



Alameda County Budget Workgroup Meeting

May 13, 2024



Overview

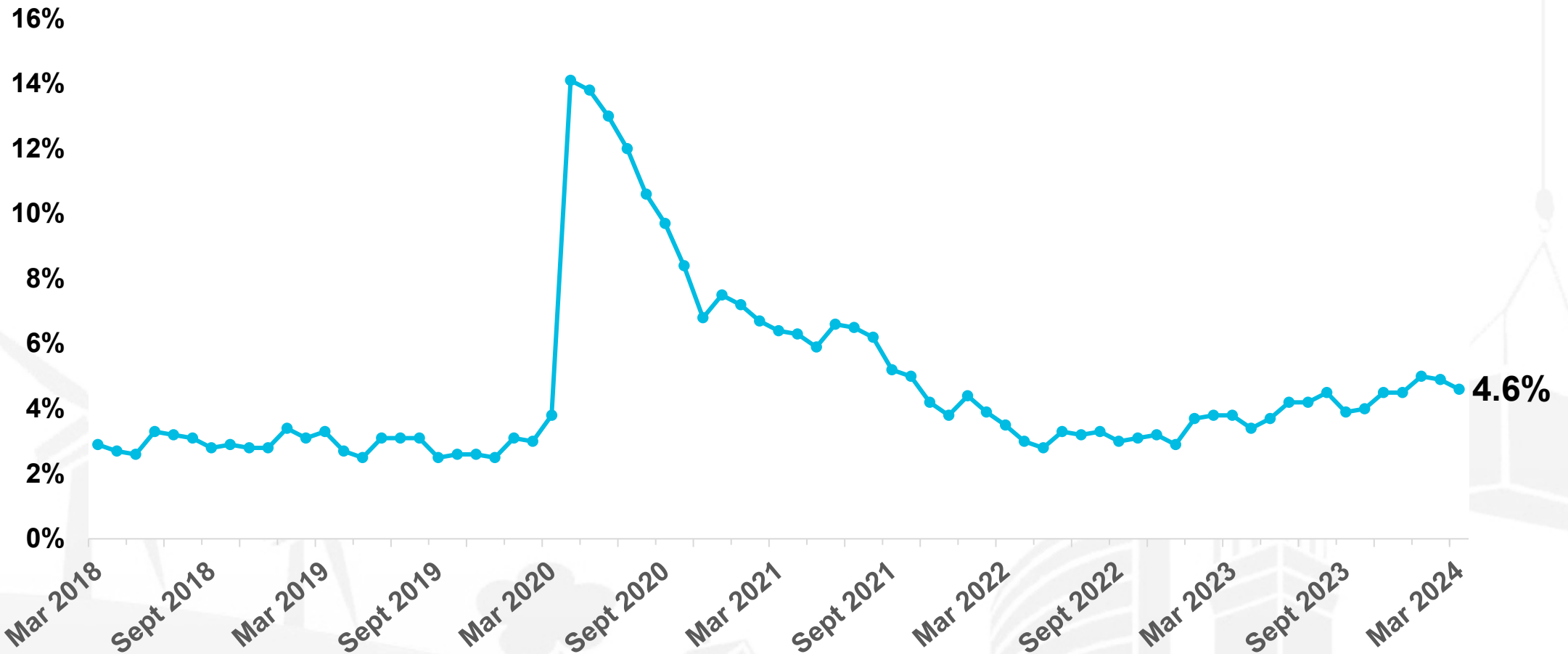
- Economic Updates
- State and Federal Updates
- FY 24-25 Maintenance of Effort (MOE) Budget
- FY 24-25 Funding Gap
- Budget Balancing
- Pending Factors
- Looking Ahead



Economic Context

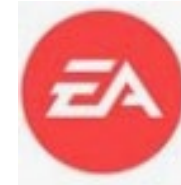


Alameda County Unemployment March 2024



State and Regional Layoffs

- California job losses up 20% year over year
- Ongoing cutbacks concentrated in the technology sector
- Other notable layoffs in 2024:
 - Health – Blue Shield and Kaiser
 - Biotech – Personalis, Inc. and Lonza Biologics
 - Automotive – Rivian, Tesla
 - Other – Apple, Macys, Marriott, Electronic Arts, Marvell Semiconductor



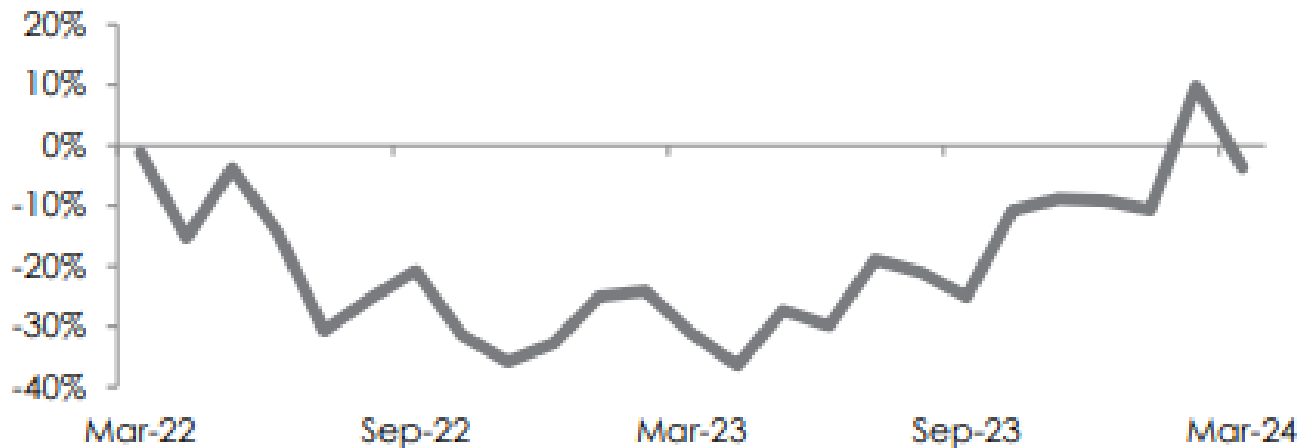
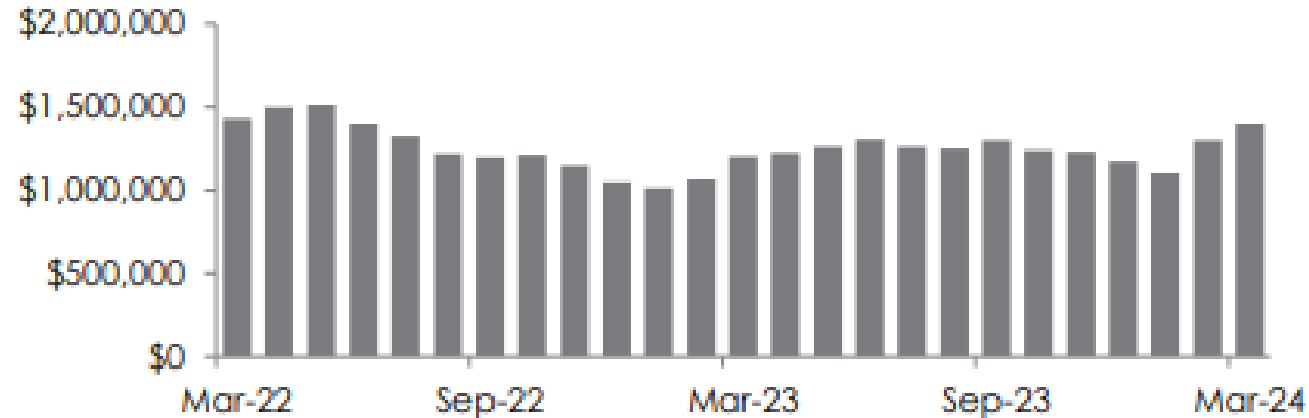
Alameda County Real Estate Market Trends

March 2024

Median Price
For SF Detached Homes

\$1,400,000

7.7% MTM
16.2% YTY



Home Sales
For SF Detached Homes

-3.7% YTY

31.2% MTM
-1.5% YTD



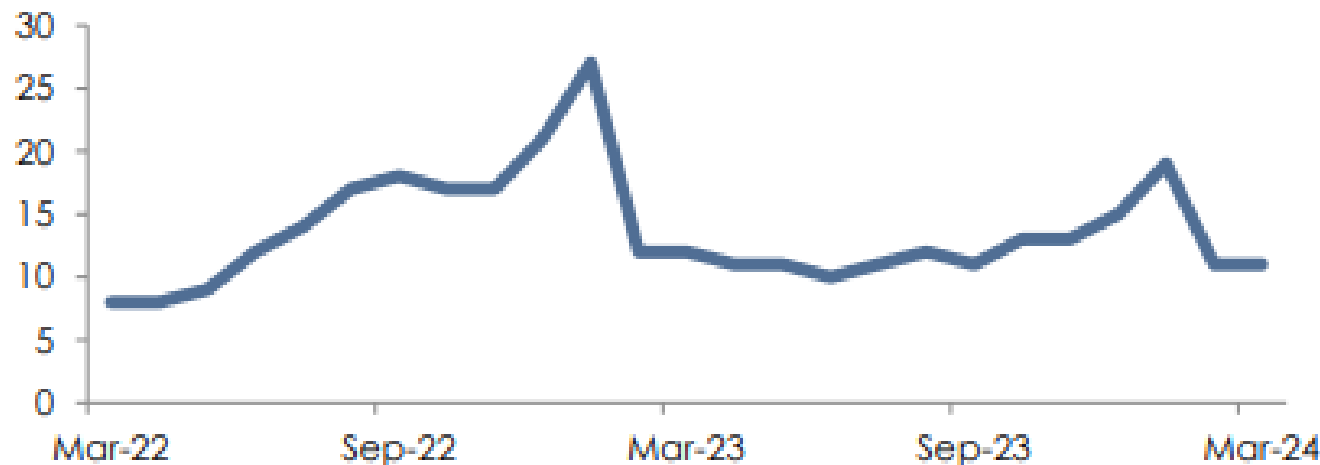
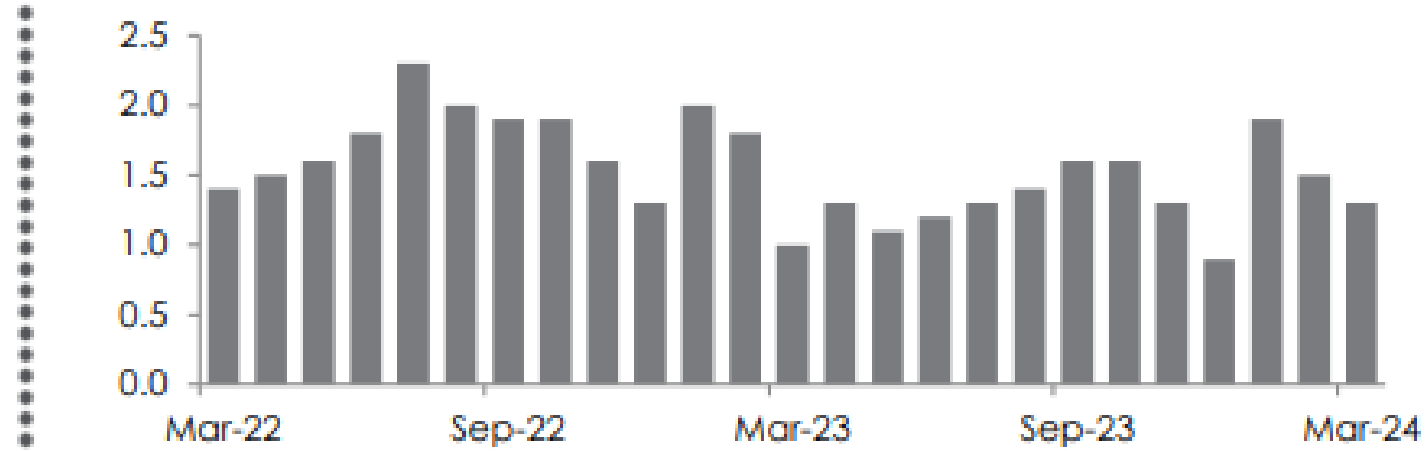
Alameda County Real Estate Market Trends

March 2024

Unsold Inventory
For SF Detached Homes

1.3 Months

-13.3% MTM
30.0% YTY



Median Time on Market
For SF Detached Homes

11 Days

0.0% MTM
-8.3% YTY



Economic Takeaways

- Labor market remains tight but job growth slowing
- California job losses ranked first in the nation
- Low inventory and high mortgage rates continue to drive the real estate market
- Progress in curbing inflation stalled in the first quarter of 2024
- Federal Reserve left interest rates unchanged at its most recent meeting and is expected to hold rates steady at June meeting

State and Federal Updates



State Budget Update

Weak revenue collections resulting in significant budget challenges

- The LAO released a report on February 20 projecting a **\$73 billion** budget deficit as compared to the Administration's original estimate of \$38 billion.
- The Department of Finance reported cash receipts remained below the 24-25 Budget forecast for March and continue to be \$6 billion below the fiscal year-to-date forecast.

State Budget Balancing – “Early Action Plan”

The Governor signed AB 106 into law reflecting a \$17.3 billion “early action” plan to address the State’s budget gap

- **\$3.6 billion in reductions:** Salary savings from vacant positions, CalWORKs Single Allocation
- **\$5.2 billion in delays and deferrals:** Public transit, Early Care Education facilities grant program, Behavioral Health Bridge Housing, CA Jobs First, Behavioral Health Continuum Infrastructure Program
- **\$5.2 billion in revenue/borrowing:** MCO Tax, loans to the general fund
- **\$3.4 billion in cost shifts** from the general fund to other State funds

State Budget Update – May Revision

- May Revision proposes to solve a projected \$45 billion budget shortfall

Budget Problem at the May Revision

Governor's Budget	\$37.9 billion
Shortfall Since Governor's Budget	\$7.0 billion
Early Action Budget Package	-\$17.3 billion
Remaining Budget Problem	\$27.6 billion

- One-time and ongoing program reductions
- Across the board spending reductions and salary savings from 10,000 vacant positions

May Revision Budget Balancing

- May Revision proposes 260 program reductions including one-time and ongoing cuts
- **Reductions:**
 - Behavioral Health Continuum Infrastructure Program and Bridge Housing Program
 - Children & Youth Behavioral Health Initiative
 - State and Local Public Health Funding
 - Healthcare Workforce initiatives
 - Homeless Housing, Assistance and Prevention (HHAP) bonuses
 - IHSS expansion coverage
 - CalWORKs Home Visiting and employment services
 - Broadband
- **Delays:**
 - Expansion of California Food Assistance Program to those ineligible for CalFresh due to immigration status
 - Expansion of child care slots



Federal Update

- On March 11, President Biden released his \$7.3 trillion Fiscal Year 2025 budget with key components including:
 - Higher-income household and corporation tax hikes
 - Middle class tax breaks
 - Expanded child care, housing and health care initiatives
- On March 23, Congress averted a partial government shutdown by passing a second spending package
 - President Biden signed the \$1.2 trillion federal spending package on March 24 funding the government through September 2024

Current Year Budget Overview



FY 2023-24 Final Budget Overview

(\$ in millions)

All Funds	\$4,106.5
General Fund	\$3,702.1
<i>Increase from FY 2022-23</i>	<i>\$212.2</i>
Full-Time Equivalent Positions (FTEs)	10,399.80
<i>Increase from FY 2022-23</i>	<i>29.47</i>



FY 2023-24 Final Budget Overview (\$ millions)

	FY 2022-23 Approved	FY 2023-24 Proposed	FY 2023-24 Final Budget	Change from FY 2022-23 Approved
All Funds				
Budget	\$3,798.4	\$4,069.4	\$4,106.5	\$308.1
FTEs	10,370.33	10,368.81	10,339.80	29.47
General Fund*				
Budget	\$3,489.9	\$3,665.0	\$3,702.1	\$212.2
FTEs	8,486.49	8,468.90	8,484.89	-1.60

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



FY 2023-24 Budget Balancing

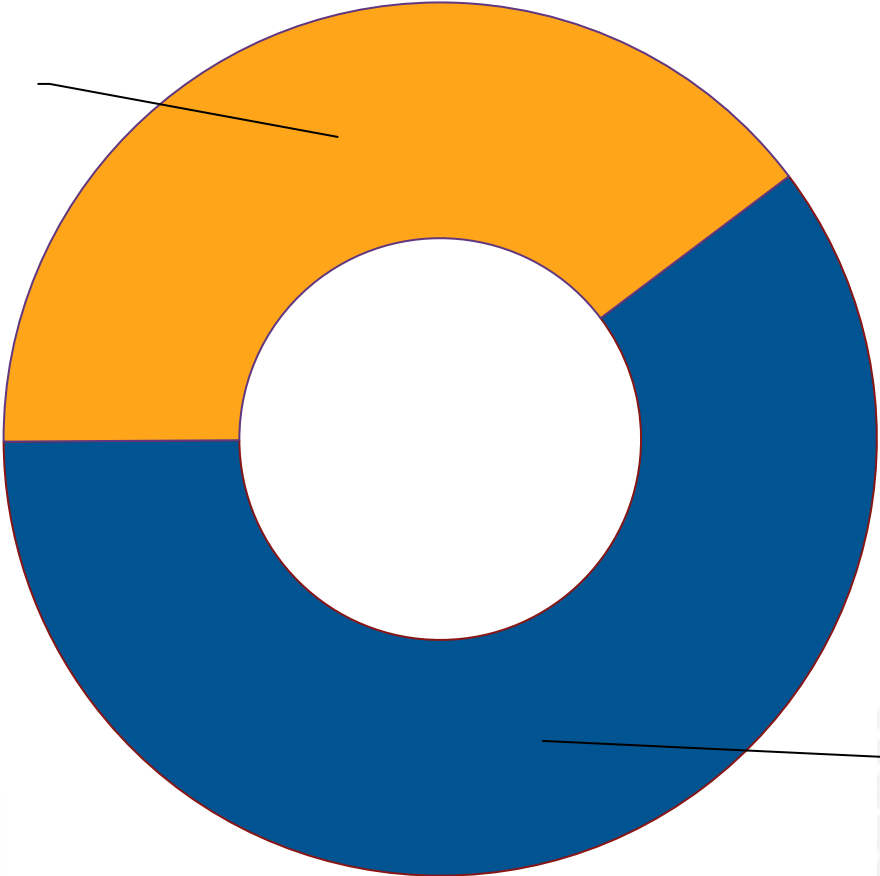
Program Areas	Ongoing Reductions	One-time Reductions	Total Net Reductions
General Government	\$1.5	\$9.7	\$11.2
Health Care Services	4.4	3.5	7.9
Public Assistance	4.0	0	4.0
Public Protection	14.5	6.3	20.8
PROGRAM TOTAL	\$24.4	\$19.5	\$43.9
Countywide Strategies			
Use of ITD Retained Earnings	0	2.0	2.0
Non-Program Revenue Adjustments	8.1	0	8.1
COUNTYWIDE TOTAL	\$8.1	\$2.0	\$10.1
GRAND TOTAL	\$32.5	\$21.5	\$54.0



FY 2023-24 Budget Balancing

(\$ in millions)

One-Time Strategies
\$21.5 (40%)



Ongoing Strategies
\$32.5 (60%)

Total Net County Cost Reductions: \$54.0 million



FY 2024-25 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 should first offset eligible increased operating costs
- 5.0% 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	23-24 FINAL Approved	2024-25 MOE	Change from FY 24-25 Approved	% Change
Appropriations	\$3,366.4	\$3,594.9	\$228.5	6.8%
Revenue	\$2,530.0	\$2,659.9	\$129.9	5.1%
Net County Cost	\$ 836.4	\$ 935.1	\$98.7	11.8%

NOTE: Totals may vary slightly due to rounding



FY 2024-25 MOE Budget

Program Summary

(\$ in millions)

Program	Appropriation	Revenue	Net Cost	FTE
General Government	\$318.3	\$ 201.6	\$116.7	977.36
Public Protection	\$1,084.3	\$ 540.0	\$544.3	3,139.96
Public Assistance	\$1,073.2	\$1,001.6	\$ 71.7	2,569.93
Health Care Services	\$1,119.1	\$ 916.7	\$202.4	1,861.39
Subtotal Programs	\$3,594.9	\$2,659.9	\$935.1	8,548.64

NOTE: Totals may vary slightly due to rounding



FY 2024-25 MOE Budget

Net Cost Change by Program (\$ in millions)

Program	2023-24 FINAL Approved Net Cost	2024-25 MOE Net Cost	Change	% Change
General Government	\$ 99.5	\$ 116.7	\$17.3	17.4%
Public Protection	\$481.8	\$544.3	\$62.4	13.0%
Public Assistance	\$ 68.4	\$ 71.7	\$ 3.3	4.8%
Health Care Services	\$186.7	\$202.4	\$15.7	8.4%
Subtotal Programs	\$836.4	\$935.1	\$98.7	11.8%
Use of Prior-Year Savings			\$14.4	
TOTAL			\$113.1	

NOTE: Totals may vary slightly due to rounding



FY 2024-25 MOE Budget Net Cost Change by Program with Prior-Year Savings (\$ in millions)

Program	NCC Change	Prior-Year Savings Use	NCC Increase w/ Prior-Year Savings
General Government	\$ 17.3	\$9.7	\$26.9
Public Protection	\$62.4	\$1.3	\$63.7
Public Assistance	\$ 3.3	\$0.0	\$ 3.3
Health Care Services	\$15.7	\$3.5	\$19.2
Total Programs	\$98.7	\$14.4	\$113.1

NOTE: Totals may vary slightly due to rounding



FY 2024-25 Program Appropriation Changes

(partial list, \$ in millions)

Appropriation changes

	Change
• Salary and Benefit increases	\$116.6
• Internal Service Fund increases	\$26.2
• Intra-Fund Transfer adjustments	(\$15.7)
• 5.0% COLA for CBOs	\$ 6.1
• 5.0% COLA for AHS	\$ 3.2
• IHSS MOE Inflation and Health Benefit adjustments	\$11.3
• Election services costs	\$ 5.3
• Behavioral Health program implementation related to DOJ settlement	\$ 3.8
• SB 43 conservatorship eligibility expansion	\$ 1.2
• Indigent Defense contract costs	\$ 3.1
• County Counsel and Human Resource Services charges	\$ 3.5
• <u>AB 109 CBO Allocation adjustments</u>	<u>\$ 1.2</u>
TOTAL	\$165.8



FY 2024-25 Program Financing Changes

(partial list, \$ in millions)

Financing changes

		Change
• Realignment revenue adjustments		\$32.3
• Health	\$ 4.9	
• Social Services	\$23.8	
• Public Protection	\$ 3.6	
• Other Behavioral Health program revenue		\$15.4
• Other Social Services program revenue		\$14.2
• ROV election services revenue		\$13.8
• Loss of one-time revenue		(\$ 5.0)
• Loss of US Marshals federal contract revenue		(\$ 2.2)
• Loss of Public Defender grant revenue		(\$ 1.2)
• Other net Program revenue adjustments		\$ 14.2
• Property Transfer Tax adjustments		\$ 3.0
• Use of ROV designation		(\$15.4)
• Use of ITD Retained Earnings		(\$ 2.0)
• One-time prior-year savings		(\$14.4)
TOTAL		\$52.7



Internal Service Fund Increases

(\$ in millions)

	FY 23-24 Approved Budget	FY 24-25 MOE	Change	% Change
Risk Management	\$35.3	\$49.3	\$14.0	39.8%
Information Technology Services	\$66.5	\$75.0	\$8.5	12.9%
Communications, Radio	\$ 8.1	\$ 8.3	\$0.2	2.5%
Building Maintenance	\$120.7	\$122.7	\$2.0	1.7%
Motor Vehicle	\$14.0	\$15.3	\$1.3	9.5%
Total Internal Service Funds	\$244.8	\$270.9	\$26.1	10.7%

NOTE: Totals may vary slightly due to rounding



FY 2024-25 MOE Budget Non-Program Summary

(\$ in millions)

Non-Program	Appropriation	Revenue	Net Cost
Capital Project Financing	\$ 50.0	\$0	\$ 50.0
Contingency / Reserves	\$103.6	\$0	\$ 103.6
Debt Service	\$ 65.6	\$0	\$ 65.6
Non-Program Revenue	\$0	(\$1,086.3)	(\$1,086.3)
Total Non-Program	\$219.2	(\$1,086.3)	(\$ 867.1)

NOTE: Totals may vary slightly due to rounding



FY 2024-25 MOE Budget

Net Cost Change Non-Program (\$ in millions)

Non-Program	2023-24 FINAL Net Cost	2024-25 MOE Net Cost	Change	% Change
Capital Project Financing	\$15.0	\$50.0	\$ 35.0	233.3%
Contingency / Reserves	\$118.6	\$103.6	(\$15.0)	(12.6%)
Debt Service	\$65.6	\$65.6	\$0	0%
Non-Program Financing	(\$1,021.2)	(\$1,086.3)	(\$65.1)	6.4%
Total Non-Program	(\$ 822.0)	(\$867.1)	(\$45.1)	5.5%

NOTE: Totals may vary slightly due to rounding



FY 2024-25 Non-Program Net County Cost Change

(partial list, \$ in millions)

- Capital Project Financing \$ 35.0
- Contingency/Reserves (\$15.0)

Total Non-Program Expenditures \$ 20.0

- Interest Earnings (\$28.6)
- Property Taxes (\$27.0)
- Motor Vehicle - ERAF (\$13.6)
- Sales & Use Taxes (\$ 0.7)
- Reduction in other Non-Program Revenue \$ 1.0
- Reduction in County Overhead Reimbursement \$ 3.8

Total Non-Program Financing (\$65.1)

TOTAL NON-PROGRAM (\$45.1)



FY 2024-25 MOE Budget Summary

(\$ in millions)

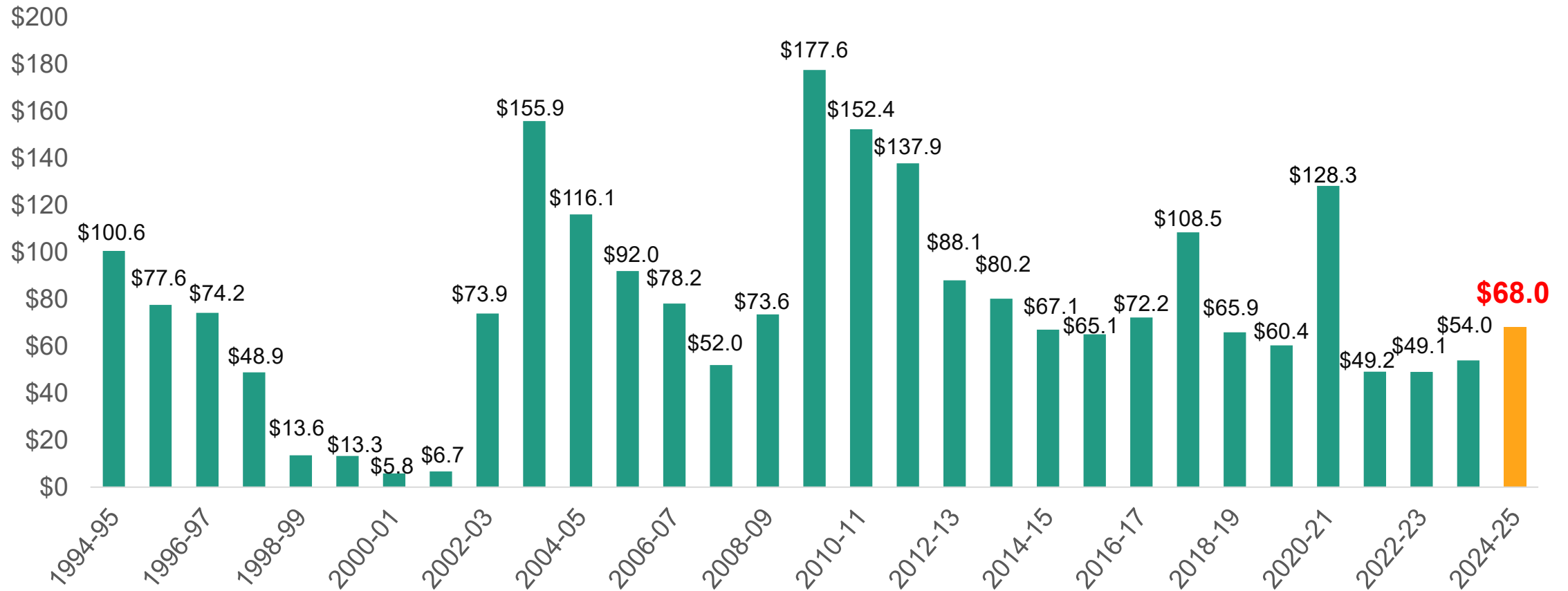
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Health Care Services	\$1,119.1	\$ 916.7	\$202.4	1,861.39
Subtotal Program	\$3,594.9	\$2,659.9	\$935.1	8,548.64
Capital Project Financing	\$ 50.0	\$0	\$ 50.0	
Contingency / Reserves	\$ 103.6	\$0	\$ 103.6	
Debt Service	\$ 65.6	\$0	\$ 65.6	
Non-Program Revenue	\$0	\$1,086.3	(\$1,086.3)	
Subtotal Non-Program	\$ 219.2	\$1,086.3	(\$867.1)	
TOTAL	\$3,814.1	\$3,746.2	\$ 68.0	

NOTE: Totals may vary slightly due to rounding



Alameda County Funding Gaps

(\$ in millions)



FY 2024-25 MOE Budget Balancing



Recommended Budget Balancing Approach

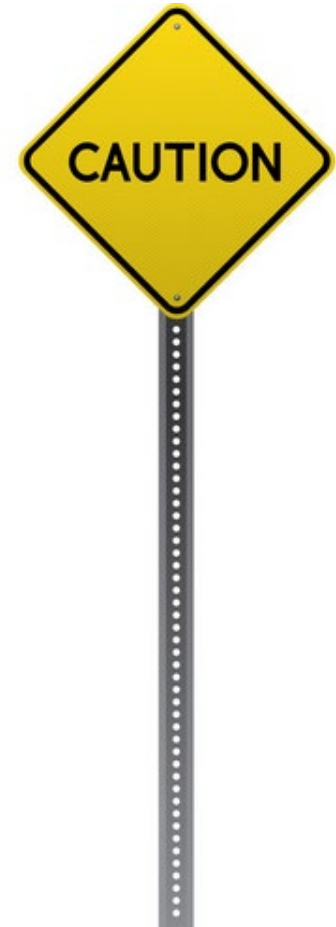
Close the \$68.0M preliminary funding gap and develop a balanced Proposed Budget

- CAO to work with County Agency/Department Heads to close the structural funding gap through a combination of strategies that may include:
 - Review of all program revenues to identify additional ongoing adjustments
 - Review program budgets to identify further cost reductions
 - Review salary savings including vacant positions
 - Review other departmental funds for budget balancing
 - Review non-program revenue and expenses based on more current data
 - Consider other countywide strategies to reduce expenses
 - Continue to reduce reliance on one-time strategies including prior-year savings



Pending Factors

- State budget /Governor's May Revision
- Ongoing homelessness crisis; Home Together Plan
- Labor negotiations & workforce challenges
- Pending litigation and settlements
- Rising liability and property insurance costs
- Health and other employee benefit cost increases
- Potential federal and State audit disallowances
- Unfunded capital projects and deferred maintenance
- CARE Court and Proposition 1 implementation
- Reimagining Adult Justice initiatives
- Special election costs
- Ballot initiatives and pending State legislation
- Assessment appeals
- Global finances and climate change
- Economic downturn



Looking Ahead



Next Steps

- Continue to review and analyze the impact of the Governor's May Revision
- Continue to update revenue projections and implement cost containment and reduction strategies
- Identify strategies to close the preliminary \$68.0M funding gap and develop a balanced FY 2024-25 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

FY 2024-25 Budget Development Timeline

- ✓ Department MOE submissions February 2024
- ✓ Early Budget Work Session April 9, 2024
- ✓ Governor's Revised Budget May 10, 2024
- ✓ Budget Workgroup: 24-25 Funding Gap May 13, 2024
- Proposed Budget submitted Early June 2024
- Budget Hearings and Budget Adoption Late June 2024





Our Shared Vision



- Safe and Livable Communities
- Thriving and Resilient Population
- Healthy Environment
- Prosperous and Vibrant Economy



