Increase (w/o FMR)	Credit Share of \$54.9M Based on % Share of NCC Increase	OPTION C Absorb NCC Increase w/ FMR & w/o POB and Credit Share of \$54.9M Based on % Share of NCC Increase
General Government	\$ 7.5	(\$ 9.1)	\$ 16.6	\$ 14.1	\$ 30.7	18.5%	(\$ 10.2)	\$ 20.5
Public Protection	\$ 8.9	(\$ 27.9)	\$ 36.9	\$ 4.6	\$ 41.4	41.1%	(\$ 22.6)	\$ 18.9
Public Assistance	\$ 0.0	(\$ 19.4)	\$ 19.4	\$ 0.0	\$ 19.4	21.7%	(\$ 11.9)	\$ 7.5
Health Care	\$ 1.9	(\$ 14.8)	\$ 16.7	\$ 7.0	\$ 23.7	18.7%	(\$ 10.2)	\$ 13.5
Program Total	\$ 18.3	(\$ 71.3)	\$ 89.6	\$ 25.6	\$ 115.2	100%	(\$ 54.9)	\$ 60.4
Non-Program					(\$ 54.9)			
Total Gap					\$ 60.4			

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FY 2019-20 Budget Balancing – Option D (\$ in millions)

	FY 19-20 MOE NCC Increase	Prior Year FMR Use	POB adjustment	NCC Increase w/ FMR & w/o POB	FY 19-20 MOE NCC	% Share of NCC	Credit Share of \$54.9M Based on % Share of NCC	OPTION D Absorb NCC Increase w/ FMR & w/o POB and Credit Share of \$54.9M Based on % Share of NCC
General Government	\$ 7.5	\$ 14.1	(\$ 9.1)	\$ 30.7	\$ 123.5	15.8%	(\$ 8.7)	\$ 22.0
Public Protection	\$ 8.9	\$ 4.6	(\$ 27.9)	\$ 41.4	\$ 389.2	49.9%	(\$ 27.3)	\$ 14.1
Public Assistance	\$ 0.0	\$ 0.0	(\$ 19.4)	\$ 19.4	\$ 101.1	21.7%	(\$ 7.1)	\$ 12.3
Health Care	\$ 1.9	\$ 7.0	(\$ 14.8)	\$ 23.7	\$ 166.5	21.3%	(\$ 11.7)	\$ 12.0
Program Total	\$ 18.3	\$ 25.6	(\$ 71.3)	\$ 115.2	\$ 754.6	100.0%	(\$ 54.9)	\$ 60.4
Non-Program				(\$ 54.9)				
Total Gap				\$ 60.4				

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FY 2019-20 Budget Balancing Options

(\$ in millions)

		Option A	Option B	Option C	Option D
	Net County Cost Increase w/ FMR & w/o POB adjustment	Equal Distribution Among Programs	Distribute Based on % Share of Net County Cost w/ FMR	Absorb NCC Increase w/ FMR and Credit Share of \$54.9M Based on % Share of NCC Increase	Absorb NCC Increase w/ FMR and Credit Share of \$54.9M Based on % Share of NCC
General Government	\$ 30.6	\$ 15.1	\$ 9.6	\$ 20.5	\$ 22.0
Public Protection	\$ 41.4	\$ 15.1	\$ 30.1	\$ 18.9	\$ 14.1
Public Assistance	\$ 19.4	\$ 15.1	\$ 7.8	\$ 7.5	\$ 12.3
Health Care	\$ 23.7	\$ 15.1	\$ 12.9	\$ 13.5	\$ 12.0
Program Total	\$ 115.2	\$ 60.4	\$ 60.4	\$ 60.4	\$ 60.4
Non-Program Total	(\$ 54.9)				
Total Gap	\$ 60.4	\$ 60.4	\$ 60.4	\$ 60.4	\$ 60.4

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Discussion of Funding Gap Reduction Options

Budget Development Timeline

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



Alameda County Budget Information on the Web

<http://budget.acgov.org>





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