Overview

- Economic Update
- State/Federal Budget Update
- Five Year Forecast
- Current Year Budget Update
- 2018-19 Budget Development
National Prime Working Age Employment to Population
Alameda County Median Home Value
California Housing Permits vs Demand
Alameda County Assessment Growth

Source: Alameda County Assessor’s Office
Key Economic Takeaways

• Near-term economy remains robust, driven by a strong labor market
• Federal reserve taking a more dovish stance

• Longer-term concerns remain
  o Short-term Treasury bond yields higher than long-term yields – This is a reliable future recession indicator
  o Economic data out of Europe & China suggests their economies are slowing
  o US/China trade tensions

**Bottom Line:** Economy at the moment remains strong, but risks look larger than this time last year. We know the next inevitable recession is coming, we just do not know when it will arrive.
State Budget Update
Governor’s Budget

- May Revision Budget of $213.5 billion ($147 billion general fund)

- Focus on housing, homelessness, and healthcare

- New IHSS Maintenance of Effort, but only temporary reinstatement of 7% hours cut

- Improved short-term revenues, but lower revenues in out-years
  - Most of the additional short-term revenue is mandated to go to reserves, debt repayment, and schools
  - Most new spending in the May Revise is one-time

- In total, the May Revision is allocating $15 billion to “budgetary resiliency”, an increase of $1.4 billion from January
# Governor’s Budget – Homelessness Funding

($ in millions)

<table>
<thead>
<tr>
<th>Category</th>
<th>January Budget Proposal</th>
<th>May Revise</th>
<th>Additional Funds</th>
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<tbody>
<tr>
<td>Homelessness Emergency Aid</td>
<td>$ 500</td>
<td>$ 650</td>
<td>$ 150</td>
</tr>
<tr>
<td>Big Cities</td>
<td>$ 100</td>
<td>$ 275</td>
<td>$ 175</td>
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<tr>
<td>Counties</td>
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<td>$ 275</td>
<td>$ 275</td>
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<tr>
<td>Continuums of Care</td>
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<td>$ 100</td>
<td>$(100)</td>
</tr>
<tr>
<td>Milestone Based</td>
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<td>$ -</td>
<td>$(200)</td>
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<td>Whole Person Care</td>
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<td>Mental Health Workforce</td>
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<td>$ 100</td>
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<td>SSI Advocacy</td>
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<td>$ 25</td>
<td>$ -</td>
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<tr>
<td>Legal Services for Eviction Prevention</td>
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<td>$ 20</td>
<td>$ 20</td>
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<tr>
<td>Student Rapid Rehousing &amp; Services</td>
<td>$ 30</td>
<td>$ 40</td>
<td>$ 10</td>
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<tr>
<td>Total Homelessness Services Investments</td>
<td>$ 705</td>
<td>$ 1,005</td>
<td>$ 300</td>
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</table>

*May Revise includes the $1.75B in the Governor’s January Budget to increase housing production*
Governor’s Budget – Additional Investments With Impacts on Counties

- Lower IHSS MOE & inflation factor – sunset on hours restoration due to revenue concerns

- One-time $36 million investment in foster care Resource Family Approval & Foster Parent Recruitment, Retention, & Support programs

- CalWORKs
  - $41.4M increase in Single Allocation
  - $13.2M increase for Outcomes & Accountability review
  - $10.7M increase for Home Visiting

- One-time $40 million investment to support local Public Health Departments

- Additional $15.3 million for Medi-Cal administration

- One-time $87.3 million to replace voting systems & strengthen election technology security
Governor’s Budget – Risks & Pending Factors

Balanced Budgets Have Been Quickly Followed by Huge Deficits\(^1\)

\(^1\) Budget shortfalls or surplus, measured by the annual Governor’s Budget.
Governor’s Budget – Risks & Pending Factors

Revenue Could Drop by Nearly $70 Billion in a Recession
(Dollars in Millions)
Federal Budget Update
Federal Update

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

• Administrative Rule Changes – Title X and SNAP

• President released $4.7 trillion proposed budget
  • Sharp cuts to domestic spending,
  • Increases to defense

• Policy, funding, interest rate, and tariffs/trade uncertainty
Federal Debt Held By The Public

Source: Congressional Budget Office.
Five Year Budget Forecast
State & Federal Assumptions

• IHSS forecast based on current law (ie does not include Governor’s Proposal)
  • $1.35 Wage Supplement Jan 1, 2019
  • $0.40 Wage Supplement Jan 1 2020

• Title IV-E waiver expiration revenue loss covered by 1-time sources in FY 2019-20

• No other major changes to State or federal funding
Other Forecast Assumptions & Drivers

Assumptions:
• Continued strong economy
• No new unfunded programs
• No other major changes to labor agreements
• Elimination of adult public protection fees

Major Drivers:
• Labor costs (salary, benefits & pension)
• Operating costs outpacing revenue growth
• IHSS costs
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
Prior Year Budget Balancing Strategies

*FY 17/18 Budget Gap excludes the $40 million estimated IHSS cost shift that was restored in VBB as part of new MOE arrangement
5-Year Forecast – Projected Budget Gaps (millions)

FY 19/20: $66.2
FY 20/21: $99.0
FY 21/22: $138.1
FY 22/23: $168.8
FY 23/24: $215.9
5-Year Forecast Comparisons
Long Term Pending Factors

- Alameda Health System forecasted non-compliance with the Permanent Agreement
  - Ongoing operating deficit
  - One-time prior year supplemental revenue repayment
- Expiration of Medicaid waiver
- Rising retirement costs / Expected future reductions to the Discount Rate
- Capital projects including Camp Sweeney replacement
- Major maintenance
- Federal & State funding and rule changes
- Economic downturn
FY 2018-19 Final Budget
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 = $23.4M
FY 2018-19 Final Budget
($ in millions)

Appropriation by Major Object - General Fund

- Salaries & Employee Benefits $1,199.4M (40.4%)
- Services & Supplies $1,127.8M (37.9%)
- Other Charges $511.3M (17.2%)
- Fixed Assets $4.1M (0.1%)
- Other Financing Uses $129.4M (4.4%)
- CBO Contracts = $567.4M

Intra-Fund Transfers: $-82.3M
Total: $2,889,682,765
Community-Based Organizations
FY 2018-19 Final Budget Funding

<table>
<thead>
<tr>
<th>Program Area</th>
<th>2018-19 Contracts</th>
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<tbody>
<tr>
<td>General Government</td>
<td>$14.6M</td>
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<tr>
<td>Health Care</td>
<td>$351.0M</td>
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<tr>
<td>Health Care – Alameda Health System</td>
<td>$78.5M</td>
</tr>
<tr>
<td>Public Assistance</td>
<td>$82.9M</td>
</tr>
<tr>
<td>Public Protection</td>
<td>$40.4M</td>
</tr>
<tr>
<td><strong>Total – CBO Contracts</strong></td>
<td><strong>$567.4M</strong></td>
</tr>
</tbody>
</table>

332 Contractors
FY 2018-19 Final Budget

Appropriation by Program - General Fund

- Health Care Services: $855.8M (29.6%)
- Non Program Activities: $106.1M (3.7%)
- Contingency & Reserves: $45.6M (1.6%)
- Capital Projects: $6.0M (0.2%)
- General Government: $253.6M (8.8%)
- Public Protection: $761.2M (26.3%)
- Public Assistance: $861.3M (29.8%)

Total: $2,889,682,765
FY 2018-19 Final Budget

Available Financing by Source - General Fund

- State Aid: $1,146.0M (39.7%)
- Aid from Federal Govt: $507.2M (17.6%)
- Aid from Local Govt Agencies: $29.2M (1.0%)
- Charges for Services: $354.3M (12.3%)
- Property Tax Revenues: $442.8M (15.3%)
- Other Taxes: $112.0M (3.9%)
- Licenses, Permits & Franchises: $9.3M (0.3%)
- Fines, Forfeits & Penalties: $14.3M (0.5%)
- Use of Money & Property: $8.6M (0.3%)
- Other Revenues: $177.8M (6.2%)
- Other Financing Sources: $87.1M (3.0%)
- Available Fund Balance: $1.1M (0%)

Total: $2,889,682,765
FY 2018-19 Discretionary Revenue Share of Total General Fund ($ in millions)

- Program Revenue: $2,094.6 (72%)
- Discretionary Revenue: $723.1 (25%)
- Use of FMR: $25.6 (1%)
- Debt Service Revenue: $46.4 (2%)

Total General Fund: $2.890 million
FY 2019-20
Developing Budget
Budget Process Overview

January
Budget Kickoff

March
Department budget narratives and special budgets submitted

April/May
Budget Workgroup meetings, budget gap identified, reduction targets assigned

Early June
County Administrator presents Proposed Budget to Board of Supervisors

February
Department budget requests submitted

April
Early Budget Work Sessions

May
Departments submit reduction plans

Late June
Budget hearings and Final Budget adoption
Maintenance of Effort

The funding level needed by agencies/departments to continue existing programs, staffing and service levels
2019-20 Budget Strategy

• Continuation of Board policies/past practices
  • Develop a Maintenance of Effort budget
  • Analyze and Maximize All Available Revenues
  • Identify Funding Gap/Reduction Targets
  • Budget Balancing Strategies/Options

• 3.5% increase for most community-based providers

• Continue to work with legislative advocates to protect/preserve local revenues and programs

• Analysis of Human Impacts
Fiscal Dilemma

- Increasing demand for services

- County revenue raising authority limited by:
  - Proposition 13 - restricted property tax growth
  - Proposition 218 - voter approval for tax increases
  - ERAF* - State shifted property taxes to schools

- Progressive loss of control over local spending

- Most services are mandated by State/federal government

- Mandates have continued to increase; reimbursements delayed

- Increasing reliance on State funding, much of which is sales tax based

*Education Revenue Augmentation Fund
### Alameda County Property Tax Dollar

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Schools</td>
<td>42¢</td>
</tr>
<tr>
<td>Cities</td>
<td>18¢</td>
</tr>
<tr>
<td>Special Districts</td>
<td>13¢</td>
</tr>
<tr>
<td>Redevelopment</td>
<td>12¢</td>
</tr>
<tr>
<td>County</td>
<td>15¢</td>
</tr>
</tbody>
</table>

*Over time, redevelopment agencies’ share of property taxes should be distributed to other entities.*
Major Budget Drivers

• Increasing health and retirement costs

• Program costs rising faster than revenues

• A greater share of State revenues to counties being directly tied to sales tax and vehicle license fees means counties will feel an immediate impact during an economic downturn

• Exposure to State and federal budget and/or policy changes
FY 2019-20 MOE

- Still high demand for services
- COLAs for Labor, Community-based providers
- Internal Service Fund increases
- Revenue not keeping up with cost of doing business
- Use of one-time solutions in prior year
FY 2018-19 Budget Balancing Strategies
Ongoing vs. One-time

- Ongoing: 48%
- One-time FMR: 39%
- Other One-time: 13%
FY 2019-20 Pending Factors

• Economic uncertainty
• State budget: Legislative adoption and Governor’s signing
• Structural funding gap – use of one-time solutions for ongoing expenses
• Labor, health, retirement costs
Vision 2026

ACGOV VISION 2026

OUR SHARED VISION

SAFE AND LIVEABLE COMMUNITIES
PROSPEROUS AND VIBRANT ECONOMY
HEALTHY ENVIRONMENT
THRIVING AND RESILIENT POPULATION

10X GOALS
EMPLOYMENT FOR ALL
ACCESSIBLE INFRASTRUCTURE
HEALTHCARE FOR ALL
ELIMINATE HOMELESSNESS
ELIMINATE POVERTY & HUNGER
CRIME-FREE COUNTY

OPERATING PRINCIPLES
COLLABORATION
EQUITY
FISCAL STEWARDSHIP
INNOVATION
SUSTAINABILITY
ACCESS
Open Budget Initiative