

Budget and Key Issues

January 27, 2015

FY 2015-2016 Topics

- Budget
- Budget Hearing Format
- Health Plan Re-opener

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
- 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

Contra Costa County

- Over the three year period between 2009/10 and 2011/12 property taxes declined by 11.08% . Over the last three years 2012/13 to 2014/15 the increase was 13.4%.
- This means the total net increase over the past six year was only 2.32%
- 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 9.09% increase
 - 2015/16 Projected to increase 6.5%

Contra Costa County

“Prices reached all-time highs in San Mateo County in October and Santa Clara County in June, and came within 4.4 percent of an all-time high in Alameda County. Contra Costa County was still 35 percent below its pre-crash peak.”

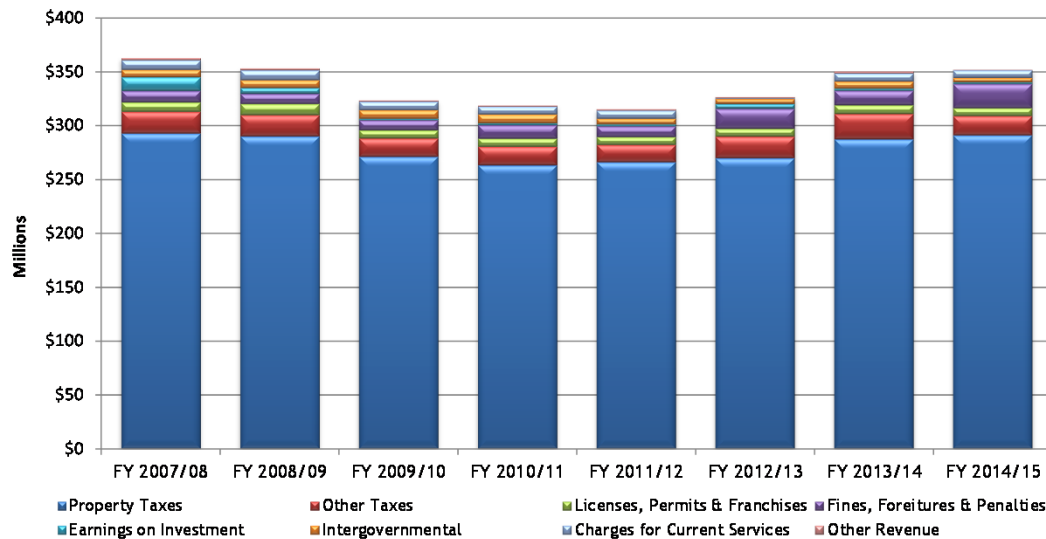
CC Times Article - December 17, 2014

FY 2014/15 Mid-Year Preliminary Stats

ALL FUNDS	Budget	Actual	Percent	Mid-Year FY 13-14
Expenditures	\$ 2,841,414,173	\$ 1,236,176,873	43.5%	43.6%
Revenues	\$ 2,694,641,354	\$ 1,186,413,559	44.0%	38.1%
GENERAL FUND	Budget	Actual	Percent	
Expenditures	\$ 1,417,483,765	\$ 618,917,518	43.7%	43.0%
Revenues	\$ 1,358,527,515	\$ 504,238,809	37.1%	34.4%
GENERAL FUND	Budget	Actual	Percent	
Wages & Benefits	773,026,108	355,153,145	45.9%	44.8%
Services & Supplies	438,889,648	181,234,538	41.3%	40.9%
Other Charges	230,752,887	117,769,426	51.0%	49.1%
Fixed Assets	51,759,773	7,830,204	15.1%	7.3%
Inter-departmental Charges	(81,000,304)	(43,069,795)	53.2%	50.1%
Contingencies	4,055,653	0	0.0%	0.0%
Total Expenses	\$ 1,417,483,765	\$ 618,917,518	43.7%	43.0%
GENERAL FUND	Budget	Actual	Percent	
Taxes	\$ 312,017,000	\$ 204,486,725	65.5%	64.3%
Licenses, Permits, Franchises	11,313,690	3,053,668	27.0%	22.9%
Fines, Forfeitures, Penalties	26,691,183	1,872,448	7.0%	11.8%
Use of Money & Property	2,146,252	1,285,565	59.9%	54.0%
Federal/State Assistance	531,906,514	156,092,907	29.3%	22.7%
Charges for Current Services	223,519,143	70,541,530	31.6%	0.8%
Other Revenue	250,933,733	66,905,966	26.7%	30.8%
Total Revenues	\$ 1,358,527,515	\$ 504,238,809	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
	<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	291,200,000
Other Taxes	20,254,974	19,784,051	16,952,226	17,129,427	16,117,187	19,843,785	23,543,390	17,817,000
Licenses, Permits & Franchises	8,608,175	10,266,183	7,549,279	7,648,768	7,347,466	7,402,661	8,186,705	7,400,000
Fines, Foreitures & Penalties	10,648,126	9,381,467	9,400,863	12,493,236	9,833,684	18,402,209	13,430,864	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	1,450,000
Intergovernmental	6,824,242	7,281,018	7,937,202	8,297,228	5,251,426	4,661,882	6,551,028	4,194,000
Charges for Current Services	8,959,053	9,226,290	8,001,888	7,234,435	7,578,851	722,065	7,522,655	7,000,000
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>360,000</u>
Total	\$362,789,245	\$353,249,816	\$323,519,480	\$318,744,706	\$315,344,968	\$326,591,580	\$350,361,024	\$351,921,000



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 2015/16 Projections

- Property Tax - 6% budgeted growth - General Fund increase of \$18.2 million, Property Tax-In Lieu of VLF \$10.1 million
 - Total Taxes for Current Property increase of \$29.4 million
- Public Safety Half-Cent Sales Tax (Prop 172) - 1.9% budgeted growth including pro-rata decrease - \$1.4 million
- Sales Tax - Flat - County projected to receive \$14.1 million for FY 2015/16 - appears the State will eliminate In Lieu Sales Tax (no net impact)
- State - Mostly stable
- Federal - Unknown

Continue General Purpose Revenue Cost Avoidance

- Contribution to Hospital/CCHP Enterprise Funds:
 - 2008/09 \$61,349,686
 - 2014/15 \$30,408,776 (50% decrease)
- Potential reduction in General Fund Contribution to the Hospital as the Affordable Care Act (National Health Care) is implemented
 - 2015/16 No further reduction
 - 2016/17 reduce by additional \$10 Million
 - 2017/18 reduce by additional \$10 Million
 - 2018/19 and beyond - Expected Annual Contribution = \$10 Million
- Assumption is that we will likely have \$10 Million Uncompensated Care burden even after National Health Care

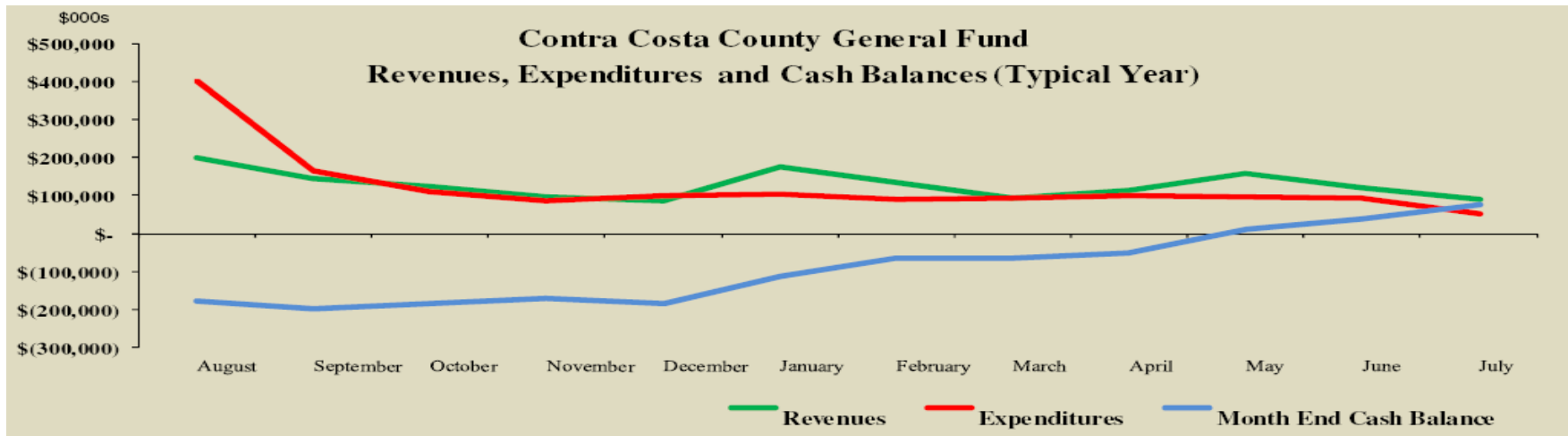
General Fund Balance Assumptions

- June 30, 2014:
 - Total general fund revenues were \$1,297,393,000 and total fund balance including reserves were \$237,204,000.
 - Total fund balance is 18.3% of total revenue
 - Of the \$237.2 million in reserves
 - \$142.3 million was unassigned
 - \$94.9 million was assigned, committed, restricted or nonspendable
 - Minimum fund balances of 5% and 10% would be \$64.9 million and \$129.7 million respectively. There was \$107.5 million available over the 10% reserve minimum.
- June 30, 2015:
 - It is planned and anticipated that Total General Fund Balance including Reserves will remain stable. Projections depend upon labor negotiations.
- June 30, 2016:
 - No fund balance use is recommended in FY 2015-16

Importance of Reserves for Cash Flow

- Although revenues are volatile, expenses (majority for salaries) are quite smooth.
- Even with a General Fund Reserve of \$237.2 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

<u>Fiscal Year</u>	<u>Transfers</u>
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
Budgeted FY 14-15	22,000,000

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

Total Since 1993	252,347,876
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Recent higher than 'normal' delinquency deposits 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.

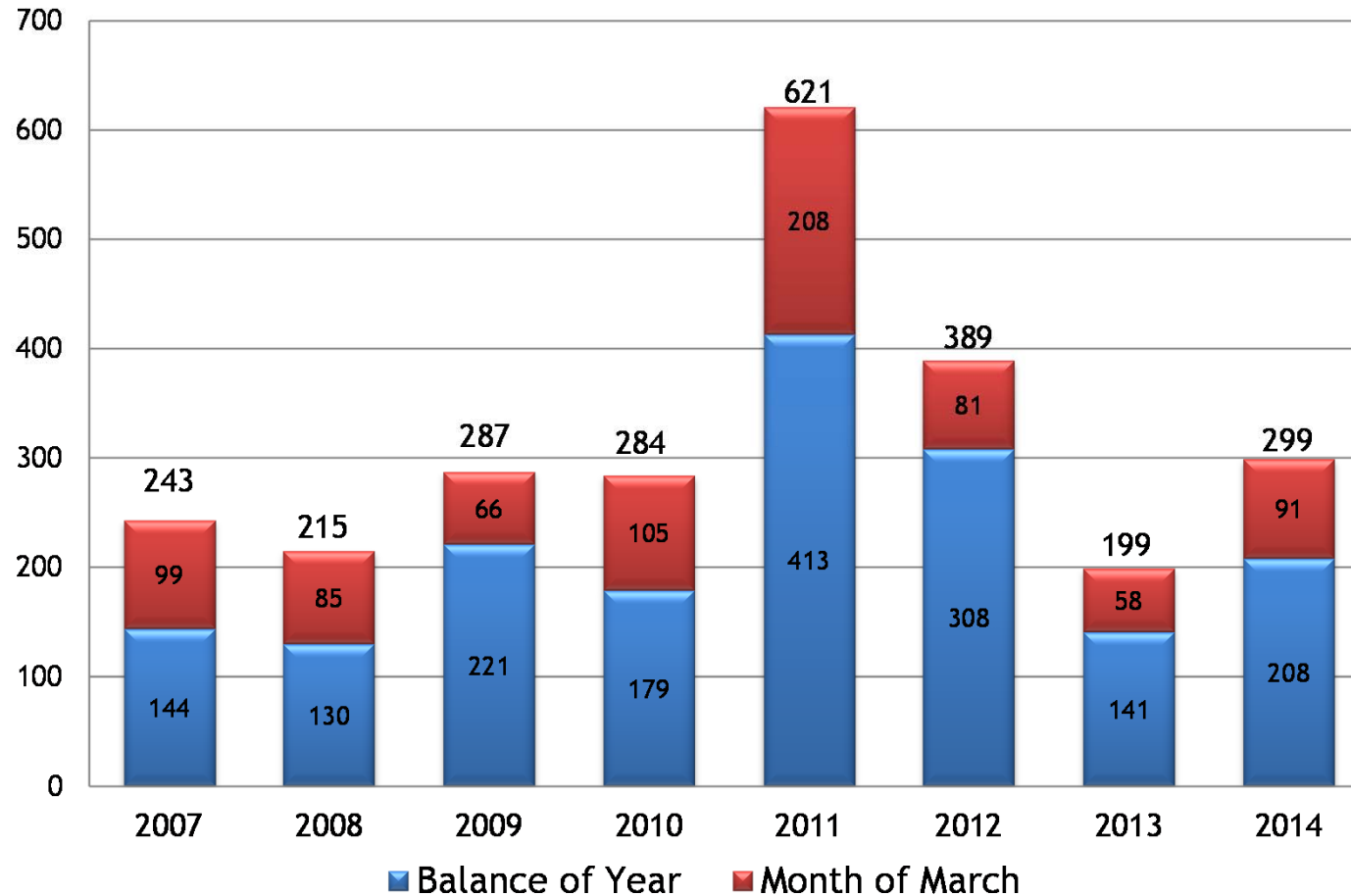
Balance of Tax Losses reserve \$90.6 million, down from high of \$101.4 million in FY 2011-12

Infrastructure

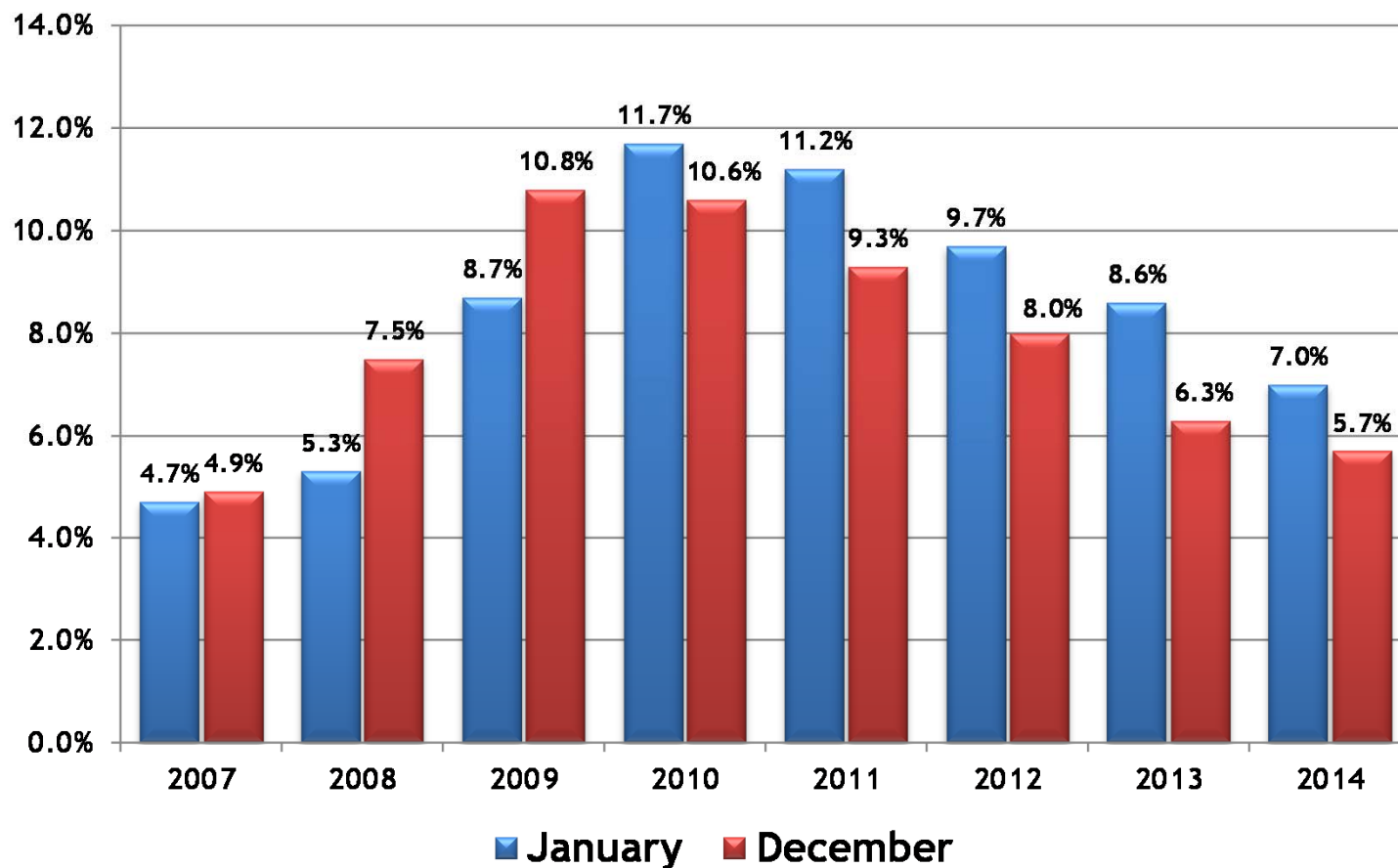
- \$5 Million was Budgeted in FY 2012/13,
- \$10 Million in FY 2013/14, and
- \$10 Million in FY 2014/15; however
- Delays have occurred and all the monies have not been expended
- Plan to budget approximately \$10 million for FY 2015/16
- Continue to fund facility lifecycle on a by-building cost-per-square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

Labor

Retirements Calendar Years 2007-2014



Unemployment Rate 8 Year Comparison



Note 2014 5.7% figure is November data.

Historical Labor Costs General Fund

<u>GENERAL FUND</u>	<u>FY 2008/09</u> <u>Actuals</u>	<u>FY 2009/10</u> <u>Actuals</u>	<u>FY 2010/11</u> <u>Actuals</u>	<u>FY 2011/12</u> <u>Actuals</u>	<u>FY 2012/13</u> <u>Actuals</u>	<u>FY 2013/14</u> <u>Actuals</u>	<u>FY 2014/15</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	348,802,484	10,668,596
Temporary Salaries	12,497,305	14,051,898	17,931,056	20,842,008	23,594,345	21,696,754	23,925,158	2,228,404
Permanent Overtime	12,264,219	12,055,264	14,237,551	16,185,558	17,759,366	17,677,239	19,033,598	1,356,359
Deferred Comp	1,011,277	886,956	922,829	953,934	1,157,366	1,643,967	1,821,794	177,827
Comp & SDI Recoveries	-1,589,507	-1,719,857	-1,856,792	-1,687,531	-1,847,033	-2,070,813	-2,102,762	-31,949
FICA/Medicare	22,691,254	21,091,543	20,988,471	20,882,816	21,126,905	22,041,020	22,630,342	589,322
Ret Exp-Pre 97 Retirees	1,956,847	1,892,272	1,878,723	1,869,642	1,845,967	1,873,514	1,873,448	-66
Retirement Expense	148,644,974	128,057,220	133,238,617	136,824,603	150,156,939	168,113,121	184,485,796	16,372,675
Employee Group Insurance	56,005,178	54,337,009	53,668,491	53,002,293	52,577,358	53,256,070	51,635,988	-1,620,082
Retiree Health Insurance	25,692,908	26,714,761	28,677,012	31,270,838	31,632,649	31,197,356	31,462,490	265,134
OPEB Pre-Pay	13,911,579	13,741,036	13,721,448	13,723,499	13,785,604	13,065,598	13,281,956	216,358
Unemployment Insurance	775,489	1,633,117	2,153,845	1,284,237	1,374,314	1,400,057	1,166,324	-233,733
Workers Comp Insurance	13,963,367	13,144,008	13,455,147	11,246,660	11,274,142	11,576,087	11,972,820	396,733
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>316,858</u>	<u>14,604</u>
Salaries and Benefits	672,552,479	624,113,079	630,190,095	630,194,505	646,614,228	679,906,112	710,306,294	30,400,182
Increase/(Decrease)	8,524,784	-48,439,400	6,077,016	4,410	16,419,723	33,291,884	30,400,182	

* Projection is double six months.

** Change column is between FY 13/14 and projected 14/15.

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	
<u>COUNTY</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	514,394,873	492,801,239	487,322,501	481,217,812	480,546,483	503,057,399	523,557,882	20,500,483
Temporary Salaries	32,721,949	37,337,487	40,912,512	46,635,323	52,468,685	51,266,968	52,174,236	907,268
Permanent Overtime	16,639,812	15,740,598	17,862,642	21,723,606	23,466,747	23,007,597	25,443,366	2,435,769
Deferred Comp	1,243,273	1,160,883	1,197,053	1,253,245	1,552,211	2,161,730	2,454,414	292,684
Hrly Physician Salaries	1,817,809	1,891,972	2,161,730	2,134,980	2,626,854	2,399,872	2,744,522	344,650
Perm Physicians Salaries	28,806,831	31,213,084	31,173,790	33,118,707	35,632,415	37,469,448	39,289,532	1,820,084
Perm Phys Addnl Duty Pay	1,823,452	1,826,335	1,956,341	1,891,438	1,976,098	1,962,461	2,588,666	626,205
Comp & SDI Recoveries	-2,400,931	-2,632,322	-2,796,169	-2,332,274	-2,557,280	-2,921,425	-2,778,860	142,565
Vacation/Sick Leave Accrua	328,684	338,576	-422,707	559,247	242,303	4,277,040	0	-4,277,040
FICA/Medicare	37,231,115	36,364,870	36,288,855	36,696,440	37,362,344	38,895,210	39,541,048	645,838
Ret Exp-Pre 97 Retirees	2,751,898	2,752,131	2,752,614	2,751,672	2,750,979	2,751,464	2,749,624	-1,840
Retirement Expense	207,114,048	184,140,541	192,892,090	202,105,619	221,505,843	246,812,805	271,580,626	24,767,821
Employee Group Insurance	86,510,577	85,891,576	85,811,334	85,433,103	84,392,571	85,364,402	83,418,348	-1,946,054
Retiree Health Insurance	33,388,058	35,170,431	37,741,416	41,709,278	42,578,927	42,573,182	43,186,060	612,878
OPEB Pre-Pay	17,968,343	18,942,232	18,573,163	18,625,208	18,637,346	17,413,840	17,480,198	66,358
Unemployment Insurance	1,188,580	2,609,671	3,463,678	2,096,833	2,265,484	2,302,337	1,928,718	-373,619
Workers Comp Insurance	20,405,944	19,544,807	19,763,721	16,821,150	17,044,418	17,290,639	17,965,846	675,207
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>315,602</u>	<u>22,416</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	1,123,639,828	47,261,673
Increase/(Decrease)	29,072,144	-36,515,433	11,402,334	15,980,076	29,954,784	53,334,999	47,261,673	

* Projection is double six months.

** Change column is between FY 13/14 and projected 14/15.

OPEB Liability Significantly Reduced due to Board Actions and Collective Bargaining

- Most recent 7507 actuarial reports were received in September 2014
 - Reduction in 2006 OPEB Liability from \$2.6 billion to \$783.1 million (using assets of \$129.4 million)
 - ARC from \$216.3 million to \$86.8 million
 - Total OPEB Trust assets \$147.5 million as of September 2014
 - Reduction reflects health plan changes, caps on County contributions and labor agreements
- 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 is climbing 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	4,856	37%	6,206	43%
Total Counts	13,284		14,295	

- On April 1, 2014, the Board modified the allocation of future resources for funding Other Post-Employment Benefits, redirecting POB monies towards the County's pension liability rather than the County's Other Post Employment Benefit Trust Fund.

Labor Negotiations

Currently Negotiating

	<u>Total Number of Employees</u>	<u>Contract Expiration Date</u>
California Nurses Association	917	7/31/2014
IHSS SEIU - United Healthcare Workers West		3/31/2012 ¹
United Chief Officers' Association	12	6/30/2014

Settled

AFSCME Local 2700, United Clerical, Technical and Specialized Employees	1,671	6/30/2017
AFSCME Local 512, Professional and Technical Employees	277	6/30/2016
CCC Deputy District Attorneys' Association	83	6/30/2015 ²
Contra Costa County Defenders Association	76	6/30/2015 ²
Deputy Sheriff's Association, Mgmt Unit and Rank and File Unit	800	6/30/2016
District Attorney Investigator's Association	13	6/30/2016
IAFF Local 1230	251	6/30/2017
Physicians and Dentists of Contra Costa	256	10/31/2016
Probation Peace Officers Association	247	6/30/2015 ²
Professional & Technical Engineers - Local 21, AFL-CIO	899	6/30/2016
Public Employees Union, FACS Site Supervisor Unit	15	6/30/2016
Public Employees Union, Local One	2,426	6/30/2016
SEIU Local 1021, Rank and File and Service Line Supervisors Units	999	6/30/2016
Western Council of Engineers	23	6/30/2017
Management Classified & Exempt & Management Project	343	
	<u>9,686</u>	

¹ Extension through March 31, 2015 in process, ² Expire June of this year.

Preliminary Salary Projection Data for FY 2015/16

- General Fund increase of \$32.4 million (includes cost of previously funded vacancies)
 - \$37.4 million increase in permanent salaries
 - \$14.5 million decrease in retirement expense
 - \$2.3 million in group health insurance
 - \$2.0 million increase in FICA
- All County Funds increase of \$91.1 million (includes cost of previously funded vacancies)
 - \$97.8 increase million in permanent salaries
 - \$18.9 million decrease in retirement expense
 - \$4.1 million increase in group health insurance
 - \$1.5 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

Future

- Succession Planning
- Health Insurance

Continued Reasons for Optimism

- **Positive Economic Outlook**
 - State Revenues Up
 - State Budget reasonably stable
 - AV revenue up 6.%+ for 2014/15
 - Projecting 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
 - Pension Obligation Bond Matured 6/1/2014 (\$32,991,000)

Reasons for Concern

- Extremely high number of vacant positions
- High number of vacant key management positions
- Labor Negotiations
 - Pent-up demand
 - Increased costs of benefits
 - Limited resources
 - Unreasonable expectations
- Pension Liability
- DMC - Hospital Debt & Future Impacts
- Health Insurance Exchange Call Center
- AB 109 - Structure & Formula reductions for 2016 and beyond

FY 2015-16 Budget Hearing Format

- Draft Agenda for Discussion Purposes
 - Introduction/Summary by County Administrator
 - Departmental Presentations
 - Sheriff-Coroner
 - District Attorney
 - Chief Probation Officer
 - Health Services Director
 - Employment and Human Services Director
 - Deliberation
- Recommend holding all hearing on April 21st

Health Plan Re-Opener

Agreement will open on April 1, 2015, for the limited purpose of bargaining over Health, Life & Dental Care, to explore changes effective in the 2016 Plan year.

The County is committed to evaluating alternative approaches to sharing health care premiums for the 2016 Plan year, taking into consideration any effect on its budget.

During the reopener, the County will not propose reducing the current dollar amount of the County's premium subsidy for health plans and will not unilaterally impose a reduction in the current dollar amount of the County's health plan premium subsidy for the 2016 Plan year.

In the event the parties fail to reach an agreement by January 1, 2016, the unions reserves the right to strike with respect to the subject of the reopener.

“We are at a crossroads,” ... the challenge is to build for the future, not steal from it, to live within our means and to keep California ever golden and creative, as our forebears have shown and our descendants would expect.”

Jerry Brown

Questions?



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

