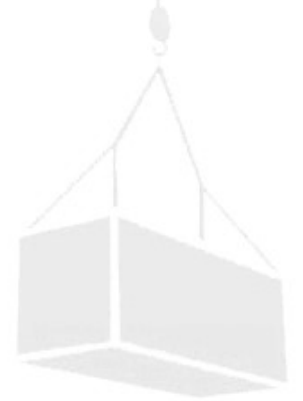




# Alameda County Fiscal Year 2022-23 Budget Workgroup Meeting

May 5, 2022



# Overview

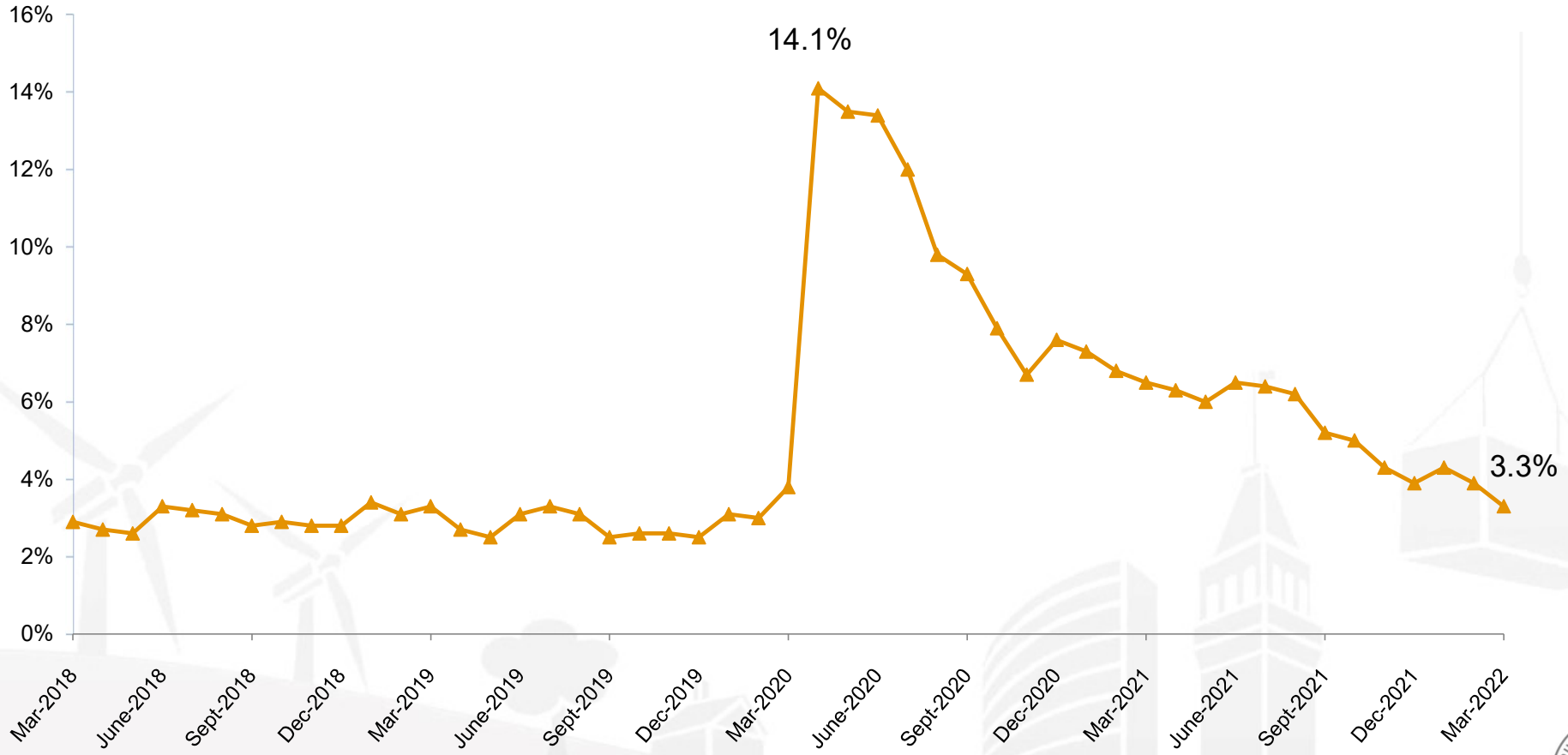
- Economic Updates
- County Financing
- FY 22-23 Maintenance of Effort (MOE) Budget
- FY 22-23 Funding Gap
- Balancing Options
- Pending Factors
- Looking ahead



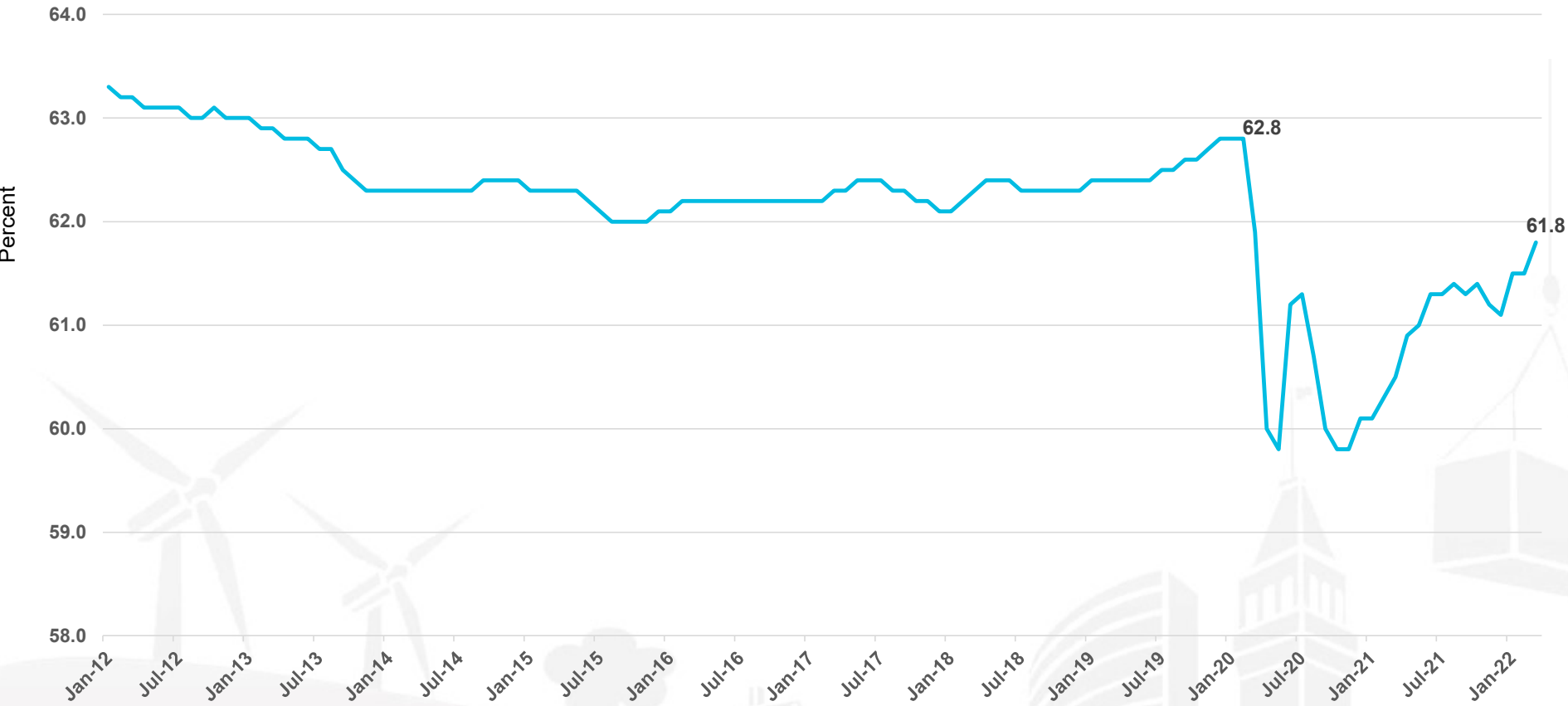
# Economic Updates



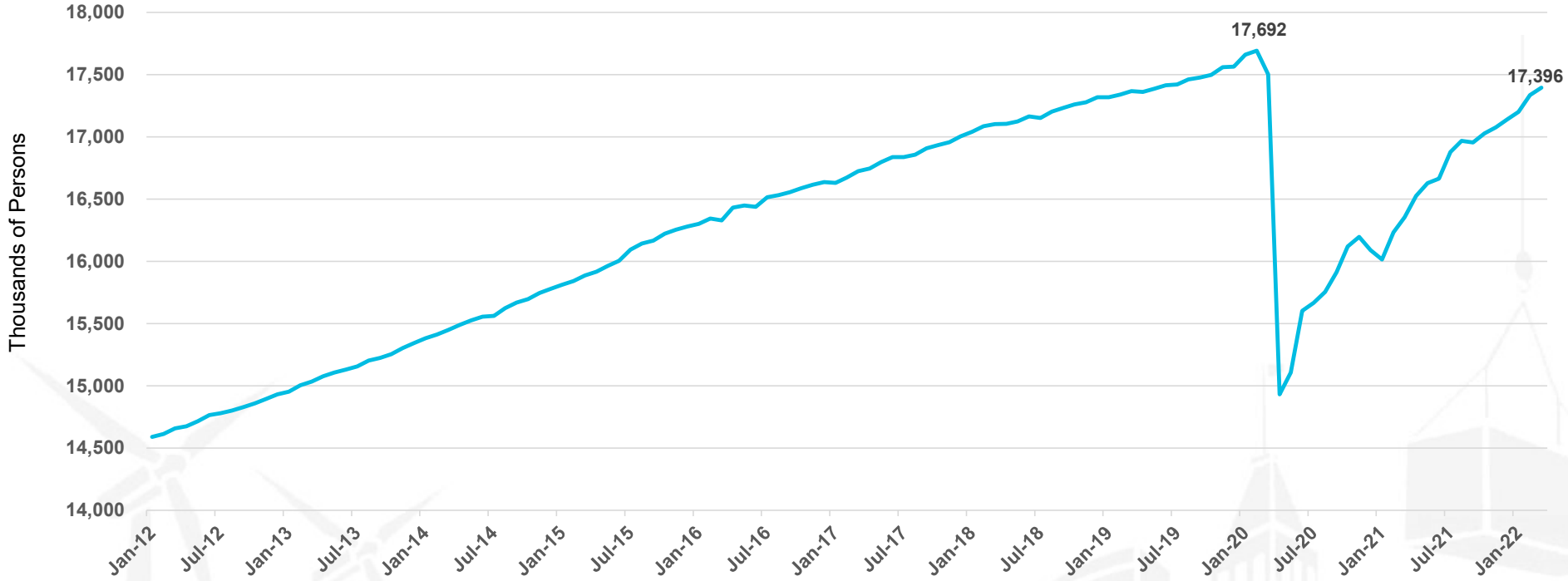
# Alameda County Unemployment Rate



# California Labor Force Participation Rate



# California Total Non-Farm Employees



There were approximately 296K fewer Californians employed in March 2022 than in February 2019.



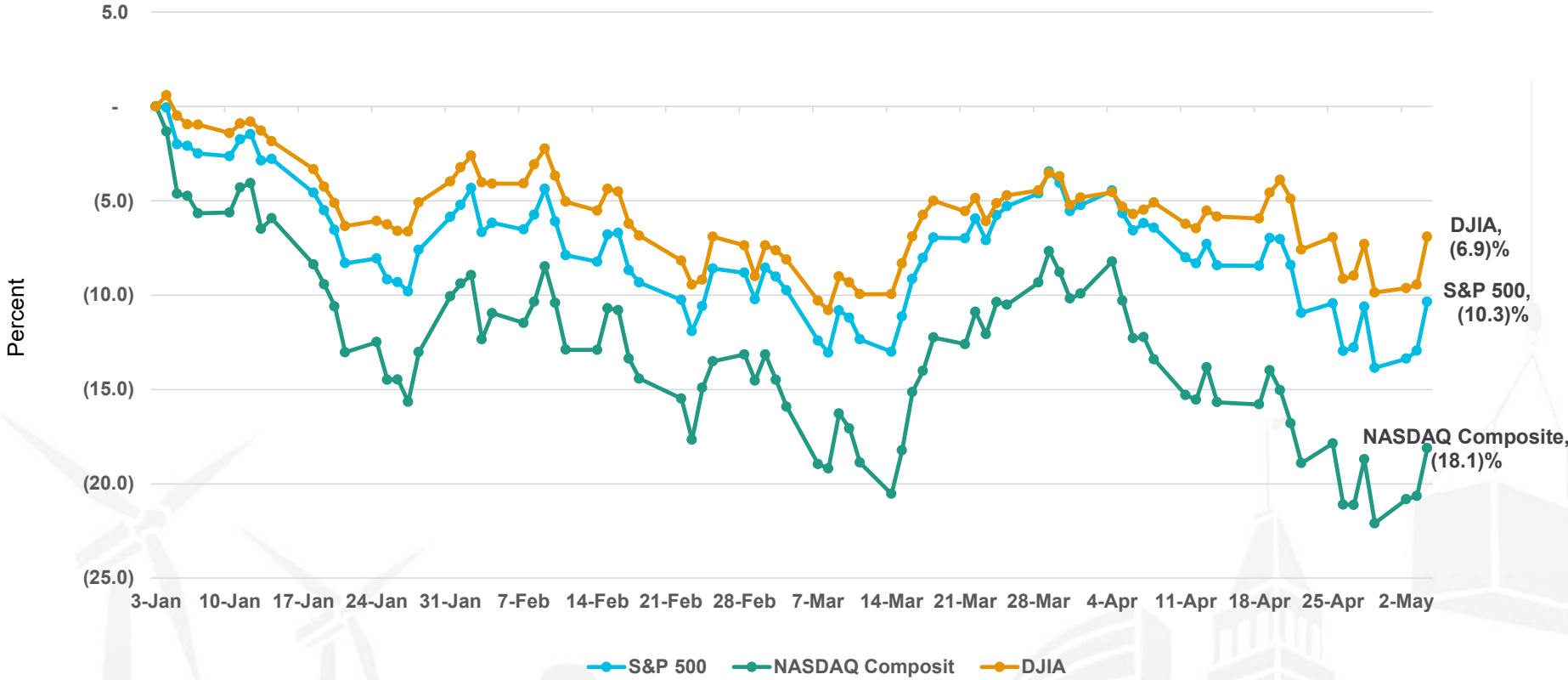
# 30-Year Fixed Rate Mortgage National Average



Since the end of 2021, 30-Year mortgage rates have risen over 200bps and are at the highest level since 2009.



# Stock Market Year-To-Date Returns Through 5/4/22



After rising sharply from the pandemic lows, equity prices have retreated significantly since the beginning of 2022 which may put pressure on future State income tax receipts as that funding source is heavily driven by capital gains.





# 12-Month Percentage Change Consumer Price Index



Inflation, as measured by the Consumer Price Index, has risen sharply since the beginning of the year. In response, the Federal Reserve has risen interest rates and signaled it will continue a tighter monetary policy in order to bring inflation down to its target – a 2% average over time.



## Key Economic Takeaways

- Strong job market recovery, but California lagging the nation.
- Federal Reserve has shifted to a tightening monetary stance:
  - The Federal Reserve raised interest rates for the first time since the pandemic in March, raised interest rates by 50 basis points in their May meeting (the most aggressive increase in a single meeting in 20 years), and signaled future rate increases to combat inflation.
  - 30-Year Fixed Mortgage rates have increased by ~200bps since the beginning of the year.
  - Home prices surging to record highs; growing risk of U.S. housing bubble
  - Deutsche Bank is predicting a “major recession” in the U.S. due to the Federal Reserve’s difficulties in tackling inflation.
- Continued supply chain constraints due to lockdowns in China.



## Federal Update

- On March 15, President Biden signed a \$1.5 trillion spending bill to fund the federal government through the remainder of the Fiscal Year with increases to both defense and non-defense spending.
- On March 28, the Biden Administration released a \$5.7 trillion spending plan for FY 23 with a focus in the following:
  - Unclogging supply chains
  - Green Energy
  - Public Safety
  - Billionaire Minimum Income Tax, increases in top level income tax, & increase in corporate taxes
- Congressional elections in November



# State Budget Update

- On January 10, Governor Newsom released a \$286 billion proposed FY 23 Budget with a \$21 billion discretionary surplus.
- The Governor is proposing to use the surplus chiefly for one-time investments due to the volatility of State revenues.
- The Governor is expected to present the May Revision to his January Budget Proposal next week.
- Counties continue to work with the State regarding programmatic design and funding needs for major initiative and proposals including CalAIM, pretrial funding, and CARE Court.
- We will be keeping a close eye on State revenue projections, especially sales tax receipts, given the large impact State funding has on the County's budget.



# County Financing



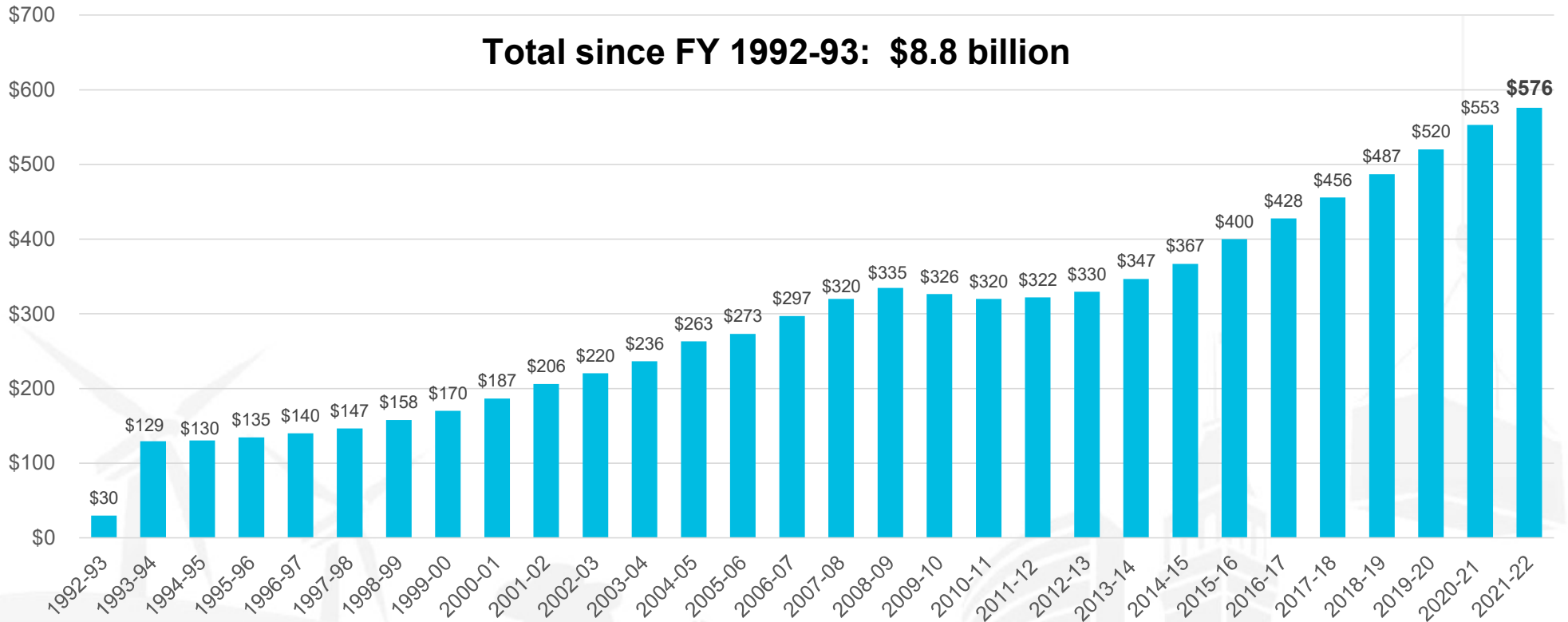
# County Fiscal Dilemma

- 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



# Alameda County ERAF Losses by Year

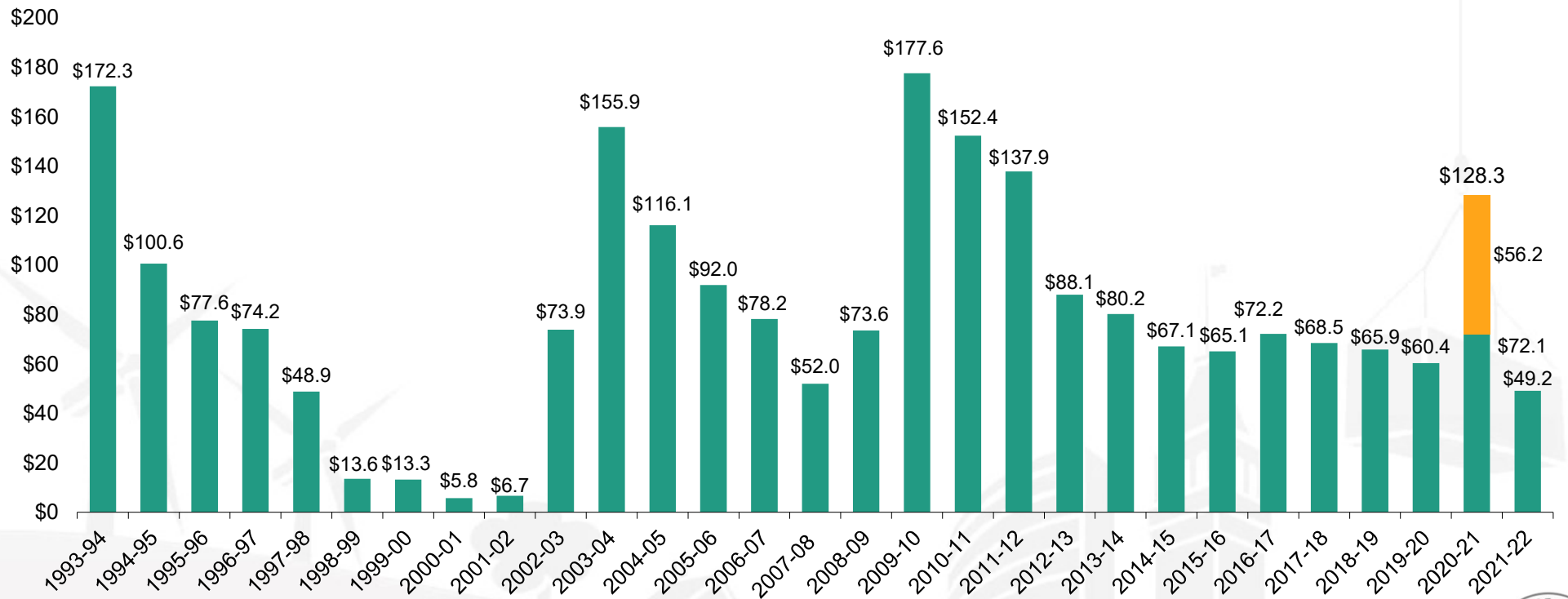
(\$ in millions)



# Alameda County Funding Gaps since ERAF

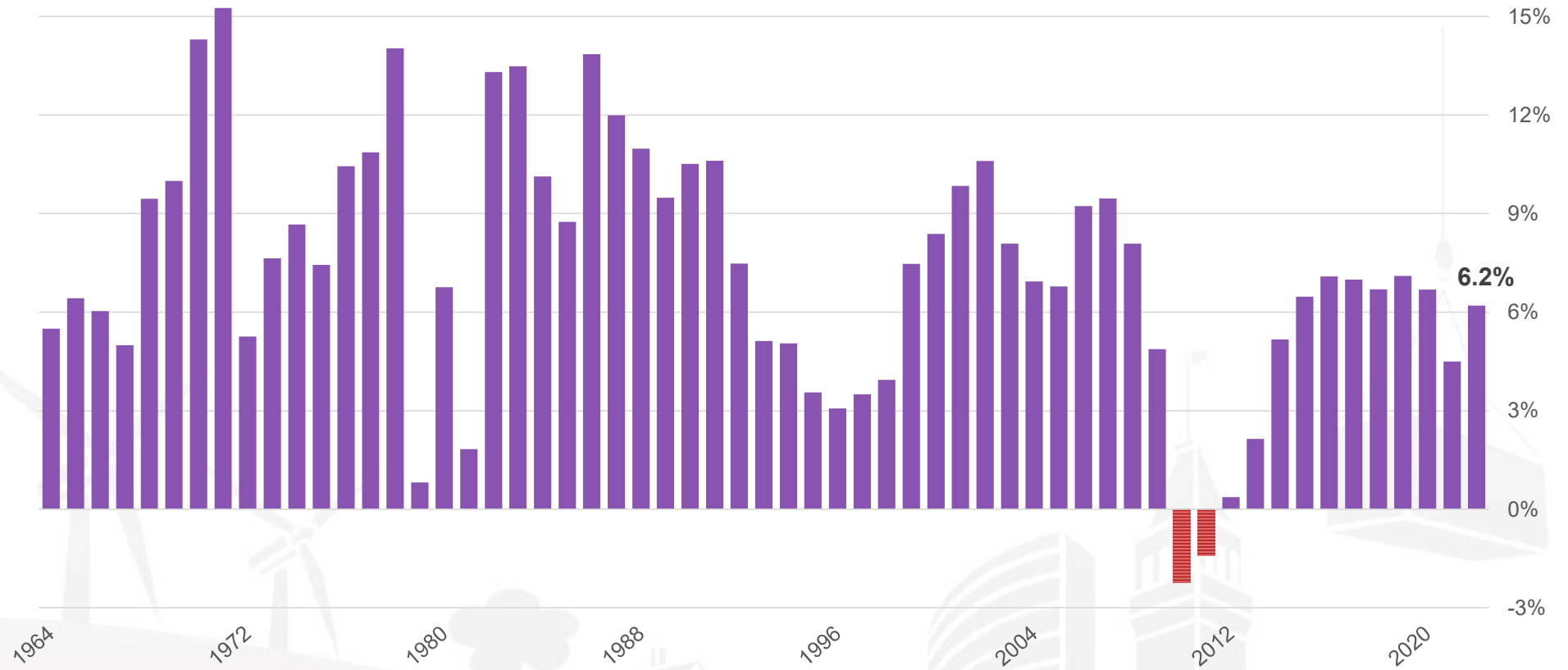
(\$ in millions)

**Total since FY 1993-94: \$2.4 billion**





# Alameda County Assessment Roll Growth



# Discretionary Revenue

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



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



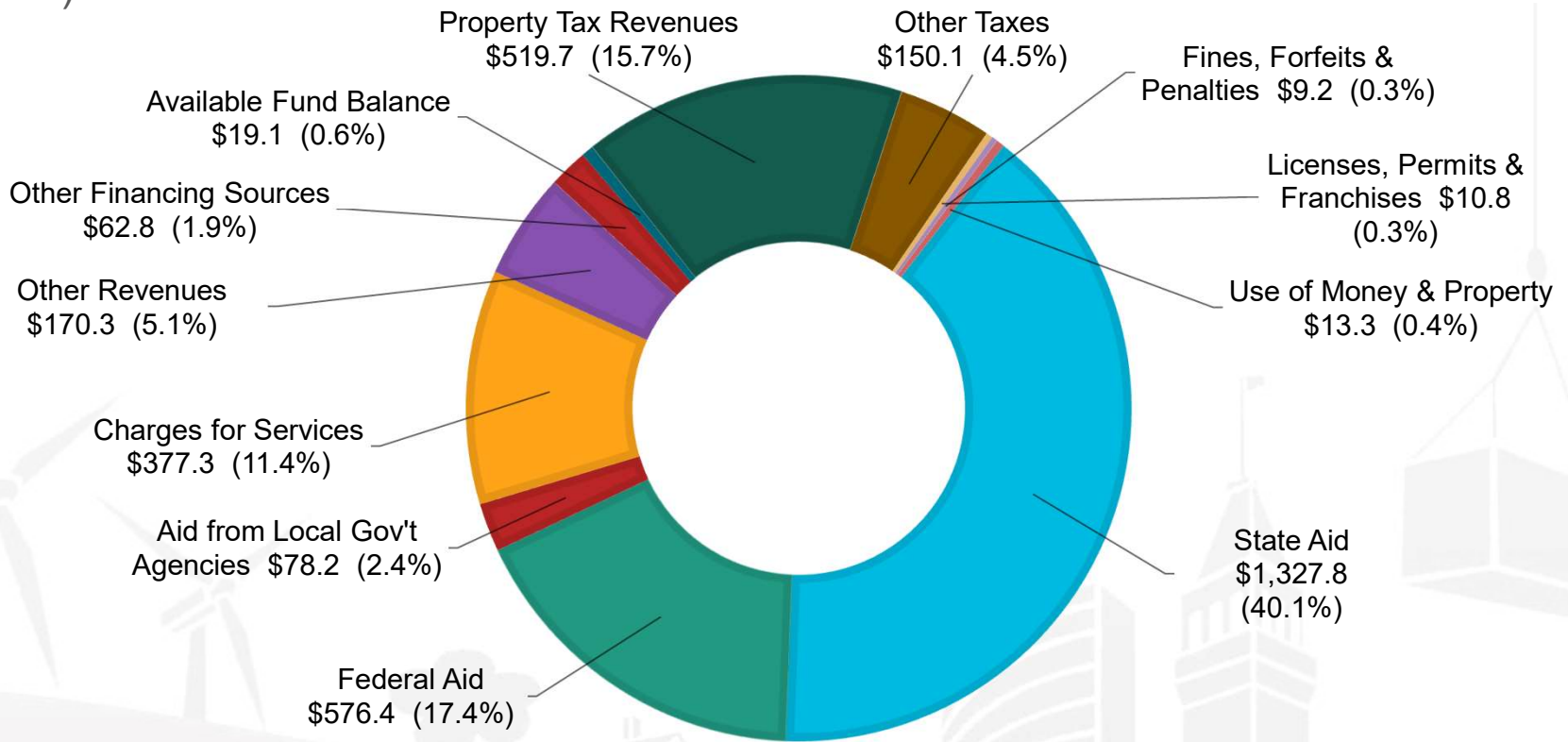
# Current Year Approved Budget



# FY 2021-22 Final Budget

## Available Financing by Source – General Fund

(\$ in millions)



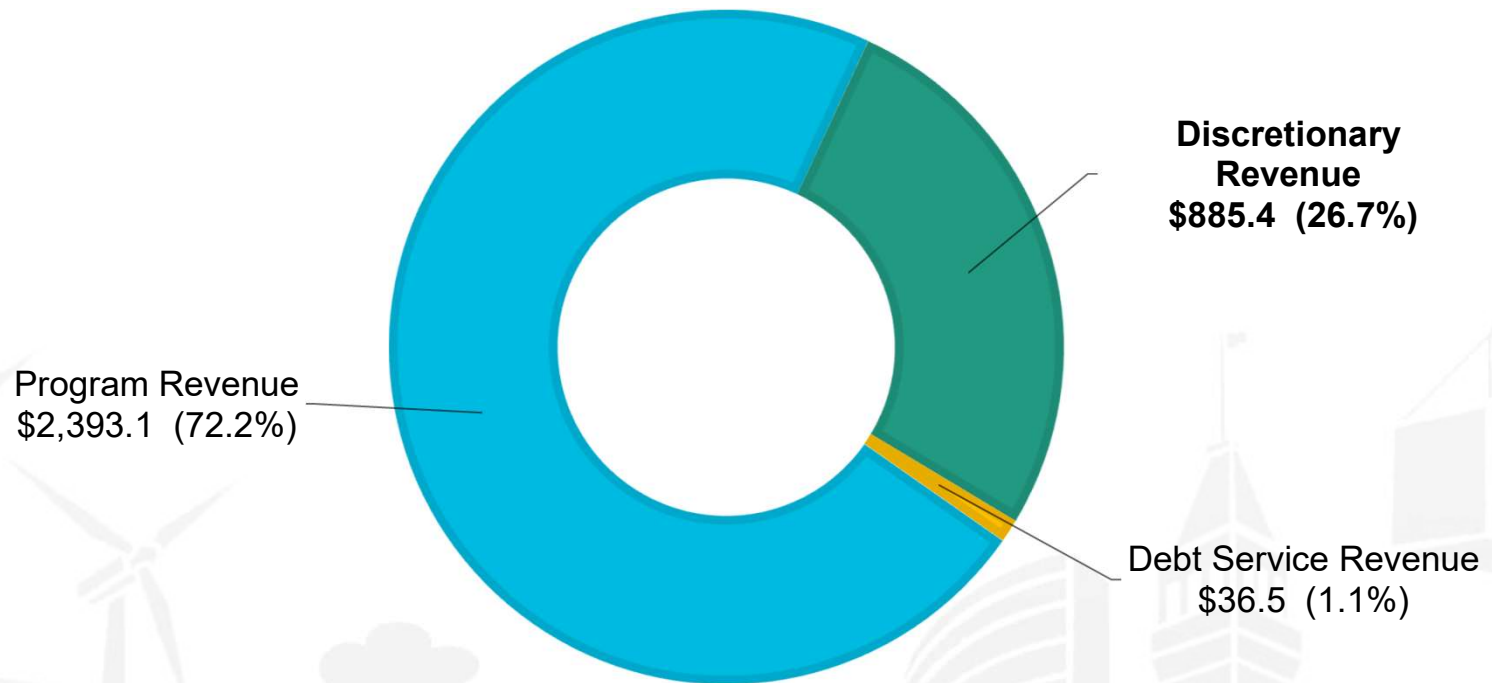
**Total General Fund: \$3,315.0 million**



# FY 2021-22 Final Budget

## Discretionary Revenue – Share of Total General Fund

(\$ in millions)



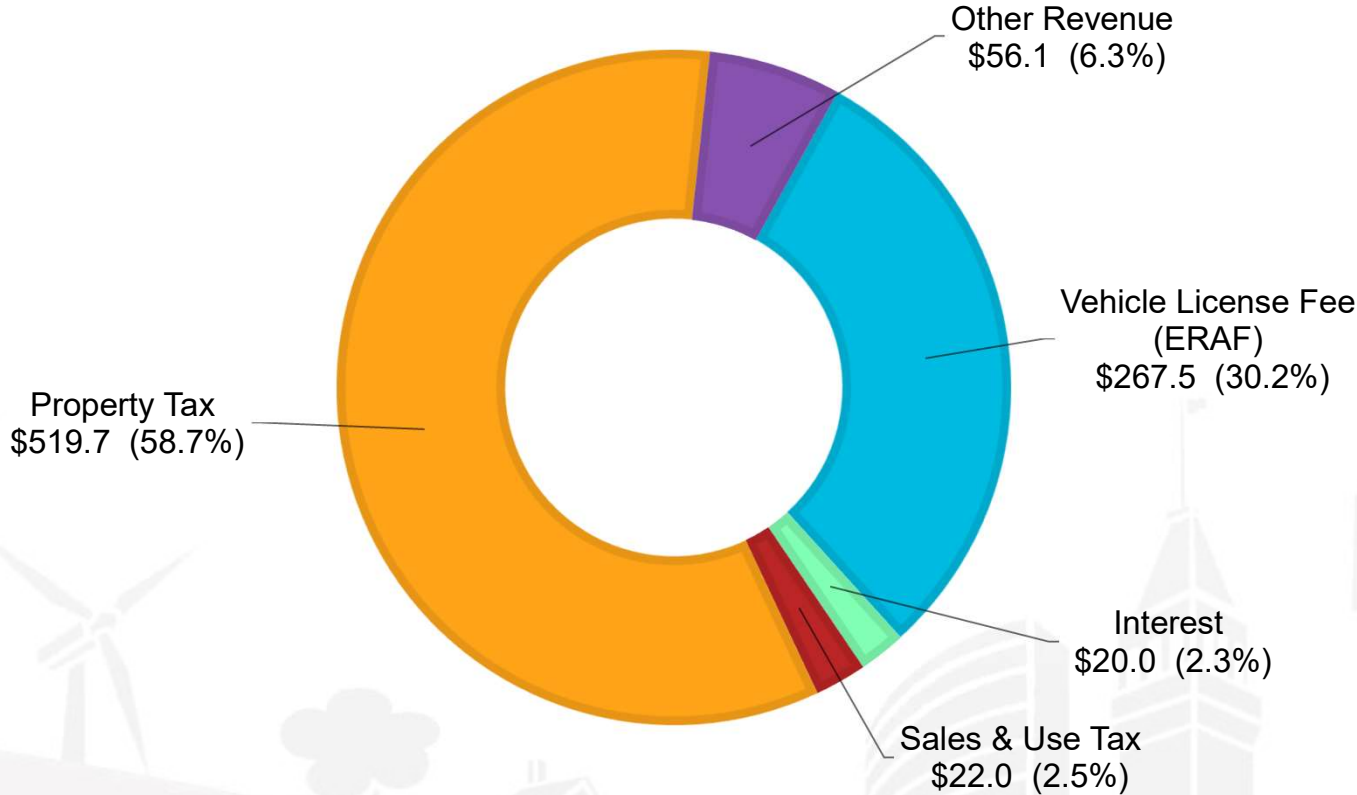
**Total General Fund: \$3,315.0 million**



# FY 2021-22 Final Budget

## Discretionary Revenue by Source

(\$ in millions)



**Total Discretionary Revenue: \$885.4 million**



# FY 2021-22 Final Budget Overview

	FY 2020-21 Approved	FY 2021-22 Proposed	FY 2021-22 Final Budget	Change from FY 2020-21 Approved
<b>All Funds</b>				
<b>Budget</b>	\$3,513,383,398	\$3,560,351,272	\$3,607,949,258	\$94,565,860
<b>FTEs</b>	9,963.09	10,060.78	10,078.33	115.24
<b>General Fund*</b>				
<b>Budget</b>	\$3,145,141,105	\$3,267,393,860	\$3,314,991,846	\$169,850,741
<b>FTEs</b>	8,080.70	8,194.95	8,210.66	129.96

\*General Fund FTE changes are all Board-approved and fully offset by revenue or other one-time funding.



# FY 2022-23 MOE Budget





# MOE Budget Guidelines

**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
- 3.0% 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



# Program Area Summary

(\$ in millions)

Subtotal Program	21-22 FINAL Approved	2022-23 MOE	Change from FY 21-22 Approved	% Change
Appropriations	\$3,069.1	\$3,201.9	\$132.8	4.3%
Revenue	\$2,307.3	\$2,377.8	\$70.5	3.1%
<b>Net County Cost</b>	<b>\$ 761.8</b>	<b>\$824.2</b>	<b>\$62.4</b>	<b>8.2%</b>

NOTE: Totals may vary slightly due to rounding



# FY 2022-23 MOE Budget Program Summary

(\$ in millions)

Program	Appropriation	Revenue	Net Cost	FTE
General Government	\$ 289.8	\$ 193.5	\$96.3	969.9
Public Protection	\$ 971.1	\$ 501.0	\$470.1	3,147.8
Public Assistance	\$ 938.6	\$ 862.5	\$ 76.2	2,571.9
Health Care Services	\$1,002.4	\$ 820.8	\$181.6	1,765.0
<b>Subtotal Programs</b>	<b>\$3,201.9</b>	<b>\$2,377.8</b>	<b>\$824.2</b>	<b>8,454.6</b>

NOTE: Totals may vary slightly due to rounding



# FY 2022-23 MOE Budget Net Cost Change by Program (\$ in millions)

Program	2021-22 FINAL Approved Net Cost	2022-23 MOE Net Cost	Change	% Change
General Government	\$93.8	\$ 96.3	\$ 2.5	2.7%
Public Protection	\$426.5	\$470.1	\$43.5	10.2%
Public Assistance	\$70.8	\$ 76.2	\$ 5.4	7.6%
Health Care Services	\$170.7	\$181.6	\$10.9	6.4%
<b>Subtotal Programs</b>	<b>\$761.8</b>	<b>\$824.2</b>	<b>\$62.4</b>	<b>8.2%</b>

NOTE: Totals may vary slightly due to rounding



# FY 2022-23 Program Net County Cost Change

(partial list, \$ in millions)

## Appropriation changes

- Salary increases
- Retirement increases
- Health & dental benefit increases
- Litigation-related staffing – Sheriff/Health Care
- Internal Service Fund increases
- 3.0% COLA for CBOs
- 3.0% COLA for AHS
- IHSS MOE inflation
- Other adjustments

## Net County Cost Change

\$ 25.8  
 \$ 10.1  
 \$ 18.1  
 \$ 53.9  
 \$ 12.8  
 \$ 10.7  
 \$ 2.5  
 \$ 4.4  
 \$ 5.4

## Revenue changes

- Realignment revenue
- Prop. 172
- Measure A
- Other net program revenue adjustments

(\$57.8)  
 (\$38.0)  
 (\$ 5.8)  
 \$20.3

## • TOTAL

**\$ 62.4**



# FY 2022-23 MOE Budget Non-Program Summary

(\$ in millions)

Non-Program	Appropriation	Revenue	Net Cost
Capital Projects	\$ 10.0	-	\$ 10.0
Contingency / Reserves / Debt Service / Designations	\$ 255.0	\$ 17.5	\$ 237.5
Non-Program Revenue		\$1,022.6	(\$1,022.6)
<b>Total Non-Program</b>	<b>\$ 265.0</b>	<b>\$1,040.1</b>	<b>(\$ 775.1)</b>

NOTE: Totals may vary slightly due to rounding



# FY 2022-23 MOE Budget Net Cost Change Non-Program (\$ in millions)

Non-Program	2021-22 FINAL Net Cost	2022-23 MOE Net Cost	Change	% Change
Capital	\$ 10.0	\$ 10.0	\$0	-
Fund Balance	(\$19.1)	-	\$19.1	
Contingency / Reserves Debt Service / Designations	\$217.8	\$ 237.5	\$19.7	9.0%
Non-Program Financing	(\$970.5)	(\$1,022.6)	(\$52.1)	5.4%
<b>Total Non-Program</b>	<b>(\$761.8)</b>	<b>(\$ 775.1)</b>	<b>(\$13.3)</b>	<b>1.7%</b>

NOTE: Totals may vary slightly due to rounding

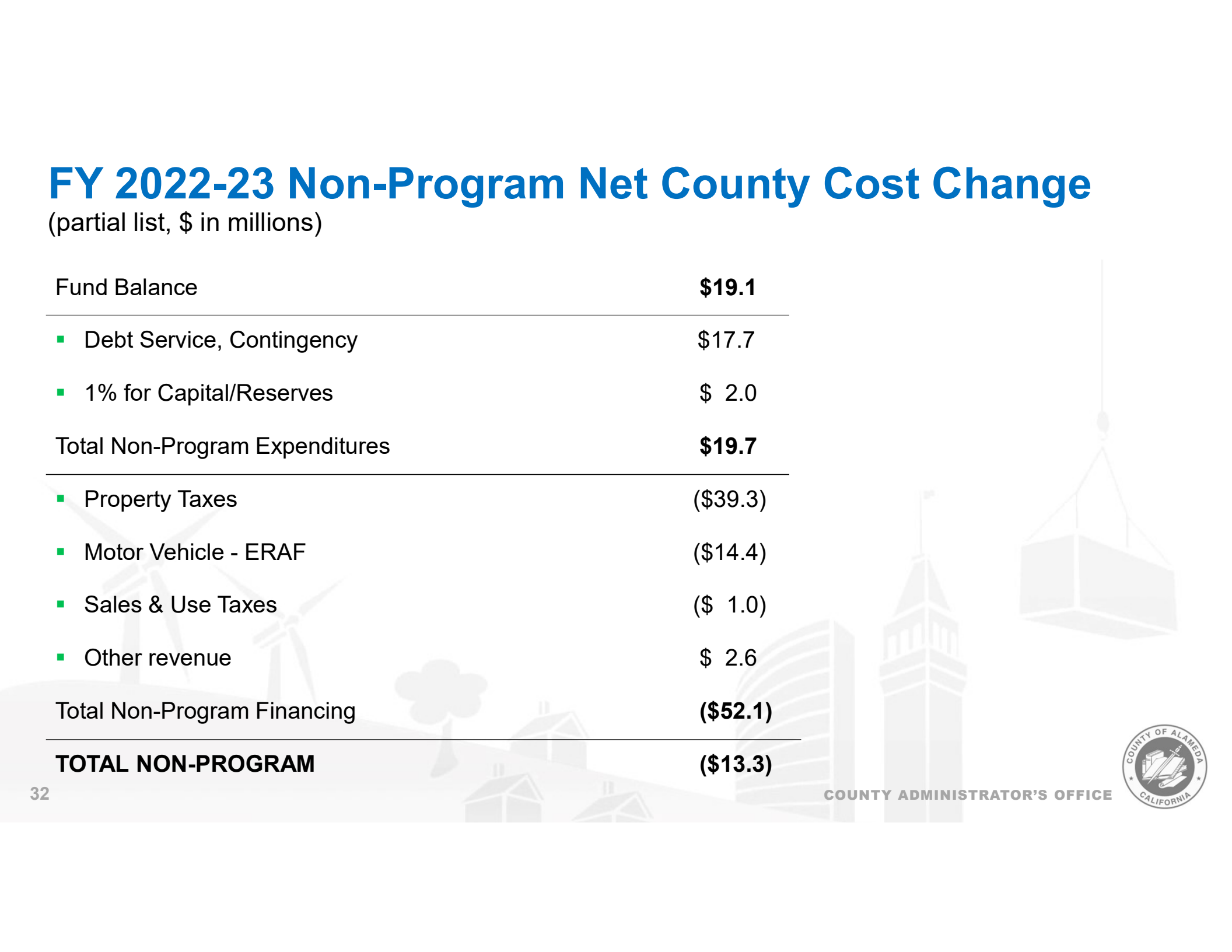
COUNTY ADMINISTRATOR'S OFFICE



# FY 2022-23 Non-Program Net County Cost Change

(partial list, \$ in millions)

Fund Balance	<b>\$19.1</b>
<hr/>	
▪ Debt Service, Contingency	\$17.7
▪ 1% for Capital/Reserves	\$ 2.0
Total Non-Program Expenditures	<b>\$19.7</b>
<hr/>	
▪ Property Taxes	(\$39.3)
▪ Motor Vehicle - ERAF	(\$14.4)
▪ Sales & Use Taxes	(\$ 1.0)
▪ Other revenue	\$ 2.6
Total Non-Program Financing	<b>(\$52.1)</b>
<hr/>	
<b>TOTAL NON-PROGRAM</b>	<b>(\$13.3)</b>





# FY 2022-23 MOE Budget Summary

(\$ in millions)

	Appropriation	Revenue	Net Cost	FTE
General Government	\$ 289.8	\$ 193.5	\$ 96.3	969.9
Public Protection	\$ 971.1	\$ 501.0	\$ 470.1	3,147.8
Public Assistance	\$ 938.6	\$ 862.5	\$ 76.2	2,571.9
Health Care Services	\$1,002.4	\$ 820.8	\$ 181.6	1,765.0
<b>Subtotal Program</b>	<b>\$3,201.9</b>	<b>\$2,377.8</b>	<b>\$ 824.2</b>	<b>8,454.6</b>
Capital Projects	\$ 10.0		\$ 10.0	
Contingency / Reserves Debt Service / Designations	\$ 255.0	\$ 17.5	\$ 237.5	
Non-Program Revenue		\$1,022.6	(\$1,022.6)	
<b>Subtotal Non-Program</b>	<b>\$ 265.0</b>	<b>\$1,040.1</b>	<b>(\$775.1)</b>	
<b>TOTAL</b>	<b>\$3,466.9</b>	<b>\$3,417.9</b>	<b>\$ 49.1</b>	

NOTE: Totals may vary slightly due to rounding



# FY 2022-23 MOE Budget Summary

## Net Cost Change (\$ in millions)

Program	2021-22 FINAL Net Cost	2022-23 MOE Net Cost	Change
Total Program	\$761.8	\$824.2	\$62.4
Total Non-Program	(\$761.8)	(\$775.1)	(\$13.3)
<b>Funding Gap</b>	<b>-</b>	<b>\$ 49.1</b>	<b>\$ 49.1</b>

NOTE: Totals may vary slightly due to rounding



# Other Pending Factors

- Rising salary and benefit costs
- Staffing challenges/impact of Great Resignation
- Ongoing homelessness crisis
- Facility maintenance, capital and infrastructure
- Juvenile Justice realignment
- CalAIM implementation
- CARE Court
- Ballot initiatives/tax measures
- Federal budget
- State budget and May Revision
- Drought and wildfires
- Litigation
- Labor negotiations
- County structural funding gap – one-time funding sources for ongoing uses
- COVID-19 global pandemic: revenues, caseloads, and cost impacts



# FY 2022-23 MOE Budget Balancing Options



## Recap and Recommended Budget Balancing Approach

- 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 to balance the current-year budget
- 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
  - Review non-program revenue and expenses based on more current data
  - Consider other countywide strategies to reduce expenses and/or increase financing



## Next Steps

- Continue to update revenue projections and implement cost containment and reduction strategies
- Review and analyze the impact of the Governor's May Revision
- Identify strategies to close the current \$49.1M funding gap and develop a balanced FY 2022-23 Proposed Budget
- Consider technology solutions and other efficiency initiatives to streamline operations
- Continue to collaborate with labor and community partners to identify strategies to maintain a balanced budget and continue providing critical services to our diverse communities



