



BUDGET AND KEY ISSUES

1
January 26, 2016

FY 2016-2017 TOPICS

- Budget/Labor
- Succession Planning
- Infrastructure Projects
- Budget Hearing Format

FAMILIAR BUDGET DRIVERS AND CHALLENGES FOR 2015/16 AND BEYOND

- Recognize sacrifice by Employees that were needed to address long term structural issues and to insure delivery of essential services to the public and to achieve financial stability
- Labor negotiations
- Build Reserves
- Fund Infrastructure Needs (Repair & Maintenance)
- Federal Budget
- Adequately Fund Public Safety Departments and Public Safety Realignment
- Reduce hospital dependency on General Fund

BUDGET FY 2015-16 AND BEYOND

CONTRA COSTA COUNTY

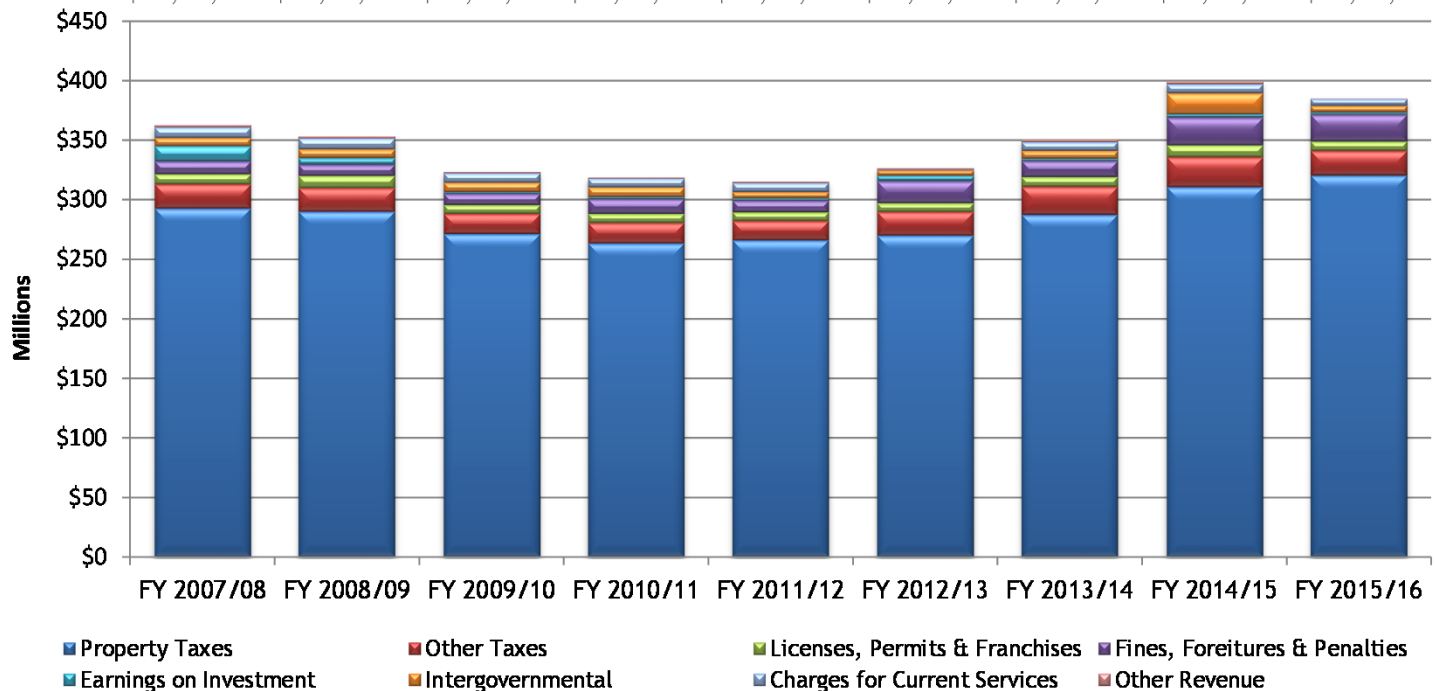
- Over the three year period between 2009/10 and 2011/12 property taxes declined by 11.08% . Over the last four years 2012/13 to 2015/16 the increase was 20.93%.
- This means the total net increase over the past seven years averaged only 1.4%
- Actual Contra Costa County experience:
 - 2009/10 (7.19% 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 Projected to increase 7.0%

FY 2015/16 MID-YEAR PRELIMINARY STATS

			Mid-Year 15-16	Mid-Year 14-15	Mid-Year 13-14
ALL FUNDS	Budget	Actual	Percent	Percent	Percent
Expenditures	\$ 3,209,282,914	\$ 1,308,195,498	40.8%	43.5%	43.6%
Revenues	\$ 3,030,170,772	\$ 1,335,551,247	44.1%	44.0%	38.1%
GENERAL FUND	Budget	Actual	Percent	Percent	Percent
Expenditures	\$ 1,504,945,900	\$ 626,669,612	41.6%	43.7%	43.0%
Revenues	\$ 1,425,274,836	\$ 544,076,360	38.2%	37.1%	34.4%
Wages & Benefits	788,422,357	363,056,616	46.0%	45.9%	44.8%
Services & Supplies	496,693,586	191,145,024	38.5%	41.3%	40.9%
Other Charges	235,987,430	109,395,751	46.4%	51.0%	49.1%
Fixed Assets	65,417,199	5,578,495	8.5%	15.1%	7.3%
Inter-departmental Charges	(88,402,902)	(42,506,274)	48.1%	53.2%	50.1%
Contingencies	6,828,230	0	0.0%	0.0%	0.0%
Total Expenses	\$ 1,504,945,900	\$ 626,669,612	41.6%	43.7%	43.0%
Taxes	\$ 341,240,000	\$ 217,200,887	63.7%	65.5%	63.4%
Licenses, Permits, Franchises	11,476,050	3,211,651	28.0%	27.0%	22.9%
Fines, Forfeitures, Penalties	26,422,960	2,062,975	7.8%	7.0%	11.8%
Use of Money & Property	11,300,770	1,158,972	10.3%	59.9%	54.0%
Federal/State Assistance	551,535,886	155,988,059	28.3%	29.3%	22.7%
Charges for Current Services	217,491,580	88,916,696	40.9%	31.6%	0.8%
Other Revenue	265,807,590	75,537,120	28.4%	26.7%	30.8%
Total Revenues	\$ 1,425,274,836	\$ 544,076,360	38.2%	37.1%	34.4%

GENERAL PURPOSE REVENUE

	FY 2007/08	FY 2008/09	FY 2009/10	FY 2010/11	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16
	<u>Actuals</u>	<u>Actuals</u>	<u>Actuals</u>	<u>Actuals</u>	<u>Actuals</u>	<u>Actuals</u>	<u>Actuals</u>	<u>Actuals</u>	<u>Adopted</u>
Property Taxes	292,844,817	290,226,190	271,340,322	263,410,494	266,177,126	270,099,929	287,429,702	310,718,176	320,580,000
Other Taxes	20,254,974	19,784,051	16,952,226	17,129,427	16,117,187	19,843,785	23,543,390	25,209,045	20,660,000
Licenses, Permits & Franchises	8,608,175	10,266,183	7,549,279	7,648,768	7,347,466	7,402,661	8,186,705	10,086,075	7,925,000
Fines, Foreitures & Penalties	10,648,126	9,381,467	9,400,863	12,493,236	9,833,684	18,402,209	13,430,864	23,247,286	22,500,000
Earnings on Investment	12,766,633	5,465,546	1,344,994	1,620,945	1,823,372	4,415,052	1,944,178	2,452,866	1,700,000
Intergovernmental	6,824,242	7,281,018	7,937,202	8,297,228	5,251,426	4,661,882	6,551,028	17,867,806	5,600,000
Charges for Current Services	8,959,053	9,226,290	8,001,888	7,234,435	7,578,851	722,065	7,522,655	7,557,227	5,665,000
Other Revenue	<u>1,883,225</u>	<u>1,619,071</u>	<u>992,706</u>	<u>910,173</u>	<u>1,215,856</u>	<u>1,043,997</u>	<u>1,752,502</u>	<u>2,037,732</u>	<u>250,000</u>
Total	\$362,789,245	\$353,249,816	\$323,519,480	\$318,744,706	\$315,344,968	\$326,591,580	\$350,361,024	\$399,176,213	\$384,880,000



Note: FY 2012/13 Charges for Services revenue includes net of adverse decision regarding property tax admin loss (\$5.3 million)

General Fund/General Purpose Revenue FY 2016/17 Projections

- Property Tax – 6% budgeted growth – Current Secured increase of \$13.1 million, Property Tax-In Lieu of VLF \$7.8 million increase
- Net Taxes for Current Property increase of \$20.7 million
- Public Safety Half-Cent Sales Tax (Prop 172) – 3.0% budgeted growth including pro-rata decrease - \$2.2 million
- Sales Tax – Flat – County projected to receive \$14.0 million for FY 2016/17
- State – Mostly stable
- Federal – Unknown/Positive

CONTINUE GENERAL PURPOSE REVENUE COST AVOIDANCE

- Contribution to Hospital/CCHP Enterprise Funds:
 - 2008/09 \$61,349,686
 - 2013/14 \$30,408,776 (50% decrease)
- Potential reduction in General Fund Contribution to the Hospital as the Affordable Care Act (National Health Care) is implemented
 - 2014/15 through 2016/17 no further reduction
 - 2017/18 reduce by additional \$5 Million
 - 2018/19 reduce by additional \$10 Million
 - 2019/20 and beyond – Expected Annual Contribution = \$10 Million
- Assumption is that we will likely have \$10 Million Uncompensated Care burden even after National Health Care

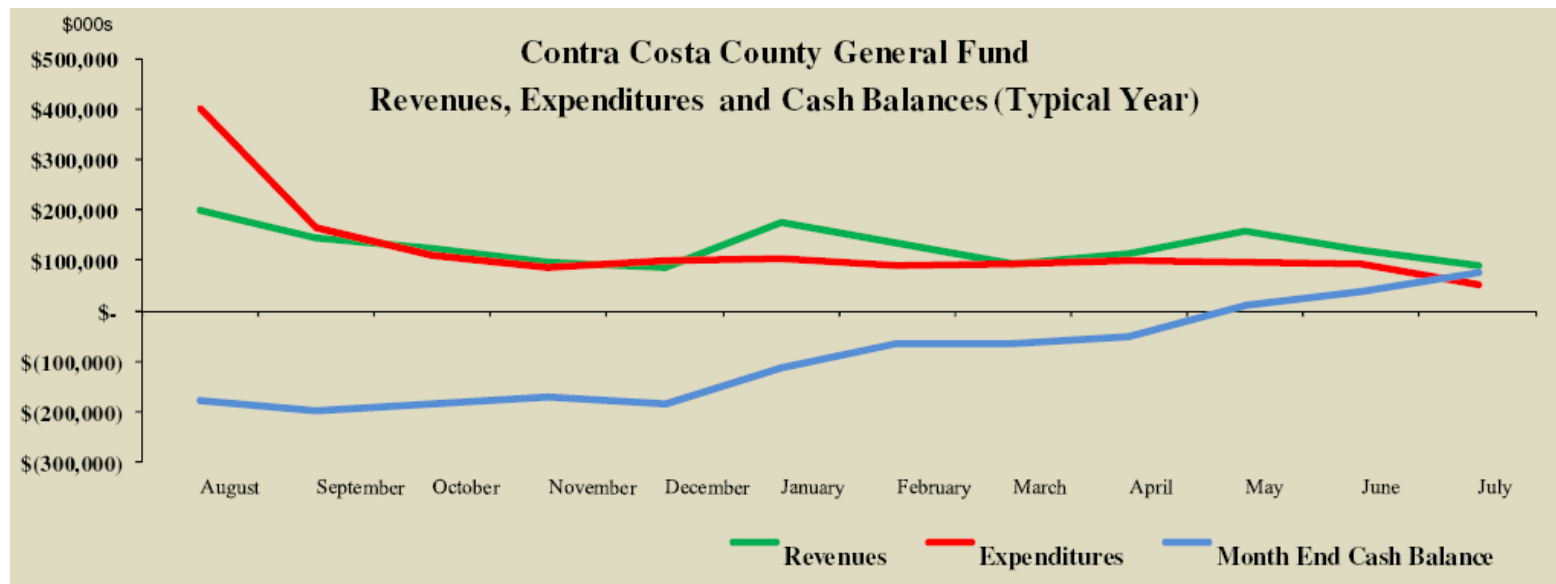
GENERAL FUND BALANCE ASSUMPTIONS

- June 30, 2015:
 - Total general fund revenues were \$1,364,369,000 and total fund balance including reserves were \$295,337,000.
 - Total fund balance is 21.6% of total revenue
 - Of the \$295.3 million in reserves
 - \$179.9 million was unassigned
 - \$115.5 million was assigned, committed, restricted or nonspendable
 - Minimum fund balances of 5% and 10% would be \$68.2 million and \$136.4 million respectively. There was \$158.9 million available over the 10% reserve minimum.
- June 30, 2016:
 - It is planned and anticipated that Total General Fund Balance including Reserves will remain stable.
 - June 30, 2017:
 - No fund balance use is recommended in FY 2016-17.

IMPORTANCE OF RESERVES FOR CASH FLOW

- Although revenues are volatile, expenses (majority for salaries) are quite smooth.
- Even with a General Fund Reserve of \$295.3 Million, the General Fund has a negative cash flow at least 9 months of the year.
- The General Fund cash balance begins the year with a negative cash balance due to large disbursements for advances, pension pre-pay costs, and accrued expenses.
- Cash flow is not positive until the second installment of property tax receipts are received in late spring.
- The Tax Losses Reserve Fund helps with the Treasury operations (cash flow) as it relates to the Teeter Advance of Taxes.

These are reasons why it is important to maintain a reasonable balance in the Tax Losses Reserve Fund, rather than the minimum level.



Recent Tax Losses Reserve Activity

Tax Losses Reserve	
Fiscal Year	Transfers
FY 93-94	6,225,373
FY 94-95	15,321,481
FY 95-96	14,389,022
FY 96-97	9,889,000
FY 97-98 thru FY 02-03	7,389,000
FY 03-04	20,889,000
FY 04-05	9,000,000
FY 05-06	9,000,000
FY 06-07	8,000,000
FY 07-08	10,000,000
FY 08-09	9,000,000
FY 09-10	9,000,000
FY 10-11	12,000,000
FY 11-12	9,000,000
FY 12-13	22,300,000
FY 13-14	22,000,000
FY 14-15	22,000,000
Budgeted FY 15-16	22,000,000
Total Since 1993	274,347,876

Higher than ‘normal’ delinquency deposits between FY 2007-08 and FY 2011-12 into the Tax Losses Reserve have allowed the County to:

- Transfer larger annual amounts into the General Fund for general purpose;
- Fund property tax related losses such as the recent adverse decision regarding Property Tax Administration Fees (\$5.3 million) without impacting services in the General Fund; and
- Fund much needed facility repairs, which would otherwise be funded with General Fund dollars.

Balance of Tax Losses reserve \$84.0 million, down from high of \$101.4 million in FY 2011-12

- Budgeted transfer targeted for \$22 million in FY 2016/17, will be reduced for FY 2017-18 to approximately \$12 million.

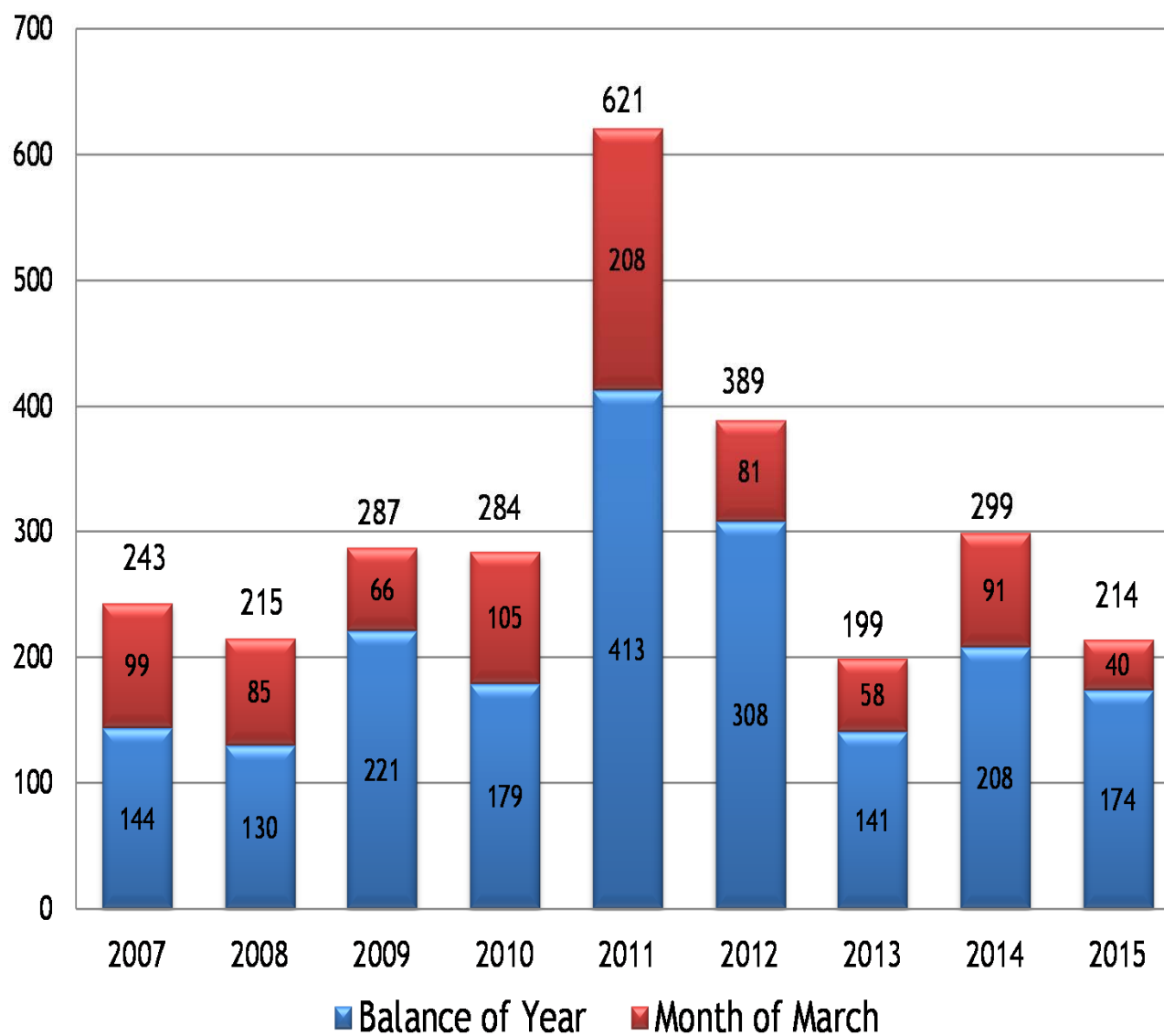
12,000,000 Budget for General Purpose Revenue Transfer
 10,000,000 Budget for deferred maintenance facility projects

INFRASTRUCTURE

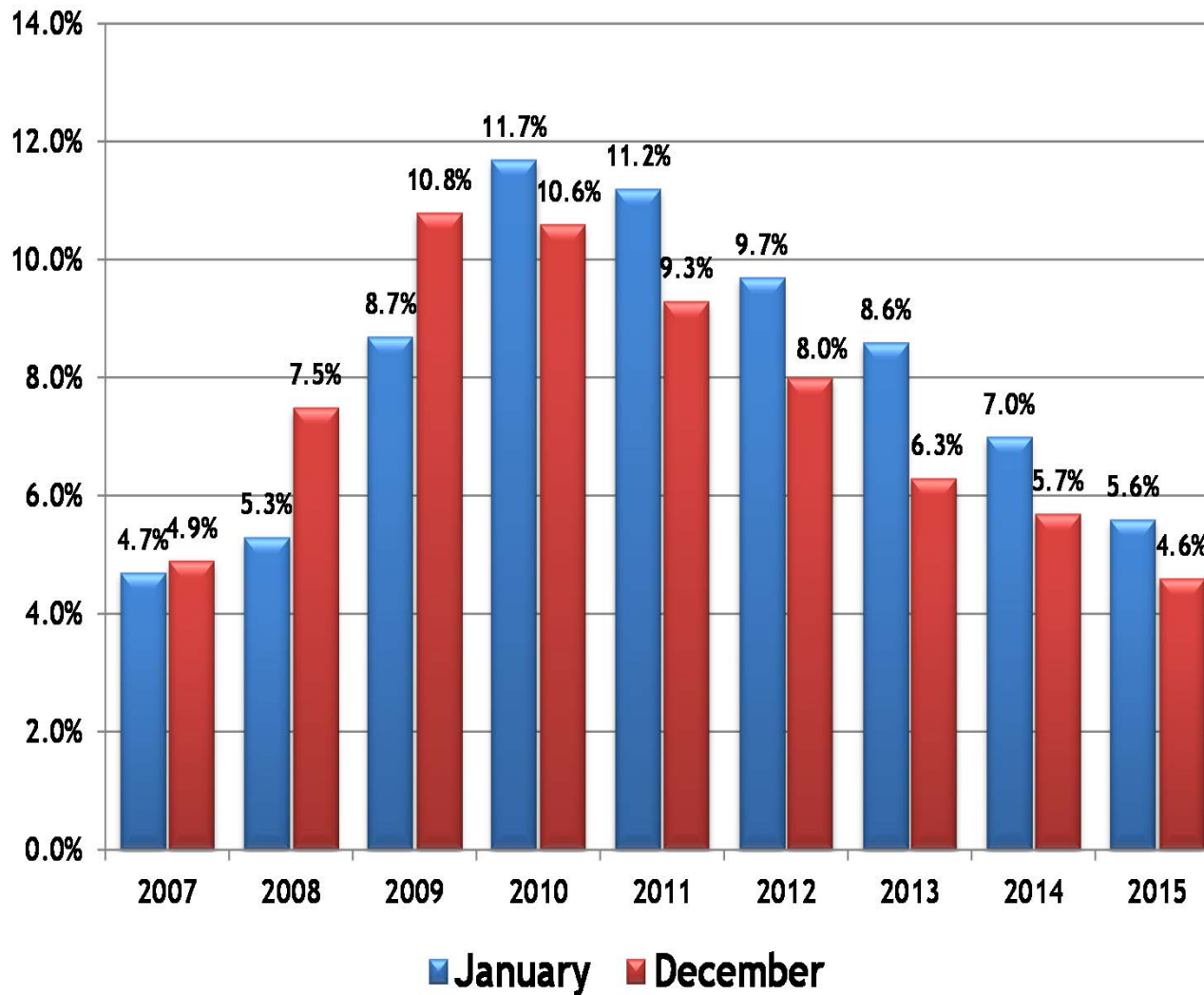
- \$5 Million was Budgeted in FY 2012/13,
- \$10 Million in FY 2013/14 and FY 2014/15, and
- \$10 Million in FY 2015/16; however delays have occurred and all the monies have not been expended
- Plan to budget approximately \$10 million for FY 2016/17
- Continue to fund facility lifecycle on a by-building cost-per-square foot basis – target \$750k set by Finance Committee
- Continue to explore ‘cloud’ IT opportunities
- County Administration Building
- Emergency Operations Center

LABOR

RETIREMENTS CALENDAR YEARS 2007-2015



UNEMPLOYMENT RATE 9 YEAR COMPARISON



Note 2015 4.6% figure is November data.

HISTORICAL LABOR COSTS GENERAL FUND

	FY 2008/09	FY 2009/10	FY 2010/11	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16	
<u>GENERAL FUND</u>	<u>Actuals</u>	<u>Actuals</u>	<u>Actuals</u>	<u>Actuals</u>	<u>Actuals</u>	<u>Actuals</u>	<u>Actuals</u>	<u>Projected*</u>	<u>Change **</u>
Permanent Salaries	364,404,976	337,566,573	330,685,736	323,214,116	321,605,335	338,133,888	355,392,455	375,731,666	20,339,211
Temporary Salaries	12,497,305	14,051,898	17,931,056	20,842,008	23,594,345	21,696,754	22,896,279	20,540,866	-2,355,413
Permanent Overtime	12,264,219	12,055,264	14,237,551	16,185,558	17,759,366	17,677,239	18,624,560	21,100,556	2,475,996
Deferred Compensation	1,011,277	886,956	922,829	953,934	1,157,366	1,643,967	2,066,708	2,356,762	290,054
Comp & SDI Recoveries	-1,589,507	-1,719,857	-1,856,792	-1,687,531	-1,847,033	-2,070,813	-2,112,847	-1,988,020	124,827
FICA/Medicare	22,691,254	21,091,543	20,988,471	20,882,816	21,126,905	22,041,020	23,319,448	23,951,686	632,238
Ret Exp-Pre 97 Retirees	1,956,847	1,892,272	1,878,723	1,869,642	1,845,967	1,873,514	1,878,527	1,894,944	16,417
Retirement Expense	148,644,974	128,057,220	133,238,617	136,824,603	150,156,939	168,113,121	186,199,882	168,928,718	-17,271,164
Employee Group Insurance	56,005,178	54,337,009	53,668,491	53,002,293	52,577,358	53,256,070	51,992,074	51,963,110	-28,964
Retiree Health Insurance	25,692,908	26,714,761	28,677,012	31,270,838	31,632,649	31,197,356	31,012,856	30,057,472	-955,384
OPEB Pre-Pay	13,911,579	13,741,036	13,721,448	13,723,499	13,785,604	13,065,598	13,842,468	13,842,468	0
Unemployment Insurance	775,489	1,633,117	2,153,845	1,284,237	1,374,314	1,400,057	1,182,995	1,244,698	61,703
Workers Comp Insurance	13,963,367	13,144,008	13,455,147	11,246,660	11,274,142	11,576,087	12,112,641	16,216,194	4,103,553
Labor Received/Provided	<u>322,613</u>	<u>661,279</u>	<u>487,961</u>	<u>581,832</u>	<u>570,971</u>	<u>302,254</u>	<u>633,411</u>	<u>272,112</u>	<u>-361,299</u>
Salaries and Benefits	672,552,479	624,113,079	630,190,095	630,194,505	646,614,228	679,906,112	719,041,457	726,113,232	7,071,775
Increase / (Decrease)	8,524,784	-48,439,400	6,077,016	4,410	16,419,723	33,291,884	39,135,345	7,071,775	

* Projection is double six months.

** Change column is between FY 14/15 and projected 15/16.

HISTORICAL LABOR COSTS ALL COUNTY FUNDS

	FY 2008/09	FY 2009/10	FY 2010/11	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16	Change **
	<u>Actuals</u>	<u>Actuals</u>	<u>Actuals</u>	<u>Actuals</u>	<u>Actuals</u>	<u>Actuals</u>	<u>Actuals</u>	<u>Projected*</u>	
Permanent Salaries	514,394,873	492,801,239	487,322,501	481,217,812	480,546,483	503,057,399	532,971,159	561,010,386	28,039,227
Temporary Salaries	32,721,949	37,337,487	40,912,512	46,635,323	52,468,685	51,266,968	50,172,059	47,230,274	-2,941,785
Permanent Overtime	16,639,812	15,740,598	17,862,642	21,723,606	23,466,747	23,007,597	25,517,093	28,766,468	3,249,375
Deferred Comp	1,243,273	1,160,883	1,197,053	1,253,245	1,552,211	2,161,730	2,753,945	3,209,226	455,281
Hrly Physician Salaries	1,817,809	1,891,972	2,161,730	2,134,980	2,626,854	2,399,872	2,673,817	2,170,130	-503,687
Perm Physicians Salaries	28,806,831	31,213,084	31,173,790	33,118,707	35,632,415	37,469,448	40,076,676	44,968,804	4,892,128
Perm Phys Addnl Duty Pay	1,823,452	1,826,335	1,956,341	1,891,438	1,976,098	1,962,461	2,746,168	2,724,732	-21,436
Comp & SDI Recoveries	-2,400,931	-2,632,322	-2,796,169	-2,332,274	-2,557,280	-2,921,425	-2,770,050	-2,568,698	201,352
Vacation/Sick Leave Accrual	328,684	338,576	-422,707	559,247	242,303	4,277,040	1,029,643	0	-1,029,643
FICA/Medicare	37,231,115	36,364,870	36,288,855	36,696,440	37,362,344	38,895,210	41,270,123	41,586,834	316,711
Ret Exp-Pre 97 Retirees	2,751,898	2,752,131	2,752,614	2,751,672	2,750,979	2,751,464	2,749,908	2,752,120	2,212
Retirement Expense	207,114,048	184,140,541	192,892,090	202,105,619	221,505,843	246,812,805	273,575,294	246,024,048	-27,551,246
Employee Group Insurance	86,510,577	85,891,576	85,811,334	85,433,103	84,392,571	85,364,402	83,948,673	84,221,336	272,663
Retiree Health Insurance	33,388,058	35,170,431	37,741,416	41,709,278	42,578,927	42,573,182	42,442,455	41,107,162	-1,335,293
OPEB Pre-Pay	17,968,343	18,942,232	18,573,163	18,625,208	18,637,346	17,413,840	18,040,710	18,040,710	0
Unemployment Insurance	1,188,580	2,609,671	3,463,678	2,096,833	2,265,484	2,302,337	1,955,247	2,054,506	99,259
Workers Comp Insurance	20,405,944	19,544,807	19,763,721	16,821,150	17,044,418	17,290,639	18,180,322	23,865,222	5,684,900
Labor Received/Provided	<u>287,080</u>	<u>611,851</u>	<u>453,732</u>	<u>646,985</u>	<u>550,728</u>	<u>293,186</u>	<u>636,802</u>	<u>309,444</u>	<u>-327,358</u>
Salaries and Benefits	1,002,221,395	965,705,962	977,108,296	993,088,372	1,023,043,156	1,076,378,155	1,137,970,044	1,147,472,704	9,502,660
Increase / (Decrease)	29,072,144	-36,515,433	11,402,334	15,980,076	29,954,784	53,334,999	61,591,889	9,502,660	

* Projection is double six months.

** Change column is between FY 14/15 and projected 15/16.

OPEB LIABILITY SIGNIFICANTLY REDUCED DUE TO BOARD ACTIONS & COLLECTIVE BARGAINING

- Based upon June 30, 2015 Comprehensive Annual Financial Report data:
 - Reduction in 2006 OPEB Liability from \$2.6 billion to \$783.1 million (using assets of \$173.3 million)
 - ARC from \$216.3 million to \$88.5 million
 - Reduction reflects health plan changes, caps on County contributions and labor agreements
 - Total OPEB Trust Market Value has fallen to \$166.7 million as of September 30, 2015
 - Per Governmental Accounting Standards Board, new Valuation report has been ordered as of 1/1/2016
- The Board's actions have made it possible for the County to continue to provide much needed services, including health services, to County residents including the indigent.
- In March 2012, a lawsuit was filed by a retiree organization challenging the changes in retiree health care member subsidies. If the retirees prevail, the County could be liable for past and future premium costs.
- Ratio of retirees to active employees continues to climb progressively

<u>Census Data</u>	<u>2006 Total</u>	<u>Active/Retiree</u>	<u>2014 Total</u>	<u>Active/Retiree</u>
Actives	8,428	63%	8,089	57%
Retirees and Survivors	<u>4,856</u>	37%	<u>6,206</u>	43%
Total Counts	13,284		14,295	

- Biennial valuation for 2016 has been ordered and will be submitted to the Board upon completion.

LABOR NEGOTIATIONS

	<u>Total Number of Permanent Employees</u>	<u>Contract Expiration Date</u>
<u>Open or Opening June 30, 2016</u>		
AFSCME Local 512, Professional and Technical Employees	251	6/30/2016
Contra Costa County Defenders Association	68	6/30/2015
Deputy Sheriff's Association, Mgmt Unit and Rank and File Unit	808	6/30/2016
District Attorney Investigator's Association	15	6/30/2016
IHSS SEIU - United Healthcare Workers West		10/31/2015
Professional & Technical Engineers - Local 21, AFL-CIO	944	6/30/2016
Public Employees Union, FACS Site Supervisor Unit	205	6/30/2016
Public Employees Union, Local One	1,908	6/30/2016
SEIU Local 1021, Rank and File and Service Line Supervisors Units	1,049	5,248 6/30/2016
Expired or Expiring as of June 30, 2016	58.5%	
<u>Settled</u>		
AFSCME Local 2700, United Clerical, Technical and Specialized Employees	1,488	6/30/2017
California Nurses Association	1,014	12/31/2017
CCC Deputy District Attorneys' Association	85	6/30/2018
IAFF Local 1230	254	6/30/2017
Physicians and Dentists of Contra Costa	275	10/31/2016
Probation Peace Officers Association	231	6/30/2018
United Chief Officers' Association	11	6/30/2017
Western Council of Engineers	23	6/30/2017
Management Classified & Exempt & Management Project	336	3,717
	<u>Total</u>	<u>8,965</u>

PRELIMINARY SALARY PROJECTION DATA FOR FY 2016/17

- General Fund increase of \$52.8 million (includes cost of previously funded vacancies)
 - \$40.4 million increase in permanent salaries
 - \$934,000 decrease in retirement expense
 - \$10.5 million increase in group health insurance
 - \$763,000 increase in FICA
- All County Funds increase of \$145.5 million (includes cost of previously funded vacancies)
 - \$121.3 increase million in permanent salaries
 - \$676,000 increase in retirement expense
 - \$19.0 million increase in group health insurance
 - \$1.3 million increase in FICA
- We continue to be challenged by pension costs due to pending lawsuits and changes to Contra Costa County Employees' Retirement Association policies and adopted rates
 - Rates may be much higher or lower in the future

CONTRA COSTA COUNTY FIRE PROTECTION DISTRICT

- CCC Fire Protection District budget stable; anticipating 6% AV Growth
- EMS ambulance contract implemented
 - Billing policies and procedures to the Board at February 9th Fire Board meeting
 - Insurance reimbursements anticipated to begin March 2016
 - First Quarterly Financial Report to the Board in May 2016
- Capital project planning underway
 - Lafayette (Station 40) rebuild
 - San Pablo station rebuild in collaboration with the City of San Pablo
- Continuing financial concerns with East Contra Costa Fire

CONTINUED REASONS FOR OPTIMISM

○ Positive Economic Outlook

- State Revenues Up
- State Budget reasonably stable
- AV revenue up 7.5%+ for 2015/16
- Budgeting 6.0% growth AV revenue in 2016/17

○ Positive County Results

- Budget structurally balanced for 2015/16
- OPEB managed
- Have begun pre-funding Infrastructure needs
- Fund Balance Increased
- Standard & Poor's Rating Increase to AAA in 2013 (reaffirmed 2015)
- Pension Obligation Bond Matured 6/1/2022 (\$47,382,000)

REASONS FOR CONCERN

- Revenues are not projected to keep up with expenditures for 2016/17 nor are they projected to do so for 2017/18 and beyond
- Labor Negotiations - Pent-up demand
 - Unions representing almost 60% of our Employees will have their contracts open as of July 2016 (see Slide #20)
 - Increased costs of benefits
 - Unreasonable expectations given funding available
 - Limited resources
- This on top of contracts already settled will create further difficulties in establishing balance budgets for the next two to three years

PROJECTED TWO YEAR LABOR COSTS FY 2016/17 AND FY 2017/18

	FY 2016/17 & FY 2017/18	
Known Costs:		
Health Insurance (County & PEMHCA)	\$ 25,110,000	\$ 25,110,000
Pension Obligation Bonds (County)	\$ 4,770,211	\$ 4,770,211
Settled Contracts	\$ 10,611,000	\$ 10,611,000
 Open Contracts:		
DSA and IHSS	\$ 26,500,000	\$ 26,500,000
All Others 7/1/16 @ 2%	\$ 23,700,000	
All Others 7/1/16 @ 3%		\$ 35,194,000
 Total Two Year Projected Impacts	 \$ 90,691,211	 \$ 102,185,211
 AV Projected Revenue Growth	 \$ 40,300,000	 \$ 40,300,000
 Net Deficit	 \$ (50,391,211)	 \$ (61,885,211)

FY 2016-17 BUDGET HEARING FORMAT

- Draft Agenda for Discussion Purposes
 - Introduction/Summary by County Administrator
 - Departmental Presentations last year:
 - Sheriff-Coroner
 - District Attorney
 - Chief Probation Officer
 - Health Services Director
 - Employment and Human Services Director
 - Specify changes for this year
 - Deliberation
- Recommend holding all hearing on April 19th
- Budget Adoption on May 10

“last year's words belong to
last year's language And next
year's words await another
voice.”

— T.S. Eliot

QUESTIONS?

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Contra Costa County

Mission

Contra Costa County is dedicated to providing public services which improve the **quality of life** of our residents and the economic viability of our businesses.

Vision

Contra Costa County is recognized as a **world-class service organization** where innovation and partnerships merge to enable our residents to enjoy a safe, healthy and prosperous life.

Values

Contra Costa County **serves people,**

businesses and communities. Our organization and each one of our employees value:

- Clients and communities
- Partnerships
- Quality Services
- Accountability
- Fiscal prudence
- Organizational excellence

