Monterey County Financial Forecast

March 2023

Introduction

The County Administrative Office is pleased to present the financial forecast for the County of Monterey. The forecast is the first step of the annual budget development cycle, which concludes with the adoption of a balanced budget by July 1 of each year. To meet this timeline, staff conducts a comprehensive mid-year review of planned spending and anticipated revenues for the current fiscal year (FY 2022-23), budget year (FY 2023-24), and two additional years. The result of this review is an assessment of the County's financial condition, emerging needs, and expected fiscal capacity to meet those needs.

Approach and Assumptions

The forecast is an analysis of estimated revenues and costs for existing levels of staffing and services within the context of current statutes and policies. A forecast is different than a budget. In forecasting, departments estimate "normal" cost of operations, which generally include the filling of vacancies and current level of discretionary spending. Developing a three-year forecast provides a window of opportunity to identify potential actions necessary to balance revenues and expenditures over the long-term to ensure financial sustainability of the County. Similarly, the forecast also serves as a tool for the upcoming budget to assess the impact that decisions made in the present, such as considering a new revenue source or the funding of a new program, will have on future fiscal condition of the County.

The forecast includes employee salary and benefits changes as authorized under existing memorandums of understanding (MOUs) and scheduled employee step advances. The forecast also takes into consideration known increases in PERS retirement rates and health insurance premiums. Revenue estimates are based on the most recent financial data and available information about federal and State funding levels. The forecast compares expenditures required to carry out existing operations related to estimated financing sources. This analysis is a key financial management tool to guide the upcoming budget process and help preserve long-term financial stability.

General Fund Results Prior Fiscal Year

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 final modified budget included $817.2 million in appropriations, matched by an equivalent amount of financing, $793.1 million in revenue and $24.1 million in fund balance.

The County ended the fiscal year with a favorable performance compared to the final budget. The general fund ended with revenues of $758.0 million and expenditures of $740.3 million which resulted in an initial operating surplus of $17.7 million. With Board authorization, the budget surplus was used to add to the compensated absences assignment ($4.0 million), the revenue stabilization assignment ($783,450), the general capital assignment ($1.7 million), and ($250,000) to the Pension Liability Fund for trust and investment management expenses. Lastly, $432,681 was added to the capital project assignment for planned sustainability energy projects and the COVID-19 county memorial. The CAO estimated 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 year. Since the FY 2021-22 Audited Comprehensive Financial Report (ACFR) is not available as of the date of this publication, results are preliminary until the ACFR is published. Investments in the County's reserves are a strong indicator of the County's commitment to weathering future unforeseen events and meet emerging needs.

General Fund Outlook through 2025-26

	2021-22	FY 2022-23			2023-24	2024-25	2025-26
	Actual	Adopted	Modified	Year-End Estimate	Forecast		
Available Financing:							
Beg. Unassigned Fund Balance	$50.2	$3.6	$3.6	$3.6	$26.8	$4.4	$0.0
Release of Fund Balance	20.3	54.3	56.7	70.1	0.0	0.0	0.0
Revenues	758.0	793.4	794.1	786.6	779.9	792.9	806.8
Total Financing Sources	$828.5	$851.3	$854.4	$860.3	$806.7	$797.3	$806.8
Financing Uses:							
Assignments/Restrictions	78.2	0.0	0.0	0.0	0.0	0.0	0.0
Expenditures	740.3	843.4	847.5	833.0	806.2	814.9	826.9
Salary Adjustment					(11.1)	(11.4)	(11.5)
Appropriation for Contingencies	0.0	7.9	6.9	0.5	7.2	7.2	7.2
Total Financing Uses	$818.5	$851.3	$854.4	$833.5	$802.3	$810.7	$822.6
Ending Unassigned Fund Balance	$10.0	$0.0	$0.0	$26.8	$4.4	($13.3)	($15.8)

General Fund Current Fiscal Year Estimated Results

The Board's vision and support along with responsible stewardship of County departments is evident in the current year, with the County estimating to add $26.8 million to fund balance at the end of FY 2022-23. This positive result could not have been achieved without continuous management of operational budgets by Departments. The modified budget is not inclusive of transactions occurring after the submission of the current year estimate. Although results are positive for the entire fund, negative results in some departments provide early warning to potential fiscal challenges the County will have to face as it prepares for the FY 2023-24 budget process.

Overall, 19 general fund departments are estimating ending the year within their budget and estimating a $1.0 million surplus. However, three departments estimate they will end the year over their allocated GFC, resulting in a deficit of $6.2 million. Significant deficits are estimated for the Assessor- County Clerk Recorder ($1.3 million), the Sheriff ($4.7 million), and the District Attorney ($117,433). Each of these departments will present a report to the budget committee detailing steps they are taking to mitigate the impacts of these deficits. Details for departmental forecasts are provided toward the end of this report.

Department	Modified GFC Budget FY 2022-23	Estimated GFC FY 2022-23	Variance
Agricultural Commissioner	$4,715,700	$4,425,592	$290,108
Auditor-Controller	$1,314,298	$984,418	$329,880
Assesor-County Clerk Recorder	$5,672,511	$7,021,612	$(1,349,101)
Board of Supervisors	$4,795,331	$4,692,219	$103,112
Child Support Services	$84,216	$82,189	$2,027
Civil Rights Office	$381,261	$313,144	$68,117
Clerk of the Board	$1,135,754	$1,039,273	$96,481
Cooperative Extension	$523,772	$467,209	$56,563
County Administrative Office	$9,727,815	$8,940,011	$787,804
County Counsel	$1,359,120	$1,014,378	$344,742
District Attorney	$21,088,065	$21,205,498	$(117,433)
Elections Department	$3,943,908	$3,938,085	$5,823
Health	$26,783,181	$23,500,374	$3,282,807
Housing and Community Development	$11,001,974	$8,845,264	$2,156,710
Human Resources	$1,470,406	$1,124,517	$345,889
Information Technology	$(1,230,701)	$(1,602,236)	$371,535
Probation	$26,963,461	$26,957,825	$5,636
Public Defender	$16,158,833	$15,547,232	$611,601
Public Works, Facilities, and Parks	$16,673,020	$15,692,181	$980,839
Sheriff Coroner	$93,798,764	$98,528,878	$(4,730,114)
Social Services	$25,726,504	$25,236,055	$490,449
Treasurer Tax Collector	$2,062,948	$1,765,652	$297,296
Totals			**$4,430,771**

Expenditures are $14.5 million lower than the modified budget, revenues are $7.5 million lower, and therefore contributing a positive bottom line. The lower expenditures are primarily due to the salary and benefit saving in the Health Department ($18.7 million) and the Department of Social Services ($10.2 million). Other major variances in expenses include lower program expenditures of $9.6 million in the Health Department due to lower services to the public than planned. In the current year, departments utilized salary savings to offset wage increases resulting from classification and compensation studies and finalization of labor agreements.

Current year non-program revenue is estimated $15.9 million higher than budget due to improvement in property taxes of $4.0 million, $12.2 million higher-than-budgeted Transient Occupancy Tax (TOT) revenue, and $1.7 million higher-than-budgeted sales and use tax; offset with a reduction to cannabis tax revenue of $2.8 million due to Board action which reduced the cannabis tax rates. Other major revenue reductions include $14.3 million lower revenue in the Health Department due to lower than planned services and redirection of staff to pandemic response and a decrease of $1.3 million Assessor County Clerk/Recorder due to a decrease in real estate transactions.

Forecast

The forecast reveals an estimated surplus of $4.4 million next fiscal year and significant deficits in the upcoming two years when taking into account the estimated surplus from the current year. These deficits are projected despite the anticipated increases in non-program revenue next in the forecast years. This imbalance is the result of continuing increased costs which will exceed available funding. More details about the cost drivers creating this imbalance are provided in the cost driver section of this report.

The forecast includes preliminary GFC allocations that include $4.6 million in cannabis revenue. This level of cannabis revenue represents a decrease of $2.8 million from the adopted budget resulting from lower tax rates approved by the Board. Moreover, based on current revenue collection levels and potential additional changes to the cannabis taxation; it is likely cannabis revenue could be even lower than the $4.6 million forecasted. Accordingly, no growth is anticipated to the cannabis assignment.

The forecast does not include one-time revenue such as ARPA funds. The CAO plans to bring an updated ARPA plan to the Board of Supervisors during the budget process to receive direction on priorities and funding level for FY 2023-24. However, this report does include a status of current ARPA spending. Furthermore, there are pending classification and compensation studies being performed by the Human Resources Department and the financial impact of the Winter Storm and Atmospheric River Event that have not been included in the forecast due to the timing of the event.

The three-year forecast reflects a drop in expenditures and revenue primarily due to exclusion of one-time expenses and pandemic response expenses anticipated to conclude in the current year. Furthermore, ARPA revenue utilized in the current year to backfill revenue loss is also excluded from the forecast. The forecast reflects deficits primarily driven by the rising cost of health insurance, PERS, general liability insurance, worker’s compensation, and negotiated salary increases.

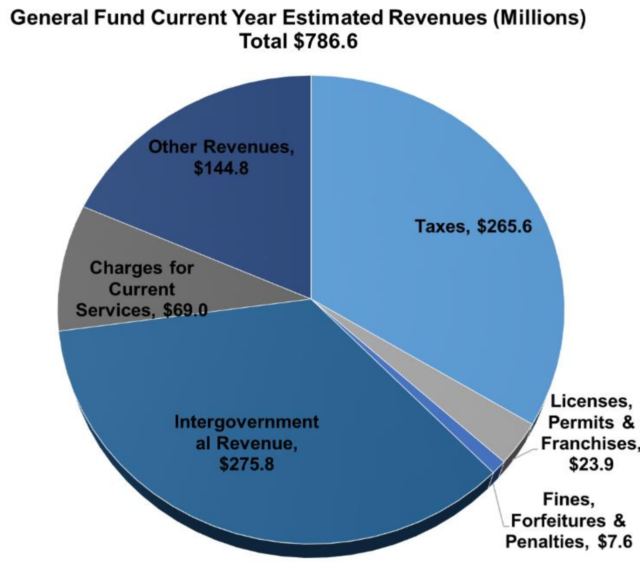
Departments estimate program revenues based on the programs they deliver and known federal and State funding sources as well as grants for the forecast period. Non-program revenue, which is the County’s discretionary revenue, is projected to decrease with the absents of ARPA funding and then slightly improve through the forecast period. County staff are typically conservative when estimating revenues and expenditures with actual performance generally favorable compared to forecasts. These hypothetical deficits are based on current operations and policy and do not include future service enhancements, wage increases for expiring labor agreements after FY 2024-25, changes in federal or State financial commitments, or revenue declines in an economic downturn, or inflationary changes which have developed over the last few months.

Looking into the future, the County, like the State and other local governments, must continue to plan for a stable and sustainable future for coming generations by maintaining its Strategic Reserve, addressing infrastructure needs, and paying down unfunded liabilities. The financial forecast assumes that the economy continues to grow through the forecast period and does not include potential impacts that may result from possible federal or State policy changes or impacts of a recession or current year discretionary revenue declines.

While some growth is assumed in forecasted years, it is not enough to cover increases in costs for current levels of staffing and services. Furthermore, planning for service delivery in unprecedented times created by the global pandemic continues to be an issue of concern for the State as well as local governments. Any new budget commitments will increase the severity of reductions the County would have to make in an economic downturn. Given these uncertainties and events, prudent financial management practices, including limiting new on-going commitments or expansion of programs, is paramount for the current environment.

General Fund Revenues

General fund revenue is composed of program and non-program revenue. Program revenue is specifically designated and/or statutorily required for programs. Sources of program revenue are derived from State and federal aid for various mandated programs primarily in Health and Social Services, charges for services are primarily fees collected by health clinics and other revenues include primarily reimbursement from realignment funds for health, social services, and public safety programs.



Non-program or "discretionary" revenues are mostly derived from taxes and are utilized to address local priorities and to provide funds to leverage federal and State monies, including maintenance of effort requirements.

Current year revenues are $7.5 million below budget expectations. The major variances compared to budgeted revenue in the current year include:

- **Revenue in the Health Department is $23.5 million below budget.** The Health Department is estimating a decrease in health fees and lowered reimbursements due to a lower than anticipated level of service due to vacancies (24% vacancy rate) in revenue generating operations and redirection of staff to pandemic response.

- **Revenue in the District Attorney Office is $2.1 million below budget.** The District Attorney's Office is projecting a decrease in revenue of $2.1 million as reimbursements from are delay in settlement of civil cases.

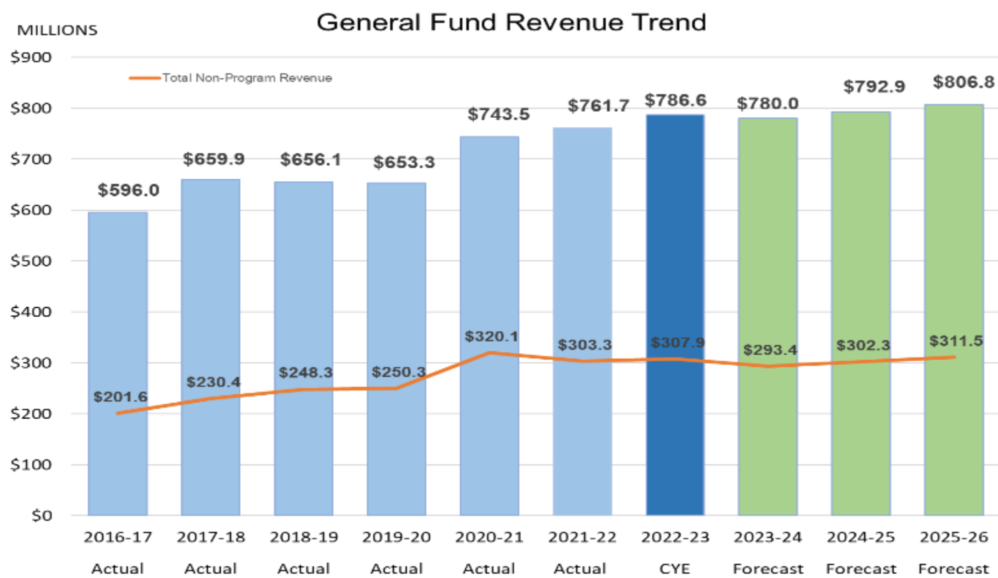
- **Revenue in the Assessor County Clerk/Recorder is $1.5 million below Budget.** The Assessor County Clerk Recorder estimates a revenue decrease in the Recorder Division of $1.5 million due to a decline in real estate transactions.

- **Revenue in the Treasurer Tax Collector is $1.0 million below Budget.** The Treasurer Tax Collector projects revenue to be $1.0 million below budget due to lower levels of reimbursable expenditures in both the Revenue and Treasury Divisions due to the impact of Assembly Bills 177 and 199.

- **Revenue in Social Services is $4.6 million above budget.** Social Services is estimating revenue above budget primarily due to the Emergency Rental Assistance Program ($4.1 million) and State Project Roomkey revenue ($500,000). Due to timing, the $4.1 million increase in appropriations was not included in the table above for the modified budget figures for the Emergency Rental Assistance Program.

- **Non-program revenue is projected to be $15.9 million higher than budget.** In the current year, the increase in discretionary revenue is largely driven by TOT tax which is $12.2 million above budget and Property Tax 4.0 million above budget. The budget included assumptions that the pandemic would continue to impact TOT, but as the economy remains open, and current year revenues support a higher projection, the TOT was revised upward. Additionally, property taxes are expected to be better than budget due to continued higher property values, and sales tax is projected to be higher than initial budgeted estimates.

Forecasted years exclude one-time revenue sources and ARPA revenue, but overall, assume modest growth in program and discretionary revenues. Departments balance their budgeted expenditures based on a combination of revenues earned directly by the program (State reimbursement, permit fees, clinic charges, etc.) and County contributions of discretionary "non-program" revenue.

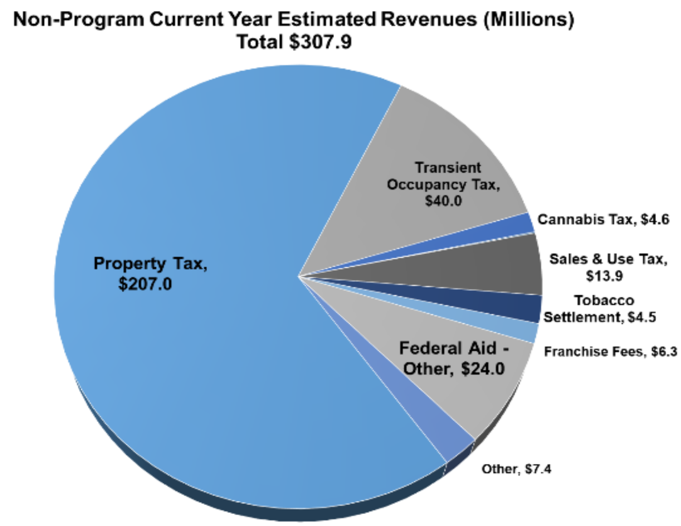


Since FY 2013-14, the County's program revenues have mostly grown under state-county realignment and the Affordable Care Act to support increased responsibilities and associated costs, including mandated public assistance and health and public safety programs. For FY 2022-23, general fund revenues are estimated to increase over the prior year, primarily due to $24.0 million of estimated ARPA funds for pandemic response, economic recovery, infrastructure projects, and provision for government services. The forecast period beginning with FY 2023-24 excludes any ARPA funds as the plan to use those funds is evolving in line with Board of Supervisors' direction and funds are prioritized and approved during the annual budget process. Additionally, the forecast excludes revenue for other departmental programs that are ending such as Whole Person Care program and the Emergency Rental Assistance Program in Social Services. Beginning with FY 2023-24, general fund revenue decreases in the forecast years due to State and federal reimbursements, and an increase in non-program revenue, specifically continued growth in property taxes, sales and use tax and TOT. The chart above reflects the overall general fund revenue trend and the non-program revenue trend, which accounts for slightly over one-third of general fund revenues.

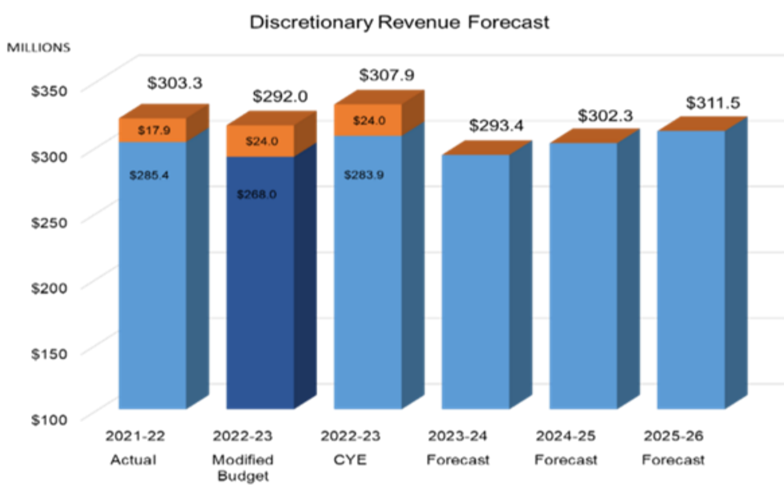
Discretionary Revenues

Discretionary revenues provide the Board flexibility to address local priorities and to provide matching funds to leverage federal and State monies and to meet maintenance of effort requirements.

Property tax revenue account for majority of local discretionary monies. Sources of non-program revenue are displayed in the chart to the right. Total non-program revenue in the current year is estimated at $307.9 million.

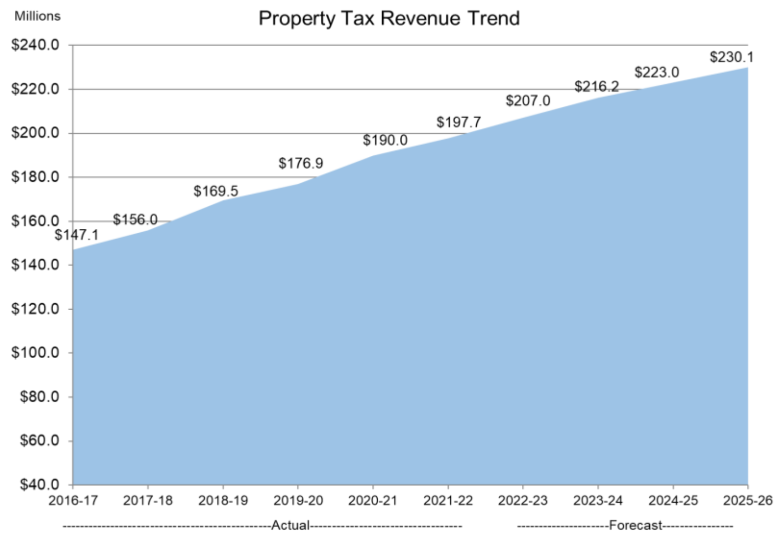


Property tax revenue is the largest source of non-program revenue, projected at $207.0 million (67.2%) of total current year estimated non-program revenue. Other significant sources of discretionary revenue include: $24.0 million in ARPA revenue; $40.0 million in TOT; $13.9 million in sales and use tax revenue; franchise fees of $6.3 million; $4.6 million in Cannabis revenue; and tobacco settlement monies of $4. 5 million.

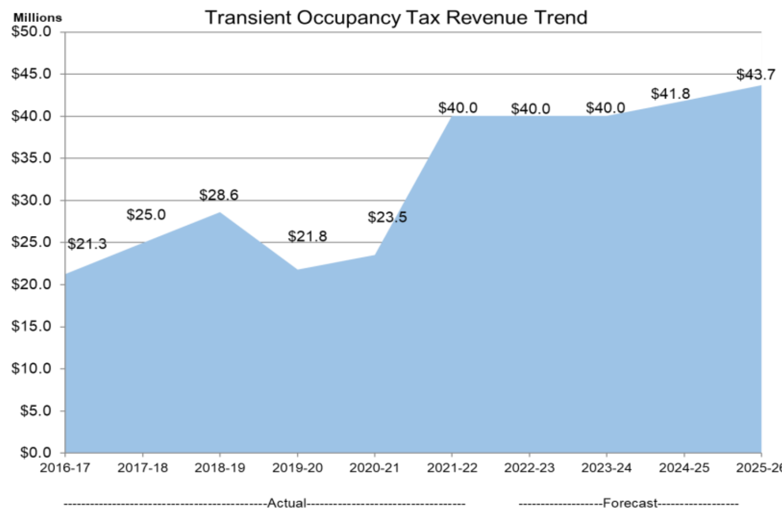


Discretionary revenue continues to grow in coming years. The chart reflects the projected non-program revenue in the current year, upcoming budget year (FY 2023-24) and two out years. Projected current year non-program revenue is above budget mostly due to improvement in TOT and property taxes as current year performance has fared better than initial more conservative estimates included in the budget. The chart also breaks out ARPA revenue from the prior year and current year, to reflect a more accurate trend in discretionary revenues. Adjusting out the ARPA revenues from the current year, we see that discretionary revenue grows $9.5 million in FY 2023-24 and an additional $8.9 million and $9.2 million in the subsequent two years, respectively. The improvement in projected revenue is primarily due to positive trends in property tax collections resulting from higher assessments and increases in TOT and sales tax as the economy continues to recover from the pandemic. These improvements in revenue are partially offset by an estimated decrease in cannabis revenue of $2.8 million in the current year continuing into next fiscal year.

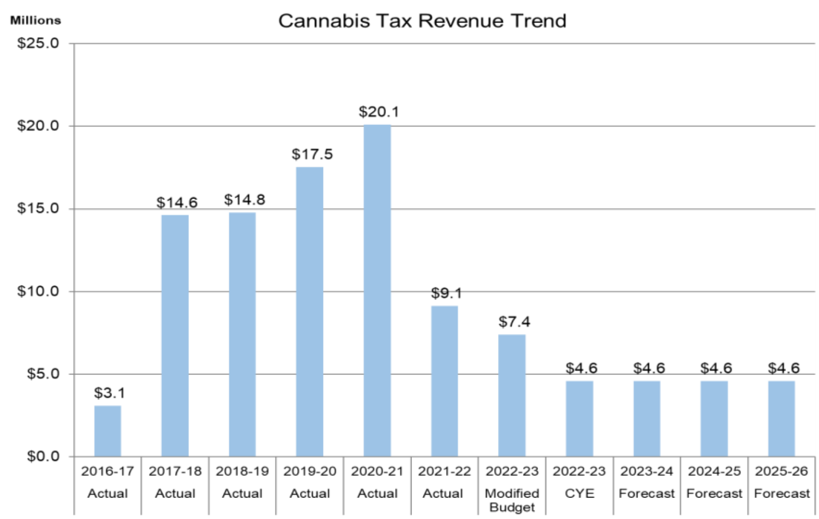
Increases in property assessments result in discretionary revenue growth. While the forecast assumes moderate growth in property tax assessment, the impact of a recession on property tax revenue should be noted. During the economic recession beginning FY 2008-09, property taxes sustained steep reductions, declining $15.6 million from peak to trough. This impacted County services and was the driving factor behind four years of budget reductions following the onset of the recession. Assessed values have steadily recovered and since exceeded pre-recession levels.



As seen on the chart, property taxes continue to grow due to positive trends in property values and an increase in assessments. Next year, the forecast assumes a 4.5% growth resulting in a $9.2 million improvement in property tax revenue. The two out years include a more conservative growth assumption of 3.1% and 3.2% each, yielding additional revenue of $6.8 and $7.0 million respectively. However, it is important to note that the pandemic may have long term effects in the economy, and along with inflation and rising interest rates, could impact property values and thus property taxes in the coming years.



Transient Occupancy Tax is improving as pandemic restrictions ease. TOT is the County's second largest source of discretionary revenue. Often referred to as the "hotel tax," TOT is the tax applied on hotel/motel accommodations. Various tourist attractions contribute to the County's TOT. The tax rate for Monterey County is 10.5%. Peak TOT revenue in FY 2018-19 included revenue attributable to the U.S. Open, a one-time event, as well as continued efforts by the Treasurer-Tax Collector in recuperating one-time collections for non-complaint Short Term Rental operators. The pandemic and corresponding stay at home orders negatively impacted revenue collected in the second half of the FY 2019-20. As travel restrictions eased in FY 2020-21, the County saw a rebound in tourism with revenues coming in at $23.5 million. In consideration of the pandemic, TOT revenue was budgeted conservatively at $17.7 million in FY 2021-22, however TOT revenue came in at a historic $40.0 million. In FY 2022-23, TOT revenue is once again expected remain at the high of $40.0 million through FY 2023-24. TOT revenue in the second and third forecasted year expected to grow by 3.9% ($1.6 million) and $4.5% ($1.9 million) assuming no economic downturn.



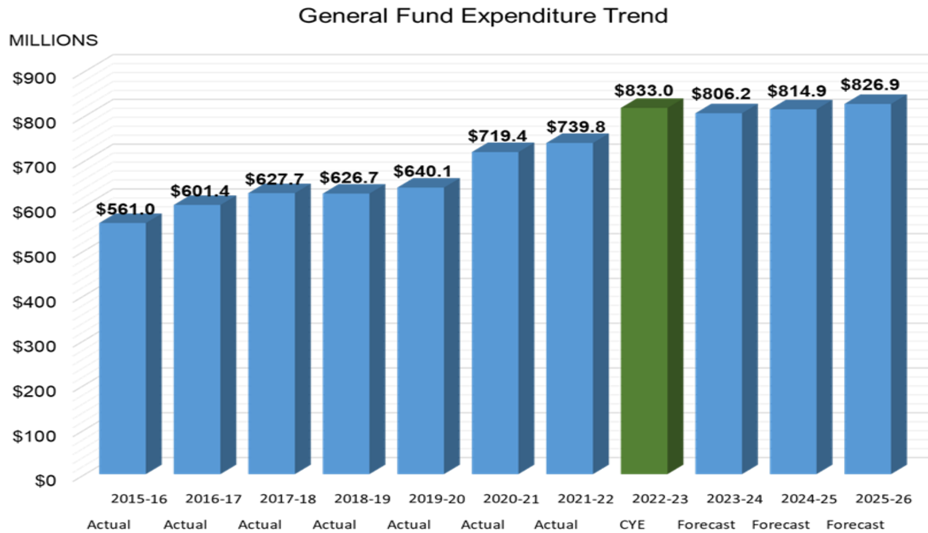
Cannabis revenue is decreased based on recently approved tax changes. The adopted budget included $7.4 million, with an estimated $6.2 million attributed to the cannabis program to support 25.23 FTEs. The remaining $1.2 million was allocated as discretionary revenue supporting all County departments. In the current year, the Board approved reductions to cannabis tax rates resulting in estimated current year revenue of $4.6 million, or $2.8 million below budget. Per Board direction non-cannabis program allocations and Health intervention program were to be funded with Cannabis Tax Assignment for February 1 to June 30, 2023. If lower cannabis tax rates are adopted by the Board of Supervisor as cost pressures continue in the industry, in FY 2023-24 cannabis revenue will further decrease and the cannabis program will be further affected.

As of the date of this report, the cannabis assignment has an estimated uncommitted balance of $4.1 million. The assignment is not expected to grow at the end of the current or future years since cannabis revenue is allocated entirely as part of the GFC next fiscal year. Assignment utilization in FY 2022-23 totals $10.2 million as shown in the table below.

Cannabis Appproved Assignment Uses FY 2022-23	
Description	**FY 2022-23**
Assignment Use	**$ 10,232,045**
Farmworker Resource Center (Health Department	$ 250,000
Local Housing Trust Fund Program(HCD)	$ 600,000
Assigned as Fund Source in FY 2023 Adopted Budget	$ 6,575,741
Costs Related to Settlement and Close Out of Jail House Addittion Project	$ 977,006
Alisal Vibrancy Plan Implementation (PWFP)	$ 50,000
Pajaro Sanitation District Operating & Capital Costs (PCSD)	$ 1,320,603
Cannabis: Youth Prevention/Interventio and Public Awareness (Health)	$ 93,000
Non-Cannabis : Various Departmental Allocations	$ 365,695
Grand Total	**$ 10,232,045**

General Fund Expenditures

The FY 2022-23 adopted budget included appropriations of $851.1 million. The modified budget is $854.4 million. Changes primarily include an amendment of $2.0 million settlement and closeout of Jail Housing Addition Project and $1.3 million for Pajaro County Sanitation District capital costs were funded with fund balance. There are modifications to budgets which occurred after this report was compiled and were not included in the modified budget figures due to timing. Departments continue to amend their budget throughout the year as the need arises and the final modified budget will be different.



Current year expenditures are estimated at $833.0 million, or 14.5 million below budgeted expenditures.

The primary factor for below budget expenditures in the current year is $37.3 million in salary and benefits savings from vacancies across the County. The Health Department alone accounts for $18.7 million in salary and benefit savings and the Department of Social Service $10.2 million as the departments continue to struggle recruit and to find qualified staff.

At the writing of this report, the County had an overall 17.2% vacancy rate in the general fund. For perspective, the 2.0% increase that most units in the County received and the wage adjustments had an estimated cost $17.4 million in the current year, based on currently filled positions. At the time the forecast was developed there were an estimated 606 vacancies in the general fund, with an estimated annualized value of $52.4 million next fiscal year. Of these vacancies, approximately 56% reside within two departments: Health and Social Services. To the extent these departments fill vacant positions costs will go up, but it is likely some of the costs would qualify for some level of reimbursements from State and federal agencies. Therefore, vacancies in these departments do not translate into County savings to the same extent than departments which cannot seek reimbursement from State and federal agencies for costs not incurred. The same holds true for departments with grant-funded vacancies or departments that share cost with other payors.

For next year's forecast, one-time expenditures such as infrastructure projects and pandemic related programs such as the rental assistance program are excluded. In the forecast, departments generally assume that all vacancies are filled and at top step. This conservative estimate illustrates potential increases in expenditure levels; however, expenditures are curtailed to available funding. As responsible fiscal managers, Departments make operational changes if funding levels are constrained, including delaying hiring of vacant positions. An adjustment for salary savings is made in the forecast years. This adjustment is discussed later in the report.

One-time expenditures in the current year are financed with fund balance. The FY 2022-23 adopted budget included $34.0 million use of fund balance to cover one-time expenditures. One-time funding of $23.0 million of ARPA funds were allocated throughout general fund departments to eliviate revenue loss and continue with COVID-19 respond efforts. Cannabis Assignment of $3.1 million was allocated for numerous one-uses for such items as the Gonzales Community Center, the

Climate Action Plan, the Salinas Soccer Complex and Playground Inspection, Equipment and Maintenance. Remaining fund balance use includes $7.9 million of departmental restricted fund balance use for health, social services and public safety programs.

ARPA- COVID -19 Pandemic Aid

In March 2021, the federal government enacted the American Rescue Plan (ARPA) which provides $350.0 billion in emergency funding for state, local, territorial, Tribal governments to respond to the COVID-19 public health emergency, or its negative economic impacts, including providing assistance to households, small businesses, and nonprofits, or aid to impacted industries, such as tourism, travel, and hospitality. The County was allocated $84.3 million, paid in two installments over the past two years (2021 and 2022). The Board's spending plan allocated the ARPA funds over four fiscal years. The County must utilize or obligate the ARPA funds by December 31,2024.

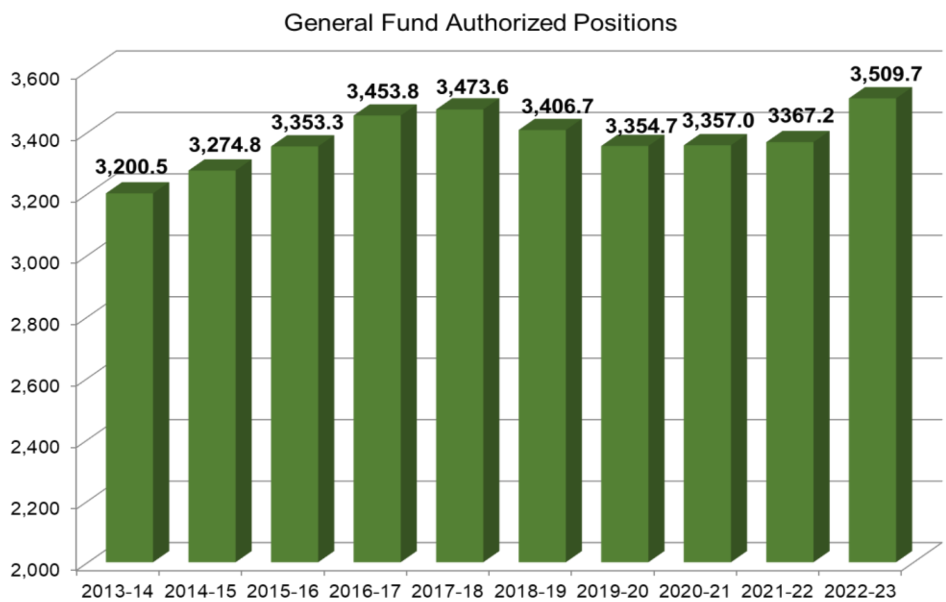
Monterey County ARPA Plan Expenditure Summary
Updated January 2023

General Fund	Spent		Allocated	Allocated	Allocated	Total Allocated
Department	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	All Years
Ag Commissioner	$ -	$ 222,353	$ -			$ 222,353
Auditor Controller	$ -	$ 167,200	$ 356,590			$ 523,790
Board of Supervisors	$ -	$ -	$ 234,506			$ 234,506
Civil Rights	$ -	$ 50,799	$ 204,767			$ 255,566
Clerk of the Board	$ -	$ -	$ 102,727			$ 102,727
County Administrative Office	$ 4,989,651	$ 2,669,030	$ 5,368,762			$ 13,027,443
County Administrative Office EOC	$ 747,169	$ (747,169)	$ -			$ -
County Counsel	$ -	$ 107,494	$ 517,710			$ 625,204
District Attorney	$ -	$ 237,000	$ 1,687,964			$ 1,924,964
Health	$ 2,045,677	$ 6,329,477	$ 3,472,373	$ 318,194	$ 77,973	$ 12,243,694
Housing and Community Development	$ -	$ 934,112	$ 520,000			$ 1,454,112
Human Resources	$ -	$ 349,545	$ 652,659			$ 1,002,204
Information Technology	$ -		$ 3,281,482			$ 3,281,482
Probation	$ -	$ 371,012	$ 12,560			$ 383,572
Public Defender	$ -	$ 504,002	$ 559,549			$ 1,063,551
Public Works Facilities and Parks	$ 424,720	$ 3,400,726	$ 1,414,394	$ -		$ 5,239,841
Sheriff Coroner	$ 504,038	$ 2,906,798	$ 3,812,723			$ 7,223,559
Social Services	$ 256,989	$ 223,822	$ 2,062,293			$ 2,543,104
Treasurer Tax Collector	$ -	$ 61,810	$ -			$ 61,810
FY 2023-24 Revenue Loss				$ 14,286,196		$ 14,286,196
Totals General Fund	**$ 8,968,245**	**$ 17,788,011**	**$ 24,261,059**	**$ 14,604,390**	**$ 77,973**	**$ 65,699,678**
Other Funds	**Spent**		**Allocated**	**Allocated**	**Allocated**	**Total Allocated**
	FY 2020-21	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**	**All Years**
Emergency Communications	$ -	$ 278,046				$ 278,046
Public Works - Road Fund	$ -	$ 110,000				$ 110,000
Public Works - Boronda CSD	$ -	$ 38,993				$ 38,993
Public Works - San Jerardo CSD	$ -	$ 35,159				$ 35,159
Public Works - Pajaro CSD	$ -	$ -	$ 1,178,797			$ 1,178,797
Public Works - Capital Projects	$ -	$ 1,751,986	$ 13,952,312	$ 375,524		$ 16,079,822
Workforce Development Board Fund	$ 745,342	$ 145,425	$ -			$ 890,766
Totals Other Funds	**$ 745,342**	**$ 2,359,609**	**$ 15,131,109**	**$ 375,524**	**$ -**	**$ 18,611,583**
Grand Total Obligated County	**$ 9,713,586**	**$ 20,147,619**	**$ 39,392,168**	**$ 14,979,914**	**$ 77,973**	**$ 84,311,261**
Federal Allocation						**$ 84,311,261**
Unallocated						**$ (0)**

The table above represents the updated ARPA Plan as of January 2023. In FY 2020-21 a total of $9.7 million was spent with the expenditures occurring in the general fund ($8.9 million) and other funds ($745,342). At the end of FY 2021-22, the general fund had expended $17.8 million while other funds spent $2.4 million for a total of $20.1 million In the current fiscal year, a total of $39.4 million has been allocated to be used in the general fund ($24.2 million) and other funds ($15.1 million). In FY 2023-24, a total for $14.9 million are set aside; of this amount $14.3 million is set aside in the general fund in the revenue loss category to be used as part of the budget process. The remaining amount has already been allocated by the Board for a specific purpose; $375,524 for capital projects and $318,194 for violence prevention programs. The CAO budget office recommends that any funding needs requesting ARPA as the financing source are considered by the Board as part of the budget process. This would enable the Board to make funding decisions based on a comprehensive view of the overall County' needs.

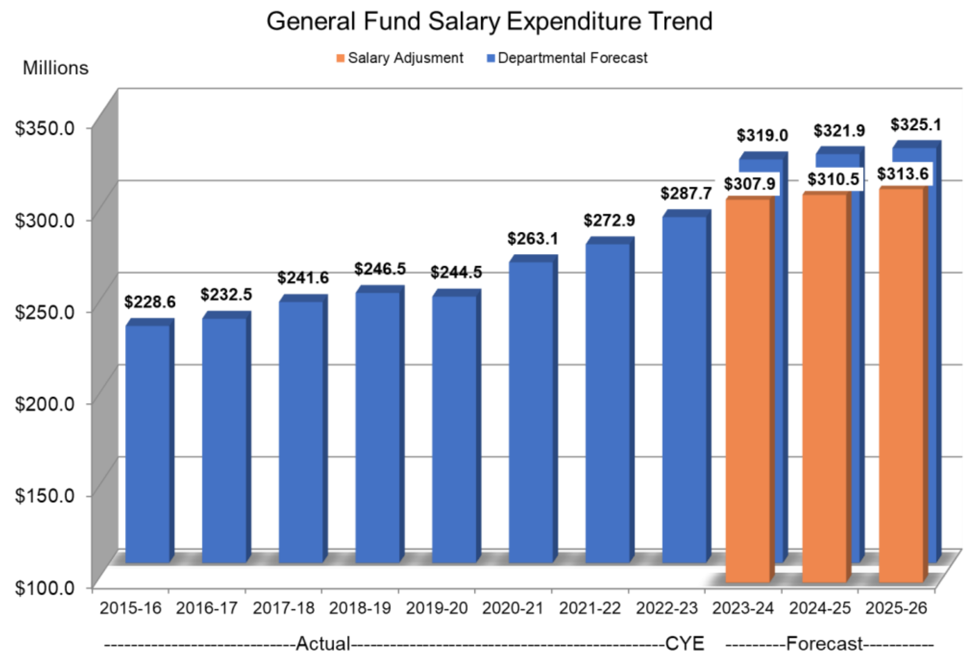
Major Cost Drivers

County programs and services continue to be impacted by higher labor costs resulting from negotiated salary increases, increased employer pension contributions, increased healthcare costs, higher workers' compensation, and general liability costs.



Prior and current fiscal year wage increases add to salary cost. In July 2021 and October 2021, the Board of Supervisors approved wage increases for FY 2021-22 through FY 2023-24. The Board approved wage increases for most labor groups of 2.0% through FY 2022-24, while SEIU represented units received 2.0% in the FY 2021-22 and 2.5% in the subsequent two years. Additionally, the County has implemented wage adjustments for various classifications throughout the County resulting in increased costs to the County. These adjustments originated from compensation studies conducted by Human Resources in accordance with the County's compensation philosophy. Independent of position growth, wage increases approved for the three fiscal years had and estimated impact of $17.4 million in cost (wages and impact to payroll taxes and higher pension contributions) to the general fund in the current year, compounded to $22.5 million by the end of the third year annually. The forecast assumes approved wage increases through FY 2023-24.

Along with increases in staffing levels, salary increases continue to constrain department's budgetary flexibility. Between FY 2012-13 and FY 2017-18, general fund positions increased year-over-year, with a total of 427.1 general fund positions added. However, FY 2018-19 was the first-year general fund positions experienced an overall drop. Although it appears FY 2019-20 positions decreased, this was due to the move of Emergency Communications out of general fund (75 positions). In FY 2020-21, FY 2021-22 and FY 2022-23 additional positions were added.



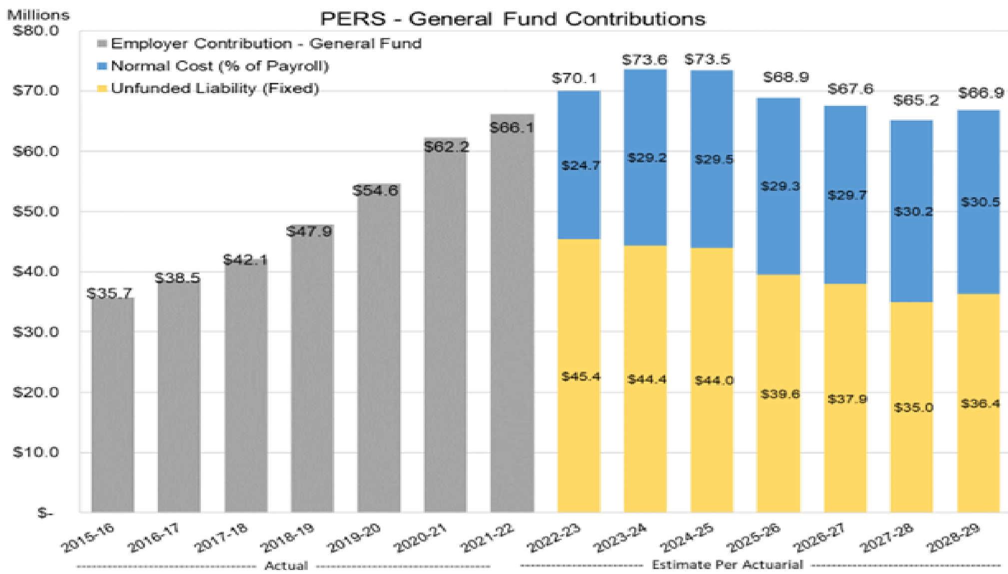
Departments estimate salary expenditures increase $14.8 million, from $272.9 million in the prior year to $287.7 million in the current year. The estimate includes higher wages based on labor agreements, plans to fill additional positions through the current year, and step advances. As mentioned earlier in the report, departments generally forecast all vacancies are filled and at top step. Departments manage their budgets to anticipated funding levels, and thereby make changes to their operations – including delaying hiring. Additionally, savings in salaries have consistently occurred due to attrition and turnover. Some Departments such as Health and Social Services build in a vacancy rate into the forecast. However, it is important to note that most departments experience turnover and attrition, and actual performance is historically better than the projections. As such, the forecast added a salary savings adjustment to illustrate prior years' experience more closely in salary expenditures. Taking the salary adjustment into consideration, salary expenditures increase to $313.6 million by FY 2025-26. The forecast includes future wage increases for labor agreements through FY 2024-25; the last year of the forecast period does not include wage increases as labor agreements are set to expire by FY 2024-25.

Employer contributions continue to increase. The County continues to see its contributions towards employee pensions increase. Driving the increases are changes to CalPERS' actuarial methodology, including the following actions:

- Changes in amortization and rate smoothing policies to accelerate paying down large unfunded liabilities.
- Change to fixed dollar contribution for the unfunded liability portion, rather than as a percentage of payroll, to prevent potential funding issues that could arise from a declining payroll.
- Adoption of new demographic assumptions that show retirees living longer, and thus requiring higher lifetime payout of benefits.

- Approval of a new funding risk mitigation policy to incrementally lower the discount rate.

Projected results assume no plan changes, no changes in assumptions, and no liability gains or losses. Additionally, projected results are based on investment returns not falling below the assumed rate of return, which will increase contributions. Projections are also based on payroll reported to CalPERS and assume an inflation factor; however, projections do not consider adding new positions. Any changes to those elements will have a direct impact on required contributions.



General fund contributions continue to increase in the forecast years with an increase of $3.5 million next fiscal year bringing the total contribution to $73.6 million, which is double the FY 2015-16 contribution. The most significant change impacting contributions is the reduction in the "Discount Rate," which reduced the assumed rate of return by CalPERS from 7.50% to 7.0% over three years, beginning with the June 30, 2016 valuation, which set FY 2018-19 contributions. Additionally, there was a shift to charge unfunded accrued liability (UAL) payment as a fixed dollar amount rather than a percent of payroll to prevent funding issues. With these changes, there was a five-year ramp up period where contributions were accelerated to pay down liabilities; however, the full impact of increases to UAL payments was anticipated to be seven years, through FY 2024-25, due to the phase in period of the discount rate and then UAL payments were anticipated to level off.

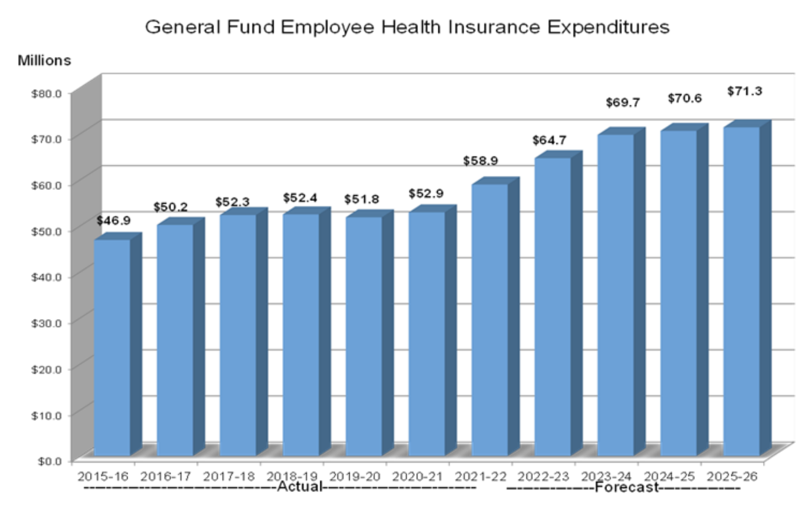
The projections reflect lower increases after FY 2024-25. However, CalPERS has announced that as part of their Funding Mitigation Policy, the discount rate will be further reduced to 6.8% effective with the June 30, 2021 valuation. Their policy seeks to reduce funding risk over time and establishes a mechanism that prompts adjustments if the investment performance significantly outperforms the discount rate, expected investment returns, and strategic asset allocation targets. This was the case for FY 2020-21, where performance yielded a 21.3% return on investment, and therefore, a 20-basis point adjustment was triggered by the funding policy. In FY 2021-22, the performance yielded a -6.1% return on investment leading to the first loss since the 2009 financial crisis. As a result, employer contributions are expected to increase in the coming years.

The changes to CalPERS funding policy have resulted in increasing contributions for the County, consuming a larger share of revenue every year. The contributions for FY 2022-23 and through the forecast years are based on a 7.0% discount rate. The projections in the chart above are based on CalPERS actuarial valuations, which are built on actual payroll data obtained by CalPERS, and therefore, based on existing levels of filled staffing. The chart breaks out the portion of the contribution that goes toward paying unfunded liabilities. While the "normal" cost has stabilized at about $29.0 million for the next seven fiscal years, the unfunded liabilities payment is what drives the increases over the next seven years. The County's current unfunded liabilities of $505.7 million (all funds).

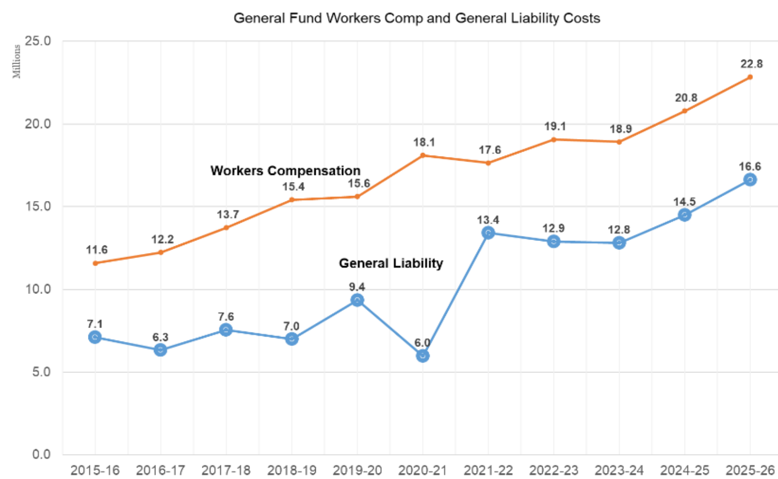
In order to help reduce the County's unfunded liability, the Board of Supervisors adopted a pension liability policy during FY 2020-21 and the County established an IRS Section 115 pension trust. The trust serves as an investment vehicle outside of the County's Treasury Pool to generate investment proceeds to address future pension lability obligations. This is important progress toward planning for the future and managing growing unfunded liabilities. Trust assets may be used for contributions and / or supplemental payments to unfunded liabilities. In the long term, this reduces reliance on discretionary revenues to meet this obligation and prepares the County for hard economic times potentially averting reductions of critical programs. Initially, the County used onetime funds to establish the pension trust, this includes a $3.5million from Natividad. Additionally, in FY 2022-23, a $250,000 appropriation and revenue increase were approved by the Board to finance the independent administrator expenses to manage the County's investment was approved by the Board from funded by the surplus of FY 2021-22.

In addition to the one-time contributions, beginning with FY 2022-23 the County implemented a supplemental pension contribution plan to continue the progress toward paying down future unfunded liabilities. This plan allows for continuous investments as opposed to only contributing surpluses or one-time funds. In FY 2022-23 the total allocations for this plan are $10.5 million in the general fund ($15.4 million all funds). In FY 2023-24, allocations will be $11.0 million. This pension charge intends to capture County and non-County funding sources to share in the growing UAL costs created in prior years as it is anticipated that some departments will recover a portion of these costs from non-County sources. It is important to note that although the County has taken various actions to address the unfunded liability and forecasted years show lower contributions, they will not revert to those of FY 2015-16.

Increases in health insurance premiums continue to add to Countywide fiscal pressures. Health care costs for the current year are estimated at $64.7 million, an increase of $5.8 million from the prior year. This increase is a direct result of premium increases and the terms of the latest negotiated labor contracts which include higher County contributions for premiums and higher costs of flex cash credits provided to more bargaining groups. As comparison, costs increased $6.0



million from FY 2015-16 to FY 2021-22. Additionally, costs are estimated to grow by $5.0 million in FY 2023-24 a significant increase with premium increasing for PERS Gold by 17.79% and PERS Platinum PPO by 14.48%. However, much of the increase is tied to assumptions that vacancies are filled. After that significant increase, costs are expected to remain fairly stable in the last two years of the forecast (FY 2024-25 and FY 2025-26).

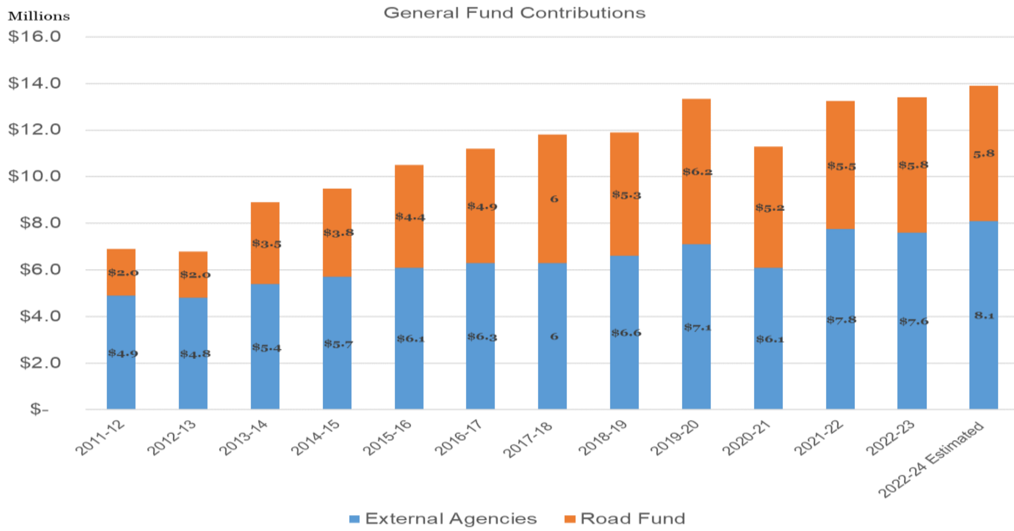


Costs to run internal service fund programs continue to increase. The workers' compensation program continues its trend of increasing projected allocated costs. FY 2023-24 costs are estimated at $20.8 million or $1.9 million higher than the current year and projected to grow 10% annually in the following two years, to $22.8 million by FY 2025-26. This growth represents a $11.2 million increase from FY 2015-16 costs. Next fiscal year, the general liability (GL) program's allocated costs to departments also are estimated slightly lower than the current year at $12.8 million (recoverable and non-recoverable combined) and then grow 15% in the subsequent two years to $16.6 million by FY 2025-26. Costs for this program were $7.1 million in FY 2015-16, resulting in a growth of $9.5 million by the end of the forecast period.

The chart above, shows the trend of historical and projected workers' compensation and general liability costs. The chart reflects a dip in FY 2020-21 for general liability costs, which reflects the suspension of approximately $8.5 million in charges of GL recoverable costs to general fund departments due to budgetary constraints. In FY 2021-22, the GL recoverable costs resumed.

Funding Commitments

In addition to operational cost drivers, County policy provides for funding towards external agencies and to the Road Fund. Funding agreements are based on percentage formulas, which have generally resulted in increased annual contributions in recent years. These commitments total $13.4 million in FY 2022-23 and result from the following:



- **Funding to external agencies in support of their mission to economic development.** County policy provides funding for agencies that promote economic development, tourism, and cultural arts. Contributions to these endeavors has varied over time as the County's contribution adapts to the economic conditions facing the community. For example, during FY's 2016-17 and 2017-18, contribution amounts were capped at FY 2015-16 levels, or $1.9 million, due to fiscal constraints. In FY 2018-19, contributions returned to formula based; however, in FY 2019-20 contributions were again capped and include $2.1 million from TOT. In FY 2020-21, the contribution was based on a formula driven approach amount but with a cap reflecting the anticipated decline of TOT revenue resulting in a contribution of $1.2 million. In FY 2021-22, the amount was based on a formula using FY 2018-19 (pre pandemic) revenue, resulting in a contribution of $2.5 million. On April 26,2022, the Board of Supervisors established that moving forward contributions would no longer be based on a formula, but rather capped at the FY 2019-20 amount of $2.1 million. The forecast assumes static amounts from the current year. Contributions to these agencies had grown $1.2 million annually over the last nine fiscal years but decrease in the current year by $532,684. During the budget development, the Board decides the level of contributions and can modify distribution percentages for this funding based on current economic conditions.

- **Proposition 172 revenues (Half-Cent Public Safety Tax).** The County distributes Proposition 172 revenues based on funding agreements to user agencies of the 911 dispatch center and to fire districts to promote public safety. These contributions are at the discretion of the Board. The FY 2022-23 contributions to user agencies of the 911 center total $1.9 million and the allocation to the fire districts is $3.5 million and were based on the original formula using FY 2020-21 actuals as the base. Contributions to user agencies and fire districts have grown $575,676 and $1.1 million annually over the last nine fiscal years. Due to a favorable Proposition 172 revenue trend the assumes a growth in contributions from the current year.

- **TOT to the Road Fund**. In FY 2013-14, the Board adopted a policy to contribute a percentage of TOT revenue to the Road Fund, recognizing that well maintained roads are vital to the local economy. In FY 2019-20, the Board approved adjusting the contribution to the Road Fund at a level necessary to meet maintenance of effort (MOE) with the difference directed to Board approved road projects. In FY 2022-23 the amount was kept at the minimum MOE required.

Based on current formulas, next fiscal year, the estimated contribution to the Road Fund to meet MOE is $5.8million.

Emerging Countywide Needs

The following table summarizes emerging needs including departmental cost pressures that will require budget solutions beginning in the current year and next fiscal year. The main cost pressure in the current year is the impact of approved labor agreements, as department budgets did not include assumptions of increased wages when they developed their FY 2022-23 budgets because labor negotiations were ongoing. Although most departments are anticipating absorbing the additional cost, some departments may require budgetary solutions in the current year.

Emerging Needs - General Fund	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**
Wage study adjustments	$3,089,163	TBD	TBD
Salary Increases, Labor Agreements*	$17,356,062	$22,541,919	$50,368,602
PERS Contribution Increase	$3,886,936	$3,627,166	TBD
Pandemic Response Costs	TBD	TBD	TBD
Winter Storm & Atmospheric River Event	TBD	TBD	TBD
Total	$24,332,161	$26,169,085	$50,368,602

** Does not include recent increases for X, ZX, Y or K units*

Salary increases. Most bargaining units finalized labor agreements with the County in the current year, resulting in additional costs of $17.4 million. Additionally, several wage studies for various classifications occurred in the current year, with an estimated cost of $3.1 million for the current year. The figures reflected for FY 2022-23 and FY 2023-24, do not include additional wage studies in progress, or the wage increases units that are still finalizing negotiations. Since these costs were not built into the current year budget, next year's cost will result in a compounded amount of $17.4 million. While non-program revenue is increasing, it is not sufficient to keep pace with increasing costs, resulting in some unfunded needs next fiscal year.

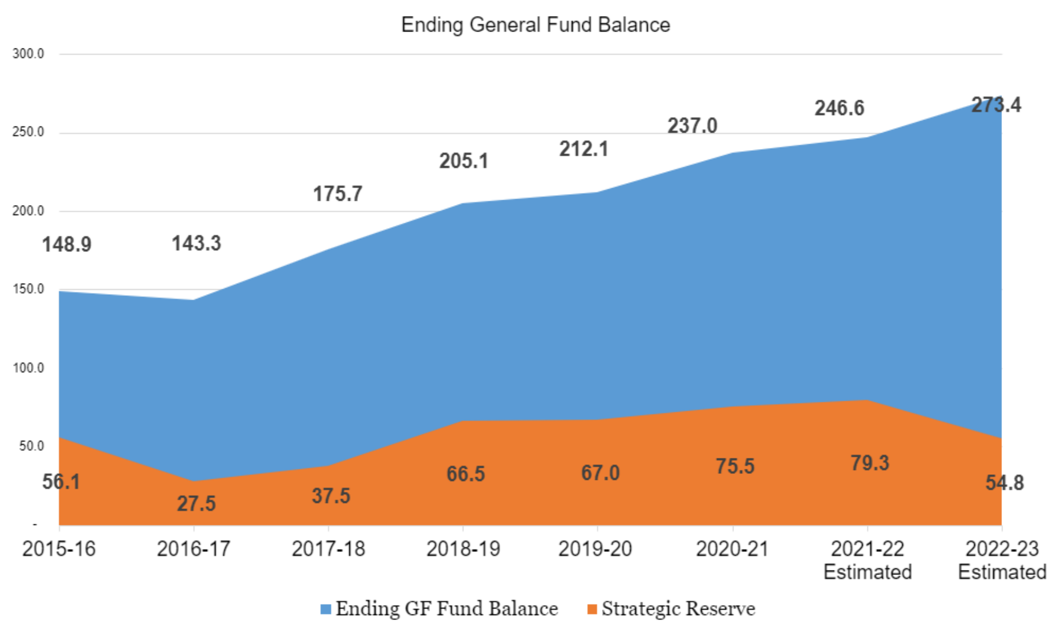
Supplemental pension charge. The County will continue to charge departments to save for supplemental pension contributions to invest funds for future pension obligations. It is essential to establish a diligent plan to address growing unfunded pension liabilities to safeguard the County's operations in future years, as these unfunded liabilities pose a significant risk to operations if not addressed. The current UAL balance as of the writing of this report is $568.1 million.

PERS contribution. As mentioned earlier in the report, pension contributions continue to increase. An increase of $3.5 million is anticipated next fiscal years. This is independent of position growth or salary increases.

Pandemic Response. Impact to County operations will likely continue into FY 2023-24. Specific impacts will be estimated during the budget preparation cycle. Additionally, the County will allocate ARPA funds which can be utilized to offset the costs related to pandemic response. The evolution of the pandemic will continue to be monitored so that early action could be taken once specific impacts are identified.

Winter Storm and Atmospheric River Event. The storm and atmospheric river event required the activation of the Emergency Operations Center for the County to its highest level with staff from County departments, other cities, state agencies and disaster assistance organizations participating on a 24 hour in-person basis. As of the writing of this report, labor/staffing and services and supplies were calculated at a total of $35.6 million. In addition, 128 capital projects have been identified with a cost of $24.5 million. The total impact and cost to the County is unknown currently, but it is important to note that staff is seeking FEMA reimbursements.

Financial Reserves



Since the recession, the Board has strengthened financial policies to restore balance between ongoing revenues and expenditures, ending the practice of using one-time gains in fund balance to finance ongoing operations. Historically, the County has invested year-end surpluses and one-time gains in its strategic reserve and other key investments, resulting in improvement to the County's ending fund balance each year.

The FY 2022-23 modified budget includes $70.1 million in use of fund balance including funds authorized from restricted fund balance and other assignments. The current year estimate reflects an improvement of $26.8 million to fund balance, primarily due to positive non-program revenue results. Based on the current year estimated results, the estimated general fund balance is projected at $273.4 million at year-end. At the time this report was written, the Annual Comprehensive Financial Report (ACFR) was not available; therefore, fund balance figures for FY 2021-22 are estimated.

The County has previously built up the general fund strategic reserve which allowed the County to able to respond to natural disasters and extraordinary legal costs during FY 2016-17 by redirecting $30.9 million towards these unforeseen costs. Because of favorable results in the last four years, the County was able to keep investing in the Strategic Reserve reaching 10% of estimated annual general fund revenues, thereby meeting the Board' strategic reserve policy ceiling. The current Strategic Reserve is $54.8 million a decrease of $24.6 million due to the Winter Storm and Atmospheric River event advanced funding approved by the Board for FY 2022-23 ($23.8) million and FY 2023-24 ($800,000).

Advanced Funding	FY 2022-23	FY 2023-24	Total
Roads and Bridges	$ 11,505,000	$ 800,000	$ 12,305,000
Laguna Seca	$ 450,000		$ 450,000
Lake Nacimiento	$ 203,000		$ 203,000
County Service Areas	$ 1,267,000		$ 1,267,000
County Sanitation Districts	$ 179,000		$ 179,000
County Facilities/ Parks	$ 348,475		$ 348,475
Water Resources	$ 7,000,000		$ 7,000,000
Laguna Seca Pending FEMA Review	$ 2,800,000		$ 2,800,000
Grand Total Advanced Funding	**$ 23,752,475**	**$ 800,000**	**$ 24,552,475**

As illustrated in the above graph, unforeseen costs can easily reduce reserve levels. Without the prior investments, the County may not have been able to respond to the magnitude of costs due to unforeseen events or the recession during FY 2008-09. Potential uses of the strategic reserve will help the County mitigate impacts during an economic recession or other extraordinary events. It is important to continue to preserve the County's finances, and align expenditures to available ongoing revenues, to be better prepared for future events including an economic downturn.

General Fund Departmental Forecasts

This section provides individual departmental forecasts, which compare forecasted needs (i.e., expenditures) based on current staffing and services to available financing including estimated program revenue plus authorized general fund contributions adopted by the Board. The resulting forecast summaries help identify potential areas where service capacity may be impacted because of projected changes in expenditures and revenues. Departmental summaries offer a tool to assist the Board of Supervisors in prioritizing the distribution of discretionary general fund contributions in the upcoming budget process.

Per County policy, Departments forecasting current year deficits are required to prepare and submit a Budget Committee report outlining the cause of the problem, the alternatives available to mitigate the projected deficit, and the Department's recommended action. In the current year, Departments estimating a deficit include Assessor County Clerk/Recorder, District Attorney, and the Sheriff's Office.

General Fund Contributions

Departments are provided preliminary estimates of general fund contributions for purposes of building their initial "baseline" budgets. The initial GFC estimates represent preliminary allocations of discretionary general fund monies to be used for planning purposes. Departments use these monies to supplement program-specific revenues to finance operations. All non-program revenue, including growth, was allocated as GFC to departments.

Preliminary GFC planning estimates for the budget year and forecast years were based on current year GFC allocations with the following adjustments:

- Worker's Compensation & General Liability Increase Adjustments

- Cost Plan Adjustment – preliminary GFC planning estimates did not include an adjustment to departments GFC for anticipated cost plan charges or credits. Departments assumed static cost plan charges and credits for the forecast. Since the preliminary GFC estimates were distributed, the Auditor-Controller's Office has published updated countywide cost plan allocation (COWCAP) amounts to be applied next fiscal year. An updated GFC estimate was distributed to departments to include an adjustment for COWCAP. Per the Board's prior direction, updated GFC estimates redistributed preliminary GFC allocations across general fund departments to make the updated COWCAP a budget-neutral event (to the extent of available resources) and minimize the COWCAP's impact to general fund departments.

Departmental Forecasts

Departmental forecasts assume the budget year 2022-23 preliminary General Fund Contribution (GFC) figures as approved by the Board to fund levels of staffing and services as prioritized in the adopted budget; and assumes growth in discretionary revenue in the FY 2023-24 is distributed using the same priorities. GFC for the remaining forecast years is assumed to be static from FY 2023-24. The forecast tables in the upcoming sections reference the Countywide Cost Allocation Plan as COWCAP. This represents the cost allocation plan charges or credits for departments receiving or providing internal administrative services respectively.

Agricultural Commissioner	Modified Budget 2022-23	Year-End Estimate 2022-23	Forecast		
			2023-24	2024-25	2025-26
A. Operational Expenditures	$11,814,699	$11,589,491	$12,841,540	$13,138,077	$13,477,395
B. COWCAP	1,223,601	1,223,601	1,223,601	1,223,601	1,223,601
C. Total Expenditures	13,038,300	12,813,092	14,065,141	14,361,678	14,700,996
D. Revenue	8,322,600	8,387,500	8,468,100	8,616,100	8,767,600
E. Financing Need, C-D	4,715,700	4,425,592	5,597,041	5,745,578	5,933,396
F. Preliminary GFC	4,715,700	4,715,700	4,787,918	4,787,918	4,787,918
G. Surplus/(Deficit), F-E	$ -	$ 290,108	$ (809,123)	$ (957,660)	$ (1,145,478)

Agricultural Commissioner – The Agricultural Commissioner's Office expects to end the current year with $12.8 million in expenditures, $8.4 million in revenues and a GFC of $4.7 million resulting in a year-end surplus of $290,108. The surplus is primarily due to salary savings resulting from vacant positions. The department plans to fill the openings within the fiscal year. In the forecast years, the projected expenses increase due to higher salary and benefit costs, an increase in non-recoverable liability insurance and scheduled equipment and vehicle replacement. Departmental revenues are primarily derived from unclaimed gas tax revenue and Mill tax revenue by meeting the state's maintenance of effort. Although these revenues increase in the forecast years, their growth is not sufficient to keep up with rising expenses, resulting in projected deficits.

Auditor-Controller	Modified Budget 2022-23	Year-End Estimate 2022-23	Forecast		
			2023-24	2024-25	2025-26
A. Operational Expenditures	$ 7,694,819	$ 7,379,413	$ 8,257,108	$ 8,431,296	$ 8,529,221
B. COWCAP	(5,787,150)	(5,787,150)	(5,787,150)	(5,787,150)	(5,787,150)
C. Total Expenditures	1,907,669	1,592,263	2,469,958	2,644,146	2,742,071
D. Revenue	593,371	607,845	593,371	593,371	593,371
E. Financing Need, C-D	1,314,298	984,418	1,876,587	2,050,775	2,148,700
F. Preliminary GFC	1,907,669	1,907,669	1,311,975	1,311,975	1,311,975
G. Surplus/(Deficit), F-E		$ 923,251	$ (564,612)	$ (738,800)	$ (836,725)

Auditor-Controller – The table summarizes the finances for departmental operations. The Auditor-Controller estimates ending the fiscal year with expenditures of $7.4 million financed by $5.8 million in cost plan credits and revenues of $607,845, resulting in a projected surplus of $923,251. The surplus is a result of salary and benefits savings due to vacancies. The deficits emerging in forecast years are driven by increases PERS retirement, health insurance costs and negotiated salary increases.

Assessor- Clerk/Recorder	Modified Budget 2022-23	Year-End Estimate 2022-23	Forecast		
			2023-24	2024-25	2025-26
A. Operational Expenditures	$ 9,348,416	$ 9,215,666	$ 9,653,406	$ 9,986,527	$10,165,545
B. COWCAP	1,282,446	1,282,446	1,282,446	1,282,446	1,282,446
C. Total Expenditures	10,630,862	10,498,112	10,935,852	11,268,973	11,447,991
D. Revenue	4,958,351	3,476,500	3,916,000	4,416,000	4,716,000
E. Financing Need, C-D	5,672,511	7,021,612	7,019,852	6,852,973	6,731,991
F. Preliminary GFC	5,672,511	5,672,511	5,727,682	5,727,682	5,727,682
G. Surplus/(Deficit), F-E	$ -	$ (1,349,101)	$ (1,292,170)	$ (1,125,291)	$ (1,004,309)

Assessor-County Clerk/Recorder – The Assessor-County Clerk/Recorder estimates year-end expenditures of $10.5 million, and revenues of $3.5 million resulting in an estimated deficit of $1.3 million. This estimated deficit results from lower than budgeted revenues due to a decrease in real estate transactions in the Recorder's office. Forecasted deficits are due to estimated step advances, negotiated salary increases, and employee benefit costs. In accordance with the county's financial policies, the department will present a report to the budget committee during its February 2023 meeting to provide more details about the steps the department is taking to address the impacts of the estimated deficit in the current fiscal year.

Board of Supervisors	Modified Budget 2022-23	Year-End Estimate 2022-23	Forecast 2023-24	Forecast 2024-25	Forecast 2025-26
A. Operational Expenditures	$ 3,957,734	$ 3,854,622	$ 4,068,368	$ 4,156,713	$ 4,226,354
B. COWCAP	837,597	837,597	837,597	837,597	837,597
C. Total Expenditures	4,795,331	4,692,219	4,905,965	4,994,310	5,063,951
D. Revenue	-	-	-	-	-
E. Financing Need, C-D	4,795,331	4,692,219	4,905,965	4,994,310	5,063,951
F. Preliminary GFC	4,795,331	4,795,331	4,857,377	4,857,377	4,857,377
G. Surplus/(Deficit), F-E	$ -	$ 103,112	$ (48,588)	$ (136,933)	$ (206,574)

Board of Supervisors – The budget for the Board of Supervisors includes six general fund units, providing for each of the five districts, and a general pool that covers shared expenses not specific to any one district. The Department projects year-end expenditures of $4.7 million compared to a budgeted GFC of $4.8 million, resulting in a year-end estimated surplus of $103,112. The estimated surplus is primarily due to salary savings from vacancies and decreases in various services and supplies such as travel and miscellaneous supplies. The deficits emerging in forecast years are driven by cost increases related to higher salaries and PERS.

Child Support Services	Modified Budget 2022-23	Year-End Estimate 2022-23	Forecast 2023-24	Forecast 2024-25	Forecast 2025-26
A. Operational Expenditures	$10,947,678	$10,602,486	$11,207,010	$11,327,953	$11,583,048
B. COWCAP	699,098	699,098	699,098	699,098	699,098
C. Total Expenditures	11,646,776	11,301,584	11,906,108	12,027,051	12,282,146
D. Revenue	11,562,560	11,219,395	11,827,273	11,993,160	12,243,173
E. Financing Need, C-D	84,216	82,189	78,835	33,891	38,973
F. Preliminary GFC	84,216	84,216	-	-	-
G. Surplus/(Deficit), F-E	$ -	$ 2,027	$ (78,835)	$ (33,891)	$ (38,973)

Child Support Services - Child Support Services is funded almost entirely through federal and state subventions for mandated services. The Department estimates year-end expenditures of $11.3 million, revenue of $11.2 million and GFC of $82,189. The GFC is to cover non recoverable cost such as non-recoverable general liability and Enterprise Resource Planning (ERP) cost that are not reimbursable by the State. The Department's expenses are $345,192 below budget primarily due to salary savings resulting from turnover and retirements during the year.

It is projected that the Department's funding allocations from the State Department of Child Support will continue to cover rising expenditures over the next three years. Additionally, any unused funds can be rolled over to future years, further mitigating request for GFC. Expenditures are forecasted to increase primarily due to increase in employee salary and benefits, workers compensation and PERS contributions. The projected deficit represents non-recoverable general liability and ERP cost that are not reimbursable by the State.

Civil Rights	Modified Budget 2022-23	Year-End Estimate 2022-23	Forecast 2023-24	Forecast 2024-25	Forecast 2025-26
A. Operational Expenditures	$ 1,100,015	$ 1,031,898	$ 1,145,024	$ 1,195,019	$ 1,236,387
B. COWCAP	(718,754)	(718,754)	(718,754)	(718,754)	(718,754)
C. Total Expenditures	381,261	313,144	426,270	476,265	517,633
D. Revenue	-	-	-	-	-
E. Financing Need, C-D	381,261	313,144	426,270	476,265	517,633
F. Preliminary GFC	381,261	381,261	366,566	366,566	366,566
G. Surplus/(Deficit), F-E	$ -	$ 68,117	$ (59,704)	$ (109,699)	$ (151,067)

Civil Rights – The Civil Rights Office estimates expenditures of $1.0 million offset by a cost plan credit of $718,754 and a GFC of $381,261 for a projected year end surplus of $68,117 attributable to a vacancy that has since been filled. However, it anticipates deficits at current level funding for forecasted years. With the reallocation of an Associate Analyst position to a Senior Analyst position, the Civil Rights Office is taking on more complex projects to meet organizational needs and state and federal requirements that will require additional staff support to meet competing deadlines. Furthermore, salary, pension and healthcare costs continue to increase, in addition to civil rights training and investigation services.

Clerk of the Board	Modified Budget 2022-23	Year-End Estimate 2022-23	Forecast 2023-24	Forecast 2024-25	Forecast 2025-26
A. Operational Expenditures	$ 847,134	$ 740,653	$ 890,033	$ 911,265	$ 936,503
B. COWCAP	308,620	308,620	308,620	308,620	308,620
C. Total Expenditures	1,155,754	1,049,273	1,198,653	1,219,885	1,245,123
D. Revenue	20,000	10,000	20,000	20,000	20,000
E. Financing Need, C-D	1,135,754	1,039,273	1,178,653	1,199,885	1,225,123
F. Preliminary GFC	1,135,754	1,135,754	1,142,313	1,142,313	1,142,313
G. Surplus/(Deficit), F-E	$ -	$ 96,481	$ (36,340)	$ (57,572)	$ (82,810)

Clerk of the Board – The Clerk of the Board estimates year-end expenditures of $1.0 million and revenue of $10,000 ending the year with a surplus of $96,481. The surplus is mainly due to salary savings from vacancies. In forecasted years, revenues from assessment appeal applications filings are projected to remain static while expenditures are expected to continue rising due to step advances, negotiated salary increases and employee benefit costs resulting in projected deficits.

Cooperative Extension	Modified Budget 2022-23	Year-End Estimate 2022-23	Forecast 2023-24	Forecast 2024-25	Forecast 2025-26
A. Operational Expenditures	$ 439,323	$ 371,830	$ 407,188	$ 415,517	$ 424,672
B. COWCAP	112,024	112,024	112,024	112,024	112,024
C. Total Expenditures	551,347	483,854	519,212	527,541	536,696
D. Revenue	27,575	16,645	16,315	16,418	16,532
E. Financing Need, C-D	523,772	467,209	502,897	511,123	520,164
F. Preliminary GFC	523,772	523,772	524,744	524,744	524,744
G. Surplus/(Deficit), F-E	$ -	$ 56,563	$ 21,847	$ 13,621	$ 4,580

Cooperative Extension - Cooperative Extension estimates ending the current year with $483,854 in expenditures, $16,645 in revenue and a GFC of $467,209, resulting in a surplus of $56,563 due to savings from a position vacancy. The Department projects a surplus in FY 2023-24, due to pro-rated GFC growth adjustment and a decrease in the actual cost of salary and benefits versus budgeted vacancies. In FY 2024-25 and FY 2025-26 the surplus continues at a diminishing rate as the cost of salaries and benefits increase due to step increases, and wage increases due to updated labor agreements and increased retirement costs.

County Administrative Office	Modified Budget 2022-23	Year-End Estimate 2022-23	Forecast		
			2023-24	2024-25	2025-26
A. Operational Expenditures	$14,721,638	$13,944,840	$12,445,884	$12,609,628	$12,702,920
B. COWCAP	(2,985,569)	(2,985,569)	(2,985,569)	(2,985,569)	(2,985,569)
C. Total Expenditures	11,736,069	10,959,271	9,460,315	9,624,059	9,717,351
D. Revenue	2,008,254	2,019,260	1,961,559	1,961,559	1,961,559
E. Financing Need, C-D	9,727,815	8,940,011	7,498,756	7,662,500	7,755,792
F. Preliminary GFC	9,727,815	9,727,815	7,731,432	7,731,432	7,731,432
G. Surplus/(Deficit), F-E	$ -	$ 787,804	$ 232,676	$ 68,932	$ (24,360)

County Administrative Office - The table above summarizes the finances for the County's Administration "departmental" operations, including Administration and Finance, Budget and Analysis, Contracts/Purchasing, Intergovernmental and Legislative Affairs (IGLA), Emergency Services, Community Engagement & Strategic Advocacy, Economic Development, and Cannabis.
The Department projects year-end expenditures of $13.9 million, financed by cost plan credits of $2.9 million, revenues of $2.0 million, and GFC of $8.9 million. These projections result in a year-end estimated surplus of $787,804. The estimated surplus is primarily due to salary savings from vacancies and decreases in various services and supplies, such as travel, mileage, property insurance, equipment rentals, and miscellaneous supplies.
The estimate does not include a budget request for $750,000 supported by the Budget Committee in January 2023 for storm disaster response as the request had not yet been approved by the Board when this report was completed. It also assumes the ongoing response to the pandemic continues at the same level as the first six months of the fiscal year. Any drastic changes to this response will require further review of financing needs in the Emergency Operations Center. The Department is projecting a deficit in the third forecast year driven by cost increases related to higher salaries, health insurance premiums, retirement costs, and general liability insurance.

County Counsel	Modified Budget 2022-23	Year-End Estimate 2022-23	Forecast		
			2023-24	2024-25	2025-26
A. Operational Expenditures	$ 6,082,754	$ 5,746,906	$ 6,187,938	$ 6,391,925	$ 6,509,138
B. COWCAP	(4,323,634)	(4,323,634)	(4,323,634)	(4,323,634)	(4,323,634)
C. Total Expenditures	1,759,120	1,423,272	1,864,304	2,068,291	2,185,504
D. Revenue	400,000	408,894	400,000	400,000	400,000
E. Financing Need, C-D	1,359,120	1,014,378	1,464,304	1,668,291	1,785,504
F. Preliminary GFC	1,359,120	1,359,120	1,349,770	1,349,770	1,349,770
G. Surplus/(Deficit), F-E	$ -	$ 344,742	$ (114,534)	$ (318,521)	$ (435,734)

County Counsel - County Counsel estimates it will end the current fiscal year with $5.7 million in expenditures, cost plan credits of $4.3 million, revenue of $408,894, and a GFC of $1.0 million resulting in a surplus of $344,742. The surplus is due to salary savings from several vacant and underfilled positions. The deficits emerging in forecast years are driven mainly by cost increases related to salaries at full staff levels, step increases, retirement costs, health insurance and workers' compensation costs.

District Attorney	Modified Budget 2022-23	Year-End Estimate 2022-23	Forecast		
			2023-24	2024-25	2025-26
A. Operational Expenditures	$33,414,681	$31,436,188	$35,215,593	$35,722,367	$36,145,480
B. COWCAP	5,831,359	5,831,359	5,831,359	5,831,359	5,831,359
C. Total Expenditures	39,246,040	37,267,547	41,046,952	41,553,726	41,976,839
D. Revenue	18,157,975	16,062,049	18,567,019	19,337,832	20,119,501
E. Financing Need, C-D	21,088,065	21,205,498	22,479,933	22,215,894	21,857,338
F. Preliminary GFC	21,088,065	21,088,065	20,816,703	20,816,703	20,816,703
G. Surplus/(Deficit), F-E	$ -	$ (117,433)	$ (1,663,230)	$ (1,399,191)	$ (1,040,635)

District Attorney – The Office of the District Attorney (DA) anticipates year-end expenditures of $37.3 million, revenues of $16.1 million and $21.2 million in GFC, resulting in a year-end deficit of $117,433. Revenues are down $2.1 million due to delays in settlements of cases in the Civil Unit. Expenditures are lower than budgeted levels due to salary savings from vacancies throughout the year. The DA projects deficits in the forecast years primarily due to forecasted salary increases, increasing PERS retirement costs, health insurance premiums and allocated costs such as workers' compensation insurance and general liability insurance, without a commensurate increase in revenues.

Elections	Modified Budget 2022-23	Year-End Estimate 2022-23	Forecast		
			2023-24	2024-25	2025-26
A. Operational Expenditures	$ 4,718,435	$ 4,713,937	$ 5,846,119	$ 6,353,099	$ 5,092,526
B. COWCAP	804,641	804,641	804,641	804,641	804,641
C. Total Expenditures	5,523,076	5,518,578	6,650,760	7,157,740	5,897,167
D. Revenue	1,579,168	1,580,493	748,710	2,198,710	398,710
E. Financing Need, C-D	3,943,908	3,938,085	5,902,050	4,959,030	5,498,457
F. Preliminary GFC	3,943,908	3,943,908	3,947,371	3,947,371	3,947,371
G. Surplus/(Deficit), F-E	$ -	$ 5,823	$ (1,954,679)	$ (1,011,659)	$ (1,551,086)

Elections - The Elections Department administers all federal, state, county, and local public elections. Departmental expenditures and revenues vary based on the number and size of scheduled and unscheduled special elections each year. The Department expects to end the current year with expenditures of $5.5 million, revenue of $1.6 million, and a GFC of $3.9 million, resulting in a surplus of $5,823.

Projected expenditures and revenues in forecast years reflect estimated charges for one scheduled election per fiscal year: a Presidential Primary Election in FY 2023-24, a Presidential General Election in FY 2024-25, and a statewide primary in FY 2025-26. The funds necessary to conduct mandated county, state and federal elections must be provided by the General Fund. Revenues from local districts reimburse the cost of their portion of the election. Services and supplies (including ballot printing, mailing and seasonal staffing) are projected to increase next year due to the size of the Presidential election before decreasing to approximately current year levels in future years.

Health	Modified Budget 2022-23	Year-End Estimate 2022-23	Forecast 2023-24	Forecast 2024-25	Forecast 2025-26
A. Operational Expenditures	$ 141,096,372	$ 114,278,514	$ 112,917,241	$ 110,633,149	$ 112,155,222
B. COWCAP	9,401,378	9,401,377	9,401,377	9,401,377	9,401,377
C. Total Expenditures	150,497,750	123,679,891	122,318,618	120,034,526	121,556,599
D. Revenue	123,714,569	100,179,517	101,790,909	98,500,492	99,367,428
E. Financing Need, C-D	26,783,181	23,500,374	20,527,709	21,534,034	22,189,171
F. Preliminary GFC	26,783,181	26,783,181	16,071,286	16,071,286	16,071,286
G. Surplus/(Deficit), F-E	$ -	$ 3,282,807	$ (4,456,423)	$ (5,462,748)	$ (6,117,885)

Health Department – The Health Department provides a wide array of services including but not limited to animal services, public health, clinic services, public guardian/conservator, administration, emergency medical services, and environmental health. The Department estimates year-end expenditures of $123.7 million, revenues of $100.2 million, and a financing need of $23.5 million.

Year-end expenditures are estimated at $26.8 million lower than budgeted primarily due to salary and benefits savings of $18.7 million resulting from a vacancy rate of approximately 24% as the Department continues to struggle to find qualified staff across all bureaus, but particularly in the Primary Care Clinics and in the Public Health Bureau, and savings of $8.1 million in services and supplies and fixed assets attributable to lower levels of services to the public than planned. Overall, most savings are in the categories of professional services, which will not be required due to the lower than planned staffing, and reimbursements to the State, as some reconciliations will rollover to next fiscal year. The total estimated expenditures include a liability payment to the State totaling $1.9 million from budgeted restricted funds. 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. Any over payment for services rendered by the County found by the State must be returned. Revenue is projected to end the year $23.5 million below budget. The high vacancy rate impacted the level of services provided, therefore decreasing revenue. The estimated impact to revenue from staff redirection to COVID-19 response activities is $3.4 million.

Although the table depicts the Department ending the current fiscal year with a $3.3 million surplus, the surplus is departmental unspent restricted funds. The projected surplus is primarily due to lower than planned reimbursements to the State. The Department projects ending within the allocated GFC in the current year. The Department will manage increases in salary, health insurance, and general liability in forecasted years. The projected deficits in the forecast years are clerical in nature, use of restricted funds was not included in those years.

Housing & Community Development	Modified Budget 2022-23	Year-End Estimate 2022-23	Forecast 2023-24	Forecast 2024-25	Forecast 2025-26
A. Operational Expenditures	$17,506,157	$16,618,626	$17,463,946	$17,373,430	$17,842,965
B. COWCAP	1,994,209	1,994,209	1,994,209	1,994,209	1,994,209
C. Total Expenditures	19,500,366	18,612,835	19,458,155	19,367,639	19,837,174
D. Revenue	8,498,392	9,767,571	9,033,394	9,474,669	9,946,982
E. Financing Need, C-D	11,001,974	8,845,264	10,424,761	9,892,970	9,890,192
F. Preliminary GFC	11,001,974	11,001,974	9,460,876	9,460,876	9,460,876
G. Surplus/(Deficit), F-E	$ -	$ 2,156,710	$ (963,885)	$ (432,094)	$ (429,316)

Housing and Community Development - The FY 2022-23 year-end estimate for Housing and Community Development consists of $18.6 million in expenditures, revenues of $9.8 million and a GFC of $8.8 million resulting in a net estimated surplus of $2.2 million. The savings is attributed to increased revenues from construction permits resulting from an increase in approved planning applications and salary and benefit savings due to vacancies. The Department continues to diligently review planning applications with support from outside consultants funded with ARPA dollars. The forecasted deficits are the result of a conservative approach to forecasting anticipated revenues and the ongoing increases in non-discretionary costs such as salary increases approved by the Board of Supervisors, pension cost increases, general liability, and property insurance premiums increases.

Human Resources	Modified Budget 2022-23	Year-End Estimate 2022-23	Forecast 2023-24	Forecast 2024-25	Forecast 2025-26
A. Operational Expenditures	$ 7,061,848	$ 6,715,958	$ 7,387,511	$ 7,513,806	$ 7,603,713
B. COWCAP	(5,591,442)	(5,591,441)	(5,591,441)	(5,591,441)	(5,591,441)
C. Total Expenditures	1,470,406	1,124,517	1,796,070	1,922,365	2,012,272
D. Revenue	-	-	-	-	-
E. Financing Need, C-D	1,470,406	1,124,517	1,796,070	1,922,365	2,012,272
F. Preliminary GFC	1,470,406	1,470,406	1,504,906	1,504,906	1,504,906
G. Surplus/(Deficit), F-E	$ -	$ 345,889	$ (291,164)	$ (417,459)	$ (507,366)

Human Resources-The Human Resources Department estimates expenditures of $6.7 million financed by $5.6 million in cost plan credits and GFC of $1.1 million resulting in an estimated surplus of $345,889 for the fiscal year. Estimated savings are primarily due to position vacancies. Conversely, deficits are projected in the forecasted years because of rising salary and benefit costs, such as wage increases, position step advances, pension contributions, workers' compensation insurance, and general liability insurance.

Information Technology	Modified Budget 2022-23	Year-End Estimate 2022-23	Forecast		
			2023-24	2024-25	2025-26
A. Operational Expenditures	$24,568,109	$24,196,574	$ 23,376,933	$ 23,730,387	$ 23,929,420
B. COWCAP	(25,248,810)	(25,248,810)	(25,248,810)	(25,248,810)	(25,248,810)
C. Total Expenditures	(680,701)	(1,052,236)	(1,871,877)	(1,518,423)	(1,319,390)
D. Revenue	550,000	550,000	550,000	550,000	550,000
E. Financing Need, C-D	(1,230,701)	(1,602,236)	(2,421,877)	(2,068,423)	(1,869,390)
F. Preliminary GFC	(1,230,701)	(1,230,701)	(5,628,739)	(5,628,739)	(5,628,739)
G. Surplus/(Deficit), F-E	$ -	$ 371,535	$ (3,206,862)	$ (3,560,316)	$ (3,759,349)

Information Technology-The Information Technology Department estimates year-end operational expenditures of $24.2 million, financed by $25.2 million in cost plan credits, and revenue of $550,000. Combined expenditure and income results in an estimated credit to the general fund of $1.6 million; generating an estimated surplus of $371,535. This estimated surplus is due primarily to unanticipated salary savings resulting from vacancies. Future forecast figures include an increase in operational expenses mostly due to salary and benefit costs and reflect a continued need for infrastructure projects. Without the inclusion of the capital costs the forecast years deficit diminishes by $1.1 million each year for anticipated costs.

Probation	Modified Budget 2022-23	Year-End Estimate 2022-23	Forecast		
			2023-24	2024-25	2025-26
A. Operational Expenditures	$59,904,752	$59,899,116	$61,207,243	$61,633,523	$61,778,319
B. COWCAP	4,234,569	4,234,569	4,234,569	4,234,569	4,234,569
C. Total Expenditures	64,139,321	64,133,685	65,441,812	65,868,092	66,012,888
D. Revenue	37,175,860	37,175,860	37,175,860	37,175,860	37,301,318
E. Financing Need, C-D	26,963,461	26,957,825	28,265,952	28,692,232	28,711,570
F. Preliminary GFC	26,963,461	26,963,461	26,330,497	26,330,497	26,330,497
G. Surplus/(Deficit), F-E	$ -	$ 5,636	$ (1,935,455)	$ (2,361,735)	$ (2,381,073)

Probation – The Department's year-end estimate reflects expenditures of $64.1 million, revenue of $37.2 million and a GFC of $26.9 million. The estimated marginal surplus of $5,636 is primarily due to anticipated savings in institutional supplies. The Department continues to mitigate increases in expenditures related to disaster response activities and overtime costs through careful use of resources and monitoring of operations. The forecast years reflect deficits ranging from $1.9 to $2.4 million. The deficits are due to estimated salary and benefit increases from negotiated bargaining agreements, higher pension contribution costs and cost increases for general liability and property insurance.

Public Defender	Modified Budget 2022-23	Year-End Estimate 2022-23	Forecast		
			2023-24	2024-25	2025-26
A. Operational Expenditures	$16,451,668	$16,538,749	$16,508,464	$16,780,972	$16,941,608
B. COWCAP	1,997,969	1,934,541	1,934,541	1,934,541	1,934,541
C. Total Expenditures	18,449,637	18,473,290	18,443,005	18,715,513	18,876,149
D. Revenue	2,290,804	2,926,058	2,259,391	2,331,762	2,410,933
E. Financing Need, C-D	16,158,833	15,547,232	16,183,614	16,383,751	16,465,216
F. Preliminary GFC	16,158,833	16,158,833	15,280,086	15,280,086	15,280,086
G. Surplus/(Deficit), F-E	$ -	$ 611,601	$ (903,528)	$ (1,103,665)	$ (1,185,130)

Public Defender - The year-end estimate for the Public Defender consists of $18.5 million in expenditures, $2.9 million in revenue, and a GFC of $16.2 million. The Department projects a surplus of $611,601 attributed to a multi-year State-funded grant for Public Defense to offset costs associated with attorney staffing support for youthful offenders and resentencing advocacy.

The Department projects a shortfall in the forecasted years driven by estimated cost increases related to newly negotiated labor agreements negotiations resulting in increased salary and benefits, pension, and health insurance premiums. The forecasted revenues include a reduction due to two one-time State-funded grants that are ending. The Public Defender will continue to seek new grant funding opportunities to offset increased costs. The revenue and expenditures will continue to fluctuate depending on trial-related costs, unanticipated expenses, and service agreements that maintain the operations of the Department.

Public Works, Facilities, & Parks	Modified Budget 2022-23	Year-End Estimate 2022-23	Forecast		
			2023-24	2024-25	2025-26
A. Operational Expenditures	$ 26,033,944	$ 25,313,066	$ 25,106,057	$ 25,851,132	$ 26,260,552
B. COWCAP	(6,970,848)	(6,970,848)	(6,970,848)	(6,970,848)	(6,970,848)
C. Total Expenditures	19,063,096	18,342,218	18,135,209	18,880,284	19,289,704
D. Revenue	2,390,076	2,650,037	1,943,878	1,945,110	1,961,571
E. Financing Need, C-D	16,673,020	15,692,181	16,191,331	16,935,174	17,328,133
F. Preliminary GFC	16,673,020	16,673,020	14,389,056	14,389,056	14,389,056
G. Surplus/(Deficit), F-E	$ -	$ 980,839	$ (1,802,275)	$ (2,546,118)	$ (2,939,077)

Public Works, Facilities, and Parks - The current year estimate projects expenditures of $25.3 million financed by $6.9 million in cost plan credits, revenues of $2.7 million and GFC of $16.7 million, for a net estimated surplus of $1.0 million. The estimate reflects a decrease in budgeted expenditures of $0.7 million and an increase in revenues of $0.3 million. Salary and benefit savings from vacancies contributed to the decline of expenditures. The increase in revenue is primarily from reopening camping at San Lorenzo Park and an increase in park visitors at Lake San Antonio. Also, with the rise in utility costs, reimbursement revenue from the State Courts increased.

The forecasted deficits in outlying years are related to nondiscretionary cost increases, such as salaries, pension contributions, general liability, and property insurance premiums. The decline in revenues is related to a one-time operating transfer for the 911 Center HVAC system. Other fluctuations from the current year to the out years are from adjustments to the GFC for one-time allocations for facility unscheduled maintenance, COVID related facilities maintenance, parking citation processing, playground equipment and fire fuel abatement.

Sheriff	Modified Budget 2022-23	Year-End Estimate 2022-23	Forecast 2023-24	Forecast 2024-25	Forecast 2025-26
A. Operational Expenditures	$130,647,742	$135,000,906	$140,081,087	$143,249,496	$146,162,260
B. COWCAP	10,156,705	10,156,705	10,156,705	10,156,705	10,156,705
C. Total Expenditures	140,804,447	145,157,611	150,237,792	153,406,201	156,318,965
D. Revenue	47,005,683	46,628,733	46,764,430	47,654,990	48,487,971
E. Financing Need, C-D	93,798,764	98,528,878	103,473,362	105,751,211	107,830,994
F. Preliminary GFC	93,798,764	93,798,764	92,588,833	92,588,833	92,588,833
G. Surplus/(Deficit), F-E	$ -	$ (4,730,114)	$ (10,884,529)	$ (13,162,378)	$ (15,242,161)

Sheriff-Coroner – The Sheriff's Office projects ending the current fiscal year with a deficit estimated at $4.7 million. Expenditures are estimated at $145.2 million, or $4.4 million higher than budget, while revenues are estimated at $46.6 million. The decrease in revenue is attributable to special events that were canceled due to the ongoing pandemic and lower revenues from the MOU for the School Resource Office. The financing need is estimated to be $98.5 million.

The increase in expenditures is due to unbudgeted overtime, a $1.9 million increase in Inmate Medical Agreement, $800,000 outfitting for replacement fleet vehicles, $271,000 increase in property insurance for the new jail, salary increases for employee bargaining units, and disaster and pandemic response expenditures. In accordance with the county's financial policies, the department will present a report to the budget committee during its February 2023 meeting to provide more details about the steps the department is taking to address the impacts of the current year estimated deficit.

The Sheriff's Office projects growing deficits in forecast years increasing to $15.2 million in FY 2025-26 due to significant increases in inmate medical costs amounting to $4.1 million in FY2023-24 with annual increase of 4% thereafter, salary and benefits from negotiated bargaining agreements, fleet, general liability, and workers compensation insurance in the next three years.

Social Services	Modified Budget 2022-23	Year-End Estimate 2022-23	Forecast 2023-24	Forecast 2024-25	Forecast 2025-26
A. Operational Expenditures	$229,920,113	$234,017,985	$237,667,108	$240,873,454	$246,372,768
B. COWCAP	13,826,333	13,826,333	13,826,333	13,826,333	13,826,333
C. Total Expenditures	243,746,446	247,844,318	251,493,441	254,699,787	260,199,101
D. Revenue	218,019,942	222,608,263	225,933,983	228,631,498	231,036,762
E. Financing Need, C-D	25,726,504	25,236,055	25,559,458	26,068,289	29,162,339
F. Preliminary GFC	25,726,504	25,726,504	21,628,012	21,628,012	21,628,012
G. Surplus/(Deficit), F-E	$ -	$ 490,449	$ (3,931,446)	$ (4,440,277)	$ (7,534,327)

Social Services – The Department of Social Services (DSS) estimates year-end expenditure of $247.8 million, revenue of $222.6 million and GFC of $25.2 million, resulting in a surplus of approximately $500,000. The estimated surplus results from $400,000 of unused American Rescue Plan Act funds for Project Roomkey which has been offset by State Project Roomkey funding that was rolled over from FY 2021-22 and the remaining balance of $100,000 is related to savings due to a lower caseload in the General Assistance Program.

Although the table above seems to indicate the department will exceed its FY 2022-23 approved appropriations, that is not the case. Due to timing, a $4.1 million increase in appropriations and revenue for the Emergency Rental Assistance Program was not included in the modified budget figures above. Once the Board approves this modification to the budget, the issue will be resolved. Pandemic related disaster recovery revenue is also not factored in the estimate Expenditures and revenues in the forecast years are estimated to increase; but revenue growth is projected to lag expenditure growth resulting in deficits. Most of the deficits results from IHSS Provider negotiated rate changes, which impact the County's MOE, and the loss of revenue for Military and Veterans Affairs due to claiming changes. Some of these cost increases can be offset with realignment growth, but it is projected some financing gaps will remain.

Tresurer- Tax Collector	Modified Budget 2022-23	Year-End Estimate 2022-23	Forecast 2023-24	Forecast 2024-25	Forecast 2025-26
A. Operational Expenditures	$ 9,432,557	$ 8,090,111	$ 8,844,514	$ 9,178,720	$ 9,313,344
B. COWCAP	81,957	81,957	81,957	81,957	81,957
C. Total Expenditures	9,514,514	8,172,068	8,926,471	9,260,677	9,395,301
D. Revenue	7,451,566	6,406,416	6,717,662	6,906,695	6,945,278
E. Financing Need, C-D	2,062,948	1,765,652	2,208,809	2,353,982	2,450,023
F. Preliminary GFC	2,062,948	2,062,948	2,046,465	2,046,465	2,046,465
G. Surplus/(Deficit), F-E	$ -	$ 297,296	$ (162,344)	$ (307,517)	$ (403,558)

Treasurer-Tax Collector - The Treasurer-Tax Collector (TTC) projects year-end expenditures of $8.2 million, revenue of $6.4 million, and a GFC of $1.8 million; resulting in an estimated surplus of $297,296. The surplus is possible since expenditures are estimated to be under budget by $1,3 million, primarily due to lower salary and benefit expenditures resulting from vacancies and delayed recruitments. However, these savings were also partially offset by new expenses due to recent labor union agreements and employee leave payouts. Revenue is projected to be $1,0 million below budget largely due to lower levels of reimbursable expenditures in the TTC's Revenue and Treasury Divisions. In addition, the repeal of various administrative fees by Assembly Bills 177 and 199 continues to negatively impact previously collectible revenue sources.

Estimated expenditures in forecasted years include negotiated cost of living increases, earned step increases, increases in service agreement expenditures, and countywide increases for healthcare insurance, PERS Retirement, property insurance, and other internal service charges. Forecasted revenue assumes allowable cost recovery based on estimated expenditures for the Revenue Division, Treasury services, and conservative increases based on recent and current year experience.

OTHER MAJOR FUNDS

Road Fund – The Road Fund is a special revenue fund established by State law to account for revenues legally restricted revenues for the County's Road and bridge projects and related maintenance. The Road Fund's primary funding sources are State Highway User Tax Allocation (HUTA or Gas Tax), the Transportation Agency for Monterey County (TAMC) retail transaction and use tax ordinance (Measure X), the Road Repair and Accountability Act of 2017 (Senate Bill 1 [SB1]), and Transient Occupancy Tax (TOT). Measure X and SB1 are newer revenue streams that produce annual revenues of $9.0 million and $10.0 million, respectively.

Fund 002 Road Fund	Modified Budget 2022-23	Year-End Estimate 2022-23	Forecast 2023-24	Forecast 2024-25	Forecast 2025-26
A. Beginning Fund Balance	$ 18,531,866	$ 21,070,513	$ 22,853,383	$ 5,361,320	$ (8,101,742)
B. Revenue	79,607,646	66,036,485	51,490,797	68,641,112	60,018,996
C. Cancellation of Assignments	-	-	-	-	-
D. Total Financing, A+B+C	98,139,512	87,106,998	74,344,180	74,002,432	51,917,254
E. Expenditures	77,068,999	64,253,615	68,982,860	82,104,174	71,524,838
F. Provisions for Assignments	-	-	-	-	-
G. Total Financing Uses, E+F	77,068,999	64,253,615	68,982,860	82,104,174	71,524,838
H. Ending Fund Balance, D-G	$ 21,070,513	$ 22,853,383	$ 5,361,320	$ (8,101,742)	$ (19,607,584)

The current year revenue estimate is $13.6 million less than budget due to delays in construction of federally funded projects. Two construction phase projects will shift to FY 2024-25, the Davis Road Bridge and Monte Road Bridge projects totaling $4.7 million. In addition, two scheduled projects, G-12 Pajaro to Prunedale Corridor Study - Segment 1 and Segment 6 are now unfunded due to Caltrans' closeout of Monterey Bay Scenic Trail projects scheduled for construction. Accordingly, revenues are projected to decrease by $14.6 million in FY 2023-24, increase by $17.2 million in FY 2024-25, and decrease by $8.6 million in FY 2025-26.

Estimated expenditures are $12.8 million under budget as several large projects' construction phases were deferred until FY 2024-25. Variances between the current year budget and forecasted estimates are primarily due to changes in project timelines due to the significant natural events from fire and the winter storm events, weather, permitting, and staffing constraints. Expenditures in FY 2023-24 are projected to increase by $4.7 million due to major projects scheduled, which include Old Stage Road Rehabilitation, Palo Colorado, and Hunter Lane Reconstruction. Expenditures in FY 2024-25 are projected to increase by $13.1 million and in FY 2025-26 are projected to decrease by $10.6 million as federal funded projects are anticipated to be completed.

Over the last several fiscal years, expenditures have not increased at the same pace as revenues, resulting in a growing fund balance. This is due to the new funding streams, Measure X and SB 1, accumulating. The Public Works, Facilities & Parks Department plans to gradually increase staffing and consultant support to allow for more projects to be completed. As more projects are completed, fund balance will decline. Fund balance is projected to decrease in FY 2024-25 as the fund is projected to have a reduction in federally funded projects. In the forecast, fund balance is a primary financing source for the Pavement Asset Management Program that increases the pavement condition index to fair standards. The Department is awaiting approval, direction, on the proposed bond financing program.

Monterey County Free Libraries – For the current fiscal year end, the Library Department is projecting an addition of $571,244 to existing Fund Balance. The Department's expenditures are $776,552 below budget primarily due to salary savings for vacant positions. Other operational expenditures are in line with the adopted budget. The Library continues facilitating distance learning and remote library use through Library By Mail, added content and expenses for online resources such as e-books, downloadable audio, and other online resources.

Fund 003 Monterey County Free Libraries	Modified Budget 2022-23	Year-End Estimate 2022-23	Forecast 2023-24	Forecast 2024-25	Forecast 2025-26
A. Beginning Fund Balance	$ 6,270,108	$ 6,270,108	$ 6,841,352	$ 7,180,417	$ 7,706,909
B. Revenue	13,003,540	12,933,540	11,639,615	12,042,325	12,458,610
C. Cancellation of Assignments	-	-	-	-	-
D. Total Financing, A+B+C	19,273,648	19,203,648	18,480,967	19,222,742	20,165,519
E. Expenditures	13,138,848	12,362,296	11,300,550	11,515,833	11,682,104
F. Provisions for Assignments	-	-	-	-	-
G. Total Financing Uses, E+F	13,138,848	12,362,296	11,300,550	11,515,833	11,682,104
H. Ending Fund Balance, D-G	$ 6,134,800	$ 6,841,352	$ 7,180,417	$ 7,706,909	$ 8,483,415

Current year revenue is $70,000 below budget, primarily due to lower library services revenue (due to the removal of fines last year) and a slight decrease in contributions from the Foundation from Monterey County Free Libraries (FMCFL) and Friends of the Libraries groups.

For forecasted period, the Library projects an increase in Fund Balance primarily due to favorable property tax projections increasing at a rate of 5% next year and 3.5% on subsequent years. Property tax revenue is the biggest revenue source for the Department.

Staff continues their commitment to garner technology and library services grants to augment program and technology needs. The California State Library's financial support of some pandemic resources will end in FY 2023-24. Ongoing assessment of staffing needs should result in continued realignment of vacant positions, however continued work on the new Bradley Library, and anticipated increase in stops for the new North Bookmobile may result in increased staffing needs.

The Foundation for Monterey County Free Libraries is committed to continue funding ongoing programs such as Homework Centers, Summer Reading Program, and outreach to youth in the community, and they continue to rebuild from their drop in revenue resulting in less dedicated funding in calendar year 2022 compared to calendar year 2021, so library services will adjust or reduce accordingly. Various Friends of the Library groups continue to support and fundraise on behalf of local branch libraries.

The Library's capital improvement projects for the next three years include the addition of a rural library in Bradley. The Director is working toward developing a library services solution for the East Garrison community and exploring possible leases in partnership with cities and school districts. Projected in the Capital Improvement Program are outlays for Fixtures, Furniture, and Equipment for the new Gonzales Branch, and significant repairs to the Pajaro Branch.

Behavioral Health – Pursuant to Welfare and Institutions Code Section 5600, the Health Department's Behavioral Health Bureau provides a continuum of County operated and community-based substance use disorder and mental health services. The program provides community prevention programs, crisis intervention, inpatient psychiatric services, social rehabilitation, supportive housing, and outpatient services primarily to Monterey County Medi-Cal beneficiaries who meet the State Department of Health Care Services, Mental Health Division's medical necessity criteria. In addition, the program also serves many non-Medi-Cal eligible residents who have behavioral health disorders. All the financial activity for these services is captured in the Behavioral Health Fund (fund 23).

Fund 023 Behavioral Health	Modified Budget 2022-23	Year-End Estimate 2022-23	Forecast		
			2023-24	2024-25	2025-26
A. Beginning Fund Balance	$62,593,487	$62,593,487	$58,543,335	$ 55,081,381	$ 51,135,641
B. Revenue	150,279,106	139,961,602	143,340,282	143,340,282	143,340,282
C. Cancellation of Assignments	-	-	-	-	-
D. Total Financing, A+B+C	212,872,593	202,555,089	201,883,617	198,421,663	194,475,923
E. Expenditures	157,398,704	144,011,754	146,802,236	147,286,022	148,206,401
F. Provisions for Assignments	-	-	-	-	-
G. Total Financing Uses, E+F	157,398,704	144,011,754	146,802,236	147,286,022	148,206,401
H. Ending Fund Balance, D-G	$55,473,889	$58,543,335	$55,081,381	$ 51,135,641	$ 46,269,522

For the current fiscal year, expenditures for the Behavioral Health Fund are estimated at $144.0 million and revenues are estimated at $139.9 million; resulting in an estimated decrease of fund balance of $4.1 million.

Expenditures are estimated approximately $13.4 million below the modified budget of $157.4 million. The lower expenditures are attributable to a higher than budgeted vacancy rate generating $5.4 million in salary and benefit savings, lower than anticipated operating transfer in the Whole Person Care program in the amount of $2.9 million, and lower than anticipated services and supplies costs of approximately $5.0 million.
Current year-end revenue is estimated at $139.9 million, which is approximately $10.4 million below the modified budget of $150.3 million. The decrease in revenues is attributable to lower Mental Health Services Act (MHSA) revenues of approximately $6.0 million and lower than anticipated Federal Financial Participation reimbursements of $4.4 million.
The forecast years depict a decrease in expenditures and revenues, as compared to the modified budget, due to the phase-out of the Whole Person Care program, which ended on December 2021 but still had expenditures in FY 22-23. Excluding this significant change, increases in salary and benefits, operating cost increases such as insurance costs, and contracted services are projected to increase. This combined with anticipated impacts to revenue streams in realignment and Mental Health Services Act (MHSA) project a significant decrease in fund balance. MCHB will monitor these impacts as it prepares its FY 2023-24 budget and will adjust as needed to minimize this impact. As reported in the FY 2022-23 year-end report, the fund balance includes $8.4 million in assigned funds for potential future Medi-Cal program settlement costs.

Emergency Communications - The Emergency Communications Department provides dispatch and call taking (9-1-1 and non-emergency) to Monterey County residents and law enforcement, fire protection and emergency medical dispatch services for over 30 local, regional, county, and State public safety agencies.

Fund 028 Emergency Communications	Modified Budget 2022-23	Year-End Estimate 2022-23	Forecast 2023-24	Forecast 2024-25	Forecast 2025-26
A. Beginning Fund Balance	$ 3,381,708	$ 3,381,708	$ 3,105,714	$ 2,854,197	$ 2,614,916
B. Revenue	13,238,353	12,615,703	14,110,839	14,552,538	14,507,651
C. Cancellation of Assignments	-	-	-	-	-
D. Total Financing, A+B+C	16,620,061	15,997,411	17,216,553	17,406,735	17,122,567
E. Expenditures	12,909,353	12,891,697	14,362,356	14,791,819	14,606,780
F. Provisions for Assignments	-	-	-	-	-
G. Total Financing Uses, E+F	12,909,353	12,891,697	14,362,356	14,791,819	14,606,780
H. Ending Fund Balance, D-G	$ 3,710,708	$ 3,105,714	$ 2,854,197	$ 2,614,916	$ 2,515,787

The Department is operating under a special revenue fund and expects to end the current year with expenditures totaling $12.9 million and revenue totaling $12.6 million, including a County GFC of $841,021 resulting in a decrease in fund balance of approximately $276,000.

The Department estimates a planned addition to the department's reserve of $329,000 in the current year. This addition to the reserve was planned through the annual budgeting process and will be set aside for future replacement and upgrades to the Department's equipment, systems, and building. The reserve is not intended to pay for ongoing operating costs. The Department's fund balance is expected to decrease due to a reduction of GFC in the current year resulting from an overcollection of Public Safety Sales Tax funds collected in the fund in the prior year.

Costs are expected to rise in the forecast years due to escalating salaries, pension, healthcare, and insurance costs as well as rising costs of service agreements that maintain the operations at the Department. Costs are charged pursuant to the formula in the 9-1-1 Services Agreement which allocates costs to the agencies served through a 3-factor ratio of jurisdictional workload, property value, and population. The Department anticipates continuing to build its reserves through the forecast years using that cost sharing ratio.

Fund 028 Emergency Communications	Modified Budget 2022-23	Year-End Estimate 2022-23	Forecast 2023-24	Forecast 2024-25	Forecast 2025-26
A. Beginning Fund Balance	$ 3,381,708	$ 3,381,708	$ 3,105,714	$ 2,854,197	$ 2,614,916
B. Revenue	13,238,353	12,615,703	14,110,839	14,552,538	14,507,651
C. Cancellation of Assignments	-	-	-	-	-
D. Total Financing, A+B+C	16,620,061	15,997,411	17,216,553	17,406,735	17,122,567
E. Expenditures	12,909,353	12,891,697	14,362,356	14,791,819	14,606,780
F. Provisions for Assignments	-	-	-	-	-
G. Total Financing Uses, E+F	12,909,353	12,891,697	14,362,356	14,791,819	14,606,780
H. Ending Fund Balance, D-G	$ 3,710,708	$ 3,105,714	$ 2,854,197	$ 2,614,916	$ 2,515,787

Natividad – Natividad is a County enterprise fund, defined as a governmental fund that provides goods and services to the public for a fee, making the entity self-supporting.

Fund 451 Natividad	Modified Budget 2022-23	Year-End Estimate 2022-23	Forecast		
			2023-24	2024-25	2025-26
A. Beginning Fund Balance	$225,199,071	$225,199,071	$247,065,675	$ 250,872,366	$ 257,630,219
B. Revenue	384,650,960	404,393,676	418,604,380	428,453,531	437,200,899
C. Cancellation of Assignments	-	-	-	-	-
D. Total Financing, A+B+C	609,850,031	629,592,747	665,670,055	679,325,897	694,831,118
E. Expenditures	366,221,605	382,527,072	414,797,689	421,695,678	428,821,911
F. Provisions for Assigments	-	-	-	-	-
G. Total Financing Uses, E+F	366,221,605	382,527,072	414,797,689	421,695,678	428,821,911
H. Ending Fund Balance, D-G	$243,628,426	$247,065,675	$250,872,366	$ 257,630,219	$ 266,009,207

Natividad estimates to end the current year with $3.4 million higher net operating results than budget. The pandemic continues to impact the operations to both revenues and expenses. The expected average daily census was 122.3 while the actual has been 127.1. The higher than anticipated inpatient census has been for trauma services and general (non-COVID) patients. However, patients with COVID continue to be treated, but at a lower volume than prior years. The increase in net operating results comes from an increase in the census and government assistance for higher expenses in providing care.

Expenditures in the current year are estimated at $16.3 million over budget. Labor and supplies expenses are major contributors to increases in expenditures. While higher volume contributed to additional costs, contracted or travel nurses and labor for ancillary services significantly added to labor expenses. Annual wage and benefits cost increases also factor into the higher labor costs. Contracted physicians and operating costs continue to be high compared to previous years.

The current year and the forecasted years include costs for capital projects. Natividad forecasts to spend on average $20.0 million annually on capital projects. Proposed projects may include: Emergency department remodel and upgrade to improve patient flow, upgrade tube system between Rehab, Labor and Delivery and Medical Surgical units, upgrade laboratory tracking system for testing, upgrade alarm fire alarm system, upgrade communication system – phone, replacement of computers on wheels for patient information, and replacement of general medical equipment.

NMC projects an increase in net position from operations over the current and forecasted years.

Lake & Resort Operations – The Lake & Resort Operations Fund is an enterprise fund accounting for Lake Nacimiento operations. It is a self-supporting entity, providing goods and services to the public for a fee. The Resort at Lake Nacimiento is managed under an agreement with an external operator, Vista Recreation. The agreement allows for reimbursement of the operator's expenditures in addition to monthly management and annual incentive fees. The County is responsible for capital expenses such as repairs to infrastructure.

Fund 452 Lake & Resort Operations	Modified Budget 2022-23	Year-End Estimate 2022-23	Forecast 2023-24	Forecast 2024-25	Forecast 2025-26
A. Beginning Fund Balance	$ 2,323,808	$ 2,323,808	$ 1,896,416	$ 1,998,979	$ 1,583,970
B. Revenue	4,603,639	3,271,332	3,905,930	3,488,313	3,592,947
C. Cancellation of Assignments	-	-	-	-	-
D. Total Financing, A+B+C	6,927,447	5,595,140	5,802,346	5,487,292	5,176,917
E. Expenditures	4,193,603	3,698,724	3,803,367	3,903,322	4,026,091
F. Provisions for Assignments	-	-	-	-	-
G. Total Financing Uses, E+F	4,193,603	3,698,724	3,803,367	3,903,322	4,026,091
H. Ending Fund Balance, D-G	$ 2,733,844	$ 1,896,416	$ 1,998,979	$ 1,583,970	$ 1,150,826

Lake Nacimiento began the year with a net position of $2.3 million, with $0.9 million restricted for Zebra/Quagga Mussel Program and 2018 trailer fire insurance proceeds, $1.0 million for investment in capital assets, and $0.4 million unrestricted. The current year estimate anticipates revenues and expenditures of $3.3 million and $3.7 million, respectively, for a net loss of $0.4 million. Revenue is expected to come under budget by $1.3 million, while expenditures are $0.5 million lower than budget, with anticipated $0.4 million net loss compared to the budgeted net gain of $0.4 million. Vista Recreation anticipated a more favorable year, post-pandemic. However, with water levels around 30% capacity, July through November revenues alone fell under budget by $0.8 million. Demand for recreational activities, such as boating, also declined with rising fuel prices. The operator responded quickly by reducing labor costs to minimize losses.

Revenue forecasts for the next three years, reflect modest increases, in anticipation of increased demand for recreational activities as 10 new boats will be added to the fleet in April 2023. This is expected to increase boat rental, day use, lodging, camping, and fuel sales revenues. The County will receive 15% of gross revenues from boat rentals, with no related costs for the operator-owned fleet. The final settlement payment for the Water World Resort liability is due in June 2024, which will then eliminate the need for a General Fund subsidy, lowering FY 2024-25 revenues. Expenditure forecasts for the next three years grow on average $0.1 million each year in anticipation of higher payroll and other direct costs. As in the past challenging years, Vista Recreation will exercise appropriate measures to control all revenue-driven costs.

Laguna Seca Recreation Area (Laguna Seca) – Laguna Seca is owned by the County and functions as a fee-for-service enterprise. Operations are managed by A&D Narigi Consulting, LLC (A&D). LSRA operations include camping, track rentals, venue rentals, corporate team-building packages, and special events, including local and international gatherings. As an enterprise fund, the fees collected from its operations are its sole financing source to fully cover its operating costs and asset improvement and replacement needs.

Fund 453 Laguna Seca Recreation Area	Modified Budget 2022-23	Year-End Estimate 2022-23	Forecast 2023-24	Forecast 2024-25	Forecast 2025-26
A. Beginning Fund Balance	$ 9,863,458	$ 9,863,458	$ 9,110,499	$ 11,543,791	$ 13,942,424
B. Revenue	18,044,645	16,982,410	27,910,641	27,910,641	27,910,641
C. Cancellation of Assignments					
D. Total Financing, A+B+C	27,908,103	26,845,868	37,021,140	39,454,432	41,853,065
E. Expenditures	18,560,643	17,735,369	25,477,349	25,512,008	25,532,202
F. Provisions for Assignments					
G. Total Financing Uses, E+F	18,560,643	17,735,369	25,477,349	25,512,008	25,532,202
H. Ending Fund Balance, D-G	$ 9,347,460	$ 9,110,499	$ 11,543,791	$ 13,942,424	$ 16,320,863

Current year estimates project $17.0 million of revenues and $17.7million of expenditures, which will reduce the net position by $0.8 million, from $9.9 million to $9.1 million. The anticipated revenues are lower than budget due largely to the bridge and track rehabilitation project which requires the track be closed during construction for a minimum of five months. There were also delays in migrating to new ticketing and merchandise online sales portals, which likely caused some reduced revenues.

The forecasted years are anticipated to be the turnaround years, especially after the completion of the bridge and track capital projects. The forecasts anticipate an annual revenue forecast of $27.9 million. A&D is optimistic that these years will be its break-out years, hoping to see pre-pandemic activity from both returning and new patrons. Expenses are forecasted to increase annually, primarily due to increased service and supply costs, in anticipation of increased costs that are vital to bringing in more revenues by inviting new racetrack enthusiasts, as well as reconnecting with both international and local patrons. The higher revenue forecasts are expected to yield an average of $2.4 million of net income annually, which would increase Net Position to $16.3 million by FY 2025-26.