

County Budget Development

Key Drivers and Considerations

County Administrator's Office

January 24, 2023





Agenda

1. County financial updates
2. COVID Cost Recovery
3. Budgeting concerns
4. FY23-24 budget hearings
5. Recommendations



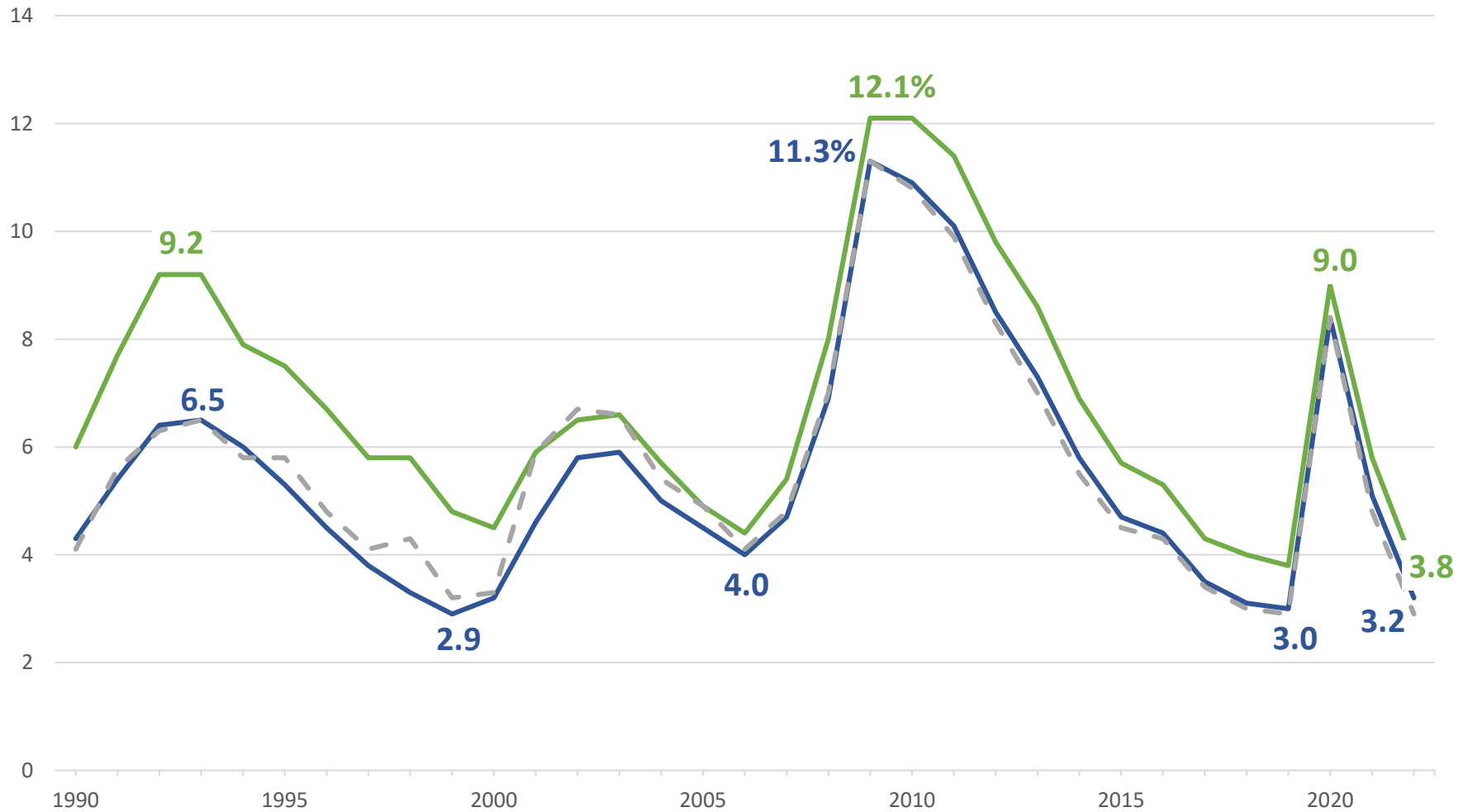
Bay Area Unemployment Rates November 2022

The Bay Area's and County's unemployment levels have rebounded strongly from the highs experienced during the COVID pandemic.

Alameda	2.9%
Contra Costa	3.2%
Marin	2.2%
Napa	2.7%
San Francisco	2.1%
San Mateo	2.0%
Santa Clara	2.2%
Solano	3.9%
Sonoma	2.6%
Bay Average	2.6% (3.9% Last Year)



Unemployment Rates 1990-2022



Source: CA Employment Development Department

— Contra Costa — CA - - Alameda



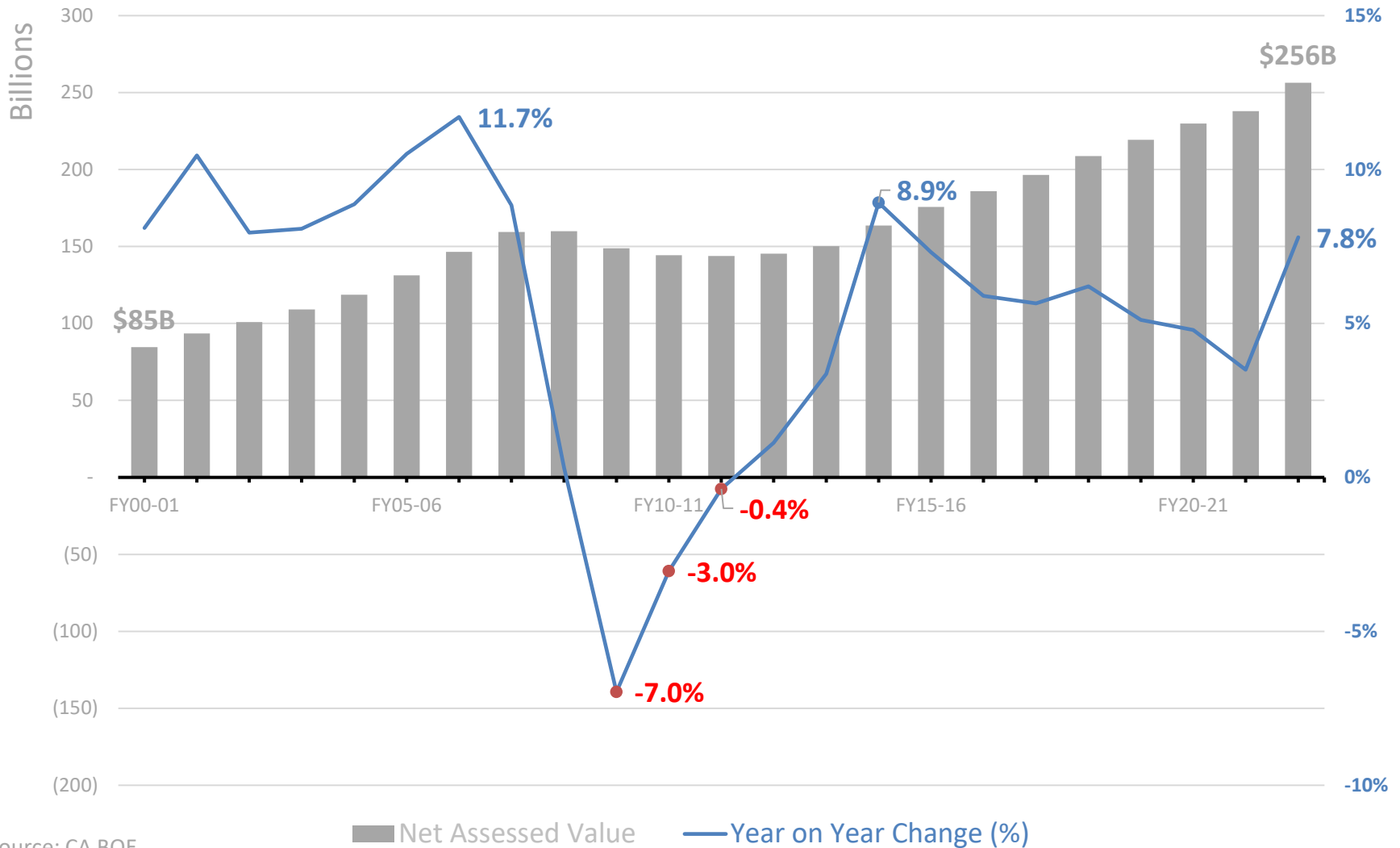
Labor contracts

	Filled Positions	Contract End Date
AFSCME Local 512, Professional and Technical Employees	225	6/30/2026
AFSCME Local 2700, United Clerical, Technical and Specialized Employees	1,425	6/30/2026
California Nurses Association	1,144	9/30/2025
CCC Defenders Association	93	6/30/2022
CCC Deputy District Attorneys' Association	91	6/30/2026
Deputy Sheriffs Association, Mgmt Unit and Rank and File Unit	794	6/30/2023
Deputy Sheriffs Association, Probation Peace Officers Association	242	6/30/2023
District Attorney Investigator's Association	26	6/30/2026
IAFF Local 1230	408	6/30/2023
Physicians and Dentists of Contra Costa	289	12/31/2022
Professional & Technical Engineers – Local 21, AFL-CIO	1,168	6/30/2026
Public Employees Union, Local One & FACS Site Supervisor Unit	487	6/30/2026
SEIU Local 1021, Rank and File and Service Line Supervisors Units	861	6/30/2026
Teamsters, Local 856	1,798	6/30/2026
United Chief Officers' Association	17	6/30/2023
Western Council of Engineers	23	6/30/2026
Management Classified & Exempt & Management Project	848	N/A
	9,939	



Contra Costa County - Assessed Value

Fiscal Years 00/01 - 21/22



Source: CA BOE

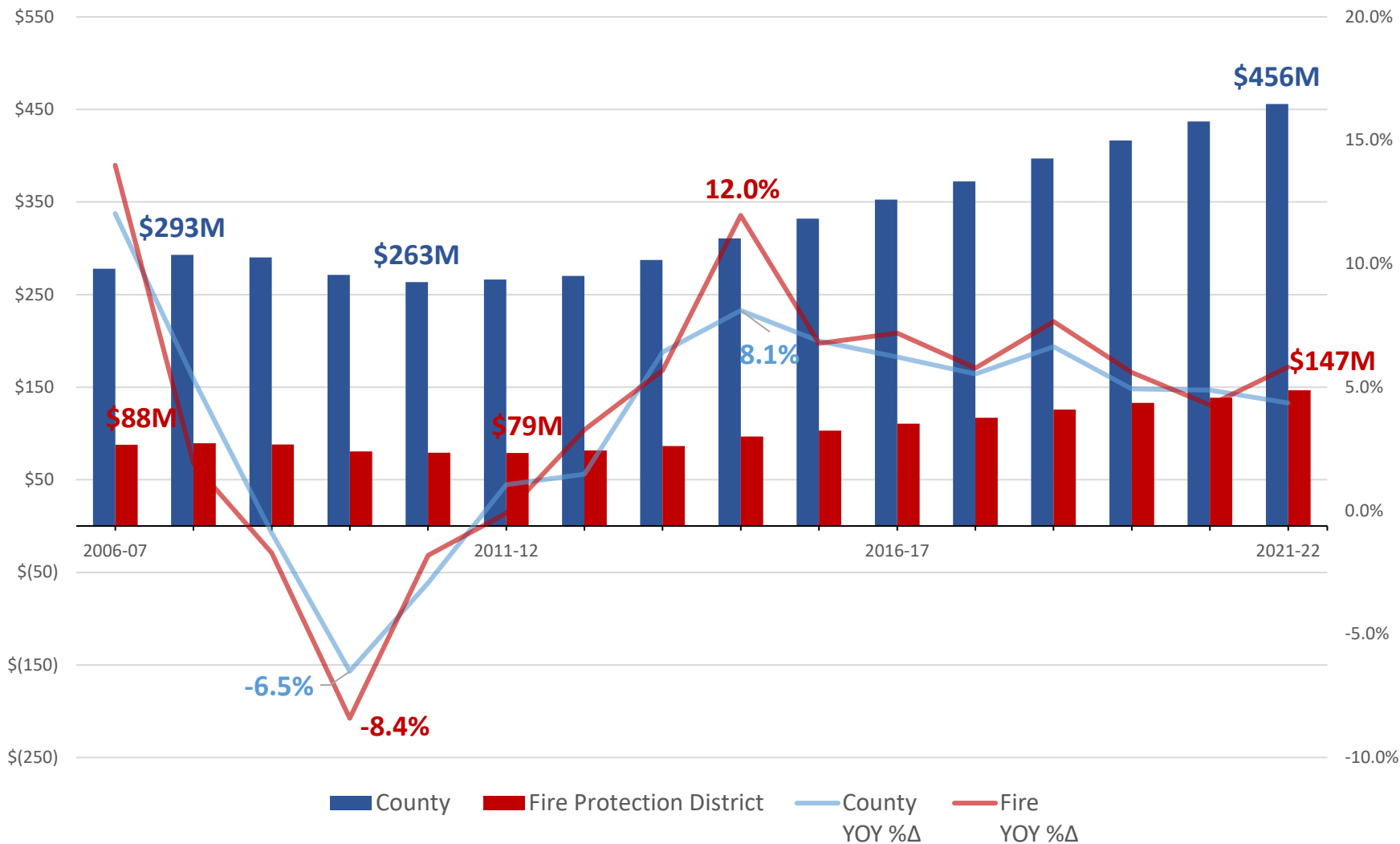
Property Tax Revenues Fiscal Years 2006-2022





Property Tax Revenues

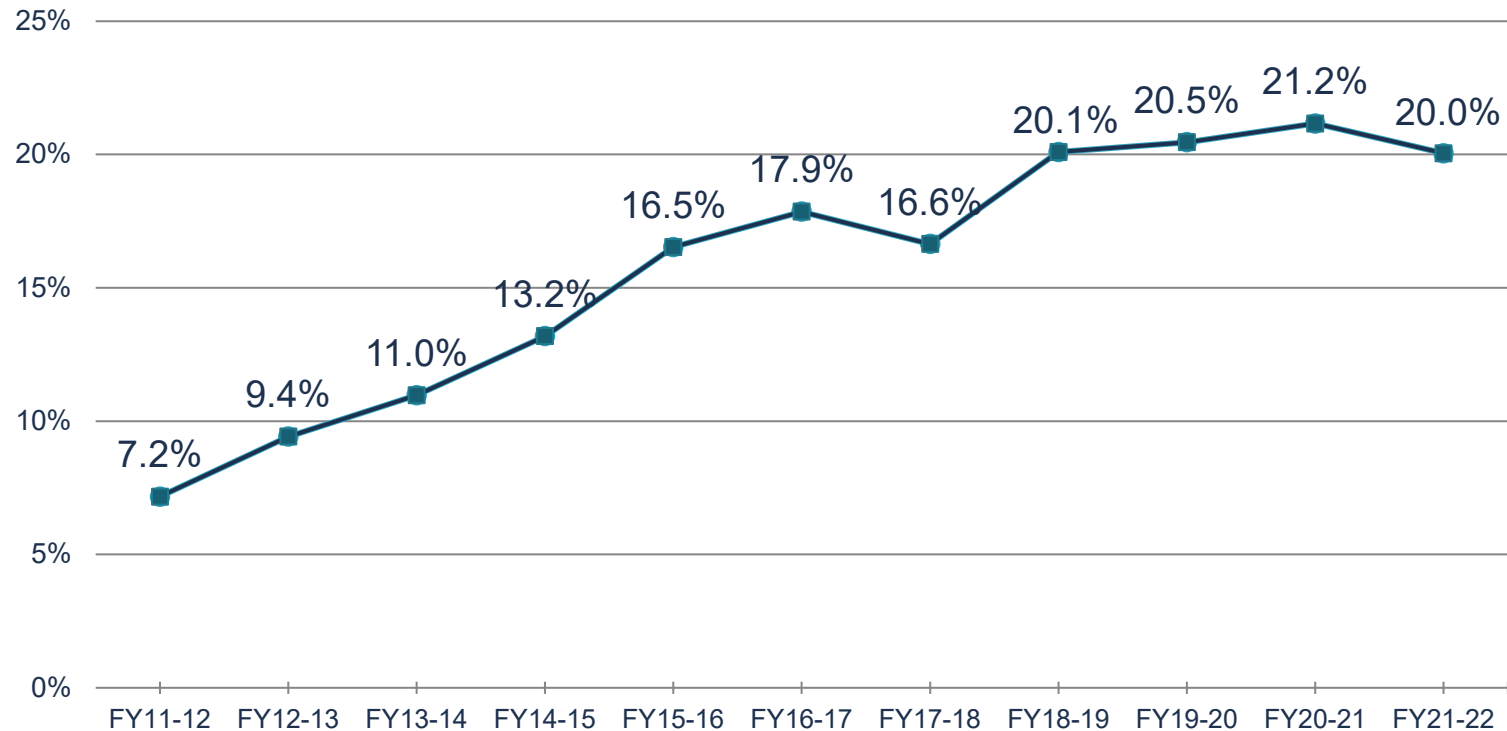
Fiscal Years 2006-2022





General Fund reserves

1. For FY 2021-22, total General Fund revenues were \$1.94 billion, and the total fund balance was \$710.2 million, or 36.5% of total General Fund revenue
2. Of the \$710.2 million:
 - a. \$389.9 million was unassigned – 20.0% of total General Fund Revenues
 - b. \$320.3 million was assigned, committed, restricted or nonspendable





Pension funding

- County Net Pension Liability as of 12/31/2021 was \$854.6 million, down from \$859.3M the prior year
- CCCERA lowered its investment earnings assumption from 7.00% to 6.75% in calendar year 2022
- Final Pension Obligation Bond payment was made June, 2022

Contra Costa County Employees Retirement Association Pension Funding Status (Thousands)				
Actuarial Valuation Date	Total CCCERA Net Liability	Funded Ratio	County Net Liability	Fire Protection District Net Liability
2009	\$1,024,673	83.8%	\$727,578	\$68,294
2010	1,312,215	80.3%	918,919	104,750
2011	1,488,593	78.5%	1,037,535	130,737
2012	2,279,059	70.6%	1,591,610	228,950
2013	1,823,681	76.4%	1,260,363	180,209
2014	1,469,942	81.7%	1,003,749	151,686
2015	1,311,823	84.5%	879,610	154,708
2016	1,187,437	86.5%	776,396	143,193
2017	1,059,356	88.5%	689,426	131,765
2018	1,031,966	89.3%	677,735	123,353
2019	947,054	90.6%	607,938	132,554
2020	859,345	91.8%	557,373	121,270
2021	854,561	92.4%	588,842	147,987



Other Post Employment Benefits (OPEB) Trust Pre-funding Status

1. The County established an OPEB Trust in 2008 and began pre-funding benefits that same year
2. The funded ratio is at 49.7% as of the most recent valuation date (6/30/2022) and exceeds the minimum goal of 44%

Other Post Employment Benefit Funding Status (\$000s)			
Actuarial Valuation Date	Total Liability	Net Liability	Funded Ratio
2008	\$2,367,023	\$2,367,023	0.0%
2009	1,879,242	1,859,204	1.1%
2010	1,046,113	1,021,065	2.4%
2011	1,078,665	1,016,945	5.7%
2012	1,033,801	948,310	8.3%
2013	1,033,776	968,285	6.3%
2014	923,848	794,422	14.0%
2015	939,053	764,329	18.6%
2016	902,011	706,035	21.7%
2017	928,782	693,566	25.3%
2018	932,187	662,517	28.9%
2019	958,588	650,074	32.2%
2020	865,62	523,933	39.5%
2021	878,049	433,321	50.6%
2022	810,613	407,768	49.7%



Mid-year budget status

			Mid-Year 22-23	Mid-Year 21-22	Mid-Year 20-21	Mid-Year 19-20	Mid-Year 18-19
ALL FUNDS	Budget	Actual	Percent	Percent	Percent	Percent	Percent
Expenditures	\$4,706,263,454	\$1,882,453,578	40%	38%	44%	41%	41%
Revenues	\$4,415,542,569	\$1,850,442,319	42%	43%	45%	39%	44%
GENERAL FUND	Budget	Actual	Percent	Percent	Percent	Percent	Percent
Expenditures	\$2,240,207,659	\$913,174,826	41%	37%	43%	41%	41%
Revenues	\$2,056,865,073	\$1,013,194,744	49%	45%	46%	37%	41%
Wages & Benefits	\$1,078,093,738	\$480,481,668	45%	45%	45%	46%	46%
Services & Supplies	\$811,948,932	\$284,697,055	35%	35%	43%	37%	39%
Other Charges	\$339,923,000	\$168,717,661	50%	33%	46%	40%	44%
Fixed Assets	\$148,782,110	\$19,628,031	13%	10%	25%	24%	23%
Inter-departmental Charges	(\$149,535,121)	(\$40,350,283)	27%	42%	44%	41%	46%
Contingencies	\$10,995,000	\$694					
Total Expenses	\$2,240,207,659	\$913,174,826	41%	37%	41%	41%	41%
Taxes	\$607,400,000	\$433,419,918	71%	61%	62%	64%	64%
License, Permits, Franchises	\$12,164,000	\$3,433,702	28%	28%	23%	30%	32%
Fines, Forfeitures, Penalties	\$23,943,000	\$1,809,946	8%	9%	5%	8%	11%
Use of Money & Property	\$9,578,000	\$10,246,234	107%	31%	42%	29%	83%
Federal/State Assistance	\$810,962,073	\$410,176,089	51%	44%	50%	28%	37%
Charges for Current Services	\$190,085,000	\$78,866,569	41%	48%	44%	32%	38%
Other Revenue	\$402,733,000	\$75,242,286	19%	20%	23%	27%	23%
Total Revenues	\$2,056,865,073	\$1,013,194,744	49%	45%	46%	37%	41%



Measure X financials

Revenue projections through FY22-23

	Budget	Actuals/Projection
FY20-21	\$ 24,078,616	\$ 27,659,018
FY21-22	\$ 104,000,000	\$ 117,721,524
FY22-23	\$ 107,000,000	\$ 120,155,659
Total	\$ 235,078,616	\$ 265,536,201

Measure X allocations through FY23-24 with COLA

Reserve	\$ 20,000,000
One-time	\$ 136,895,200
FY22-23	\$ 78,150,000
FY23-24	\$ 112,312,500
	\$ 347,357,700



Contra Costa Fire Protection District

1. District consolidations

- a. Annexed East Contra Costa Fire Protection District effective 7/1/22. Service expansion through the construction of Fire Station 51 (Brentwood) and construction/staffing of Fire Station 54 (Brentwood).
- b. Established fire protection services contract with City of Pinole effective 1/1/23, with services beginning and Fire Station 74 reopening 3/1/23

2. Fire Station Construction

- a. Fire Station 86 (Bay Point) opened in August 2022
- b. Fire Stations 9 (Pacheco), 51 (Brentwood), and 54 (Downtown Brentwood) are in the planning/pre-construction phase

3. CCCFPD Measure X ongoing funding

- a. \$3.65 million to staff a second unit at Fire Station 81 (downtown Antioch).
- b. \$3.65 million to staff Fire Station 54 (Downtown Brentwood)
- c. Wildland Fire Mitigation and Fuel Reduction – \$2.6 million annually for a year-round hand crew program; \$2.1 million annually for Fuels Reduction Projects throughout high fire hazard zones countywide.
- d. \$2.1 million to staff an additional fire station in the City of Pinole.



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 includes 10 geographically dispersed Federally Qualified Health care centers, which are licensed as outpatient departments of the hospital, and provide over 500,000 physician visits per year.
- CCRMC is financially supported primarily with Fee for Service and Health Plan Medi-Cal revenues, with the County General Fund subsidizing approximately 15% of CCRMC's budget.
 - The County General Fund Subsidy has been \$73.2 million since FY20-21 and remains consistent for FY23-24.
 - No change in the General Fund Subsidy is anticipated for the next three fiscal years.
 - Measure X funding will provide \$42 million in annual program support.
- Pandemic costs have been offset with one-time Federal funding such as CARES, ARPA and FEMA.



COVID-19 Major Funding Sources

Revenue Program	Allocation
Coronavirus Relief Fund	\$227,827,652
ARPA Fiscal Recovery Fund	224,058,903
Emergency Rental Assistance Program	220,174,579
FEMA Public Assistance Program (Estimate)	77,964,320
Total	\$750,025,454

➤ Key Takeaways:

- Four revenue drivers impact vast majority the County's cost recovery
- Contra Costa receiving significant Federal assistance, including the cities!
- County responsible for pandemic response, including associated costs
- All COVID-19 revenue sources are one-time only funds!



COVID-19 FEMA Cost Recovery Update

Claim Category	Estimate	Claimed	Obligated	Received
Non-Congregate Shelter	\$32,414,836	\$32,414,836	\$0	\$0
COVID-19 Testing	20,728,141	20,728,141	0	0
Incremental Cleaning	12,688,588	12,688,588	0	0
Great Plates	6,415,043	6,415,043	6,415,043	6,415,043
General Materials (PPE, Other)	3,579,956	3,579,956	0	0
Consultant (Ernst & Young)*	1,500,000	0	0	0
Vaccination (Fire Mutual Aid)	637,756	637,756	0	0
Total	\$77,964,320	\$76,464,320	\$6,415,043	\$6,415,043

➤ What's it mean?:

- FEMA reimbursement process cumbersome and could take years before reimbursement is received (typically 24-36 months, but likely longer);
- The County General Fund is advancing the vast majority of the \$78 million in FEMA eligible costs until reimbursement is received - this figure has stabilized with all COVID related claims submitted through June 30, 2022;
- ARPA CSLFRF funds eligible to backfill any reduced claim amounts determined by FEMA.

* Consultant costs are claimed at conclusion of cost recovery period established by FEMA

Significant FEMA Cost Recovery Issue

Non-Congregate Sheltering – “Project Roomkey”



- FEMA Region IX pursuing a definition change of “asymptomatic”, requiring that an “asymptomatic, high risk” individual receiving NCS shelter services must have been COVID-19 positive
- Proposed change results in close to 90% of County claimable costs becoming ineligible - \$29 million for Contra Costa County
- **What are we doing about it?**
 - Board Chair sent letter to FEMA Administrator Criswell on 12/21/22;
 - Contra Costa establishing a coalition of impacted counties to oppose the change;
 - Providing leadership to industry groups such as CACE, CSAC, NACo and GFOA about the issue.

The Board of Supervisors

County Administration Building
1025 Escobar St., 4th floor
Martinez, California 94553

John Giola, 1st District
Candace Andersen, 2nd District
Diane Burgie, 3rd District
Karen Mitchoff, 4th District
Federal D. Glover, 5th District

December 21, 2022

The Honorable Deanne Criswell
Administrator
Federal Emergency Management Agency
500 C Street, SW
Washington, DC 20472

Dear Administrator Criswell,

On December 2, 2022, Contra Costa County, CA attended a meeting with FEMA and CalOES representatives to assess the status of \$43 million in outstanding Contra Costa County project applications directly related to the COVID-19 pandemic. The applications included reimbursement for non-congregate shelter (NCS), incremental cleaning, and COVID-19 testing operations. Contra Costa County's total estimated FEMA project application claims are approximately \$78.9 million over the course of the pandemic.

As part of that discussion, FEMA staff informed the County that FEMA Region IX is waiting on FEMA Headquarters (FEMA HQ) to provide clarity on how the phrase “asymptomatic” will be defined for purposes of evaluating NCS project applications. In California, FEMA Region IX provided approval of Public Assistance funding of NCS programs statewide on March 27, 2020¹ following a request from CalOES Director Mark Ghilarducci in the days prior. Region IX's authorization was clear that approval was provided for three, specific populations which coincided with the target populations specified in FEMA's FAQs on “Coronavirus (COVID-19) Pandemic: Non-Congregate Sheltering” published on 3/21/20²:

- Individuals who test positive for COVID-19 that do not require hospitalization, but need isolation or quarantine (including those exiting from hospitals);
- Individuals who have been exposed to COVID-19 (as documented by a state or local public health official, or medical health professional) that do not require hospitalization, but need isolation or quarantine; or
- Individuals who are asymptomatic, but are at “high-risk,” such as people over 65 or who have certain underlying health conditions (respiratory, compromised immunities, chronic disease), and who require Emergency NCS as a social distancing measure.

Contra
Costa
County



Monica Nino
Clerk of the Board
and
County Administrator
(925) 655-2000



American Rescue Plan Act Update

ARPA - CSLFRF Allocation				
Projected Expenditures, thru 6/30/24	FY 2021/22	FY 2022/23	FY 2023/24	Total
Funding Sources:	\$ 112,029,452	112,029,452	\$0	\$224,058,903
Funding Uses:				
Health Services (COVID-19)	79,214,397	60,000,000	23,000,000	162,214,397
Pandemic Service Relief Payment	0	24,300,111	0	24,300,111
Total Claimed	\$ 79,214,397	\$ 84,300,111	\$ 23,000,000	\$186,514,508
Fund Balance				\$ 37,544,395

➤ What's it mean?:

- Projected FY 2022/23 expenditures are \$84.3 million, including \$60 million to HSD and \$24.3 million to County departments for PSRP payments;
- Based on current allocations authorized by the Board through June 30, 2024, \$37.5 million remains unallocated.



American Rescue Plan Act Options for Board Consideration

- The FEMA Non-Congregate Shelter (NCS) definition change issue will likely take significant time and effort to resolve;
- The County's maximum exposure to NCS claims is \$32.4 million and \$37.5 million of ARPA CSLFRF funding remains unallocated;
- Based on this information, the Board should consider the following options for remaining ARPA CSLFRF funds:
 - Continue to reserve the remaining \$37.5 million of ARPA CSLFRF funding until the issues around FEMA NCS claims are clarified; or
 - Allocate up to \$5 million of ARPA CSLFRF funding and continue to reserve approximately \$32.5 million of ARPA CSLFRF funding until the issues around FEMA NCS claims are clarified;



Reasons for continuing concern

1. Budgeted expenditures are growing faster than revenues
 - a. Negotiated employee wage increases of 5% or more over multiple years
 - b. Persistent high inflation increasing the costs of goods and services
 - c. State budget deficit
 - d. Higher interest rates are reducing real estate transactions and associated property tax revenue growth
 - e. Workers Compensation Trust Fund
 - f. General Liability and Insurance Costs
2. Risk of recession and further slowing of the economy
3. Needed capital investments for aging facilities
4. Obsolete Technology
 - a. Significant needs countywide for new hardware and cybersecurity
 - b. Finance System replacement in process, and Tax System replacement still needed
5. Increasing costs for County Hospital, Clinics, and Health Plan



FY23-24 Budget Hearings

1. Hearing dates

1. Recommended Budget – April 25, 2023
2. Budget Adoption – May 23, 2023

2. Format

1. County Administrator – Budget overview
2. Department Presentations
3. Public Comment
4. Board Discussion / Action



Budget Development - Recommendations

1. ACCEPT report on Budget and Key Issues for FY23-24 and beyond;

2. PROVIDE DIRECTION on a reserve policy for unallocated ARPA CSLFRF funds pending further information related to the County's FEMA NCS claims from options below:
 - Continue to reserve the remaining \$37.5 million of ARPA CSLFRF funding until the issues around FEMA NCS claims are clarified;

OR
 - Allocate up to \$5 million of ARPA CSLFRF funding and continue to reserve approximately \$32.5 million of ARPA CSLFRF funding until the issues around FEMA NCS claims are clarified.