Budget Hearing Agenda

- CAO Presentation
- Department Head Presentations
  - Joe Valentine, EHSD
  - William Walker, Health Services
  - Philip Kader, Probation
  - David Livingston, Sheriff-Coroner
  - Mark Peterson, District Attorney
  - Daryl Louder, CCC Fire
- Public Comment
- Board Discussion/Action
Budget Drivers/Challenges

- State Budget
- Real Estate Downturn and Revenue Reductions
- Pension Cost Increases
- Health Care Cost Increases
- Infrastructure Needs
  - West County Clinic
  - 800 MHz/P 25
Unemployment

Like California, Contra Costa County must also deal with high unemployment.

- Oct 2006  4.0%
- Oct 2007  4.7%
- Oct 2008  6.8%
- Oct 2009  11.3%
- Oct 2010  10.9%
- Dec 2010  10.9%
- Mar 2011  11.0%
- (California @12.4% as of Jan 2011)
- (Nationally @ 8.8% as of March 2011)
Anderson Forecasts “Very Sluggish” Recovery, but Recovery Nonetheless

“Forecasters confidently predict that the country will not face a double dip recession, as some have worried. That’s the good news. The bad news is that the reason we won’t is because the economy has never really left the bottom, so there is nowhere to dip.”

“California won’t escape double-digit unemployment rates until at least 2013.

We’re looking at an 8 percent jobless rate by around 2015.”

UCLA Anderson Forecast, March, 2011
Housing Crisis to Continue

- “Although home values are starting to recover the losses incurred since 2007 will take many years to recover.” East Bay Economic Indicators

- Home prices will remain almost flat for the next two years. Contra Costa Times 4/13/10

<table>
<thead>
<tr>
<th>Median Home Price</th>
<th>2007</th>
<th>Dec 2010</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$600,000</td>
<td>$275,000</td>
<td>-52.9%</td>
</tr>
</tbody>
</table>

MDS DataQuick, March 2011
Housing Crisis to Continue

- Property Tax Revenues:
  - FY 2008/09 0.41% $ 0.0 million
  - FY 2009/10 -7.20% -$20.0 million
  - FY 2010/11 -3.38% -$ 9.0 million
  - FY 2011/12 0.00% $ 0.0 million
State of the County

Fiscal Update

- $139.4 M Contra Costa County Cuts to Date
- $41.2 M cuts for Fiscal Year 2010-11
- $45.9 M Gap for Fiscal Year 2011-12
- $226.5 M Total Cuts over four year period (2008/09 – 2011/12)

State Cuts yet to Come
State of the County

- Top priority is sound financial management of the County
  - Building and maintaining team depth (five of eleven elected officials in Contra Costa County are new to their positions as of January 2011)
  - Critical for managing through challenging times
- Continue actions to address budget issues
  - Consolidation of services/review staffing and structure of County departments
  - Technology improvements and efficiencies
  - Complete implementation of OPEB provisions for remaining County employee groups
  - Continue process to restructure pension benefits
  - Complete sustainability study of County health care system
Top priority is sound financial management of the County

- Continue five key budget policies –
  - 1. Maximize Federal & State Revenue
  - 2. Personnel Freeze to reduce through attrition as well as Lay-offs
  - 3. Early Action/Adoption
  - 4. No State backfill policy
  - 5. Focus on lasting solutions
### CCC Major Cost Drivers for 2011/12

<table>
<thead>
<tr>
<th></th>
<th>Cost Driver</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>a</td>
<td>2010/11 Furloughs Expire Increasing Payroll Costs</td>
<td>$8.2 million</td>
</tr>
<tr>
<td>b</td>
<td>Pension Cost Increase ($17.2 million General Fund)*</td>
<td>$29.2 million</td>
</tr>
<tr>
<td>c</td>
<td>Health Insurance Cost Increase</td>
<td>$2.6 million</td>
</tr>
<tr>
<td>d</td>
<td>Revenues Including Property Tax Likely to be Flat</td>
<td>Flat</td>
</tr>
<tr>
<td>e</td>
<td>Chevron Refund for 2004-05-06</td>
<td>$2.0 million</td>
</tr>
<tr>
<td>f</td>
<td>Chevron Appeal for 2007-08-09</td>
<td>Unknown</td>
</tr>
<tr>
<td>g</td>
<td>Doctor’s Hospital Repayment Stops</td>
<td>$1.9 million</td>
</tr>
<tr>
<td>h</td>
<td>Insurance Costs (Medical Malpractice/General Liability)</td>
<td>$2.0 million</td>
</tr>
<tr>
<td>i</td>
<td>Cuts and Shifts from State Necessary to Balance</td>
<td>Unknown</td>
</tr>
<tr>
<td>j</td>
<td>Loss of SB90 Payments (State Shifts)</td>
<td>Unknown</td>
</tr>
<tr>
<td></td>
<td>Total of Major Cost Drivers</td>
<td>$45.9 million</td>
</tr>
</tbody>
</table>

* Difference between FY 2010-11 Budget and FY 2011-12 Recommended
Assessed Valuation Update

- County experienced cumulative 10.7% secured AV decline since FY 2008-09
  - Most recent decline (-3.4%) was smaller than in prior year
  - FY 2010-11 decline is smaller than the 5% decline assumed in the budget

- Most of the decline is due to reduced AV (although negative CPI growth as well as housing stock turnover contributed to the overall net AV change)
  - Allows temporary tax reduction when market value is lower than current assessed value
  - Most of the reductions were in East and West County

<table>
<thead>
<tr>
<th>Year</th>
<th>2009-10</th>
<th>2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parcels Reviewed</td>
<td>200,000</td>
<td>318,000</td>
</tr>
<tr>
<td>Parcels Reduced</td>
<td>168,000</td>
<td>155,000</td>
</tr>
</tbody>
</table>
County is the Original Teeter County

- Will continue to advance the full tax roll
  - County benefits by collecting the penalties and interest on delinquent taxes once paid
  - Foreclosure properties cannot transfer to new owner until all past taxes and penalties are paid
  - Biggest issue for the County is the lag between advancing the tax roll and receiving the Teeter redemptions
- Tax Losses Reserve Fund is a cushion
  - County believes there are ample resources in the fund
  - Average $9.0 million has been transferred to General Fund each year since FY 2004-05
Budget and Financial Performance
General Purpose Revenues Reflect Economic Slowdown

- General Purpose Revenues comprise about 26% of total General Fund Revenues
  - AV decline of 3.38% in FY 2010-11 was part of the reason for a projected decline of 2.3% in General Purpose Revenues
  - Projected cumulative decline of 17.0% from the FY 2007-08 peak
- Federal/State Revenues have been relatively stable during same timeframe
Fund Balances in Sync with Reserves Policy

Audited Total Fund Balance
(Level and % of General Fund Revenues)
As of June 30

Policy Target: 10%
FY 09-10 result: 11.5%

Audited Unreserved Fund Balance
(Level and % of General Fund Revenues)
As of June 30

Policy Target: 5%
FY 09-10 result: 8.6%
Budget Gaps

General Fund
Revenues and Expenditures

County closed an estimated $34.3 million gap for FY 2010-11

Total Expenditures  Gross Revenue

FY 2011/12 Budget Hearings  17
OPEB Liability Significantly Reduced due to Board Actions and Collective Bargaining

- Most recent actuarial report received in April 2010
  - Reduction in 2006 OPEB Liability from $2.6 billion to $1.0 billion (the “implied subsidy” is $120 million of new UAAL as of 1/1/10 using 6.32% discount rate; this is a reduction from the 1/1/08 value of $346 million at a 4.5% discount rate).
  - Reduction reflects health plan changes, caps on County contributions and labor agreements
- 71% reduction in ARC from $216.3 million to $63.3 million
  - Reduction in annual “gap” to zero
- Total OPEB Trust assets exceed $50 million as of January 2011
- Board may modify its prior funding strategy originally adopted June ‘07
# State of the County

## Pension Crisis

<table>
<thead>
<tr>
<th>Date</th>
<th>Annual Increase</th>
<th>POB Increase</th>
<th>Annual Accumulated</th>
</tr>
</thead>
<tbody>
<tr>
<td>7/1/2010</td>
<td>$7,536,047</td>
<td>$3,414,767</td>
<td>$10,950,814</td>
</tr>
<tr>
<td>7/1/2011</td>
<td>$13,333,007</td>
<td>$3,712,475</td>
<td>$27,996,296</td>
</tr>
<tr>
<td>7/1/2012</td>
<td>$17,390,878</td>
<td>$4,677,251</td>
<td>$50,064,425</td>
</tr>
<tr>
<td>7/1/2013</td>
<td>$18,550,270</td>
<td>$462,032</td>
<td>$69,076,727</td>
</tr>
<tr>
<td>7/1/2014*</td>
<td>$17,970,574</td>
<td>($32,991,674)</td>
<td>$54,055,627</td>
</tr>
<tr>
<td>7/1/2015</td>
<td>$3,478,176</td>
<td>$1,504,633</td>
<td>$59,038,436</td>
</tr>
</tbody>
</table>

*Due to one Pension Obligation Bond pay off that will occur in July, 2014 this will reduce the total annual accumulated to $59,038,436.*
Pension Cost Management

- Following carefully
- Formed task force for review of future benefits (similar to OPEB approach)
  - Similar to our OPEB approach, our strategy is to reduce the liability, not attempt to fund it
  - Potential State reforms may affect benefit profile
- Monitoring changes by CCCERA Board
  - No extension of amortization
  - No change in 5-year smoothing
  - Recently depooled by Employer
- Updates:
  - 2010 Market Impacts
  - FY 2011-12 Recommended Budget
  - FY 2012-13 onward based on Segal data & Oct’ 2010 base data

* Assumes 7.75% AIR, all 3 POBs, and 2010 market impacts
Net County Cost Allocation

- Health & Human Services: 56%
- Law & Justice: 27%
- General Government: 17%
Total Revenue $1.207 Billion

- State, $394,008,041 (33%)
- Federal, $209,541,149 (17%)
- General Purpose, $312,726,740 (26%)
- Other Local, $290,689,461 (24%)
Total Expenditures $1.207 Billion

- Services and Supplies, $369,889,511 (27%)
- Expenditure Transfers, ($90,746,460) (8%)
- Salaries and Benefits, $678,990,770 (49%)
- Fixed Assets, $5,205,375 (<1%)
- Other Charges, $243,626,195 (18%)
10 Year Expenditure Growth (in millions)
## Ranking of Department Share of General Purpose Revenue

<table>
<thead>
<tr>
<th>Department</th>
<th>FY 2011/12 Baseline Request</th>
<th>Share of Total</th>
<th>FY 2011/12 Recommended</th>
<th>Share of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Services</td>
<td>97,954,532</td>
<td>27.2%</td>
<td>89,654,532</td>
<td>28.7%</td>
</tr>
<tr>
<td>Sheriff-Coroner</td>
<td>78,586,882</td>
<td>21.8%</td>
<td>62,184,298</td>
<td>19.9%</td>
</tr>
<tr>
<td>Probation</td>
<td>41,881,865</td>
<td>11.6%</td>
<td>36,585,257</td>
<td>11.7%</td>
</tr>
<tr>
<td>Employment &amp; Human Services</td>
<td>29,629,991</td>
<td>8.2%</td>
<td>18,047,765</td>
<td>5.8%</td>
</tr>
<tr>
<td>Public Defender</td>
<td>18,384,242</td>
<td>5.1%</td>
<td>16,722,142</td>
<td>5.3%</td>
</tr>
<tr>
<td>Assessor</td>
<td>15,314,949</td>
<td>4.3%</td>
<td>14,914,949</td>
<td>4.8%</td>
</tr>
<tr>
<td>District Attorney</td>
<td>15,408,368</td>
<td>4.3%</td>
<td>13,388,579</td>
<td>4.3%</td>
</tr>
<tr>
<td>General Services</td>
<td>12,301,304</td>
<td>3.4%</td>
<td>11,745,276</td>
<td>3.8%</td>
</tr>
<tr>
<td>Superior Court-Jury Commission</td>
<td>9,866,235</td>
<td>2.7%</td>
<td>10,183,219</td>
<td>3.3%</td>
</tr>
<tr>
<td>Miscellaneous Services</td>
<td>7,259,921</td>
<td>2.0%</td>
<td>7,259,921</td>
<td>2.3%</td>
</tr>
<tr>
<td>County Administrator</td>
<td>6,457,383</td>
<td>1.8%</td>
<td>6,447,133</td>
<td>2.1%</td>
</tr>
<tr>
<td>Board of Supervisors</td>
<td>4,744,765</td>
<td>1.3%</td>
<td>4,722,462</td>
<td>1.5%</td>
</tr>
<tr>
<td>Clerk-Recorder</td>
<td>4,108,343</td>
<td>1.1%</td>
<td>4,108,343</td>
<td>1.3%</td>
</tr>
<tr>
<td>Justice System Planning</td>
<td>3,647,398</td>
<td>1.0%</td>
<td>3,500,620</td>
<td>1.1%</td>
</tr>
<tr>
<td>Animal Services</td>
<td>3,464,977</td>
<td>1.0%</td>
<td>3,155,367</td>
<td>1.0%</td>
</tr>
<tr>
<td>Auditor-Controller</td>
<td>3,175,361</td>
<td>0.9%</td>
<td>2,904,778</td>
<td>0.9%</td>
</tr>
<tr>
<td>Agriculture-Weights &amp; Measures</td>
<td>1,950,085</td>
<td>0.5%</td>
<td>1,920,085</td>
<td>0.6%</td>
</tr>
<tr>
<td>Human Resources</td>
<td>2,446,283</td>
<td>0.7%</td>
<td>1,888,211</td>
<td>0.6%</td>
</tr>
<tr>
<td>County Counsel</td>
<td>1,612,238</td>
<td>0.4%</td>
<td>1,603,822</td>
<td>0.5%</td>
</tr>
<tr>
<td>Treasurer-Tax Collector</td>
<td>1,750,505</td>
<td>0.5%</td>
<td>1,438,513</td>
<td>0.5%</td>
</tr>
<tr>
<td>Veteran’s Services</td>
<td>559,341</td>
<td>0.2%</td>
<td>559,343</td>
<td>0.2%</td>
</tr>
<tr>
<td>Plant Acquisition</td>
<td>42,127</td>
<td>0.0%</td>
<td>42,127</td>
<td>0.0%</td>
</tr>
<tr>
<td>Conservation &amp; Development</td>
<td>(250,000)</td>
<td>-0.1%</td>
<td>(250,000)</td>
<td>-0.1%</td>
</tr>
</tbody>
</table>

| Total                                   | 360,297,095                   | 100.0%         | 312,726,740             | 100.0%         |
Contra Costa County Fire Protection District

- Since fiscal year 2007/08, District revenue has declined by over 13%
- Salaries and Benefits account for over 75% of the District Budget
- Firefighters have 5% raises scheduled for FY 2011/12 (2.5% in July 2011 and 2.5% in January 2012)
- The current structural imbalance will result in depletion of District fund balance at the beginning of FY 2012/13.
- Each Fire Company = $1.65 million per year to staff
Contra Costa County Fire Protection District

- **District Proposals**
  - Pursue a Parcel Tax or Benefit Assessment Initiative in 2012.
  - Seek to eliminate “structural imbalance” through combination of salary/benefit controls negotiated with the labor groups and additional revenue enhancements.
## County’s Policy Report Card

<table>
<thead>
<tr>
<th>Policy Requirements</th>
<th>Accomplished?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Budget Policy</strong></td>
<td></td>
</tr>
<tr>
<td>Structurally Balanced Budget</td>
<td>✓</td>
</tr>
<tr>
<td>Multi-Year Projections</td>
<td>✓</td>
</tr>
<tr>
<td>Mid Year Update</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Reserves Policy</strong></td>
<td></td>
</tr>
<tr>
<td>Total Fund Balance ≥ 10%</td>
<td>✓ (was 11.5% in FY 09-10)</td>
</tr>
<tr>
<td>Unreserved Fund Balance ≥ 5%</td>
<td>✓ (was 8.6% in FY 09-10)</td>
</tr>
<tr>
<td><strong>Debt Policy</strong></td>
<td></td>
</tr>
<tr>
<td>Conservative debt structuring</td>
<td>✓</td>
</tr>
<tr>
<td>Annual debt report/update</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Investment Policy</strong></td>
<td></td>
</tr>
<tr>
<td>Comprehensive, conservative</td>
<td>✓ (AAAf/S1+ pool rating)</td>
</tr>
<tr>
<td><strong>Workers’ Compensation Policy</strong></td>
<td></td>
</tr>
<tr>
<td>80% Confidence Level</td>
<td>✓ (was 99% in FY 09-10)</td>
</tr>
</tbody>
</table>

FY 2011/12 Budget Hearings 28
State of the County

- Actions to Address Budget Issues
  - Consolidation of Services
    - Cooperative Extension
    - Office of Revenue Collections
    - Reduction of Office Space
  - Technology Improvements
    - Electronic Time Keeping
    - Electronic Payroll
    - Departmental Initiatives
State of the County

- Actions to Address Budget Issues

  - Implement Other Post Employment Benefits provisions for remaining County Employee groups
  - Begin process to Restructure Pension Benefits
  - Continue to review staffing and Organizational structure of County Departments
    - Re-merger of General Services into Public Works
  - Complete Sustainability Study of County Health Care System
Budget Schedule FY 2011/12

- **Wednesday, March 30, 2011**  Recommended Budget was made available to the Public

- **Tuesday, April 12, 2011**, the County Administrator reports to the Board of Supervisors on the FY 2011/2012 Recommended Budget (Budget Hearings)

- **Tuesday, May 3, 2011** for the adoption of the FY 2011/12 County and Special District Budgets
Recommended Budget Actions

1. Open and conduct a public hearing to receive input on the FY 2011-12 Recommended Budget;

2. Acknowledge that, due to significant market losses in the Contra Costa County Employees Retirement Association assets, retirement expenses are expected to increase in the next five years.

3. Acknowledge that the Recommended Budget balances annual estimated expenditures with estimated revenues in FY 2011-12, and although technically balanced is not structurally balanced;

4. Acknowledge that action by the State regarding its budget will require subsequent adjustments to the Recommended Budget adopted by the Board;

5. Acknowledge that although the Recommended Budget does not include a specific appropriation for contingency, that the Board maintains its ability to manage General Fund contingencies during the fiscal year by use of reserve funds set aside for that purpose;
Recommended Budget Actions

6. 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;

7. Direct the County Administrator to prepare for Board adoption on May 3, 2011, the FY 2011-12 County and Special District Budgets, as modified, to incorporate any changes directed by the Board during these public hearings; and

8. Direct the County Administrator to prepare for consideration by the Board of Supervisors on May 3, 2011, lay-off resolutions necessary to carryout Board action on the Recommended Budget.
Determine the things that can and shall be done, and then we shall find the way.

Abraham Lincoln
Budget Hearing Agenda

- Department Heads Presentations
  - Joe Valentine, Employment & Human Services
  - Dr. William Walker, Health Services
  - Philip Kader, Probation
  - David Livingston, Sheriff-Coroner
  - Mark Peterson, District Attorney
  - Daryl Louder, CCCFPD

- Public Comment

- Board Discussion/Action