



Contra Costa County Update Budget & Key Issues

Presentation to
Board of Supervisors
January 26, 2021

Contra Costa County Familiar Budget Drivers and Challenges for 2021 and Beyond

- Economic Forecast
- State & Federal Budgets
- Labor Negotiations
- Strategic Use of Reserves
- Fund Infrastructure Needs (Repair & Maintenance)
- Fund System Infrastructure
- Adequately Fund Public Safety & Health Departments

2020/21 Achievements

- Budget structurally balanced for ten consecutive years and received the Government Finance Officers Association Distinguished Budget Presentation Award for each of those years, the current year budget is built on assumption of 4.5% increase in assessed valuations (AV), actual AV was 4.87% for 2020/21
- OPEB managed (unfunded liability reduced from \$2.6 B in 2006 to current \$523.9 million as of 6/30/2020)
- We have labor contracts in place with all of our bargaining unions/associations, which provide improved health insurance benefits and wages.
- Assessed Value, on which general purpose revenue is based, was up 6.34% in 2018/19; 5.3% in 2019/20; 4.87% in 2020/21; and is projected to grow 4.0% in FY 2021/22

2020/21 Achievements

- General Fund for 2020/21 - \$1.86 B - (total adjusted budget without carryforward, excluding fire and special districts, for 2020/21 - \$4.09 B)
- County maintained it's AAA bond rating from Standard & Poor's and Aa2 bond rating from Moody's with both agencies continuing to cite the County's robust financial position, including strong tax base and wealth and income profile.
- Created a permanent Office of Reentry and Justice within the Probation department beginning July 1.

2020/21 Achievements

- Facilitating the implementation of a felony mental health diversion program through the Department of State Hospitals.
- Continuing to support the Racial Justice Oversight Body to reduce racial disparities in the adult and juvenile justice systems.
- Continuing work with the Board and departments to fund enhanced detention health initiatives, including the addition of 53.1 FTE and construction of an acute psychiatric care unit to serve patient-inmates within the adult detention facilities
- Supported the Census 2020 Complete Count and surpassed the 2010 Self Response rate.

Bay Area Unemployment Rate November 2020 (Unadjusted)

The County's unemployment levels rebounded strongly from the highs experienced during the Financial Crisis in 2008-2010, reaching peak employment in 2019. Subsequent to COVID-19, the county has increased in line with State and national trends.

- Marin 4.7%
- Santa Clara 5.1%
- San Mateo 5.1%
- Sonoma 5.5%
- San Francisco 5.7%
- Napa 6.0%
- Alameda 6.7%
- **Contra Costa 6.8%**
- Solano 7.5%

9 County Average 5.9% (2.8% Last Year)

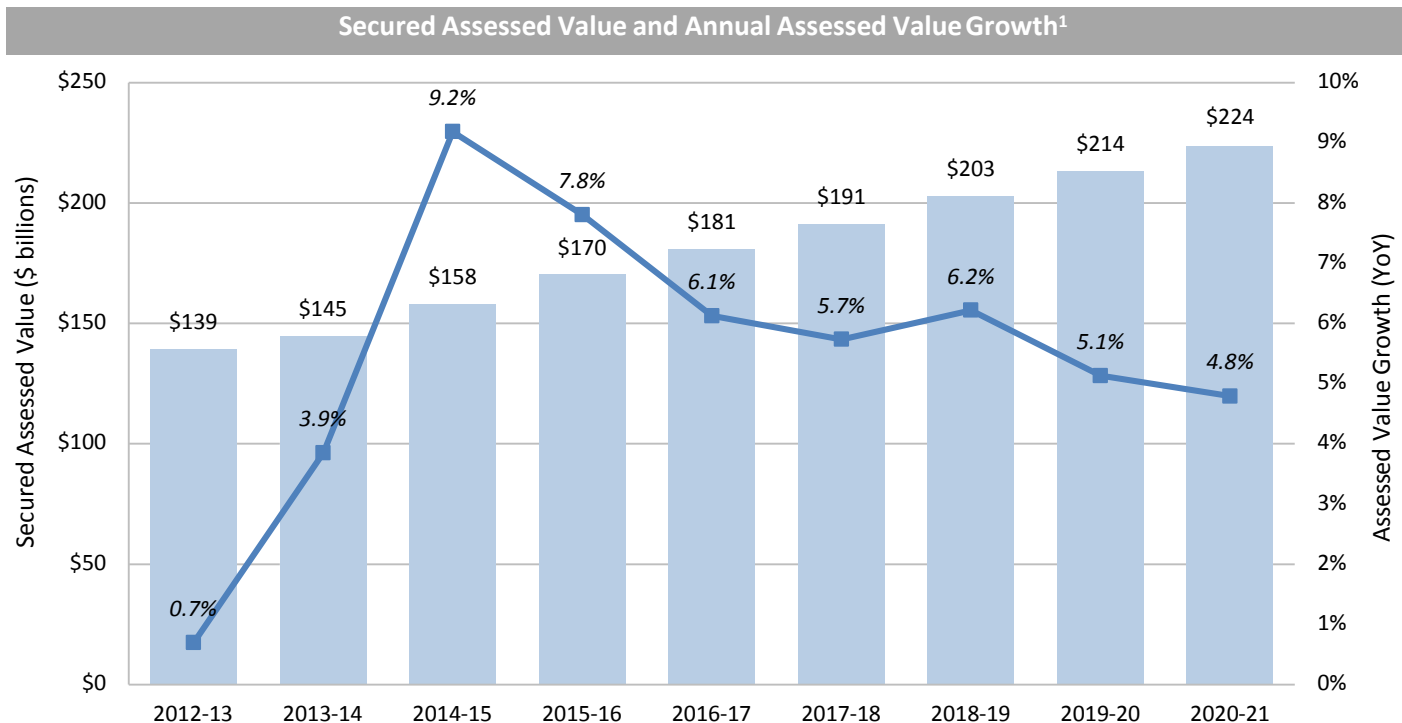
County Property Tax

Property taxes declined by over 11% between 2009 and 2012 and then grew significantly between 2014 and 2019. Projecting a more normal increase of 4% going into 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 6.34% increase
- 2019/20 5.30% increase
- 2020/21 4.87% increase

Assessed Valuation and Assessment Roll Growth

- The County's assessed valuation has rebounded from the recession with nine consecutive years of growth
- For FY 2020-21, the County's secured assessed valuation increased 4.8% to \$224 billion
- The County projects FY 2021-22 assessed valuation will grow 4.0%
- The delinquency rate on tax collections was less than 1% in FY 2019-20
- Secured AV represents 97.4% of Total AV in the County



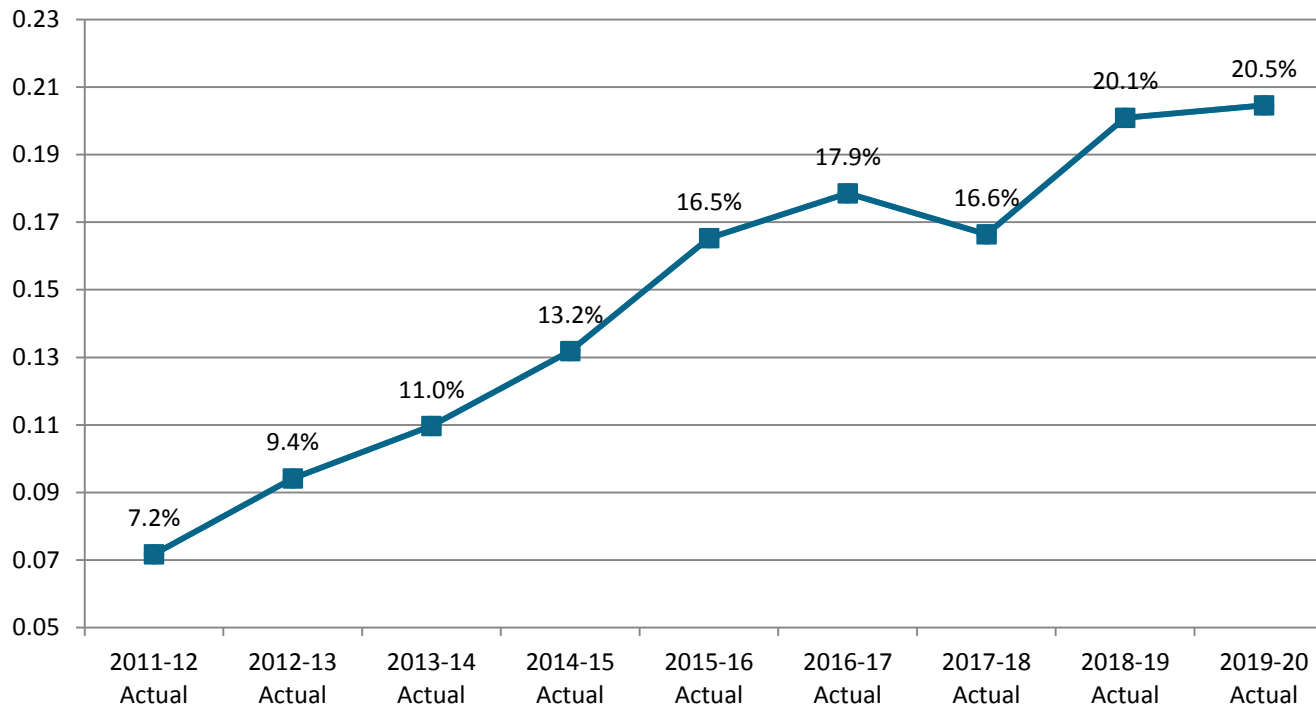
Contra Costa Fire District Property Tax

Property taxes declined by over 13% between 2009 and 2013. These taxes then significantly increased between 2014 and 2019. Now returning to a more normal increase of around 4% going into the next few years. Actual District experience:

- 2009-10 (7.8% decline)
- 2010-11 (2.4% decline)
- 2011-12 (1.9% decline)
- 2012-13 (1.2% decline)
- 2013-14 5.9% increase
- 2014-15 9.3% increase
- 2015-16 6.9% increase
- 2016-17 6.32% Increase
- 2017-18 5.53% increase
- 2018-19 6.44% increase
- 2019-20 5.50% Increase
- 2020/21 5.22% increase

General Fund Reserves Performance in Sync with Policy

- For FY 2019-20, total General Fund revenues were \$1.728 billion and the total fund balance was \$637.2 million, or 36.9% of total General Fund revenue
- Of the \$637.2 million:
 - \$353.5 million was unassigned – 20.5% of total General Fund Revenues
 - \$283.7 million was assigned, committed, restricted or nonspendable



Impact of COVID-19 on the County

- The County received \$227.8 million in CARES Act Coronavirus Relief Funds (CRF) to assist with its response to COVID-19 (\$201.2 million from Federal direct allocation and \$26.5 million from State sub-recipient allocation)
 - All funds have been spent and were applied to various permitted purposes, including payroll for public health and safety employees; improvements to telework capabilities; medical expenses; and public health expenses for the period March 1 – December 31, 2020

FY 2021 Key Budget Provisions

- In its FY 2021 Final Budget, the County closed a \$35.0 million General Fund funding gap through a combination of mostly one-time spending reductions, revenue increases (including funding authorized under the CARES Act), the use of prior year fund balances, and the elimination of 93 vacant/unfunded FTE positions in the offices of the Assessor, Employment and Human Services, and Probation
- As part of budget adoption, the Board re-affirmed its policy prohibiting the use of general-purpose revenue to back-fill reductions in revenues to be received from the State
- Appropriates an additional \$30.0 million on homeless housing and wraparound services directly related to COVID-19, to be funded with CARES Act/FEMA monies
- Did not anticipate the receipt of additional federal relief funding

Emergency Rental Assistance Program

- Authorized in the December stimulus package (H.R. 133)
 - County received direct allocation of \$34,296,331 on January 20th
- County Administrator has convened an interdepartmental workgroup to provide immediate policy options to the Board
 - Funding must be obligated by September 30, 2021 to avoid reallocation
- Basic Eligibility (in statute)
 - Qualified for unemployment or has experienced reduction in income
 - Experienced financial hardship due to COVID-19;
 - At-risk of experiencing homelessness or housing instability;
 - Landlords may seek assistance on behalf of tenant so long as tenant co-signs
 - Payments provided directly to landlords on behalf tenants, unless landlords opts out
 - Assistance to households generally may not exceed 12 months (including any arrearages), but could be extended to 15 months

FY 2020/21 Mid-year Preliminary Stats

Budget Performing As Expected

			Mid-Year 20-21	Mid-Year 19-20	Mid-Year 18-19	Mid-Year 17-18
ALL FUNDS	Budget	Actual	Percent	Percent	Percent	Percent
Expenditures	\$4,198,963,094	\$1,831,077,772	43.6%	40.7%	41.0%	41.6%
Revenues	\$3,911,348,812	\$1,740,794,707	44.5%	39.2%	44.3%	43.6%
GENERAL FUND	Budget	Actual	Percent	Percent	Percent	Percent
Expenditures	\$1,965,560,019	\$840,093,359	42.7%	40.5%	41.2%	37.5%
Revenues	\$1,780,702,923	\$826,117,637	46.4%	37.1%	40.5%	40.4%
Wages & Benefits	\$978,968,798	\$441,582,986	45.11%	45.7%	45.9%	46.0%
Services & Supplies	\$666,315,582	\$285,698,013	42.88%	37.4%	38.6%	38.3%
Other Charges	\$300,715,177	\$137,100,204	45.59%	40.4%	43.9%	40.4%
Fixed Assets	\$150,267,821	\$37,320,217	24.84%	23.5%	23.1%	14.4%
Inter-departmental Charges	(\$140,707,359)	(\$61,608,060)	43.78%	41.0%	45.8%	46.5%
Contingencies	\$10,000,000					
Total Expenses	\$1,965,560,019	\$840,093,359	40.5%	40.5%	41.2%	40.4%
Taxes	\$461,313,000	\$288,104,864	62.45%	64.0%	63.8%	59.7%
License, Permits, Franchises	\$12,733,764	\$2,950,802	23.17%	29.5%	31.7%	31.2%
Fines, Forfeitures, Penalties	\$24,371,494	\$1,100,871	4.52%	8.1%	11.0%	7.6%
Use of Money & Property	\$5,671,750	\$2,391,061	42.16%	28.5%	82.9%	48.8%
Federal/State Assistance	\$723,789,799	\$363,148,526	50.17%	28.2%	37.3%	33.0%
Charges for Current Services	\$193,946,629	\$84,859,095	43.75%	31.8%	37.9%	38.8%
Other Revenue	\$358,876,488	\$83,562,419	23.28%	27.4%	23.4%	22.4%
Total Revenues	\$1,780,702,923	\$826,117,637	46.39%	37.1%	40.5%	38.0%

General Purpose Revenue Distribution

Most of the General Purpose and Debt Service Revenue is allocated to a handful of County Departments/ Program areas; in fact, 85.9% of our General Purpose and Debt Service Revenue is spent in just nine departments

	2020-21 Adjusted	Share of Total
Health Services	\$158,356,000	30.9%
Sheriff-Coroner	99,268,000	19.4%
Probation	43,499,500	8.5%
Public Defender	29,109,000	5.7%
Employment and Human Services	28,573,000	5.6%
Public Works	26,694,000	5.2%
District Attorney	22,630,000	4.4%
Assessor	16,665,500	3.3%
Capital Improvements	14,850,000	2.9%

* January Adjusted without Carryforwards

Contract Status

	Total Number of Permanent Employees ¹		Contract Expiration Date
AFSCME Local 512, Professional and Technical Employees	234		6/30/2022
AFSCME Local 2700, United Clerical, Technical and Specialized Employees	1,474		6/30/2022
California Nurses Association	767		9/30/2021
CCC Defenders Association	95		6/30/2022
CCC Deputy District Attorneys' Association	87		6/30/2022
Deputy Sheriffs Association, Mgmt Unit and Rank and File Unit	842		6/30/2023
Deputy Sheriffs Association, Probation Peace Officers Association	193		6/30/2023
District Attorney Investigator's Association	19		6/30/2023
IAFF Local 1230	332		6/30/2023
IHSS SEIU - 2015			6/30/2022
Physicians and Dentists of Contra Costa	254		10/31/2022
Professional & Technical Engineers – Local 21, AFL-CIO	1,129		6/30/2022
Public Employees Union, Local One & FACS Site Supervisor Unit	541		6/30/2022
SEIU Local 1021, Rank and File and Service Line Supervisors Units	847		6/30/2022
Teamsters, Local 856	1,821		6/30/2022
United Chief Officers' Association	12		6/30/2023
Western Council of Engineers	25		6/30/2022
Management Classified & Exempt & Management Project	418		n/a
	Total	9,090	100%
¹ Permanent number of filled Positions as of November 2020 (not FTE)			

Pension Cost Management

- Contra Costa County Employee Retirement Association's (CCCERA) assumed rate of return is currently 7.00%
- FY 2021-22 the final annual County Pension Obligation Bond (POBs) payment will be made June 2022 – the final payment is \$47.4 million
- FY 2021-22 the Final Fire Protection District POB transfer will be made June 2022 - the final transfer is \$11.45 million (into Securitization Fund/June 2023)
- Without the issuance of these POBs, both the County and Fire Protection District's Unfunded Liabilities would be significantly higher
- Paulson Settlement Payments \$2.76 M per year until final annuity on February 1, 2024 - \$1.4 million

Solid Pension Funding Status

- CCCERA lowered its investment earnings assumption from 7.25% to 7.00%, beginning in calendar year 2014
- County UAAL as of 12/31/2019 was \$607.93 million

Contra Costa County Annual Pension Cost ¹		
Year Ended Dec. 31	Annual Pension Cost (\$000s)	% Contributed
2010	\$183,951	100.0%
2011	200,389	100.0%
2012	212,321	100.0%
2013	228,017	103.1%
2014	288,760	101.7%
2015	321,220	100.8%
2016	307,909	100.0%
2017	314,512	100.1%
2018	324,863	100.1%
2019	326,717	100.4%

Comparable California County Pension Funding (as of 2018)							
County	Contra Costa	Alameda	San Mateo	Marin	Orange	San Diego	Santa Clara
(Issuer Rating)	Aa2/AAA/NR	Aaa/AAA/AAA	Aaa/AAA/NR	Aaa/AAA/AAA	Aa1/AA+/AAA	Aaa/AAA/AAA	Aa1/AAA/AA+
Assumed Pension Investment Rate	7.00%	7.25%	6.92%	7.00%	7.00%	7.25%	7.15%
Pension Funding Ratio	89.3%	86.0%	87.5%	88.3%	72.4%	78.4%	71.8%

Contra Costa County Employees' Retirement Association Pension Funding Status (\$000s)				
Actuarial Valuation Date	Total CCCERA Unfunded Actuarial Accrued Liabilities	Funded Ratio	County UAAL	CCC Fire Protection District UAAL
2009	\$1,024,673	83.80%	\$727,578	\$68,294
2010	1,312,215	80.30%	918,919	104,750
2011	1,488,593	78.50%	1,037,535	130,737
2012	2,279,059	70.60%	1,591,610	228,950
2013	1,823,681	76.40%	1,260,363	180,209
2014	1,469,942	81.70%	1,003,749	151,686
2015	1,311,823	84.50%	879,610	154,708
2016	1,187,437	86.50%	776,396	143,193
2017	1,059,356	88.50%	689,426	131,765
2018	1,031,966	89.30%	677,735	123,353
2019	947,054	90.60%	607,938	132,554

1. Source: Contra Costa County Employees' Retirement Association, Actuarial Valuation as of December 31, 2019

OPEB Trust Prefunding Status

- The County establishing an OPEB Trust in 2008 and began pre-funding benefits that same year.
- Pre-funding is currently \$20 million per year
- The funded ratio is 39.5% as of the most recent valuation date (6/30/2020)

Other Post Employment Benefit Funding Status (\$000s)			
Actuarial Valuation			
Date	Total Liability	Net Liability	Funded Ratio
2008	\$2,367,023	\$2,367,023	0.00%
2009	1,879,242	1,859,204	1.10%
2010	1,046,113	1,021,065	2.40%
2011	1,078,665	1,016,945	5.70%
2012	1,033,801	948,310	8.30%
2013	1,033,776	968,285	6.30%
2014	923,848	794,422	14.00%
2015	939,053	764,329	18.60%
2016	902,011	706,035	21.70%
2017	928,782	693,566	25.30%
2018	932,187	662,517	28.90%
2019	958,588	650,074	32.20%
2020	865,62	523,933	39.50%

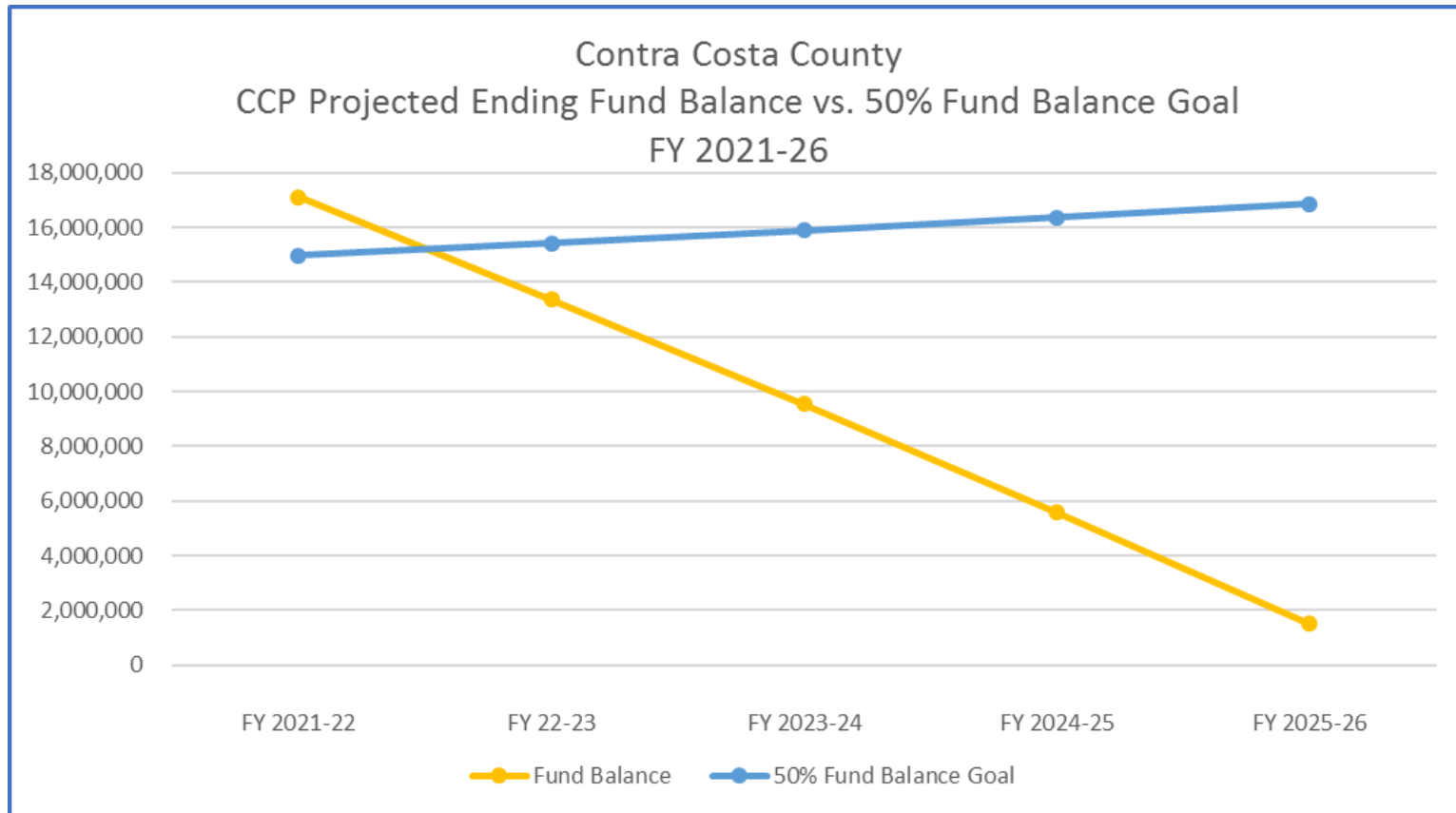
Preliminary employee/position data FY 2021/22

- 9,953 FTE (90 FTE Increase over last year)
- Total salary and benefit cost of \$1,638,440,957
 - (\$81.0 million increase over FY 2020/21 budget)
- Average wages of \$96,336
- Average retirement cost of \$36,885
- Average health insurance cost \$15,528
- Average total cost of a position \$164,620

Community Corrections Partnership

- CCP passed a FY 21/22 Budget Recommendation of \$29,949,274 in December 2020, an increase of 5.9% over the current year.
 - PPC to review and approve the budget on January 25, 2021
 - Approximately 23% (\$7.0 million) of the budget is allocated to Community Based Organizations
- CCP budget relies on approximately \$26.5 million in base revenue and \$3.5 million of CCP fund balance in FY 2021/22 (expenses exceed base revenues)
- Assuming just a 3% increase each year to expenditures over the next 4 years for existing employee/program costs, the County would be required to draw \$19.1 million from CCP fund balance to fund AB109 programs through FY 2025-26.
- Assuming a FY 21/22 estimated beginning fund balance of \$20.6 million, fund balance would be reduced to \$1.5 million at the close of FY 25/26.
- At \$1.5 million, fund balance would be at 4% of FY 25/26 projected expenditures.
Goal is 50% of expenditures (Approx. 6 months of operations)

Community Corrections Partnership



Contra Costa Fire Protection District

Reasons For Optimism

- “Alliance” ambulance program stable (for now)
- Net decrease of \$3.8 million in debt service payments in FY 2021-22
 - Payments on existing Pension Obligation Bonds decreasing by approximately \$5.7 million in FY 2021/22
 - New debt service on capital construction projects is scheduled at \$1.9 million annually.

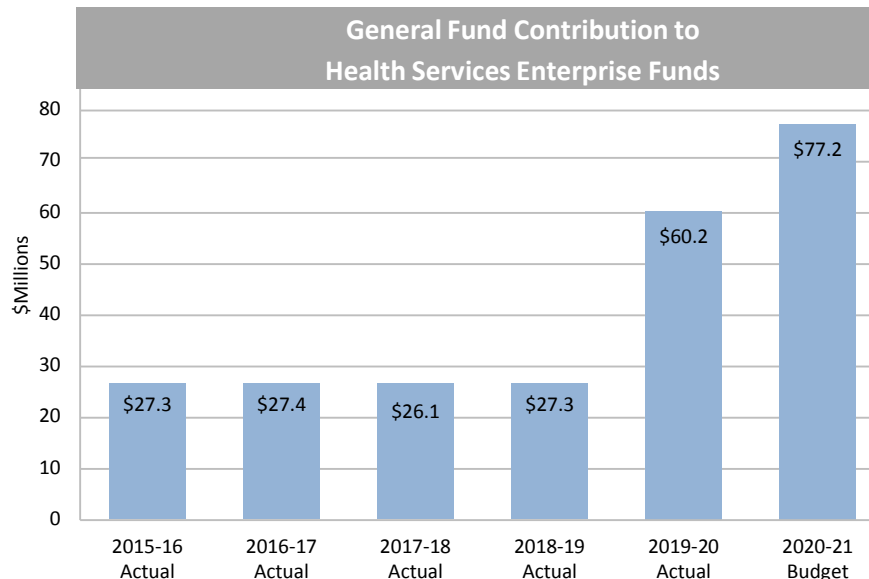
Reasons For Concern

- Property Tax revenue increases anticipated to slow
 - Assumption of 4.0% for 21/22
 - Additional decreases possible in 22/23 and beyond
- Cost of prior labor contracts
 - \$8.7 million in FY 2021-22 (total three-year cost of \$26.2 million)
- Increase in employer pension costs due to the depooling of Safety Cost Group #8, which impacts Contra costa Fire Protection District and East Contra Costa Fire Protection District
 - Estimated increase of approximately \$1.5-\$2.0 million in FY 21/22
- Litigation/ongoing appeal of PERB decision regarding United Chief Officers Association

Contra Costa Regional Medical Center

- Contra Costa Regional Medical Center (CCRMC) is a 164-bed acute care public hospital owned and operated by the County. It is inclusive of ten ambulatory health care centers, which are licensed as outpatient departments of the hospital.
- The Hospital Enterprise Fund represents 14% of the County’s FY 2020-21 Final Budget
- Operation of the CCRMC is financially administered primarily with Hospital/Health Plan revenues, with the County General Fund subsidizing 12% of CCRMC’s budget, or \$77.2 million planned for FY 2020-21
 - The County General Fund allocation had been significantly reduced over the last five years following the implementation of the Affordable Care Act (ACA)
 - ACA membership and related revenue declined in FY 2018-19; the ACA impact coupled with new labor agreement costs created a need for additional subsidy in FY 2019-20

Regional Medical Center Budget (\$'000s)			
	2018-19 Actual	2019-20 Actual	2020-21 Final Budget
Beginning Net Position	\$129,441	\$146,527	\$155,830
Revenue	625,080	609,582	615,890
Expenditures	627,251	651,402	660,553
Transfers In Subsidy	23,304	56,228	73,245
Ending Net Position	146,527	155,830	166,559
Change in Net Position	\$17,087	\$9,303	\$10,728



Reasons For Concern

- Revenues will not keep up with expenditures for 2020/21 nor are they likely to do so for 2021/22 and beyond
- Inflation is coming back sooner rather than later
- Aging Technology – in process to replace the Finance System & Tax Systems at an approximate cost of \$18 million each
- Unknown to what level the Federal government will respond to counties needs
- Real issues coming due to excessive stimulus funds
- Ongoing funding for County Hospital, Clinics, and Health Plan - it continues to be difficult to support the hospital with increased costs. We continue to reduce programs in other areas to support Hospital needs. We must consider alternative revenue streams and right size services to resources available.

FY 2021-22 Budget Hearing Format

Draft agenda for discussion purposes

- Introduction/summary by County Administrator
- Departmental presentations:
 - Sheriff-Coroner
 - District Attorney
 - Public Defender
 - Health Services Director
 - Employment and Human Services Director
- **Suggested changes for this year?**
- Deliberation

Budget Hearing on April 20th (hearing can be continued if needed)

Beilenson Hearings may be required at later date

Budget Adoption on May 11th

- The Fire Board will receive a budget presentation on the District's budget on April 27. Per the norm the Fire Budget Hearing and Adoption will occur along with the Countywide Budget on May 11th.