



Contra Costa County Update Budget & Key Issues

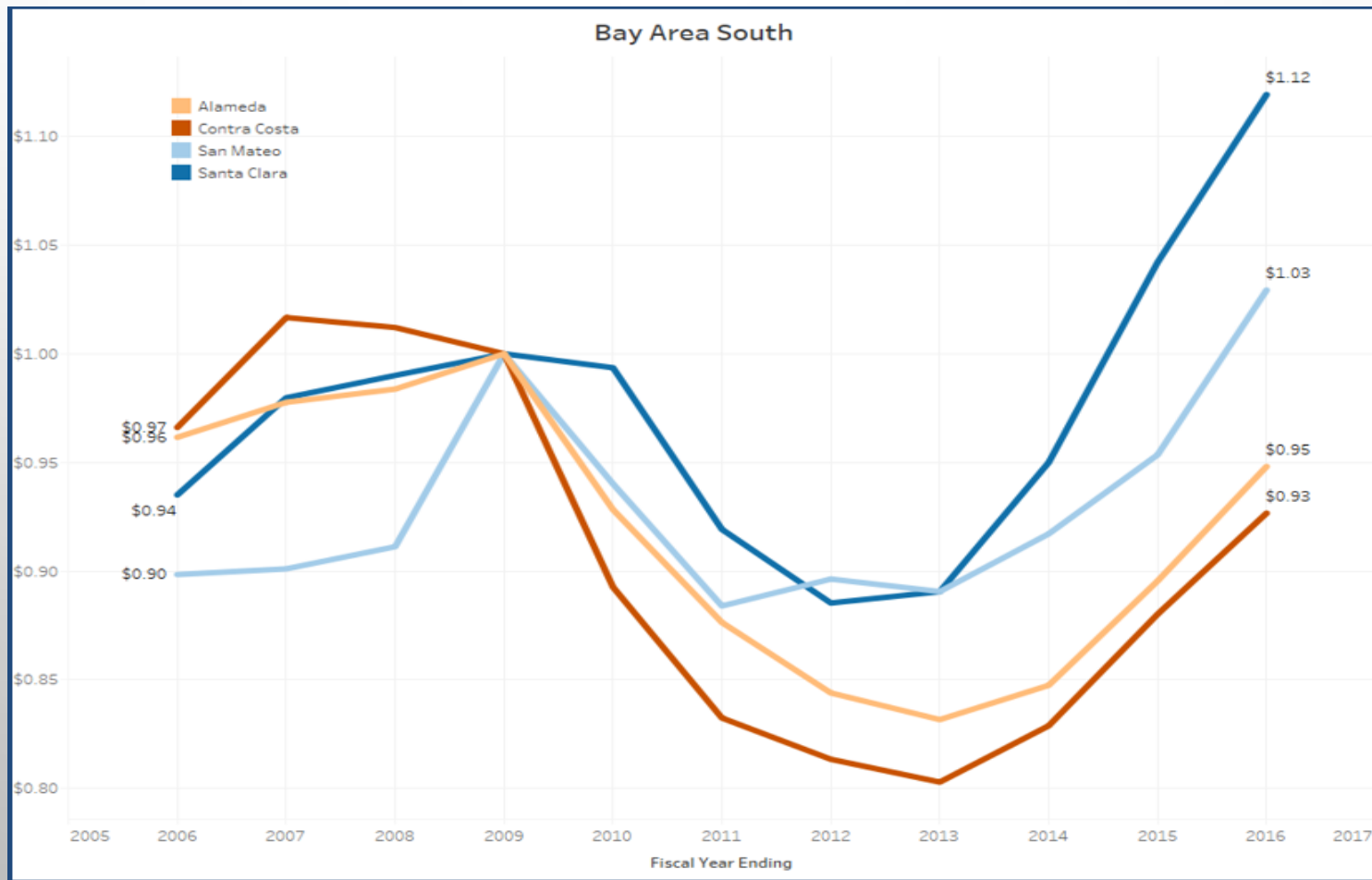
**Presentation to
Board of Supervisors
January 30, 2018**

Contra Costa County Familiar Budget Drivers and Challenges for 2018 and Beyond

- Economic Forecast
- State & Federal Budgets
- Labor Negotiations
- Build Reserves
- Fund Infrastructure Needs (Repair & Maintenance)
- Fund System Infrastructure
- Adequately Fund Public Safety Departments & Health Departments
- Public Safety Realignment; AB 109 & Prop 47

Property Taxes

- Median household income higher than statewide median
- Less total tax revenue now than at our peak, after adjusting for population and inflation.



Per Capita and inflation adjusted (CSAC Report)

Bay Area Unemployment Rate November, 2017 (Unadjusted)

• San Mateo	2.1%
• Marin	2.2%
• San Francisco	2.3%
• Santa Clara	2.6%
• Sonoma	2.8%
• Alameda	2.9%
• Contra Costa	3.1%
• Napa	3.3%
• Solano	3.9%
• 9 County Average	2.8% (3.7% Last Year)

2017/2018 Achievements

- Hired New Department Head
 - District Attorney, Diana Becton
- Budget structurally balanced for 7th year in a row, built on assumption of 5% increase in assessed valuations, actual AV was 5.7%
- Maintained our AAA bond rating from Standard & Poor's, Contra Costa County “fundamentally sound, and had a stable outlook for the future”
- Implemented a new countywide budgeting system, SHERPA, that was used successfully for the development of the \$3.5 billion FY 2017-18 budget. The state-of-the-art application includes a robust budget preparation application that includes operating and capital budgeting, in-year budget management, smart database design, and the most comprehensive personnel forecasting engine on the market. Approximately 120 users from county departments were trained on the system.

More 2017/2018 Achievements

- \$100 million lease revenue bond
 - \$10 million for hospital and clinic system projects.
 - \$90 million to refinance existing debt at historically low interest rates (2.33%, saving more than \$9 million in today's dollars)
- \$100 million lease revenue bond (15 year term at 2.387% interest rate)
 - \$60 million for new County Administration facility, including a structure for additional parking
 - \$40 million for new Emergency Operations Center
- \$70 million grant from the state to replace beds in the Martinez Detention Facility with a new high-security, 416-bed facility on the campus of the West County Detention Facility.
 - Facility will include seven high-security housing units, a reentry services complex, a child/parent contact visitation center and a medical/psychiatric services clinic
 - All of the resources will be available to both men and women

County Property Tax

- Property taxes declined by over 11% between 2009 and 2012. There were significant increases between 2014 and 2016. Now returning to a more normal increase of around 5% going into the next few years.
- Actual Contra Costa County experience:
 - 2009/10 (7.19% decline)
 - 2010/11 (3.38 decline)
 - 2011/12 (0.49% decline)
 - 2012/13 0.86% increase
 - 2013/14 3.45% increase
 - 2014/15 9.09% increase
 - 2015/16 7.53% increase
 - 2016/17 6.01% increase
 - 2017/18 5.78% increase
 - 2018/19 5.00% increase projected

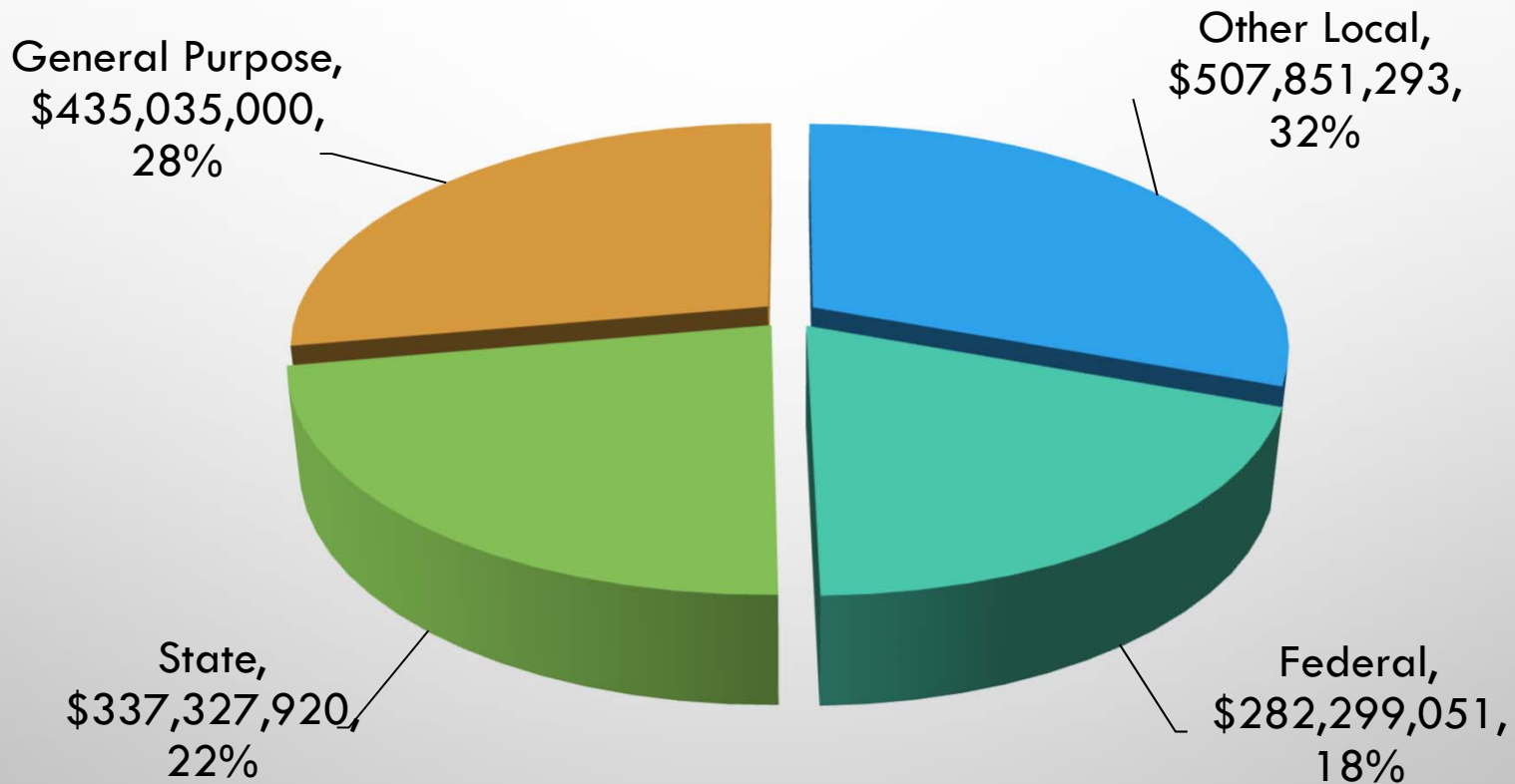
Contra Costa Fire District Property Tax

- For fire, property taxes declined by over 13% between 2009 and 2013. These taxes then significantly increased between 2014 and 2016. Now returning to a more normal increase of around 5% going into the next few years.
- Actual District experience:
 - 2009-10 (7.8%)
 - 2010-11 (2.4%)
 - 2011-12 (1.9%)
 - 2012-13 (1.2%)
 - 2013-14 5.9%
 - 2014-15 9.3%
 - 2015-16 6.9%
 - 2016-17 6.32%
 - 2017-18 5.53%
 - 2018-19 5.00% Increase projected

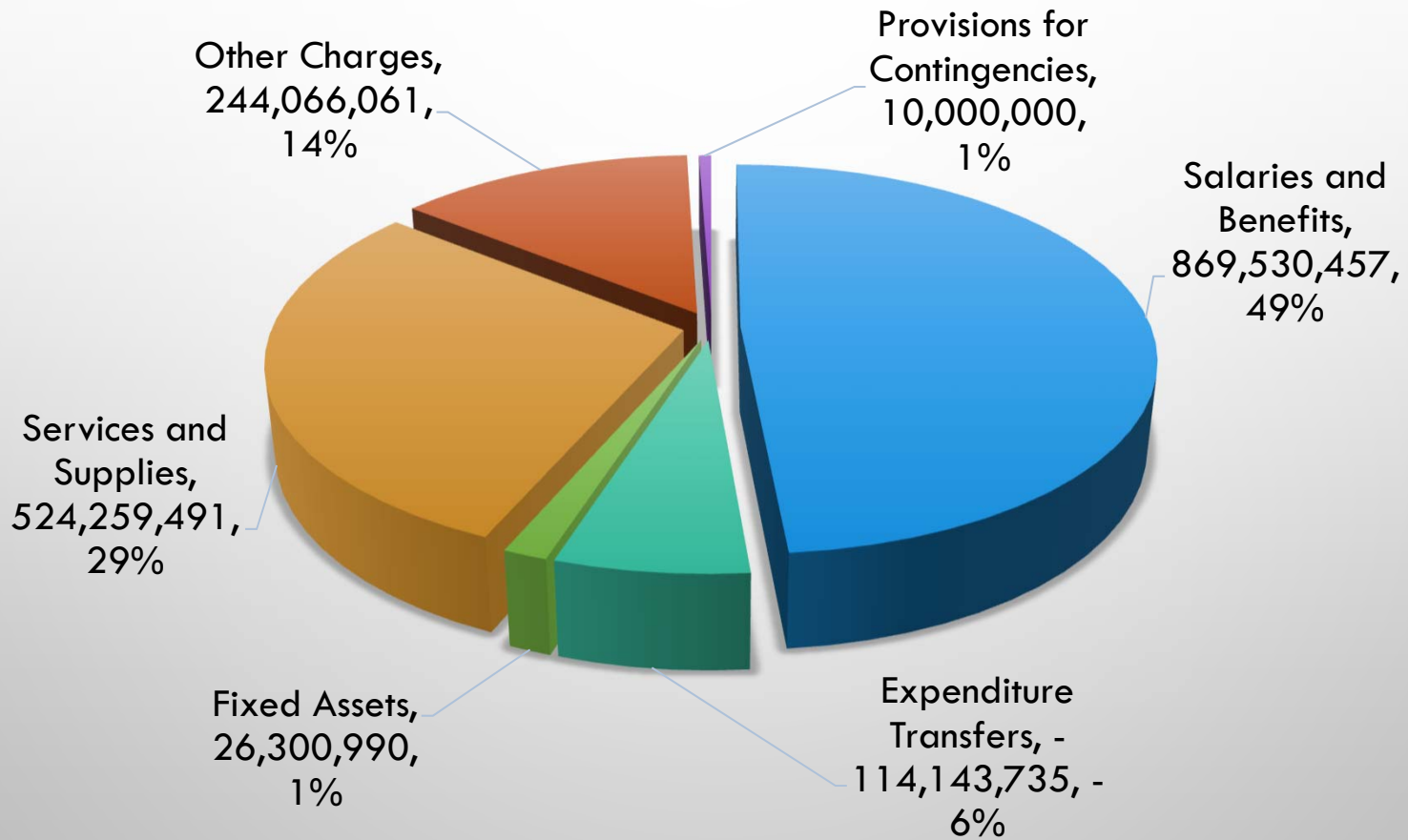
Redevelopment Dissolution

- Successor Agency Oversight Boards consolidate into one Countywide Oversight Board effective July 1, 2018
- Countywide Oversight Board staffed by the Auditor-Controller via Conservation and Development Department
- New Oversight Board Composition includes seven seats
 - **1 member appointed by the county board of supervisors**
 - 1 member appointed by the city selection committee established pursuant to Section 50270 of the Government Code. (Contra Costa Mayor's Conference)
 - 1 member appointed by the independent special district selection committee established pursuant to Section 56332 of the Government Code (Contra Costa Special District's Association)
 - 1 member appointed by the county superintendent of education to represent schools if the superintendent is elected
 - 1 member appointed by the Chancellor of the California Community Colleges to represent community college districts in the county.
 - **1 member of the public appointed by the county board of supervisors**
 - 1 member appointed by the recognized employee organization representing the largest number of successor agency employees in the county. (DCD Conducting Survey of Current Successor Agencies)
- Board will need to determine a process for making appointments
- Any unfilled seats as of July 15, 2018 can be filled by the Governor

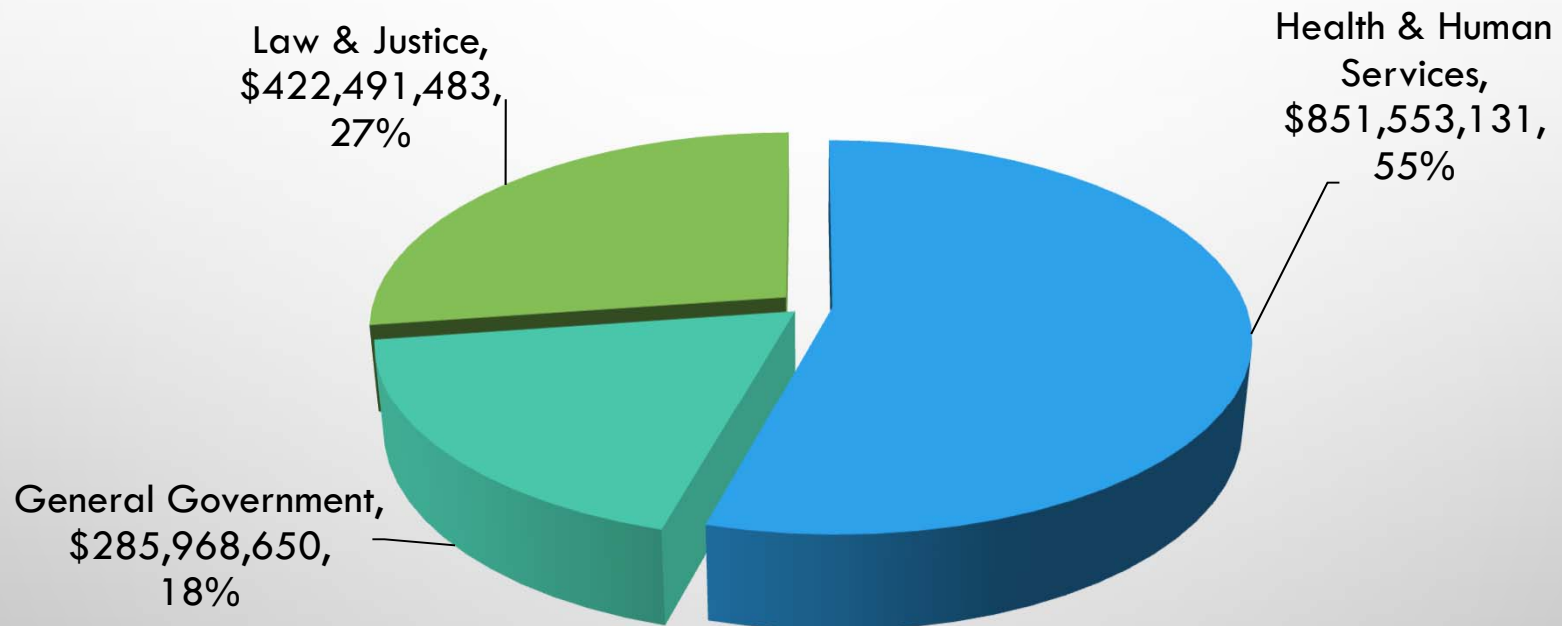
Fiscal Year 2017-18 General Fund Budgeted Revenue \$1.562 Billion



FY 2017-18 General Fund Appropriations \$1.56 Billion



FY 17-18 Distribution General Fund Appropriations



FY 2017/18 Mid-year Preliminary Stats

Budget Performing As Expected

			Mid-Year 17-18	Mid-Year 16-17	Mid-Year 15-16	Mid-Year 14-15
ALL FUNDS	Budget	Actual	Percent	Percent	Percent	Percent
Expenditures	3,481,558,504	1,447,820,821	41.6%	43.5%	40.8%	43.5%
Revenues	3,643,507,424	1,588,664,485	43.6%	42.9%	44.1%	44.0%
GENERAL FUND	Budget	Actual	Percent	Percent	Percent	Percent
Expenditures	1,597,751,688	598,765,615	37.5%	42.5%	41.6%	43.7%
Revenues	1,696,879,727	685,030,565	40.4%	38.6%	38.2%	37.1%
Wages & Benefits	874,009,322	401,679,553	46.0%	45.8%	46.0%	45.9%
Services & Supplies	580,570,786	222,178,717	38.3%	40.3%	38.5%	41.3%
Other Charges	245,982,271	99,454,401	40.4%	46.7%	46.4%	51.0%
Fixed Assets	102,327,058	14,730,620	14.4%	14.1%	8.5%	15.1%
Inter-departmental						
Charges	(113,938,956)	(53,012,837)	46.5%	41.2%	48.1%	53.2%
Contingencies	7,929,245	111	0.0%	0.0%	0.0%	0.0%
Total Expenses	\$ 1,696,879,727	\$ 685,030,565	40.4%	42.5%	41.6%	43.7%
Taxes	386,935,000	230,920,844	59.7%	63.4%	63.7%	65.5%
Licenses, Permits, Franchises	10,819,467	3,380,656	31.2%	21.2%	28.0%	27.0%
Fines, Forfeitures, Penalties	24,643,179	1,880,529	7.6%	8.5%	7.8%	7.0%
Use of Money & Property	5,282,645	2,576,446	48.8%	621.1%	10.3%	59.9%
Federal/State Assistance	578,862,326	191,098,646	33.0%	31.9%	28.3%	29.3%
Charges for Current						
Services	253,397,192	98,314,255	38.8%	41.8%	40.9%	31.6%
Other Revenue	315,311,879	70,594,240	22.4%	20.4%	28.4%	26.7%
Total Revenues	\$ 1,575,251,688	\$ 598,765,615	38.0%	38.6%	38.2%	37.1%

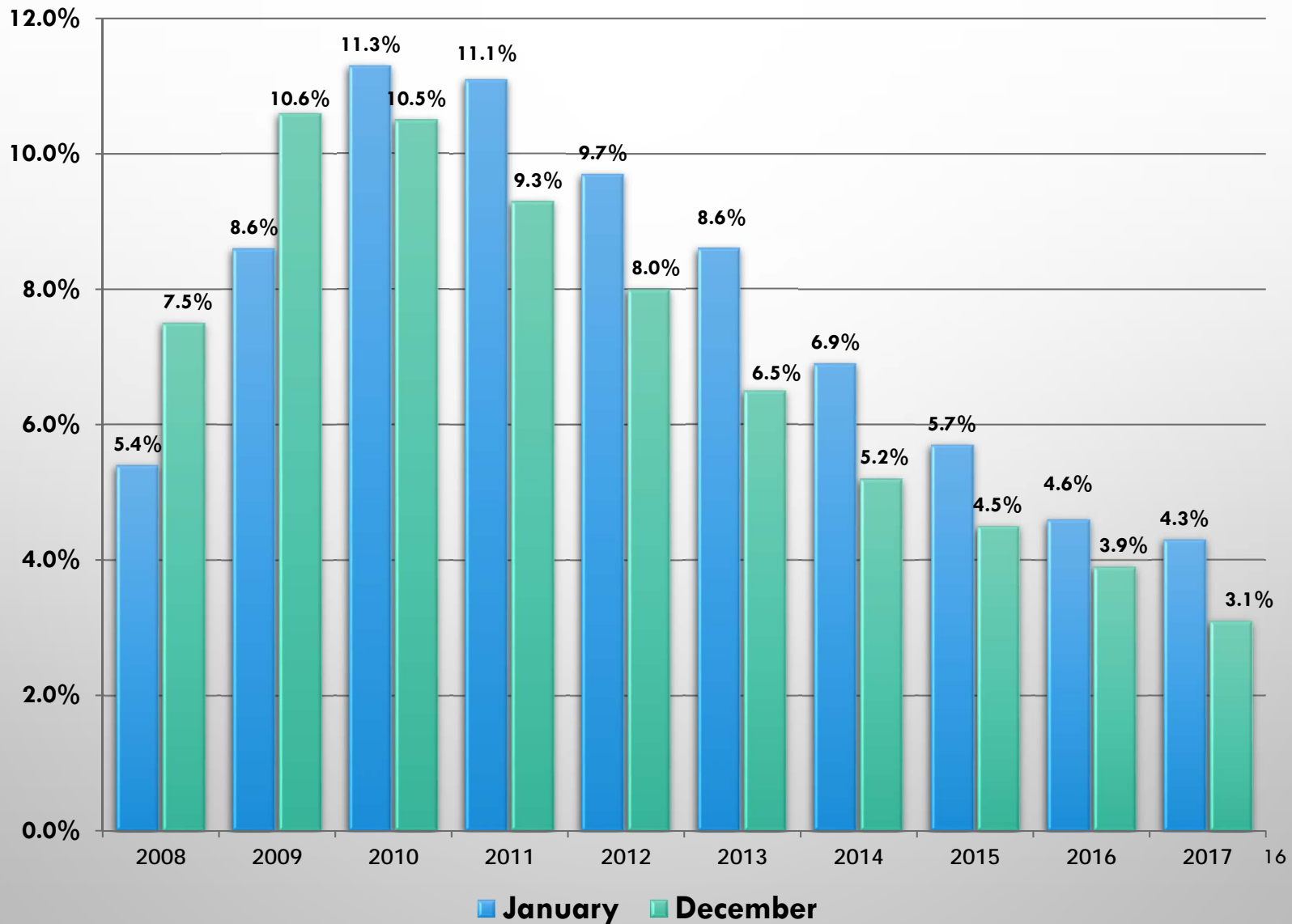
Contract Status

<u>Bargaining Units</u>	<u>Total Number of Permanent Employees ¹</u>	<u>Contract Expiration Date</u>
AFSCME Local 2700, United Clerical, Technical and Specialized Employees	1,590	6/30/2019
AFSCME Local 512, Professional and Technical Employees	241	6/30/2019
California Nurses Association	1,067	1/31/2018 ²
CCC Defenders Association	73	6/30/2018
CCC Deputy District Attorneys' Association	91	6/30/2018
Deputy Sheriff's Association, Mgmt Unit and Rank and File Unit	839	6/30/2019
Deputy Sheriff's Association, Probation Peace Officers Association	243	6/30/2018
District Attorney Investigator's Association	16	6/30/2019
IAFF Local 1230	300	6/30/2020
IHSS SEIU - 2015		6/30/2018
Physicians and Dentists of Contra Costa	275	2/28/2018 ²
Professional & Technical Engineers – Local 21, AFL-CIO	1,065	6/30/2019
Public Employees Union, Local One & FACS Site Supervisor Unit	556	6/30/2019
SEIU Local 1021, Rank and File and Service Line Supervisors Units	886	6/30/2019
Teamsters, Local 856	1,707	6/30/2019
United Chief Officers' Association	12	6/30/2020
Western Council of Engineers	26	6/30/2019
Management Classified & Exempt & Management Project	421	n/a
	Total	
	9,408	

¹ Permanent number of filled Positions as of December 2017 (not FTE)

² Currently in Negotiations

Contra Costa County Unemployment Rate 2008 - 2017



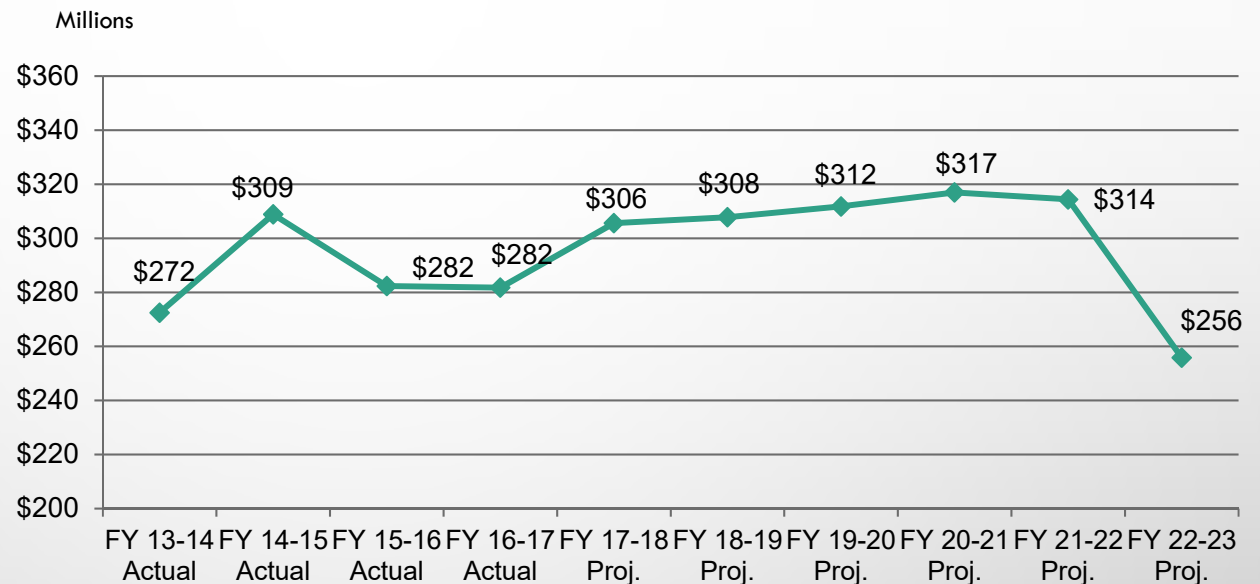
Infrastructure

- **Repair; Maintenance; and Development of New Buildings and Technology**
 - In 2020/21 the new administration building and the new EOC will come on line and will reduce the current \$272 million backlog by over \$30 million
 - The west county jail reuse will also come on line in 2020/21 and will require new staffing levels, as well as additional mental health providers
 - To significantly reduce the remaining \$242 million cannot be addressed at the current funding of \$10 million per year
 - A 5 year Capital Improvement Plan (CIP) should concentrate on reducing the number of buildings currently owned by the County and consolidating as many of the remaining buildings as possible, including increasing the number of buildings leased as opposed to owned
 - In 2017 we completed the upgrade to our PeopleSoft system at a cost of \$13.6 million (to date)
 - Over the next 5 years we will need to upgrade our Payroll, Finance and Tax systems at a cost of approximately \$15 million for each system
- **Future of the County Hospital, Clinics, and Health Plan**
 - It will become increasingly difficult to support a stand-alone County Hospital. We will need to look at alternatives

Pension Cost Management

- Following carefully
- Monitoring changes by state and CCCERA board
 - New PEPRAs tiers as of 1/1/2013
 - No extension of amortization
 - No change in 5-year smoothing
 - No change in pooling
 - Assumed rate of return 7.00%
 - Active payroll growth of 3.25% per annum
- Updates:
 - FY 2017-18 Recommended Budget - \$328 M
 - Chart includes the final year of debt service for county and fire pension obligation bonds, both of which pay off in FY 2021-22

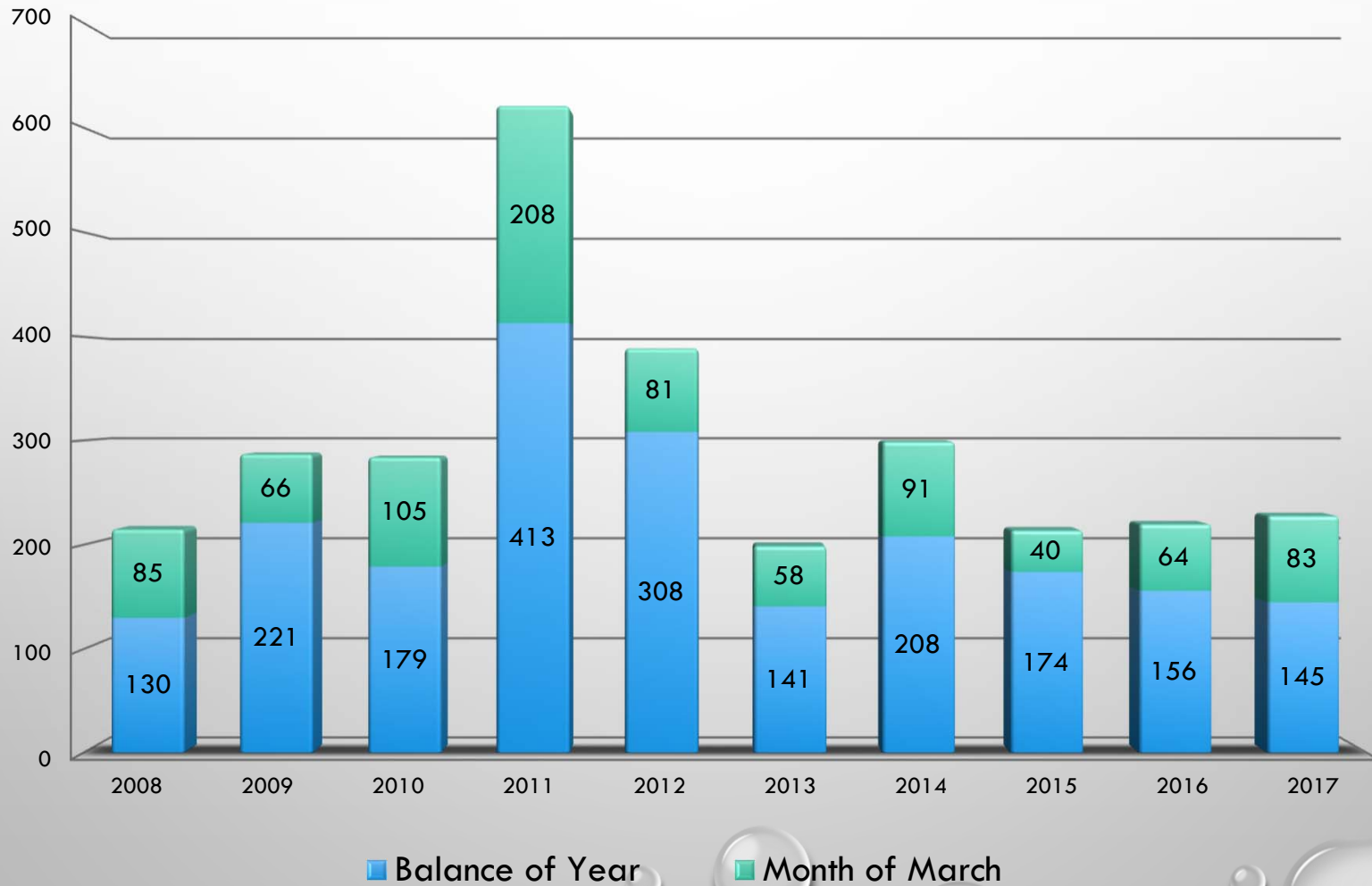
Actual and Projected* Retirement Expense



The chart includes four years of actual data, straight-line projection of current year (based upon six months of actual data), and projection of future years based upon current year wages and actuarial data provided by CCCERA's actuary (letter dated August 18, 2017) assuming that CCCERA achieves its assumed rate of return each of these years. This data will be updated in March for the FY 2018/19 budget based upon 12/31/2017 CCCERA market impacts.

Retirements

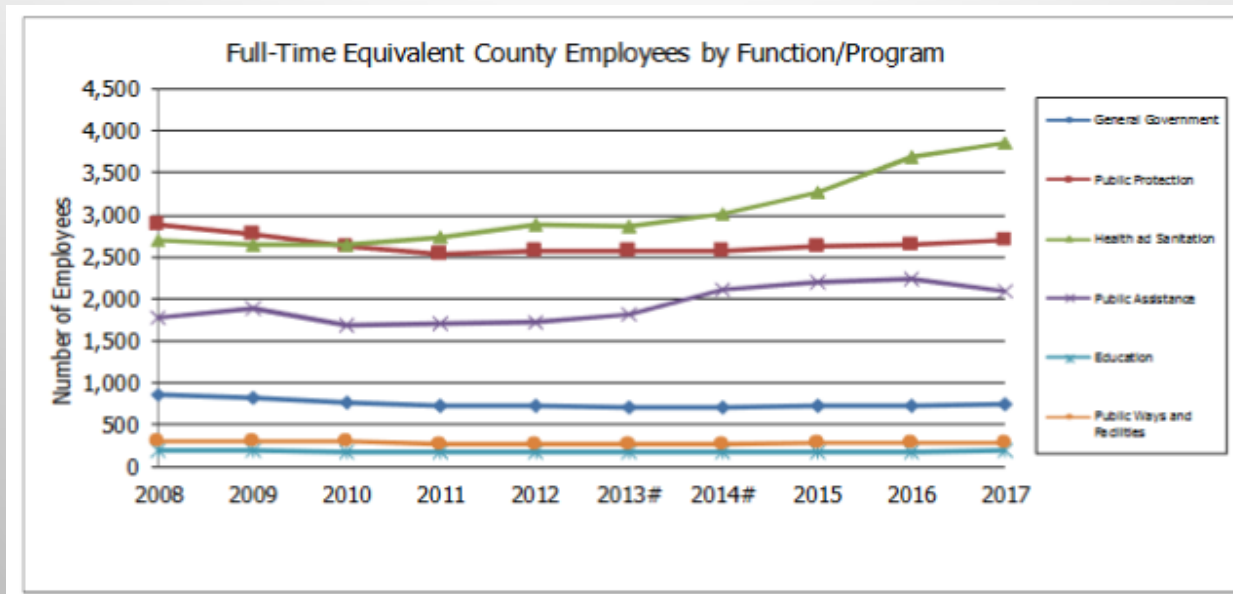
High numbers of vacant positions due to unprecedented numbers of retirements during calendar year 2011 and 2012 are beginning to recover. Historically March retirements are the highest. Retirement numbers appear to have returned to normal.



Increase To Full-time-equivalent Positions

- After several years of no growth – steady increase has begun
- Increase of 1,580 FTE in last five years (8,329 to 9,877)

	Actual 2011-2012	Actual 2012-2013	Actual 2013-2014	Actual 2014-2015	Actual 2015-2016	Actual 2016-2017	Budgeted 2017-18
General Government	728	707	712	728	739	751	775
Public Protection	2,565	2,565	2,566	2,624	2,637	2,701	2,730
Health and Sanitation	2,876	2,866	3,014	3,259	3,693	3,855	3,855
Public Assistance	1,722	1,815	2,106	2,203	2,245	2,089	2,022
Education	175	175	175	178	180	194	194
Public Ways and Facilities	<u>263</u>	<u>263</u>	<u>279</u>	<u>281</u>	<u>284</u>	<u>287</u>	<u>288</u>
Total	8,329	8,391	8,852	9,273	9,778	9,877	9,864



Note: Budgeted 2017-18 FTE figures are those authorized as of July 1, 2017 including vacancies

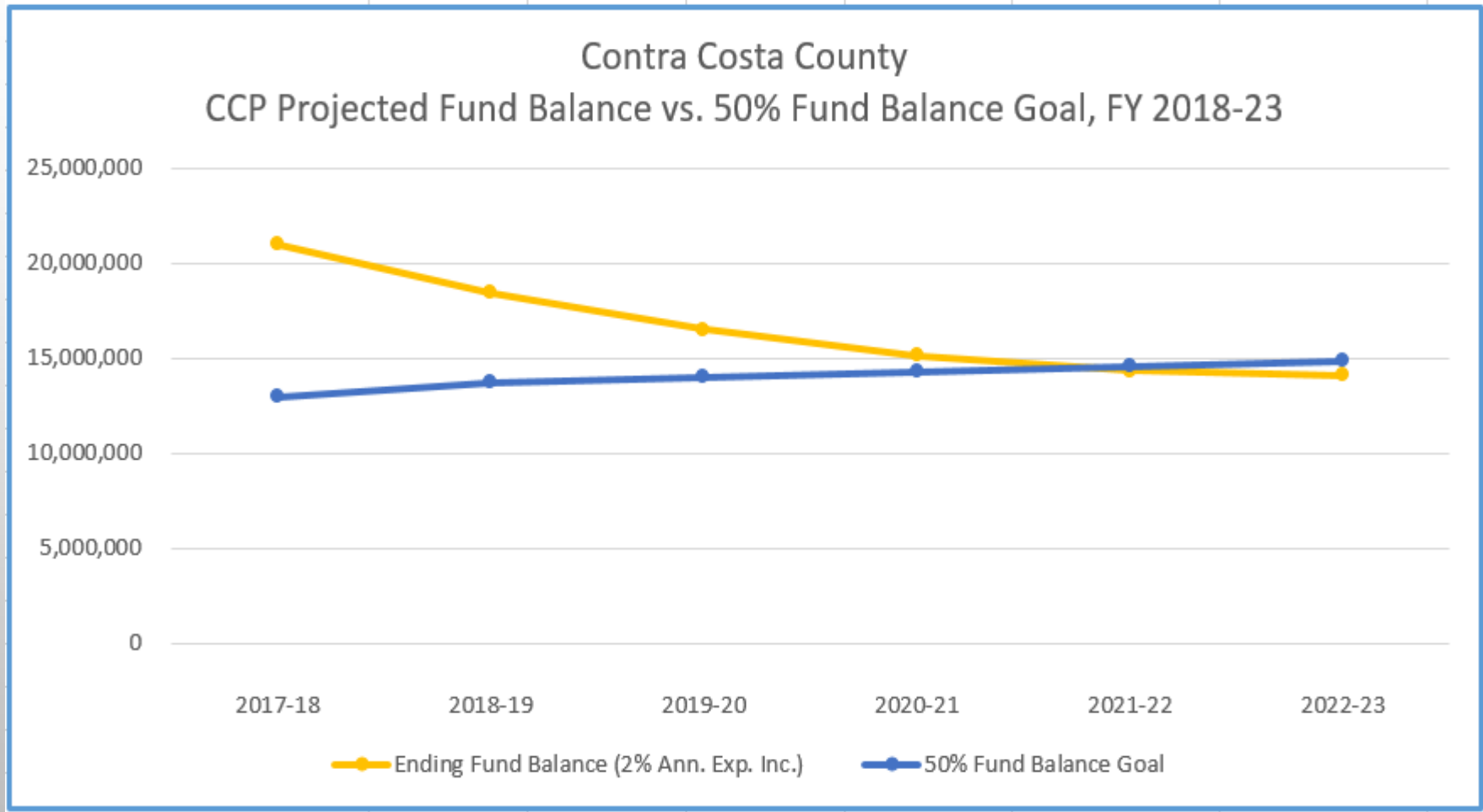
Current Recruitments

- 2018 New Department Heads and Key Staff
 - Public Works Director
 - Economic Development Manager
 - Health Services Director
 - Chief Assistant County Administrator
 - Public Information Officer
 - Chief Information Officer
 - Assistant Information Officer

Community Corrections Partnership

- CCP passed a FY 18/19 Budget Recommendation of \$27,462,512 in December 2017, an increase of 6% over the current year. PPC to consider in February 2018
- CCP budget continues to rely on approximately \$2.5 million in 18/19 of CCP fund balance (expenses exceed revenues)
- Fund balance use includes year 2 of the annual \$500k contribution to Stand Together CoCo, Immigration Rapid Response Program (3 year pilot-project)
- Assuming just a 2% increase each year to expenditures over the next 5 years, the County would be required to draw \$6.9 million from CCP fund balance to fund AB109 programs over that period
- Assuming a FY 18/19 estimated fund balance of \$21 million, fund balance would be reduced to \$14.1 million at the close of FY 22/23
- At \$14.1 million, fund balance would be at 47% of FY 22/23 projected expenditures. **Goal is 50% of expenditures** (*Approx. 6 months of operations*)

Community Corrections Partnership



Contra Costa Fire Protection District

- **Reasons For Optimism**

- Settled with Local 1230 and UCOA through 2021
- Employer share of pension costs stable and decreasing in 18/19
- “Alliance” ambulance program stable (for now)
- Station 16 (Lafayette) and 70 (San Pablo) projects close to breaking ground

- **Reasons For Concern**

- Property Tax revenue increases slowing
 - Reducing 18/19 assumption to 5% growth from 6%
- Cost of labor contracts
 - \$8.7 million in 18/19 (total three year cost of \$23.3 million)
- Continued strain on operating fund
 - Scheduled debt service payments increasing approx. \$700k/yr. through 2022
 - Additional engine company at Station 1 beginning in March 2018
 - Future staffing of Station 16 once constructed

Contra Costas Fire – EMS Transport Fund

- **Reasons For Optimism**

- “Alliance” ambulance program stable
- Operating revenues exceeding projections (for now)
- Initial \$3 million borrowing from District operating fund repaid in 17/18

- **Reasons For Concern**

- Future of healthcare funding continues to be uncertain
 - California single payer system?
 - Affordable Care Act repeal or defunding?
- EMS Transport Fund reserve
 - Goal is 50% of annual cost of ambulance services - \$21 million
- First Ground Emergency Medical Transportation (GEMT) allocation anticipated at approximately \$700,000 (original projection at \$5 - \$6 million)

- **EMS Transport Reserve Recommendation**

- CAO recommends budgeting annual reserve contributions of \$2 million /yr. to fund the \$21 million goal.
- This recognizes that the District has ongoing receivables of approx. \$10 million at any given time.

Continued Reasons For Optimism

- **Positive Economic Outlook**

- California economic outlook stable for next year
- AV Revenue up 5.8% for FY 2017/18 and projected to grow by 5% in 2018/19

- **Positive County Results**

- Budget structurally balanced for seventh year in a row
- Employee wages increased
- Over 1,500 new employee positions added in past 5 years
- Most departments fully staffed
- OPEB managed
- Have begun pre-funding infrastructure needs
- Fund balance increased
- Maintained our AAA bond rating from Standard & Poor's, and received upgrade on lease bonds from Moody's (from A1 to aa3) with both agencies commenting on fact that Contra Costa County was "fundamentally sound, and had a stable outlook for the future."
- Pension Obligation Bond matures 6/1/2022 (\$47,382,000)

Reasons For Concern

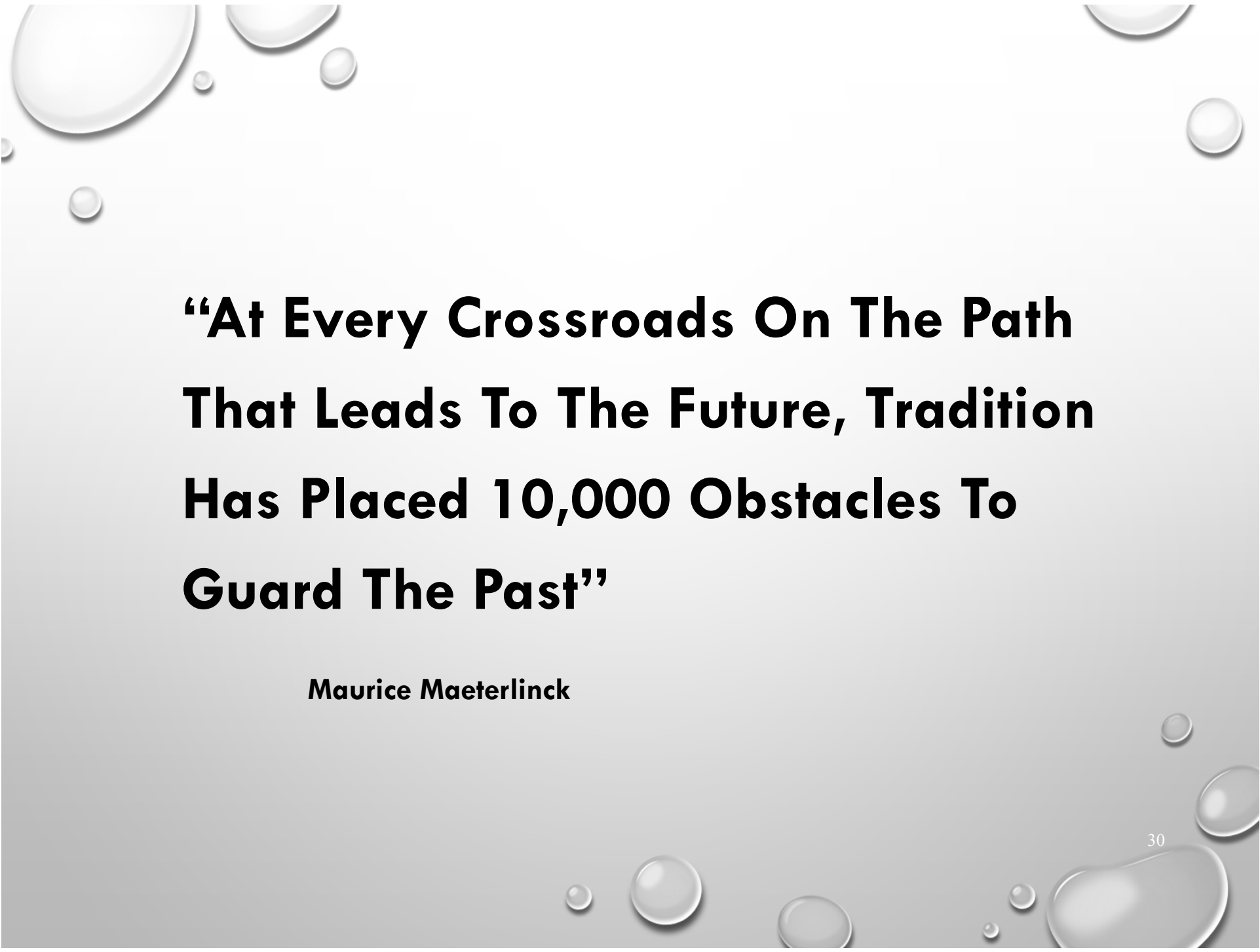
- Federal and State economy likely to slow or enter recession by 2020
- Prop 172 sales tax revenue increases slowing in 2018/19
- Revenues are not projected to keep up with expenditures for 2017/18 nor are they projected to do so for 2018/19 and beyond
- Aging technology –Finance & Tax systems
- Labor negotiations
- CCCERA's Net Pension Liability is \$1.4 Billion (as of 12/31/16) and there is more unfunded liability coming
- Increased costs of benefits – pension assumed rate of return is 7.00% - actual returns for 2015 were 2.6%, 2016 returns were 7.4%, 2017 likely to exceed the 7% figure
- Economy is driven by technology not labor, social systems are changing, and institutions and leaders struggling to meet the needs of the 21st Century
- Federal government not likely to respond to counties needs
- Unreasonable expectations given funding available

Continue Focus On

- Focus on current needs but look for long term solutions – five year minimums
- Developing staff
- Continuing to harness our organizational discipline and innovation
- Providing public services that improve the quality of life of our residents and the economic viability of our businesses

FY 2018-19 Budget Hearing Format

- Draft agenda for discussion purposes
 - Introduction/summary by County Administrator
 - Departmental presentations:
 - Sheriff-Coroner
 - District Attorney
 - Health Services Director
 - Employment and Human Services Director
 - Any suggested changes for this year?
 - Deliberation
- Budget Hearing on April 17th (hearing can be continued if needed)
- Budget Adoption on May 8th
 - The Fire Board will receive a budget presentation on the District's Budget on April 10. Per the norm the Budget Hearing and Adoption will occur along with the Countywide Budget.



**“At Every Crossroads On The Path
That Leads To The Future, Tradition
Has Placed 10,000 Obstacles To
Guard The Past”**

Maurice Maeterlinck