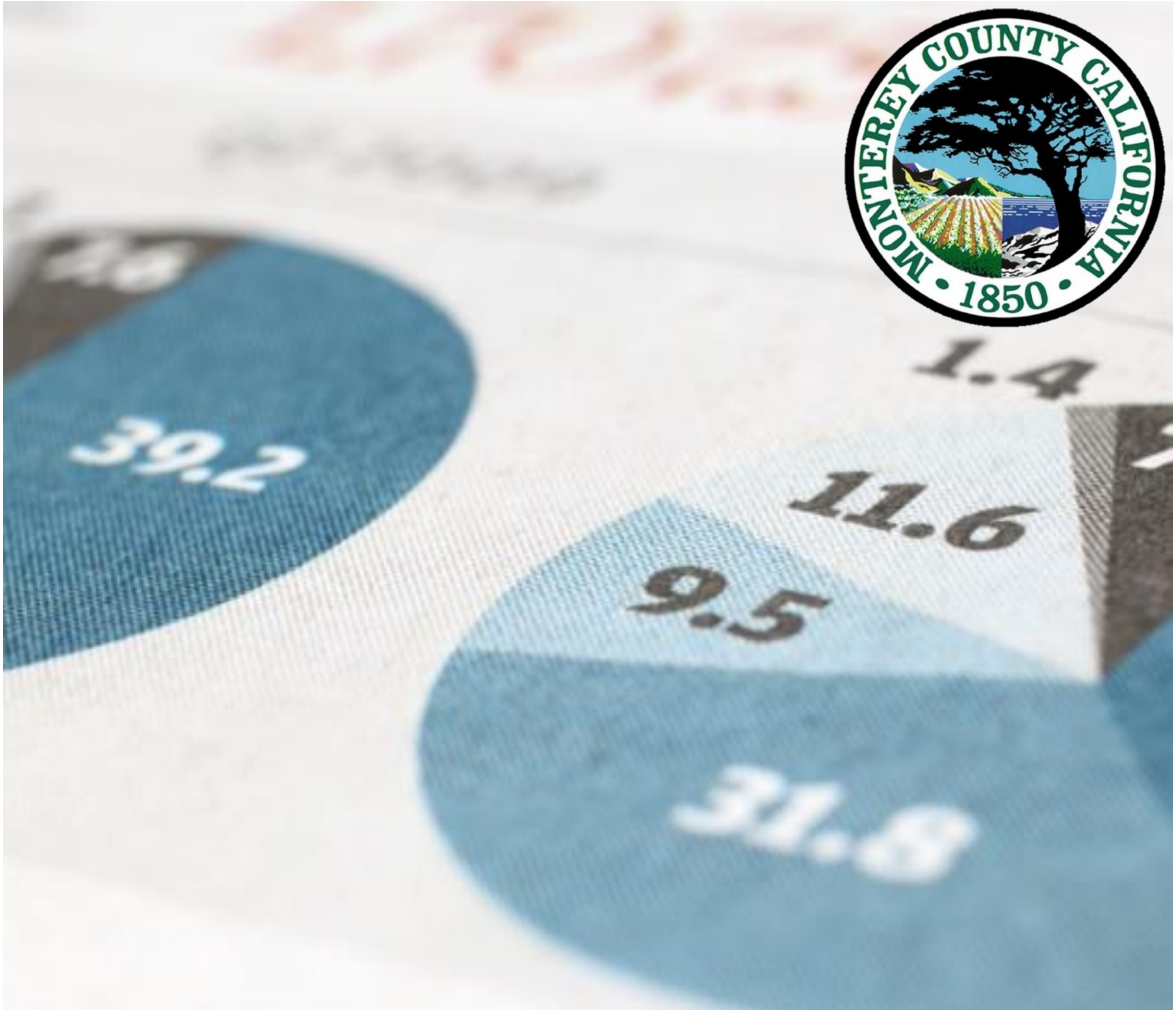


Budget End of Year Report

Fiscal Year 2021-22

County Administrative Office

12/13/22

INTRODUCTION

The County Administrative Office is pleased to present the Budget End-of-Year Report (BEYR) for Fiscal Year (FY) 2021-22. The BEYR is prepared to promote financial transparency and responsible financial oversight. The BEYR provides a comprehensive analytical comparison between the County's final modified budget and year-end results by reviewing the following items:

- The health of the County's finances.
- The major financial developments, issues, and trends shaping the County's finances.
- The management of the budget and the forecasting of revenues and expenditures.
- The management of fund balance, reserves, and long-term liabilities.

The BEYR begins with an analysis of the general fund's countywide performance, followed by a breakdown of departmental performance (also in the general fund), and financial condition of the County's other major funds. The financial data utilized in this analysis is unaudited and subject to revisions in the Annual Comprehensive Financial (ACFR) report prepared by the Auditor-Controller.

The County continues its conservative fiscal management, balancing operational priorities and long-term investments within the parameters of a structurally balanced budget. During the fiscal year, the County invested in the community, promoted public safety, supported health and wellness, and improved infrastructure.

GENERAL FUND HIGHLIGHTS

The general fund supports core governmental functions related to public safety, land use and environment, public assistance, health and sanitation, recreation and education, and finance and administration. The FY 2021-22 adopted budget included $763.1 million in appropriations, matched by an equivalent amount of financing: $754.8 million in revenue and $8.3 million in fund balance. Throughout the year, subsequent modifications increased appropriations by $54.1 million, financed by $38.3 million in additional revenue and $15.8 million in fund balance for one-time expenditures. The general fund ended the fiscal year with a favorable performance compared to the final budget.

General Fund	Adopted Budget	Modified Budget	Year-End Actual
Available Financing:			
Unassigned Fund Balance (FY 2020-21)	$ -	$ 3.0	$ 50.2
Cancellation - Restricted Fund Balance	4.2	6.6	5.1
Cancellation - Assigned Fund Balance	4.1	14.5	15.2
Revenues	754.8	793.1	758.0
Total Financing Sources	**$ 763.1**	**$ 817.2**	**$ 828.5**
Financing Uses:			
Addition - Restricted Fund Balance	$ -	$ -	$ 5.3
Addition - Strategic Reserve	-	-	3.9
Addition - Assigned Fund Balance[1]	-	-	69.1
Expenditures	763.1	817.2	740.3
Total Financing Uses	**$ 763.1**	**$ 817.2**	**$ 818.5**
Unassigned Fund Balance:	$ -	$ -	$ 10.0
Obligated in FY 2022-23 Adopted Budget[2]	$ -	$ -	$ (6.4)
Estimated Unassigned Fund Balance:	**$ -**	**$ -**	**$ 3.6**

Dollars shown in millions. Numbers may not total due to rounding.

[1] Includes recommended designations to fund balance assignments.

[2] $6.4 million in FY 2022-23 unassigned fund balance was utilized to balance the FY 2022-23 Adopted Budget

The general fund financial results were favorable compared to budget. Highlights of general fund performance include:

- Revenues of $758.0 million exceeded expenditures of $740.3 million for a year-end operating surplus of $17.7 million. The majority of this surplus is associated with growth in discretionary revenue.
  - Discretionary (non-program) revenue performed strongly and above budget, with actual revenue $11.8 million higher than the budgeted estimate.
    - The strong performance is largely attributed to transient occupancy taxes (TOT). Due to robust demand in the hospitality industry, TOT revenues came in at an all-time high of $40.0 million, $22.3 million higher than the adopted budget.
    - In addition to TOT, property and sales use taxes were also above budget by $6.8 million and $4.3 million, respectively. These increases resulted from high real estate demand and a growing consumer economy.
    - A decline in cannabis revenue offset these gains by $9.8 million. Cannabis revenue underperformed its budget due to the Board of Supervisors' action which reduced the cannabis tax rate and delayed the cannabis tax payments for quarters two through four of FY 2021-22.
  - Conversely, program revenue was $46.9 million below the final budget largely due to delays in state and federal revenue not received during the accrual period, lower fees for services, reduced reimbursable personnel costs for public safety realignment programs, personnel vacancies, and lower caseloads in revenue-generating positions primarily in primary care clinics and social service programs.
- Year-end expenditures were $76.8 million below the final modified budget.
  - Almost one-third of these lower expenditures resulted from salary and benefit savings from vacant positions, lower than expected overtime and health premium costs.
  - Transfers to other funds, largely for American Rescue Plan Act (ARPA)-supported infrastructure capital projects, came in $14.1 million lower than budget due to delays in completion of these capital projects.
  - Other factors include lower-than-planned program outlays mainly in social services, health, and pandemic response programs, and lower countywide cost allocation charges.
- Committed fund balance, the County's strategic reserve, increased by $3.9 million for a strategic reserve balance of $79.3 million, reaching the 10.0% of estimated FY 2022-23 general fund revenue goal set by County ordinance.
- A net increase of $53.9 million in assigned fund balance. The increase is majorly made up of the $46.0 million set aside for the pension trust from the FY 2020-21 budget surplus, but also includes a $13.5 million increase in the compensated absences balance, and $2.9 million set aside for future capital outlay, offset by a release of $9.1 million in the cannabis tax assignment and $1.3 million in the information technology charges mitigation assignment.
- Excluding non-departmental budgets, eighteen departments ended the fiscal year with a general fund contribution (GFC) surplus totaling $10.7 million. In comparison, four departments had a GFC deficit totaling $11.0 million, resulting in a net GFC deficit of $317,221.
- Pending the Board's approval of this report's recommendations, the County Administrative Office estimates ending FY 2021-22 with an unassigned fund balance of $10.0 million, of which $6.4 million is utilized in accordance with prior Board approval as a funding source in the FY 2022-23 adopted budget.

GENERAL FUND REVENUE

General fund revenue is composed of program and non-program revenue. Program revenue is designated and/or statutorily required for specific purposes while non-program revenue is discretionary. In FY 2021-22, the total revenue collected was $758.0 million. Program revenue accounted for 60% of revenue, $454.8 million. Sources of program revenue include: State and federal aid for various mandated programs such as health and social services; charges for services that are primarily fees collected by health clinics but also encompasses assessment and tax collection fees, recording and permit fees; other financing sources primarily include reimbursement from realignment funds for health, social services, and public safety programs; and revenue from the use of money and property is composed primarily of investment income from funds held in the treasury pool.

Non-program revenues of $303.2 million accounted for 40% of the general fund's revenues. These revenues, as previously indicated, are discretionary funds which are used to address local priorities, leverage federal and State monies, and to meet maintenance of effort requirements. Non-program revenue sources are primarily derived from taxes; including property taxes, TOT, cannabis taxes, sales & use taxes and franchise fees. Revenue from the use of money and property includes investment income from fund balance. ARPA revenues were also a component on this type of revenue in FY 2021-22.

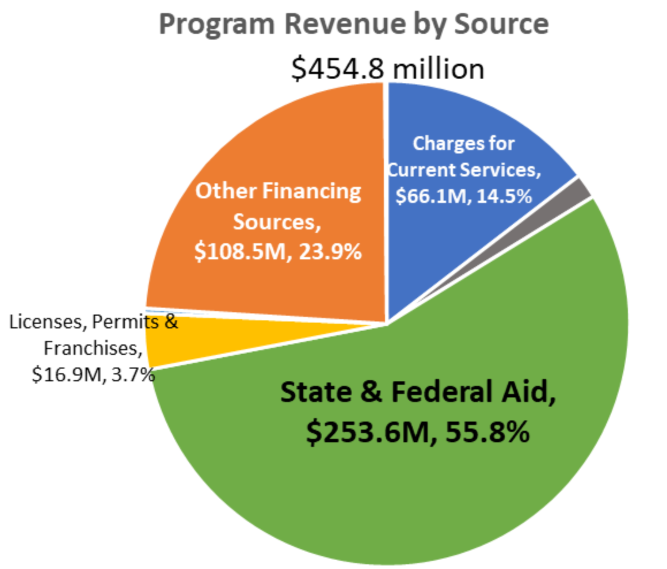


Figure 1. Other revenue sources in the chart: Fines, Forfeitures & Penalties (1.7%), Miscellaneous Revenues (0.3%), and Revenue from Use of Money & Property (.1%).

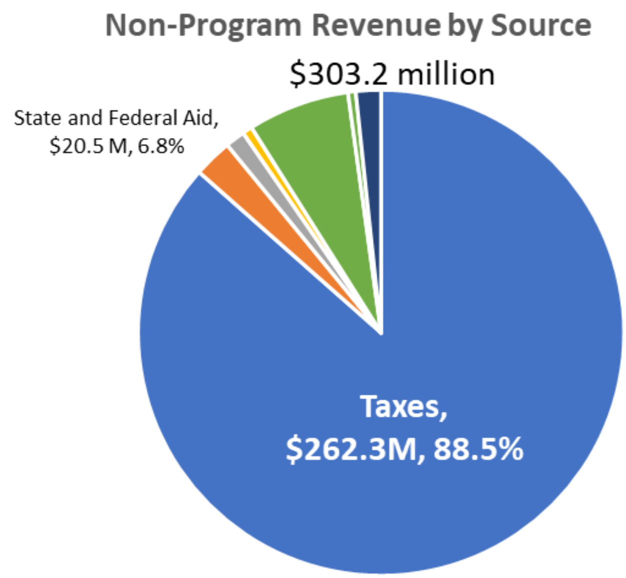
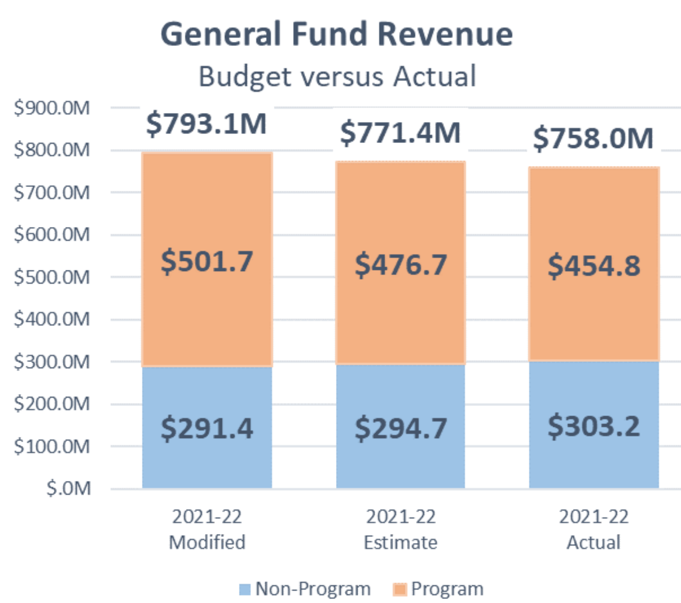


Figure 2: Other revenue sources in the chart: Licenses, Permits & Franchises (2.6%), Miscellaneous Revenues (1.7%), Fines, Forfeitures & Penalties (1.3%), Revenue from Use of Money and Property (0.7%) and Charges for Services (.05%).

ACTUALS COMPARED AGAINST THE BUDGET

Revenues of $758.0 million were $35.1 million below the final budget. Major variances included:



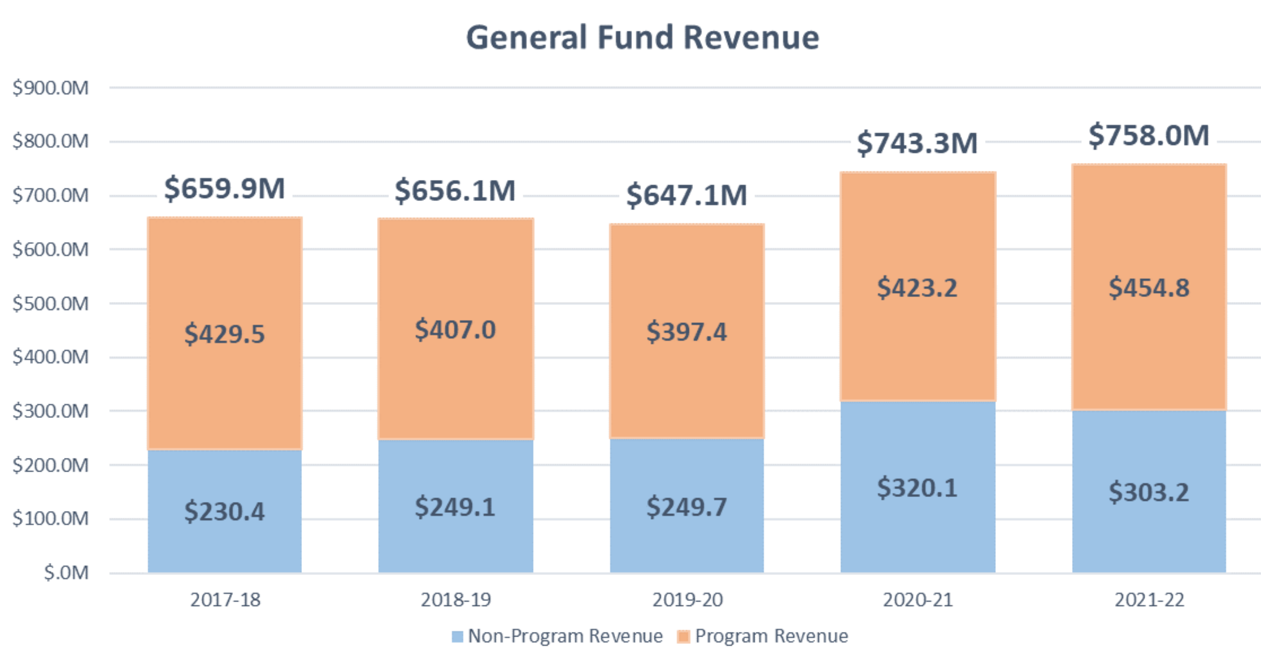
Discretionary non-program revenue exceeded the budget by $11.8 million due to higher collected taxes.

- TOT revenue was budgeted conservatively because of the pandemic at $17.7 million, but actuals of $40 million demonstrate that the local hospitality industry has weathered the pandemic and is more elastic to inflationary factors.
- Property taxes came in $6.8 million higher than budget due to the continued the growth in housing market. Sales tax revenue came in $4.3 million above budget, and franchise fees at $2.6 million.
- Cannabis tax revenue collected was $9.0 million, which is $9.8 million under budget because of lower cannabis tax rates adopted by the Board of Supervisors and continued cost pressures impacting the industry.
- Federal aid from ARPA for coronavirus local recovery aid was $20.4 million lower than budget because some ARPA-eligible expenditures were recorded in the County's capital fund and from unused allocations. More details on the year's ARPA allocated are presented later in this report.

Program revenue came in $46.9 million under budget as a result of many factors including:

- Lower reimbursable costs for public safety, health and social realignment program.
  - The Department of Social Services collected $19.3 million less than it budgeted for revenue due to lower reimbursable expenditures resulting from lower than budgeted service levels and revenue earned but not received during the accrual period.
  - The Health department received less than budgeted revenue by $12.7 million resulting from unplanned vacancies in revenue generating positions in the primary care clinics and because of grant-funded public health positions diverted to pandemic response efforts.
  - Probation's revenue was $2.0 million below budget primarily from reduced reimbursable staffing costs for Public Safety Realignment programs and lower eligible costs related to Title IV-E reimbursement. Additionally, reduced revenue was associated with the State legislated termination of criminal fee collections, effective at the beginning of the fiscal year and only partially offset by State backfill.
  - Revenues at the Sheriff-Coroner were $392,489 lower than budget due to the elimination of the Work Alternative Program revenue and the State's continued underfunding of court security.
- Delays in state and federal revenue not received during the accrual period.
  - The Social Services and Health department had delays in revenue of $8.3 million and $4.9 million, respectively, that was not received during the accrual period, mainly from State and federal aid.
  - The District Attorney collected $1.1 million less in revenue due to delayed receipts of payments from other agencies including the State.
- Public Works, Facilities & Parks actual revenue was $0.9 million lower versus budget largely from county park revenue, delays in court utilities reimbursements, and lower-than-expected State Criminal Alien Assistance Program (SCAAP) grants.
- Revenues at the Treasurer-Tax Collector were $1.3 million below budget due to a lower level of reimbursable expenditures, including the impacts of Assembly Bill 177, which vacated several court-ordered debt fees

FY 2021-22 REVENUE COMPARED TO THE PRIOR YEAR



Total revenue increased by $14.7 million compared to the prior year.

PROGRAM REVENUE

Program Revenue increased $31.6 million compared to the prior year. Year-over-year variances include:

- $18.7 million in higher Social Service program revenues largely in community programs from higher State and

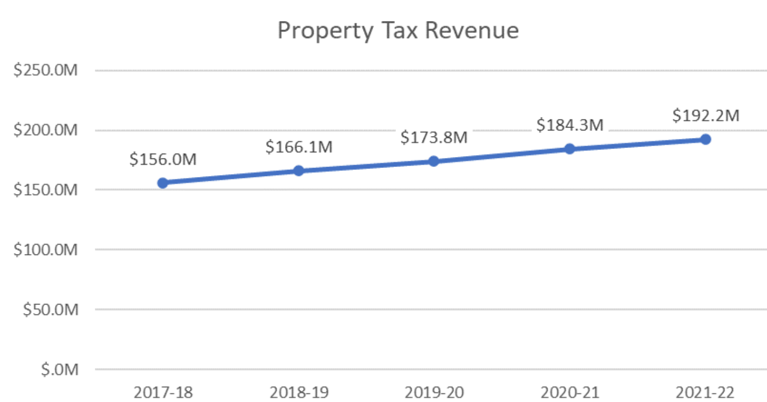
federal aid for community programs such as emergency rental assistance.
- $4.7 million in higher revenue from public safety sales tax, public safety state aid, and resource officer revenue from external agencies in the Probation and Sheriff-Coroner departments.
- $3.5 million in higher Health Department funding largely from clinic services but also funding in conservator, children medical services, animal services and public health.
- A $2.0 million contribution from Natividad and the Health Department for the purchase of the Watsonville Community Hospital by the new Pajaro Valley Health Care District.
- $1.3 million in higher District Attorney revenue from public safety sales tax, State aid and penalties and forfeitures.
- The Public Defender had $759,160 in higher revenue from indigent defense grants. $465,002 in additional statement revenue for Agricultural Commissioner programs. In addition, there was a $118,173 increase in accounting and auditing fees in the Auditor-Controller's Office and $185,182 higher civil process fees by the Treasury.
- Drops in program revenue were few with $853,948 in lower recording fees in Assessor/Clerk-Recorder, $201,933, in election services since 2021 was not a major election year.

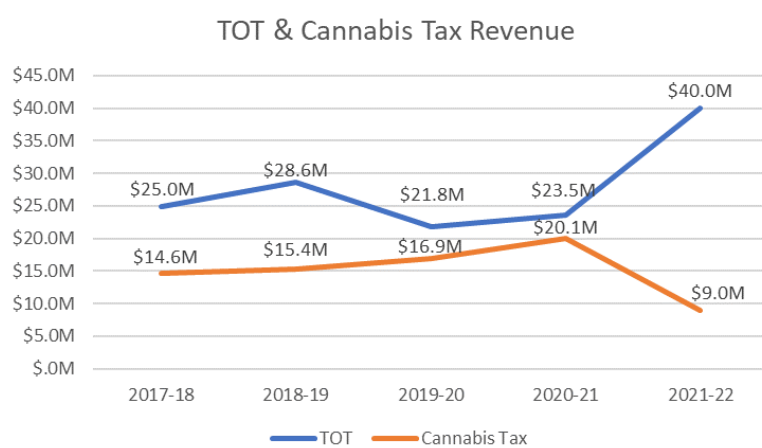
NON-PROGRAM REVENUE

Non-program revenue decreased $16.9 million over the prior year. The decrease of 5.3% is largely from lower federal aid to combat the pandemic's impacts. The decreased cannabis tax rates also created a year-to-year revenue drop. Most other non-program revenue sources increased from the prior year.

Major year-over-year variations in discretionary revenue include:

- A $33.1 million decrease in federal aid. Last year, the County received $41.4 million in CARES Act funding. This year, the County recorded $17.8 million in federal aid for discretionary pandemic aid.
- A decrease of $11.1 million in cannabis taxes, 55.1%.
- A $16.5 million increase in TOT as a result of the hearty hospitality industry. This 70.1% increase supersedes even pre-pandemic levels.
- A $7.9 million increase in property taxes due to higher assessments of real estate properties.
- A $2.3 million increase in sales & use taxes.
- A decrease of $1.3 million in investment income from lower investment earnings.





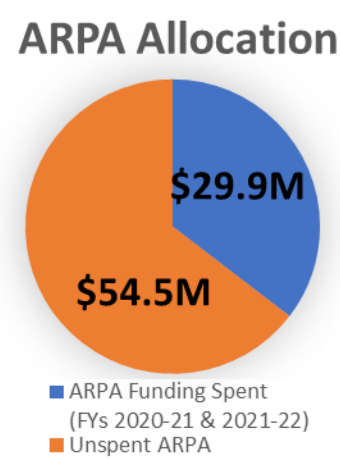
ARPA – COVID-19 PANDEMIC AID

In FY 2021-22, the County received $42.2 million, its second tranche of its ARPA's Coronavirus Local Fiscal Recovery Fund (CLFRF) allocation. The County was allocated $84.3 million over the past two years. Under CLFRC, counties received $65.1 billion in funding and was allocated based on each county's population share of the total national population. The County must use the CLFRF funds for specific purposes, including response to the COVID-19 pandemic, premium pay to eligible workers providing essential work, to back fill revenue reductions due to COVID-19, and to make necessary investments in water, sewer, or broadband infrastructure. The Board's ARPA spending plan allocated the ARPA funds over four years. The

County must utilize the ARPA funds by December 31, 2024.

Department	Fund	FY 2021-22 Allocation	FY 2021-22 Recognized	FY 2021-22 Unspent
Agricultural Commissioner	General Fund	$ 222,353	$ 222,353	$ -
Auditor-Controller	General Fund	167,200	167,200	0
CAO - Departmental	General Fund	1,299,355	571,278	728,077
CAO - Non-Departmental	General Fund	2,319,124	2,097,752	221,372
CAO - Workforce Development Board	General Fund	154,657	145,425	9,232
Civil Rights Office	General Fund	69,000	50,799	18,201
Cooperative Extension	General Fund	12,600	-	12,600
County Counsel	General Fund	107,494	107,494	-
District Attorney	General Fund	237,000	237,000	-
Emergency Communications	Fund 028	278,046	278,046	-
Health	General Fund	9,368,070	6,329,477	3,038,593
Housing and Community Development	General Fund	1,770,661	934,112	836,549
Human Resources	General Fund	704,513	349,545	354,968
Information Technology	General Fund	1,935,000	-	1,935,000
Probation	General Fund	371,012	371,012	-
Public Defender	General Fund	504,002	504,002	-
Public Works, Facilities & Parks	General Fund	3,400,727	3,400,726	1
Public Works, Facilities & Parks	Road Fund	110,000	110,000	-
Public Works, Facilities & Parks	Boronda CSD	38,993	38,993	-
Public Works, Facilities & Parks	San Jerardo CSD	166,500	35,159	131,341
Public Works, Facilities & Parks	Capital Fund	14,120,973	1,751,986	12,368,987
Sheriff	General Fund	2,906,798	2,906,798	-
Social Services	General Fund	500,000	223,822	276,178
Treasurer-Tax Collector	General Fund	62,000	61,810	190
		$ 40,826,078	**$ 20,894,789**	**$ 19,931,289**

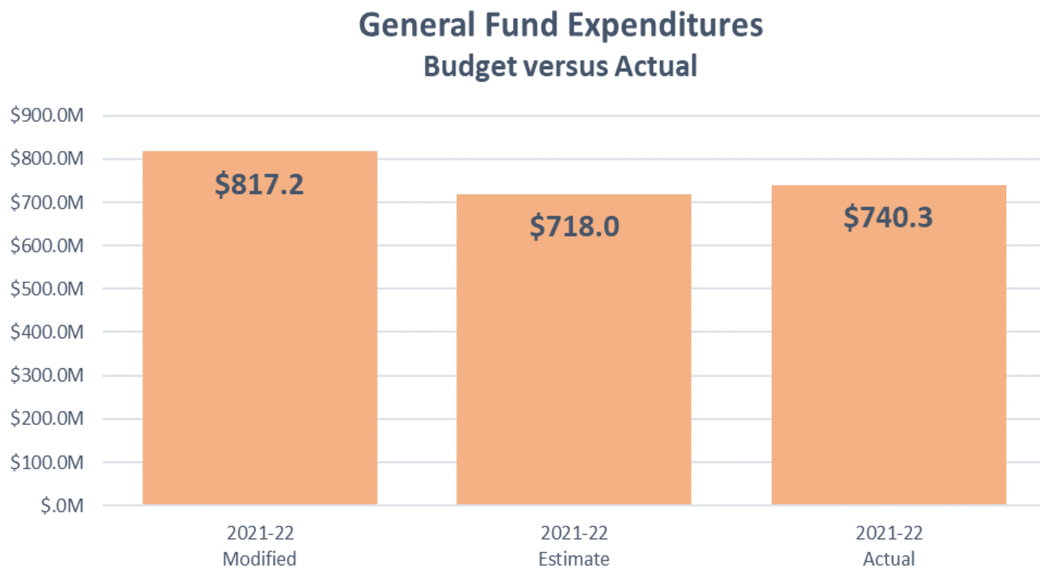
In FY 2021-22, the ARPA plan allocated $40.8 million across multiple departments. General fund departments were allocated $26.1 million, while the capital fund was allocated $14.1 million mostly for sewage and water infrastructure, and the rest of the other fund allocation going towards operating and project costs ($0.6 million).



Not all of the allocated funding was spent, and the County recognized $20.9 million in ARPA revenue in FY 2021-22. The ARPA revenue recognized in the general fund totaled $18.7 million, $7.4 million was not spent. All other funds recognized $2.2 million in revenue, not spending $12.5 million. Over the past two fiscal years the County has spent $29.9 million, 35.4%, of its $84.3 million ARPA allocation. The County estimates it will spend a majority of the unspent funds in FY 2022-23. More information the future use of ARPA allocations will be provided in the FY 2022-23 Three Year Forecast.

GENERAL FUND EXPENDITURES

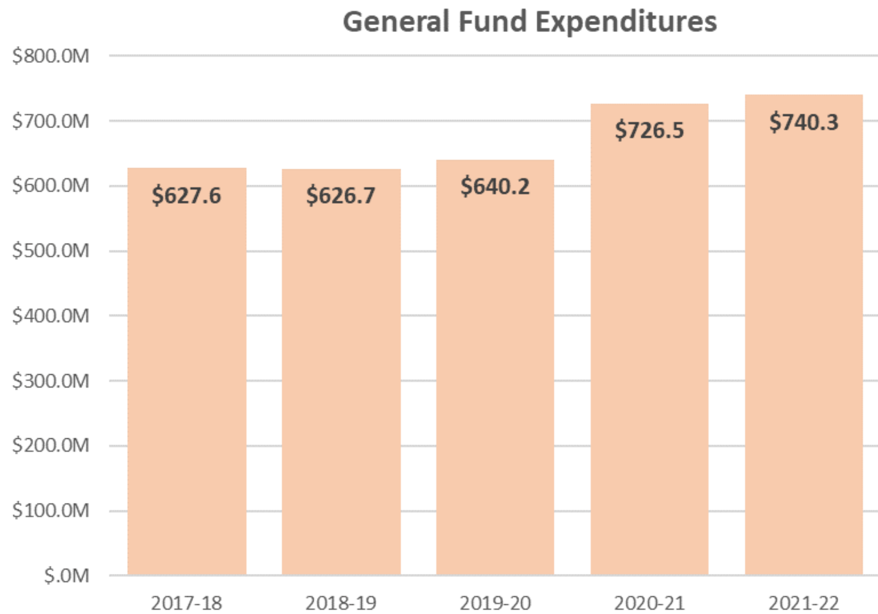
General fund expenditures were $740.3 million, $76.8 million below the final budget. As State ends the COVID-19 state of emergency, departments continue to be vigilant about expenditures. Lower expenditures are attributed to salary savings from vacant positions and lower-than budgeted pension, healthcare premium, and overtime costs, and lower operating expenditures primarily in health and social services programs, as explained below.



Key areas of unspent appropriations:

- The Health Department's expenditures were $22.3 million lower than budget due to salary savings of $10.4 million primarily due to a 21% vacancy rate attributable to separations and recruiting challenges in primary care clinics and environmental health. The Department also has unused appropriations of $11.9 million in programs such as primary care clinics and public health which were impacted by the high vacancy rates and supply chain challenges.
- Expenditures for Social Services were $20.6 million below budget. Sub-contractor delays led to $6.0 million in lower expenditures in the emergency rental assistance program. Lower expenditures pf $7.6 million resulted from the Out of Home Care program due to more guardianships and fewer children entering the system, in addition to pending validation of applications and entitlement programs. There were also lower expenditures from construction delays in the Veterans Transition Center's rehabilitation project, $3.8 million lower costs from staff vacancies due to hiring challenges, and $3.8 million in other program operating costs.
- Non-departmental County Administrative Office expenditures were $16.2 million below budget due to ARPA-funded capital projects recognized in the capital fund instead of the general fund. In addition, a significant amount of these projects' costs are rolling over to FY 2022-23 due to supply chain issues.
- The County Administrative Office has lower than budgeted expenditures of $2.9 million from salary savings, unspent Emergency Operation Center response to the pandemic, higher-than-expected interdepartmental charges for vehicle maintenance services and fuel sales, and unspent contingencies in the cannabis program.
- The Sheriff's Office expenditures were $634,410 lower than budgeted, primarily due to unused appropriations of the State's County Prison Intake program.
- The Office of the Public Defender had expenditures $483,542 below budget due to lower than anticipated trial expenses and delayed implementation of grant programs.
- The Housing and Community Development Department's expenditures were $2.4 million below budget, due to personnel vacancies and grant project delays.
- Information Technology's expenditures were $2.3 million lower than budget mostly tied to a delay in its ARPA-funded broadband infrastructure project.
- The following departments had a combined $7.7 million in unused appropriations chiefly because of salary and benefit savings from vacant positions and lower than budgeted benefit and overtime costs: Assessor-County Clerk-Recorder ($495,937), Auditor-Controller ($641,117), Child Support Services ($183,191), Civil Rights Office ($119,579), County Counsel ($379,745), District Attorney ($1.3 million), Human Resources ($221,229), Probation ($1.6 million), Public Works, Facilities & Parks ($1.3 million), and Treasurer-Tax Collector ($1.5 million).

Expenditures grew $13.8 million higher than the prior year. Overall operating and personnel costs grew by $37.9 million from the prior year. Those expenditures were offset by $36.9 million in lower transfers to other county funds, in addition to an increase of $12.8 million in countywide cost allocation (COWCAP) expenditures from a change in accounting where the building depreciation credit is recorded.



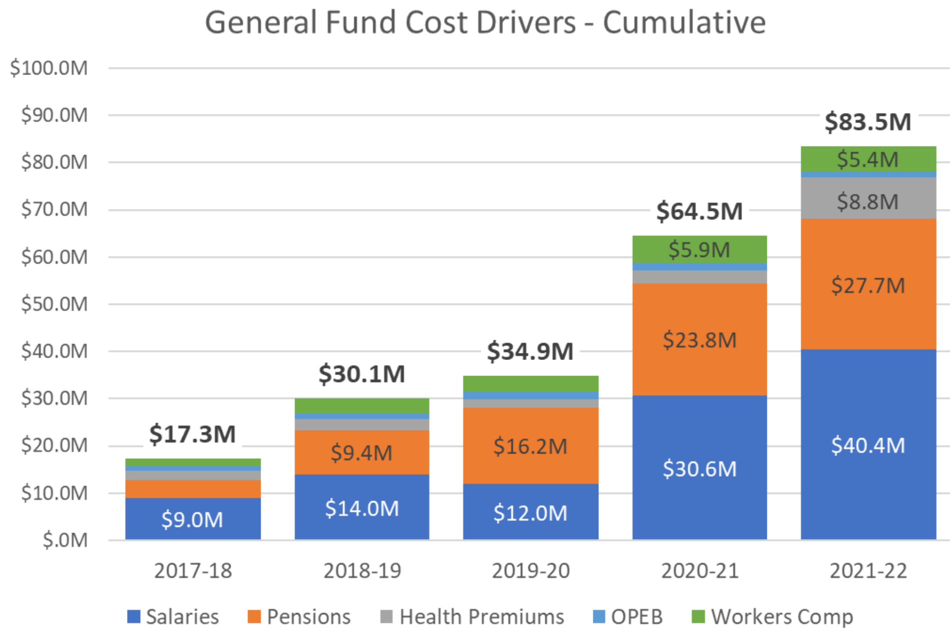
The year-over-year growth for personnel cost was $20.0 million. The general fund adopted positions in FY 2021-22 increased by 11 FTE, but higher costs in rising wages and retirement benefit costs impacted the general fund. More details on cost drivers relating to personnel costs are described in the Cost Drivers section.

Aside from rising personnel costs, other expenditures variances include:

- $36.9 million in lower transfers out to other funds primarily due to one-time transfers occurring in the prior year.
    - $41.3 million in lower transfers out of the County Administrative Office due to lower transfers going out to internal service fund (ISF) programs such as building improvement and replacement, vehicle replacement, and general liability.
    - The Assessor-County Clerk-Recorder transferred $2.4 million to its special revenue fund more funds going towards electronic recording systems and vital records. The Health Department transferred $2.1 million towards its capital project costs.
- A $12.8 million increase in COWCAP costs compared to the prior year, due to a lower COWCAP credit mostly as a result of the Building Improvement and Replacement credit moving from the general fund to the resource planning ISF.
- The County Administrate Office had $12.6 million in lower expenditures due to reduced expenditures in the Emergency Operations Center's pandemic response.
- An increase in insurance costs of $7.9 million, largely from non-recoverable general liability insurance costs since departments did not contribute to the program in FY 2020-21 as a result of the program's suspension to help with a tight budget year.
- The Health Department's operating expenditures increased $2.1 million over the prior year largely from additional operating costs in primary care clinics.
- The Social Services Department saw operating costs increase over the prior year of $19.4 million due to increased costs in community programs like emergency rental assistance, In Home Support Services, and Area Agency on Aging program of $26.8 million offset by lower operating costs of $7.4 million in CalWORKs, General Assistance, and Out of Home Care programs.
- A decrease in the Sheriff's operating costs of $1.9 million due to a decrease in COVID-19 response and equipment costs in jail and patrol operations.
- Probation saw an increase of $830,665 in operating costs largely in its adult probation programs.

GENERAL FUND COST DRIVERS

The chart below reflects the major cost drivers impacting expenditures on a cumulative basis. Over the past five years, these cost drivers have grown by $83.5 million, $19.0 million in FY 2021-22 alone. During that same period, the general fund adopted FTEs decreased by 106 FTE from 3,474 FTE to 3,368 FTE.



Salaries are the biggest cost driver, growing $40.4 million over the last five years due to wage and step increases. Pension contribution costs have grown $27.7 million cumulatively over this time, including a $3.9 million increase in FY 2021-22. Healthcare premium costs have grown by $8.8 million. Benefit costs account for an increasing share of the employee compensation package. In FY 2021-22, retirement benefits, healthcare premiums and other premiums, and other post-employment benefits (OPEB) totaled 37.9% of total salary and benefits compared to 34.8% five years ago.

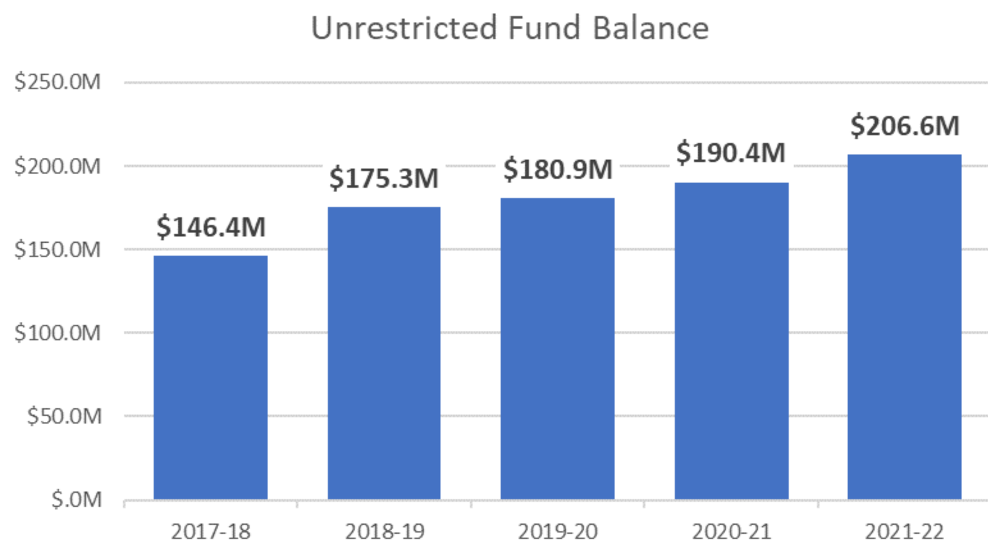
Salary costs increased $9.8 million over the prior year, largely due to higher wages. Higher salary costs are associated with wage increases based on approved MOUs, which provided employees in most bargaining units a 2.0% base wage increase in FY 2021-22. Over the past five years, the general fund has absorbed an average annual increase of $8.1 million in salary costs.

Contributions to CalPERS for employee pensions increased $3.9 million over the prior year. CalPERS implemented changes in actuarial methodology to accelerate payment towards agencies' unfunded liability and updated demographic assumptions as members continue to live longer and have higher salaries than previously estimated, thus resulting in higher lifetime benefits. Additionally, the CalPERS actuarial studies are assuming a lower discount rate, which will increase current and future contributions.

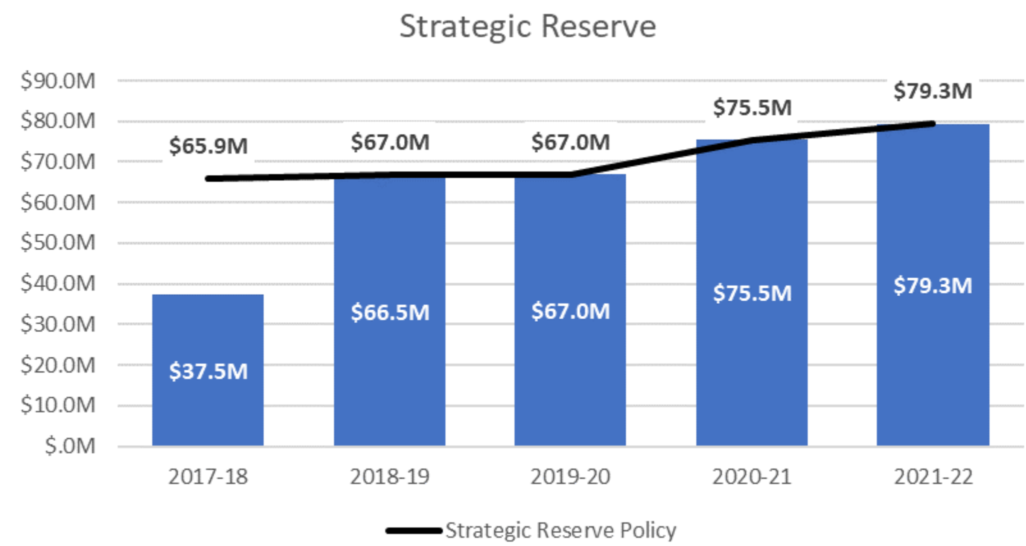
Contributions to healthcare premiums increased by $4.4 million over the prior year. Premiums costs have increased by a $1.8 million annual average over the past five years; however, FY 2021-22 costs grew by $8.8 million from the prior year. This was a result of various factors, including health premium increases, the phase out of more affordable plans by CalPERS, and a higher County share of cost per negotiated labor agreements. The latter is projected to also affect health benefit costs in FY 2022-23 which could see similar cost growth as in FY 2022-23. Therefore, it is imperative to develop strategies to minimize the impacts these costs will have in the County's finances going forward. If the current negotiated labor agreements structure is maintained, the County could see some cost pressure relief in this area. OPEB and workers' compensation costs also increased $2.4 million over the prior year.

FUND BALANCE – PLANNING FOR FUTURE INVESTMENTS AND RISKS

Since the Great Recession, the Board has strengthened financial policies to restore the balance between ongoing revenues and expenditures, ending the practice of using one-time gains in fund balance to finance ongoing operations. The County continues to invest year-end surpluses in its strategic reserve and other key investments such as funding vital capital projects and reducing pension liabilities. Having robust financial policies and prudent management allows the County to utilize reserves for emergencies, such as actions taken by the Board to mitigate the impact of the pandemic last year. Fortunately, federal aid such as ARPA funds have reduced the reliance on fund balance to fund critical programs. The unrestricted fund balance has grown from $146.4 million in FY 2017-18 to an estimated $206.6 million at the end of FY 2021-22. Unrestricted fund balance is referred to as the portion of the total fund balance that is not reserved for any specific use. An unrestricted fund balance that is available in the general fund is viewed by the rating agencies, as well as finance professionals, as an indicator of the financial health of the County.



A significant component of the unrestricted fund balance is the strategic reserve, which was established to fund unforeseen crises or changes in fiscal conditions, including: short-term revenue reductions due to economic downturns; legal judgments against the County in excess of reserves normally designated for litigation; declared natural disasters; one-time State budget reductions that could not be addressed through the annual appropriations for contingencies; and regional emergencies. After another year of favorable fiscal management, $3.9 million was added to the strategic reserve, increasing the balance from $75.5 million to $79.3 million. The strategic reserve balance is currently at 10.0% of general fund estimated revenues, maintaining the 10% policy target prudently set by your Board. Also, by Board policy, Natividad holds $25.0 million of its own funds in the strategic reserve, for a total strategic reserve of $104.3 million. Maintaining adequate reserves through robust management of the County's resources, including adherence to strong financial policies and practices, has allowed the County to retain a AAA rating from the credit rating agency Standard & Poor's and an AA+ from Fitch, who recently evaluated and held their ratings.



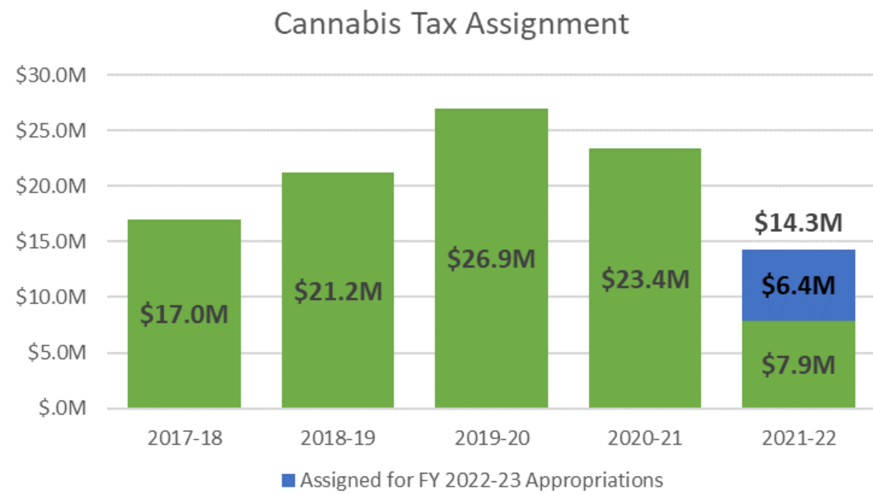
In this year there were other changes to unrestricted fund balances, both in unassigned and assigned fund balances. Some changes to assigned fund balanced were approved by the Board at the presentation of last year's BEYR and others arise from the budget surplus. The general capital assignment increased by $1.1 million from the Elections Department's prior year budget surplus. The general fund contingency assignment increased by $385,224 to reach the 1.0% of general fund estimated revenues at $7.9 million, maintaining the policy target set by the Board. The compensated absences assignment was repleted with $9.5 million. The information technology charges mitigation assignment decreased by $1.3 million since it was a funding source for various IT capital projects. There were also changes in the cannabis tax assignment that are discussed in detail below. The pension trust assignment increased by $30.6 million funded from the prior year budget surplus.

The County Administrative Office also recommends the Board approves other changes to assigned fund balance in FY 2022-23 based on the general fund's FY 2021-22 surplus. The proposed additions to assigned fund balance include $1.7 million to the general capital assignment for capital and equipment acquisition for the Elections and Agricultural Commissioner departments, $4.0 million to further increase the compensated absences assignment to reduce the leave accrual liability, $783,450 in excess proposition 172 revenues to harbor potential revenue stabilizations in the future, $432,681 in the capital project assignment for CAO sustainability projects and the COVID-19 memorial, and $15.4 million in additional funding for the pension trust fund to go towards an a contribution in the County's pension trust established by the Board last fiscal year.

Cannabis Tax Assignment

Over the past five years, the cannabis tax assignment served as a vital County reserve. The assignment funded pandemic aid programs, capital projects, and other one-time allocations to external agencies. The Board took various actions over the past three years to reduce cultivation and retail/distribution rates, as well as escalating rates annually.

End of year cannabis tax surpluses would fund additions to the assignment, offset by cannabis program costs and other one-time allocations. Starting in FY 2020-21, the total estimated cannabis tax revenue was allocated to the cannabis program and other general fund departments as part of the annual general fund contribution allocated to departments from non-program revenue. Due to the change in the cannabis tax rates and ongoing use of the assignment as a funding source, the FY 2021-22 assignment decreased by a second year in a row.



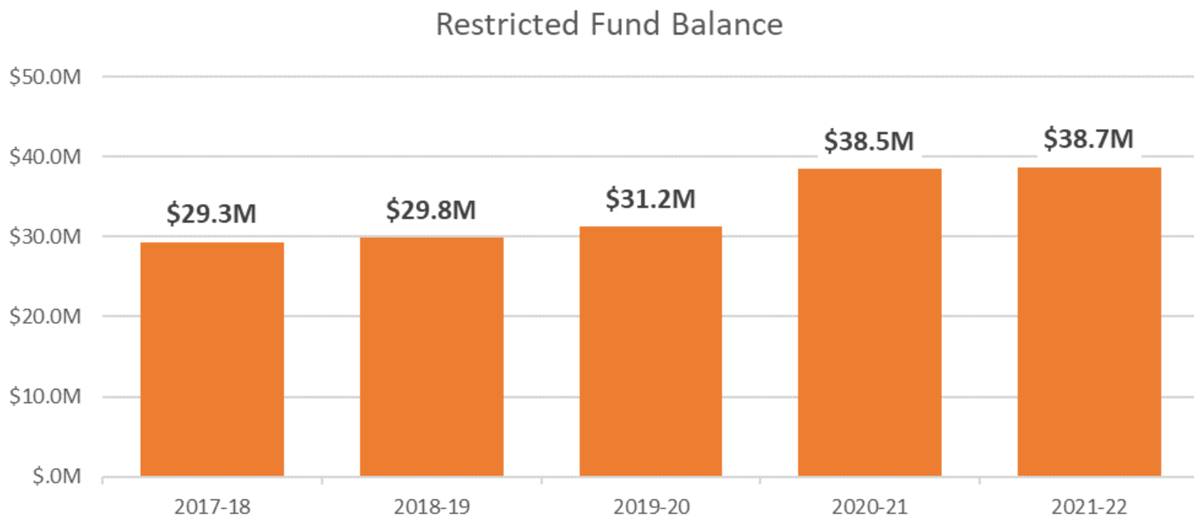
The cannabis tax assignment began the year with a balance of $23.4 million. The FY 2021-22 adopted budget included $2.7 million in cannabis funds for Water Resource Agency and Sheriff one-time costs. The Board allocated $11.0 million in assignment funds during the fiscal year, with an actual usage of $10.2 million. The assignment funded allocations that included $5.2 million towards Laguna Seca capital projects, $2.9 million towards pandemic programs through the Emergency Operations Center (OES), and $1.0 million towards the establishment of Pajaro Valley Healthcare District.

On April 23, 2022, the Board authorized a $3.0 million temporary zero-interest loan to the Laguna Seca Recreational Area to fund a portion of the Laguna Seca start/finish bridge and track resurfacing projects. The Board authorized loan repayment from TOT growth. As a result of the favorable TOT revenue in FY 2021-22, the loan was repaid this fiscal year, thus increasing the cannabis tax assignment. In addition, OES received $747,332 in FEMA reimbursements for pandemic response expenditures. Per Board direction, these funds reimbursed prior allocation of the assignment. The cannabis tax assignment is expected to have a starting FY 2022-23 balance of $14.3 million. However, as part of the FY 2022-23 budget process, $6.4 million in cannabis tax assignment monies were allocated, leaving an available fund balance of $7.9 million.

Cannabis Tax Assignment		
FY 2021-22 Beginning Cannabis Tax Assignment Balance		**$23,421,332**
Use of Assignment	Assigned as Fund Source in FY 2021-22 Adopted Budget	(2,682,715)
	Mid-Year Board-Approved Releases of Assignment	(10,189,268)
Additions to Assignment	Repayment of the Laguna Seca Capital Projects Loan - TOT	3,000,000
	FEMA reimbursements for programs funded with Assignment	747,332
FY 2021-22 Estimated Ending Cannabis Tax Assignment Balance		**$14,296,681**
Use of Assignment	Assigned as Fund Source in FY 2022-23 Adopted Budget	(6,374,656)
FY 2022-23 Estimated Beginning Cannabis Tax Assignment Balance		**$ 7,922,025**

RESTRICED FUND BALANCE

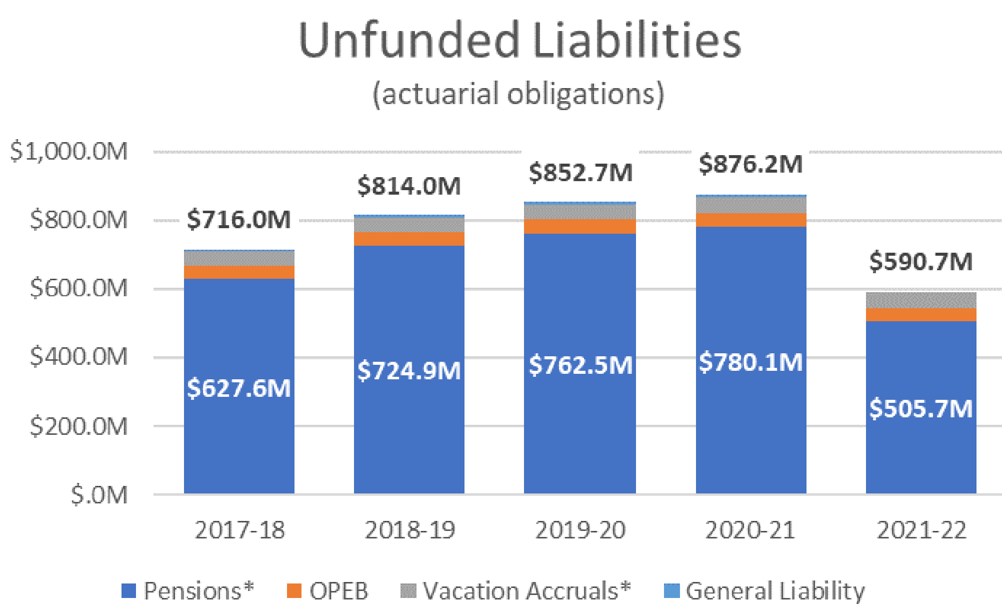
Restricted fund balance refers to funds constrained to specific purposes by their providers (such as grantors and external government agencies) through constitutional provisions or by legislation. Non-spendable fund balance are funds that are not in a spendable form (such as inventory). The estimated FY 2021-22 restricted fund balance is $38.7 a minor increase of $0.2 million over the prior year. Funding for Health Department programs of $21.5 million makes up the majority of the restricted fund balance.



Changes in restricted fund balance include:
- $2.4 million released by the Assessor-County Clerk-Recorder to be transferred to their special revenue fund.
- $553,737 added by the Public Defender for unspent funds dedicated for indigent defense.
- $265,120 restricted by the Information Technology for funding limited for use of public meeting broadcasting.
- $1.6 million restricted by the Health Department for potential obligations of FY 2021-22 Managed Care reconciliation to the State and lead paint settlement revenue.
- $289,673 restricted by Social Services for the child care assistance program.

UNFUNDED LIABILITIES

The County incurs actuarily-determined accrued liabilities for employee benefits, its workers compensation and general liability programs. The unfunded liability is the amount, at any given time, by which future obligations exceed the present value of assets available to pay them. Major County's long-term obligations include CalPERS' pension obligations, OPEB (State-mandated premium for retiree health insurance), vacation accruals, workers' compensation, and the general liability self-insured program. The County's unfunded liabilities total $590.7 million, a significant decrease of $285.5 million from the prior year.



*: includes the $15.4 million recommended contribution towards the Section 115 pension trust and the $13.5 million recommended addition to the compensated absences assignment.

Unfunded employee pension benefits are the largest liability at $505.7 million. The County's pension plans provide defined retirement, disability, and death benefits to eligible employees. According to the latest actuarial dated July 2022, the County's total liability is $3.2 billion, with assets of $2.6 billion, resulting in an unfunded liability of $568.3 million. That is a $250.5 million decrease over the prior year. The increase was larger for the miscellaneous plan at 35.4% versus the safety plan of 21.3%. The large decrease in liability resulted from a growth in the County's assets due to a FY 2020-21 CalPERS investment return of 21%. However, the CalPERS FY 2021-22 preliminary next returns swung down 27% from the prior year to a negative 6%. The last two years have shown just how volatile CalPERS investment returns can be. The 2016 changes in the discount rate and investment assumptions adopted by the CalPERS Board also continued to impact the County, and its impacts will continue to at least FY 2024-25. Representatives at Public Agency Retirement Services (PARS) estimate that the County's pension liability will likely return to the FY 2020-21 levels as a result of this past year's investment returns.

This level of volatility pinpoints the importance for the County to continue addressing this large unfunded liability. Accordingly, the Board adopted a pension liability policy last year and established an IRS Section 115 pension trust. The trust serves as an investment vehicle outside of the County's treasury pool to generate investment proceeds to address future pension lability obligations. As of October 2022, the pension trust holds $62.7 million in assets which helps reduce the total pension liability to $505.7 million. The County Administrative Office recommend that the Board assign $15.4 million from the FY 2021-22 budget surplus to the pension trust assignment to further contribute to the trust and continue to reduce the pension liability. Starting in FY 2022-23, the County began including supplemental pension unfunded liability contribution to the pension trust by allocating these costs to departments as a percentage of their normal pension costs. This is a further step the County is taking to reduce this liability, per the pension liability policy.

The unfunded liability for Other Post-Employment Benefits (OPEB) decreased $2.3 million to $36.4 million. The County participates in the California Employers' Retiree Benefit Trust (CERBT) to provide a low cost, professionally managed investment vehicle for pre-funding other post-employment benefits. The County's total liability is $95.9 million, with assets of $59.4 million, resulting in an unfunded liability of $36.4 million. The County makes regular contributions to CERBT based on actuarial valuations obtained every two years. Over the past two years, the OPEB funded ratio increased from 50.8% to 62.0%.

The unfunded portion of vacation accruals totals $50.3 million, a $1.8 million increase over the prior year, representing the amount owed to employees for compensated time earned but not used. When an employee separates from the County, the employee is due their vacation accruals. The total leave accrual liability is $63.8 million. The County Administrative Office recommends setting aside $13.5 million towards this obligation, which would leave an unfunded liability of $50.3 million.

Although the total unfunded liabilities decreased, they continue to place cost pressures on the County's operational capacity and annual budget. It is estimated that the liability will increase next year due to the CalPERS poorly performing investment returns. The ongoing cost for pensions continues to absorb a greater portion of the budget as contributions increase to reduce the unfunded liability. To minimize adverse impacts, it is important to address unfunded liabilities through prudent financial planning and adjust the County's operating plan accordingly to maintain structural balance and meet future commitments. The contributions towards the pension trust and the ongoing funding of the OPEB trust and compensated absences assignment are some of the steps the County has taken to address these long-term liabilities.

LOOKING AHEAD

After weathering the Great Recession, the County's Board of Supervisors seized opportunities from the economic expansion to institutionalize a fiscally conservative culture and best-practice financial policies, adopt structurally balanced annual budgets without the use of one-time funds for operating needs, and significantly increase reserves. The expansion went on for ten years but ended because of the COVID-19 pandemic. However, the Board's financial policies set proper reserves and realistic budgets that allowed the County to expand services to the community members most in need without impacting service levels in other areas nor eliminated positions. As the state of the emergency created by the pandemic eases, the nation faces other challenges such as supply chain issues and growing inflation. These factors played a large factor on operations and a low unemployment rate adds recruitment and wage pressures to the County. The County has weathered these times thanks to a strong fiscal management and federal and State relief such as ARPA. The County continues to provide sustained service levels while maintaining a culture of conservative financial management. Avoiding ongoing commitment of "peak" revenues, building reserves, and paying down unfunded liabilities is essential to preserving sustainable service levels into the future and to continue to address the impacts of the economy, especially as fears of recession arise from the Federal Reserve's attempt to curtail ballooning inflation.

Looking ahead to FY 2023-24. the County will still face cost pressures such as increasing wages and benefits, but with little left in pandemic federal aid. Cost pressures include pending labor negotiations with bargaining groups, which will further pressure the general fund to incur personnel cost increases resulting from increases to base level wages. The County will no longer have significant cannabis tax revenue or cannabis tax assignment funds to count on when contingency reserves run low. Even if solid growth in discretionary revenue continues, it would not be enough to cover these increased costs. Only growth in current revenue sources will be available to address the increasing cost pressures that will influence the next budget season.

SUMMARY OF RECOMMENDATIONS

Based on the FY 2021-22 general fund performance, the County Administrative Office recommends the following actions in FY 2022-23:

1. Designate $3,980,683 to the compensated absences assignment.
2. Designate $400,000 to the capital project assignment for the Sustainability Program's solar and battery capital projects.
3. Designate $783,450 to the revenue stabilization assignment from surplus Proposition 172 revenue.
4. Designate $80,000 to the general capital assignment for survey software outlay.
5. Designate $493,237 to the general capital assignment for future Agricultural Commissioner capital project outlay.
6. Designate $1,134,579 to the general capital assignment for Elections equipment.
7. An appropriation increase in the capital fund of $32,681, that will be financed by a recommended designation of $32,681 to the capital project assignment for the COVID-19 memorial from surplus in the Board of Supervisors' budget.
8. A $6,000 appropriation increase in the Clerk of the Board's budget to cover all expenses for framed Board resolutions and to enhance certificates for Board resolutions per Board Referral No. 2022.21 financed by unassigned fund balance.
9. A $15,000 appropriation increase in the County Administrative Office budget for department head training financed by unassigned fund balance.
10. A $250,000 appropriation and revenue increase in the Pension Liability Fund to account for trust and investment management expenditures.

DEPARTMENTAL BUDGET PERFORMANCE

The annual budget approved by the Board of Supervisors is the County's central financial planning document embodying the annual goals, objectives, priorities, and levels of service and associated operating revenue and expenditures for all departments and agencies under the Board's authority. With its adoption, the Board establishes a relationship between expenditures and revenues through which departments are expected to operate. Department heads are responsible for managing their budgets within the total appropriation of their department. As established in the Board's general financial policies, expenditures shall not exceed appropriations and allocated discretionary general fund contributions (GFC). If revenues fall short, departments must take all available actions to re-establish a balance between revenue and expenditures, including developing service alternatives and mitigation strategies.

In FY 2021-22, County programs, services, and administrative functions were provided through twenty-five departments. Twenty-two of these departments receive funding from the general fund. Departments and major funds supported outside the general fund include the Road Fund, Monterey County Free Libraries, Behavioral Health, Emergency Communications, Natividad Medical Center, Parks – Lake & Resort, and Laguna Seca Recreational Area.

Unaudited year-end results indicate eighteen general fund departments ended the fiscal year below budgeted GFC, and four exceeded their budgeted GFC. Some of these departments had larger GFC deficits as a result of unspent ARPA funds. The combined surpluses and deficits resulted in an overall $410,856 in GFC savings. Overall, FY 2021-22 GFC performance is favorable in comparison to budgeted amounts. The table below summarizes year-end GFC results by department compared to the final budget, including budget modifications.

General Fund Departments	General Fund Contributions (GFC):			GFC Under/(Over) Budget:	
	Final Budget	Year-End Estimate	Actual	Estimate to Actual	Budget to (Adjusted) Actual
Agricultural Commissioner	$4,594,414	$4,799,226	$4,001,781	$797,445	$592,633
Assessor-County Clerk-Recorder	5,746,157	5,321,082	5,432,447	(111,365)	313,710
Auditor-Controller (Departmental)	1,104,215	310,787	244,984	65,803	859,231
Board of Supervisors	4,410,985	4,359,148	4,378,304	(19,156)	32,681
Child Support Services	186,657	101,411	3,466	97,945	183,191
Civil Rights Office	77,778	92,710	(41,801)	134,511	119,579
Clerk of the Board	921,820	910,278	893,081	17,197	28,739
Cooperative Extension Service	482,246	479,743	418,570	61,173	63,676
County Administrative Office (Departmental)	10,890,518	8,311,917	8,726,976	(415,059)	2,163,541
County Counsel	2,424,719	2,766,140	1,920,231	845,909	504,488
District Attorney	20,527,412	22,247,868	20,311,782	1,936,086	215,630
Elections	4,216,525	3,208,714	3,081,946	126,768	1,134,579
Health	24,451,703	26,907,432	27,059,849	(152,417)	(2,608,146)
Human Resources	1,017,520	878,984	1,151,259	(272,275)	(133,739)
Information Technology	(4,760,859)	(4,465,338)	(5,649,038)	1,183,700	888,179
Probation	25,272,501	25,254,968	25,431,389	(176,421)	(158,888)
Public Defender	14,651,415	14,273,235	14,503,507	(230,272)	147,908
Housing and Community Development	8,583,140	8,150,120	6,350,601	1,799,519	2,232,539
Public Works, Facilities & Parks	16,896,283	16,125,466	16,027,549	97,917	868,734
Sheriff-Coroner	84,284,393	86,371,874	84,124,734	2,247,140	159,659
Social Services	20,285,570	21,279,225	28,427,873	(7,148,648)	(8,142,303)
Treasurer-Tax Collector	1,395,499	1,444,836	1,178,342	266,494	217,157
General Fund Department Totals [1]	**$247,660,610**	**$249,129,826**	**$247,977,831**	**$1,151,995**	**($317,221)**

[1] Excludes countywide, non-operational functions including: the appropriations for contingencies; contributions, transfers and obligations to other agencies; trial court obligations; debt service; memberships in regional organizations; health realignment maintenance-of-effort; vehicle asset management, and the County's non-program (i.e. discretionary) revenue.

BREAKDOWN BY GENERAL FUND DEPARTMENT PERFORMANCE AND FINANCIAL CONDITION OF OTHER MAJOR FUNDS.

Agricultural Commissioner

	Final Budget	Year-End Estimate	2021-22 Actual
Expenditures	$12,980,504	$12,461,904	$12,969,073
Revenues	8,386,090	7,662,678	8,967,293
GFC (Exp. - Rev.)	4,594,414	4,799,226	4,001,781
GFC Final Budget versus Actual:		Surplus	592,633
Unspent ARPA			-
Adjusted Financial Result:		Surplus	592,633

- The Agricultural Commissioner's year-end results includes $13.0 million in expenditures offset by $9.0 million in revenues and a General Fund contribution (GFC) of $4.0 million.
- Expenditures are under budget by $11,431 due to planned delays in services and supply procurement. Revenues were $581,203 higher than budget due primarily to unexpected revenue from mill and unclaimed gas tax payments for the Department's agricultural services. Due to expenditure management and revenue collected, the Department ended with a surplus of $592,633.
- If the recommendations in the BEYR are approved by the Board, $493,237 of the surplus will be assigned for future construction and improvements of a property located at 1011 Broadway St, King City which will be partially occupied by the Ag Commissioner.

Assessor-County Clerk-Recorder

	Final Budget	Year-End Estimate	2021-22 Actual
Expenditures	$12,563,100	$10,158,632	$12,067,163
Revenues	4,454,541	4,837,550	4,272,315
Use of Restricted FB	2,362,402	-	2,362,402
GFC (Exp. - Rev.)	5,746,157	5,321,082	5,432,447
GFC Final Budget versus Actual:		Surplus	313,710
Unspent ARPA			-
Adjusted Financial Result:		Surplus	313,710

- Actual year-end expenditures are $12.1 million, which are $495,937 below budget due to salary and benefit savings from vacant positions in the Assessor's Office and reduced expenditures for various services and supplies in both the Assessor and County Clerk/Recorder offices.
- Revenue of $4.3 million is $182,226 below budget due to a decrease in recordings brought on by the increase in mortgage interest rates.
- In compliance with GASB 33, and as requested by the Auditor-Controller, the Department transferred $2,362,402 of restricted revenue for modernization, micrographics, vital record, and electronic recording delivery system expenses to the County Clerk/Recorders Fund 027.
- The Assessor-County Clerk-Recorder ended FY 2021-22 with a surplus of $313,710.

Auditor-Controller (Departmental)

	Final Budget	Year-End Estimate	2021-22 Actual
Expenditures	$1,618,868	$839,869	$977,751
Revenues	514,653	529,082	732,768
GFC (Exp. - Rev.)	1,104,215	310,787	244,984
GFC Final Budget versus Actual:		Surplus	859,231
Unspent ARPA			0
Adjusted Financial Result:		Surplus	859,231

- The Auditor-Controller departmental operations ended with a surplus of $859,231 primarily due to savings from position vacancies occurring throughout the year. Expenditures were $641,117 lower than the budget, while revenues were $218,115 higher than the budget.
- Expenditures of $977,751 were derived from $6.4 million of operational expenditures offset by a COWCAP credit of $5.4 million.

Auditor-Controller (Non-Departmental)

	Final Budget	Year-End Estimate	2021-22 Actual
Expenditures	$ 52,684	$ 52,684	$ (6,830)
Revenues	-	-	-
GFC (Exp. - Rev.)	52,684	52,684	(6,830)
GFC Final Budget versus Actual:		Surplus	59,514

- Non-Departmental units administered by the Auditor-Controller's budget provide for functions that meet a countywide need or responsibility.
- Expenditures of -$6,830 were derived from $60,221 of operational expenditures offset by COWCAP credit of $67,051.
- Year-end actuals reflect a surplus of $59,514 due to lower-than-budgeted audit costs.

Board of Supervisors

	Final Budget	Year-End Estimate	2021-22 Actual
Expenditures	$4,410,985	$4,359,148	$4,378,314
Revenues	-	-	10
GFC (Exp. - Rev.)	4,410,985	4,359,148	4,378,304
GFC Final Budget versus Actual:		Surplus	32,681

- The Board of Supervisors budget funds the five individual district offices and an operational unit for general Board expenditures.
- The Board ended the fiscal year with a surplus of $32,681 due to conservative spending on various services and supplies. It is recommended that in FY 2022-23 $32,681 be placed in an assignment for the COVID-19 Memorial Project.

Child Support Services

	Final Budget	Year-End Estimate	2021-22 Actual
Expenditures	$11,414,946	$11,113,007	$11,095,444
Revenues	11,228,289	11,011,596	11,091,978
GFC (Exp. - Rev.)	186,657	101,411	3,466
GFC Final Budget versus Actual:		Surplus	183,191

- The Department of Child Support Services is funded entirely through State and federal subventions. The Department's expenditures were $319,502 lower than budget due to salary savings for a couple of positions, while revenues were $136,311 under budget, resulting in a surplus of $183,191.

Civil Rights Office

	Final Budget	Year-End Estimate	2021-22 Actual
Expenditures	$ 77,778	$ 92,710	$ (60,001)
Revenues	-	-	-
GFC (Exp. - Rev.)	77,778	92,710	(60,001)
GFC Final Budget versus Actual:		Surplus	137,779
Unspent ARPA			18,201
Adjusted Financial Result:		Surplus	119,579

- The Civil Rights Office (CRO) had operational expenditures of $829,745, or $137,779 below budget, which were more than fully offset by a COWCAP credit of $889,746.
- CRO ended the fiscal year-with a surplus of $119,579 mainly due to salary savings from a vacant Senior Equal Opportunity Analyst position at the end of the fiscal year. The hiring process required reclassifying an existing position to capture the specialized knowledge, skills, and abilities in equity work, which posed a challenge that caused a delay in filling.
- In addition, because of competing priorities in the organization and the Senior Equal Opportunity Analyst vacancy, the CRO could not carry out $18,201 in ARPA-funded projects. Since the year's closing, the CRO has filled the position and anticipates using unspent rolled-over ARPA funds (as approved by the Board) to continue the development of Equal Opportunity Plan Implementation and Title VI & Title VII Training support for federal requirements.

Clerk of the Board

	Final Budget	Year-End Estimate	2021-22 Actual
Expenditures	$941,820	$930,278	$916,246
Revenues	20,000	20,000	23,166
GFC (Exp. - Rev.)	921,820	910,278	893,081
GFC Final Budget versus Actual:		Surplus	28,739

- The Clerk of the Board ended the year with a surplus of $28,739 due to salary savings from vacancies and a decrease in publication notices.

Cooperative Extension Services

	Final Budget	Year-End Estimate	2021-22 Actual
Expenditures	$509,538	$507,035	$405,970
Revenues	27,292	27,292	-
GFC (Exp. - Rev.)	482,246	479,743	405,970
GFC Final Budget versus Actual:		Surplus	76,276
Unspent ARPA			12,600
Adjusted Financial Result:		Surplus	63,676

- The Department ended the year with a surplus of $63,676 due to salary savings from a secretary position and lower vehicle costs.

County Administrative Office - Departmental

	Final Budget	Year-End Estimate	2021-22 Actual
Expenditures	$11,987,158	$9,341,544	$9,076,936
Revenues	1,044,586	1,029,627	1,025,982
Use of Restricted FB	52,055	-	52,055
GFC (Exp. - Rev.)	10,890,518	8,311,917	7,998,899
GFC Final Budget versus Actual:		Surplus	2,891,618
Unspent ARPA			728,077
Adjusted Financial Result:		Surplus	2,163,541

The County Administrative Office (CAO) Departmental includes the business areas of Finance and Administration, Budget and Analysis, Contracts/Purchasing, Fleet Management, Intergovernmental & Legislative Affairs, Office of Community Engagement & Strategic Advocacy, Records Retention, Office of Emergency Services, Economic Development Administration.

- CAO Departmental ended the year with an adjusted budgetary surplus of $2.2 million. Significant factors driving the surplus include:
  - $839,519 in salary savings, primarily in Finance and Administration, Intergovernmental & Legislative Affairs, Office of Emergency Services, and Economic Development Administration.
  - $747,720 budget surplus attributed to the unspent allocation for Emergency Operations Center's response to the local emergency declaration for COVID-19.
  - $684,315 budget surplus in Fleet Administration primarily attributed to higher-than-expected inter-departmental transfers for vehicle maintenance services and fuel sales.
  - $404,144 budget surplus attributed to unspent contingencies in the Cannabis Program.

County Administrative Office - Non-Departmental

	Final Budget	Year-End Estimate	2021-22 Actual
Expenditures	$69,318,815	$56,989,186	$53,070,914
Revenues	299,561,068	301,199,059	312,167,603
GFC (Exp. - Rev.)	(230,242,253)	(244,209,873)	(259,096,689)
GFC Final Budget versus Actual:		Surplus	28,854,437
Unspent ARPA			221,372
Adjusted Financial Result:		Surplus	28,633,065

CAO non-departmental general fund units are countywide, non-operational functions including: the appropriation for contingencies; contributions, transfers and obligations to other agencies; trial court obligations; debt service, memberships in regional organizations; health realignment maintenance-of-effort; vehicle asset management program, development set-aside, and the County's non-program revenue.

- CAO non-departmental units ended the year with an adjusted budget surplus of $28.6 million. Significant factors driving the surplus include:
  - Non-program revenue was higher than budget by $11.9 million. This variance was primarily due to better than expected Transient Occupancy Tax exceeding budget by $22.3 million, partially offset by a decrease in cannabis tax that resulted in $9.8 million below budget. Federal Aid was also lower than budget by $20.4 million due to slower progress on ARPA capital projects and recognition of the capital expenditures in other county funds and other ARPA-related expenditures; ARPA allocations for some projects were carried over to the following fiscal year. Other discretionary revenues were better than budget, including:

- Property Taxes were higher than budget by $6.8 million
- Sales Taxes exceeded budget by $4.3 million
- Other discretionary revenue exceeded the budget by $6.2 million
- Other Financing Uses were lower than anticipated by $15.9 million due to lower-than-planned transfers to capital project funds. The lower-than-planned transfers occurred for two reasons: expenditures for ARPA-funded infrastructure projects were lower than budget, and expenditures and their associated ARPA revenues were recognized in Fund 404, not the general fund.

County Counsel

	Final Budget	Year-End Estimate	2021-22 Actual
Expenditures	$2,805,738	$3,208,879	$2,425,993
Revenues	370,000	442,739	494,743
Use of Restricted FB	11,019	-	11,019
GFC (Exp. - Rev.)	2,424,719	2,766,140	1,920,231
GFC Final Budget versus Actual:		Surplus	504,488
Unspent ARPA			-
Adjusted Financial Result:		Surplus	504,488

- Expenditures of $2.4 million were derived from $5.0 million of operational expenditures offset by COWCAP credit of $2.6 million.
- County Counsel ended the year with expenditures of $2.4 million, revenues of $494,743 resulting in a surplus of $0.5 million primarily due to unexpected salary savings from vacancies, travel restrictions due to COVID-19, and unused appropriations resulting from the Lake San Antonio remediation project.

District Attorney

	Final Budget	Year-End Estimate	2021-22 Actual
Expenditures	$37,826,603	$38,012,524	$36,549,384
Revenues	17,299,191	15,764,656	16,171,741
Use of Restricted FB	-	-	65,861
GFC (Exp. - Rev.)	20,527,412	22,247,868	20,311,782
GFC Final Budget versus Actual:		Surplus	215,630
Unspent ARPA			-
Adjusted Financial Result:		Surplus	215,630

- The Office of the District Attorney (DA) ended the year with $36.5 million, $1.3 million (3.4%) below budgeted expenditures, primarily due to salary savings from vacancies.
- Revenues were $16.2 million, $1.1 million (6.5%) below budget, primarily due to delays in receipt of payments from other agencies, including the State.
- Overall, the DA ended the year with a surplus of $215,630.

Elections

	Final Budget	Year-End Estimate	2021-22 Actual
Expenditures	$6,709,046	$6,753,344	$6,553,622
Revenues	2,492,521	3,544,630	3,471,676
GFC (Exp. - Rev.)	4,216,525	3,208,714	3,081,946
GFC Final Budget versus Actual:		Surplus	1,134,579

- The Elections Department ended the year with $6.5 million in expenditures, $3.5 million in revenue, and a general fund contribution of $3.1 million. Year-end expenditures were $155,424 lower than budget, and revenues were $979,155 over budget, resulting in a year-end GFC surplus of $1.1 million.
- Expenditure savings were primarily related to changes in precinct configurations resulting in administrative efficiencies and alternating vacancies. Excess revenues are attributed to the state reimbursement of $2.3 million for the cost of the Gubernational Recall Election, as well as an increase in the number of billable jurisdictions going to election in the fiscal year.
- The State reimbursement was higher than the cost of the Recall Election; however, the Department was allowed to utilize the excess funds for the Primary Election during FY 21-22, resulting in a surplus.
- The Department will set aside $1.1 million for voting technology systems and security to prepare for future needs, including voting technology upgrades and replacements and additional security measures over the next five years.

Health

	Final Budget	Year-End Estimate	2021-22 Actual
Expenditures	$133,548,661	$116,483,962	$111,267,564
Revenues	105,634,372	89,576,530	87,995,335
Use of Restricted FB	3,462,586	-	52,776
GFC (Exp. - Rev.)	24,451,703	26,907,432	23,219,453
GFC Final Budget versus Actual:		Surplus	1,232,250
Unspent ARPA			2,254,633
Transferred to Restricted Fund Balance			1,585,763
Adjusted Financial Result:		Deficit	(2,608,146)

- The Health Department's total expenditures were $22.3 million below budget due to a vacancy rate of 21% generating $10.4 million in salary and benefit savings. Most vacancies occurred in Primary Care Clinics ($8.8 million) and Environmental Health ($1.0 million) and were attributable to separations and recruiting challenges. Decreases in other expenditures impacted by vacancies, such as insurance costs, totaled approximately $690,000.
- Expenditures in services and supplies were $11.9 million below budget, mainly due to lower-than-anticipated programmatic activities associated with vacancies in the Primary Care Clinics and Public Health due to prolonged delivery timelines resulting from supply chain challenges.
- As of March 2015, some Central California Alliance for Health members were moved from fee-for-service to capitation, with the State performing yearly reconciliations for which any resulting overpayments must be returned. Due to the timing of reconciliations at the State, no liability payments were made in the budget year, therefore decreasing expenditures by an estimated amount of $3.0 million. However, the Department anticipates payments to resume in FY 2022-23, which will include both the FY 2021-22 and FY 2022-23 payments
- Year-end revenue was $17.6 million lower than budgeted. This variance in revenues was primarily a result of vacancies in revenue-generating positions in Primary Care Clinics. This includes $4.9 million in revenue that was not received during the accrual period, mainly from State Aid and Federal Aid.
- Year-end unspent ARPA equals $2.3 million as the Department continues to maximize grant funds and direct funding allocations. During the fiscal year, the use of funds was eased or expanded, which decreased the need for ARPA funds. Most of the unspent balance was carried over to the next fiscal year to defray the estimated non-reimbursable costs of ongoing COVID-19 activities.
- Transfers to restricted funds totaling $1.58 million are $950,000 for future liability to the State, $609,181 for Environmental Health restricted funds, and $26,581 for Public Health restricted funds.
- The Health Department ended with a GFC deficit of -$2,608,146. The deficit was covered by approved ARPA funds ($2,460,141) for which no budget modifications were made at the time of approval. The remaining deficit of $148,005 is due to a reporting system error that caused encumbrances not close and clear as usual at the end of the year leading to an offset in the subsequent fiscal year.

Housing and Community Development

	Final Budget	Year-End Estimate	2021-22 Actual
Expenditures	$17,379,960	$16,221,548	$14,965,279
Revenues	8,796,820	8,071,428	9,451,227
GFC (Exp. - Rev.)	8,583,140	8,150,120	5,514,052
GFC Final Budget versus Actual:		Surplus	3,069,088
Unspent ARPA			836,549
Adjusted Financial Result:		Surplus	2,232,539

- The Housing and Community Development Department's expenditures were $14.9 million, $2.4 million below budget, due to staff vacancies and grant project delays. Vacancies resulted in a $2.5 million reduction in expenditures, and revenues exceeded the budget by $654,407, resulting in a surplus of $3.1 million.
- American Rescue Plan Act (ARPA) funding allocated to the department was not fully expended by $836,549.
- Actual revenues were $9.5 million, $654,407 greater than budgeted, because more applications were completed due to the use of contracted firms to support building and planning plan reviews and extraordinary projects.

Human Resources

	Final Budget	Year-End Estimate	2021-22 Actual
Expenditures	$1,017,520	$878,984	$796,291
Revenues	-	-	-
GFC (Exp. - Rev.)	1,017,520	878,984	796,291
GFC Final Budget versus Actual:		Surplus	221,229
Unspent ARPA			354,968
Adjusted Financial Result:		Deficit	(133,739)

- The Human Resources Department ended the year with a surplus of $221,229, resulting from lower expenditures from position vacancies throughout the year. Total expenditures for the year were $6.8 million with a COWCAP credit of $5.4 million and reimbursement from other funds of $0.6 million.
- The department's final budget included $704,513 in ARPA funding for four positions and reimbursement for personnel costs to review testing for employees not vaccinated against COVID-19. Out of ARPA allocation, $354,968 went unspent due to position vacancies, resulting in an adjusted financial deficit of $133,739.

Information Technology

	Final Budget	Year-End Estimate	2021-22 Actual
Expenditures	$ (4,210,859)	$ (3,915,338)	$ (6,501,545)
Revenues	550,000	550,000	1,347,613
GFC (Exp. - Rev.)	(4,760,859)	(4,465,338)	(7,849,158)
GFC Final Budget versus Actual:		Surplus	3,088,299
Unspent ARPA			1,935,000
Transferred to Restricted Fund Balance			265,120
Adjusted Financial Result:		Surplus	888,179

- The Information Technology Department's expenditures of -$6.5 million against the budget of -$4.2 million represent an overall savings of $-2.3 million, mainly due to unspent ARPA funds of $1.9 million.
- The expenditures are derived from -$29.0 million of operational expenditures less internal County customer reimbursements of $7.9 million and an offsetting COWCAP credit of $27.5 million.

- Actual revenue totaled $1.3 million, including $265,120 of restricted Public, Educational, and Government (PEG) fees, which were transferred to restricted fund balance, resulting in an actual to budgeted GFC adjusted surplus of $888,179. This surplus was transferred to the Information Technology Charges Mitigation assignment.

Probation

	Final Budget	Year-End Estimate	2021-22 Actual
Expenditures	$56,553,072	$56,535,539	$54,702,166
Revenues	31,280,571	31,280,571	29,270,777
GFC (Exp. - Rev.)	25,272,501	25,254,968	25,431,389
GFC Final Budget versus Actual:		Deficit	(158,888)
Unspent ARPA			-
Adjusted Financial Result:		Deficit	(158,888)

- The Probation Department's expenditures were $54.7 million, $1.8 million below budget, due mainly to vacancies generating salary savings ($1.6 million) and contracted services and supplies that were budgeted but not realized for grant, federal and State programs.
- Actual revenues were $29.3 million, $2.0 million below budget. This amount includes the offset of $1.7 million in increased revenue from higher-than-expected State collection of Public Safety Sales Tax and one-time federal ARPA funding of $371,012.
- The lower-than-budgeted revenues are due primarily from reduced reimbursable staffing costs for Public Safety Realignment programs and lower eligible costs related to Title IV-E reimbursement. Additionally, reduced revenue was associated with the State legislated termination of criminal fee collections, effective at the beginning of the fiscal year and only partially offset by State backfill.
- The Department ended the fiscal year with a deficit of $158,888 due to a reporting system error that caused encumbrances for contracted services of $290,531 not to close and clear as usual at the end of the year. Accounting for this error, the department ended the year with a surplus of $131,643.

Public Defender

	Final Budget	Year-End Estimate	2021-22 Actual
Expenditures	$16,435,771	$16,631,263	$15,952,229
Revenues	1,784,356	2,358,028	1,977,459
Use of Restricted FB	-	-	25,000
GFC (Exp. - Rev.)	14,651,415	14,273,235	13,949,770
GFC Final Budget versus Actual:		Surplus	701,645
Unspent ARPA			-
Transferred to Restricted Fund Balance			553,737
Adjusted Financial Result:		Surplus	147,908

- The Public Defender's actual expenditures totaled $16.0 million or $483,542 below budget due to lower-than-anticipated trial-related expenses and delayed grant program implementation.
- Year-end revenues were $1.9 million, $193,103 above budget, due to the receipt of new State grant programs for indigent defense and Attorney and Case Management Enhancement (ACME).
- Overall, the department, ended the year with a surplus of $701,645. Unused revenues received for the ACME multiyear program amounting to $553,737, were transferred to restricted revenue.
- After this transfer, the department ended the fiscal year with a surplus of $147,908.

Public Works, Facilities & Parks

	Final Budget	Year-End Estimate	2021-22 Actual
Expenditures	$19,565,634	$18,192,931	$17,822,488
Revenues	2,669,351	2,067,465	1,794,939
GFC (Exp. - Rev.)	16,896,283	16,125,466	16,027,549
GFC Final Budget versus Actual:		Surplus	868,734
Unspent ARPA			1
Adjusted Financial Result:		Surplus	868,734

- The Public Works, Facilities and Parks Department's (PWFP) expenditures were $17.8 million, $1.7 million below budget. Vacancies resulted in salary and benefit savings of $1.3 million, primarily in the parks operations, facility services, and special districts. A decrease in overall operating expenditures accounted for the remaining $0.4 million.
- Actual revenues of $1.8 million fell short of budget by $0.9 million. Parks experienced a $0.3 million revenue shortfall primarily due to Lake San Antonio's low water levels and San Lorenzo Park Camping closures due to COVID-19 isolation location designation. Facilities received $0.3 million less from the State Criminal Alien Assistance Program (SCAAP) grant after the County was deemed ineligible for the grant. Utilities reimbursement was short $0.3 million due to a delay in Court reimbursements expected to come in during FY 2022-23.
- PWFP was allocated $16.9 million in General Fund Contribution (GFC), spent $16.0 million, and ended with a GFC surplus of $0.9 million. ARPA funds were spent entirely, with a nominal $1 rounding difference.

Sheriff-Coroner

	Final Budget	Year-End Estimate	2021-22 Actual
Expenditures	$129,746,279	$130,868,910	$129,111,869
Revenues	45,341,886	44,497,036	44,949,397
Use of Restricted FB	120,000	-	237,729
GFC (Exp. - Rev.)	84,284,393	86,371,874	83,924,742
GFC Final Budget versus Actual:		Surplus	359,651
Unspent ARPA			-
Transferred to Restricted Fund Balance			199,992
Adjusted Financial Result:		Surplus	159,659

- The Sheriff's Office expenditures were $129.1 million, $634,410 lower than budgeted, primarily due to unused appropriations from the State's County Prison Intake program for the provision of supplies and services required in the jail.
- Revenues were $44.9 million, $392,489 lower than budget due to the elimination of the Work Alternative Program revenue and the State's continued underfunding of court security.
- The Sheriff's Office ended the year with a general fund contribution surplus of $359,651 before transferring $199,992 in net vehicle fees to the restricted fund balance for a final adjusted surplus of $159,659.

Social Services

	Final Budget	Year-End Estimate	2021-22 Actual
Expenditures	$265,099,217	$261,939,866	$244,516,070
Revenues	244,230,439	240,660,641	216,673,834
Use of Restricted FB	583,208	-	608,009
GFC (Exp. - Rev.)	20,285,570	21,279,225	27,234,227
GFC Final Budget versus Actual:		Deficit	(6,948,657)
Unspent ARPA			276,178
Transferred to Restricted Fund Balance:			917,468
Adjusted Financial Result:		Deficit	(8,142,303)

- The Department of Social Services' (DSS) year-end expenditures totaled $244.5 million, $20.6 million below budget. The lower expenditures originate from the emergency rental assistance program ($6.0 million) due to sub-contractor delays and pending validation of applications and the entitlement programs ($7.6 million) mainly from Out of Home Care due to more guardianships (permanency) and fewer children entering the system. Lower expenditures include $0.6 million due to construction delays for the Veterans Transition Center's rehabilitation project, $3.8 million in staff vacancies due to hiring challenges, and another $3.8 million in various operating costs.
- Year-end revenues were $216.7 million, $27.6 million below budget, due to corresponding lower expenditures in revenue-generating Social Services programs.
- The Department exceeded its budgeted $20.9 million GFC by $7.0 million. In addition, unspent amounts of $917,468 unspent HHAP and CCAP program, and $276,178 of unused ARPA funds for Project Roomkey increased the deficit to $8.1 million. This deficit would not have occurred, if revenue for pandemic related activities from FEMA ($1.1 million) and program revenue ($8.5 million) earned in FY 2021-22 was received by August 30, 2022.
- In future years, the Department will plan to budget the use of realignment funds to cover revenues earned but not received by the accrual period for those revenues that are not grant-related.

Treasurer-Tax Collector

	Final Budget	Year-End Estimate	2021-22 Actual
Expenditures	$8,811,418	$7,743,102	$7,278,438
Revenues	7,415,919	6,298,266	6,100,287
GFC (Exp. - Rev.)	1,395,499	1,444,836	1,178,152
GFC Final Budget versus Actual:		Surplus	217,347
Unspent ARPA			190
Adjusted Financial Result:		Surplus	217,157

- Actual year-end expenditures total $7.3 million, underspending appropriations by approximately $1.5 million. The reduction in expenditures primarily results from vacancies and conservative spending.
- Expenditures of $7.3 million were derived from $7.8 million of operational expenditures offset by COWCAP credit of $545,087.
- Year-end revenue of $6.1 million was $1.3 million below budget due to a lower level of reimbursable expenditures, including the impacts of Assembly Bill 177. This bill vacated several court-ordered debt fees, such as the installment collection fee collected by the Treasurer-Tax Collector Revenue Division.
- The Department ended the year with a $217,157 surplus due to the reduced expenditures.

OTHER MAJOR FUNDS

Road Fund (Fund 002)

	Final Budget	Year-End Estimate	2021-22 Actual
Beginning Fund Balance	$ 22,915,365	$ 22,915,365	$ 22,915,365
Revenue	68,742,515	56,606,808	42,714,429
Total Financing Sources	**91,657,880**	**79,522,173**	**65,629,794**
Expenditures	66,712,136	56,832,721	47,097,928
Total Financing Uses	**66,712,136**	**56,832,721**	**47,097,928**
Ending Fund Balance	$ 24,945,744	$ 22,689,452	$ 18,531,866

- Road Fund expenditures totaled $47.1 million, which was $19.6 million below budget due to the postponement of four construction-in-progress projects (Hartnell Road Bridge, Bradley Road Bridge, Robinson Canyon Bridge, and Davis Road Bridge).
- Revenues were $42.7 million, which was $26.0 million lower than budget due to State and Federal Aid revenues corresponding to construction in progress delayed projects ($20.1 million) and accrued revenue not received within 60 days of the fiscal year-end ($3.1 million).
- The Road Fund is projected to end with a positive fund balance of $18.5 million attributable primarily to the Road Fund's new revenue streams, Measure X and SB 1.

Monterey County Free Libraries (Fund 003)

	Final Budget	Year-End Estimate	2021-22 Actual
Beginning Fund Balance	$ 5,378,436	$ 5,378,436	$ 5,378,436
Revenue	11,141,524	10,911,524	11,375,893
Total Financing Sources	**16,519,960**	**16,289,960**	**16,754,329**
Expenditures	11,173,474	10,715,920	10,480,888
Total Financing Uses	**11,173,474**	**10,715,920**	**10,480,888**
Ending Fund Balance	$ 5,346,486	$ 5,574,040	$ 6,273,441

- The Monterey County Free Libraries (MCFL) ended the year with $10.5 million in expenditures, $11.4 million in revenue, and $6.3 million in fund balance.
- Expenditures were $692,586 lower than budget due to salaries and benefits savings due to vacancies and delayed improvements to library branches due to supply chain issues.
- Two major projects were completed, including the new North Bookmobile and migration to a new book checkout system called Integrated Library Service (ILS) in March 2022. After the first year, this new ILS is projected to save 50% of what continuation with the prior vendor would have cost.
- Year-end revenue was $234,369 above budget primarily due to increased property tax revenue offset by other decreases in revenue, including $88,969 below anticipated budget Library Service revenue due to elimination of overdue fines and forgiveness of prior fines as approved by the Board in November 2021.
- MCFL ended the year with a net gain of $895,005, resulting in an ending fund balance of $6.3 million. Several facility projects on the horizon and ongoing upgrades to technology will require the usage of fund balance in the next budget year. MCFL is working diligently with Human Resources to fill all vacant permanent positions and to add an additional Librarian II position to adequately staff operations again.

Behavioral Health (Fund 023)

	Final Budget	Year-End Estimate	2021-22 Actual
Beginning Fund Balance	$ 50,260,485	$ 50,260,485	$ 50,260,485
Revenue	157,694,582	142,359,263	158,165,578
Total Financing Sources	**207,955,067**	**192,619,748**	**208,426,063**
Expenditures	162,718,740	149,802,648	145,832,576
Total Financing Uses	**162,718,740**	**149,802,648**	**145,832,576**
Ending Fund Balance	$ 45,236,327	$ 42,817,100	$ 62,593,487

- The Behavioral Health Fund expenditures were $145.8 million, which was approximately $16.9 million below budget. Factors contributing to this variance include: $7.0 million less in expenditures in the Whole Person Care Program as not all aspects of the program were implemented in the year, and $9.9 million less in expenditures due to a combination of position vacancies (20.0% vacancy rate), and other lower contracted services costs.
- Behavioral Health Fund revenues were $158.1 million, which was approximately $467,000 above budget. The Bureau experienced a decrease of $3.5 million in the Whole Person Care Program revenue due to lower expenses in this revenue-generating program and $5.3 million less in Medi-Cal Federal Participation revenue, mainly due to a high vacancy rate in service-providing positions. These revenue decreases were offset by $5.5 million in higher-than-anticipated Mental Health Services Act (MHSA) revenues and increased revenue from Memorandums of Understanding (MOUs) for providing services at schools and the receipt of a final grant payment from Central Coast Alliance for the construction of the East Salinas Integrated Clinic.
- The ending balance for Behavioral Health Fund increased by $12.3 million from $50.3 million to $62.6 million, of which $48.9 million is unassigned.

Emergency Communications (Fund 028)

	Final Budget	Year-End Estimate	2021-22 Actual
Beginning Fund Balance	$ 1,653,257	$ 1,653,257	$ 1,653,257
Revenue	12,897,143	12,924,723	13,470,050
Total Financing Sources	**14,550,400**	**14,577,980**	**15,123,307**
Expenditures	12,635,877	12,635,877	11,741,450
Total Financing Uses	**12,635,877**	**12,635,877**	**11,741,450**
Ending Fund Balance	$ 1,914,523	$ 1,942,103	$ 3,381,857

- The Emergency Communications Department operates in Special Revenue Fund 028 to provide Dispatch and Call-Taking services to 18 Cities and three Fire Districts as well as the County Sheriff and Probation Departments.
- Year-end expenditures were $11,741,450 or $894,427 below budget due to delayed payments to vendors, inter-fund reimbursements for services provided by the Department, and benefit cost savings from vacancies.
- Year-end revenues for the Department were $13,470,050 or $572,907 over budget due to higher than anticipated Public Safety Sales Tax revenue and unbudgeted investment income.
- The Department added $1,728,600 to the fund balance in Fund 028 for an ending balance of $3,381,857. This $1,728,600 is comprised of $795,091 of higher than anticipated Public Safety Sales Tax collections which will be returned to the General Fund in the following fiscal year. Additionally, the Department collects revenue based on budget, but expenses were lower than budget and there are $398,643 of delayed FY21-22 software maintenance payments which will paid in FY22-23.
- The remaining fiscal year’s surplus was due to benefits cost savings from vacant positions. This surplus will either be returned to all paying User Agencies or be used as directed at the discretion of the Department’s Executive Board.

- FY2021-22 was the Emergency Communications Department's third year operating as a special revenue fund.

Natividad Medical Center (Fund 451)

	Final Budget	Year-End Estimate	2021-22 Actual
Beginning Net Position	$197,605,847	$197,605,847	$197,605,847
Revenue	364,177,253	368,822,767	396,987,678
Total Financing Sources	**561,783,100**	**566,428,614**	**594,593,525**
Expenditures	339,889,694	354,630,437	369,394,454
Total Financing Uses	**339,889,694**	**354,630,437**	**369,394,454**
Ending Net Position	$221,893,406	$211,798,177	$225,199,071

- In FY 2021-22, Natividad's enterprise fund operations were favorable, increasing net position. Revenue were on pace to beat budget with increased patient volumes and a favorable payer mix for services rendered.
- Actual revenues were $397.0 million, over budget by $32.8 million, or 9.0 %, due to a significant increase in CARES Act funding, volume of patient services, the impact of the COVID-19 pandemic, offset by reduced transfers in from Capital Fund 404 to reimburse for capital project expenses.
- Actual expenditures from operations were $369.4 million, an unfavorable variance of $29.5 million, or 8.7%. The main drivers of increased expenses were in staffing, purchased services, supplies resulting from increased patient care related to COVID 19 pandemic and increasing wages and benefit costs. The hospital's net position increased by $27.6 million.

Parks Lake & Resort (Fund 452)

	Final Budget	Year-End Estimate	2021-22 Actual
Beginning Net Position	$ 1,903,567	$ 1,903,567	$ 1,903,567
Revenue	4,345,157	3,362,025	3,976,265
Total Financing Sources	**6,248,724**	**5,265,592**	**5,879,832**
Expenditures	3,909,272	3,351,680	3,556,024
Total Financing Uses	**3,909,272**	**3,351,680**	**3,556,024**
Ending Net Position	$ 2,339,452	$ 1,913,912	$ 2,323,808

- The Parks Lake & Resort Fund's revenues of $4.0 million include an operating transfer-in from the General Fund of $0.5 million for the annual long-term debt payment related to the Water World Resort, Inc. settlement and a $0.7 million one-time adjustment for additional profit from FY 2019-20, utility reimbursements, and an equity adjustment. Non-operating revenues of $.05 million exceeded the budget by $.05 million due to unanticipated revenues from insurance proceeds. The remaining revenues represent Lakes' operating revenue of $2.7 million, which without the $0.7 million prior year adjustment, would be $1.1 million below budget. This is primarily attributed to inflation and rising fuel prices, which lowered demand for luxury goods and services, such as boating and vacations. Additionally, reduced water levels at the lake and critical deferred maintenance continue to contribute to lower patronage.
- Expenditures totaling $3.6 million include a one-time adjustment to reimburse the third-party management company, Basecamp, for approved prior-year maintenance projects of $0.3 million. Overall, expenditures were under budget by $0.4 million as Basecamp continued to control costs and operating expenses in direct response to the reduced revenues. This total expenditure includes a depreciation expense of $0.2 million.
- Revenues exceeded total expenditures by $420,242, increasing the fund's beginning net position of $1.9 million to a net ending position of $2.3 million. Of this net ending position, $0.7 million is restricted for the Zebra/Quagga

Mussel Program, $0.3 million for the 2018 Trailer Fire Insurance Proceeds, and $1.0 million is set aside for net investment in capital assets. The remaining $0.4 million represents the fund's unrestricted net position.

Laguna Seca (Fund 453)

	Final Budget	Year-End Estimate	2021-22 Actual
Beginning Net Position	$ 11,500,932	$ 11,500,932	$ 11,500,932
Revenue	22,092,402	19,205,580	20,283,979
Total Financing Sources	**33,593,334**	**30,706,512**	**31,784,911**
Expenditures	22,089,803	19,753,673	21,921,453
Total Financing Uses	**22,089,803**	**19,753,673**	**21,921,453**
Ending Net Position	$ 11,503,531	$ 10,952,839	$ 9,863,458

- Laguna Seca Recreation Area ended its second year as an enterprise fund with total revenues of $20.3 million. Total revenues include $3.1 million of prior-year operations revenues recovered from SCRAMP, the previous operating management company. Though FY 2021-22 revenues are much higher than last fiscal year, it is still lower than budget by $1.8 million, partially attributable to the timing of the County's Parks Division reopening announcement, which did not give LSRA enthusiasts much time to make advance event bookings. The delay in setting up new ticket sales and merchandise sales online portal also attributed to lost sales opportunities from worldwide racetrack patrons. Inflation and fuel costs also contribute to the lower-than-expected turn-around from racetrack events.
- Expenses totaling $21.9 million were under budget by $0.2 million. An operating transfer-out of $1.3 million to the Capital Projects Fund is included in the budgeted and actual expenses. The transfer-out partially finances the ongoing Laguna Seca Track and Bridge rehabilitation projects. Comparing budget versus actual, revenues are 8.2% lower than the budget, while expenses are below budget by 0.8%. This was due to various service fees, event costs and other expenses that were either under-budgeted or not anticipated in the budget development. In addition, prior year unpaid expenses that were settled only this fiscal year likewise contributed to the higher expenses than revenues.
- Overall, expenses exceed revenues by $1.6 million. The year began with an $11.5 million net position, with $9.4 million representing a net investment in capital assets, with the remaining $2.1 million as an unrestricted net position. The net loss of $1.6 million lowers the net ending position to $9.9 million, of which $1.1 million is unrestricted and available as a financing source for operations.