



County of Monterey FY 2022-23 Baseline Budget

COUNTY ADMINISTRATIVE OFFICE

BOARD OF SUPERVISORS MEETING APRIL 5,
2022





Current Year End Estimate and Forecast



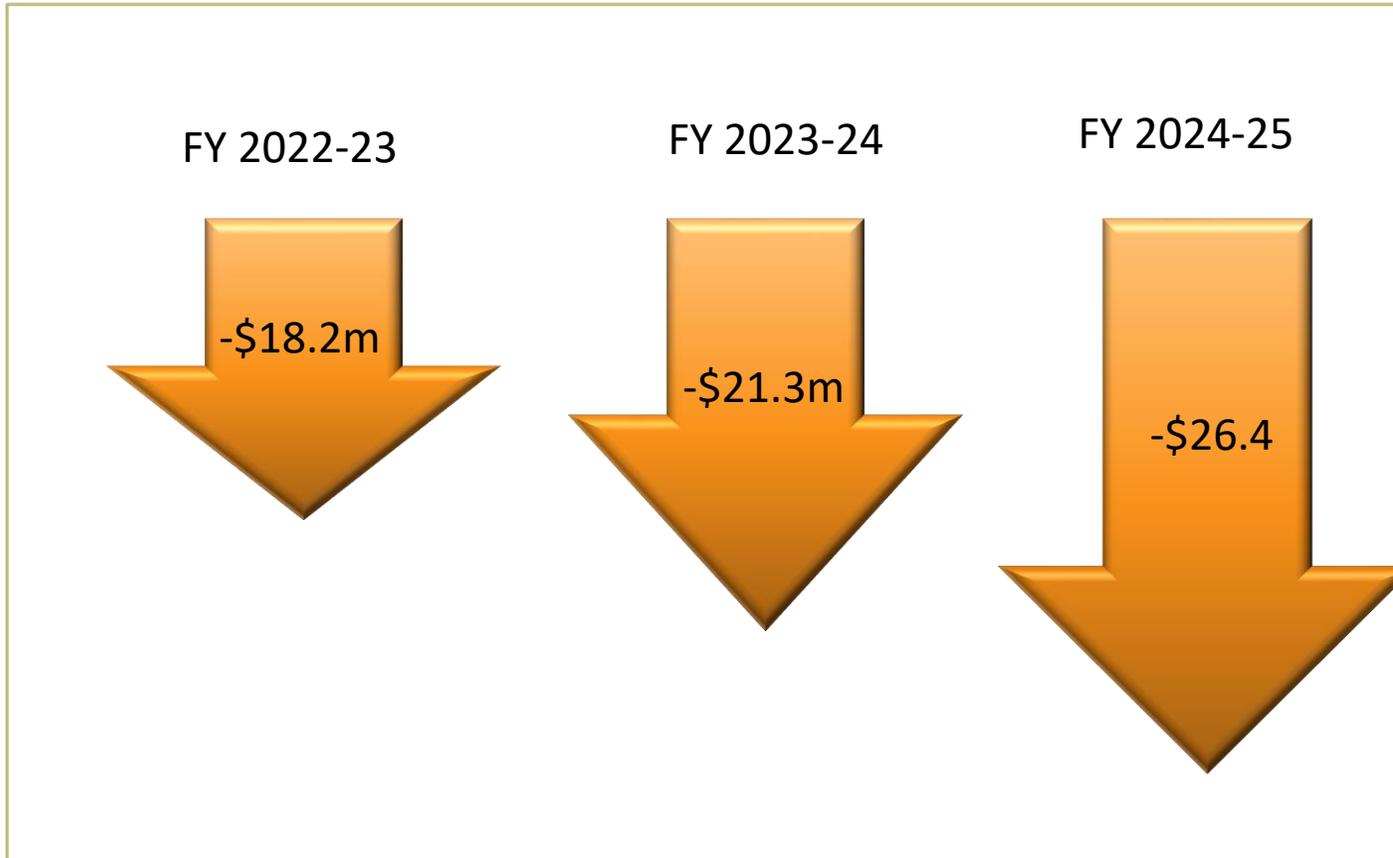
Current Year Estimate Favorable

	2020-21	FY 2021-22			2022-23	2023-24	2024-25
	Actual	Adopted	Modified	Year-End Estimate	Forecast		
Available Financing:							
Beg. Unassigned Fund Balance	\$0.3	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Release of Fund Balance	78.5	8.3	9.0	8.8	0.0	0.0	0.0
Revenues	<u>743.5</u>	<u>754.8</u>	<u>754.9</u>	<u>770.3</u>	<u>730.3</u>	<u>735.4</u>	<u>747.0</u>
Total Financing Sources	\$822.3	\$763.1	\$763.9	\$779.1	\$730.3	\$735.4	\$747.0
Financing Uses:							
Assignments/Restrictions	96.5	0.0	0.0	0.0	0.0	0.0	0.0
Expenditures	719.4	760.7	763.0	775.9	750.7	759.6	776.1
<i>Salary Adjustmnet</i>					(9.4)	(10.1)	(9.9)
Appropriation for Contingencies	<u>0.0</u>	<u>2.4</u>	<u>0.9</u>	<u>0.5</u>	<u>7.2</u>	<u>7.2</u>	<u>7.2</u>
Total Financing Uses	\$815.9	\$763.1	\$763.9	\$776.4	\$748.5	\$756.7	\$773.4
Ending Unassigned Fund Balance	\$6.4	\$0.0	\$0.0	\$2.7	(\$18.2)	(\$21.3)	(\$26.4)

- Expenditures estimated to end \$12.9 million (1.7%) above budget.
- Revenues are projected to be \$15.4 million above budget expectations
- Net estimated result for FY 2021-22 is a positive \$2.7 million, due to ARPA revenue

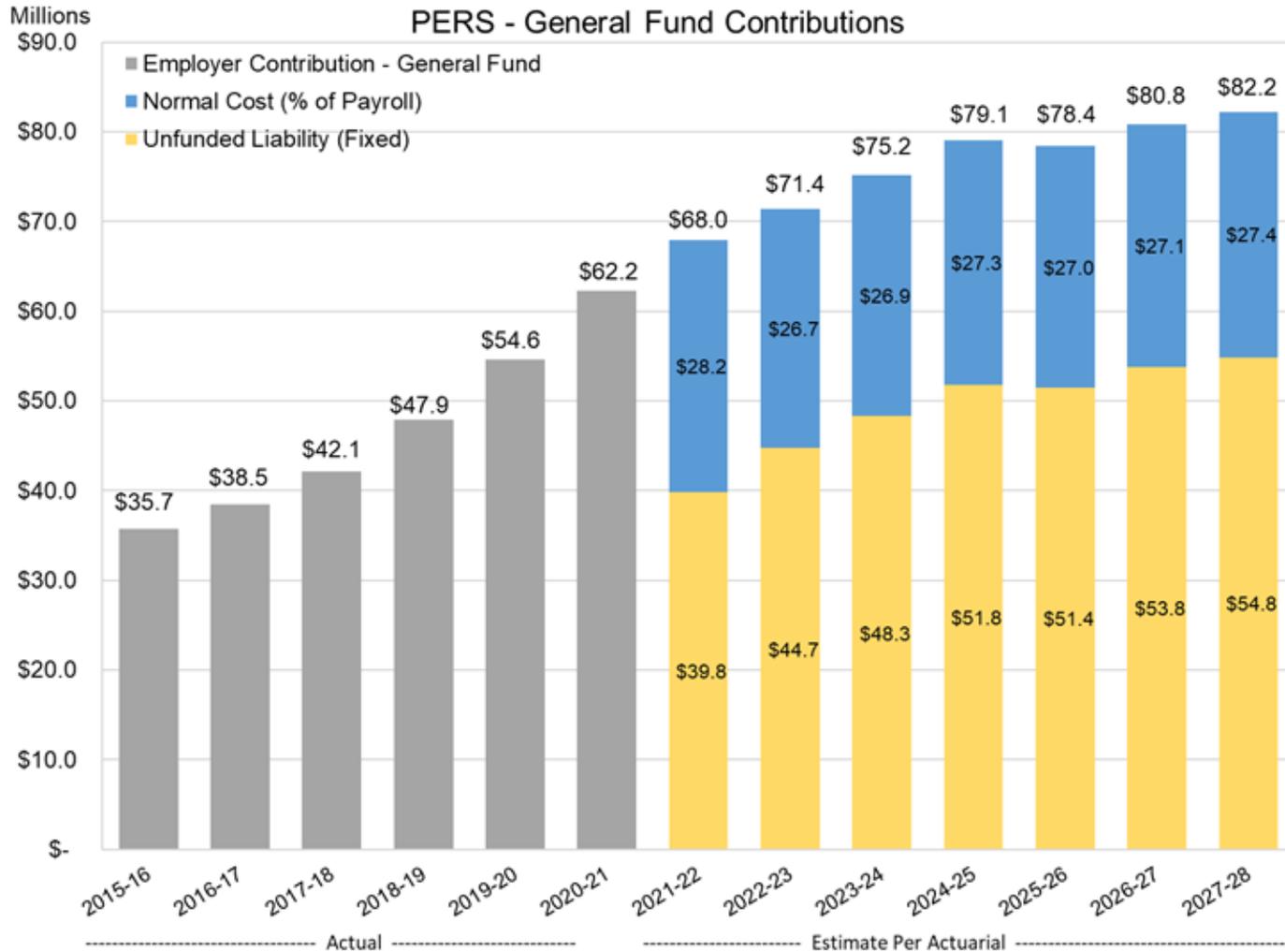
Forecasted Funding Gaps

(Based on Current Operations & Policy)



- Funding gaps emerge beginning next fiscal year, growing from \$18.2 million to \$26.4 million by the end of the forecast period.
- Rising pension contributions add \$7.5 million in general fund costs next year, \$8 million in FY 2023-24 and \$3.4 million in FY 2024-25.
- Wage costs, health insurance costs, and general liability costs also contribute to the rising costs.

Rising Pension Costs

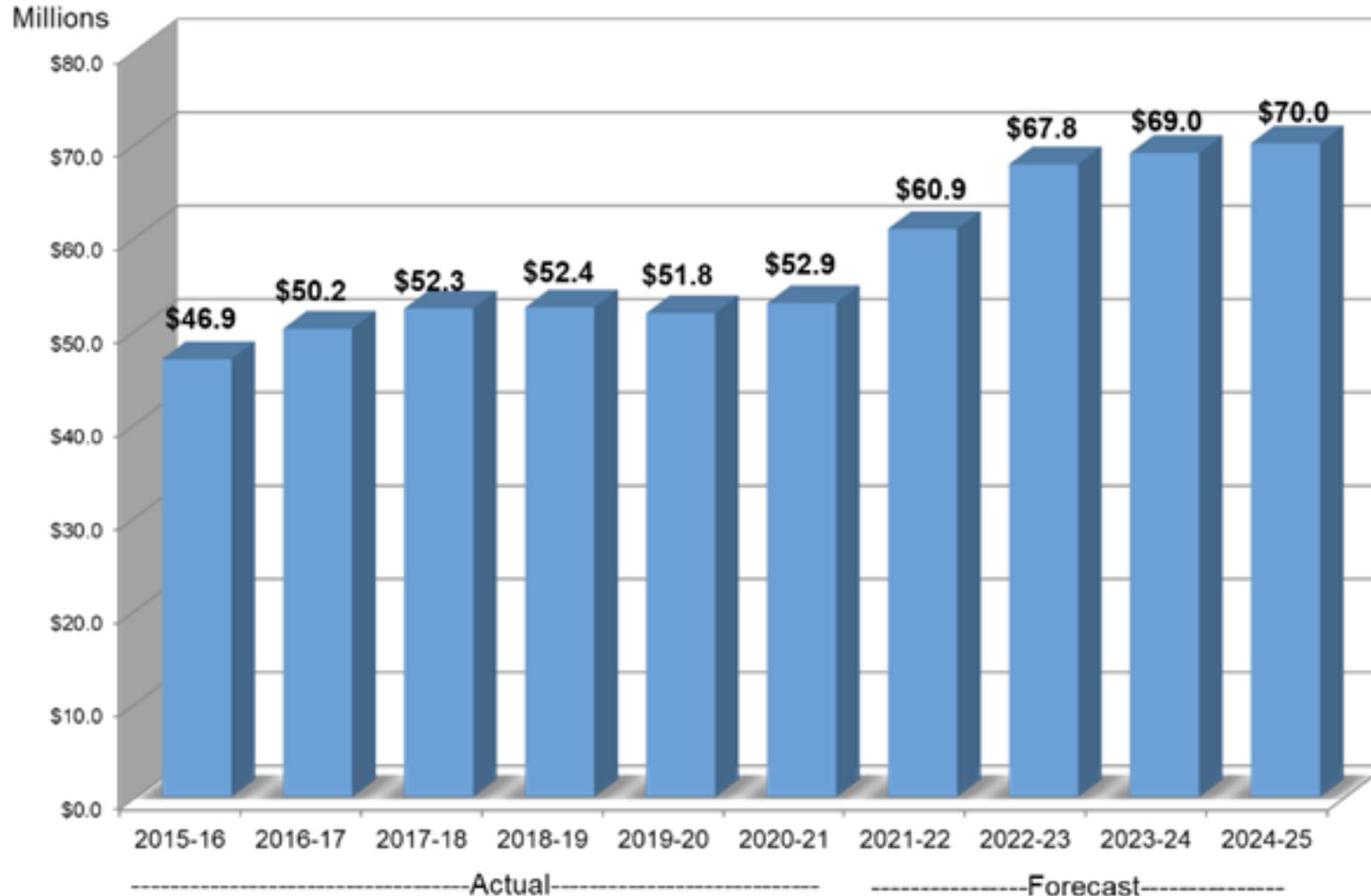


- Driving pension costs upward across the state is CalPERS' annual rate increases to ensure assets are on hand to pay benefits in the future.
- Pension costs are estimated to grow by \$9.2 million in FY 2022-23 compared to the prior year's budget.
- The combined unfunded liability as of PERS' last actuarial is \$818.8 million

General Fund Health Insurance Expenditures



General Fund Employee Health Insurance Expenditures

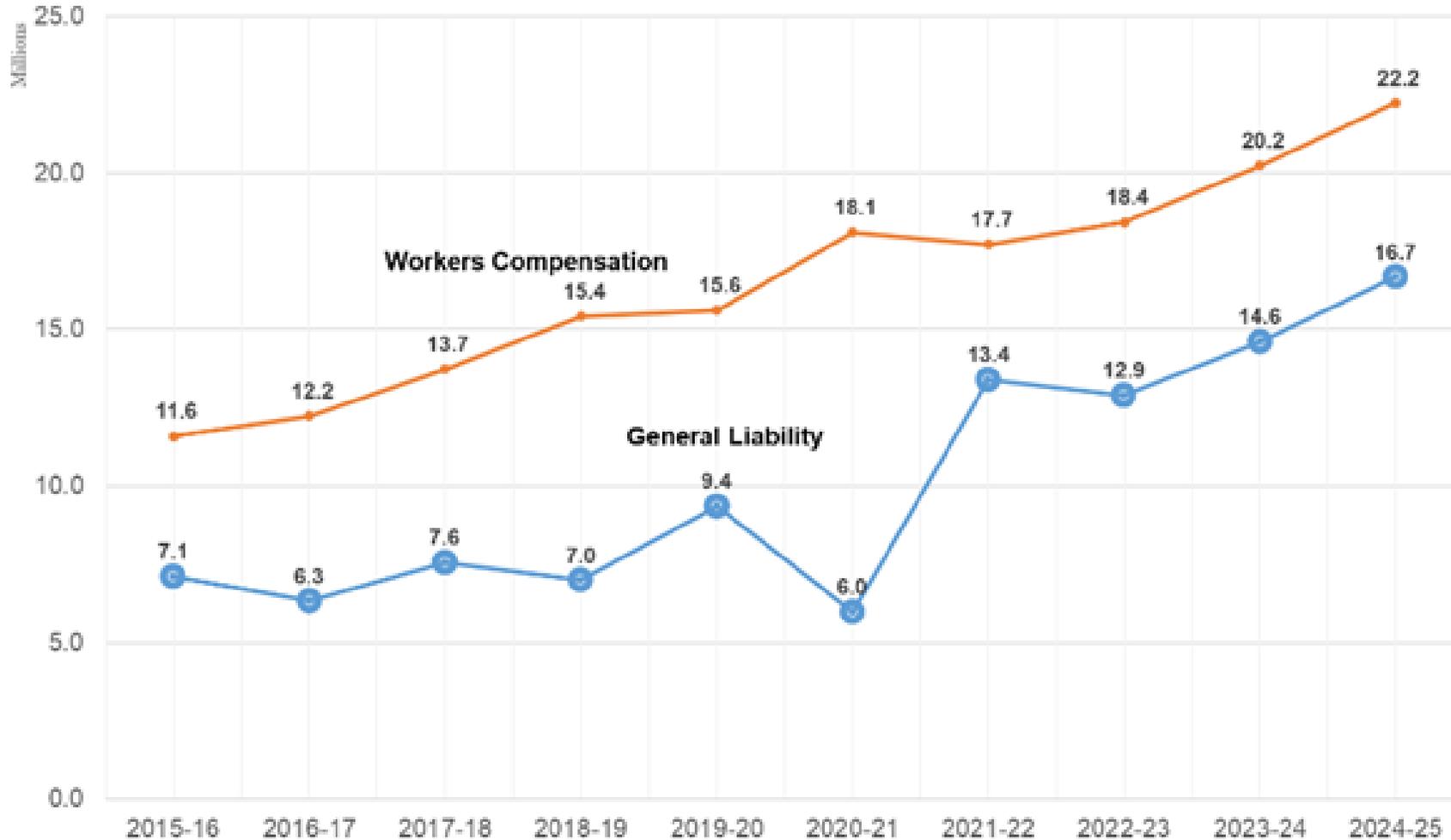


- Health Insurance costs are projected to grow \$8 million in the current year due to negotiated health benefit costs and premium increases
- This type of cost increase is unprecedented over the last 10 years.
- Projections indicate health insurance costs will grow by an additional \$6.9 million, if vacant positions are filled.
- Costs should stabilize in FY 2023-24 forward.



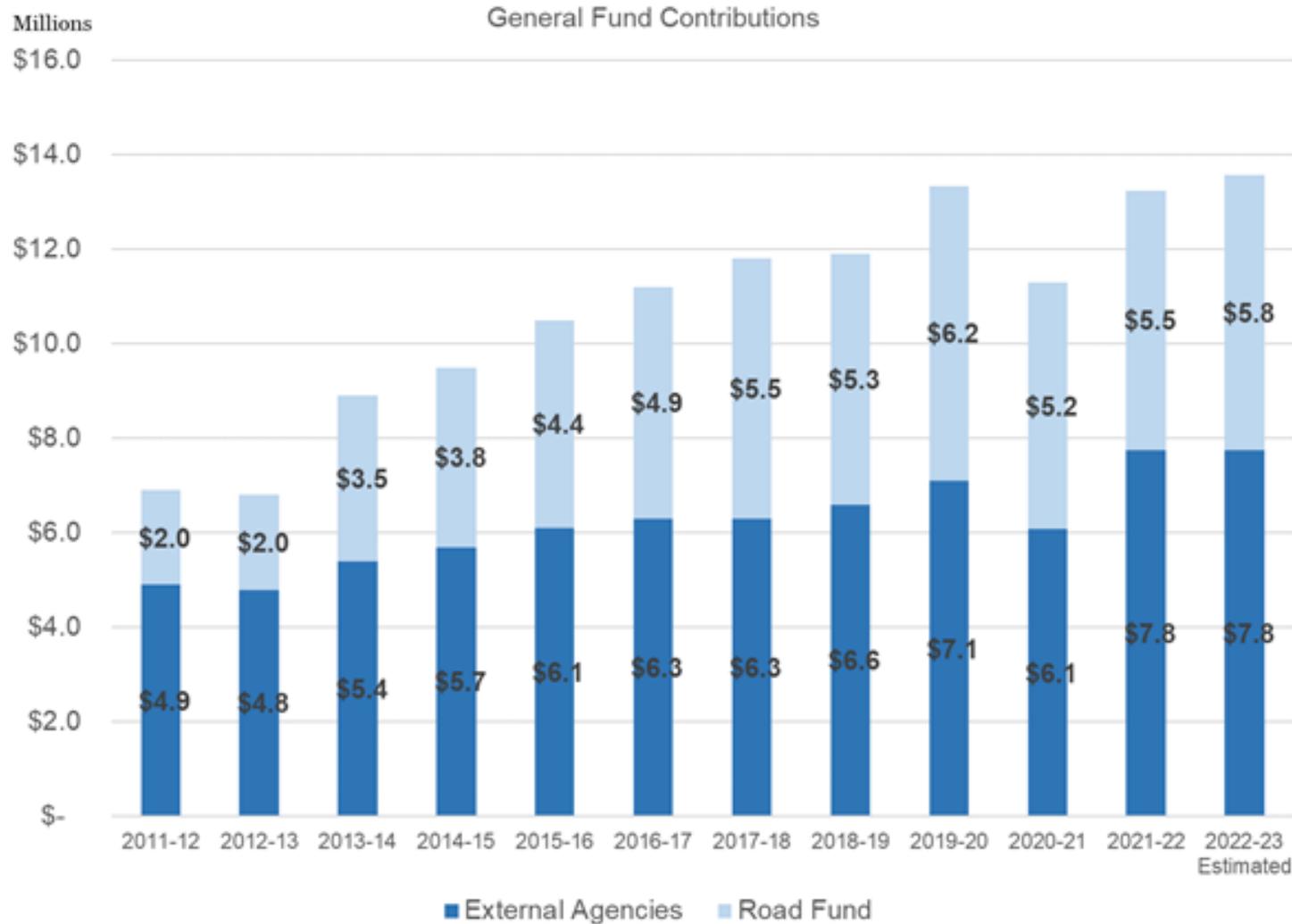
Workers Compensation & General Liability Program

General Fund Workers Comp and General Liability Costs



- Forecasted Workers Compensation Program expenditures increase \$4.1 million by the end of the forecast period.
- General Liability (GL) Insurance Program expenditures decrease \$0.5 million next year but grows \$3.8 million in the by the end of the forecast period.

General Fund Contribution to Outside Agencies

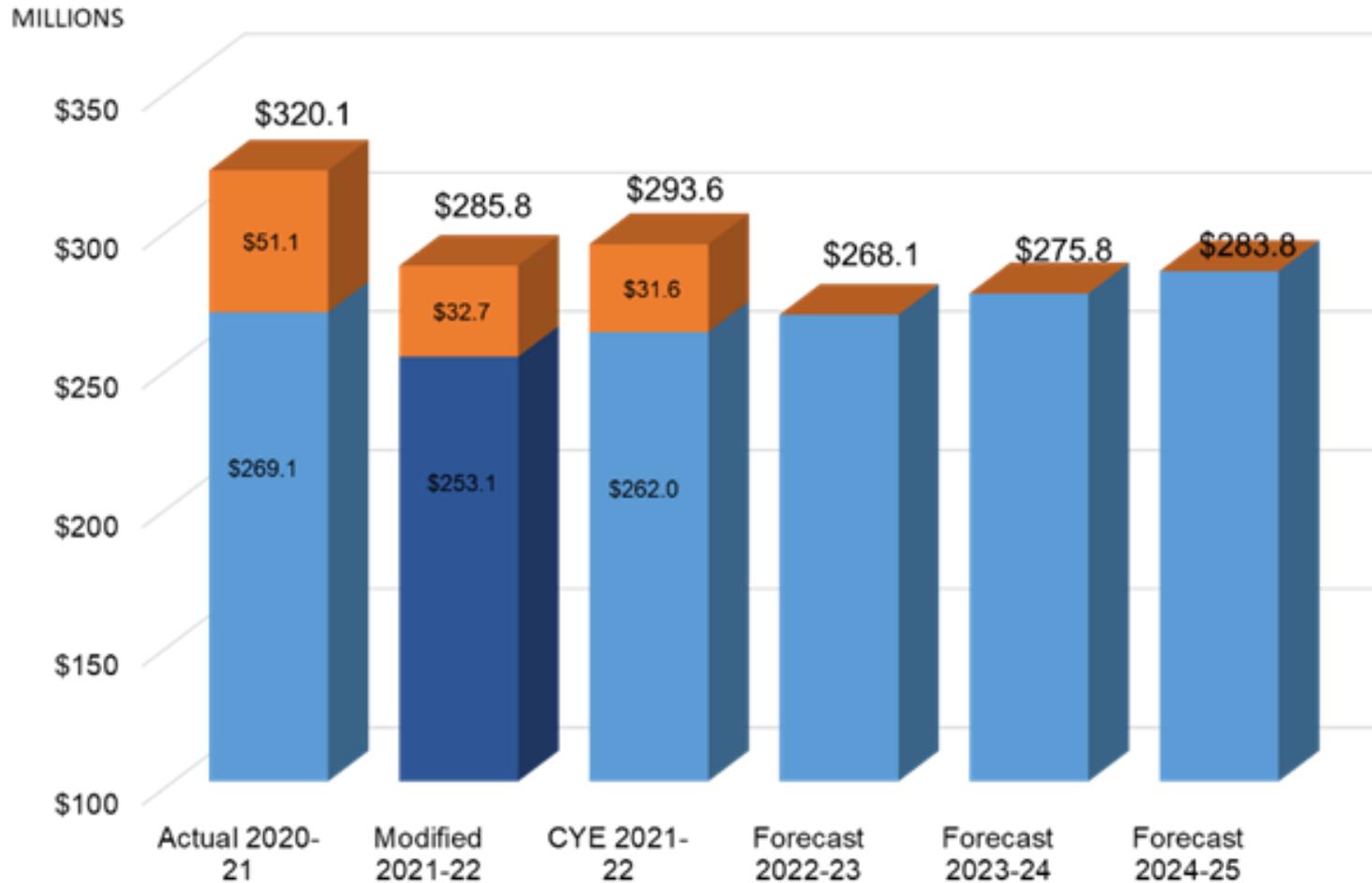


- The chart at left shows general fund contributions to the road fund and to the “development set-aside” agencies (MCCVB, Arts Council, Film Commission, and Business Council).
- These formula-based contributions are tied to County TOT collections.
- As TOT revenue has risen significantly, so have contributions to these entities with FY 2020-21 being the exception.



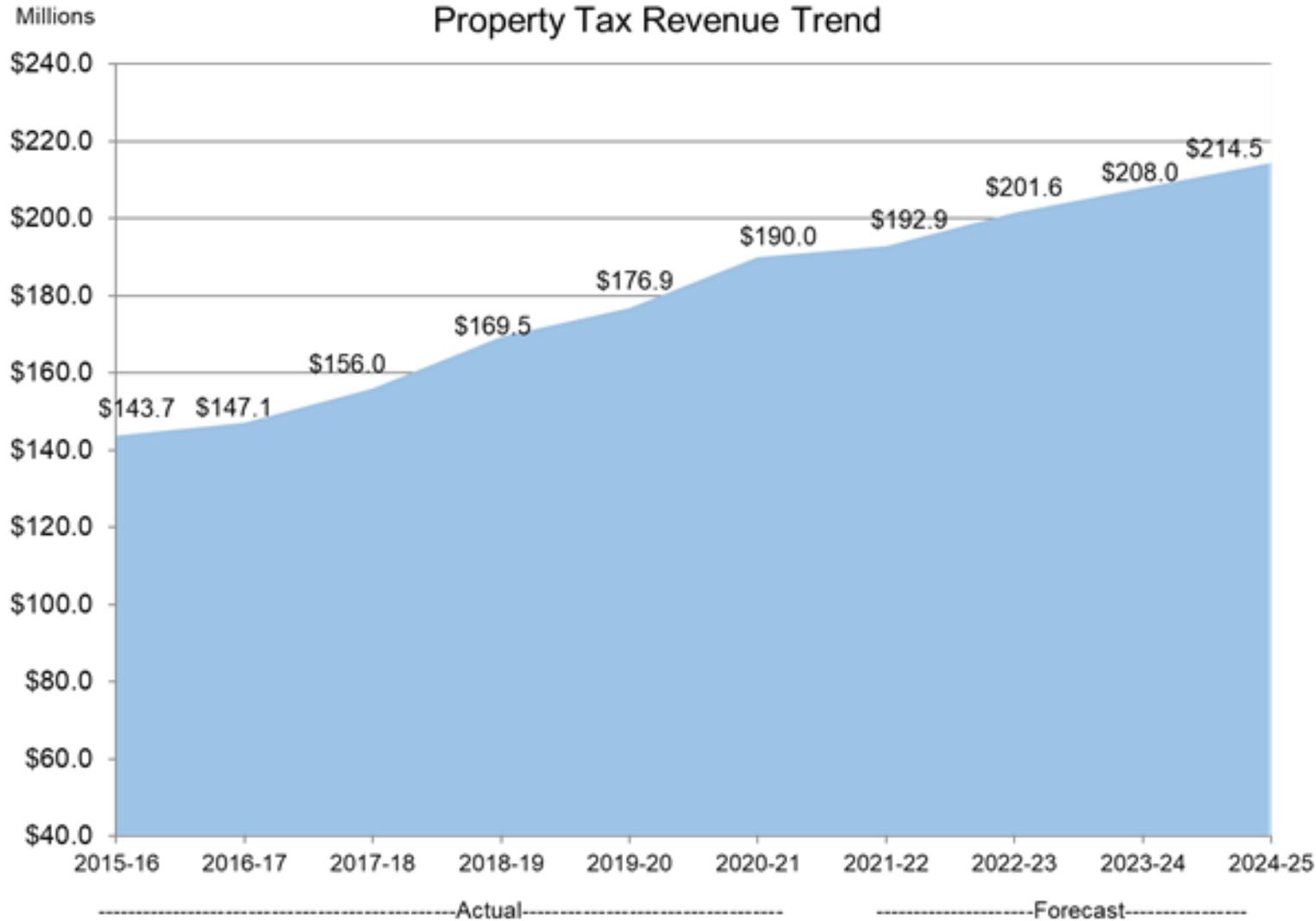
Discretionary Revenue Still Increasing

Discretionary Revenue Forecast



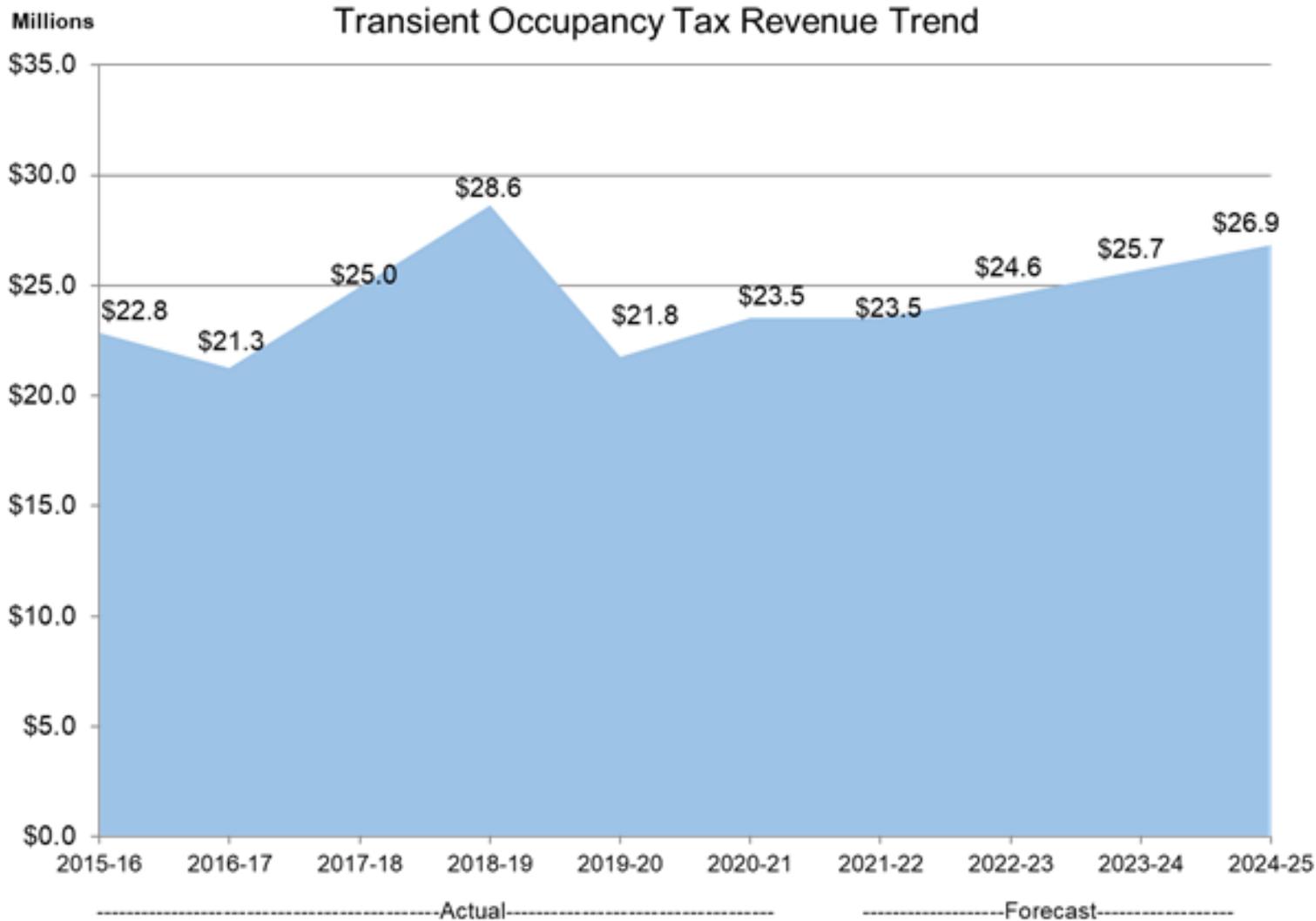
- Up \$7.8 million in current year compared to budget (one-time ARPA revenue of \$31.6 million)
- Discretionary revenue is forecasted to grow another \$6.1 million next fiscal year; \$7.7 million in 2022-23 and \$8 million in 2023-24.

Discretionary Revenue Drivers – Property Tax



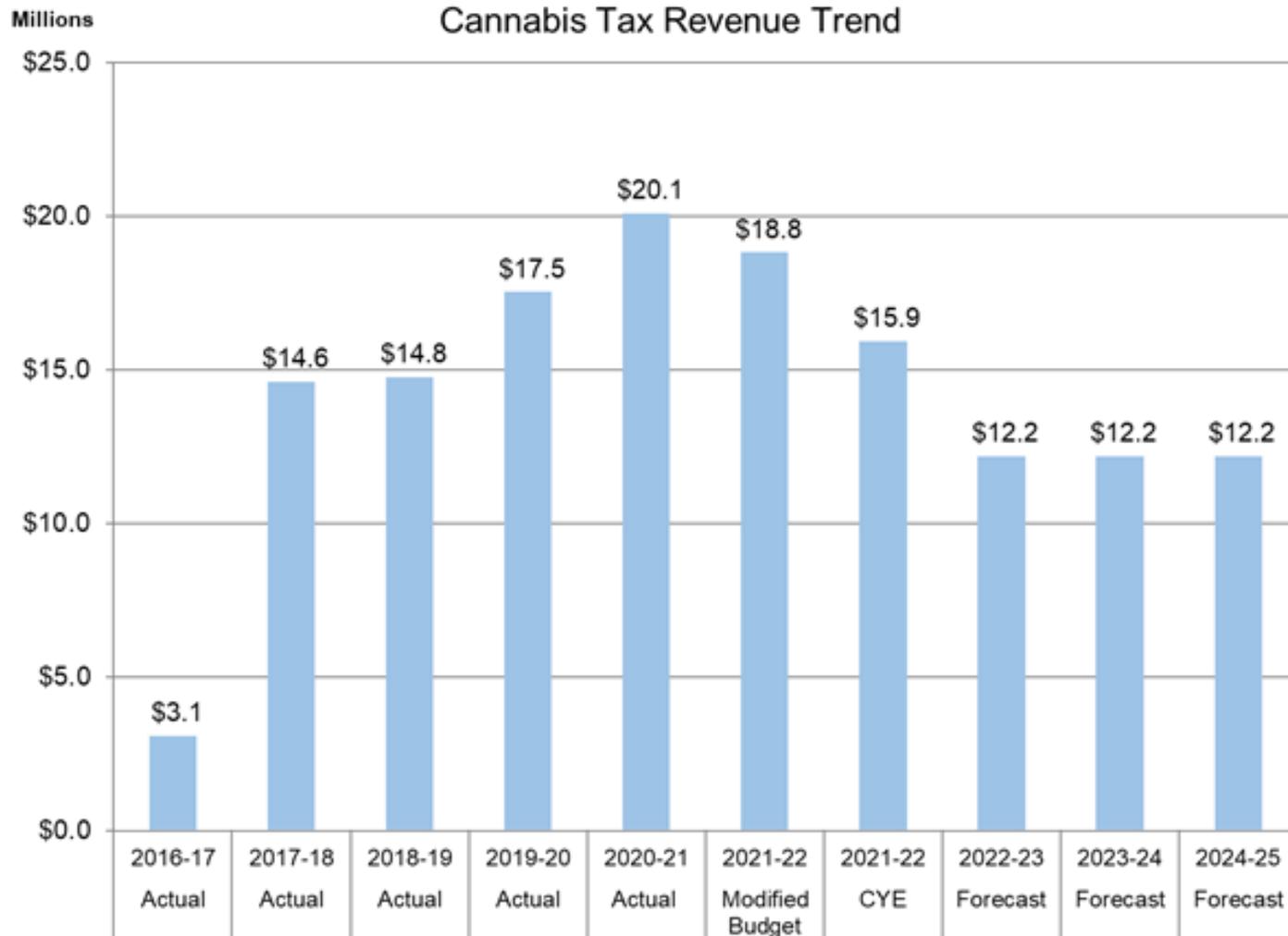
- Property Taxes have continued to grow, with the most significant growth occurring in FY 2020-21 and continued growth projected in the forecast years.
- Property taxes have been surprisingly strong amid the pandemic pressures; but need to monitor closely as reduction in this revenue could be impactful to service levels

Discretionary Revenue Drivers – TOT



- Transient Occupancy Taxes (TOT) are a significant revenue source which has experienced decreases during the pandemic
- Current year estimates show significant improvement as revenue was more resilient than originally estimated
- Projections estimate incremental growth over the forecast period

Cannabis Revenue



- The current year estimate and forecast include \$15.9 million (\$2.9 million below budget) in cannabis revenue.
- Cannabis Revenue is projected flat at \$12.2 million over the forecast period due to recent Board approved changes in taxing rates
- **Provide direction** on cannabis revenue utilization. For every \$1 million in cannabis revenue pulled out of baseline 6.8 positions would have to be removed from the baseline budget



FY 2021-22 Baseline Budget

Budget Process in Brief



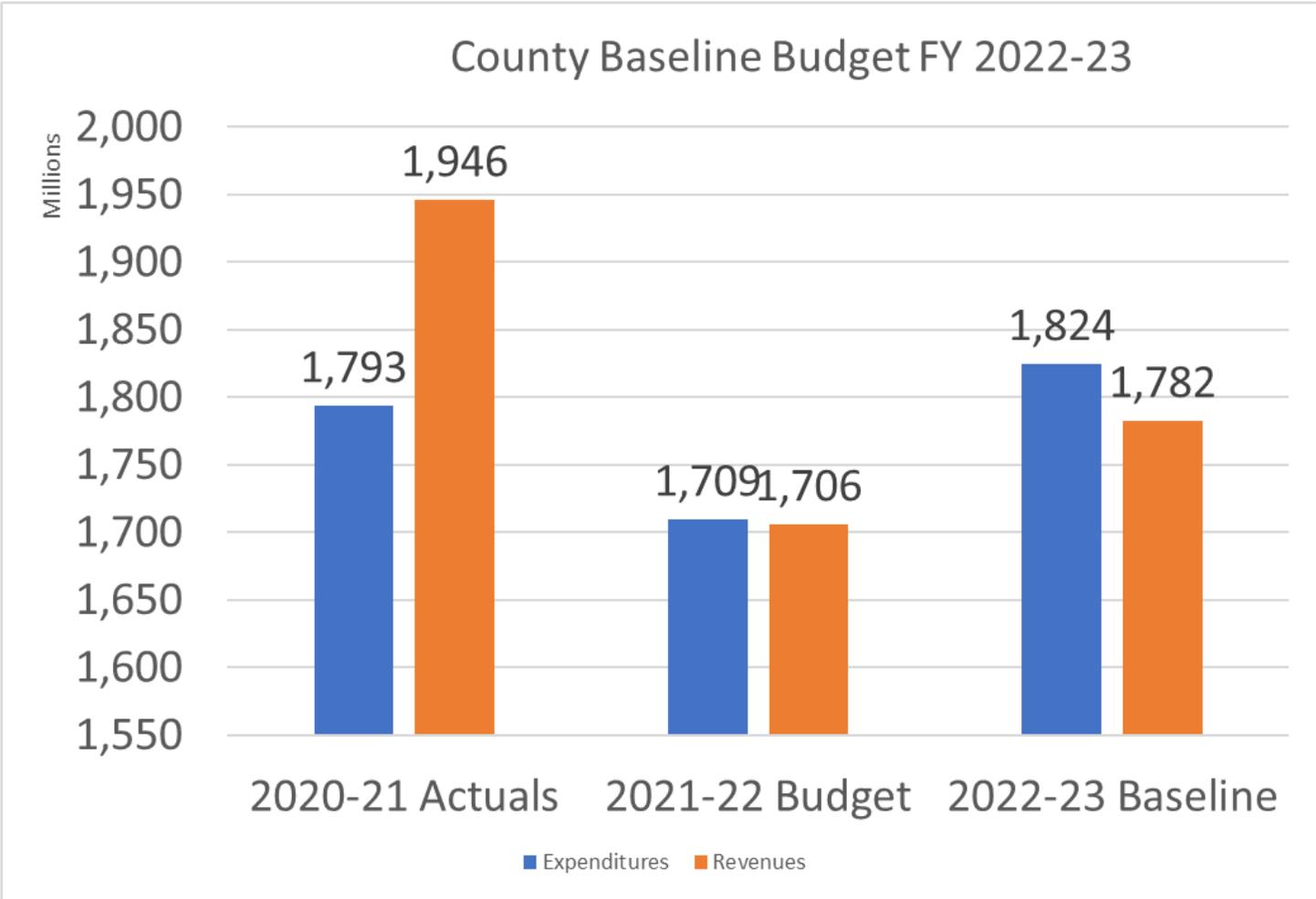
- Preliminary plans for carrying out next year's operations.
- Must be balanced.
- Assumes no augmentations.

- Prioritized proposals if additional County Contributions are Available.

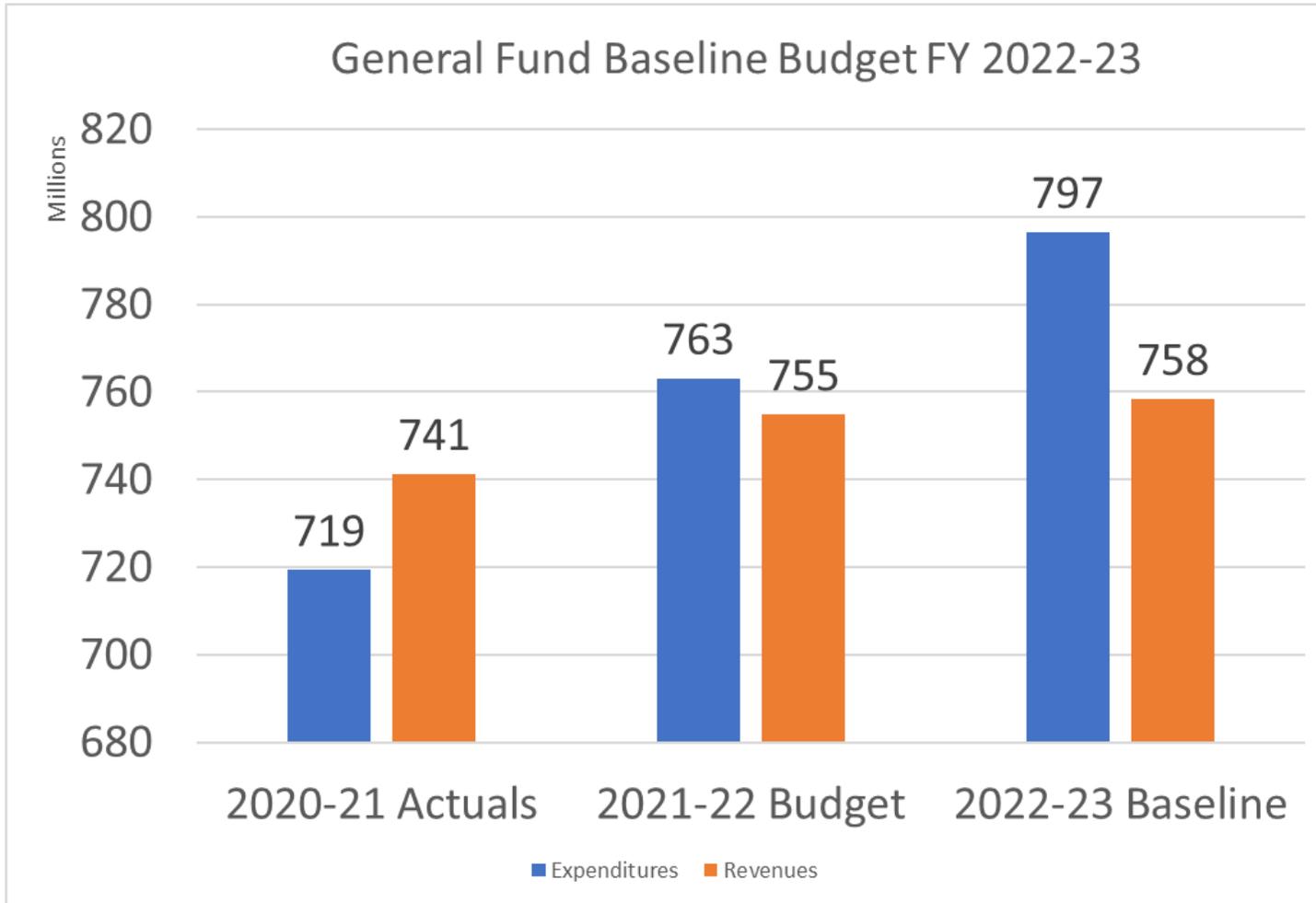
Countywide Analysis

- Countywide Needs Assessment
- DHs Workshop
- BOS Workshop
- Budget Hearings
- Budget Adoption

Overall County Baseline Budget



Overall General Fund Baseline Budget



Fund Balance use:

- \$30.6 million for 115 pension trust previously approved by the Board
- Health – Clinics \$5.4 million liability payment to the state
- Health – EH \$440,901
- Social Services \$471,972
- Sheriff \$120,000
- District Attorney - \$420,799
- Public Defender - \$600,000



Augmentations Summary by Fund

Fund	Fund Name	FTE	Expenditures	Revenues	Net Augmentation
001	General Fund	182.68	\$ 45,620,240	\$ 13,891,993	\$ 31,728,247
002	Road Fund	13.00	\$ 1,853,229	\$ 1,853,229	\$ -
003	Library	-	\$ 1,800,000	\$ 1,800,000	\$ -
057	CSA 17	-	\$ 22,600		\$ 22,600
151	Pajaro CSD	-	\$ 2,416,403		\$ 2,416,403
404	Capital Fund	-	\$ 95,347	\$ 95,347	\$ -
453	Laguna Seca	1.00	\$ 612,014	\$ 59,549	\$ 552,465
025	H&W Realignment	-	\$ 290,054		\$ 290,054
023	Behavioral Health	33.00	\$ 3,500,358	\$ 2,323,974	\$ 1,176,384
Grand Total		229.68	\$ 56,210,245	\$ 20,024,092	\$ 36,186,153

- Departments submitted **\$36.2** million in augmentation requests from the following funds
 - \$31.8 million from the General Fund
 - \$2.4 million Pajaro CSD
 - \$1,176,384 form Behavioral Health fund
- Since submittal of the Baseline budget costs have gone up in the Sheriff's department due to new negotiated labor costs by and estimated \$1.7 million resulting in additional augmentations affecting an estimated 14 FTEs



Augmentations Summary by Category

Category	FTE	Expenditures	Revenues	Net Augmentation
Capital Improvements	-	\$ 7,447,850	\$ 3,830,347	\$ 3,617,503
Contribution to Other Funds	-	\$ 4,239,003		\$ 4,239,003
New Mandated Program/Service w/ General Fund Funding	1.50	\$ 1,340,220		\$ 1,340,220
New Mandated Program/Service w/ Outside Funding	11.00	\$ 1,099,284	\$ 1,099,284	\$ -
New Program/Service w/ General Fund Funding	-	\$ 3,476,950	\$ 318,195	\$ 3,158,755
New Program/Service w/ Outside Funding	-	\$ 5,221,195	\$ 4,000,000	\$ 1,221,195
Request New Position	139.50	\$ 14,953,376	\$ 10,406,080	\$ 4,547,296
Status Quo Filled Position	26.88	\$ 3,906,637		\$ 3,906,637
Status Quo Other	-	\$ 7,451,115	\$ 370,186	\$ 7,080,929
Status Quo Vacant Position	50.80	\$ 7,074,615		\$ 7,074,615
Grand Total	229.68	\$ 56,210,245	\$ 20,024,092	\$ 36,186,153

New negotiated/pending costs

14 FTE

\$1.7 million

- \$3.7 million for Status Quo Filled Positions
- \$7.1 million for Status Quo Vacant positions
- \$7.1 million for Status Quo not related to positions
- \$4.5 million for new positions
- \$3.7 million for Capital Improvements
- \$4.2 million for Contribution to Other Funds
- \$5.7 million for new programs or services



Augmentations Summary by Department

Category	FTE	Expenditures	Revenues	Net Augmentation
Agricultural Commissioner	-	\$ 331,879		\$ 331,879
Auditor-Controller	1.00	\$ 556,590		\$ 556,590
Board of Supervisors	1.83	\$ 254,006		\$ 254,006
Civil Rights Office	1.00	\$ 186,855		\$ 186,855
County Administrative Office	7.00	\$ 9,321,786	\$ 6,623,381	\$ 2,698,405
County Counsel	1.00	\$ 517,710		\$ 517,710
District Attorney	17.85	\$ 2,639,559	\$ 276,578	\$ 2,362,981
Health	95.00	\$ 11,426,246	\$ 7,762,043	\$ 3,664,203
Housing and Community Development	-	\$ 1,408,000		\$ 1,408,000
Human Resources	4.00	\$ 652,659		\$ 652,659
Information Technology	1.00	\$ 3,739,827		\$ 3,739,827
Library	-	\$ 1,800,000	\$ 1,800,000	\$ -
Probation	10.50	\$ 1,367,194	\$ 822,708	\$ 544,486
Public Defender	3.50	\$ 836,125	\$ 276,576	\$ 559,549
Public Works, Facilities & Parks	27.00	\$ 9,991,622	\$ 2,008,125	\$ 7,983,497
Sheriff-Coroner	47.00	\$ 8,275,417		\$ 8,275,417
Social Services	12.00	\$ 2,872,995	\$ 454,681	\$ 2,418,314
Treasurer-Tax Collector	-	\$ 31,775		\$ 31,775
Grand Total	229.68	\$ 56,210,245	\$ 20,024,092	\$ 36,186,153

Sheriff-Coroner

14 FTE

\$1.7 million

Largest Requests

- \$8.27 million from the Sheriff's department – mostly status quo requests to keep existing level of service
- \$7.98 million from Public Works, Facilities, and Parks, of which \$1.35 million is for status quo operations
- \$3.73 million ITD - \$1.93 million for previously approved ARPA capital projects, \$1.61 million for new capital projects
- \$3.66 million for new programs and positions; \$1.17 million in BH, and \$2.19 million in the general fund.



Status Quo Funding Gaps

Category	FTE	Expenditures	Revenues	Net Augmentation
Status Quo Filled Position	26.88	\$ 3,906,637		\$ 3,906,637
Status Quo Vacant Position	50.80	\$ 7,074,615		\$ 7,074,615
Grand Total	77.68	\$ 10,981,252		\$ 10,981,252

Category	FTE	Expenditures	Revenues	Net Augmentation
Status Quo Filled Position	26.88	\$ 3,906,637		\$ 3,906,637
Status Quo Other	-	\$ 7,451,115	\$ 370,186	\$ 7,080,929
Status Quo Vacant Position	50.80	\$ 7,074,615		\$ 7,074,615
Grand Total	77.68	\$ 18,432,367	\$ 370,186	\$ 18,062,181

- Funding gap for 77.68 FTE (\$10.9 million)
 - 26.88 filled
 - 50.8 vacant
- Other status quo needs: \$7.1 million
- Total need \$18.1 million
- Sheriff-Coroner 14 FTE additional (13 filled, 1 vacant)

Status Quo Position Related Augmentations



Category	FTE	Expenditures	Revenues	Net Augmentation
Auditor-Controller	1.00	\$ 356,590	\$	\$ 356,590
Status Quo Vacant Position	1.00	\$ 356,590	\$	356,590
Board of Supervisors	1.83	\$ 234,506	\$	\$ 234,506
Status Quo Filled Position	1.03	\$ 140,684	\$	140,684
Status Quo Vacant Position	0.80	\$ 93,822	\$	93,822
Civil Rights Office	1.00	\$ 171,855	\$	\$ 171,855
Status Quo Vacant Position	1.00	\$ 171,855	\$	171,855
County Administrative Office	4.00	\$ 577,163	\$	\$ 577,163
Status Quo Vacant Position	4.00	\$ 577,163	\$	577,163
County Counsel	1.00	\$ 274,741	\$	\$ 274,741
Status Quo Vacant Position	1.00	\$ 274,741	\$	274,741
District Attorney	16.85	\$ 2,362,981	\$	\$ 2,362,981
Status Quo Filled Position	10.85	\$ 1,666,521	\$	1,666,521
Status Quo Vacant Position	6.00	\$ 696,460	\$	696,460
Human Resources	4.00	\$ 652,659	\$	\$ 652,659
Status Quo Vacant Position	4.00	\$ 652,659	\$	652,659
Public Defender	2.00	\$ 520,230	\$	\$ 520,230
Status Quo Filled Position	2.00	\$ 520,230	\$	520,230
Sheriff-Coroner	46.00	\$ 5,830,527	\$	\$ 5,830,527
Status Quo Filled Position	13.00	\$ 1,579,202	\$	1,579,202
Status Quo Vacant Position	33.00	\$ 4,251,325	\$	4,251,325
Grand Total	77.68	\$ 10,981,252	\$	\$ 10,981,252

Largest Impacts

- Sheriff's Department, total 46 FTEs + 14 additional FTEs (\$1.7 million)
- District Attorney 16.85 FTEs
- Human Resources and CAO, both with 4 FTEs each.

Criteria for Augmentations



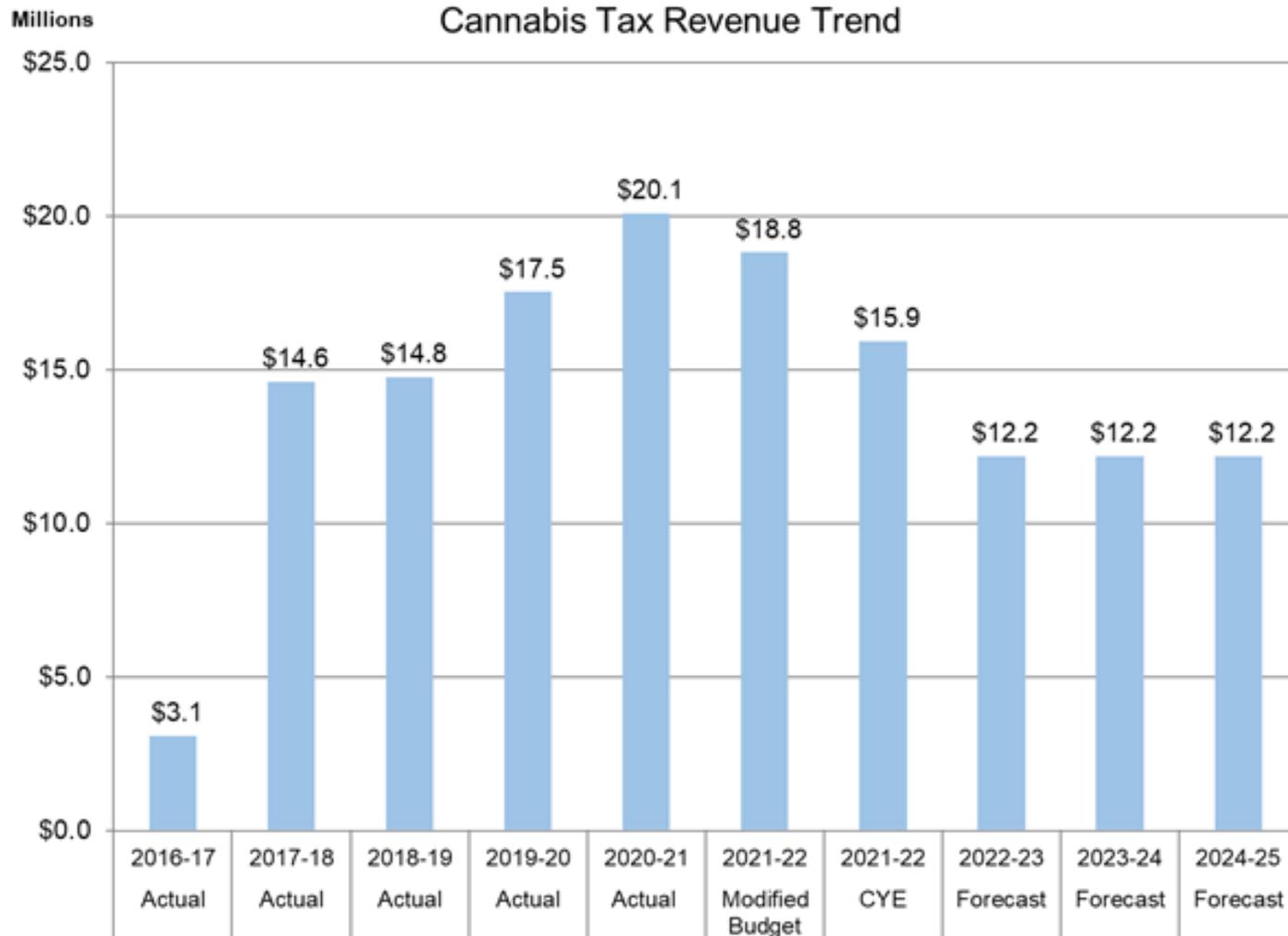
- Mandated by current law or Board policy;
- Alignment with the County's strategic initiatives and priorities;
- Consistent with community priorities expressed in forums, surveys, and other engagement initiatives.
- Necessary to maintain current level of mission-critical services/operations;
- Substantiation of compelling public need (e.g., health, safety, economy vitality, quality of life) that cannot be met within existing resources;
- Likelihood of success based on prior performance, degree of readiness (planning/specificity), requested resources, and assumed timeline;
- Leverages sustainable financial support from non-County sources;
- Appropriate placement of responsibility (federal, state, or local);
- Degree of urgency; and/or
- Critical infrastructure investment to ensure productivity and continuity of operations.



Financing for Augmentations

- One Time Funds
 - Cannabis Assignment
 - American Rescue Plan
 - Respond to Emergency or its negative economic impacts
 - Workers Costs responding to the pandemic
 - Continuation of Government Services Provision to the extent of revenue reduction due to COVID emergency
 - Water, Sewer, Broadband infrastructure

Cannabis Revenue



- The current year estimate and forecast include \$15.9 million (\$2.9 million below budget) in cannabis revenue.
- Cannabis Revenue is projected flat at \$12.2 million over the forecast period due to recent Board approved changes in taxing rates
- **Provide direction** on cannabis revenue utilization. For every \$1 million in cannabis revenue pulled out of baseline 6.8 positions would have to be removed from the baseline budget



ARPA Plan Summary

ARPA Three and a Half Year Plan Summary, ORIGINAL

FY/Department	Pandemic Response	Economic Recovery	Revenue Loss	Infrastructure	Grand Total
2020-21	16,145,717	5,839,020	1,814,761		23,799,498
2021-22	1,937,568	4,870,203	12,081,826	15,821,221	34,710,818
2022-23	1,685,349	4,262,511	10,597,091	1,805,862	18,350,813
2023-24	1,750,000		5,324,608	375,524	7,450,132
Grand Total	21,518,634	14,971,734	29,818,286	18,002,607	84,311,261

ARPA Three and a Half Year Plan Summary, MODIFIED

FY/Department	Pandemic Response	Economic Recovery	Revenue Loss	Infrastructure	Grand Total
2020-21	11,597,902	4,619,020	424,720		16,641,642
2021-22	5,181,022	6,680,203	12,081,826	15,821,221	39,764,272
2022-23	2,003,543	5,652,552	10,597,091	1,805,862	20,059,048
2023-24	2,068,194		5,324,608	375,524	7,768,326
2024-25	77,973.00				77,973
Grand Total	20,928,634	16,951,775	28,428,245	18,002,607	84,311,261

- ARPA Funding and preliminary legislation was made available May 2021
- Board approved at three-and-a-half-year plan to use ARPA funds in four major categories in June 2021
 - Pandemic Response
 - Economic Recovery
 - Revenue Loss
 - Infrastructure



Next Steps

- The Board's annual budget workshop on April 5th is an opportunity to provide a “budget preview” and receive direction before building the recommended budget to be presented at the budget hearings on June 1st and 2nd.

Departmental Presentations

