Budget Hearing Agenda

1. CAO Presentation
2. Public Comment
3. Board Discussion/Action
Budget Drivers/Challenges

• 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
• Continue to support Pension Reform Options that achieve a stable and sustainable Pension System
• Build Reserves
• Fund Infrastructure Needs (Repair & Maintenance)
• Federal Budget
• Adequately Fund Public Safety Departments and Public Safety Realignment
• Health & Human Services Realignment
• Reduce hospital dependency on General Fund as national Health Care Funding occurs
• As Successor Agency for Redevelopment, deal with issues of Bond indebtedness, disposal of assets, and related matters
• Contra Costa County Fire Protection District structural deficit
State of the Economy

Unemployment 7 Year Comparison

<table>
<thead>
<tr>
<th>Year</th>
<th>January</th>
<th>December</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>4.7%</td>
<td>4.9%</td>
</tr>
<tr>
<td>2008</td>
<td>5.3%</td>
<td>7.5%</td>
</tr>
<tr>
<td>2009</td>
<td>8.7%</td>
<td>10.8%</td>
</tr>
<tr>
<td>2010</td>
<td>11.7%</td>
<td>10.6%</td>
</tr>
<tr>
<td>2011</td>
<td>11.2%</td>
<td>9.3%</td>
</tr>
<tr>
<td>2012</td>
<td>9.7%</td>
<td>8.2%</td>
</tr>
<tr>
<td>2013</td>
<td>8.7%</td>
<td>6.4%</td>
</tr>
</tbody>
</table>
Contra Costa County

• In 2008 Beacon Economics made the following prediction:
  – “Beacon Economics expects property taxes to decline by nearly 11% over the next three years, with the largest declines coming in 2009-10.”

• Actual Contra Costa County experience:
  – 2009/10  (7.2% decline)
  – 2010/11  (3.4% decline)
  – 2011/12  (0.48% decline)
  – 2012/13  0.86% increase
  – 2013/14  3.45% increase
  – 2014/15  Projected to increase 6.5%, budgeted at 5%
Reasons for Optimism/Concern

**Optimism**

**Positive Economic Outlook**
- State Revenues Up
- State Budget reasonably stable
- Affordable Care Act intact
- AV revenue up 3.45% for 2013/14
- Projecting 5.0% growth AV revenue in 2014/15

**Positive County Results**
- Budget structurally balanced for third year in a row
- OPEB managed
- Minimal Lay Offs over past 4 years
- Have begun pre-funding infrastructure needs
- Fund balance increased
- Standard & Poor’s Rating Increase to AAA
- Pension Obligation Bond Matures 6/1/2014 ($32,991,000)

**Concern**
- AB 109 – Structure & Formula unsettled
- Economy will continue slow recovery
- State Wall of Debt
- Labor Negotiations
- Pent-up demand
- Increased costs of benefits
- Limited resources
- Pension Liability
- Fire - Structure and Funding
- ADP time keeping project
- Doctors’ Hospital Debt
- Health Insurance Exchange Call Center
Cost Avoidance

Contribution to Hospital Enterprise Fund:
Enterprise Fund Subsidy
(in thousands of dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008/09</td>
<td>$61,349,686</td>
</tr>
<tr>
<td>2014/15</td>
<td>$30,408,776</td>
</tr>
</tbody>
</table>

Potential reduction in General Fund Contribution to the Hospital assuming Affordable Care Act (national Health Care)

• 2013/14 reduce by $5 Million
• 2015/16 reduce by $10 Million
• 2016/17 and beyond – Continued Contribution = $10 Million

(Assumption is that we will likely have $10 Million Uncompensated Care burden even after National Health Care)
Pension
Retirement/Pension Costs – 5 Year Projections

- Positive market experience for calendar year 2009 of 21.9% drastically changed the original projection; however, pension costs were still expected to increase significantly over the next five years;
- Positive market experience for calendar year 2010 of 14% again reduced projected increases; however, pension costs were still expected to increase significantly over the next five years;
- Market experience for calendar year 2011 was disappointing at 2.7%. Although it was a positive number, it has a negative impact on costs because it was below the earning assumption of 7.75%;
- Positive market experience for calendar year 2012 of 14.1% improved the 2012-13 projection;
- The CCCERA Board adopted changes in Economic Assumptions, which decreased the Assumed Investment Rate from 7.75% to 7.25%; and
- Positive market experience for calendar year 2013 of 16.5% again improved the last projection stabilizing retirement cost over the next five years.
# Segal’s Projection of CCCERA’s Rates

<table>
<thead>
<tr>
<th>Rate Change Component</th>
<th>Valuation Date (12/31)</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred (Gains)/Losses</td>
<td></td>
<td>-0.76%</td>
<td>-1.94%</td>
<td>-1.40%</td>
<td>-1.06%</td>
<td>-1.05%</td>
</tr>
<tr>
<td>Loss of Investment Income on (Gain)/Loss of Investment Income on Difference Between AVA and MVA</td>
<td></td>
<td>-0.12%</td>
<td>-0.43%</td>
<td>-0.28%</td>
<td>-0.17%</td>
<td>-0.09%</td>
</tr>
<tr>
<td>18 Month Rate Delay</td>
<td></td>
<td>1.09%</td>
<td>0.50%</td>
<td>-0.13%</td>
<td>-0.20%</td>
<td>-0.17%</td>
</tr>
<tr>
<td>Incremental Rate Change</td>
<td></td>
<td>0.21%</td>
<td>-1.87%</td>
<td>-1.81%</td>
<td>-1.43%</td>
<td>-1.31%</td>
</tr>
<tr>
<td>Cumulative Rate Change</td>
<td></td>
<td><strong>0.21%</strong></td>
<td><strong>-1.66%</strong></td>
<td><strong>-3.47%</strong></td>
<td><strong>-4.90%</strong></td>
<td><strong>-6.21%</strong></td>
</tr>
</tbody>
</table>
Resources

2001 Pension Obligation bond
Matures 6/1/2014 $32,991,000
2003 Pension Obligation bond
Matures 6/1/2022 $47,382,000

Direct Debt Per Capita (as of June 30, 2013)

- CA Cohort Median is $496
- S&P National Median is $271
Pension Cost Management

- Following carefully
- Monitoring changes by State and CCCERA Board
  - New PEPRA Tiers as of 1/1/2013
  - No extension of amortization
  - No change in 5-year smoothing
  - No change in pooling
  - Significant change in assumed rate of return.

- Updates:
  - 2013 market impacts
  - Negotiation 2% PEPRA COLAs
  - FY 2014-15 Recommended Budget
  - FY 2015-16 onward based on Segal data

Actual and Projected* Retirement Expense

*Five year projection assumes 7.25% AIR, all POBs, and 2013 market impacts. The compounded impact of the projected increase is -6.21%.
## Comparative Pension UAALs and Funded Ratios

<table>
<thead>
<tr>
<th>County</th>
<th>Pension UAAL</th>
<th>Pension Actuarial Valuation Date</th>
<th>Pension Funded Ratio</th>
<th>Outstanding POBs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alameda</td>
<td>$1,730,000,000</td>
<td>December 31, 2012</td>
<td>73.9%</td>
<td>$367,753,000</td>
</tr>
<tr>
<td>Contra Costa</td>
<td>2,279,058,000(1)</td>
<td>December 31, 2012</td>
<td>70.6%</td>
<td>310,110,000</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>11,770,000,000</td>
<td>June 30, 2012</td>
<td>76.8%</td>
<td>0</td>
</tr>
<tr>
<td>Orange</td>
<td>4,458,623,000</td>
<td>December 31, 2011</td>
<td>67.3%</td>
<td>47,523,000</td>
</tr>
<tr>
<td>Riverside</td>
<td>762,273,000</td>
<td>June 30, 2013</td>
<td>88.6%</td>
<td>346,790,000</td>
</tr>
<tr>
<td>Sacramento</td>
<td>1,413,223,000</td>
<td>June 30, 2013</td>
<td>82.8%</td>
<td>959,633,000</td>
</tr>
<tr>
<td>San Bernardino</td>
<td>1,883,718,000</td>
<td>June 30, 2012</td>
<td>79.3%</td>
<td>942,625,000</td>
</tr>
<tr>
<td>Santa Clara</td>
<td>1,635,113,000</td>
<td>June 30, 2012</td>
<td>82.2%</td>
<td>378,995,000</td>
</tr>
<tr>
<td>San Diego</td>
<td>2,623,152,000</td>
<td>June 30, 2013</td>
<td>77.4%</td>
<td>769,068,000</td>
</tr>
</tbody>
</table>

This chart displayed for a comparison of order of magnitude. It should be noted that the underlying actuarial assumptions for the measurement of the Pension UAAL may vary from county to county; that the Pension Funded Ratio may include funding using pension obligation bonds; and, in the case of Contra Costa, the funded status reflected in the table is based upon the County-only portion of the UAAL and not upon the UAAL of all employers in the Contra Costa County Employees Retirement Association (CCCERA). It should further be noted that CCCERA’s UAAL for all employers was updated as of December 31, 2012 to $2,279,058,000, of which approximately 83% or $1,891,618,000 was attributable to the County. The funded ratio was approximately 70.64%.
General Fund Reserves
General Fund Reserve Assumptions

• June 30, 2013:
  o Total general fund revenues were $1,226,614,000 and total fund balance including reserves was $187,508,000.
  o Total fund balance is 15.3% of total revenue
  o Of the $187.5 million
    • $115.5 million was unassigned
    • $72.0 million was assigned, committed, restricted or nonspendable
  o Minimum fund balances of 5% and 10% would be $61,331,000 and $122,661,000 respectively. There was $64,846,000 available over the 10% reserve minimum.

• June 30, 2014:
  o It is planned and anticipated that Total General Fund Balance including Reserves will remain stable. Projections depend upon labor negotiations.

• June 30, 2015:
  o No reserve use is recommended in FY 2014-15. Three million payback from West Contra Costa Health Care District is included.
**Reserve Update**

Although County fall far short of both Moody’s and Standard & Poor’s Mean for Large and Median sized Counties in California, the gap is closing.

<table>
<thead>
<tr>
<th>Debt Affordability Measure</th>
<th>Benchmark</th>
<th>Benchmark’s Value</th>
<th>County Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Percentage of Unassigned * Fund Balance</strong></td>
<td>Standard &amp; Poor’s Mean for AAA Rated Counties Nationwide (At Least 150,000 Population)</td>
<td>20.0%</td>
<td>14.23%</td>
</tr>
<tr>
<td></td>
<td>Moody’s Median for Large Aa Rated Counties Nationwide (At Least 1,000,000 Population)</td>
<td>7.31%</td>
<td></td>
</tr>
<tr>
<td><strong>Percentage of Total Fund Balance</strong></td>
<td>Standard &amp; Poor’s Mean for AAA Rated Counties Nationwide (At Least 150,000 Population)</td>
<td>25.0%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Moody’s Median for Large Aa Rated Counties Nationwide (At Least 1,000,000 Population)</td>
<td>16.69%</td>
<td></td>
</tr>
</tbody>
</table>

* The rating agencies add the unassigned, assigned and committed balances together and treat them as the equivalent of what used to be “unreserved” and use the term “unassigned”. This “unassigned” number is not the same as the GASB 54 definition.
Reserve Update
Fund Balances in Sync with Reserves Policy
Goal is to increase Reserves to 20-25%

Unreserved/Unassigned Fund Balance (as of June 30)

Unreserved: 5.5%, 8.3%, 9.1%, 9.6%, 8.6%, 8.6%, 5.9%, 6.4%, 7.2%, 7.0%, 5.0%
Unassigned: 7.3%, 9.4%, 9.0%
Importance of Reserves for Cash Flow

- Although revenues are volatile, expenses (majority for salaries) are quite smooth.
- Even with a General Fund Reserve of $187.5 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.
Capital/Facility Maintenance Needs
Capital Maintenance Costs

- Comprehensive building condition assessments identified a total of $270.2 million in deferred facilities maintenance needs and capital renewal requirements.

- The distribution of costs by level of priority was as follows:
  - Priority 1 – Currently Critical $2,165,000
  - Priority 2 – Potentially Critical $27,391,000
  - Priority 3 – Necessary, but not Critical $186,933,000
  - Priority 4 – Necessary, within 6-10 Years $53,743,000

- $10 Million Budgeted in FY 2013/14
- $10 Million Budgeted in FY 2014/15
Other Post Employment Benefits
OPEB Liability Significantly Reduced due to Board Actions and Collective Bargaining

- Reduction in 2006 OPEB Liability from $2.6 billion to just under $1 billion
- Reduction reflects health plan changes, fixed County premium subsidies, and labor agreements
- Total OPEB Trust assets $129.4 million as of December 2013
- Board recently revised funding strategic plan
  - Redirected certain future transfers planned for Trust
  - Retained current transfers to Trust of $20 million annually
- 2014 actuarial report out within next two months
- The County is still projected to meet the funding target originally adopted June 2007
- The Board’s actions have helped the County to achieve an appropriate balance, with the limited resources available, between providing sound health care coverage for employees and retirees and maintaining vital programs and services for the public, particularly for the indigent.
## Comparative OPEB Liabilities

<table>
<thead>
<tr>
<th>County</th>
<th>OPEB Liability</th>
<th>OPEB Funded Ratio</th>
<th>OPEB as % of Payroll</th>
<th>OPEB Actuarial Valuation Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alameda</td>
<td>$211,300,000</td>
<td>71.98%</td>
<td>23.70%</td>
<td>December 31, 2011</td>
</tr>
<tr>
<td>Contra Costa</td>
<td>948,310,000</td>
<td>8.27%</td>
<td>158.94%</td>
<td>January 1, 2012</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>22,900,000,000</td>
<td>0.00%</td>
<td>342.62%</td>
<td>July 1, 2010</td>
</tr>
<tr>
<td>Orange</td>
<td>411,835,000</td>
<td>22.10%</td>
<td>33.50%</td>
<td>June 30, 2011</td>
</tr>
<tr>
<td>Riverside</td>
<td>20,706,000</td>
<td>48.45%</td>
<td>0.20%</td>
<td>June 30, 2012</td>
</tr>
<tr>
<td>Sacramento</td>
<td>100,416,000</td>
<td>0.00%</td>
<td>11.40%</td>
<td>June 30, 2011</td>
</tr>
<tr>
<td>San Bernardino</td>
<td>0</td>
<td>100.00%</td>
<td>0.00%</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Santa Clara</td>
<td>1,857,461,000</td>
<td>12.40%</td>
<td>139.70%</td>
<td>June 30, 2011</td>
</tr>
<tr>
<td>San Diego</td>
<td>197,226,000</td>
<td>4.50%</td>
<td>18.00%</td>
<td>June 30, 2010</td>
</tr>
</tbody>
</table>

It should be noted that the underlying actuarial assumptions for the measurement of the Pension UAAL and OPEB UAAL may vary from county to county. Contra Costa figures are taken from the Comprehensive Annual Financial Report dated 6/30/2012 (Primary Government).
Labor
Retirements

Abnormally high number of vacant positions due to unprecedented numbers of retirements during calendar year 2011 and 2012. Historically March retirements are the highest.
## Labor Contracts

<table>
<thead>
<tr>
<th>Labor Organization</th>
<th>Total Number of Employees</th>
<th>Contract Expiration Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFSCME Local 2700, United Clerical, Technical and Specialized Employees</td>
<td>1,811</td>
<td>6/30/2013</td>
</tr>
<tr>
<td>AFSCME Local 512, Professional and Technical Employees</td>
<td>291</td>
<td>6/30/2013</td>
</tr>
<tr>
<td>California Nurses Association - Per Diem Unit</td>
<td>357</td>
<td>1/31/2013</td>
</tr>
<tr>
<td>California Nurses Association</td>
<td>570</td>
<td>7/31/2014</td>
</tr>
<tr>
<td>IAFF Local 1230</td>
<td>283</td>
<td>6/30/2014</td>
</tr>
<tr>
<td>IHSS SEIU - United Healthcare Workers West</td>
<td></td>
<td></td>
</tr>
<tr>
<td>United Chief Officers’ Association</td>
<td>14</td>
<td>6/30/2014</td>
</tr>
<tr>
<td>Western Council of Engineers</td>
<td>18</td>
<td>3,344</td>
</tr>
</tbody>
</table>

**Expired or Expiring as of June 30, 2014** [34.5%]

<table>
<thead>
<tr>
<th>Labor Organization</th>
<th>Total Number of Employees</th>
<th>Contract Expiration Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFSCME Local 512, Probation Supervisors Unit</td>
<td>22</td>
<td>6/30/2015</td>
</tr>
<tr>
<td>CCC Deputy District Attorneys’ Association</td>
<td>87</td>
<td>6/30/2015</td>
</tr>
<tr>
<td>Contra Costa County Defenders Association</td>
<td>77</td>
<td>6/30/2015</td>
</tr>
<tr>
<td>Deputy Sheriff’s Association, Mgmt Unit and Rank and File Unit</td>
<td>806</td>
<td>6/30/2016</td>
</tr>
<tr>
<td>District Attorney Investigator’s Association</td>
<td>25</td>
<td>6/30/2016</td>
</tr>
<tr>
<td>Physicians and Dentists of Contra Costa</td>
<td>304</td>
<td>10/31/2016</td>
</tr>
<tr>
<td>Probation Peace Officers Association</td>
<td>265</td>
<td>6/30/2015</td>
</tr>
<tr>
<td>Professional &amp; Technical Engineers – Local 21, AFL-CIO</td>
<td>901</td>
<td>6/30/2016</td>
</tr>
<tr>
<td>Public Employees Union, FACS Site Supervisor Unit</td>
<td>15</td>
<td>6/30/2016</td>
</tr>
<tr>
<td>Public Employees Union, Local One</td>
<td>2,454</td>
<td>6/30/2016</td>
</tr>
<tr>
<td>SEIU Local 1021, Rank and File Unit</td>
<td>947</td>
<td>6/30/2016</td>
</tr>
<tr>
<td>SEIU Local 1021, Service Line Supervisors Unit</td>
<td>37</td>
<td>6/30/2016</td>
</tr>
<tr>
<td>Management Classified &amp; Exempt</td>
<td>369</td>
<td></td>
</tr>
<tr>
<td>Management Project</td>
<td>42</td>
<td>6,351</td>
</tr>
</tbody>
</table>

**Total** 9,695
Budget and Financial Performance
General Fund Revenues Slow Growth

- General Purpose Revenues comprise about 25% of total General Fund Revenues.
Total Revenue $1.36 Billion

- General Purpose, $351,921,000, 26%
- State, $307,321,577, 23%
- Other Local, $432,794,873, 32%
- Federal, $264,309,661, 19%
10 Year Expenditure History

(in millions)
Total Expenditures $1.35 Billion

- Fixed Assets, $17,859,092, 1%
- Other Charges, $230,523,283, 17%
- Expenditure Transfers, ($81,957,638), (6%)
- Services and Supplies, $408,401,817, 30%
- Salaries and Benefits, $773,664,903, 57%
- Provisions for Contingencies, $4,855,653, <.0036%
General Fund by State Function code $1.35 Billion

- Public Assistance, $435,658,475, 32%
- Health and Sanitation, $288,946,773, 22%
- Public Ways and Facilities, $48,973,659, 4%
- Appropriations for Contingencies, $4,855,653, <.0036%
- General, $165,031,825, 12%
- Public Protection, $409,880,725, 30%
All Funds by State Function code $2.69 Billion

- Public Assistance, $485,551,122, 18%
- Education, $25,256,271, 1%
- Public Ways and Facilities, $129,453,124, 5%
- Debt Service, $41,042,622, 1%
- Appropriations for Contingencies, $4,855,653, <.002%
- General, $190,147,197, 7%
- Public Protection, $565,063,236, 21%
- Health and Sanitation, $1,250,569,756, 47%
Distribution of Expenditures

- Law & Justice, $376,168,588, 28%
- General Government, $242,881,739, 18%
- Health & Human Services, $734,296,783, 54%
## General Purpose Revenue

<table>
<thead>
<tr>
<th>FY 2014-15 Baseline Request</th>
<th>Share of Total</th>
<th>FY 2014-15 Recommended</th>
<th>Share of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Services</td>
<td>104,585,074</td>
<td>27.8%</td>
<td>84,500,000</td>
</tr>
<tr>
<td>Sheriff-Coroner</td>
<td>78,242,168</td>
<td>20.8%</td>
<td>74,000,000</td>
</tr>
<tr>
<td>Probation</td>
<td>41,366,830</td>
<td>11.0%</td>
<td>40,000,000</td>
</tr>
<tr>
<td>Employment &amp; Human Services</td>
<td>19,050,000</td>
<td>5.1%</td>
<td>19,050,000</td>
</tr>
<tr>
<td>Public Defender</td>
<td>18,300,000</td>
<td>4.9%</td>
<td>18,800,000</td>
</tr>
<tr>
<td>Assessor</td>
<td>15,742,913</td>
<td>4.2%</td>
<td>14,750,000</td>
</tr>
<tr>
<td>Public Works</td>
<td>14,500,000</td>
<td>3.9%</td>
<td>14,500,000</td>
</tr>
<tr>
<td>District Attorney</td>
<td>15,085,087</td>
<td>4.0%</td>
<td>14,400,000</td>
</tr>
<tr>
<td>Plant Acquisition</td>
<td>10,500,000</td>
<td>2.8%</td>
<td>10,500,000</td>
</tr>
<tr>
<td>Superior Court Related Functions</td>
<td>10,000,000</td>
<td>2.7%</td>
<td>10,000,000</td>
</tr>
<tr>
<td>Miscellaneous Services</td>
<td>7,103,596</td>
<td>1.9%</td>
<td>7,103,598</td>
</tr>
<tr>
<td>Board of Supervisors</td>
<td>5,907,065</td>
<td>1.6%</td>
<td>5,907,065</td>
</tr>
<tr>
<td>County Clerk-Recorder/Elections</td>
<td>4,925,000</td>
<td>1.3%</td>
<td>4,925,000</td>
</tr>
<tr>
<td>Appropriations for Contingencies</td>
<td>4,855,653</td>
<td>1.3%</td>
<td>4,855,653</td>
</tr>
<tr>
<td>County Administration</td>
<td>4,423,912</td>
<td>1.2%</td>
<td>4,652,404</td>
</tr>
<tr>
<td>Justice System Planning</td>
<td>4,500,000</td>
<td>1.2%</td>
<td>4,500,000</td>
</tr>
<tr>
<td>Auditor-Controller</td>
<td>3,470,000</td>
<td>0.9%</td>
<td>3,470,000</td>
</tr>
<tr>
<td>Animal Services</td>
<td>3,429,284</td>
<td>0.9%</td>
<td>3,330,000</td>
</tr>
<tr>
<td>Human Resources</td>
<td>2,794,000</td>
<td>0.7%</td>
<td>2,794,000</td>
</tr>
<tr>
<td>County Counsel</td>
<td>2,406,235</td>
<td>0.6%</td>
<td>2,400,000</td>
</tr>
<tr>
<td>Agriculture</td>
<td>2,100,951</td>
<td>0.6%</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Treasurer-Tax Collector</td>
<td>1,782,000</td>
<td>0.5%</td>
<td>1,782,000</td>
</tr>
<tr>
<td>Veterans Service</td>
<td>707,314</td>
<td>0.2%</td>
<td>701,280</td>
</tr>
<tr>
<td>Conservation and Development</td>
<td>0</td>
<td>0.0%</td>
<td>0</td>
</tr>
</tbody>
</table>

| Total                        | 375,777,082    | 100.0%                 | 348,921,000    | 100.0%         |
Contra Costa County
Community Corrections Partnership

• There has been no decision regarding funding allocation methodology for fiscal year 2014-15 and beyond, except that the Governor’s January Proposed Budget recognizes that the formula should be flexible for the next several years.

• The Governor’s Proposed Budget contemplates $934.1 million available to counties for implementation of realignment in 2014-15, which is approximately a 6.5% decrease over the statewide allocation in 2013-14 (excluding growth).

• County departments impacted by the realignment have been working diligently to implement programming for the new population; however, with the absence of a funding methodology going forward and a reduction in statewide funding, it is important to continue to exercise fiscal prudence in the expansion of programming countywide.
Recommendations
Focus On

• Current Needs
• Long term solutions
• Increasing Wages to remain competitive as revenues increase
• 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
Recommended Budget Actions

1. Open and conduct a public hearing to receive input on the FY 2014-15 Recommended Budget;

2. ACKNOWLEDGE that significant economic issues continue to challenge the Board of Supervisors in its effort to finance services and programs which Contra Costa County residents need, or expect will be provided to them by the County;

3. ACKNOWLEDGE that the employees of Contra Costa County have been negatively affected as a result of the requirement to balance the County’s expenses with available revenues;

4. ACKNOWLEDGE that, although some relief is available, that this situation is expected to continue for County employees, as we work to manage and cope with the outcomes of this lengthy economic downturn;

5. DIRECT the County Administrator to continue to meet with the County’s union representatives and employees to explain the size, scope and anticipated length of the County’s fiscal challenges and to gain their input/suggestions;

6. ACKNOWLEDGE that the State of California and residents throughout the State continue to struggle to manage the negative outcomes of the recent economy;

7. ACKNOWLEDGE that the Recommended Budget does not include any funding changes that may occur in the State of California’s 2014-15 fiscal year budget and that, although the outcome is unknown at this point in time, that over $20 million is at risk in the State’s Budget for the hospital alone;

8. RE-AFFIRM the Board of Supervisors’ policy prohibiting the use of County General Purpose Revenue to back-fill State revenue cuts;
Recommended Budget Actions

9. ACKNOWLEDGE that, due to significant market losses in the Contra Costa County Employees Retirement Association assets in 2008 and changes to economic and demographic assumptions since that time, retirement expenses are expected to increase in the next few years;

10. ACKNOWLEDGE that the Recommended Budget balances annual estimated expenditures with estimated revenues in FY 2014-15, and is both technically and structurally balanced;

11. ACKNOWLEDGE that the Recommended Budget includes a specific appropriation for contingency, and that the Board also maintains its ability to manage General Fund contingencies during the fiscal year by use of reserve funds set aside for that purpose;

12. ACKNOWLEDGE that any restoration of any recommended program reductions will require an equivalent reduction in funds from other County priorities in order to adhere to our balanced budget policy;

13. ACKNOWLEDGE that restoration of the County’s reserve funds and maintaining the County improved credit rating remain a priority of the Board of Supervisors over the long term;

14. DIRECT the County Administrator to prepare for Board adoption on May 13, 2014, the FY 2014-15 County and Special District Budgets, as modified, to incorporate any changes directed by the Board during these public hearings; and

15. DIRECT the County Administrator to prepare for consideration by the Board of Supervisors on May 13, 2014, position additions and eliminations necessary to carry out Board action on the Recommended Budget.
Contra Costa County Fire Protection District
Contra Costa County Fire Protection District

- FY 2014/15 Structural Deficit ($9.8 million)
- Contemplates 302 FTE, which reflects staffing of 23 stations (27 FTE SAFER Positions added separately on April 1, 2014 Fire Board Agenda)
- Net increase to Retirement Expense of $8.1 million
- Funds $1.0 million for fixed asset/capital costs associated with equipment maintenance and replacement.
- Begins to fund new lease management program for a fleet of 80 light duty vehicles (Battalion Chief, fire inspector vehicles, etc.) at $305,000 annually.
- Based on current projections, the District would end fiscal year 2014/15 with approximately $13.4 million in fund balance.
- Absent additional revenue, the District will continue to have a structural deficit through fiscal year 2017/18
### CONTRA COSTA COUNTY FIRE PROTECTION DISTRICT
### MULTI-YEAR FINANCIAL PROJECTION

**as of 3/31/2014**

<table>
<thead>
<tr>
<th></th>
<th>Engine Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>23</td>
</tr>
<tr>
<td></td>
<td>24+2 EMS</td>
</tr>
<tr>
<td>FY 13/14</td>
<td>Projected</td>
</tr>
<tr>
<td>FY14/15</td>
<td>Projected</td>
</tr>
<tr>
<td>FY15/16</td>
<td>Projected</td>
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<tr>
<td>FY17/18</td>
<td>Projection</td>
</tr>
<tr>
<td>FY18/19</td>
<td></td>
</tr>
</tbody>
</table>

#### EXPENDITURES:

- **Salaries & Benefits (not including Retirement)**
  - 2013-2014: $55,057,065
  - 2014-2015: $59,538,459
  - 2015-2016: $60,500,599
  - 2016-2017: $61,536,492
  - 2018-2019: $63,776,477

- **Retirement Expense**
  - 2013-2014: $13,699,058
  - 2014-2015: $23,437,888
  - 2015-2016: $24,340,404
  - 2016-2017: $23,035,461
  - 2017-2018: $21,763,822
  - 2018-2019: $20,772,127

- **Salaries & Benefits**
  - 2013-2014: $68,756,123
  - 2014-2015: $82,976,347
  - 2015-2016: $84,841,003
  - 2016-2017: $84,571,954
  - 2017-2018: $84,387,549
  - 2018-2019: $84,548,604

- **Other Expenditures**
  - 2013-2014: $24,116,493
  - 2014-2015: $27,168,769
  - 2015-2016: $27,873,415
  - 2016-2017: $28,194,028
  - 2017-2018: $28,958,131
  - 2018-2019: $29,758,659

**TOTAL EXPENDITURES:**
- 2013-2014: $92,872,616
- 2015-2016: $112,714,419
- 2016-2017: $112,765,982

**TOTAL REVENUE:**
- 2013-2014: $90,731,640
- 2014-2015: $99,823,625
- 2015-2016: $104,386,736
- 2016-2017: $104,339,997
- 2017-2018: $109,311,137
- 2018-2019: $114,525,918

**SURPLUS/(DEFICIT):**
- 2013-2014: $(2,140,976)
- 2014-2015: $(10,321,491)
- 2015-2016: $(8,327,683)
- 2016-2017: $(8,425,985)
- 2017-2018: $(4,034,543)
- 2018-2019: $218,655

**BEGINNING FUND BALANCE**
- 2013-2014: $20,710,899
- 2014-2015: $21,172,693
- 2015-2016: $13,451,585
- 2016-2017: $7,724,298
- 2017-2018: $1,901,808
- 2018-2019: $467,895

**ENDING FUND BALANCE**
- 2013-2014: $21,172,693
- 2014-2015: $13,451,585
- 2015-2016: $7,724,298
- 2016-2017: $1,901,808
- 2017-2018: $467,895
- 2018-2019: $3,288,253

**Worker's Comp. Funding Confidence Level**
- 48%
- 41%
- 34%
- 27%
- Not Available

**Capital/Infrastructure Budget**
- $0
- $1,000,000
- $1,000,000
- $1,000,000
- $1,000,000
- $1,000,000

*Ending Fund Balance includes receipt of Pension Stabilization Fund deposit from the Contra Costa Fire Operating Fund.*
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