



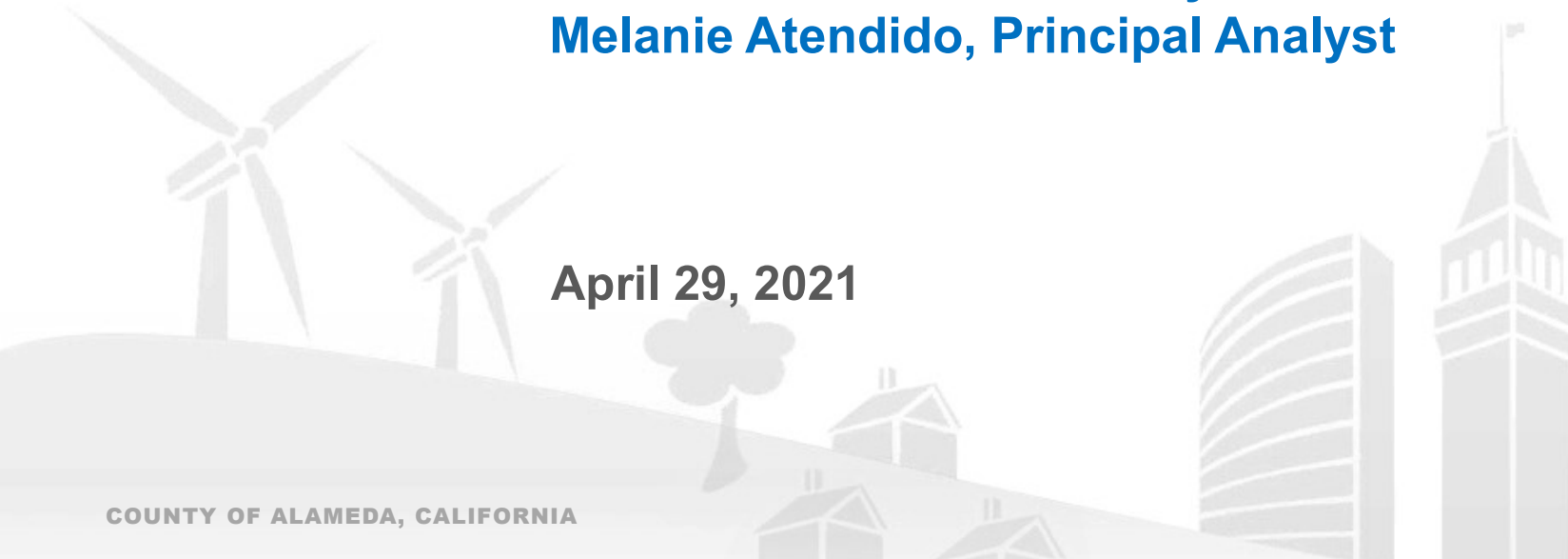
# Alameda County Fiscal Year 2021-22 Budget Workgroup Meeting

DRAFT

**Susan S. Muranishi, County Administrator**  
**Melanie Atendido, Principal Analyst**

**April 29, 2021**

COUNTY OF ALAMEDA, CALIFORNIA



# Overview

- Economic Updates
- County Financing
- FY 21-22 Maintenance of Effort (MOE) Budget
- FY 21-22 Funding Gap
- Balancing Options
- Pending Factors
- Looking ahead

DRAFT



# Economic Updates



# California unemployment claims and payroll jobs have improved, but not to pre-pandemic levels

DRAFT

18.9M

person California work force

1.5M

Unemployment claims (8.2%)

60.8%

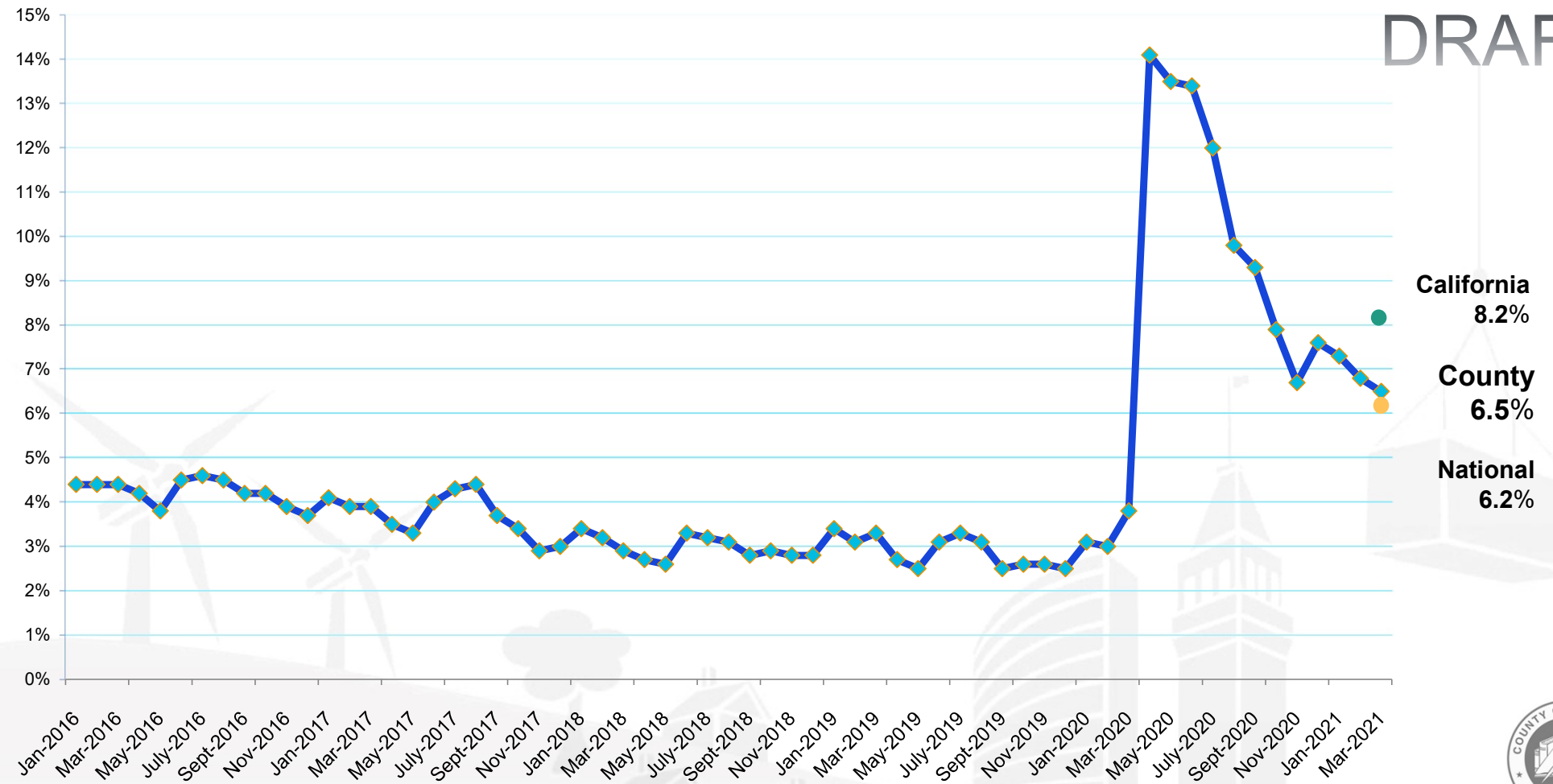
**Labor force participation rate, while recovering from trough in 2020, still at a historical low in over 45 years**

*California lagging behind the national average*



# Alameda County – Unemployment Rate (March 2021)

DRAFT



# Data shows impact on Alameda County workers as a result of COVID-19

DRAFT

- **Over 350 employers** throughout the County have submitted Worker Adjustment Retraining Notification (WARN) notices to report temporary or permanent closures or laid off employees, impacting over **36,000 workers\***

*\*Includes numbers for March 31, 2020 - March 31, 2021 from Alameda County Workforce Development Board*

## WARN

The Worker Adjustment Retraining Notification (WARN) protects employees, their families, and communities by requiring employers to give a 60-day notice to the affected employees and both state and local representatives prior to a plant closing or mass layoff. Federal WARN is applicable only to employers with 100 or more full-time employees. California WARN is applicable to a covered establishment with 75 or more employees full or part-time.

Source: Alameda County Workforce Development Board



It was a “great year for stocks-- investors ignored the pain of the pandemic and bet on a future where companies rely less on labor”

DRAFT

Dow Jones Industrial Average (DJIA) market index



# Strained housing market and household incomes continue to be the pressing issues in 2021

DRAFT

## ■ Renters



**20%**

Americans behind on rent

## ■ Homeowners



**10M**

Americans behind on mortgage payments

**45+%**

Decline in statewide housing inventory



**30.9%**

Decline in San Francisco Bay Area



**21.7%**

Increase in California home sales

**31.8%**

Increase in San Francisco Bay Area, highest in the state





# County Financing



# County Fiscal Dilemma

- Increasing demand for safety net services during economic downturns
- 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
- Transfer of responsibility from the State to counties
  - Realigned programs with inadequate ongoing funding

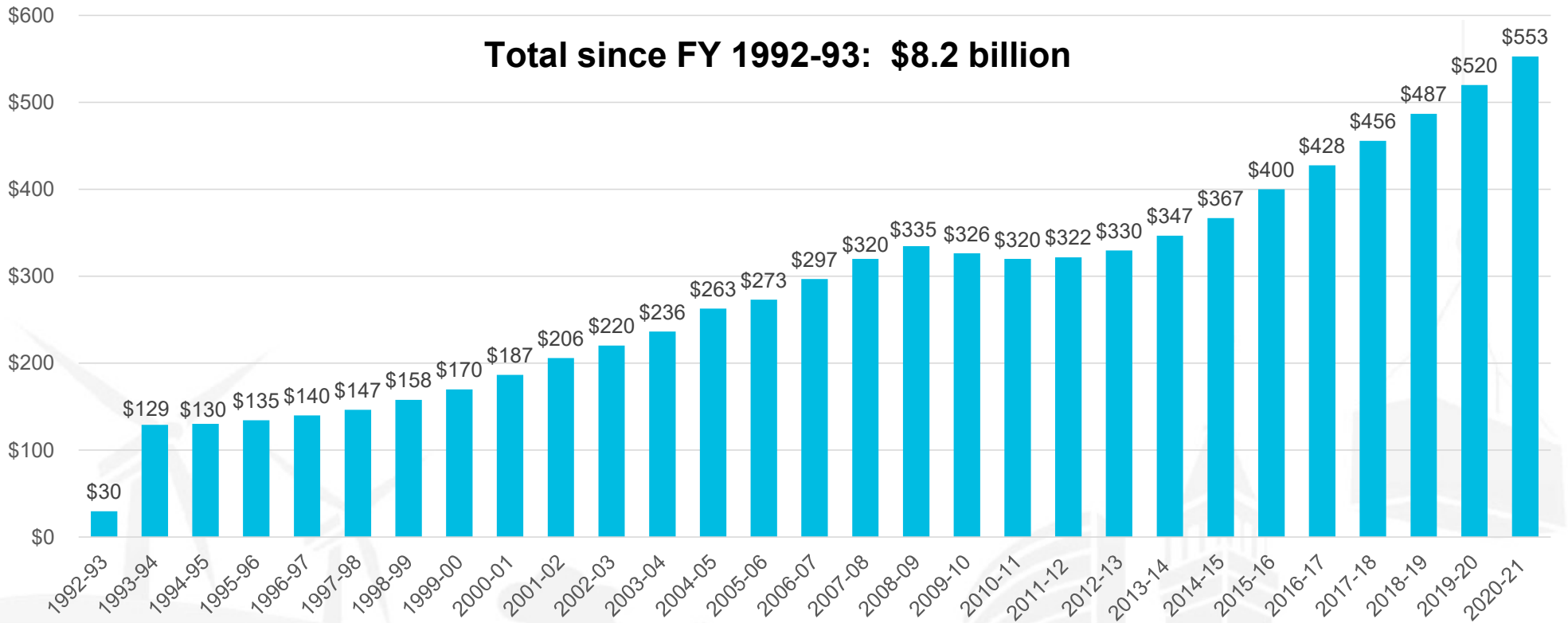
DRAFT



# Alameda County ERAF Losses by Year

(\$ in millions)

DRAFT

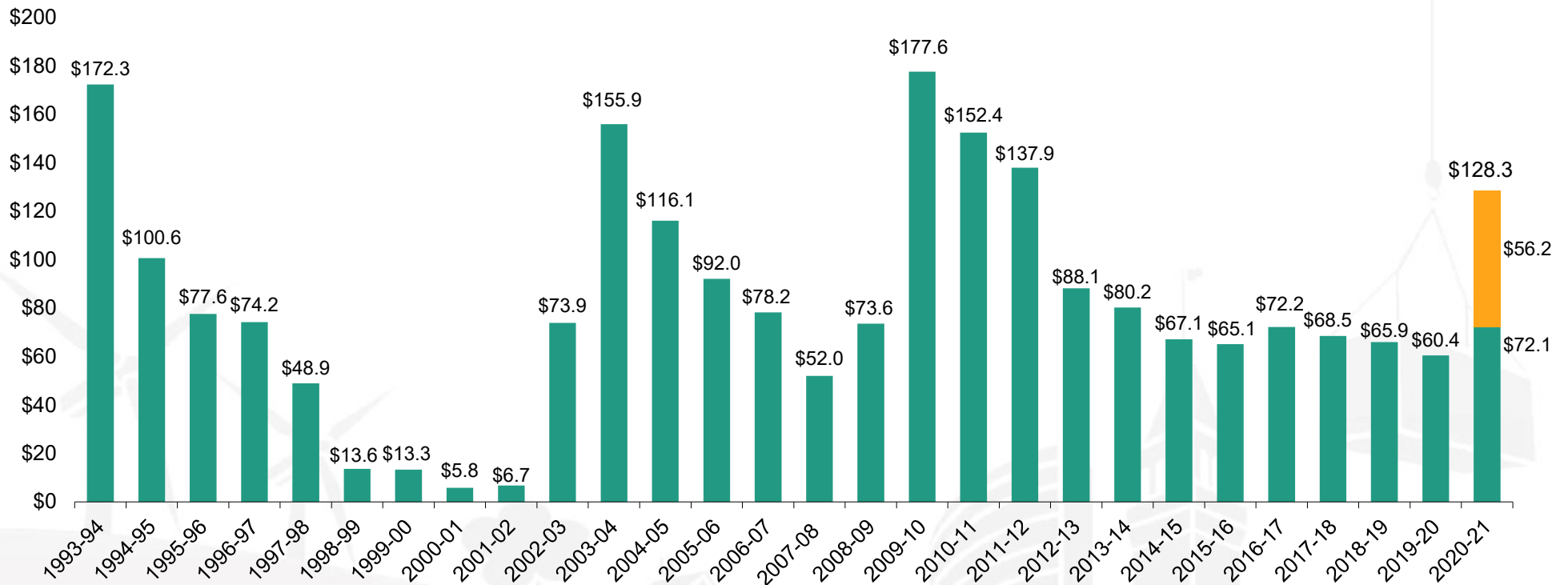


# Alameda County Funding Gaps since ERAF

(\$ in millions)

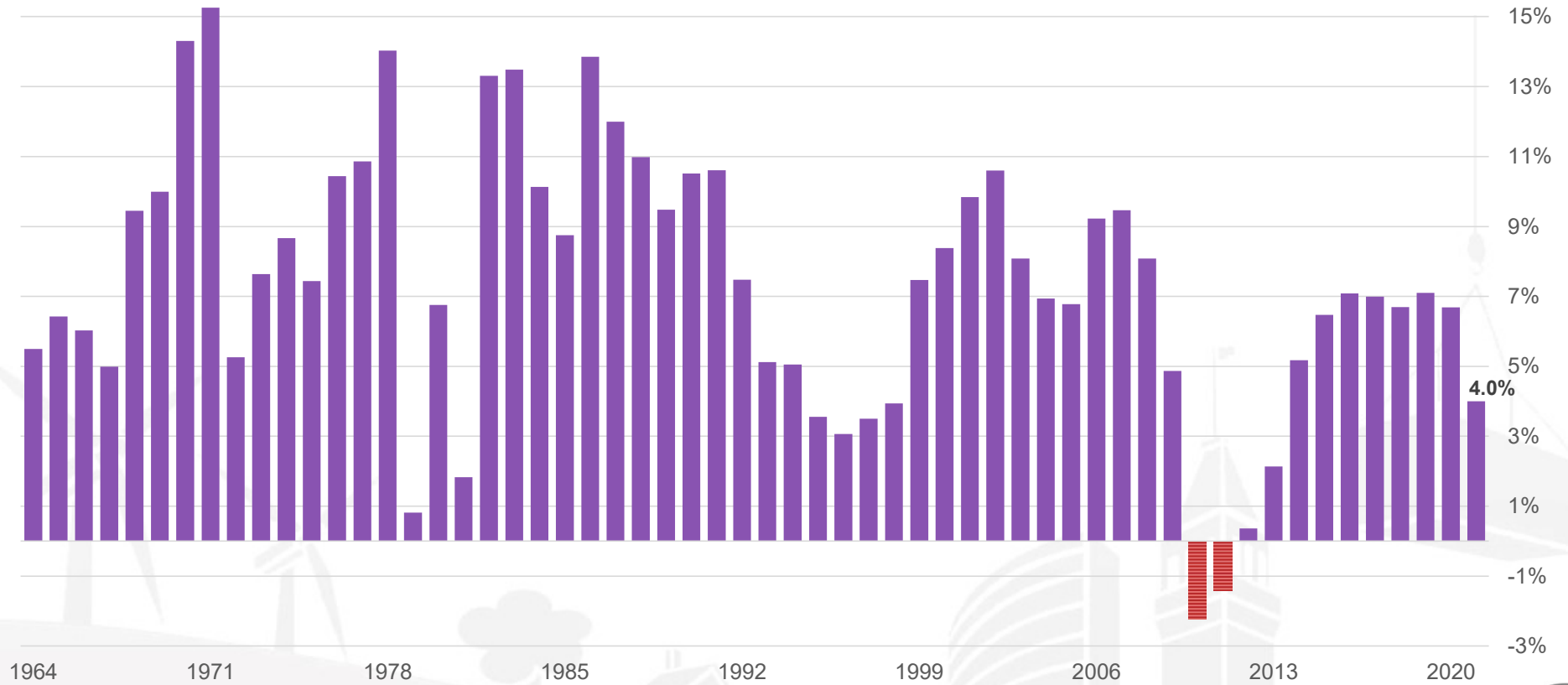
Total since FY 1993-94: \$2.3 billion

DRAFT



# Alameda County Assessment Roll Growth

DRAFT



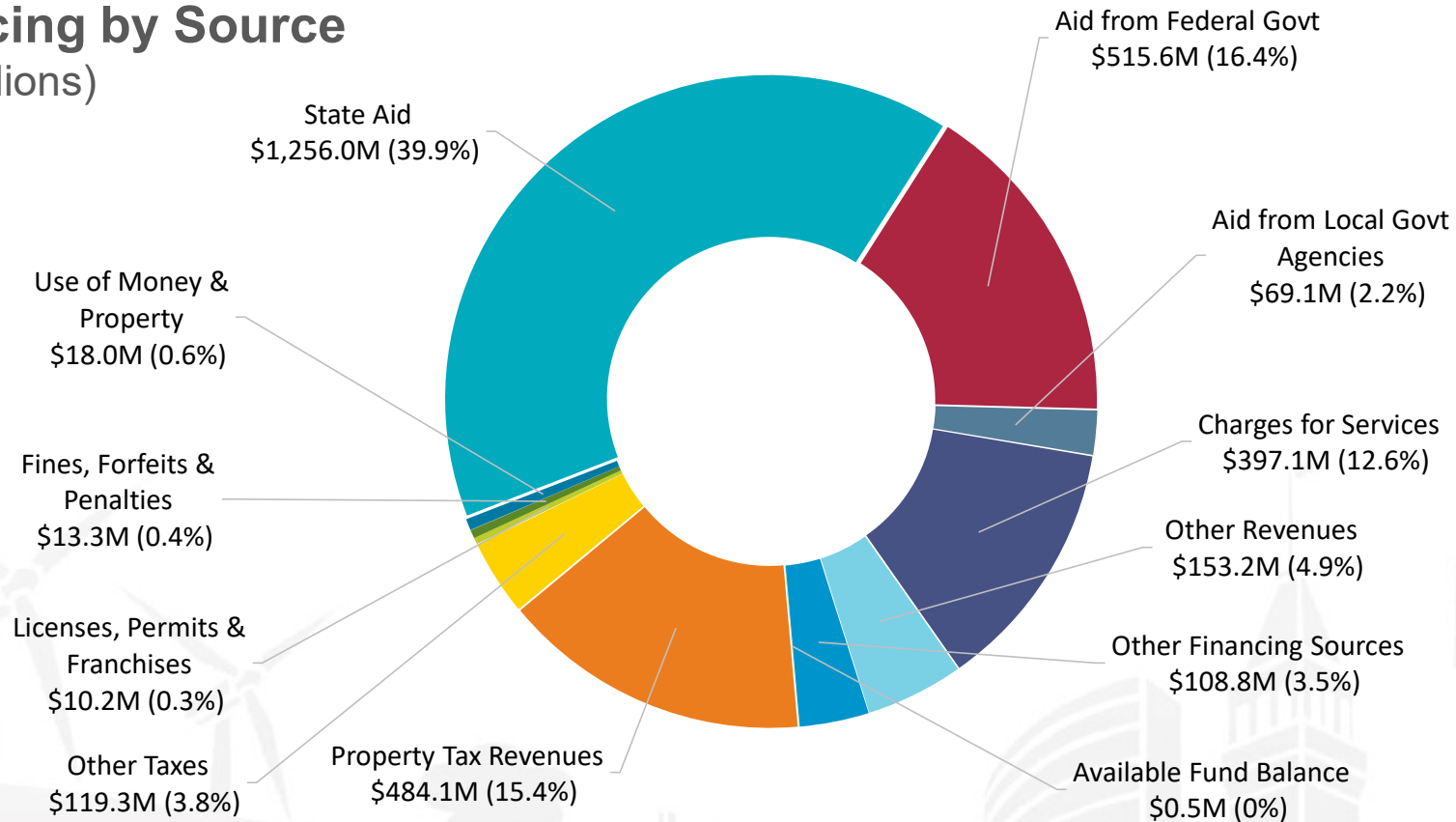
# Current Year Approved Budget



# FY 2020-21 Final Budget

## Financing by Source

(\$ in millions)



**Total General Fund: \$3,145.1 million**

DRAFT

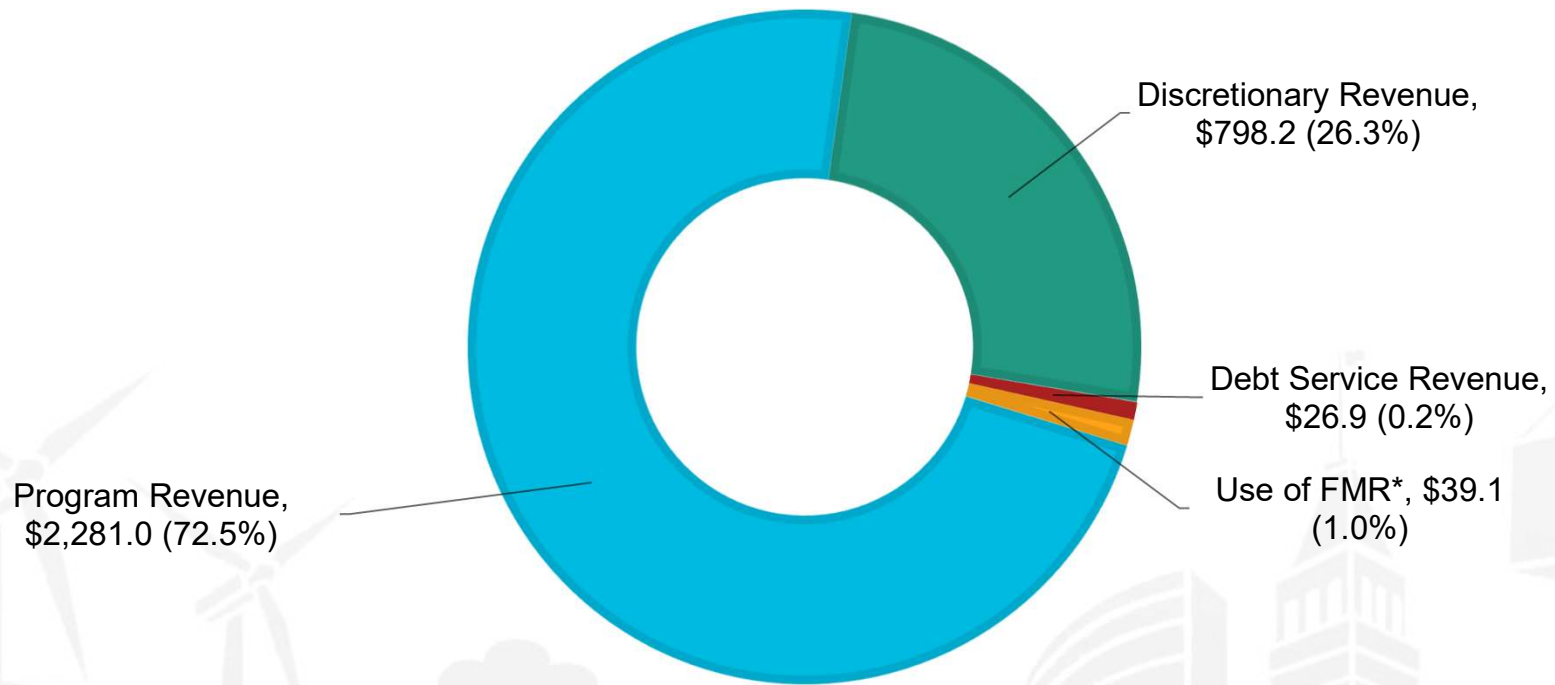


# FY 2020-21 Final Budget

## Discretionary Revenue – Share of Total General Fund

(\$ in millions)

DRAFT



**Total General Fund: \$3,145.1 million**

\*FMR = Fiscal Management Rewards

COUNTY ADMINISTRATOR'S OFFICE



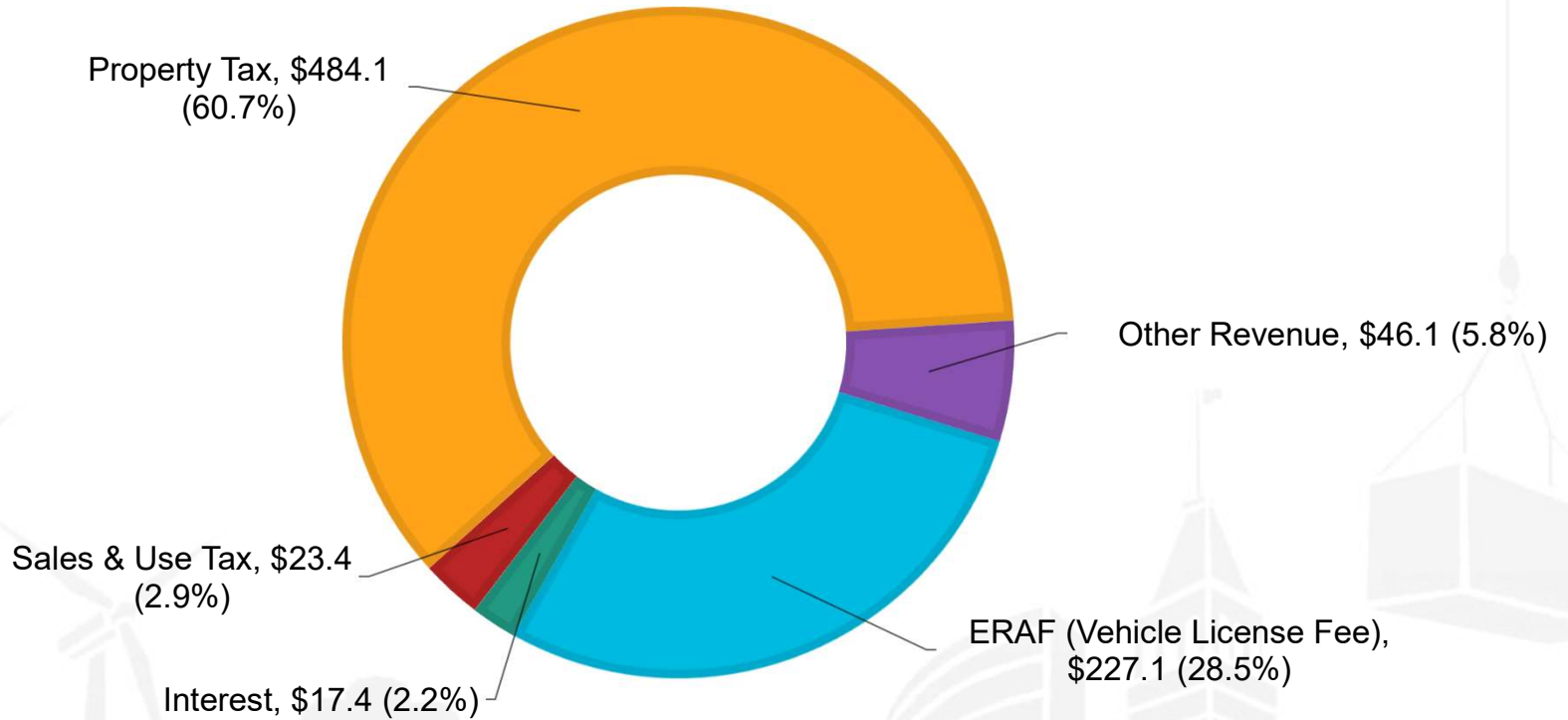


# FY 2020-21 Final Budget

## Discretionary Revenue by Source

(\$ in millions)

DRAFT



**Total Discretionary Revenue: \$798.2 million**



# Discretionary Revenue

DRAFT

- Discretionary revenue is approximately 27% of the General Fund, but 90% is property tax-based
- Alameda County receives **only 15 cents for every property tax dollar** collected in the County



Schools  
(42¢)

Cities  
(18¢)

County  
(15¢)

Special  
Districts  
(13¢)

Redevelopment  
(12¢)\*

\* Over time, redevelopment agencies' share of property taxes should be distributed to the other entities



# FY 2020-21 Adopted and Amended Budget

(\$ in millions)

DRAFT

	FY 2020-21 Adopted Budget	FY 2020-21 Amendments	FY 2020-21 Amended Budget
<b>All Funds</b>	\$3,513.3	(\$56.2)	<b>\$3,457.1</b>
<b>General Fund</b>	\$3,145.1	(\$56.2)	<b>\$3,088.9</b>



# Closing the FY 2020-21 Budget Gap

(\$ in millions)

DRAFT

Program	Adopted Budget Balancing Strategies	Amended Budget Balancing Strategies	Total
<b>General Government</b>	\$17.7	\$ 3.9	\$21.6
<b>Public Protection</b>	\$31.0	\$13.6	\$44.6
<b>Public Assistance</b>	\$ 2.9	\$10.6	\$13.5
<b>Health Care Services</b>	\$20.5	0	\$20.5
<b>Countywide</b>	0	\$28.1	<b>\$28.1</b>
<b>Grand Total</b>	<b>\$72.1</b>	<b>\$56.2</b>	<b>\$128.3</b>

Note: The figures above are based on exact numbers – totals may vary due to rounding



# Closing the FY 2020-21 Budget Gap

(\$ in millions)

DRAFT

Program	Amended Budget Adjustments	Balancing Strategies
General Government	\$ 3.9	Salary savings
Public Protection	\$13.6	Salary savings, elimination of 12.0 FTE from the Sheriff's Office, one-time revenue adjustments
Public Assistance	\$10.6	Revenue adjustments
Health Care Services	0	-
Countywide	\$28.1	Property-tax based revenue adjustments
<b>Grand Total</b>	<b>\$56.2</b>	

Note: The figures above are based on exact numbers – totals may vary due to rounding



# FY 2021-22 MOE Budget



# MOE Budget Guidelines

DRAFT

**Maintenance of Effort:** The funding level needed by agencies/departments to continue existing programs, staffing and service levels.

- Known salary/benefits, operational and internal service fund adjustments
- Current revenue projections
- 3.25% cost-of-living adjustment for eligible contracts with community-based organizations
- Mid-year Board approved adjustments
- MOE does not generally include COVID-19 impacts
- Alignment with Vision 2026



# FY 2021-22 MOE Budget

(\$ in millions)

DRAFT

Program	Appropriation	Revenue	Net Cost	FTE
General Government	\$ 278.1	\$ 177.2	\$100.8	960.9
Public Protection	\$ 878.2	\$ 440.7	\$437.5	2,936.1
Public Assistance	\$ 901.6	\$ 825.2	\$ 76.4	2,587.9
Health Care Services	\$ 972.8	\$ 797.4	\$175.4	1,710.1
<b>Subtotal Programs</b>	<b>\$3,030.7</b>	<b>\$2,240.5</b>	<b>\$790.1</b>	<b>8,195.0</b>

NOTE: Totals may vary slightly due to rounding

COUNTY ADMINISTRATOR'S OFFICE





# FY 2021-22 MOE Budget Net Cost Change by Program (\$ in millions)

DRAFT

Program	2020-21 FINAL Approved Net Cost	2021-22 MOE Net Cost	Change	% Change
General Government	\$98.7	\$ 100.8	\$ 2.1	2.1%
Public Protection	\$368.1	\$437.5	\$69.4	18.8%
Public Assistance	\$70.7	\$ 76.4	\$ 5.7	8.0%
Health Care Services	\$149.0	\$175.4	\$26.4	17.7%
<b>Subtotal Programs</b>	<b>\$686.5</b>	<b>\$790.1</b>	<b>\$103.6</b>	<b>15.1%</b>
<b>Use of FMR</b>			<b>\$ 39.1</b>	
<b>TOTAL</b>			<b>\$142.7</b>	

NOTE: Totals may vary slightly due to rounding

COUNTY ADMINISTRATOR'S OFFICE



# FY 2021-22 MOE Budget

DRAFT

## Net Cost Change by Program with FMR (\$ in millions)

Program	NCC Change	Prior Year FMR Use	NCC Increase w/ FMR
General Government	\$ 2.1	\$17.7	\$19.8
Public Protection	\$69.4	\$11.4	\$80.8
Public Assistance	\$ 5.7	\$0.0	\$ 5.7
Health Care Services	\$26.4	\$10.0	\$36.4
<b>Total Programs</b>	<b>\$103.6</b>	<b>\$39.1</b>	<b>\$142.7</b>

NOTE: Totals may vary slightly due to rounding



# Major Components of Net County Cost Change

(partial list, \$ in millions)

DRAFT

## Appropriation changes

- Salary increases due to COLAs
- Retirement increases
- Health benefit increases
- Internal Service Fund increases
- 3.25% COLA for CBOs
- 3.25% COLA for AHS
- IHSS MOE inflation
- Litigation-related staffing – Sheriff
- Litigation-related staffing – Behavioral Health
- Other adjustments

## Net County Cost Change

\$ 39.0  
\$ 11.2  
\$ 7.5  
\$ 4.4  
\$ 3.6  
\$ 1.2  
\$ 4.7  
\$ 38.9  
\$ 14.4  
\$ 0.3

## Revenue changes

- Prior-year use of FMR
- Mid-year amended budget revenue adjustments
- Net program revenue decrease

\$ 39.1  
(\$25.3)  
\$3.7

## TOTAL

**\$142.7**



# FY 2021-22 MOE Budget

(\$ in millions)

DRAFT

Non-Program	Appropriation	Revenue	Net Cost
Capital Projects	\$ 10.0	-	\$ 10.0
Contingency / Reserves / Debt Service / Designations	\$ 235.3	\$ 102.7	\$132.6
Non-Program Revenue	-	\$ 883.4	(\$883.4)
<b>Total Non-Program</b>	<b>\$ 245.3</b>	<b>\$ 986.1</b>	<b>(\$740.8)</b>



NOTE: Totals may vary slightly due to rounding

COUNTY ADMINISTRATOR'S OFFICE



# FY 2021-22 MOE Budget Net Cost Change Non-Program (\$ in millions)

DRAFT

Non-Program	2020-21 FINAL Net Cost	2021-22 MOE Net Cost	Change	% Change
Capital	\$ 7.0	\$ 10.0	\$3.0	42.8%
Contingency / Reserves Debt Service / Designations	\$143.7	\$132.6	(\$11.1)	(7.7%)
Non-Program Financing	(\$798.1)	(\$883.4)	(\$85.3)	10.7%
<b>Total Non-Program</b>	<b>(\$647.4)</b>	<b>(\$740.8)</b>	<b>(\$93.4)</b>	<b>14.4%</b>

NOTE: Totals may vary slightly due to rounding

COUNTY ADMINISTRATOR'S OFFICE



# FY 2021-22 Non-Program Adjustments (partial list, \$ in millions)

## Changes from FY 2020-21

■ Property Taxes	(\$35.1)
■ Motor Vehicle - ERAF	(\$40.9)
■ Sales & Use Taxes	\$ 1.4
■ Other revenue	(\$10.6)
■ Debt payments	(\$13.2)
■ Capital Projects	\$ 3.0
■ <u>1% for Capital/Reserves</u>	<u>\$ 2.0</u>
<b>TOTAL NON-PROGRAM</b>	<b>(\$93.4)</b>

DRAFT



# FY 2021-22 MOE Budget

(\$ in millions)

DRAFT

Program	Appropriation	Revenue	Net Cost	FTE
General Government	\$ 278.1	\$ 177.2	\$100.8	960.9
Public Protection	\$ 878.2	\$ 440.7	\$437.5	2,936.1
Public Assistance	\$ 901.6	\$ 825.2	\$ 76.4	2,587.9
Health Care Services	\$ 972.8	\$ 797.4	\$175.4	1,710.1
<b>Subtotal Programs</b>	<b>\$3,030.7</b>	<b>\$2,240.5</b>	<b>\$790.1</b>	<b>8,195.0</b>
Capital Projects	\$ 10.0		\$ 10.0	
Contingency / Reserves Debt Service / Designations	\$ 235.3	\$ 102.7	\$132.6	
Non-Program Revenue		\$ 883.4	(\$883.4)	
<b>Subtotal Others</b>	<b>\$ 245.3</b>	<b>\$ 986.1</b>	<b>(\$740.8)</b>	
<b>TOTAL</b>	<b>\$3,276.0</b>	<b>\$3,226.6</b>	<b>\$ 49.3</b>	

NOTE: Totals may vary slightly due to rounding



# FY 2021-22 MOE Budget Net Cost Change Non-Program

(\$ in millions)

DRAFT

Program	2020-21 FINAL Net Cost	2021-22 MOE Net Cost	Change	% Change
Subtotal Programs	\$686.5	\$790.1	\$103.6	15.1%
One-time use of FMR	(\$39.1)	-	\$ 39.1	-
<b>Total Program</b>	<b>\$647.4</b>	<b>\$790.1</b>	<b>\$142.7</b>	<b>22.0%</b>
<b>Total Non-Program</b>	<b>(\$647.4)</b>	<b>(\$740.8)</b>	<b>(\$93.4)</b>	<b>14.4%</b>
<b>Funding Gap</b>	<b>-</b>	<b>\$ 49.3</b>	<b>\$ 49.3</b>	

NOTE: Totals may vary slightly due to rounding

COUNTY ADMINISTRATOR'S OFFICE





# FY 2021-22 MOE Budget

(\$ in millions)

DRAFT

	FY 2020-21 FINAL	FY 2021-22 MOE	Increase/ Decrease	% Change
Appropriation	\$3,145.1	\$3,276.0	\$130.9	4.2%
Revenue	\$3,145.1	\$3,226.6	\$ 81.5*	2.6%
Funding Gap	0	\$ 49.3	\$ 49.3	-
FTE Positions	8,080.7	8,195.0	114.3	1.4%

\*Revenue increase = \$85.2M increase in non-program revenue offset by a \$3.7M reduction in program revenue



## Other Pending Factors

- Rising retirement and benefit costs
- Ongoing homelessness crisis
- Facility maintenance & capital needs
- Juvenile Justice realignment
- Pending litigation
- Alameda Health System
- Ballot initiatives/tax measures
- Special elections
- Federal budget
- State budget and May Revision
- Drought and wildfires
- County structural funding gap – one-time funding sources for ongoing uses
- COVID-19 global pandemic: revenues, caseloads, and cost impacts

DRAFT



# FY 2021-22 MOE Budget Balancing Options



# FY 2021-22 Budget Balancing Options

DRAFT

	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 NCC Increase	Absorb NCC Increase w/ FMR and Credit Share of NCC
General Government	\$ 12.3	\$ 7.0	\$ 17.9	\$ 6.4
Public Protection	\$ 12.3	\$ 26.7	\$ 18.2	\$ 27.3
Public Assistance	\$ 12.3	\$ 4.5	\$ 0.6	0
Health Care	\$ 12.3	\$ 11.0	\$ 12.6	\$ 15.5
<b>Total Gap</b>	<b>\$ 49.3</b>	<b>\$ 49.3</b>	<b>\$ 49.3</b>	<b>\$ 49.3</b>

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



# Discussion of Funding Gap Reduction Options



## Recap and Recommended Budget Balancing Approach

DRAFT

- MOE funding gap driven by **cost increases in program areas without commensurate increases in program revenue; loss of one-time budget balancing sources** – offset by reductions in non program costs and increased non program revenue
- Consistent approach: close the funding gap by identifying reduction targets for each program area that consider respective net cost increases and use of one-time funding; and require departments to identify proposed reduction strategies to meet those targets
- **Recommendation:** an alternate strategy similar to our approach for mid-year adjustments
- CAO to work with County Agency/Department Heads to close the structural funding gap through a combination of strategies that will include:
  - Review of all program revenues to identify additional ongoing adjustments
  - Review program budgets to identify further cost reductions
  - Consideration of other countywide strategies to reduce expenses and increase financing



