



C O U N T Y A D M I N I S T R A T O R

REVISED

SUSAN S. MURANISHI
COUNTY ADMINISTRATOR

June 24, 2020

Honorable Board of Supervisors
Administration Building
Oakland, CA 94612

SUBJECT: ADOPTION OF THE FISCAL YEAR 2020-21 FINAL BUDGET

Dear Board Members:

RECOMMENDATIONS:

- A. Authorize the Auditor-Controller to make necessary final adjustments and other technical adjustments as presented during the budget hearings;
- B. Adopt the resolutions approving an increase in the special tax for the Emergency Medical Services District, an increase in the paramedic supplemental special tax for the Alameda County Fire Department, and no change to the special assessments for the Vector Control Services District as presented at the hearing on June 23, 2020;
- C. Adopt a resolution approving Clean Water Protection fees as presented at the hearing on June 23, 2020;
- D. Sitting as the Board of the Alameda County Flood Control and Water Conservation District, adopt a resolution approving Flood Control District benefit assessments as presented at the hearing on June 23, 2020;
- E. Adopt the Capital Improvement Plan for Fiscal Year (FY) 2020-21 through FY 2024-2025;
and
- F. Adopt the FY 2020-21 Final Budget.

DISCUSSION/SUMMARY:

The **FY 2020-21 Final Budget**, which incorporates adjustments approved by your Board during budget deliberations, **is balanced**. The Final Budget for **all funds** totals **\$3.5 billion** and provides funding for 9,963 full-time equivalent positions (FTEs). The **General Fund Budget** totals **\$3.1 billion** and supports 8,080 FTEs.

	FY 2019-20 Approved	FY 2020-21 Proposed	FY 2020-21 Final Adjustments	FY 2020-21 Final Budget	Change from FY 2019-20 Approved
All Funds					
Budget	\$3,543,516,165	\$3,494,524,932	\$18,858,466	\$3,513,383,398	(\$30,132,767)
FTEs	9,887.00	9,953.02	10.07	9,963.09	76.09
General Fund					
Budget	\$3,032,211,100	\$3,126,282,639	\$18,858,466	\$3,145,141,105	\$112,930,005
FTEs	7,931.10	8,071.30	9.40	8,080.70	149.61

The Final Budget closes a **\$72.1 million funding gap** through a combination of spending reductions, revenue increases and the use of prior year Fiscal Management Program (FMR) savings. To the extent possible, your Board’s Vision 2026 values and priorities guide proposed reductions within each program area. Budget balancing strategies include the elimination of 11.71 vacant funded FTEs within the Social Services Agency.

The following table summarizes the net cost reductions required to close the funding gap:

General Fund	Net County Cost Reductions (\$ millions)
General Government	\$17.7
Health Care	\$20.5
Public Assistance	\$2.9
Public Protection	\$31.0
Total	\$72.1

The Final Budget is balanced with \$15.9 million or 22% in ongoing strategies and \$56.2 million or 78% in one-time solutions which were primarily generated through Fiscal Management Program savings.

State and Federal Budget Impact/Pending Factors

I have long cautioned that the historic economic growth of the last decade would come to an end. None of us could have predicted that the current recession would be predicated upon a pandemic nor that the economic impact would be so swift and severe. Early economic indicators of the COVID-19 impacts show substantial declines in revenue, historic job losses and continued stock market volatility. The County’s heavy reliance on federal and State revenue requires that we closely monitor potential funding impacts and proposed program and cost shifts to counties.

In addition to the impact of COVID-19, there are several federal policy areas we are closely monitoring:

- In 2020, the federal government will conduct its decennial census. Census data informs several funding streams including formulas for safety net programs. An undercount of Alameda County residents would negatively impact funding formulas for the next decade.
- Medi-Cal is currently operating under a federal waiver that expires this year. The current waiver provides significant supplemental funding for the County, the Alameda Health System, and other delivery partners – including the \$140 million Whole Person Care pilot program. Implementation of the California Advancing and Innovating Medi-Cal (CalAIM) initiative as the State's response to the waiver expiration has been delayed due to budget impacts resulting from the COVID-19 recession.

At the federal level, both states and local governments seek additional federal funding to mitigate the significant revenue declines and unanticipated expenditure increases related to COVID-19. While federal stimulus funds through the CARES Act have provided one-time relief to state and local governments, it is insufficient to offset our unanticipated costs and cannot be used to backfill our lost revenues. It is unknown at this time if or when Congress might pass additional stimulus programs for local governments.

The current State budget framework is partially dependent upon the receipt of federal funds in October 2020. The State budget includes a realignment backfill of \$750 million, with another \$250 million contingent upon the receipt of additional federal funds. While further details of this realignment backfill are pending negotiations with the Department of Finance, we know that the total amount of backfill will not fully cover our projected realignment losses.

Given the many uncertainties including State and federal funding levels, we will continue refining the Final Budget adopted by your Board in two additional phases. Phase 2 will focus on the projected \$121 million revenue shortfall and the impact of the State budget expected to be passed this week. Although the State budget includes funding for realignment backfill, all-mail elections, homelessness, Project Roomkey, and support for probation departments related to early releases, these discrete funding sources will not fully offset our projected revenue losses. The State backfill for realignment losses and restoration of some funding cuts are contingent on the State's receipt of additional federal funds. Phase 3 of our County budget process will incorporate any additional State budget adjustments and federal funding.

In addition to our existing reliance on State and federal funding and policy decisions, our State funding is now tethered to federal stimulus funding this year. This will require our continued active engagement and advocacy in Sacramento and Washington D.C., and the flexibility to adjust our budget as new details emerge.

Final Budget Program Highlights

Consistent with your Board's adopted budget policies, the Final Budget includes:

- \$1.3 billion in Salary and Employee benefits for a diverse workforce of nearly 10,000 employees; and
- \$678 million in funding for direct client services provided by 260 community-based organizations, including \$82.6 million for the Alameda Health System.

Other program highlights include:

- \$555 million in behavioral health care services;
- \$345 million in public benefits/assistance payments;
- \$111 million for homelessness programs; and
- \$97 million for affordable housing programs funded by Measure A1 General Obligation bond proceeds

Additionally, the Final Budget includes several Board Initiatives and Funding Priorities:

- **Enhancing Vision 2026 Fund** (for children, youth and families)
 - 2nd year allocation (FY 2019-20 through FY 2021-22)
 - \$5 million each year (\$1 million for each supervisorial district)
- **Housing & Homelessness**
 - 3rd year allocation (FY 2018-19 through FY 2020-21)
 - \$5 million – Affordable Housing Trust
 - \$2.5 million – HCSA Office of Homeless Care and Coordination
- **East County Economic Development Infrastructure Improvement Fund**
 - \$5 million annual allocation (through FY 2026-2027)

We also continue to highlight special budgets within the County, which reflect \$707 million for children's services and programs and \$297 million for unincorporated area services. The Human Impact Budget highlights safety net services provided to County residents and our most vulnerable populations.

The Innovation Journey and Vision 2026

The County's Innovation Journey started over a decade ago with your Board's creation of Vision 2016, a ten-year strategic vision that identified long-term goals and priorities based upon future trends and a commitment to equity, collaboration, partnerships, innovation, and sustainability. The journey continues with Vision 2026, a refreshed and updated strategic vision that is the foundation of the FY 2020-21 Final Budget and guides our decisions throughout the year.

Vision 2026 guides the County's commitment to serving our diverse communities through its six foundational operating principles of **equity, access and fiscal stewardship, sustainability,**

collaboration and innovation. The bold **10X goals** clearly reflect the County's core services and community priorities: Eliminate **Homelessness, Healthcare for All, Employment for All, Eliminate Poverty and Hunger, Crime Free County, and Accessible Infrastructure** in support of our four Shared Visions: **Healthy Environment, Safe and Livable Communities, Thriving and Resilient Population, and Prosperous and Vibrant Economy.**

The Final Budget highlights the alignment of program goals and objectives with the County's 10X Goals, in support of the four Shared Visions, and are also highlighted in the Human Impacts, Children's Services, and Unincorporated Services budgets.

We continue to fully integrate **Vision 2026** into all aspects of County services and operations while investing in strategic partnerships and collaborations involving our agencies and departments, community-based providers, and other stakeholders.

Looking Forward

The unprecedented challenges we now face, during the COVID-19 pandemic and health emergency, also offer opportunities to look forward and reimagine our priorities, programs, and services.

Virtual First is an emerging initiative that encourages and supports technology solutions that enable the County to continue providing critical services efficiently and effectively while keeping our employees and communities healthy and safe. During the recent Shelter in Place orders, our Information Technology team collaborated with several County departments to quickly develop new technology solutions to ensure that critical County services could be accessed anytime and anywhere including:

- A mobile app called ACFAST that was developed in collaboration with our Social Services Agency to help providers by displaying real-time the availability of shelter beds for homeless clients;
- The Health Care Services Agency embracing the use of a chatbot on its website to answer basic questions about COVID-19; and
- The Auditor-Clerk-Recorder being among the first to conduct a virtual wedding using e-signature and e-payment technology.

Beyond technology, we must reimagine and redesign our programs and services as we adjust to the new norm and fiscal realities guided by our Vision 2026 operating principles, 10X goals, and shared visions.

CLOSING REMARKS

After over 100 days of sheltering in place, we are entering a new fiscal year in the midst of a global pandemic, social justice crisis, and economic recession. Despite the challenges and uncertainty that surround us, your Board continues to provide strong financial and strategic leadership that enables the County to continue providing critical health, social, public safety, and general government services to support our 1.6 million residents and diverse communities.

As you adopt a Final Budget to start the new fiscal year acknowledging that further adjustments will be required due to the deep recession, know that your baseline budget supports a dedicated workforce and hundreds of community-based partners committed to providing an array of critical services to our diverse communities. We could not have achieved a balanced budget without the support and contributions from agency/department heads; guidance from the Budget Workgroup members, and the leadership and commitment of your Board to an open and inclusive process that has involved all stakeholders.

As we continue on our unprecedented and daunting journey, the resilience and perseverance of your Board, department heads and our entire team will help us move forward with a renewed commitment and resolve to ensure that all of our communities can be healthy, safe, and hopeful.

Very truly yours,

/s/

Susan S. Muranishi
County Administrator

SSM:AC:MPA

cc: Agency/Department Heads
Budget Workgroup
Legislative Advocates
Labor Representatives
Community-Based Organizations
Boards and Commissions